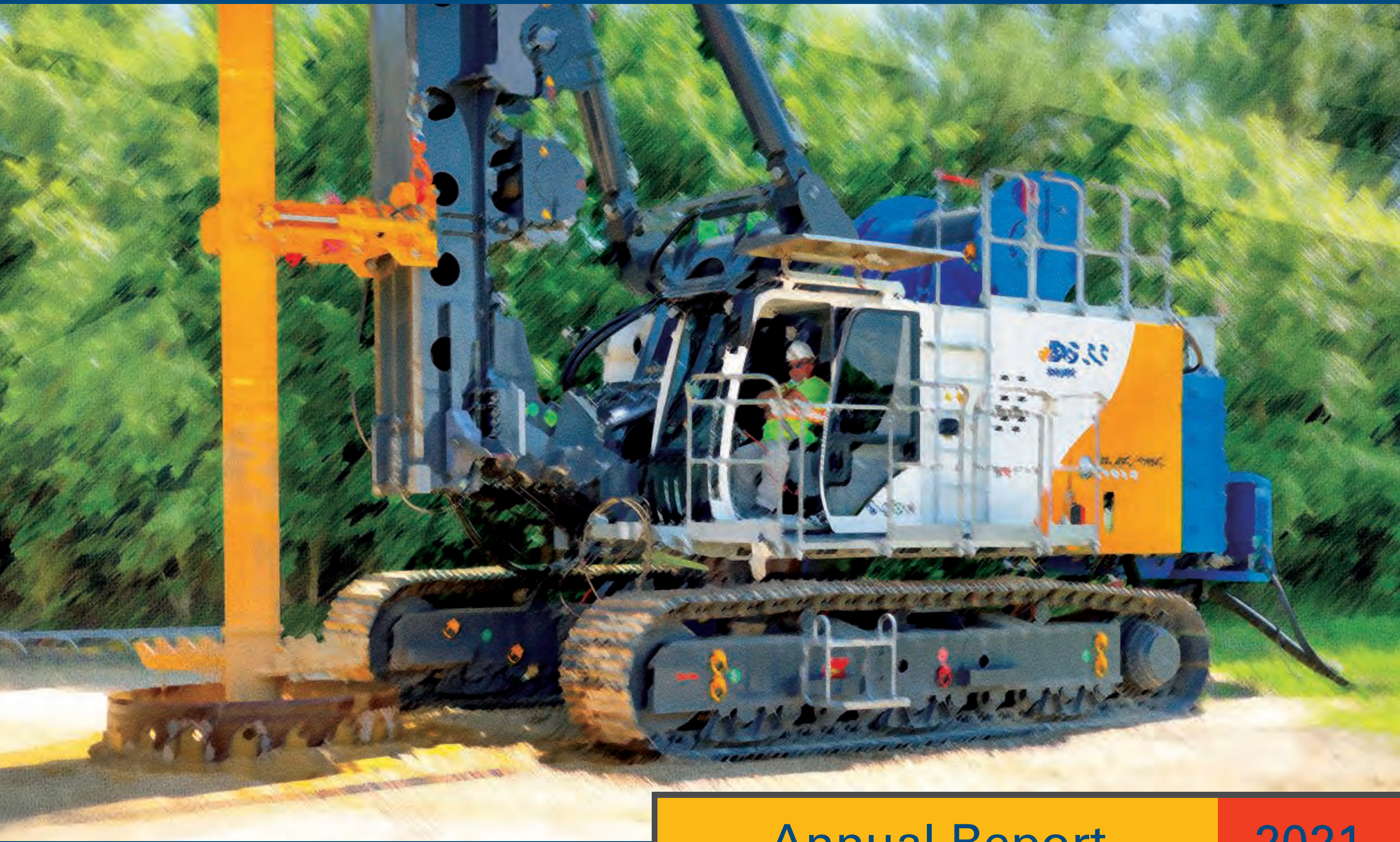


Annual Report 2021

BAUER

The Group at a glance

GROUP KEY FIGURES 2018 – 2021

IFRS in EUR million		2018	2019	2020 **	2021	Change 2020/2021
Total Group revenues		1,686.1	1,594.7	1,453.6	1,537.6	5.8%
of which	Germany	467.1	518.7	416.9	463.2	11.1%
	International	1,219.0	1,076.0	1,036.7	1,074.4	3.6%
	International in %	72.3	67.5	71.3	69.9	n/a
of which	Construction	767.6	628.8	644.7	682.4	5.9%
	Equipment	723.1	713.7	610.7	681.5	11.6%
	Resources	261.5	314.8	293.1	272.5	-7.0%
	Corporate Services/Consolidation	-66.1	-62.6	-94.9	-98.8	n/a
Consolidated revenues		1,616.9	1,537.7	1,401.3	1,472.4	5.1%
Sales revenues		1,589.1	1,470.9	1,343.2	1,433.1	6.7%
Order intake		1,721.9	1,608.7	1,588.5	1,739.5	9.5%
Order backlog		1,013.6	1,027.6	1,162.5	1,364.4	17.4%
EBITDA		198.6	134.3	165.2	153.5	-7.1%
EBITDA margin in % (of sales revenues)		12.5	9.1	12.3	10.7	n/a
EBIT		100.1	33.7	55.5	36.0	-35.1%
EBIT margin in % (of sales revenues)		6.3	2.3	4.1	2.5	n/a
Earnings after tax		24.1	-36.6	-8.2	4.0	n/a
Capital investment in property, plant and equipment		103.4	145.8	133.4	179.7	34.7%
Equity		431.8	386.9	365.5	481.1	31.6%
Equity ratio in %		26.5	23.8	23.7	29.3	n/a
Total assets		1,632.3	1,628.5	1,544.0	1,639.5	6.2%
Earnings per share		1.32	-2.17	-0.48	-0.02	n/a
Distribution		1.71	0.00	0.00	0.00 *	n/a
Dividend per share in EUR		0.10	0.00	0.00	0.00 *	n/a
Return on equity after tax in %		5.8	-8.5	-2.1	1.09	n/a
Employees (reporting date)		12,931	12,701	11,027	11,966	8.5%
of which	Germany	4,203	4,234	4,061	4,001	-1.5%
	International	8,728	8,467	6,966	7,965	14.3%

* Proposed; subject to the consent of the Annual General Meeting to be held on June 23, 2022
** Previous year adjusted; see p. 100

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.

BAUER Aktiengesellschaft
Annual Report 2021

2 Milestones in the Company's History

4 Pictures of 2021

6 Mission

8 The World is our Market

10 **Foreword**

13 **Combined Management Report**

54 **Bauer Share**

56 **Report of the Supervisory Board**

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

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

169 Audit opinion

179 Assurance by the legal representatives

180 Imprint

Milestones in the Company's History


1


2


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 – 2021

> **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

> **2018** 7

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

> **2019**

Bauer cutter technology reaches record depth of 251.4 m at project in Canada

> **2020**

Three successful decades of environmental and mixing plant technology; Start of diaphragm wall works for the 2nd core route project in Munich.

> **2021** 8

Bauer has been operating the world's largest reed bed treatment plant in Oman for ten years; Bauer presents its first electric rotary drilling rig eBG 33 and a world first with the Cube System; BAUER AG successfully carries out a capital increase.

1

1

3

3

Pictures of 2021

New innovations of BAUER Maschinen GmbH 1

As part of the BAU ERLEBEN customer days, BAUER Maschinen GmbH presented a genuine world first that will open up completely new application possibilities in the installation of diaphragm walls in the future: the innovative BAUER Cube System. The new type of cutter system was designed exactly in container dimensions and can thus be used without any problems, for example, in micro-tunnels with small diameters of only 3.8 m or in extremely confined construction site conditions. This reduces the impact of construction sites on traffic, businesses and, above all, local residents to a minimum.

The drilling rig for an electrical future: the new BAUER eBG 33 – the first electric drilling rig manufactured by Bauer. Instead of a diesel engine, it is powered by electricity, so it requires no fossil fuel and operates extremely quiet. With a drive power of more than 400 kW, the new eBG 33 is located in the mid-range segment of the drilling rig series. It thus covers a very wide range of possible applications on the construction site.

Expansion of the largest Egyptian port 2

The Port of Alexandria is one of the oldest ports in the world and the main port of the country. It handles about 60% of the country's exports and imports. A plan has been elaborated to expand Alexandria Port to enable more cargo being handled.

BAUER EGYPT S.A.E. was awarded the foundation works for the 225,897 m^3 semi-rectangular quay wall for the new "Multi-Purpose Terminal 55/62", consisting of a front diaphragm wall, two rows of middle piles and a rear row of barrettes. In addition to four trench cutters, two Bauer drilling rigs of the type BG 28 are in use. The vertical elements are planned to be executed parallelly by the means of two mega mixing plants located initially on the north and south sides of the wall covering a 200 m radius around each of them. The mixing plants will be shifted along the quay wall as the work progresses. Work began on September 28, 2020 and lasted a total of ten months.

2

4

4

Precision work in the tightest of spaces 3

Right in the heart of Munich, the capital of Bavaria, the highest precision and logistics care were required. There, the specialists of the Bauer Umwelt division of BAUER Resources GmbH completely gutted and demolished a dilapidated building from the 1950s in just a few weeks.

In order to start with the deconstruction of the roof truss, the demolition excavator moved in during the night. For a week, the excavator worked carefully and precisely from floor to floor and generated roughly 3000 t of demolition material in the process. What sounds easy was generally laborious work because there was virtually no room to maneuver for the longfront excavator weighing 44 t and with an arm length of 24 m. Removal of the demolition material also posed a logistical challenge due to the narrow streets in the old city center. In addition, other strict precautions were taken to protect the neighbors and the surrounding buildings by minimizing disturbances caused by noise and emissions.

Freiberg's landmark 4

In a spectacular operation, the Resources subsidiary SCHACHTBAU NORDHAUSEN GmbH dismantled the listed winding tower of the Reiche Zeche research and training mine of the TU Bergakademie Freiberg. The reason for this was the partial refurbishment and replacement of the winding tower. During the manufacture of the new replacement structure, the lower section of the scaffold was manufactured with the aid of complex crane technology and then coated with anti-corrosion paint.

After a total of six months, the defining landmark of the Freiberg region returned to its hometown. At the beginning of November 2021, the new winding tower as well as the refurbished inclined strut, rope sheave platform and the associated walkway equipment were lifted into place. This was followed by supplementary work in and on the shaft building. Over the next few years, TU will also continue the rehabilitation of the mine underground together with Schachtbau Nordhausen.

Mission

MISSION

>>> **THE BAUER GROUP IS A LEADING PROVIDER OF SERVICES, EQUIPMENT AND PRODUCTS DEALING WITH GROUND AND GROUNDWATER**

CONSTRUCTION

>>> **Global provider for specialist foundation engineering services**

- For private and public clients
- Broad portfolio of specialist foundation techniques and many years of know-how
- Focus on complex projects in the world
- Own equipment in use

EQUIPMENT

EQUITY STORY

- With our **highly specialized and innovative** services and equipment, we are **one of the world's leading providers for complex specialist foundation engineering projects.**
- With more than **230 years of experience**, we have **extensive expertise in the industry** and have been valued internationally for decades as a **strong brand in specialist foundation engineering.**
- We address major **global trends** such as rapidly progressing **urbanization** and **infrastructure** expansion, increasing **environmental awareness, water extraction** and **treatment.**
- We offer **highly specialized services** when it comes to **sustainable protection of the environment**.
- **Sustainability is anchored in the cultural DNA of our family business**.
- We have a **clear roadmap** to **reach a sustainably profitable business development** for the coming years.

INFRASTRUCTURE

>>> **One of the technical leading manufacturer of specialist foundation equipment**

- Equipment for all specialist foundation engineering methods
- Innovative and digital assistance systems
- Specialized machines for mining, deep drilling and offshore drilling

RESOURCES

>>> **Products and services for the water, mining and environmental industries**

- Drilling services and well construction, environmental technology, constructed wetlands, mining and remediation
- Waste disposal and brownfield services often in combination with specialist foundation engineering

URBANIZATION

ENVIRONMENTAL AWARENESS

WATER EXTRACTION/ TREATMENT

The World is our Market

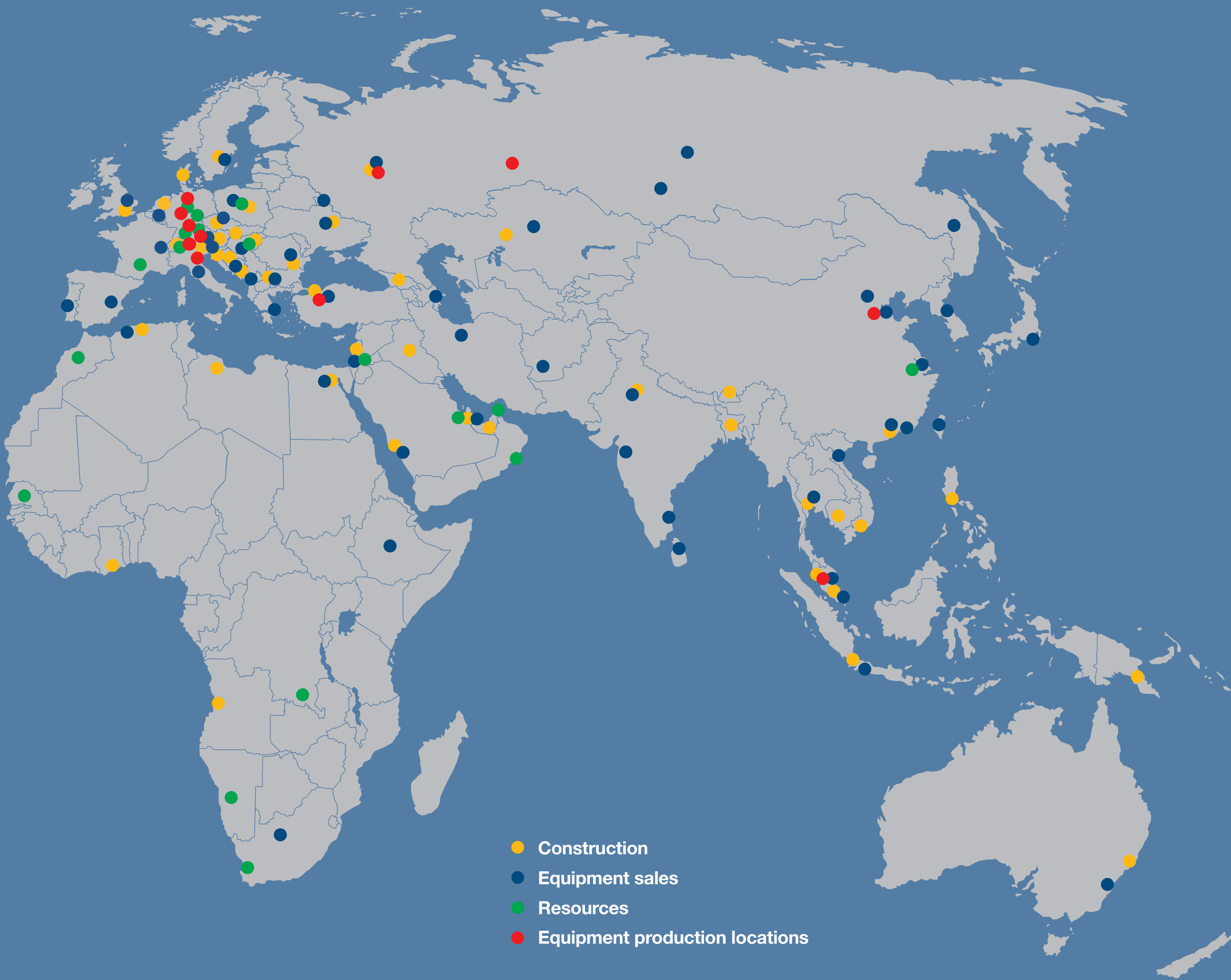
OVER **110**
GROUP COMPANIES

IN AROUND **70**
COUNTRIES

11,966 EMPLOYEES

FROM **107** NATIONS

EUR 1.5 BILLION TOTAL GROUP REVENUES



Foreword

Ladies and Gentlemen,
Dear Shareholders and Friends of our company,

To borrow a term from meteorology, we could probably describe the 2021 financial year as "changeable". There was more sunshine to be seen than in 2020, but some storm clouds from the COVID-19 pandemic were reluctant to clear. In hindsight, forecasts about the duration of the pandemic turned out to be incorrect for many parts of the world. In this respect, the pandemic once again continued to shape our business very markedly in the Construction and Equipment segments over the last year.

The construction markets in Germany and North America improved again in 2021 or remained at a good level. On the other hand, the considerable curfews and travel restrictions in the Asia-Pacific region continued, and caused significant losses in our Construction segment due to underutilization of capacities. In addition, our major projects also experienced delays and some of them were postponed. Nevertheless, we are proud to say that we were once again able to effectively manage our project sites, where possible, despite the often unfavorable circumstances. Overall, although we were able to slightly increase total Group revenues in the Construction segment, we did not achieve our target of a significant increase. Due to the markedly negative influences from the Asia-Pacific region and due to burdens from our offshore foundation project off the coast of France, we recorded a negative EBIT at the end of the year.

The Equipment segment performed better in 2021 compared to the previous year and achieved the targets in most markets. In these targets, we had accounted for the continued reluctance to invest among our customers in the first half of the year. While most markets experienced slight to moderate growth again – above all Europe and North America – the ongoing consequences of the pandemic affected us significantly in Asia and particularly in China. Due to the curfews and travel restrictions as well as a decreasing construction market in China, it was extremely difficult to make sales in this region. Thus although it was eventually possible to nearly achieve the planned revenue increase in the segment, there was only a slight improvement in earnings.

As previously in 2020, our Resources segment once again remained relatively unaffected by the COVID-19 pandemic. The environmental and well materials businesses achieved good results. The mining division and our constructed wetland in Oman again delivered an important contribution to earnings. The rehabilitation division is now starting the first financial year since last year's restructuring with a good order backlog. After many years of restructuring work, success is now in sight: The segment recorded a significantly positive EBIT accompanying the expected slight revenue reduction. The prospects also continue to be good for the future, in particular the opportunities to expand the business in constructed wetlands, where additional projects on the market for tendering offer us a positive outlook for the future.

Due to the ongoing and considerable impact of the COVID-19 pandemic on our Construction and Equipment segments, we were not able to achieve our original targets for the year as a whole despite the enormous dedication of our employees. Ultimately, the total Group revenues at EUR 1.54 billion and EBIT at EUR 36.0 million were in line with the last forecast.

We took an important step in the past year with the implemented capital increase and were thus able to once again considerably reinforce our equity ratio. After we first carried out a smaller capital increase in December 2020 using the existing authorized capital, the capital increase against cash and/or non-cash contributions was implemented successfully and with considerable oversubscription in the first half of the year with the issue of 7,247,715 new shares. The ownership structure also changed as a result: In addition to the Bauer family (36.02%), Doblinger Beteiligung GmbH (30.00%) now also holds a major share in the company. Since then, 33.98% of the shares are in free float. We fully utilized proceeds from the issue to reduce our liabilities to banks, which means that the net debt has now been considerably reduced again after the continual reduction in the previous years. In addition, we were also able to extend our syndicated loan agreement with new terms so that our financing is again in a solid position for the long term.

As in the last year, we will continue to work towards our core goal: Profitability before growth. To this end, we will adapt our regional position in the Construction segment more closely to the market potentials. A few international branch offices in smaller markets where we do not anticipate a sufficiently profitable business for our company in the medium term will be closed. This will not in any way impact our capacity for managing large international projects with our network structure.

With our three segments, we address major global trends such as water extraction and treatment, increasing environmental awareness, rapidly progressing urbanization and infrastructure expansion. I believe we are very well positioned, particularly with regard to the trends of digitalization and sustainability in the construction sector, as well as adapting to climate change. In the Equipment and Resources segments, we want to grow organically in the core business as well as through new markets and products. Overall, we have many opportunities that we would like to exploit.

Nevertheless, the world has changed since late February of this year. Russia's invasion means a lot of suffering for people in Ukraine and has triggered an enormous wave of refugees within Europe. It is remarkable to see both the enormous willingness to help demonstrated by the people in Europe as well as the unparalleled unity of the Western world regarding an unprecedented package of sanctions that is having massive impacts not only on Russia but also on many business activities associated with Russia. It is currently almost impossible to estimate the economic consequences in all facets. We are working hard to address the direct and indirect effects of the sanctions on supply chains, price developments and the operative business as a whole.

Development of the COVID-19 pandemic naturally also remains a risk factor. We cannot rule out the possibility that this will also impact us in 2022. This is particularly true for the Asia-Pacific region. The tense situation in the supply chains and price increases for materials and energy – additionally driven by the war in Ukraine – also pose uncertainties for the operative business. We are therefore approaching the 2022 financial year with due diligence. However, due to the low base, we expect a significant increase in total Group revenues and EBIT.

My very special thanks go above all to our employees and the entire management team for their tireless efforts and commitment in another difficult year! We would also like to warmly thank you, dear shareholders, financing partners, customers and friends of the company, for your loyalty, and hope you will continue to accompany us on our journey in the future.

Yours sincerely,
Michael Stomberg

Combined Management Report

15	**I.**	**General information about the Group**
15		Group structure
15		Corporate governance and control system
16		Research and development
19	**II.**	**Business Report**
19		Macroeconomic trend
19		Overview of our markets
22		Course of business
24		Construction segment
26		Equipment segment
28		Resources segment
30		Corporate Services/Consolidation segments
31	**III.**	**Earnings, financial and net asset position**
31		Group earnings position
32		Group financial and net asset position
35		Investments
36	**IV.**	**Financial statements of BAUER Aktiengesellschaftt**
37	**V.**	**Risk and Opportunity Report**
37		Risk Report
44		Opportunity Report
45	**VI.**	**Forecast Report**
49	**VII.**	**Legal disclosures**
49		Statutory disclosures regarding takeovers
53		Declaration on corporate governance
53		Non-Financial Group Report 2021

<<< In the Parkstadt Schwabing neighborhood in Munich's north, a new office building is being constructed on a 13,000 m² site. For this project, BAUER Spezialtiefbau GmbH was tasked with construction of the excavation pit including dewatering system.


BAUER
eBG 33
BAUER
eBG 33
BAUER

Combined Management Report

I. GENERAL INFORMATION ABOUT THE GROUP

GROUP STRUCTURE

The BAUER Group sees itself as one of the leading providers 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 a high potential for synergy: 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 improvements. On the one hand, the construction markets are handled by local subsidiaries that support one another in networks, and on the other hand, large projects in countries without a local company are carried out by pooling capacities from all over the world. From Germany, support services are provided by means of central service functions and standards are set for the subsidiaries in its own segment.

In the Equipment segment, Bauer is providing a full range of equipment for specialist foundation engineering as well as for the exploration, mining and exploitation 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 in the USA, among other locations.

The Resources segment focuses on the development, production and execution of innovative products and services and acts as a service provider with several business divisions and subsidiaries in the areas of drilling services and water wells, environmental services, constructed wetlands, mining and rehabilitation. Our areas of expertise include water extraction, brownfield remediation and waste management as well as water treatment and building rehabilitation.

BAUER Aktiengesellschaft (BAUER AG) is the holding company of the Group and its shares are listed on the Frankfurt Stock Exchange. BAUER AG provides central management and service functions for its affiliates. These specifically include human resources, accounting, financing, legal and tax affairs, IT, Group accounting and controlling, internal audit and risk management as well as health, safety and environment (HSE).

As the Group is highly diversified, no subsidiary within the Group is of a significant or material size.

CORPORATE GOVERNANCE AND CONTROL SYSTEM

The principal task of the Executive Board of BAUER AG is the strategic management of the 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 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 and the company management of the various Group companies operate under the corporate guidelines, regulations and overarching strategies of the BAUER Group. These are laid down by the Executive Board of the Group and are binding for the various Group companies. The principles of proper conduct, including compliance with ethical and moral standards, are defined by an ethics management and values program, among others, which cover all the companies of the BAUER Group, flanked by corporate guidelines and management principles for our employees. The managing directors of the various Group companies are independently responsible for determining how their business units develop as long as they observe the rules and standards described above.

This structure is tied to a centralized risk management and control system as well as to a central Group Accounting function. Internal auditing systems monitor compliance with corporate guidelines, ethics management as well as laws

<<< The new BAUER eBG 33 – the first electrified drilling rig from Bauer. The equipment relies on electrical power instead of a diesel engine, so it does not require any fossil fuels, and operates extremely quietly.

and other policies across the Group. Strategic management by the Executive Board pursues the goal of securing the long-term success of the Group and optimally using the synergies between the segments.

Financial performance indicators

The performance of total Group revenues and earnings before interest and taxes (EBIT) are used as the fundamental and significant key financial performance indicators for the management of the Group. For BAUER AG, the sales revenues are used instead of the total Group revenues.

Here, the total Group revenues serve as the common performance indicator for the construction industry and represent the revenues of all the companies that form part of the Group. The difference between the consolidated revenues and the total Group revenues is derived from the revenues of the associated companies, from the portion of revenues in consortia and from the revenues of non-consolidated companies. In contrast, sales revenues are not used as a performance indicator. These only provide an incomplete picture of Group performance in the financial year. The performance of total Group revenues and relevant contributions by the various segments to the total Group revenues are set out in the Business Report. The Business Report details the calculation and trends in EBIT and earnings after taxes in the Group. At segment level, the total Group revenues and the EBIT are used as key financial performance indicators.

Since the 2021 financial year, the earnings after tax are no longer used as a performance indicator for management of the Group and BAUER AG. The background for this decision is that the earnings after tax are dependent on external influencing factors to a relevant extent. These particularly include currency developments in the different countries as well as the market value changes of the derivatives and the tax charge. These factors can have a significant, not conclusively predictable influence on the financial result and thus on the earnings after tax in the respective financial year.

Non-financial performance indicators

Non-financial key figures of Group performance are also 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 key figures is primarily intended to convey an overall picture of the operations of the BAUER Group.

The key figures included originate from the human resources function, such as workforce numbers, among other sources. Key figures on training and development as well as others derived from the field of research and development are also reported.

RESEARCH AND DEVELOPMENT

In the 2021 financial year, the BAUER Group once again invested considerable sums to create new and develop existing products and services in three segments as well as for research purposes. The focus was primarily a wide range of equipment for specialist foundation engineering as well as the appropriate drilling tools and attachment units. This was complemented 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 the Equipment segment, each major product group has its own development unit that concentrates on the corresponding equipment, constantly develops the equipment families and pursues innovation. The central development department works on the technologies and components of a machine that is used in several product groups. Basic research is also located within central development.

Research and development activities in the Equipment segment focused on the work involved with the electrification, automation, networking and digitalization of equipment. As part of participation in publicly subsidized research projects, the concepts and ideas developed in the past year for the partial automation and digitalization of processes were transferred into a system prototype.

One new development in the area of diaphragm wall equipment is the BAUER Cube System. This equipment technology and construction method was specially developed for underground use on sites with limited space involving working heights of less than four meters. This electrically powered construction method thus delivers solutions for the expansion of infrastructure activities in urban environments and was presented to the public in 2021. In the area of electrification, a first electrohydraulic drilling rig – the eBG 33 – was presented and successfully used at the end of last year.

In the area of maritime technologies, a new large joint project was launched in 2021 for the development of sustainable, smart and minimally invasive exploration and mining methods in the deep sea. As part of this project, equipment concepts are developed for the exploration, extraction and evaluation of massive sulfides in the deep sea. Apart from these activities, another focus was the improvement of technologies for offshore foundations with the Dive Drill.

The Construction segment also has its own development capacities, in particular a department for construction technology that develops new methods and conducts fundamental research, among other activities. After digitalization was steadily advanced over the last few years and an innovative platform was created with the new BAUERdigital portal, targeted development work began in 2021 in the area of data capture during the execution of specialist foundation engineering services. In this process, for example, measurement systems are developed to record the concrete level in an element. In addition, suitable sensor equipment and data capture modules were integrated into an anchor drilling rig. This means that the production process can be recorded easily and safely in the future.

The work also examined how resources that are CO_2-intensive and therefore scarce and valuable, such as steel and bentonite for example, can be used even more efficiently. To this end, for example, the relevant strength properties of the material are analyzed when using the Mixed-in-Place method in order to appropriately take account of the material's performance capacity in the structural calculations. Overall, a holistic approach is being pursued in the respective development projects. More efficient and resource-conserving specialist foundation engineering can only be successful in the future if structural design involves a precise knowledge of the performance capacity of the construction materials used, and also if high quality of execution can be achieved by means of strategic recording of measurement data and processes.

The main focus of development in the Resources segment is placed on solutions in the area of the environment, brownfield remediation and dismantling. For example, there is the challenge of disposing of liquid waste and drilling mud slurry. For this purpose, after successful tests in the previous year, in 2021 the environmental division of BAUER Resources GmbH drained drilling mud slurry on sites and subsequently disposed of the drained solids. This demonstrated that the application of this dewatering technology is possible in site operation and is therefore ready for implementation on large sites. In addition, the treatment of water polluted with per- and polyfluorinated chemicals (PFC) was further pursued. Tests with alternative filter materials for PFC immobilization are a current focus of research. Per- and polyfluorinated chemicals (PFC) are currently a major environmental problem.

For a joint project, BAUER Spezialtiefbau GmbH and BAUER Resources GmbH were distinguished as a lighthouse project in 2021 by the Cluster of Environmental Technologies Bavaria ("Umweltcluster Bayern"). With the geothermally activated MIP wall, geothermal activation is accomplished by setting geothermal loops into the wall. After this, these are connected to the future building's heat pump system via a network of pipelines – a particularly sustainable form of energy generation.

To promote research that might be of Group-wide importance, internal and external orders for research projects are placed via the BAUER Research Community. Seemingly simple ideas sometimes give rise to new techniques that help our companies achieve technological advances. This type of overall organization for research and development work has proven to be highly effective. Thanks to fast decisions and high flexibility, all products can be kept up to date, with new ideas and market requirements able to be implemented quickly.

In the Equipment segment there were 202 employees in research and development, plus interns. In 2021, the Construction segment had 32 employees in the area of research and development, while the Resources segment had 13 employees in this area.

For the BAUER Group in total, there were 247 employees in research and development. In 2021, research and development costs recognized in net income amounted to EUR 37.5 million (previous year: EUR 25.4 million). In the past, this expense has led to a general increase in the expertise base of the segments.

On the grounds of the old refinery in Leuna, the Bauer Umwelt division constructed a groundwater treatment plant that has been treating around 500 m³ of polluted water every day since 2014 using a purely biological method assisted by millions of microorganisms.

II. BUSINESS REPORT

MACROECONOMIC TREND

2021 is the second year in a row that the COVID-19 pandemic very significantly impacted the world and particularly the global economy. The prevailing assessment in the early days of the pandemic, that it would slow down in the course of 2021 and the global economic situation would markedly improve again as a result, did not prove true. In 2021, the cycles and waves of the pandemic progressed differently in the various countries and regions of the world, depending on the respective vaccination progress, the prevailing variant of the virus and the political decisions made locally. The effects on the different sectors of the economy were also, once again, highly varied. Overall, however, the global economy showed itself to be robust in the second year of the pandemic.

In contrast, there are considerable impacts on the availability of goods. Delivery bottlenecks and very markedly increased freight costs are burdening the economy into the 2022 financial year. This can be demonstrated by the development in the automotive industry, where vehicles can only be delivered with considerably longer preparation times. In contrast, the used car market was nearly sold out and the prices have increased sharply. In addition, the costs for sea freight containers have nearly quadrupled since the beginning of 2020. The significant rise in raw material prices, particularly for oil and gas, led to an additional financial burden on the economy and on private households. Subsequently, many countries recorded a considerable rise in inflation, which is now being counteracted with a less expansionary monetary and fiscal policy.

The indications of a real estate crisis in China caused concern in the local market. There have also been state interventions in the country's own economy, which impacts the Western companies active in China. Overall, this led to uncertainty in the Western economy. Geopolitical tensions such as those in the South China Sea between China and the Western world or between Russia and NATO increased considerably again in the year gone by and continue to harbor risks. With the withdrawal of the USA from Afghanistan and the takeover of the country by the Taliban, the country became a crisis area once again. Although the ongoing wars in Syria and Yemen have been overshadowed by the pandemic, their impact on the region continues undiminished.

With the introduction of new regulations such as the EU taxonomy in the area of CSR and sustainability and the approval of the Due Diligence Act ("Sorgfaltspflichtengesetz") in Germany, the bureaucratic burdens on the economy continue to increase – particularly for mid-sized companies. Overall, the topic of sustainability has significantly gained in importance again, and large institutional investors have by now increasingly oriented their investment decisions for their own fund products towards this area.

OVERVIEW OF OUR MARKETS

In this management report, the appraisal of the market developments along with the general and economic situation for the Group and for the business segments is based on information from the individual subsidiaries as well as the appraisals of regional managers and the top levels of management.

The impact of the COVID-19 pandemic on our markets in 2021 also differed considerably depending on the relevant region. Europe and the USA were significantly less influenced than the markets in Asia. In China, the construction market was considerably more subdued than in the previous year, irrespective of the pandemic and strongly driven by the real estate crisis and liquidity bottlenecks in the country. Overall, the construction industry worldwide was less strongly affected by the pandemic in the past two years than many other industries. Contrary to expectations, the market for construction equipment in the area of specialist foundation engineering equipment was not able to grow significantly at the start of 2021. A recovery was only identified towards the end of the year.

All sectors were negatively influenced by the curfews and travel restrictions, which were extensive in some locations and which also had consequences for site logistics, particularly concerning the deployment of personnel and equip-

Construction statistics Germany – Change 2020 / 2021

in %	Revenues	Order intake	Employees
Residential construction	1.9	-4.2	-
Commercial construction	1.7	30.1	-
Public construction	-4.6	10.2	-
Total	-0.5	14.9	1.0

Source: Central Federation of the German Construction Industry ment. Recurring lockdowns in individual countries resulted in considerable delays in some places with regard to the awarding of new contracts and the implementation of ongoing projects, despite continuing high demand overall.

The general need for overhauling infrastructures, both in countries with emerging economies and in established industrial nations, continues to exist. However, particularly in developing and emerging countries, infrastructure measures were considerably inhibited by the pandemic in 2021. State investments in infrastructure supported the global construction markets. In industrial construction, investments took effect for the extension of logistics, for data centers and in the area of renewable energies.

Alongside construction and equipment, which are the most important markets for us, we also see a basically positive trend in environmental services, water, mining and renewable energies despite the pandemic, which is being spurred on by the generally increasing need for these products and services.

Germany

In Germany, the construction sector and equipment market were less strongly affected by the COVID-19 pandemic. Persistently low interest rates, state subsidies and an ongoing high backlog of demand in urban areas, particularly in the area of residential construction, were drivers in the construction sector. Public sector construction benefited from a considerable deficit in infrastructure, for which federal funding was available. In some cases, the poor state of infrastructure has had a major impact on freight traffic, necessitating enormous expense in this area. The ongoing debate about CO_2 consumption and the consequences of climate change make additional investment necessary, which, in some cases, will benefit the construction sector. Contrary to expectations, the feared reluctance to invest as a consequence of the pandemic and its costs for the public budgets did not materialize in the year gone by, neither in the public sector nor in commercial construction. In all areas, the market remained strong and stable.

Europe

The construction markets in Europe again recovered in some areas during the second year of the pandemic. France and most of the markets in North and South Europe again recorded an increase in construction services. In Great Britain, the large demand for construction projects could not be converted into corresponding construction activity due to planning and tendering bottlenecks caused by the COVID-19 pandemic and Brexit. The markets in Austria and Hungary were robust. In many countries of Eastern Europe, the construction investments remained at a very low level due to a lack of funding. Russia's construction sector continued to be weak due to lasting sanctions and the considerable effects of the pandemic, and the government's counteractive efforts were not sufficient.

The equipment markets in Europe showed improved performance overall.

Middle East

In the previous year, the consequences of the COVID-19 pandemic did not affect the region's construction markets as strongly as in 2020. In most markets, work was for the most part able to continue normally by the middle of the previous year. Despite ongoing problems in the region due to the centers of conflict in Syria and Yemen as well as national budgets with deficits, the considerably increased oil price and demand for hydrogen and gas had a positive effect. Nevertheless, this was not yet reflected initially in the construction sector – primarily because overcapacities continue to exist from the last difficult years. In contrast, the demand for construction equipment continued to increase in the second half of the year.

The market in Saudi Arabia began to recover slowly and offers new opportunities due to major projects such as the planned metropolis of Neom. In total, however, the market conditions were and remain difficult for the construction and equipment sectors in this region.

Asia-Pacific

The markets in Asia were some of the most heavily affected by the pandemic. Prolonged and strict lockdowns such as those in Malaysia, Australia, Thailand or the Philippines led to a standstill for months and considerable reluctance to invest in some countries. A partial easing of measures in some countries towards the middle of last year did not deliver any sustainable improvement. Overall, the hope that the generally high continuing demand for large infrastructure projects would have positive effects in the second half of 2021 was not confirmed. However, the medium-term prospects for the construction markets in Asia remain good.

In the markets of South Asia, e.g. India, Bhutan and Bangladesh, the general demand for infrastructure and energy supply was constantly yielded interesting projects for the construction industry as a whole and specialist foundation engineering in particular. There were regularly good project opportunities, especially in the area of dam stabilization and the setting up of hydroelectric power plants. But India was also strongly affected by the pandemic in the year gone by. Nevertheless, the market for construction equipment in India recorded significant growth due to large subway projects in the major cities.

The construction sector in China was not able to continue the success of the previous year and declined sharply. The real estate crisis and state interventions with local companies caused uncertainty for the economy and inhibited investments. This had considerable negative effects on the sale of construction equipment, particularly in the area of specialist foundation engineering. The country's ongoing restrictive entry requirements have also made business difficult.

Americas

The persistently high backlog in many infrastructure areas of the country, including flood protection, was not significantly impacted by the pandemic. The US economy performed well overall. The established stimulus programs are having a positive effect. This trend also led to further growth in the sale of construction equipment.

In Canada, the construction market was good. In the countries of Central America and South America, the pandemic had significant consequences for the performance of local economies, which also affected the construction and equipment markets.

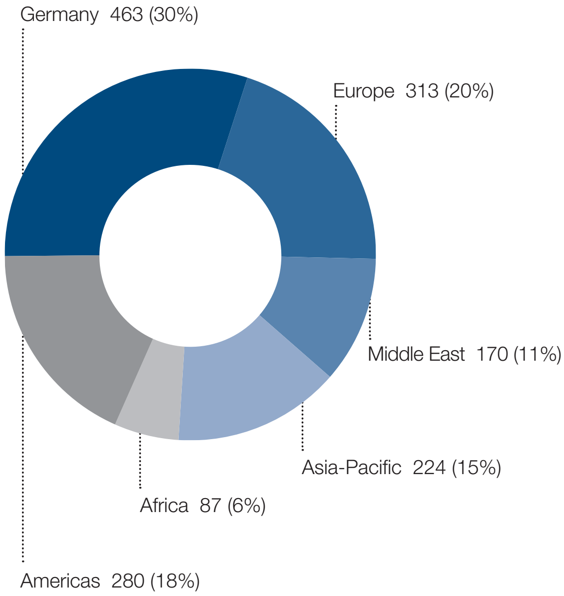
Africa

A revival and slight recovery in the raw materials markets stimulated the investment activity of the raw materials in-

Geographical breakdown of total Group revenues

in EUR million

Total 1,538



dustry in Africa, also with a positive impact on investment in services required for mining. Overall, the economic level of many countries continues to be very low, with a correspondingly low demand in construction in 2021 as well. Only Egypt had a consistently stable construction sector. This grew strongly again primarily due to state infrastructure projects. Important future issues for the continent, such as water, the environment, energy and natural resources, are gaining in importance and have again been supported by incentive measures. The COVID-19 pandemic also shifted priorities here.

Summary of markets

The ongoing volatility of the global markets, with political and economic framework conditions that continue to change at short notice, requiring us to adapt quickly and flexibly as a company again and again, remain the biggest challenges. This is particularly true for the construction and equipment markets.

Overall, the effects of the COVID-19 pandemic on the global construction and equipment markets reduced in 2021 compared to the previous year, although the consequences continued to be felt strongly in individual regions of the world, particularly in Asia. The pandemic has not fundamentally changed the ongoing global demand for construction services and thus for construction equipment – this demand has merely been delayed. Even during and after the pandemic, the ongoing dynamism of individual markets is continuously presenting new potential for short-term market opportunities. It is expected that a further global normalization of markets will occur despite the ongoing pandemic.

COURSE OF BUSINESS

The BAUER Group achieved **total Group revenues** amounting to EUR 1,537.6 million in the 2021 financial year, 5.8% above the previous year's figure of EUR 1,453.6 million. **EBIT** decreased from EUR 55.5 million to EUR 36.0 million. **Earnings after taxes** improved into the positive range at EUR 4.0 million (previous year: EUR -8.2 million).

The total Group revenues increased considerably compared to the previous year, particularly due to the Construction and Equipment segments. In contrast, the Resources segment recorded a slight decrease. For the previous year, this key figure includes an increasing effect of around EUR 50 million from the deconsolidation of a subsidiary in Hong Kong and a transitional consolidation due to the termination of the joint venture with Schlumberger. In the earnings figures, EBIT was less than the previous year and the earnings after taxes were greater than the previous year.

The Construction segment recorded a considerable loss with a foundation project for an offshore wind park off the French coast. In this project, the first of its kind carried out by the project partners, there were repeated delays under the most difficult conditions. Due to unexpectedly changed conditions for execution, considerable extra costs resulted during execution, which meant that earnings burdens in the lower two-digit million range were recorded for this project in 2021.

Interest rate hedging transactions had a positive impact on the earnings after taxes in 2021, as these must be valued in the balance sheet according to the development of market interest rates. As the market interest rates increased compared with the end of December 2020, there was a positive effect on the earnings after taxes. This figure amounted to EUR 3.4 million (previous year: negative effect of EUR -5.3 million). A positive balance for the realized and unrealized currency gains and losses also influenced the earnings after taxes. In 2021, the balance was EUR +6.7 million (previous year: EUR -11.9 million)

Overall, however, both the revenue and earnings figures were below the original expectations. With the publication of the 2021 Annual Report, the Group issued a forecast for the 2021 financial year on April 13, 2021. This forecast anticipated total Group revenues of between EUR 1,550 million and EUR 1,650 million and EBIT of between EUR 75 million and EUR 85 million.

In an ad-hoc announcement on November 2, the Executive Board adjusted its forecast to total Group revenues of between EUR 1,530 million and EUR 1,570 million and EBIT of between EUR 35 million and EUR 45 million. This was due to the ongoing consequences of the COVID-19 pandemic, which lasted longer and had a stronger effect than anticipated on the business in the Construction and Equipment segments, particularly in the countries of the Far East. In addition, there were significant delays at some individual major projects in Europe, including a project for the foundation of an offshore wind park off the French coast. The last issued forecast was entirely achieved.

At EUR 1,364.4 million, the **order backlog** of the Group at the end of 2021 was up 17.4%, significantly more than the previous year's already high figure of EUR 1,162.5 million. In the financial year gone by, the Construction segment recorded very good order intakes and the order backlog continued to increase significantly, although the markets continued to be highly volatile due to COVID-19 pandemic. In the Equipment segment, the order backlog also increased very considerably by the end of the year. In the Resources segment, the order backlog was also higher than the previous year. At EUR 1,739.5 million, the **order intake** rose by 9.5% compared to the previous year’s EUR 1,588.5 million.

Effects of the COVID-19 pandemic

Looking back on the impact on markets in the Construction segment, in the 2021 financial year it was possible to continue construction projects in most countries in Europe,

Forecast/actual comparison 2021

in EUR million	Forecasts		Actual 2021
	April 13, 2021	November 2, 2021	
Total Group revenues	1,550 - 1,650	1,530 - 1,570	1,538
EBIT	75 - 85	35 - 45	36.0

the Middle East, the Americas and Africa with considerably fewer restrictions than in the previous year. In some countries however, primarily in Asia, there continued to be extensive curfews and ongoing business shutdowns similar to the previous year; this affected countries such as Malaysia, Thailand, the Philippines, India, Bhutan and Panama. But even in countries in which construction operations were scarcely interrupted, site supply continued to be complicated by travel restrictions. The required equipment or expert teams had difficulty accessing the construction sites and experienced significantly longer journeys to their destination or quarantine-related delays. In some places, the disruption of supply chains led to fluctuations in purchase prices, the availability of construction materials and disruptions of international transport logistics. This posed considerable challenges for construction companies operating internationally in order to continue handling projects as planned. In many countries, there were also decreases or delays in tenders and ongoing contracts. This also affected some large projects, for example in Hungary or England.

The Equipment segment was also affected by customers' reluctance to invest in the 2021 financial year. Global construction equipment markets were already very significantly impacted by the consequences of the COVID-19 pandemic in 2020. Influenced by uncertainties, machine customers were markedly more reluctant to invest in new equipment, which resulted in strong decreases in sales figures in nearly all regions of the world. The only exception in 2020 was China, where the economy recovered quickly after a relatively short phase of strict lockdown. Looking back on the 2021 financial year gone by, the opposite scenario occurred. Most regions of the world, for example Europe, the Americas and the Middle East or Africa, recorded good to very good growth rates again based on the weaker previous year and accordingly also a rise in sales figures. In contrast, the situation was different in China and the other Asian countries, where the equipment markets experienced a considerable decline. As a result, the sales figures in this region were also just a fraction of the original expectations.

As in the previous year, the Resources segment only experienced minimal effects of the COVID-19 pandemic in the 2021 financial year as well.

Summary of course of business

Due to the ongoing impacts of the COVID-19 pandemic, 2021 was once again a very variable year for the Group. In the Construction segment, very good results were achieved in construction projects in many countries. On the other hand, many markets, particularly in Asia, continued to be impacted by curfews and travel restrictions. Delays also occurred in some major projects. Particularly in Asia, the consequences of the pandemic impeded better performance in the Equipment segment. The Resources segment achieved a significant increase in the earnings figures and reported a good financial year. Overall, consistent measures continue to be implemented to make the Group strong for the future. This is particularly true for the Construction segment and its global position.

CONSTRUCTION SEGMENT

in EUR thousand	2020 *	2021	Change
Total Group revenues	644,695	682,437	5.9%
Sales revenues	587,871	640,343	8.9%
Order intake	779,212	806,594	3.5%
Order backlog	721,336	845,493	17.2%
EBIT	23,112	-8,623	n/a
Earnings after tax	-5,740	-21,864	n/a
Employees (reporting date)	6,062	7,085	16.9%

* Previous year adjusted; see p. 100

General conditions
The significant effects of the COVID-19 pandemic on the Construction segment were already described in the course of business.

The construction market in Germany performed well overall in the past year. There were a number of inquiries and tenders both in public construction and commercial construction. In Western Europe, construction market development was weaker overall than in the previous year. In the countries of Bulgaria, Austria and Russia, in the year gone by the order situation once again remained at levels that were too low. In North America, the markets in Canada and in the USA showed a positive development. The countries of Central America reported a weak market situation. 2021 was extremely difficult again in the Asia-Pacific region. Due to political uncertainties, markets in the Middle East remained weak but stable. In Sub-Saharan Africa, the construction markets again remained at a low level. Egypt continued to benefit from a strong state investment policy.

The global demand for infrastructure such as roads, bridges, dams or energy supply, continues to be strong despite the COVID-19 pandemic. The process of urbanization is continuing. Due to urbanization, in particular, construction is needing to take place under increasingly complex and difficult conditions. Climate change is leading both to higher investments in the rehabilitation and new building of dams and dikes as well as to increasing demand for sustainable construction methods with a lower cement consumption and thus lower transport expenses. As a result, it is anticipated that more specialist foundation engineering work will be needed, and specialist foundation engineering – particularly with modern and sustainable methods – continues to be a promising market for the future.

Significant events
The Construction segment achieved **total Group revenues** of EUR 682.4 million in the 2021 financial year, representing an increase of 5.9% from the previous year's EUR 644.7 million. **EBIT** was negative at EUR -8.6 million (previous year: EUR +23.1 million). **Earnings after taxes** amounted to EUR -21.9 million (previous year: EUR -5.7 million).

The revenue and earnings figures for 2021 were particularly negatively influenced by the consequences of the COVID-19 pandemic. This primarily concerned the countries in Asia. Our subsidiaries in Malaysia, Thailand and the Philippines recorded considerable losses due to curfews and travel restrictions as well as lockdowns, both ongoing and newly imposed in 2021, as, similar to the previous year, it was hardly possible to execute any projects in those countries. As described in the "Course of business" section, the foundation project for an offshore wind park off the French coast recorded a considerable loss.

Overall, these two negative developments overshadowed the otherwise positive course of business in the other regions. As two key large projects in England and Hungary were also postponed, the revenue target in the segment was also clearly missed in 2021.

Due to the reclassification of SCHACHTBAU NORDHAUSEN Stahlbau GmbH from the Construction segment into the Resources segment, the total Group revenues in the segment reduced for 2021 as a whole by EUR 23.8 million (previous year: EUR 24.3 million). The effects on the earnings figures were not significant.

Based on the general conditions, the individual construction markets showed themselves to be very different for us as well. In Germany, revenue was roughly at the level of the previous year and a very good operating result was achieved once again. In Europe, we had a rather difficult financial year in 2021. While good revenues were achieved in Hungary and the Netherlands, the capacity utilization was too low in Switzerland, Great Britain as well as in Russia, Bulgaria and Romania.

The markets in the Middle East continued to be negatively impacted by political uncertainties. Our subsidiary in the United Arab Emirates was able to achieve very good earnings, thanks to the execution of large orders, including a major project in Jordan by the Dead Sea. In contrast, we had to report losses in Qatar. Saudi Arabia performed well again.

It was pleasing to note the revenue of our subsidiary in Egypt once again, which was able to deliver a very good contribution to earnings thanks to several good projects. Elsewhere in Africa, contributions to earnings from our activities were low.

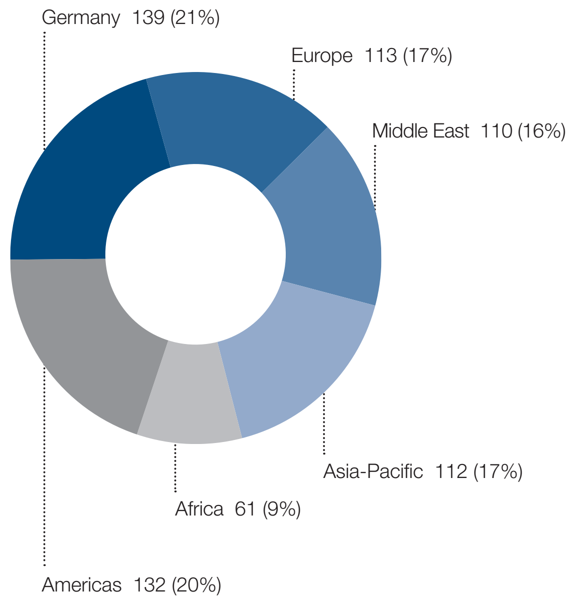
The most difficult market conditions for us in the 2021 financial year were again in the Asia-Pacific region. The extensive measures to curb the COVID-19 pandemic once again had a very significant impact on construction. In some countries, work was hardly able to proceed as a result of the restrictions. Consequently, our subsidiaries in Malaysia, Thailand and the Philippines again recorded considerable losses. In Australia and Vietnam, as well as South Asia, there were also too few orders, and losses were recorded as a result. As a consequence of these developments, we significantly reduced our capacities in Malaysia. This also applies for the cost structures in our subsidiaries in Australia, Thailand and the Philippines.

In contrast, the subsidiary in the USA performed well again. The business continued to be shaped by large dam rehabilitation projects with sustainable soil mixing techniques. Overall, positive results were achieved in the USA. In Canada, development was better compared to the previous year. The markets in Central America, especially in Panama, were again weak.

Geographical breakdown of total Group revenues Construction segment

in EUR million (after deduction of Consolidation)

Total 667



In 2021, we continued with global rollout of the BAUER Construction Process (BCP), i.e. the systematic introduction of structured lean management methods transferred to specialist foundation engineering. We have already achieved good success here and improved the execution of our projects in many areas while also standardizing processes and risk reduction measures for the long term. Overall, operative execution was again strong.

The focus of our efforts in the previous year as well was the further review of our international position. The COVID-19 pandemic has accelerated the implementation of necessary capacity adjustments, primarily in the Asia-Pacific region. In additional regions, we will close smaller companies but ensure the capacity to execute large projects in the process.

Order situation

Order backlog increased significantly by 17.2%, from EUR 721.3 million in the previous year to EUR 845.5 million, and remains very high. This includes major projects in Europe, Jordan, Egypt as well as in the USA. Accordingly, the **order intake** rose slightly by 3.5% to EUR 806.6 million, compared to EUR 779.2 million in the previous year.

We also recorded a very good order intake in the financial year just past. Even though the markets continued to be very volatile due to the COVID-19 pandemic, we were successful in winning several very large orders. Nevertheless, there are regional differences, and the order situation particularly in the Asia-Pacific region is not yet sufficient. Due to the existing order backlog and further opportunities around the globe, we still see a good starting position for the current financial year.

EQUIPMENT SEGMENT

in EUR thousand	2020	2021	Change
Total Group revenues	610,735	681,480	11.6%
Sales revenues	491,462	552,189	12.4%
Order intake	621,284	740,423	19.2%
Order backlog	118,856	177,799	49.6%
EBIT	30,060	36,854	22.6%
Earnings after tax	10,967	19,115	74.3%
Employees (reporting date)	3,125	3,045	-2.6%

General conditions

The significant effects of the COVID-19 pandemic on the Equipment segment were already described in the course of business.

Again in 2021, despite the COVID-19 pandemic, there was an ongoing and significant demand for specialist foundation engineering services worldwide. After the considerable slowdown in 2020, when customers were very hesitant with equipment purchases, in the financial year gone by nearly all regions again recorded slight to moderate growth in the sales figures for construction equipment. This applied particularly for North America and Europe. Accordingly, the demand for specialist foundation engineering equipment is undiminished. In the Asia-Pacific region, and particularly in China, the strict curfews and travel restrictions imposed there as well as decreasing construction activity made it extremely difficult to achieve sales in the second half of the year.

The raw materials markets, which are important for some of our special product groups, improved again due to the increased raw material and oil prices in 2021, and demand rose accordingly.

Significant events

In the Equipment segment, **total Group revenues** increased significantly by 11.6% from EUR 610.7 million in the previous financial year to EUR 681.5 million. Accordingly, **EBIT** increased from EUR 30.1 million to EUR 36.9 million, and **earnings after taxes** went from EUR 11.0 million to EUR 19.1 million.

The Equipment segment improved in 2021 compared to the previous year, but was nevertheless affected by the customers' reluctance to invest, particularly in Asia and the Middle East, due to the COVID-19 pandemic. The anticipated and planned revenue increase compared to the previous year was nearly achieved. Overall, however, this revenue increase was not enough to fully achieve the anticipated improvement in results. Utilization of production capacities continued to be insufficient overall.

Overall, the markets in Germany, Europe and the Americas, particularly in the USA, as well as in Africa, were considerably more active compared to the previous year. In Russia sales also increased again. In the countries of the Middle

East, the sales figures declined. This also applied for the Asia-Pacific region, where the figures dropped considerably primarily due to the restrictions in China. The production and sales organization in this region was considerably below planned levels and recorded a loss for the first time in a long time after many strong previous years.

The financial year was as follows for the subsidiaries and the individual product groups: Sales of small drilling rigs and anchor drilling rigs were very positive and even in the previous year were nearly unaffected by the consequences of the pandemic. It was even possible to achieve another increase. Pile driving equipment, mixers, rotary drives and casings again recorded growth compared to the previous year, with good results. Business in spare parts, drilling tools and other after-sales services once again had a good impact on total earnings, although sales and earnings fell markedly here.

The sales company for specialist foundation engineering equipment in the USA had a positive market environment and was able to achieve good earnings with an increase in revenue. The rental business with specialist foundation engineering equipment was particularly strong here. In the previous year, the joint venture with Schlumberger to develop and build deep drilling rigs was terminated. The effects on the previous year's figures are described in more detail under "Earnings, financial and net asset position."

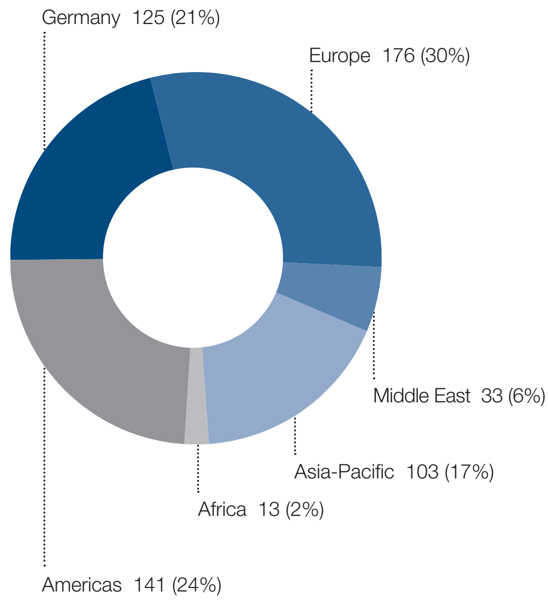
In 2021, a large project was launched to optimize supply chain management. The goal here is to offer shorter standard delivery times for customers of specialist foundation engineering equipment and to improve the working capital with lower inventories of finished goods. The project is planned for a period of multiple years.

During the customer event BAU ERLEBEN held in Schrobenhausen, Germany, in the summer months, visitors were presented with two Bauer equipment innovations. These were the eBG 33, the first fully electric drilling rig from Bauer, and the BAUER Cube System, an innovative cutting system that opens up entirely new applications for the construction of diaphragm walls, particularly in urban areas.

Geographical breakdown of total Group revenues Equipment segment

in EUR million (after deduction of Consolidation)

Total 591



Order situation

Order intake developed significantly better than in the previous year. Overall, it increased by 19.2% from EUR 621.3 million in the previous year to EUR 740.4 million. **Order backlog** at the end of 2021 was EUR 177.8 million, significantly above the previous year's level of EUR 118.9 million.

The uncertainties due to the COVID-19 pandemic once again led to hesitant order behavior among equipment customers. Nevertheless, improvement was recorded over the course of the year primarily in the markets of the Americas and Europe, which led overall to an increase in the order backlog in these regions. In the Asia-Pacific region, in contrast, there was a significant decrease. Customers continued to order their specialist foundation engineering equipment at relatively short notice. Only occasional orders of equipment for special projects or special requirements are placed somewhat longer ahead of time.

RESOURCES SEGMENT

in EUR thousand	2020 *	2021	Change
Total Group revenues	293,076	272,516	-7.0%
Sales revenues	262,605	241,127	-8.2%
Order intake	282,908	291,328	3.0%
Order backlog	322,344	341,156	5.8%
EBIT	3,059	9,482	n/a
Earnings after tax	-6,441	11,513	n/a
Employees (reporting date)	1,436	1,422	-1.0%

* Previous year adjusted; see p. 100

General conditions

The Resources segment is focused on products and services in the business areas of drilling services and water wells, environmental services, constructed wetlands, mining and rehabilitation.

As described in the course of business, the Resources segment only experienced minimal effects of the COVID-19 pandemic in the 2021 financial year.

A slight improvement was observed in the demand for drilling services for water and natural resources in Africa. In the Middle East, the market remained at a low level. In the water well construction division, the demand for well construction materials in Germany and France remained good. This demand was sufficient in the markets of Eastern Europe.

In the environmental services division, the market performed well but proved increasingly competitive in the financial year gone by. In Germany, there were a sufficient number of projects in the fields of site rehabilitation, groundwater treatment and the disposal of contaminated soils and sludges. Marketing in the area of constructed wetlands is focused on individual large projects in the Middle East and is working on the expansion of the business.

The mining division is primarily active in Germany, where there continues to be a need for special mining services. Apart from activities in repository mining, the focus of execution was in the safeguarding and dismantling of mines, in the rehabilitation of old mining sites and in technical services for mining companies.

The rehabilitation division, with a focus in Germany, experienced a difficult market in an intensely competitive environment.

Significant events

Total Group revenues in the Resources segment decreased significantly by 7.0%, from EUR 293.1 million in the previous year to EUR 272.5 million. **EBIT** improved very considerably from EUR 3.1 million to EUR 9.5 million, and **earnings after taxes** were up from EUR -6.4 million in the previous year to EUR 11.5 million.

After the previous year was still shaped by the conclusion of the restructuring measures, the Resources segment recorded a positive course of business in the 2021 financial year. The decrease in total Group revenues is almost entirely because the previous year's figures include the major Kesslergrube project, which was handed over to the client in July 2020. The earnings development reflects the positive performance of the operating business and also includes a positive earnings effect after taxes amounting to EUR 4.9 million through the one-time use of losses carried forward due to changes in corporate law. In 2021, the valuation allowances for receivables in the segment amounted to EUR 1.1 million, considerably lower than the previous year's figure of EUR 4.6 million, which also had a positive effect on the earnings figures in comparison.

Due to the reclassification of SCHACHTBAU NORDHAUSEN Stahlbau GmbH from the Construction segment into the Resources segment, the total Group revenues in the segment increased for 2021 as a whole by EUR 23.8 million (previous year: EUR 24.3 million). The effects on the earnings figures were not significant.

The environmental services division performed well again, recording a positive business performance with good earnings in an intensely competitive market environment. As in the previous year, the COVID-19 pandemic prevented a more intensive development of new markets such as China or the USA and the acquisition of initial projects there.

In the drilling services and water wells division, our drilling companies in Africa, which primarily operate for the raw materials industry and international development companies, recorded stable performance at a low level. The subsidiary in Jordan fell short of expectations for revenue performance in a difficult market environment due to delays in the execution of some orders and recorded a loss.

The GWE Group, which manufactures and sells well materials in Germany, France and Eastern Europe as well as in Chile, recorded a good financial year again, although revenue and earnings remained slightly below the previous year's values. The subsidiaries in France, Poland, Hungary and Chile also recorded positive results.

Our participation in Oman had another successful financial year in the area of constructed wetlands. Revenue and earnings here were slightly below the previous year. Apart from the operation of facilities, the sale of CO_2 certificates generated from the project now provides an additional constant contribution to earnings (at equity). A pursued order for an additional constructed wetland in Bahrain should now be awarded in 2022. We began with the initial steps for a potential market entry in the USA in this area in 2021 and plan to implement this in the 2022 financial year.

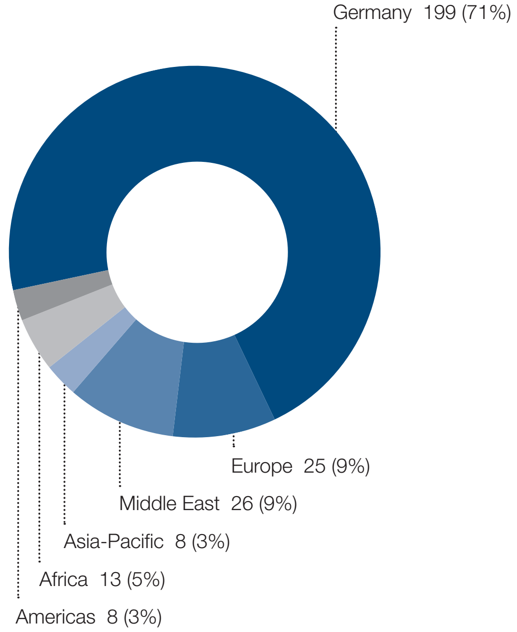
Thanks to the continuously good market in Germany and the strong performance of our company in Kazakhstan, the mining division once again made a very positive contribution to revenue and earnings.

The business area of rehabilitation was newly created in 2021 by the merger of SPESA Spezialbau und Sanierung GmbH and SCHACHTBAU NORDHAUSEN Bau GmbH. Intensive work has already begun on the restructuring as well as organizational and operative changes, which will continue in the ongoing year. Therefore, a loss was still reported in this area. At the end of the year, however, a noticeable recovery was recorded with significant order intake.

Geographical breakdown of total Group revenues Resources segment

in EUR million (after deduction of Consolidation)

Total 279



Order situation

At EUR 291.3 million, the **order intake** in 2021 rose by 3.0% compared to the previous year's EUR 282.9 million. At EUR 341.2 million, the **order backlog** at the end of the year was 5.8% higher than the previous year's EUR 322.3 million.

The majority of the order backlog is generated by the mining division with a volume of EUR 125.1 million. Compared to the previous year, this area recorded another increase. The constructed wetland in Oman contributes another significant share of the order backlog due to its long operating time. Environmental services recorded a decrease compared to the previous year, whereas inventory increased in the area of rehabilitation.

CORPORATE SERVICES/CONSOLIDATION SEGMENTS

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

In 2021, the **Corporate Services segment** posted EBIT of EUR 44.7 million (previous year: EUR 21.4 million). This includes EUR 45.7 million of dividend payments by Group subsidiaries to the parent company. Earnings after taxes amounted to EUR 41.6 million (previous year: EUR 15.1 million). The segment revenues are generated mainly by intra-group charges.

Consolidations were carried out in the **Consolidation segment**. The negative EBIT of EUR -46.4 million (previous year: EUR -22.1 million) largely matches the aforementioned distribution payments by Group subsidiaries to BAUER AG. Earnings after taxes amounted to EUR -46.4 million (previous year: EUR -22.1 million).

Specialist foundation engineering in the lowest place on earth: As part of a large dike rehabilitation project at the Dead Sea, BAUER International FZE has successfully constructed cut-off walls at a depth of approx. 400 m below sea level.

III. EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

The earnings position in 2021 was again shaped by the considerable impact of the COVID-19 pandemic. We refer to the notes in the “Course of business” section concerning the special factors included in the years 2020 and 2021. The most important key figures changed as follows:

Total Group revenues increased significantly by 5.8% from EUR 1,453.6 million in the previous year to EUR 1,537.6 million. **EBIT** decreased considerably from EUR 55.5 million in the previous year to EUR 36.0 million. At EUR 4.0 million, **earnings after taxes** were slightly positive – the previous year’s value was EUR -8.2 million.

The individual income statement items for 2021 are summarized in the following:

Consolidated revenues rose by 5.1%, from EUR 1,401.3 million in the previous year to EUR 1,472.4 million. The previous year included around EUR 50 million from the deconsolidation of a subsidiary in Hong Kong in the Construction segment and a transitional consolidation due to the termination of the joint venture with Schlumberger in the Equipment segment, which is detailed under the "Other income" item. Without this effect, the increase in the consolidated revenue would have been even greater.

Sales revenues increased by 6.7% from EUR 1,343.2 million to EUR 1,433.1 million, which was primarily due to the Construction and Equipment segments.

Changes in inventories changed considerably from EUR -16.8 million to EUR 5.4 million, which was mainly the result of the inventory expansion in the Equipment segment.

Other own work capitalized increased significantly from EUR 8.1 million to EUR 15.1 million, which was primarily due to a large IT project in BAUER AG as well as the equipment technology for offshore foundations in the Equipment segment.

Other income fell significantly from EUR 66.8 million to EUR 18.8 million compared to the previous year. In 2020, the remaining 49% of the shares in BAUER Manufacturing LLC and BAUER Deep Drilling GmbH were acquired and reappraised. The background for this was termination of the joint venture in deep drilling technology with Schlumberger. The acquisition of the remaining 51% of the shares led to a negative difference amount of EUR 41.9 million, which was included in the other income in the previous year. In addition, in the Construction segment, the subsidiary in Hong Kong was deconsolidated in the previous year, which led to a positive contribution to earnings of approximately EUR 8 million. In 2021, there were no significant special factors in the other income.

The **cost of materials** rose considerably by 16.5% in the year under review, from EUR 626.1 million to EUR 729.7 million. This was mainly due to changes in the order structure of the Construction segment, where a significant increase in the use of materials was evident in some projects along with the product mix in the Equipment segment. The general increase in procurement prices did not yet affect this item so strongly in 2021.

Personnel expenses rose by 9.0% from EUR 394.9 million to EUR 430.4 million and therefore increased more than the consolidated revenues. Here it must be considered that the short-time working arrangements in 2020 had a considerable diminishing effect on this item. We will continue to strive to improve personnel expenses in relation to consolidated revenues over the next few years.

Other operating expenses fell by 24.3% from EUR 224.8 million to EUR 170.1 million. In the previous year’s figure, this item includes the effect from termination of the joint venture in deep drilling technology with Schlumberger in the amount of EUR 41.4 million that is described under the other income. Without this effect, the item would also have slightly decreased.

The **income from shares accounted for using the equity method** increased from EUR 9.8 million to EUR 11.3 million. The main elements of this item are positive earnings from consortia as well as from the Resources participation in Oman.

Depreciation of fixed assets rose by 14.1% from EUR 93.2 million to EUR 106.3 million. The increase was primarily owing to additional depreciations on equipment in connection with the offshore project in France and depreciations on intangible assets in connection with the discontinuation of the deep drilling business.

Write-downs of inventories due to use reflect the use of rental equipment made available to our customers. This primarily concerns the business in the USA. The item declined by 32.7% from EUR 16.5 million to EUR 11.1 million in the year under review.

Financial income increased considerably from EUR 33.0 million to EUR 50.8 million. The currency gains and income from hedging transactions included in this item rose by EUR 18.0 million.

At EUR 65.5 million, **financial expenses** were below the previous year's level of EUR 72.3 million. Currency losses and losses from hedges decreased from EUR 33.7 million to EUR 25.2 million. Adjusted for this effect, the item grew slightly, which was due essentially to the losses resulting from changes in the market value of derivatives.

At EUR 17.3 million, **income tax expense** was down significantly from the previous year's EUR 24.6 million. In the Construction segment, tax expenses were reduced by offsetting the losses from the offshore foundation project. In the Resources segment, there was a positive tax effect amounting to EUR 4.9 million through the one-time use of losses carried forward due to changes in corporate law.

The **earnings after taxes attributable to BAUER AG shareholders** were EUR -0.6 million (previous year: EUR -8.4 million).

At EUR 4.6 million, the **earnings after taxes attributable to non-controlling interests** were considerably higher than in the previous year (EUR 0.2 million), which was primarily due to higher earnings attributable to the construction subsidiary in Egypt as well as lower pro-rata losses for additional non-controlling interests.

GROUP FINANCIAL AND NET ASSET POSITION

Total assets of the Group rose by 6.2% in 2021, from EUR 1,544.0 million to EUR 1,639.5 million. At 29.3%, the **equity ratio** increased significantly compared to the previous year's level of 23.7%. The target is an equity ratio of over 30%.

Net debt was EUR 497.2 million in the year under review, representing a decrease from the previous year's figure of EUR 528.8 million. We will continue to work hard in the coming years to improve net debt relative to total assets and revenues. The level of net debt in the Group is largely dependent on the level of working capital. The working capital of our companies is inevitably relatively high due to the nature of our business model and the special market in which we operate. We have relatively short run-times in the Construction segment and there are only occasional prepayments, so that we very seldom generate a positive cash flow over the duration of the construction site; this is only generated upon completion. This is why the majority of our contracts require financing across the many Group construction sites corresponding to roughly three months of sales in the Construction segment.

The situation in the Equipment segment is similar. The preparation times for our specialist machinery are around 12 months. Since customers usually only order equipment once they have an actual contract to fulfill, and therefore 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.

The agreed covenant ratios – net debt to EBITDA and equity ratio – were maintained within the agreed thresholds. In addition to the two syndicated loans valued at EUR 390 million (drawdown: EUR 184.3 million) and EUR 53 million (outstanding loan amount: EUR 26.8 million), the Group set covenants for a number of long-term loans, which were valued as per the 2021 year-end at EUR 105.5 million. In September 2021, the syndicated loan agreement was extended in advance by three years with an extension option.

Covenants trend

	2020	2021
Net Debt / EBITDA	3.20	3.15
Equity ratio in %	23.7	29.3

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

On the asset side:

- **Property, plant and equipment** rose from EUR 452.5 million to EUR 506.4 million. The primary reason was the reassignment of EUR 34.8 million from the position "Assets held for sale". This concerned a property in the USA that could not be sold by the balance sheet date and therefore had to be reassigned back into property, plant and equipment. The further increase for the item is due to a production expansion at a subsidiary as well as equipment for offshore foundation work, both in the Equipment segment.

- **Investments accounted for using the equity method** increased slightly from EUR 76.2 million to EUR 81.9 million. This primarily concerned the Resources segment and consortia.

- **Deferred tax assets** fell slightly from EUR 66.9 million to EUR 65.4 million. Above all there were changes to the deferred tax assets in respect of losses carried forward (EUR +11.0 million) and valuation differences in the provisions for pensions (EUR -7.1 million).

- **Inventories** increased from EUR 424.6 million to EUR 446.7 million. This was primarily due to the increase in raw materials and supplies, which was offset by a slight decrease in finished goods, work in progress and stock for trade in the Equipment segment. The background for this was the strategy of having more production material in the inventory due to the growing scarcity and price increases for raw materials.

- **Contract assets** rose significantly from EUR 88.0 million to EUR 119.1 million. This is primarily attributable to the revenue increase in the Construction segment.

- **Trade receivables** are divided for the first time into a non-current and current share (previous year adjusted accordingly) and slightly increased in total from EUR 249.0 million to EUR 251.6 million.

- **Cash and cash equivalents** decreased from EUR 46.0 million to EUR 41.3 million as of the balance sheet date.

- **Non-current assets held for sale** fell from EUR 34.8 million to EUR 1.4 million. The major share of this item in the previous year concerned a property in the USA that was used for the former joint venture in deep drilling technology with Schlumberger and which was held for sale due to termination of the joint venture. As the sale had not occurred as of the balance sheet date, this share was reassigned back into property, plant and equipment. The remaining value of this item concerned a small property held by PRAKLA Bohrtechnik GmbH in Germany that is planned to be sold in the first quarter of 2022.

On the liabilities side:

- **Equity** increased significantly from EUR 365.5 million to EUR 481.1 million. The primary factors with a positive impact were the capital increase (EUR +76.1 million), the provision for currency translation losses stated under equity (EUR +16.0 million), the reserve from pension commitments (EUR +13.7 million), as well as earnings after tax (EUR +4.0 million).

- The **non-current portion of liabilities to banks** fell slightly from EUR 234.0 million to EUR 229.0 million. In total, the liabilities to banks only reduced slightly in the past financial year at EUR 17.7 million. Income from the capital increase was used for the repayment of bank loans. This was balanced by an increase in the items on the asset side of the balance sheet.

- **Liabilities from subordinate loans** amounted to EUR 0 again after EUR 12.0 million in the previous year. This item concerned a loan from the Bauer family to BAUER AG, which was fully brought into the equity as part of the 2021 capital increase.

- **Provisions for pensions** fell from EUR 167.5 million to EUR 149.1 million. This is essentially due to the higher discount rate of 1.3% (previous year: 0.75%).

Exchange rate trend

1 EUR corresponds to	Average rate 2020	Average rate 2021
USD	1.14220	1.18296
GBP	0.88970	0.85966
RUB	82.72480	87.16492
CNY	7.87470	7.62990

- **Other non-current financial liabilities** decreased significantly from EUR 34.5 million to EUR 25.9 million. The reason for this were the valuations of derivatives and interest rate swaps.

- The **current portion of liabilities to banks** decreased from EUR 217.4 million to EUR 204.8 million.

- **Contract liabilities** increased from EUR 61.1 million to EUR 78.0 million, primarily in the Construction and Resources segments.

- **Trade payables** rose from EUR 179.6 million to EUR 198.0 million. This was essentially due to the increase in total Group revenues.

- Effective **income tax obligations** fell from EUR 26.0 million to EUR 22.2 million.

- **Provisions** are divided for the first time into a non-current and current share (previous year adjusted accordingly) and slightly increased in total from EUR 32.9 million to EUR 38.3 million. This is primarily attributable to provisions in the Construction segment for the foundation project for an offshore wind park.

Net cash from operating activities shown in the **statement of cash flows** was EUR 82.9 million, below the previous year's EUR 168.1 million. The following factors contributed to this change:

- The other non-cash transactions totaled EUR 12.9 million (previous year: EUR 39.4 million). The change is due in part to effects from the currency conversions as well as the transitional consolidation of BAUER Deep Drilling GmbH and BAUER Manufacturing LLC in the previous year.

- The change in trade receivables was EUR 37.0 million compared with the previous year, which is primarily attributable to exchange rate movements.

- The change in inventories burdened the operating cash flow on the order of EUR -28.4 million (previous year: EUR -9.8 million).

- The change in contract liabilities improved the operating cash flow by EUR 28.3 million compared with the previous year.

- The change in other current and non-current liabilities burdened the operating cash flow on the order of EUR -21.8 million, which means a change of EUR -45.2 million compared with the previous year.

ASSETS | **EQUITY AND LIABILITIES**

Non-current assets
EUR 722.1 million (44.0%)
(2020: EUR 649.1 million (42.0%))

Current assets
EUR 876.1 million (53.5%)
(2020: EUR 848.9 million (55.0%))

Liquid funds
EUR 41.3 million (2.5%)
(2020: EUR 46.0 million (3.0%))

Equity
EUR 481.1 million (29.3%)
(2020: EUR 365.5 million (23.7%))

Non-current debt
EUR 474.8 million (29.0%)
(2020: EUR 512.0 million (33.2%))

Current debt
EUR 683.6 million (41.7%)
(2020: EUR 666.4 million (43.1%))

EUR 1,639.5 million
(2020: EUR 1,544.0 million)

EUR 1,639.5 million
(2020: EUR 1,544.0 million)

- The income tax paid resulted in a negative impact on the operating cash flow of EUR 6.7 million compared with the previous year.

Cash flow from investment activity totaled EUR -94.5 million and was on the same level as the previous year's EUR -96.5 million. The primary reason for this, among other factors, was an increase in the purchase of property, plant and equipment and intangible assets. Furthermore, compared with the previous year, in 2021 there were no purchases of companies.

Cash flow from financing activities amounted to EUR -4.7 million. This essentially comprises loan repayments amounting to EUR -248.7 million, incoming payments from equity contributions of EUR 64.1 million (after offsetting the subordinate loan of EUR 12.0 million) as well as new indebtedness to banks in the order of EUR 224.7 million.

INVESTMENTS

Despite the COVID-19 pandemic, investments were once again higher than depreciations in 2021. This was largely attributable to project-related investments in equipment. Investments in land and buildings were largely undertaken for production. Most of these were initiated in the previous year and concluded in 2021. An additional large investment in offices, warehouses and workshops for the strategic consolidation of all Group activities in the United Arab Emirates was not yet concluded as planned and is therefore still listed under the item "Assets under construction." In the coming years, further new investments are planned for the expansion and modernization of our production and storage facilities.

The considerable increase in the property, plant and equipment assets amounting to EUR 34.8 million is attributable to a property in the USA. In the balance sheet, the value was stated during the year as an asset held for sale in a separate item. Nevertheless, the sale of this location is being pursued as planned and is expected to occur in 2022.

In the **Construction segment**, a significant share of equipment investments were attributable to the large project for the foundation of an offshore wind park off the French coast. In addition, further investments were made in equipment to meet the market demand for ever more powerful equipment to handle specialist projects and to keep pace with our growth in some markets such as Egypt and North America. Due to our strategy of increasing involvement in large international infrastructure projects with high levels of specialist foundation engineering services, more investments in large equipment are needed. This demands higher individual investments, but this also means we anticipate new market opportunities. In the next few years, we will also invest in the modernization of our equipment. In addition, comprehensive further investment was made in digitalization, which should also be continued in the following years.

The **Equipment segment** concentrated primarily on investments for the modernization of the equipment pool and the production sites, and investments that had been initiated in the previous year to expand production capacities were concluded. Investments in improved logistics and capacity expansion at the subsidiary, which manufactures small drilling rigs and anchor drilling rigs, were postponed for the future due to the ongoing COVID-19 pandemic.

In the **Resources segment**, investments were primarily made in the maintenance and expansion of production facilities and disposal centers.

In the 2021 financial year, the **BAUER Group** invested a total of EUR 190.9 million (previous year: EUR 138.4 million) in intangible assets and property, plant and equipment. Depreciation of fixed assets across the Group totaled EUR 106.3 million (previous year: EUR 93.2 million). Write-downs of inventories due to use totaled EUR 11.1 million across the Group (previous year: EUR 16.5 million).

In the 2021 financial year, additions to the property, plant and equipment assets of **BAUER AG** totaled EUR 6.2 million (previous year: EUR 2.2 million). This is set against depreciation of EUR 2.8 million (previous year: EUR 3.1 million).

IV. FINANCIAL STATEMENTS OF BAUER AKTIENGESELLSCHAFT

The consolidated 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) are therefore explained at this point.

The following items in the balance sheet and income statement changed significantly during the 2021 financial year compared with the previous year:

Key changes in the balance sheet:

- **Intangible assets** increased from EUR 2.0 million to EUR 5.7 million, which is largely attributable to capitalized expenses for a large IT conversion project.

- **Receivables and other assets** fell from EUR 35.8 million to EUR 30.0 million. This was largely due to the decrease of EUR 5.6 million in receivables from affiliated companies. The offsetting item can be found in liabilities.

- **Equity** amounted to EUR 206.9 million (previous year: EUR 130.7 million) and grew mainly as a result of the capital increase in return for cash and/or non-cash contributions, which caused an increase in the subscribed capital from EUR 80.3 million to EUR 111.2 million and in the capital reserves from EUR 48.4 million to EUR 93.7 million.

- **Liabilities** fell significantly from EUR 180.2 million to EUR 109.0 million, with liabilities to banks decreasing by EUR 39.2 million. Liabilities to affiliates fell by EUR 18.7 million, which was largely due to the repayment of a loan to BAUER Spezialtiefbau GmbH.

Main changes in the income statement:

- **Sales revenues**, primarily created by charging of administrative services and financing costs to subsidiaries, increased slightly by EUR 2.5 million to EUR 46.0 million in line with expectations.

- **Personnel expenses** increased from EUR 20.0 million to EUR 23.0 million. In the previous year, revenue from short-time working allowances slightly reduced personnel expenses. In 2021, there were no longer any significant short-time working arrangements at BAUER AG.

- **Other operating expenses** rose significantly from EUR 27.2 million to EUR 55.0 million. The shareholder contributions of BAUER AG to subsidiaries are an essential component of the item.

- At EUR -42.3 million, the **operating result** was therefore again markedly negative (previous year: EUR -13.1 million).

- At EUR 46.0 million, **income from participations** was significantly above the previous year's level of EUR 20.0 million. This increase is primarily due to an increased dividend payment by BAUER Maschinen GmbH to BAUER AG.

- **Net income** was EUR 0.03 million (previous year: net loss of EUR 0.01 million). **Accumulated loss** was EUR 0.03 million (previous year: accumulated loss of EUR 0.06 million).

The distribution of profit to shareholders is based on the distributable retained earnings of BAUER AG as the group parent company, taking into account consolidated earnings of the Group. 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 holding company, BAUER AG is dependent on the income of its subsidiaries and additionally provides financing to them.

In 2021, the Group equity was considerably reinforced again by the implemented capital increase, but the Group was unable to meet its original targets and only returned small positive earnings after taxes. That is why it is necessary to continue striking a careful balance between continuity and shareholder participation on the one hand, and safeguarding our equity ratio on the other. In order to sustainably improve the equity ratio once again, the Executive Board will therefore recommend that the Supervisory Board proposes to the Annual General Meeting that no dividends be distributed. In the medium term, however, we continue to maintain our dividend policy, which plans for a dividend ratio of approximately 25 to 30% of reported earnings after taxes.

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. Unforeseeable events can create both risks and opportunities. Therefore, at Bauer, risk management means not just reducing hazards but also knowing how to take advantage of opportunities. The goals of risk management include safeguarding our business objectives, initiating measures early on and reducing the costs of risk. Our system of risk management, which assesses both risks and opportunities, 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. 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 assigned to specific areas of risk. This defines areas of focus. Risk categories defined by the BAUER Group are: strategic risks, market risks, financial market risks, political and legal risks, risks arising from the value 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 assessment of risks relates to their potential impact on the earnings before tax. Risk reporting and assessment are used to quantify risks with regard to their damage potential and their probability of occurrence, after taking into account measures that have already been adopted. The risks are classified into the risk categories listed below with the maximum extent of damage.

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

Relevant risks above a certain threshold value are assessed based on standardized methods. Risks are analyzed both according to their maximum damage as well as according to their expected value. The assessment of risks accounts for the risk-specific measures to limit damages (net perspective). Risks are assessed over a one-year period under review. Where possible and useful, we purchase appropriate insurance policies that cover potential damage and liability risk in order to reduce the risk exposure and minimize or completely avoid 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 simulations. This means that the consolidated income statement for a given

Relevance scale of the BAUER Group

Relevance	Extent of losses (in EUR thousand)	Definition
1	up to 8,000	Low risk
2	up to 20,000	Medium risk
3	up to 50,000	Significant risk
4	up to 100,000	Serious risk
5	above 100,000	Critical risk

financial year is played through several thousand times in independent simulations based on random figures (Monte Carlo simulation). By aggregating all significant risks at Group level, the potential effects on the earnings figures for the risks (confidence level: 99%) are determined. To assess the risk-bearing capacity, the aggregate risks taking into account the project risks are compared with the recognized Group equity.

Yearly reports are submitted to the Executive Board and Supervisory Board. To communicate acute risks, the routine risk analysis is supplemented by immediate reporting.

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 construction is carried out on the customer's premises. Associated risks, such as in relation to the construction soil and resulting from the individual character of each individual project – including contract, schedule 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. With respect to 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 pursue 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

Concrete by the ton in record time: In a real feat of strength, in just 24 hours, SPESA Spezialbau & Sanierung GmbH completed concreting work for superstructures of the second construction section of the Innerstetal bridge, on the A7 highway in the direction of Hanover.

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 also incorporated in 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. The communication and release process is supported in part by IT with standardized workflows.

Internal control and risk management system with regard to the accounting procedure

Group Accounting risks include risks with respect to accounting, valuation and reporting. To counteract these risks, 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, Germany. 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 included are drawn up either based on an accounting guideline applicable throughout the Group or are transitioned from the corresponding accountancy regulations under national law to the regulations of the accounting guideline using adjustment entries.

At the major Group companies, the success of each individual department is mapped by means of a cost distribution sheet as a central management instrument. This reveals any non-conformance with annual budgets. At the project level, a monthly reconciliation is carried out to cross-check the actual figures against the cost accounting and site management budgets. Based on our judgment and experience, self-monitoring and establishing dual control principles are effective elements in 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 figures. Any necessary correction of non-conformance to plans 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 codes and auditing 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 submitted regularly, on a monthly basis, to the Executive Board and the Supervisory Board of BAUER AG by Group Accounting.

The IT systems employed in these procedures are protected against unauthorized access and data loss by appropriate security systems.

Risks

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

The risks of “Strategic partnerships, cooperation partners” and “Brand, image, PR” are no longer reported compared to the previous year. For both risks, the measures we adopted led to a reduction of the expected value.

STRATEGIC RISKS

Segmental structure

We counter the strategic risks arising from the segmental structure of the Group and the orientation toward the construction market by dividing it internationally into separate Construction, Equipment and Resources segments, thereby pursuing the aim of greater economic 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 works, including waste disposal or brownfield remediation, are successfully offered through cooperation between the Construction and Resources segments.

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. As in the previous year, we classify the risks associated with the structure of our business as medium.

MARKET RISKS

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 services have been expanded in all markets as a stabilizing factor in addition to new business. We are also improving the competitive situation using localization.

In the Construction and Resources segments, we use a combination of international experts and local personnel. This allows us to ensure both methodical expertise and quality as well as a competitive cost structure. As in the previous year, the competitive risk is considered to be low.

Market development risks

Our assessment of the macroeconomic situation is impacted by the trade dispute between the USA and China, Russia’s war against Ukraine, public debt in the USA and some EU countries, China's declining economic growth as well as uncertainty regarding developments in the Middle East and the resulting consequential damage.

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 total comprehensive income. The Resources segment has also already expanded on an international scale.

The COVID-19 pandemic also continues to generate major challenges for the company, which predominantly affect the Construction and Equipment segments. The customers’ reluctance to invest in the Equipment segment leads to a market development risk in some regions due to the prevailing uncertainty caused by the COVID-19 pandemic. The Group Executive 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 Group company in question and on the Group as a whole. Any necessary and relevant measures are derived from these analyses and implemented in full. Market development risks are assessed to be significant, as in the previous year.

FINANCIAL MARKET RISKS

Financial stability and liquidity

Compliance with key financial figures has been agreed with banks for multiple long-term loans. These primarily include the ratio between net debt and EBITDA, as well as equity and equity ratio.

In addition to the earnings situation pertaining to the entire Group, increased financing requirements, in particular, may lead to an increased risk of failure to comply with the key financial figures agreed with banks, which may lead to a reduction or termination of lines of credit.

The extension of our syndicated loan agreement has improved the financial stability of the BAUER Group. The proceeds from the capital increase were used for repayment of financial liabilities and thereby served to increase the equity ratio.

As in the previous year, the risk in the area of financial stability and liquidity is classified as a medium risk.

Currency risks and interest rate risks

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

The interest rate risk of the Group is based on financial liabilities with primarily floating interest rates (short and long-term credit lines). We have interest hedge agreements for exchanging floating interest rates for fixed interest rates in place to exclude the risk of increasing market interest rates. Changes in market interest rates have an impact on the financial income and expenses of the Group. We continue to classify the remaining currency risks, which are primarily translation risks, as well as the interest rate uncertainty, as medium risks for our operational business.

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. Our employees are made aware of our fundamental values as soon as they are hired. Special training sessions are held to deepen this knowledge. A software program ensures that we do not do business with any customers cited on EU or US sanctions lists. The sanctions of the USA, Europe and Russia resulting from Russia’s war with Ukraine are also continually monitored and evaluated, among other things also with regard to the effects on foreign exchange transactions.

In summary, we are of the opinion that our existing values management system provides us with an efficient and effective means of assessing our compliance risk as a medium (previous year: medium) risk.

Political and legal environment

Ongoing political unrest in the Middle East is impeding willingness to invest in the countries immediately affected, and often beyond. Falling 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. This can, in turn, be costly and time-consuming. Political changes, such as a change of government, can lead to either recovery or weakening of the local construction markets. Russia’s invasion of Ukraine causes additional uncertainty and could trigger larger political tensions in Europe and around the world. We classify the risks from our political and legal environment as medium (previous year: 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. Where possible, we use standardized international conventions from the construction sector (e.g. FIDIC). The resultant risks are subject to stringent management procedures and can therefore be rated as low, as in the previous year.

Current legal cases

Litigation arises almost exclusively from our provision of services, especially in the 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 predict 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 and assess this risk as low (previous year: low).

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 Asia and the resulting new competitors are sharpening the pressure to innovate, we have so far succeeded in maintaining the necessary edge as a leading technological company.

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 rate the risks in relation to research and development as being medium (previous year: medium).

Acquisition, sales and contract negotiations as well as costing

The risks of miscalculating quotations and of guaranteeing technical characteristics that cannot be fulfilled are minimized by the strict application of the dual-control principle and established costing standards (see project risks) and can be regarded as medium (previous year: medium).

Materials management and procurement

Due to delivery bottlenecks, in our Equipment segment there is a risk that production materials to be procured will not be provided in the right quantity or at the right time. Russia's war with Ukraine could further exacerbate supply shortages and material shortages, as well as the cost thereof. The challenges in procurement markets are counteracted with continuous monitoring of key figures and active control measures. Despite the greatest efforts, this risk is assessed as significant (previous year: medium).

Production and order fulfillment

The ongoing COVID-19 pandemic has resulted in differing curfews and travel restrictions around the world that complicate site logistics and consequently cause delays in project implementation.

Technical failures arising from design errors or miscalculations of statics can result in significant construction project delays. The risks resulting from this represent an inherent component of our Group’s project business. That is why general and structural designs are predominantly produced by experienced employees in our own engineering offices.

A further risk in order fulfillment is entailed by the selection and application of drilling methods. Misjudging ground conditions can likewise result in increased risk costs. Disturbances to the project timetable must be identified and communicated at an early stage by the project manager in charge. 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 an opportunity and risk analysis at project level in the Construction and Resources segments (see project risks).

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 need to be accepted. As a result of the trend for projects of increasing size and complexity, the resulting risks must be assessed as medium (previous year: 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 low (previous year: low).

Information technology and data protection

The confidentiality, integrity and availability of information, data and systems is endangered by increasing cybercrime. The regulatory requirements for handling personal data are also increasing. For this reason, we are continually expanding our preventive information security measures to protect against unintentional loss of data, data theft and all forms of cybercrime. In addition, we hold training sessions for employees to raise awareness in the sensitive handling of personal data. Despite extensive measures, however, risks in this environment cannot be entirely excluded. We classify the risk of data loss and cybercrime as medium (previous year: medium).

OVERALL RISK

There are currently no apparent individual or aggregate risks that threaten the existence of the BAUER Group. As a whole, the management sees a slight improvement in the overall risk situation, also in view of future business prospects among other factors. The identified risks are classified as manageable. Apart from the outlined risks, unforeseeable events may occur that can have a negative impact on the earnings, financial and net asset position.

In an impressive initiative, SCHACHTBAU NORDHAUSEN GmbH dismantled the headframe of the Reiche Zeche research and training mine of the Freiberg University of Mining and Technology. This was carried out for the partial rehabilitation and replacement construction of the headframe.

OPPORTUNITY REPORT

The opportunities arising are classified parallel to the detailing of risks. 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 derived synergy effects which shape the Resources segment. These include the environmental services business that deals with treating contaminated ground and groundwater and has taken on an increasingly international character. A similar business grew out of the first use of specialist foundation engineering equipment for diamond exploration. Today, a wide range of drilling services are executed. In the water well construction sector, we develop equally high-quality products for expanding wells and for close-to-the-surface geothermal heat applications. In the Resources segment, we are thus 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.

New business opportunities are also opening up in the area of renewable energies. For example, some offshore wind turbines require complex underwater drilling, which our Construction segment can carry out using special drilling rigs. The required equipment is manufactured in the Equipment segment.

MARKET OPPORTUNITIES

The ever-increasing trend of urbanization and the rising demand for infrastructure result in increasingly large construction projects, which create many interesting opportunities for the construction sector. The construction sector particularly benefits from an enormous need to catch up with backlogs in emerging economies, but also in the established industrial nations. That is not only true for traffic infrastructure, but also for residential complexes, public buildings, dams or flood protection facilities. 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 increasingly transferred below ground, which also leads to growth in specialist foundation engineering.

The strict environmental standards for oil production offer excellent market opportunities for our products and services in the Resources segment, such as constructed wetlands. In addition to this, brownfield remediation in oil-producing countries is also gaining importance.

VALUE CREATION OPPORTUNITIES

Development and innovation

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. Digitalization is therefore one area that the Group will focus on intensively in the coming years. An important driving force for digitalization in construction is Building Information Modeling (BIM). This trend will also continue to grow in the Equipment segment 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 that we as a Group are suitably equipped to handle thanks to the mix of our products and services portfolio. Examples of this are methods for the retrofitting of core seals in earthwork dams or for the development and expansion of mining operations.

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 using our many years of experience in handling large-scale projects.

Supplements and claims management

The assertion of requirements and supplements not only entails 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 during execution of the construction project.

OVERALL OPPORTUNITIES

We are seeing a steady improvement in our opportunities on global markets as new innovative products and service are being developed in all three segments. Our strategy of systematically interlinking our mainly small and medium-sized globally operating member companies to create efficient networks is enabling us to generate benefits in terms of speed and cost more and more effectively, based on the associated economies of scale. In summary, we see an increase in opportunities for the global Group business in 2022.

VI. FORECAST REPORT

For 2022, we anticipate a further improvement of the economic environment overall. In total, the construction and equipment markets recorded growth in the year gone by that is expected to continue. Nevertheless, due to the ongoing COVID-19 pandemic, there will still be countries and regions where this will considerably influence the business activity. From today's perspective, these developments cannot be definitively assessed for the ongoing year either.

In the Construction segment, infrastructure projects based on state investments regularly offer interesting opportunities for individual large projects. The current very good order backlog in this segment is generally a sign of positive business performance, but the further effects of the pandemic and in particular the measures concerning travel restrictions and curfews adopted in the individual countries will be the decisive factors for the implementation of construction projects. We also anticipate the development of the equipment markets in line with the construction markets.

In the markets of our Resources segment for environmental services, water extraction and water treatment as well as mining and rehabilitation, we anticipate positive performance for 2022 despite the pandemic, as these also proved highly robust and stable in the past year.

In principle, good growth of the global economy overall can be expected again in the next years. Risk factors for this development include the latest political developments. The USA and the EU responded to Russia's invasion of Ukraine with considerable sanctions and Russia responded with countermeasures. From today's perspective, this will have a direct impact on our business in Russia and Ukraine; however, this was at a low level in the previous years. At the moment, it is not yet possible to decisively assess the extent to which the sanctions will indirectly influence our business with regard to Russian clients, customers or banks. In addition, the effects and consequences of the war on the entire global economy are still very difficult to assess at the moment. From today's perspective, we are assuming that other key markets of the world will not be significantly affected.

The rise in raw material prices, increasing inflation as well as the availability of raw materials and the ongoing problems in the global supply chains could be an impediment for the economic recovery and have a very significant impact on many sectors. These effects could be further strongly intensified by Russia's war with Ukraine.

Regardless of the short-term impact factors, however, we see fundamental trends from which we can benefit. Continuing urbanization and population growth continue to create demand for new infrastructure as well as the maintenance and expansion of existing infrastructure. Climate change is a further driver for our markets. Alternative energy sources also require appropriate infrastructure. Increasing digitalization offers opportunities for new business models and the continued development of our own processes and services. We can benefit from this. The rapid rate of change and continuing volatility in the markets require quick action and decision making in order to react flexibly to shifts in the market focus.

We consider ourselves to be well-positioned for the current year and beyond, thanks to our generally healthy order backlog, investments in the development and enhancement of our technologies as well as our considerable efforts in the area of digitalization. Digitalization projects such as “Digital Construction” let us open up new markets and strengthen our position in specialist foundation engineering. With new technologies, products and methods in the area of renewable energies, such as the foundation for offshore wind parks, we consider ourselves to be well-positioned for the future in the Construction and Equipment segments. This also benefits our Equipment segment, in particular from the possibilities of predictive maintenance and assistance systems. The Resources segment is well-positioned for the future with technologies for the area of mining in a world with raw materials that are becoming scarcer. The innovations in the areas of environmental services, water treatment and rehabilitation address the trend of sustainability as well as climate and environmental protection.

We are also working on the improvement of our cost structures and the expansion of synergies within the Group. Improvement of our working capital and cost base is being supported with a long-term program of measures. In particular, this is true for the production of our equipment and the development of new products as well as for the more flexible adjustment of our capacities to fluctuations on the global markets.

We have assessed all known risks and opportunities in our plans and anticipated both positive and negative scenarios as thoroughly as possible. However, in specialist foundation engineering and our other business, the composition of the construction soil or ground is essentially always an element that can give rise to unforeseen factors despite extensive preliminary surveys. These factors can impede construction works and in some cases also cause financial losses.

We remain convinced of the basic strategic objective of the Group. The strategic structure comprising the Construction, Equipment and Resources segments will continue to dictate the direction of the Group over the coming years. We are not currently planning any larger acquisitions, as we want to continue to strengthen our capital base.

FORECAST FOR THE SEGMENTS AND BAUER AG

Construction segment

Overall, we anticipate a further improvement in the construction markets worldwide. The very high demand for infrastructure around the world will continue to shape the construction sector. Nevertheless, we anticipate that the COVID-19 pandemic and the accompanying legal measures and regulations in the individual countries and regions will also influence construction in 2022.

In Germany, we expect a slight revenue increase compared to the good previous year and a continuing stable construction market. Across Europe, we assume there will be good development in total in the individual markets. Russia and the markets in the region will be markedly affected by the consequences of the war. In the Middle East, the political environment is expected to continue contributing to general uncertainty in 2022. Nevertheless, we anticipate better performance overall with our order backlog and the planned projects in the region. Based on our order situation in the USA, we are confident of another good financial year. The markets in Central America will remain challenging but newly acquired orders should also initiate an improvement here as well. In the countries of Asia, we have very significantly reduced our structures and therefore anticipate a better capacity utilization overall at a lower level.

The focus of our efforts in 2022 is the further review of our international position in the Construction segment. Now that the COVID-19 pandemic has accelerated the implementation of necessary capacity adjustments, above all in the Asia-Pacific region, we plan to close or heavily scale back a few additional subsidiaries.

For these measures, we have planned larger restructuring expenses. In the countries where we see a sufficiently large market for the coming years we want to maintain our presence with a subsidiary, to remain profitable in the long term. This will not affect the capacity to execute large projects. In the future, our global and regionally organized position will enable us to offer and manage large projects in countries without a fixed branch office. These measures should be largely concluded in 2022 so that we can once again fully focus on the operational business in 2023.

For 2022, we are rather cautious due to the additional insecurities concerning further potential impacts resulting from the consequences of the COVID-19 pandemic and Russia's war against Ukraine, and also taking into account the planned restructuring expenses, although in principle we anticipate an improvement in most construction markets around the world. Based on this, for the Construction segment we expect to see a significant increase in total Group revenues and a significant increase in EBIT into the positive range compared with the previous year.

Equipment segment
Over the first months, 2021 was still shaped by the COVID-19 pandemic and the resulting uncertainties on the markets, which lead to fewer equipment orders. Because a recovery began particularly in the second half of the year, nearly all regions again recorded slight to moderate growth in the sales figures for construction equipment in the financial year gone by. In the Asia-Pacific region, and particularly in China, however, the strict curfews and travel restrictions imposed there as well as decreasing construction activity made it extremely difficult to achieve sales in the second half of the year.

Regardless of this, we have again brought numerous innovations in the Equipment segment to the market in the last year, such as the first electric drilling rig from Bauer, new digital applications and assistance systems for our customers as well as a world first in cutting technology with the BAUER Cube System. We are also working intensively on the optimization of our supply chain management. The goal here is to offer shorter standard delivery times for customers of specialist foundation engineering equipment and to improve the working capital with lower inventories of finished goods. The project is planned for a period of multiple years.

For 2022, in principle we anticipate further growth in most regions. Nevertheless, the further development of the COVID-19 pandemic, which differs in the individual regions, as well as Russia's war with Ukraine, will remain factors of uncertainty for the ongoing year. Furthermore, the strict entry requirements in China will pose additional challenges for our equipment sales. In total, however, we anticipate further growth and thus a better utilization of our production capacities.

Given these assumptions, we expect for the segment that the total Group revenues will be significantly higher and EBIT will be slightly higher in 2022 than in the previous year.

Resources segment
After the conclusion of the restructuring measures in 2020, the Resources segment recorded a positive development in the financial year gone by. In addition, the segment remained nearly unaffected by the effects of the COVID-19 pandemic.

The environmental business continues to have positive prospects and has recorded good demand despite a slight slowdown. The goal of also opening up the market in China for similar services could not be achieved due to the strict entry requirements. Whether this will be possible in the coming years depends on the further development of the pandemic in China. For 2022, however, it is already foreseeable that no operative projects can be executed.

We expect the areas of water well construction and mining to be equally positive. In both areas there is a stable to increasing demand for special services as well as for geothermal energy products. For the drilling services division, we are anticipating a further improvement due to the renewed increase in raw material prices.

In the constructed wetlands division, there continue to be good opportunities due to large projects in the Middle East. After the definitive tendering of an additional project was postponed last year, we now expect this as well as another tender in the ongoing year. Projects of this kind have an order volume in the range of hundreds of millions, as this also encompasses a very long operating time. In 2022, we will also review the markets in Europe and the USA for potential project opportunities.

The newly created rehabilitation division is also recording a good order backlog and a stable market due to the high backlog demand in the infrastructure sector in Germany.

The COVID-19 pandemic and the corresponding measures and restrictions will still remain a factor of uncertainty in 2022 as well, nevertheless we still do not anticipate that the segment will be affected by this to a large extent.

After the already positive performance in the last year, for 2022 in the Resources segment we anticipate that the total Group revenues will be significantly above the previous year and EBIT will be slightly below the previous year.

BAUER AG

In 2022, BAUER AG expects a slight increase in sales revenues.

TOTAL GROUP FORECAST

The total Group forecast is derived primarily from the overall consideration and aggregation of the expectations described in the previous section for the individual business segments.

The COVID-19 pandemic will continue to potentially be a major influencing factor and may also affect our business. From a regional perspective, in our view this could still most heavily affect the region of Asia. Effects of the ongoing COVID-19 pandemic on the 2022 financial year are taken into account in the forecast. This is based on the expectation that the pandemic, with its restrictions and effects on the global economy, will not considerably worsen from the current state. In our forecast, we assume that the consequences of the COVID-19 pandemic in 2022 will no longer significantly impact the Group business performance overall.

Russia's war against Ukraine is another factor of uncertainty for the course of business in 2022. The effects of the war on our direct business with and in Russia as well as Ukraine were incorporated in our forecast based on the current state of knowledge. The direct effects for the Group are not significant based on the current assessment. Effects of the war on the global economy are not taken into account in our forecast, as an assessment is not currently possible.

There are also ongoing bottlenecks, which would primarily affect production and sales in the Equipment segment and could potentially have a negative impact on planned growth.

These assessments as well as the aggregation of the expectations for the individual segments form the basis of our scenarios for the current financial year and we have attempted to take these into account as well as possible for the Group forecast. The development of performance indicators is also defined given this background and the associated ongoing difficulty of predicting the further effects in the current financial year.

Based on knowledge current at the time of completion of this management report and taking account of the influencing factors mentioned, we are expecting a significant increase in **total Group revenues** as well as **EBIT** for the 2022 financial year.

In 2021, the Group was only able to return small positive earnings after taxes. In order to sustainably further improve the equity ratio, the Executive Board will therefore recommend that the Supervisory Board proposes to the Annual General Meeting that no dividends be distributed. In the medium term, however, we continue to maintain our dividend policy, which plans for a dividend ratio of approximately 25 to 30% of reported earnings after taxes.

Comparison: 2021 actual / 2022 forecast

in EUR million	Actual 2021	Forecast 2022
Total Group revenues	1,538	significant increase
EBIT	36.0	significant increase

VII. LEGAL DISCLOSURES

STATUTORY DISCLOSURES REGARDING TAKEOVERS

The following disclosures are made pursuant to section 315 a and section 289 a of the German Commercial Code (HGB) as per December 31, 2021.

COMPOSITION OF SUBSCRIBED CAPITAL

The subscribed capital (share capital) of BAUER AG was increased on June 24, 2021 based on the resolution of the Extraordinary General Meeting on March 31, 2021 by EUR 30,885,149.15 and amounts to EUR 111,186,566.76. The subscribed capital is divided into 26,091,781 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 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 44 of the German Securities Trading Act (WpHG). Shares with special rights entailing control powers were not issued. Employees holding a capital share in BAUER AG exercise their rights of control like other shareholders in accordance with the statutory provisions and the Articles of Association.

The members of the Bauer family and the BAUER Stiftung, Schrobenhausen, informed the company that they own a total of 9,399,100 no-nominal-value bearer shares in BAUER AG on the basis of a pool agreement, representing a 36.02% shareholding in the company. The pool agreement provisions include binding voting commitments as well as restrictions on the transferability of pool members' shares. Furthermore, Doblinger Beteiligung GmbH announced that it holds 7,827,533 no-nominal-value bearer shares in BAUER AG on June 24, 2021, representing a 29.999995% shareholding. No other direct or indirect participations in BAUER AG share capital exceeding 10% of the voting rights are known to the company.

AUTHORITY OF THE EXECUTIVE BOARD TO ISSUE OR BUY BACK SHARES

Because the authorized capital for 2020 included in article 4 (4) of the company's Articles of Association only amounted to EUR 2.84, it was resolved in the Extraordinary General Meeting of the company on March 31, 2021 to cancel the 2020 authorized capital and create a new authorized capital. Since then, article 4 (4) of the company's Articles of Association states that the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or more than once up to March 30, 2026, by up to a total of EUR 10 million by issuing new no-nominal-value bearer shares against cash and/or non-cash contributions (2021 authorized capital). To that end, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

a) in the case of capital increases in return for non-cash contributions, particularly for the purpose of purchasing companies, parts of companies, participations in companies and other assets or claims for the purchase of assets, including receivables from companies or their Group companies, or for the purpose of company mergers;

b) in the event of capital increases against cash contributions where the issue amount of the new shares is not materially below the market price of the already quoted shares at the time that the issue price is set definitively and the shares issued excluding shareholders' subscription rights pursuant to section 186 (3) sentence 4 of the 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 will be sold or issued in direct or corresponding application of section 186 (3) sentence 4 of the 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 this limit;

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

d) to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as a non-cash contribution to the company in return for the issuance of new shares from the 2021 authorized capital.

By resolution in the Annual General Meeting adopted on June 27, 2019, the company was authorized to purchase treasury stock, over a limited period up to June 26, 2024, representing up to a total of 10% of the company's share capital at the time the resolution was passed. The shares shall be purchased at the discretion of the Executive Board by means of a public tender offer or via the stock market. If the acquisition is effected via the stock market, the acquisition price (excluding ancillary costs) may be no more than 10% above or below the mathematical average of the closing prices per share on the trading day for shares in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange for the three trading days prior to the date of entering the obligation to purchase. 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 below the mathematical 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 publication of the public tender offer. If significant variations of the decisive share price occur after the day of publication of the public tender offer, the purchase price may be adjusted.

The Executive Board shall be authorized to appropriate the shares 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 via 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 effecting company mergers or acquiring companies, parts of companies, shareholdings in companies or other assets. They can also be issued to employees and members of management in the company or affiliated companies as part of share option or employee participation programs. The aforementioned shares may be redeemed without the need for a further General Meeting resolution to approve the redemption or its execution. With regard to the use of the bought-back shares, the authorization provides, in specific cases, for subscription rights of shareholders to be excluded. The facility to acquire treasury stock has not been utilized to date.

APPOINTMENT AND TERMINATION OF APPOINTMENT OF EXECUTIVE BOARD MEMBERS, AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The appointment and termination of appointment of members of the Executive Board of BAUER AG is regulated by sections 84 and 85 of the AktG and sections 30 et seq. of the German Employee 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 Executive 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 2021 financial year, the Executive Board comprised four members appointed by the Supervisory Board and a CEO as well as a Labor Director. With effect from the end of December 31, 2021, Mr. Hartmut Beutler withdrew from the Executive Board, meaning that since then the Executive Board has consisted of three members. It is permissible to re-appoint or extend the appointment of an Executive Board member for a further maximum term 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 Executive Board or an appointment as chairman for good cause. The Presidial and Personnel Committee of the Supervisory Board prepares the Supervisory Board decisions on the appointment and termination of appointment of Executive Board members and concerns itself with the long-term planning of successor members for appointment to the Executive Board.

In accordance with section 119 (1) number 6 and section 179 of the AktG, the amendment of the Articles of Association is passed by the 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 that 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 period of authority according to the respective utilization of the authorized capital.

CHANGE OF CONTROL

Together with other Group companies, BAUER AG has concluded a syndicated loan agreement providing a credit line of up to EUR 390 million and a further syndicated loan agreement with a balance of EUR 26.8 million at the end of the year; this contains a provision for the lenders to terminate their loan commitments in the event of a change of control or if control is gained by a third party. A change of control within the meaning of these syndicated agreements occurs if, overall, more than 50% of the capital shares or voting rights in the parent company is held directly or indirectly by one or more persons acting jointly (with the exception of members of the Bauer family).

Furthermore, several long-term loans with balances totaling EUR 100.5 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 generally 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 rights 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. As a consequence, cross-default or cross-acceleration clauses in other loan agreements could lead to the termination of other credit lines.

Additional short- and long-term loan agreements also exist within the Group that 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 Executive Board or employees regarding provisions for compensation in the event of a takeover offer.

The expansion of Australia's Bruce Highway – the "Cooroy to Curra, Woondum to Curra (C2CD)" project – is a large infrastructure project in the state of Queensland. It involves the new construction of a multi-lane highway.


KOMATSU
BMU
PC
290
NLC
BMU

DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289 F OF THE HGB IN CONJUNCTION WITH SECTION 315 D OF THE HGB

With effect from March 25, 2022, the Executive Board of BAUER AG issued a declaration on corporate governance pursuant to section 289 f of the HGB in conjunction with section 315 d of the HGB and made this publicly available on the website https://www.bauer.de/bauer_group/investor_relations/publications/annual_report. It includes the declaration of compliance pursuant to section 161 of the AktG, relevant information about corporate governance practices, a description of the composition and roles of the Executive Board and Supervisory Board as well as the composition and roles of its committees, the target figures for female quota in the Executive Board and the two executive levels below the Executive Board, information about compliance with minimum quotas of women and men in the Supervisory Board and details of the diversity concept.

NON-FINANCIAL GROUP REPORT 2021

At the same time as the annual report, BAUER AG also published a separate non-financial Group report pursuant to sections 315 b, 289 b of the HGB at https://www.bauer.de/bauer_group/investor_relations/publications/annual_report. It outlines environmental, employee and social concerns, respect for human rights as well as anti-corruption and anti-bribery policies as non-financial aspects.

Schrobenhausen, April 1, 2022
BAUER Aktiengesellschaft

Dipl.-Phys. Michael Stomberg
CEO

Dipl.-Ing. (FH)
Florian Bauer, MBA

Peter Hingott

<<< ***On the grounds of a former tannery in Backnang, northeast of Stuttgart, the Bauer Umwelt division of BAUER Resources GmbH prepared everything for the construction of a care home. Using an excavator weighing 30 t, approximately 26,000 m³ of polluted soil was excavated to eliminate residues remaining in the soil from the former use of the site as a tannery.***

Bauer share

Global economy recorded strong growth
According to figures from the IMF, the global economy once again recorded growth of +5.9% (previous year: -3.1%) after a significant decrease in the previous year. Industrialized nations (+5.0 %) made gains overall, among them particularly the countries of Europe, North and South America as well as China and India. On the other hand, Germany remained rather behind in terms of growth with +2.7% (previous year: -4.6%), as did many other Asian countries.

The COVID-19 pandemic also continued to shape the economic development in many regions. Although the availability of vaccines supported growth, in 2021 many countries and economic sectors had to struggle with delivery delays and an enormous increase in raw material prices. Winners from the pandemic particularly included companies in the area of IT and e-commerce.

The price of oil rose strongly in the year gone by. After starting the year at slightly above USD 50 per barrel, the price for Brent crude increased to nearly USD 80 by the end of the year.

Inflation rates also grew considerably worldwide. On the other hand, the low interest rate environment was maintained. For example, the Federal Reserve in the USA kept the base interest rate in a range from 0 to 0.25% and the ECB maintained the previous value of 0%. For 2022, in contrast, strong increases are anticipated once again – at least in the USA.

This persisting cheap money environment as well as the economic growth provided the foundation for positive stock market development. Due to the additional availability of vaccines, ongoing consequences of the COVID-19 pandemic scarcely impacted the stock markets anymore and enabled them to record very positive development overall.

Bauer share records variable stock market year
The 2021 stock market year started with a strong price increase for the Bauer share. Within the first trading days, the yearly high of EUR 13.68 was already reached. However, the price subsequently declined and fell beneath the EUR 11 mark as a result of the ad-hoc notification to announce a capital increase on February 17.

In the following months, the price recovered again and followed the constant growth of the DAX and SDAX indices. The inclusion of the new shares, which could be acquired by existing shareholders as part of the capital increase for EUR 10.50, also did not have any major impacts on the price, even though the stock market price on the reporting date was significantly above EUR 12.

The share only began to record a negative trend after publication of the half-year figures in mid-August, which continued until the end of the year with few positive price swings.

On November 2, due to the ongoing consequences of the COVID-19 pandemic on business and due to considerable delays in some areas with individual major projects, BAUER AG had to withdraw the forecast for 2021. This underpinned the downward trend of the share until the end of the year. The lowest price for the year was reached on December 20 at EUR 9.54.

Performance of the Bauer Share

The Bauer share lost 5.9% of its total value during the 2021 stock market year, with the closing price of EUR 9.90. The benchmark indices DAX (+15.8%) and SDAX (+11.2%) recorded continuous growth for nearly the entire year.

In the first quarter of 2022, the share price fell up to EUR 8.29, in line with the general stock market trend, particularly after the start of Russia's war against Ukraine at the end of February. Subsequently, and following the announcement of the preliminary figures for 2021 on March 7, the share price recovered. The share closed the first quarter of 2022 at EUR 9.24.

Virtual meetings shaped IR work

As a result of the COVID-19 pandemic, nearly all meetings with the interest groups on the capital market were held in virtual form, with a few exceptions. Whether conferences or roadshows, with analysts or shareholders – the meetings of the Executive Board and Investor Relations were held almost exclusively on screens. This also applied for the two General Meetings on March 31 and June 24.

In 2021, three analysts regularly reported on the Bauer share. Commerzbank discontinued its coverage at the end of 2021. At the end of the year, two analysts voted “Hold”. The average target share price was EUR 11.25. For 2022, the goal is to increase the reach of share coverage again.

Capital increase 2021

In mid-February, the Executive Board issued an ad-hoc announcement concerning the proposal for a resolution on a capital increase with subscription rights and called an Extraordinary General Meeting on March 31, 2021 for this purpose. This meeting approved the implementation of a capital increase against cash and/or non-cash contributions with the issue of up to 7,247,715 new shares.

Share information

ISIN / WKN	DE0005168108 / 516810
Ticker symbol	B5A
Trading segment	Frankfurt, Prime Standard
Share indices	CDAX, DAXplus Family
Class of share	No-nominal-value bearer shares
Share capital	EUR 111,186,566.80
Number of shares	26,091,781
Shareholder structure	Bauer family 36.02%, Doblinger Beteiligung GmbH 30.00% (rounded), free float 33.98%

The capital increase was successfully implemented with considerable oversubscription and achieved net proceeds against cash contributions of approximately EUR 63.3 million. The shareholder structure changed as a result, meaning that BAUER AG now has two strong shareholders with the Bauer family and Doblinger Beteiligung GmbH.

Dividend policy

The Bauer dividend strategy is fundamentally aimed at providing shareholders with an appropriate and fair participation in the success of the business, maintaining continuity and safeguarding the equity ratio.

In 2021, the equity was considerably reinforced again by the implemented capital increase, but the Group still once again returned negative earnings after taxes. That is why it is necessary to continue to strike a careful balance between continuity and shareholder participation on the one hand, and safeguarding our equity ratio on the other.

In order to sustainable improve the equity ratio once again, the Executive Board will therefore recommend that the Supervisory Board proposes to the Annual General Meeting that no dividends be distributed.

More information:

http://ir.bauer.de

KEY FIGURES	2018	2019	2020	2021
Earnings per share (in EUR)	1.32	-2.17	-0.48	-0.02
Dividend per share (in EUR)	0.10	0.00	0.00	0.00 *
Dividend total (in EUR thousand)	1,713	0	0	0 *
Year-end price (in EUR)	12.16	15.10	10.52	9.90
Annual high (in EUR)	31.25	24.30	16.30	13.68
Annual low (in EUR)	12.08	12.62	8.53	9.54
Year-end market capitalization (in EUR thousand)	208,313	258,678	198,240	258,309
Average daily trading volume (units)	62,434	40,742	22,817	19,104

* Proposed, subject to the approval of the General Meeting on June 23, 2022

Report of the Supervisory Board 2021

The work of the Supervisory Board in the 2021 financial year, as in the previous year, was shaped by uncertainties concerning the future course of the COVID-19 pandemic. To increase the equity base, the Executive Board, with approval by the Supervisory Board, carried out a capital increase in the first half of the year by way of a uniform mixed cash and non-cash capital increase, which improved the Group balance sheet situation.

Due to new elections in the year under review, there were personnel changes to the Supervisory Board in the middle of the year. On the side of the shareholder representatives, Ms. Sabine Doblinger and Mr. Klaus Pöllath were elected in the Annual General Meeting on June 24, 2021 as the successors of the departing members Dr. Johannes Bauer and Prof. Dr. Manfred Nußbaumer. On the side of the employee representatives, Mr. Wolfgang Rauscher was newly elected to the Supervisory Board by the workforce of the BAUER Group, while Ms. Regina Andel and Mr. Stefan Reindl stepped down from the Supervisory Board. Because the gender percentages in accordance with the provisions of the German Employee Co-Determination Act were not complied with during the election, one Supervisory Board seat on the employee side initially remained vacant. By way of a court-ordered appointment, Ms. Petra Ehrenfried was for this reason appointed as a member of the Supervisory Board on the employee side.

The Supervisory Board regularly monitored the work of the Executive Board during the 2021 financial year on the basis of the detailed reports provided by the Executive Board in written and verbal form and provided support in the form of advice. The Executive 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 Executive Board generally 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 Executive Board, in particular with the CEO, gathered information as appropriate relating to the course of business and key transactions and discussed strategic topics and risk situations.

There were no indications of conflicts of interest among members of the Executive Board or Supervisory Board requiring immediate notification of the Supervisory Board and disclosure to the General Meeting. In December of the year under review, the company held a training event for members of the Supervisory Board concerning recent new developments in stock corporation law and capital market law with respect to the activities of the Supervisory Board.

MAIN FOCUS OF CONSULTATIONS IN SUPERVISORY BOARD MEETINGS

In the year under review, there were eight plenary Supervisory Board meetings, and two resolutions were adopted by means of a resolution procedure in writing. Current business and earnings performance, order backlog development and developments in the markets in the business segments were discussed at all quarterly Supervisory Board meetings. The Supervisory Board takes into account the reports of the committees.

In February of the year under review, it was resolved to convene an Extraordinary General Meeting to increase the company's share capital and to create a new Authorized Capital. Following the proposal of the Executive Board and Supervisory Board, the General Meeting on March 31, 2021 resolved to increase the company's share capital by up to EUR 30.9 million by way of mixed cash and/or non-cash contributions including the shareholders' statutory subscription rights and the creation of an Authorized Capital of up to EUR 10 million was approved as a contingent resolution.

At the annual financial review meeting in April relating to the annual and consolidated financial statements for the 2020 financial year, also attended and informed by the auditor, a detailed review was undertaken of the respective financial statements along with the combined management report and the proposal of the Executive Board with regard to the appropriation of retained earnings. Given the COVID-19 pandemic situation, one focus of the evaluation was to review the assets. No additional need for valuation allowance was identified. After reviewing the audit reports for the annual financial statements, the annual and consolidated financial statements were adopted and approved by the Supervisory Board. The declaration on corporate governance and the non-financial Group report for the 2020 financial year were also confirmed. During this meeting, the Supervisory Board addressed the selection of the auditor as well as the invitation to the Annual General Meeting, and the candidates proposed by the Supervisory Board for the election of shareholders' representatives to the Supervisory Board were approved. The current business development was addressed in the session along with the remuneration paid to the Executive Board including the determination of bonus payments based on the previous remuneration system, according to which the already resolved revised remuneration system is first applied with effect from January 1, 2021.

In separate video conferences, the additional details were determined in early June and the volume of the capital increase resolved by the Extraordinary General Meeting on March 31, 2021 was determined in late June. In the regular June session, the Supervisory Board addressed the operative business performance, focusing on disrupted major projects in the Construction segment and on the sales organization in the Equipment segment under consideration of the effects of the COVID-19 pandemic. After the new election of the Supervisory Board in the Annual General Meeting at the end of June, the Chairman and Deputy Chairman of the Supervisory Board were elected and members were appointed to the Supervisory Board committees in the constituent Supervisory Board session.

In the September session, the Supervisory Board focused on the market prospects in the area of offshore foundations as well as the exploration of deep sea natural resources and current project developments in these areas. The market development on the Chinese market, the Group strategy for Africa and the extension of the syndicated loan financing were also addressed. Another focus was medium-term consolidated balance sheet planning and the current reorganization in the Resources segment.

In early December, the Supervisory Board convened to discuss the developments on key major projects and the strategic projects that were given priority in the segments. The Supervisory Board also received reports concerning measures in the area of IT security, an updated Declaration of Conformity in accordance with the German Corporate Governance Code and the annual planning for the 2022 financial year. The basic salary and target remunerations of members of the Executive Board for the 2022 financial year were determined and the labor director duties were assigned to Mr. Florian Bauer.

WORK CARRIED OUT BY THE COMMITTEES

There are four committees in the Supervisory Board, though the Mediation Committee was not required to convene. The committee chairpersons submitted regular reports on the

Session attendance for members of the Supervisory Board

	Supervisory Board meeting	Presidential and Personnel Committee	Audit Committee	Nomination Committee
Number of sessions held	**8**	**2**	**5**	**1**
Regina Andel*	5			
Dr.-Ing. Johannes Bauer*	5	1		
Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer	8	2		1
Rainer Burg	8			
Sabine Doblinger**	3			
Petra Ehrenfried**	3			
Maria Engfer-Kersten	8		4	
Robert Feiger	6			
Reinhard Irrenhauser	8	2		
Prof. Dr. Manfred Nußbaumer*	5			1
Klaus Pöllath**	3	1		
Wolfgang Rauscher**	3			
Dipl.-Kfm. (FH) Stefan Reindl*	5			
Dipl.-Ing. (FH) Elisabeth Teschemacher	8			1
Dipl.-Kffr. Andrea Teutenberg	8		5	
Gerardus N.G. Wirken	8		5	

* Member of the Supervisory Board until June 24, 2021 ** Member of the Supervisory Board from June 24, 2021

main content of the committee meetings to the plenary Supervisory Board meetings.

The Nomination Committee met once to address the candidates proposed by the Supervisory Board for the Supervisory Board elections in the Annual General Meeting in 2021. Two meetings of the Presidial and Personnel Committee were convened. At those meetings, the remuneration system for members of the Executive Board was addressed and preparations were made for decisions of the Supervisory Board relating to determination of salaries and performance bonuses for members of the Executive Board as well as the performance bonus framework. In addition, the committee addressed the distribution of functions within the Executive Board in view of the withdrawal of the CFO at the end of the year as well as the Declaration of Conformity in accordance with the German Corporate Governance Code.

The Audit Committee met five times in the year under review. The committee reviewed the audit of the non-financial Group report, the quarterly statements, the half-year interim report and, in the presence of the auditors, the audit of the annual financial statements and the consolidated financial statements of the Group. It also scrutinized the Executive Board proposal regarding the appropriation of earnings as well as the selection and appointment of auditors and assessed the quality of the company audit. The Audit Committee obtained the required declaration of independence from the auditor and agreed on the fees for auditing services. The audit focus for key audit points was determined in consultation with the auditor. The Committee also held a special session to accept the risk management and internal auditing reports, to review projections for the end of the year and to address the medium-term financial targets. In addition, the securities prospectus for the implemented capital increase was supported, the effects of the Financial Market Integrity Act were addressed and the opportunities and risks of the business development were regularly addressed.

ATTENDANCE

As in previous years, in the 2021 financial year there was once again a consistently high participation rate in the Super-

The rehabilitation of a former laundry plant in Dresden's Laubegast district. The Bauer Umwelt division of BAUER Resources GmbH has executed more than 90 replacement borings, excavated 1,730 m^3 of soil, disposed of 4,800 t of contaminated material and cleaned a large volume of groundwater.

visory Board meetings as well as in its committees. In June of the year under review, the Supervisory Board elections were held, which resulted in a change to the composition of the Supervisory Board upon conclusion of the Annual General Meeting on June 24, 2021. The Mediation Committee was not required to convene according to its responsibilities.

AUDITING OF THE 2021 ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of BAUER AG as at December 31, 2021 and the consolidated financial statements of the Group as well as the Combined Management Report, including Group Accounting, were audited by the auditors elected by the General Meeting and duly appointed by the Supervisory Board, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart branch office, and certified by the auditor with an unqualified opinion. The Audit Committee scrutinized the audit documentation, the non-financial Group report and the reports submitted by auditors and reported on its review to the Supervisory Board. The auditor attended the meeting of the Audit Committee as well as the annual financial review meeting of the plenary Supervisory Board.

The annual and consolidated financial statements along with the Combined Management Report, the non-financial Group report and the auditor's reports were provided in good time to all members of the Supervisory Board, who reviewed these documents. The Supervisory Board duly noted and concurred with the findings of the auditor's review of the documentation. On conclusion of the Supervisory Board review, no objections were raised, and the publication was approved. The annual financial statements of BAUER AG and the consolidated financial statements of the Group were approved by the Supervisory Board at its meeting on April 5, 2022. The annual financial statements of BAUER AG were thus adopted. Following prior consultations in the Audit Committee, the Supervisory Board concurred with the proposal of the Executive Board regarding the appropriation of retained earnings. Given the lack of retained earnings, no proposal can be made to the shareholders regarding the appropriation of retained earnings.

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

Schrobenhausen, April 2022
The Supervisory Board

Prof. Thomas Bauer
Chairman of the Supervisory Board

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

62 **Income Statement of BAUER Aktiengesellschaft**

63 **Balance Sheet of BAUER Aktiengesellschaft as at December 31, 2021**

<<< *Extending over a length of 56 km and a width of 48 km, Lake Okeechobee is the largest freshwater lake in the US state of Florida. Since 2007, the rehabilitation of the 225 km long Herbert Hoover Dike around the lake has been underway to protect against storm surges and flooding. The US subsidiary of BAUER Spezialtiefbau GmbH is involved in several sections of the project.*

Income Statement of BAUER Aktiengesellschaft

in EUR thousand	12M/2020	12M/2021
Sales revenues	43,565	46,042
Other own work capitalized	0	335
Other operating income	1,915	32
	45,480	**46,409**
Cost of materials		
Expenses for raw materials and supplies and purchased goods	-421	-400
Expenses for purchased services	-8,167	-7,609
	-8,588	**-8,009**
Personnel expenses		
Wages and salaries	-16,671	-19,215
Social security contributions and expenses for retirement benefits and welfare support	-3,283	-3,776
	-19,954	**-22,991**
Amortization of intangible fixed assets and depreciation of property, plant and equipment	-2,860	-2,616
Other operating expenses	-27,185	-55,043
Operating result	**-13,107**	**-42,250**
Income from participations	20,000	45,967
Other interest and similar income	1,082	5,697
Interest and similar expenses	-9,271	-8,405
Financial result	**11,811**	**43,259**
Taxes on income and profit	1,282	-978
Earnings after tax	**-14**	**31**
Net income (previous year: net loss)	**-14**	**31**
Losses carried forward	-50	-64
Accumulated loss	**-64**	**-33**

Balance Sheet of BAUER Aktiengesellschaft as at December 31, 2021

ASSETS

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Fixed assets		
Intangible assets	2,020	5,651
Property, plant and equipment	5,950	5,636
Financial assets	285,006	288,656
	292,976	**299,943**
Current assets		
Inventories Raw materials and supplies	99	311
Receivables and other assets (of which receivables from affiliated companies)	35,763 (34,441)	29,992 (28,831)
Cash at banks	100	0
	35,962	**30,303**
Prepayments and deferred charges	**2,641**	**4,607**
Deferred tax assets	**6,517**	**5,630**
	338,096	**340,483**

EQUITY AND LIABILITIES

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Equity		
Subscribed capital	80,301	111,186
Capital reserve	48,447	93,663
Revenue reserves	2,055	2,055
Accumulated loss (of which losses carried forward)	-64 (-50)	-33 (-64)
	130,739	**206,871**
Provisions (of which provisions for pensions)	**27,114** (15,255)	**24,606** (16,759)
Liabilities (of which liabilities payable to affiliated companies)	**180,243** (23,324)	**108,976** (4,582)
Deferred tax liabilities	**0**	**30**
	338,096	**340,483**

Consolidated financial statements in accordance with IFRS

66 **Consolidated Income Statement**

66 **Consolidated Statement of Comprehensive Income**

67 **Consolidated Statement of Cash Flows**

68 **Consolidated Balance Sheet as at December 31, 2021**

70 **Consolidated Statement of Changes in Equity**

71 **Notes to the Consolidated Financial Statements**

71 General notes
100 Group segment reporting
102 Explanatory notes to the Consolidated Income Statement
107 Explanatory notes to the Consolidated Balance Sheet
139 Other disclosures
163 List of shareholdings of the BAUER Group

169 **Audit opinion**

179 **Assurance by the Legal Representatives**

<<< To protect the residents in the lower Mangfall Valley against flooding, a flood control reservoir with a capacity of approximately 6.6 million m^3 is being constructed in the district of Rosenheim. BAUER Spezialtiefbau GmbH has been tasked with various construction works there.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

INCOME STATEMENT

in EUR thousand	Notes	12M/2020	12M/2021
Sales revenues	(7)	1,343,241	1,433,073
Changes in inventories		-16,789	5,430
Other own work capitalized	(8)	8,052	15,089
Other income	(9)	66,779	18,835
Consolidated revenues		**1,401,283**	**1,472,427**
Cost of materials	(10)	-626,112	-729,697
Personnel expenses	(11)	-394,898	-430,420
Other operating expenses	(12)	-224,822	-170,110
Income from shares accounted for using the equity method	(13)	9,796	11,261
Earnings before interest, tax, depreciation and amortization (EBITDA)		**165,247**	**153,461**
Depreciation and amortization a) Depreciation of fixed assets	(14)	-93,176	-106,300
b) Write-downs of inventories due to use	(15)	-16,534	-11,136
Earnings before interest and tax (EBIT)		**55,537**	**36,025**
Financial income	(16)	33,047	50,752
Financial expenses	(17)	-72,256	-65,495
Earnings before tax (EBT)		**16,328**	**21,282**
Income tax expense	(18)	-24,550	-17,291
Earnings after tax		**-8,222**	**3,991**
of which attributable to shareholders of BAUER AG		-8,397	-563
of which attributable to non-controlling interests		175	4,554

in EUR		12M/2020	12M/2021
Basic earnings per share	(19)	-0.48	-0.02
Diluted earnings per share	(19)	-0.48	-0.02
Average number of shares in circulation (basic)		17,273,756	23,083,153
Average number of shares in circulation (diluted)		17,273,756	23,083,153

STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	12M/2020	12M/2021
Earnings after tax	**-8,222**	**3,991**
Income and expenses which will not be subsequently reclassified to profit and loss		
Revaluation of obligations arising from employee benefits after termination of the employment relationship	-7,112	19,089
Deferred taxes on that revaluation with no effect on profit and loss	2,113	-5,388
Market valuation of other participations	1,150	8,712
Deferred taxes on other participations with no effect on profit and loss	0	-103
Income and expenses which will be subsequently reclassified to profit and loss		
Market valuation of derivative financial instruments (hedging reserve)	1,837	491
Included in income and loss	-1,478	-470
Market valuation of derivative financial instruments (reserve for hedging costs)	445	374
Included in income and loss	-385	-373
Deferred taxes on financial instruments with no effect on profit and loss	-117	-6
Exchange differences on translation of foreign subsidiaries	-23,136	15,156
Other earnings after tax	**-26,683**	**37,482**
Total comprehensive income	**-34,905**	**41,473**
of which attributable to shareholders of BAUER AG	-33,124	37,785
of which attributable to non-controlling interests	-1,781	3,688

Consolidated Statement of Cash Flows

in EUR thousand	12M/2020	12M/2021
Cash flows from operational activity:		
Earnings before tax (EBT)	16,328	21,282
Depreciation of property, plant and equipment and intangible assets	93,176	106,300
Depreciation of inventories due to use for impairment	16,534	11,136
Financial income	-33,047	-50,752
Financial expenses	68,940	65,495
Other non-cash transactions and results of de-consolidations	39,392	12,858
Dividends received	7,507	4,195
Income from the disposal of property, plant and equipment and intangible assets	-4,137	-4,084
Income from shares accounted for using the equity method	9,796	11,261
Change in provisions	-307	-7,227
Change in trade receivables	-26,622	10,384
Change in contract assets	13,929	-26,969
Change in other assets and in prepayments and deferred charges	-5,720	-14,768
Change in inventories	-9,849	-28,380
Change in trade payables	-13,535	119
Change in contract liabilities	-12,952	15,309
Change in other current and non-current liabilities	23,449	-21,784
Cash and cash equivalents generated from day-to-day business operations	**182,882**	**104,375**
Income tax paid	-14,734	-21,460
Net cash from operating activities	**168,148**	**82,915**
Cash flows from investing activity:		
Purchase of entities included in the consolidated financial statements less net cash	-17,649	0
Purchase of property, plant and equipment and intangible assets	-113,254	-138,560
Proceeds from the sale of property, plant and equipment and intangible assets	34,845	44,346
Purchase of financial assets (participations)	-43	0
Change in financial resources resulting from the basis of consolidation	-434	33
Disbursements for the purchase of shares in joint ventures	0	-334
Net cash used in investing activities	**-96,535**	**-94,515**
Cash flows from financing activity:		
Raising of loans and liabilities to banks	188,524	224,699
Repayment of loans and liabilities to banks	-229,549	-248,650
Incoming payments from subordinated loans of shareholders	12,000	0
Repayment of liabilities from lease agreements	-23,066	-14,269
Incoming payments from equity contributions by shareholders of the parent company	15,965	64,101
Disbursements for transaction costs in connection with capital measures	0	-568
Disbursements for the purchase of additional shares in subsidiaries	-200	-221
Dividends paid	-2,190	-1,261
Interest paid	-28,127	-24,222
Interest received	5,430	5,140
Net cash used in financing activities	**-61,213**	**4,749**
Changes in liquid funds affecting payments	**10,400**	**-6,851**
Influence of exchange rate movements on cash	-1,960	2,133
Total change in liquid funds	**8,440**	**-4,718**
Cash and cash equivalents at beginning of reporting period	**37,575**	**46,015**
Cash and cash equivalents at end of reporting period	**46,015**	**41,297**
Change in cash and cash equivalents	**8,440**	**-4,718**

Consolidated Balance Sheet as at December 31, 2021

ASSETS

in EUR thousand	Notes	Dec. 31, 2020 *	Dec. 31, 2021
Intangible assets	(20)	14,598	15,944
Property, plant and equipment	(20)	452,487	506,381
Investments accounted for using the equity method	(20)	76,189	81,881
Participations	(20)	10,761	10,803
Deferred tax assets	(21)	66,916	65,421
Trade receivables	(22)	7,554	8,540
Other non-current assets	(23)	7,425	9,221
Other non-current financial assets	(24)	13,165	23,920
Non-current assets		**649,095**	**722,111**
Inventories	(25)	434,966	457,489
Less advances received for inventories	(25)	-10,340	-10,770
		424,626	446,719
Contract assets	(26)	87,983	119,130
Trade receivables	(26)	241,403	243,033
Receivables from enterprises in which the company has participating interests	(26)	847	907
Prepayments	(26)	6,240	9,267
Other current assets	(26)	36,594	37,244
Other current financial assets	(26)	14,040	14,128
Effective income tax refund claims		2,356	4,287
Cash and cash equivalents	(27)	46,015	41,297
Non-current assets held for sale	(28)	34,786	1,370
Current assets		**894,890**	**917,382**
		1,543,985	**1,639,493**

* Adjusted previous year figures; for further information, we refer to the section “Material changes in the current reporting period” on Page 71.

EQUITY AND LIABILITIES

in EUR thousand	Notes	Dec. 31, 2020 *	Dec. 31, 2021
Subscribed capital		80,301	111,186
Capital reserve		47,069	91,717
Other revenue reserves and retained earnings		237,352	275,166
Equity of BAUER AG shareholders		**364,722**	**478,069**
Non-controlling interests		801	3,007
Equity	(29)	**365,523**	**481,076**
Liabilities to banks	(30)	234,043	229,005
Liabilities from subordinate loans	(30)	12,000	0
Liabilities from lease agreements	(30)	37,444	44,941
Other provisions	(33)	1.240	8.001
Provisions for pensions	(31)	167,457	149,054
Other non-current liabilities	(30)	6,027	7,523
Other non-current financial liabilities	(30)	34,452	25,914
Deferred tax liabilities	(21)	20,599	18,409
Non-current debt		**513,262**	**482,847**
Liabilities to banks	(32)	217,419	204,780
Liabilities from lease agreements	(32)	21,538	19,854
Contract liabilities	(32)	61,084	77,971
Trade payables	(32)	179,562	198,005
Liabilities to companies and participations accounted for using the equity method	(32)	24,066	26,530
Other current liabilities	(32)	82,760	78,633
Other current financial liabilities	(32)	17,924	14,046
Effective income tax obligations		25,997	22,159
Other provisions	(33)	31,650	30,275
Provisions for pensions	(31)	3,200	3,317
Current debt		**665,200**	**675,570**
		1,543,985	**1,639,493**

* Adjusted previous year figures; for further information, we refer to the section “Material changes in the current reporting period” on Page 71.

Consolidated Statement of Changes in Equity from January 1, 2020 to December 31, 2021

in EUR thousand			Other revenue reserves and retained earnings							
	Subscribed capital	Capital reserve	Revenue reserves	of foreign subsidiaries	Derivative financial instruments (hedging reserve)	Derivative financial instruments (reserve for hedging costs)	Equity instruments	Shares held by shareholders of BAUER AG	Non-controlling interests	Total
As at January 1, 2020	**73,001**	**38,404**	**278,430**	**-6,471**	**-273**	**-46**	**-1,241**	**381,804**	**5,112**	**386,916**
Earnings after tax	0	0	-8,397	0	0	0	0	-8,397	175	**-8,222**
Exchange differences on translation of foreign subsidiaries	0	0	0	-21,180	0	0	0	-21,180	-1,956	**-23,136**
Revaluation of obligations arising from employee benefits after termination of the employment relationship	0	0	-7,112	0	0	0	0	-7,112	0	**-7,112**
Market valuation of other participations	0	0	0	0	0	0	1,150	1,150	0	**1,150**
Market valuation of derivative financial instruments	0	0	0	0	359	60	0	419	0	**419**
Deferred taxes with no effect on profit and loss	0	0	2,113	0	-100	-17	0	1,996	0	**1,996**
Total comprehensive income	**0**	**0**	**-13,396**	**-21,180**	**259**	**43**	**1,150**	**-33,124**	**-1,781**	**-34,905**
Changes in basis of consolidation	0	0	-63	0	0	0	0	-63	0	**-63**
Dividend payments	0	0	0	0	0	0	0	0	-2,190	**-2,190**
Capital increase	7,300	8,665	0	0	0	0	0	15,965	0	**15,965**
Other changes	0	0	140	0	0	0	0	140	-340	**-200**
As at Dec. 31, 2020	**80,301**	**47,069**	**265,111**	**-27,651**	**-14**	**-3**	**-91**	**364,722**	**801**	**365,523**
As at January 1, 2021	**80,301**	**47,069**	**265,111**	**-27,651**	**-14**	**-3**	**-91**	**364,722**	**801**	**365,523**
Earnings after tax	0	0	-563	0	0	0	0	-563	4,554	**3,991**
Exchange differences on translation of foreign subsidiaries	0	0	0	16,022	0	0	0	16,022	-866	**15,156**
Revaluation of obligations arising from employee benefits after termination of the employment relationship	0	0	19,089	0	0	0	0	19,089	0	**19,089**
Market valuation of other participations	0	0	0	0	0	0	8,712	8,712	0	**8,712**
Market valuation of derivative financial instruments	0	0	0	0	21	1	0	22	0	**22**
Deferred taxes with no effect on profit and loss	0	0	-5,388	0	-6	0	-103	-5,497	0	**-5,497**
Total comprehensive income	**0**	**0**	**13,138**	**16,022**	**15**	**1**	**8,609**	**37,785**	**3,688**	**41,473**
Changes in basis of consolidation	0	0	29	0	0	0	0	29	0	**29**
Dividend payments	0	0	0	0	0	0	0	0	-1,261	**-1,261**
Capital increase	30,885	45,216	0	0	0	0	0	76,101	0	**76,101**
Costs of capital increase	0	-568	0	0	0	0	0	-568	0	**-568**
Other changes	0	0	0	0	0	0	0	0	-221	**221**
As at Dec. 31, 2021	**111,186**	**91,717**	**278,278**	**-11,629**	**1**	**-2**	**8,518**	**478,069**	**3,007**	**481,076**

Other information concerning the equity development can be found in section 29.

Notes to the Consolidated Financial Statements

GENERAL NOTES

GENERAL INFORMATION ABOUT THE GROUP

BAUER Aktiengesellschaft, Schrobenhausen (referred to in the following as BAUER AG) is a stock corporation under German law. Its registered office is at BAUER-Strasse 1 in Schrobenhausen, Germany and the company is entered in the Commercial Register 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 business activities of the Group are divided into three operating segments: Construction, Equipment and Resources.

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

EFFECTS OF THE COVID-19 PANDEMIC ON ACCOUNTING

In the 2021 financial year, business development of the BAUER Group was also significantly impacted by the effects of the COVID-19 pandemic. Effects of the COVID-19 pandemic varied considerably depending on the segment. In the Construction segment, construction projects were able to be carried out with fewer restrictions compared to the previous year. Primarily in Asia, however, there continued to be extensive curfews and an ongoing shutdown of the economy. Despite all this, an increase was achieved in total Group revenues. However, EBIT decreased compared to the previous year. Project losses primarily in Malaysia, the Philippines and Thailand and a considerable loss with a foundation project for an offshore wind park off the French coast were decisive here. The Equipment segment recorded moderate growth overall in total Group revenues and EBIT. The Resources segment was nearly unaffected by the COVID-19 pandemic. Total Group revenues fell slightly (the decrease is almost entirely attributable to the Kesslergrube project), yet EBIT improved significantly. Effects of the COVID-19 pandemic and the measures promptly introduced by management to safeguard the earnings and liquidity situation of the BAUER Group are described in detail in the Combined Management Report.

The further developments associated with the COVID-19 pandemic made it necessary to carry out another review within the 2021 financial year concerning the assumptions and estimates used for assessment of the assets and liabilities as well as the earnings and expenses. In this context, an impairment review for assets was of particular relevance for the BAUER Group.

The markets continued to be very volatile due to the COVID-19 pandemic. Above all this was evident in the region Asia-Pacific, where in some countries the economy was nearly shut down and extensive curfews were imposed. Business was also negatively impacted by entry restrictions or similar limitations. Due to the ongoing pandemic situation, as at December 31, 2021 the recognized carrying amounts were again checked for their recoverability. For this purpose, the last corporate planning approved by the Supervisory Board was used. The review resulted in net impairments of EUR 245 thousand (previous year: 0) as at the balance sheet date.

MAIN CHANGES IN THE CURRENT REPORTING PERIOD

In accordance with IAS 8.41, significant errors from earlier periods must be corrected upon discovery. In accordance with IAS 1.40A in conjunction with IAS 1.10(f), in case of an error correction, a third balance sheet dated at the start of the previous period must be submitted if the retroactive adjustment has a significant effect on the information in this balance sheet. The errors presented hereinafter, in our opinion, do not have a significant effect on the information in the balance sheet, which means that no error correction is provided in a third column of the balance sheet.

The following errors in accordance with IAS 8.5 have resulted in preparation of the consolidated financial statements of the BAUER Group compared with the previous year:

- For the first time, non-current trade receivables were stated due to materiality as independent balance sheet items (see also section 22 “Non-current trade receivables”). In the previous year, this resulted in a decrease in current assets by EUR 7,554 thousand and a corresponding increase in non-current assets.
- For the first time, other provisions were stated due to materiality as independent balance sheet items (see also section 33 “Other provisions”). In the previous year, the current liabilities decrease by EUR 1,240 thousand as a result while non-current liabilities simultaneously increase.
- In the previous year, the tax losses carried forward in the BAUER Group changed. The background for this was a subsequent notification of the existence of losses carried forward at three of our subsidiaries. The comparison between the reported and corrected amount can be found in the following table:

in EUR thousand	Dec. 31, 2020 reported	Dec. 31, 2021 corrected
Domestic losses (corporation tax)	94,136	94,136
Foreign losses	147,058	157,091
Total	**241,194**	**251,227**
Of which losses carried forward deductible for limited periods	84,139	84,139

The stated errors were corrected. They should guarantee a higher degree of transparency as well as better comparability and reconciliation of the information stated in the consolidated financial statements.

The following further changes resulted in comparison with the previous year:

- The Other segment was renamed. The current name for the segment is Corporate Services (see also section 2 “Basis of consolidation”). The deconsolidation has no impact on the net assets, financial situation and earnings position of the BAUER Group.
- During the financial year, SCHACHTBAU NORDHAUSEN Stahlbau GmbH was reclassified from the Construction segment into the Resources segment. The previous classification of the company to the Construction segment was correct until December 31, 2020. Due to the change in internal reporting, a reclassification into the Resources segment had to be carried out in the financial year. The background was in particular also the merger of SCHACHTBAU NORDHAUSEN Stahlbau GmbH into SCHACHTBAU NORDHAUSEN GmbH that is planned for 2022 (see also section 2 “Basis of consolidation”).

Reclassification in the affected items is represented in the following table:

Adjustments SBN Stahlbau GmbH	Construction			Resources		
in EUR thousand	2020 as reported	correction	2020 adapted	2020 as reported	correction	2020 adapted
Total Group revenues	**668,964**	**-24,269**	**644,695**	**268,807**	**24,269**	**293,076**
Sales revenues with third parties	610,350	-22,479	587,871	240,126	22,479	262,605
Sales revenues between the segments	2,827	0	2,827	2,561	0	2,561
Changes in inventories	0	0	0	413	0	413
Other own work capitalized	536	0	536	541	0	541
Other income	20,748	-150	20,598	122	150	272
Consolidated revenues	**634,461**	**-22,629**	**611,832**	**243,763**	**22,629**	**266,392**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**74,569**	**-1,431**	**73,138**	**15,763**	**1,431**	**17,194**
Depreciation of fixed assets	-50,267	241	-50,026	-13,894	-241	-14,135
Write-downs of inventories due to use	0	0	0	0	0	0
Earnings before interest and tax (EBIT)	**24,302**	**-1,190**	**23,112**	**1,869**	**1,190**	**3,059**
Financial income	17,846	-23	17,823	2,568	23	2,591
Financial expenses	-30,980	83	-30,897	-8,653	-83	-8,736
Income tax expense	-16,131	353	-15,778	-3,002	-353	-3,355
Earnings after tax	**-4,963**	**-777**	**-5,740**	**-7,218**	**777**	**-6,441**
ADDITIONAL INFORMATION ON THE INCOME STATEMENT						
Sales revenues with third parties based over time	610,350	-22,479	587,871	182,560	22,479	205,039
SEGMENT LIABILITIES DECEMBER 31	**593,373**	**-8,714**	**584,659**	**221,224**	**8,714**	**229,938**
of which shares in associated companies accounted for using the equity method	2,040	-175	1,865	62,194	175	62,369
of which capital investments in fixed assets	86,976	-220	86,756	8,975	220	9,195
SEGMENT LIABILITIES DECEMBER 31	**467,719**	**-7,119**	**460,600**	**128,103**	**7,119**	**135,222**

	Equipment			Consolidation		
in EUR thousand	2020 as reported	correction	2020 adapted	2020 as reported	correction	2020 adapted
Total Group revenues						
Sales revenues with third parties	491,462	0	491,462			
Sales revenues between the segments	67,375	-30,859	36,516	-116,343	30,859	-85,484
Changes in inventories	-17,202	0	-17,202	0	0	0
Other own work capitalized	3,898	0	3,898	3,077	0	3,077
Other income	48,881	0	48,881	-23,059	0	-23,059
Consolidated revenues	**594,414**	**-30,859**	**563,555**	**-136,325**	**30,859**	**-105,466**

- The previous breakdown of total Group revenues, sales revenues with third parties, intangible assets and property, plant and equipment into regions was changed to Germany, Europe, Middle East, Asia-Pacific, Americas and Africa (see also section 6 “Group segment reporting”). The change occurred through a modified allocation of different countries in the internal reporting system. Apart from that, there were no effects on the consolidated financial statements for the BAUER Group.
- The balance sheet item “Rental equipment” stated in the past under asset inventories was summarized in the year under review with the balance sheet item “Inventories.” The background was the overall unification of the recognition of rental equipment in the property, plant and equipment (see also section 20.2 “Property, plant and equipment” and section 25 “Inventories”).
- For better comparability with the structure of the consolidated balance sheet, the breakdown of the deferred tax assets and deferred tax liabilities was further subdivided in the corresponding explanatory notes (see also section 21 “Deferred taxes”). The following items were newly added:
  - Rights of use
  - Contract assets
  - Liabilities from lease agreements
  - Contract liabilities
  - Other provisions

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 German Commercial Code (HGB) and the German Corporate Governance Code (DCGK). The consolidated financial statements were prepared on the basis of historical costs for procurement and manufacturing costs, 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 (in EUR thousand).
The income statement was prepared using the nature of expenses method and covers the period from January 1 to December 31 of the respective year.

2. BASIS OF CONSOLIDATION

The basis of consolidation includes the ultimate parent company BAUER AG and all major subsidiaries as part of the full consolidation. Subsidiaries are all companies over which the Group has control in terms of financial and corporate policy. This is routinely accompanied by a share of voting rights 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 position as well as the cash flows of the BAUER Group. A fair value is regularly determined for these companies and the corresponding adjustment is carried out through Other Comprehensive Income without any effect on profit and loss.

In 2021, 116 companies were consolidated into the consolidated financial statements (previous year: 113). In the financial year, 4 (previous year: 3) companies were included in the basis of consolidation for the first time. Since the beginning of 2021, 1 (previous year: 4) company has withdrawn from the basis of consolidation. Consortia were not included in the number of companies which form part of the consolidated financial statements 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	Place of business	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 2020	Dec. 31 2021	Dec. 31 2020 *	Dec. 31 2021	Dec. 31 2020 *	Dec. 31 2021	Dec. 31 2020 *	Dec. 31 2021	Dec. 31 2020	Dec. 31 2021
Construction segment	Specialist foundation engineering	Global	38	40	3	3	1	1	1	1	43	45
Segment Equipment	Equipment manufacture and sales	Global	30	32	4	4	2	2	0	0	36	38
Resources segment	Water, environmental services and natural resources	Global	23	22	3	3	1	1	3	3	30	29
'Other' segment	Corporate Services	Global	4	4	0	0	0	0	0	0	4	4
Total			**95**	**98**	**10**	**10**	**4**	**4**	**4**	**4**	**113**	**116**

* Adjusted previous year figures; after a second review of the consolidation statuses in the segments, the classification of the companies was changed.

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 net asset, financial and earnings position, nor must it disregard any other materially relevant trends.

In a small number of cases, companies are fully consolidated into the consolidated financial statements of BAUER AG even though that company holds less than 50% of their share of 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 or the possibility of control is transferred to the Group. They are de-consolidated at the point when control ends. Companies for 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. As at December 31, 2021, this related to 4 companies (previous year: 4). Joint ventures were likewise consolidated according to the equity method.

The BAUER Group sometimes holds a share of more than 50% in companies which are considered to be joint ventures or associated companies. This evaluation is based on contract design, which is individual to the company and which excludes control from the perspective of the BAUER Group.

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 (2) of the 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 date for the consolidated financial statements. 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 (3) of the HGB

Section 264 (3) of the HGB has been exercised for the following companies:

BAUER Foralith GmbH
BAUER Maschinen GmbH
BAUER Resources GmbH
BAUER Spezialtiefbau GmbH
BAUER Verwaltungs und Beteiligungs GmbH (formerly: BAUER Deep Drilling GmbH)
EURODRILL GmbH
GWE GmbH
KLEMM Bohrtechnik GmbH
PRAKLA Bohrtechnik GmbH
RTG Rammtechnik GmbH
SCHACHTBAU NORDHAUSEN Stahlbau GmbH
SPESA Spezialbau und Sanierung GmbH

Application of section 291 (1) of the HGB

BAUER Maschinen GmbH, BAUER Spezialtiefbau GmbH, BAUER Resources GmbH and PRAKLA Bohrtechnik GmbH have utilized the exemption option under section 291 (1) of the HGB and have not prepared financial statements or a management report.

Changes at subsidiaries

Construction segment

In the fourth quarter of the 2021 financial year, BAUER Engineering India Private Limited and BAUER Piling Inc. were included in the basis of consolidation for the first time due to the good order situation. These two initial consolidations did not have a significant impact on the net assets, financial situation and earnings position.
In addition, during the financial year, SCHACHTBAU NORDHAUSEN Stahlbau GmbH was reclassified from the Construction segment into the Resources segment. The background was a change in the internal control of this company as well as the merger planned in 2022 of SCHACHTBAU NORDHAUSEN Stahlbau GmbH into SCHACHTBAU NORDHAUSEN GmbH.

Equipment segment

In the first half of the financial year, rig.plus GmbH was included in the basis of consolidation for the first time. In the fourth quarter of the financial year, BAUER Financial Services Inc., a subsidiary of BAUER Equipment America Inc., was included in the basis of consolidation for the first time. Both companies are newly established companies. These initial consolidations did not have a significant impact on the net assets, financial situation and earnings position.
In the fourth quarter, BAUER Maschinen GmbH acquired an additional 25% of the shares in OOO BAUER Maschinen – Kurgan and accordingly holds a total of 90% of the shares in the company.

Resources segment

In the first quarter, Foralith Drilling Support AG was deconsolidated as a result of the discontinuation of business operations. The deconsolidation did not have a significant impact on the net assets, financial situation and earnings position.

In the third quarter, SPESA Spezialbau und Sanierung GmbH as the absorbed entity was merged with SCHACHTBAU NORDHAUSEN Bau GmbH as the absorbing entity. The absorbing entity was also renamed to SPESA Spezialbau und Sanierung GmbH. The 100% shareholder is BAUER Resources GmbH.

With effect from December 1, 2021, the business of GWE pumpenboese GmbH, Peine was spun off into GWE GmbH, Peine, newly founded in the course of the spin-off, with the result that GWE GmbH is the universal legal successor of GWE pumpenboese GmbH.

Directly afterwards and also with effect from December 1, 2021, BAUER Resources GmbH, Schrobenhausen was merged into GWE pumpenboese GmbH, Peine. In this process, GWE pumpenboese GmbH was renamed to BAUER Resources GmbH with its place of business in Schrobenhausen.

Furthermore, the share capital of BAUER Resources GmbH was increased by EUR 5,000 against cash contributions to EUR 2,390,000 with the commercial register entry on December 15, 2021. In addition, in the course of this capital increase, the shares that BAUER AG held in SCHACHTBAU NORDHAUSEN GmbH were added to the capital reserve of BAUER Resources GmbH with effect from December 10, 2021 as a material premium pursuant to Section 272 (2) no. 1 of the HGB, with the result that BAUER Resources GmbH has since then had 100% of the shares in SCHACHTBAU NORDHAUSEN GmbH.
In the fourth quarter, BAUER Resources Bahrain W.L.L. and BAUER Environment Bahrain W.L.L. were included in the basis of consolidation for the first time. Both companies are newly established companies. These initial consolidations were of minor importance overall for the net assets, financial situation and earnings position.

In addition, during the financial year, SCHACHTBAU NORDHAUSEN Stahlbau GmbH was reclassified from the Construction segment into the Resources segment. The background was the of the internal and external reporting system for the Construction and Resources segments as well as the merger, planned in 2022, of SCHACHTBAU NORDHAUSEN Stahlbau GmbH into SCHACHTBAU NORDHAUSEN GmbH.

Corporate Services segment

In the 2021 financial, the Other segment was renamed to Corporate Services in order to reflect the stronger focus on internal segment reporting. There was no impact on the net assets, financial situation and earnings position or accounting within the segments as a result. There were no other changes in the Corporate Services 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. Group inventories and fixed assets are adjusted by existing interim results. 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. With respect to 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 purchase. 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 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 purchase of non-controlling interests and changes to the investment quota 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. DISCRETIONARY DECISIONS, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

When preparing the consolidated financial statements, assumptions and estimates must be made by management that influence the approach, recognition and amounts of assets and liabilities, income and expenses recorded, as well as contingent liabilities. In the process, all information available at the time of the estimates and judgments is applied. The discretionary decisions, estimates and judgments are routinely subject to increased uncertainty. For this reason, the actual amounts may differ from the assessments and estimates made by management and this may have material impacts on the BAUER Group.

Discretionary decisions by management as a basis for the practice of corresponding accounting policies are primarily required in the following circumstances:

- **Sales revenues from contractual obligations that are fulfilled over a specific time period**
  In the Construction and Resources segments, a large share of the reported sales revenues is realized in the context of construction contracts with the cost-to-cost method. The sales revenues based over time that are recorded in the reporting period are particularly dependent on the degree of completion and the expected total revenues. The degree of completion is in turn dependent on the estimate of total costs incurred during the project. Changes to the estimates and judgments can lead to an increase or decrease in sales revenues based over time. For further clarification of construction contracts and sales revenues based over time, we refer to the section “Construction contracts” under 5.2 “Accounting policies” and to section 7 “Sales revenues.”

- **Impairment due to expected credit losses**
  To determine the impairment due to expected credit losses, it is necessary to estimate the probability of default for trade receivables, contract assets and other financial assets. Determining the probability of default is associated with uncertainty and may differ from actually occurring credit defaults. For further clarification of impairment due to expected credit losses, we refer to the section “Financial instruments” under 5.2 “Accounting policies” and to the section “Risk of default” under 38 “Financial instruments.”

- **Other impairments of assets and cash-generating units**
  When determining a need for impairment of assets and cash-generating units, the current carrying amount is compared with the higher value of the value in use and the fair value less any costs to sell. The expected cash flows for determining the value in use or costs to sell are routinely associated with uncertainty. Developments and events can cause the expected cash flows to differ from the actual cash flows. Further uncertainties in this context exist with the determination of the discount rate to apply (WACC) and the expected growth rates. For further clarification concerning impairments of assets and cash-generating units, we refer to the section of the same name under 5.2 “Accounting policies” as well as the section for the individual categories of assets.

- **Leasing**
  In the evaluation of leasing liabilities and rights of use, various estimates and judgments must be made. Leasing relationships may include termination or extension options as well as residual value guarantees and options to purchase. An option that will be exercised or not exercised with sufficient security has an impact on the estimated contract term and consequently on the amount of the leasing liability and right of use. Primarily for the BAUER Group, this concerns various office and warehouse buildings. The possibility of using extension and termination options ensures the necessary flexibility to react to changed market conditions. To determine the duration of the leasing relationship, the BAUER Group takes into account all facts and circumstances that present a significant economic incentive for exercising an extension option, or for not exercising a termination option. For further clarification of leasing in the BAUER Group, we refer to the section of the same name under 5.2 “Accounting policies” and to section 20 “Fixed assets.”

- **Provisions for pensions**
  Provisions for pensions contain critical accounting estimates and judgments. These include, for example, future salary and pension developments or life expectancies. Changes to the estimates and judgments can impact in particular the amount of the reserve and other earnings. For further clarification of provisions for pensions, we refer to the section of the same name under 5.2 “Accounting policies” and to section 31 “Provisions for pensions.”

- **Other provisions**
  The evaluation of other provisions includes numerous estimates and judgments that can impact the approach and evaluation of the provisions. In this context, estimates concerning the probability of occurrence or settlement amount are subject to uncertainties. Here it is possible that the actual outflow of cash and cash equivalents will differ from the original provision amount. For further clarification of other provisions, we refer to the section of the same name under 5.2 “Accounting policies” and to section 33 “Other provisions.”

- **Deferred tax assets**
  The evaluation of deferred tax assets requires estimates and judgments as to whether enough taxable income will be available in the future for corresponding use. These estimates and judgments are made as part of an internal forecast calculation and contain uncertainties with regard to actual future developments. For further clarification of deferred taxes, we refer to the section of the same name under 5.2 “Accounting policies” and to section 21 “Deferred taxes.”

All assumptions and estimates are based on the applicable conditions and assessments. With respect to the expected future business development, the assumptions and estimates concerning the future as at the balance sheet date are determined taking into account the applicable conditions on the date of preparation of the consolidated financial statements as well as a realistic assumption of the future development of the global environment and the specific sectors. Developments are regularly accounted for in the context of discretionary decisions, assumptions and estimates and updated on the basis of economic or country-specific developments. Uncertainty in discretionary decisions, estimates and judgments was heightened in the financial year, particularly by the COVID-19 pandemic. We refer to the business report of the Combined Management Report for further information.

5. GENERAL ACCOUNTING POLICIES

5.1. Changes in accounting policies

The significant accounting policies applied in the previous year continue to be used, with the following exceptions:

Changes to IFRS 7, IFRS 9, IFRS 16 and IAS 39: Reform of reference interest rates (IBOR reform) Phase 2

With the changes of the second phase of the IASB project for the reform of reference interest rates, possible simplifications are provided in the depiction of changes to contractual payment flows and hedging relationships that have become necessary in connection with the IBOR reform, that is, which are necessary as a direct consequence of IBOR reform and for which the new and old basis for determining the contractual payment flows is economically balanced.

The following changes result from this:

- Depiction of changes to payment flows from financial instruments and activation of fallback clauses by means of updating the effective interest rate in accordance with IFRS 9.B5.4.5 and IAS 39.AG7
- Revaluation of future lease payments in accordance with IFRS 16.42 must be depicted in revaluations
- Required changes to designation and documentation do not lead to the termination of hedging relationships
- No recycling of cash flow hedge reserves as the result of a change to the contractual payment flows
- For the new reference interest rate, the “separately identifiable” criterion is considered to be fulfilled if this rate is expected to be separately identifiable within 24 months
- Additional disclosures are prescribed in connection with the IBOR reform:
- How the company handles the transition to new reference interest rates as well as its progress and risks that result from the transition
- Quantitative information about derivatives and non-derivative financial instruments for which the transition is still pending, separated according to significant reference interest rates and
- a description of all changes to the risk management strategy as a result of the IBOR reform

The directive on adoption of the amendments by the EU (endorsement) was published in the Official Journal of the EU on August 31, 2021.
The BAUER Group has already been using the simplification in advance since the 2019 financial year. We refer to the “Interest rate risks” section with regard to further disclosures.

Extension of changes to IFRS 16: Rent concessions related to COVID-19

As a result of the COVID-19 pandemic, lessees were granted rent concessions in various forms (e.g. payment waivers or suspension of lease payments). In May 2020, the IASB published a modification of the IFRS 16 which contains an optional simplification for lessees allowing them an exemption from assessing whether a COVID-19-related rent concession is a lease modification pursuant to IFRS 16. Instead, lessees can treat such rent concessions as if they were not a lease modification. In many cases, this could result in rent concessions being accounted as variable lease payments in the periods in which the event or condition occurs which triggers the lower payment.

Because lessors continue to grant rent concessions to lessees related to the COVID-19 pandemic and the effects of the pandemic are both ongoing and significant, the IASB has decided to extend the period for which the practical simplification can be applied.

With regard to the transitional provisions, a distinction is made between the following cases:
- A lessee who has already applied the existing simplifications must also apply the changes now made to comparable contracts that meet the necessary conditions
- Conversely, a lessee who has already expressly decided against the application of the previous simplifications is not allowed to apply the changes now made to comparable contracts either
- Insofar as a lessee has not yet specified an accounting method with regard to the application of the COVID-19-related simplifications, the lessee may apply the changes now published. However, this application must be carried out retroactively on all similar contracts that meet the prerequisites

No comparable simplification exists for lessors.
The directive on adoption of the amendments by the EU (endorsement) was published in the Official Journal of the EU on August 31, 2021.
The BAUER Group did not make use of this option in the 2020 and 2021 financial years.

Moreover, the IASB and the IFRIC have adopted further standards, interpretations and amendments, as listed below, some of which will only become binding from the financial year 2022 or have not yet been recognized by the EU:

Standard/Interpretation/Amendment	**To be applied as of financial year**	**Endorsement takes place**
Amendments to IFRS 3, Business Combinations: Reference to the conceptual framework (change in previously applicable definitions of assets and liabilities)	2022	Yes
Changes to IAS 16: Proceeds before the intended use of property, plant or equipment	2022	Yes
Changes to IAS 37: Onerous contracts – Cost of fulfilling a contract	2022	Yes
Annual improvements to IFRS (Cycle 2018-2020): • Changes to IFRS 1: Subsidiary as first-time operator • Changes to IFRS 9: 10% test for modifications • Changes to the explanatory examples for IFRS 16 • Changes to IAS 41 – Consideration of taxes	2022	Yes
IFRS 17 “Insurance contracts”	2023	No
Change to IAS 1: Classification of liabilities as current or non-current	2023	No
Change to IAS 1 and Practice Statement 2: Disclosures about accounting methods	2023	No
Changes to IAS 8: Definition of accounting-related estimates	2023	No
Changes to IAS 12 concerning the prohibition of recognition for deferred taxes upon first recognizing an asset or liability	2023	No
Changes to IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associated company/joint venture	n/a	n/a

The BAUER Group had not implemented early application of these standards by December 31, 2021. We plan to adopt these standards as soon as they are recognized and adopted by the EU.
The future application of this standard is not expected to have a significant impact on the net assets, financial situation and earnings position of the BAUER Group.

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. Transactions in foreign currencies are recorded in the respective financial statements of the consolidated companies at the applicable exchange rate on the respective dates. Monetary assets and liabilities denominated in foreign currencies are converted at the applicable rate on the balance sheet date. Other assets and liabilities are converted using the applicable rate at the time of the transaction if they are recorded using the acquisition cost principle. If these assets and liabilities are recorded at fair value, the conversion will be carried out using the rate on the respective evaluation date. Foreign currency translation differences that result are recorded through profit and loss in the financial result. Accordingly, assets and liabilities are translated at the rate applicable on the balance sheet date and the income statement items at the average rate. Equity, with the exception of income and expenses recorded directly in the equity, is recognized at historical rates. 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	
		2020	2021	2020	2021
Egypt	EGP	18.06133	18.56406	19.25600	17.86300
Argentina	ARS	81.04471	112.49194	102.90230	116.77910
Australia	AUD	1.65492	1.57493	1.58960	1.56150
Bulgaria	BGL	1.95580	1.95580	1.95580	1.95580
Chile	CLP	902.46420	898.57000	869.65000	968.98000
China	CNY	7.87470	7.62990	8.02250	7.19470
Georgia	GEL	3.54908	3.80544	4.03230	3.49560
Ghana	GHS	6.54834	7.00621	7.20540	7.00050
Great Britain	GBP	0.88970	0.85966	0.89903	0.84028
Hong Kong	HKD	8.85870	9.19473	9.51420	8.83330
India	INR	84.63916	87.44996	89.66050	84.22920
Indonesia	IDR	16,627.36872	16,923.54471	17,240.76000	16,100.42000
Japan	JPY	121.84576	129.88319	126.49000	130.38000
Jordan	JOD	0.80977	0.83849	0.86730	0.80520
Canada	CAD	1.52999	1.48275	1.56330	1.439304
Qatar	QAR	4.16006	4.31947	4.46930	4.12160
Lebanon	LBP	1,726.66992	1,787.96240	1,856.00000	1,711.60000
Malaysia	MYR	4.79590	4.90199	4.93400	4.71840
Morocco	MAD	10.82413	10.63162	10.90400	10.51620
Mexico	MXP	24.51935	23.98257	24.41600	23.14380
New Zealand	NZD	1.75610	1.672450	1.69840	1.65790
Oman	OMR	0.43969	0.45530	0.47095	0.43789
Panama	PAB	1.14190	1.18279	1.22750	1.13200
Peru	PEN	3.99206	4.58781	4.44610	1.51750
Philippines	PHP	56.61495	58.30495	59.12500	57.76300
Poland	PLN	4.44305	4.56467	4.55970	4.59690
Romania	RON	4.83828	4.92137	4.86830	4.94900
Russia	RUB	82.72480	87.16492	91.46710	85.30040
Saudi Arabia	SAR	4.28547	4.43583	4.59200	4.26890
Sweden	SEK	10.48475	10.14590	10.03430	10.25030
Switzerland	CHF	1.07052	1.081290	1.08020	1.03310
Singapore	SGD	1.57424	1.58928	1.62180	1.52790
South Africa	ZAR	18.76548	17.47354	18.02190	18.06250
Taiwan	TWD	33.59438	33.07937	34.48770	31.32670
Thailand	THB	35.70806	37.83621	36.72700	37.65300
Turkey	TRY	8.05472	10.497570	9.11310	15.23350
Hungary	HUF	351.24938	358.47697	363.89000	369.19000
United Arab Emirates	AED	4.19490	4.34392	4.49340	4.17810
United States of America	USD	1.14220	1.18296	1.22710	1.13260
Vietnam	VND	26,528.36328	27,129.72093	28,331.00000	25,872.00000

Intangible assets

The following table provides an overview of the useful lives of intangible assets:

Asset	Economic useful life
Licenses, software and similar rights and values	3 to 10 years
Goodwill	Unlimited
Capitalized software costs	3 to 10 years
Capitalized development costs	3 to 6 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 costs of the company acquisition exceed the fair value of the Group's shares in the net assets of the acquired entity at the date of acquisition. Goodwill created by company acquisition is recognized under "Intangible assets." Goodwill resulting from the purchase 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 its original acquisition costs less accumulated write-downs. Write-ups are impermissible. Income and losses from the sale of a company comprise the carrying amount of goodwill allocated to the company to be disposed of.
Assets with a limited usage period are tested for impairment if any events or changes of circumstances indicate that the carrying amount may no longer be achievable.

An impairment loss is then recorded if the carrying amount of an asset exceeds the attainable amount. 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 reliably measure the expenditure attributable to the intangible asset during its development.

The manufacturing costs include 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 acquisition or manufacturing costs less cumulative impairment. Depreciation is undertaken according to the straight-line method as from start of production over the intended term of the developed models. The economic life is between 3 and 6 years. Depreciation losses on intangible assets are recognized to the higher amount out of the value in use or net realizable value. If the prerequisites 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 the acquisition or manufacturing costs, 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. In accordance with IFRS, initial valuation of property, plant and equipment is based on the acquisition or manufacturing costs. The acquisition costs include the price of acquisition plus any directly attributable incidental acquisition costs, such as site preparation costs, delivery costs, assembly costs, estimated costs for subsequent demolition and clearance of the asset or similar costs, minus any purchase price reductions such as rebates, bonuses, discounts or similar reductions. Production costs include direct material or manufacturing costs as well as a reasonable share of the production-related overheads. In the latter, social costs and administrative expenses are only to be included if they can be directly attributed to the production process or serve to put the asset in an operational condition for the planned application. Financing costs are capitalized as part of the acquisition or manufacturing costs if a considerable period of time is required to put the asset in a ready-to-use condition. 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

Depreciation losses on property, plant and equipment are recognized in accordance with IAS 36 where the carrying amount exceeds the recoverable amount. In this context, the recoverable amount is the higher of the two figures when considering the fair value less costs of sale and the value in use. If the reasons for a depreciation 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 depreciation losses is explained in accordance with IAS 36 under “Non-current assets.” The BAUER Group regularly reviews the methods and useful lives as at the balance sheet date, and adjusts them prospectively if required.

Insofar as the rental of equipment is not merely considered a sales-promoting activity, but instead comprises a company’s main purpose of business, the rented equipment is reported under “Property, plant and equipment.”

Impairment of assets or cash-generating units

The BAUER Group reviewed the carrying amounts of the intangible assets at EUR 16,807 thousand (previous year: EUR 15,889 thousand), property, plant and equipment at EUR 521,183 thousand (previous year: EUR 458,892 thousand) and financial assets valued using the equity method at EUR 24,848 thousand (previous year: EUR 21,964 thousand) to determine whether there were any indications of impairments of assets or cash-generating units as at December 31, 2021. The review resulted in net impairments in property, plant and equipment of EUR 245 thousand (previous year: 0) as at the balance sheet date.

In the fundamental impairment analyses of cash-generating units, the BAUER Group determines the recoverable amount as the higher value of the value in use and the fair value less any costs to sell, and compares this with the corresponding carrying amount. The cash-generating units correspond to the individual companies in the BAUER Group. The value in use is determined by discounting the expected future cash flows from continuation of the cash-generating unit using a risk-adjusted interest rate (WACC). The future payment flows are determined on the basis of the business plan that has been approved by management and is applicable at the point in time that the impairment test is carried out. The forecast calculation generally covers a period of five years. It is based on the expected future economic development of the respective segment markets as well as the profitability of the products offered.
When deriving the value in use, a risk assessment is also carried out. For example, project risks and individual company risks as well as risks associated with the COVID-19 pandemic are represented in the calculation through the payment flows. On the other hand, country risks are accounted for in the interest rate as cross-company effects. The assumptions used for the forecast calculation are checked for plausibility against both historical developments and external information sources.

As at December 31, 2021, the risk-adjusted interest rate (WACC – Weighted Average Cost of Capital), which is determined specifically for the respective cash-generating unit, was 8.71% (previous year: 8.04%) after tax less the country risk premium. The WACC before taxes as at December 31, 2021 was 8.83% (previous year: 8.37%). This is determined on the basis of the Capital Asset Pricing Model (CAPM) taking into consideration the current market expectations. Specific peer group information for beta factors, capital structure data and the borrowing cost rate are used to determine the interest rate. The company-specific cash flows were determined using the respective tax rates of the companies in Germany from 28.08% to 32.14% and abroad from 0% to 38%. For the periods after the detailed planning phase, the cash flows of the last planning period are extrapolated, taking into account growth rates based on long-term inflation expectations. The growth rates used for the calculation are generally between 0% and 1% in the Construction and Resources segments. In the Equipment segment, the growth rate is generally 2%. Corporate planning is based on past experience and also takes current forecasts into account. In the Construction and Resources segments, planning is based on projects already in the order backlog as well as client enquiries. For 2022, an improvement of the economic environment overall is anticipated. The COVID-19 pandemic will continue to potentially be a major influencing factor and may also affect our business. Effects of the ongoing COVID-19 pandemic on the 2022 financial year are taken into account in the Group forecast. In the Equipment segment, key planning assumptions are based on the industry forecasts for the global construction, machinery market underlying sales planning, specific customer commitments for individual projects and company-specific adjustments that also include planned product innovations and cost savings. For 2022, further growth is expected in the equipment segment in most regions. However, the further course of the COVID 19 pandemic, which is showing up differently in the individual regions, and Russia's war with Ukraine, are factors of uncertainty for the current year. Impact
of the ongoing COVID 19 pandemic on the financial year 2022 have been taken into account in the Group forecast. This is based on the expectation that the pandemic, with its restrictions and effects on the global economy, will not considerably worsen from the current state. In our forecast, we assume that the consequences of the COVID-19 pandemic in 2022 will no longer significantly impact the Group business performance overall. In addition, scenarios are calculated for the companies in the Construction and Resources segments (worst case with target earnings discounts amounting to 20%, middle case with target earnings discounts amounting to 10%, realistic case) and sensitivity analyses are carried out for

the companies in the Equipment segment (alternative growth discount 0.00%). These show that there is no further need for impairment even in a worst case scenario and taking into account sensitivity.

Leasing

The BAUER Group acts as both a lessee and a lessor.

a) Accounting for lessee transactions

A leasing agreement is a contract which transfers the right to control the use of an identified asset for a defined period of time in return for the payment of a fee.

In principle, a lessee must capitalize a right of use and recognize a leasing liability for all leasing relationships.

During the initial application, the leasing liability is recorded in the amount of the present value of the leasing payments not yet made at the point in time of provision and which will become due during the term of the leasing relationship.

The leasing liability includes the present value of the following leasing payments:

- Fixed payments (including de facto fixed payments, less any leasing incentives which are due,
- Variable leasing payments which are tied to an index or interest rate, initially evaluated with the index or interest rate to the provision date,
- Expected Group payments from the use of residual value guarantees,
- The exercise price of a purchase option, of which the exercise by the BAUER Group is reasonably certain,
- Fines in connection with the termination of a leasing relationship insofar as the term provides for the respective termination option being exercised by the BAUER Group,
- Furthermore, in the evaluation of the leasing liabilities, leasing payments are also taken into consideration on the basis of the reasonably certain use of extension options.

The discounting took place using the incremental borrowing rate. The average incremental borrowing rate was 5.00% (previous year: 5.00%).

However, in the event that an implied interest rate is identifiable, the leasing payments are discounted by the interest rate upon which the leasing relationship is based.

The lease installments are divided into principal and interest payments. The interest part is recognized in the income statement throughout the term of the leasing relationship so that a constant periodic interest rate on the remaining amount of the liability results for each period.

Rights of use are evaluated at acquisition costs, which are comprised as follows:

- the amount of the initial valuation of the leasing liability,
- all leasing payments made at or before the provision, less any leasing incentives which have been received,
- all initial direct costs incurred by the lessee and
- estimated costs which are incurred by the lessee in the event of the demolition or removal of the underlying asset, in the event of the reconstruction of the location at which the asset is based or in the event of the transition of the underlying asset to the condition required under the leasing agreement.

In the subsequent measurement, the right of use will be recorded less cumulative depreciation and, if relevant, taking into consideration impairments adjusted by each new evaluation of the leasing liability set out in paragraph 16.36 (c).

The rights of use set on the balance sheet are highlighted in those balance sheet positions in which the assets that form the basis of the leasing contract would have been if they were the property of the BAUER Group. Therefore, the rights of use are primarily designated to property, plant and equipment on the cutoff date under the item of non-current assets.

Rights of use are amortized using the straight-line method over the shorter of both periods of time out of the usage period and the term of the leasing contract. If the exercise of a purchase option is reasonably certain from the perspective of the BAUER Group, the depreciation takes place over the usage period of the underlying asset.

On the balance sheet date, the necessary adjustments to the right of use and liabilities are also to be checked within the framework of the subsequent evaluations. Adjustments resulting from reassessment of the assumptions which have been made or a change in the contract are necessary, and may also lead to changes to the contract.
The reassessment of the assumptions which have been made relates to adjustments to payment expectations, the discounting rate to be applied relating to the remaining term if the changes are based on a change to the term or the assessment of the probability of a purchase option being exercised, as well as the changed expectation relating to the exercise of an extension or termination option.
However, the original interest which was applied is retained if, for example, expected payments are changed.
The leasing liability is reassessed with the changed parameters and accounted for on the balance sheet with this amount. The adjustment amount on the leasing liability incurred in this manner is recognized in full against the right of use. This means that, in principle, this is purely a balance sheet recording with no effect on profit and loss. The assessment of the adjustment with an effect on profit and loss only takes place for the first time in subsequent years via reduced or increased depreciations on the value in use.

Application simplifications exist for short-term and low value leasing relationships in accordance with IFRS 16.60. These are used by the BAUER Group and there is therefore no application of a right of use or liability for such leasing relationships. The lease payments in this regard are recorded as expenditure on the income statement without any changes. Leasing contracts with a term of up to 12 months are deemed short-term leasing relationships. Low-value assets include, for example, IT equipment and small items of office furniture, where the price for the new item is less than EUR 5 thousand.

The BAUER Group rents various office and warehouse buildings, as well as technical equipment and vehicles.
Contracts may include both leasing and non-leasing components.
With the exception of property leasing relationships, the BAUER Group exercises its voting rights to collate leasing and non-leasing relationships and record these in a uniform manner on the balance sheet as leasing relationships. Furthermore, the accounting provisions set out in IFRS 16 are not applied to leasing relationships which relate to intangible assets.
In principle, IAS 38 is still applied to leasing relationships for intangible assets. The sale-and-lease-back transactions are primarily of a short-term nature and are not of key importance for the BAUER Group.

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.
These leasing relationships are either accounted for as financing leasing relationships or as operating leasing relationships. If the terms of the leasing relationship essentially transfer all the risks and opportunities associated with the ownership to the lessee, the contract is classified as a financing leasing contract. If this is not the case, it is classified as an operating leasing relationship. Sales revenues arising from operating leasing relationships are recorded using the straight-line method over the term of the leasing relationship. In the BAUER Group, these leasing relationships are generally very short term in nature and involve a period of just a few months. These are recognized under sales revenues based over time.

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 (Investment subsidy).

Business combinations

Accounting for acquisitions of subsidiaries is carried out in accordance with IFRS 3 based on the acquisition method. The acquisition costs of the purchase correspond 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 date of acquisition. The amount by which the acquisition costs of the purchase exceed the Group share of the net assets measured at their fair value is stated as goodwill. The non-controlling interests are valued either at the acquisition costs (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 costs are 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 company 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 date of acquisition. Existing contracts with the acquired entity at the date of acquisition, except those under the terms of IFRS 16, are analyzed and reclassified where appropriate.

Borrowing costs

Borrowing costs linked directly to the purchase, construction or production of qualifying assets in accordance with IAS 23 are included in the acquisition or manufacturing costs of the asset in question for the period until commissioning 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 equipment. 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

Associated companies

According to IAS 28, an associated company is any entity over which the Group has significant influence, though not control. This routinely means a share of voting rights of between 20% and 50%.

Participations in associated companies are valued at-equity and recognized initially at their acquisition costs. The Group’s shares in associated companies include the goodwill created by the purchase (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 purchase. 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 purchase 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 receivables, the Group recognizes no additional losses, unless it has entered into obligations or made payments on behalf of the associated company.

Non-realized income from transactions between Group companies and associated companies are eliminated according to the Group 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 a financial asset accounted for using the equity method, 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 using the equity method include joint ventures as well as the Arbeitsgemeinschaften ("ARGE") consortia specific to Germany, in the form of provision consortia.
Assets are provided for and invoiced to provision consortia in the form of personnel, 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 shares accounted for using the equity method in the income statement.

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 or revenue from the joint operation,
- its share in income from the sale of products or revenue from 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, income and losses are recognized in the amount of the Group share of other joint operations only once the assets are sold to third parties. An umbrella consortium, as the second form of typical German consortia, also falls under IFRS 11. It is always recognized without any effect on profit and loss. The compensation claims between umbrella consortium and client are identical to the compensation claims between the individual consortia and the umbrella consortium. The umbrella consortium transfers all payments received from the client 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 expenses, and recognizes the income from such activities on a pro-rata basis in its sales revenues.

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:

- "Evaluated at continued acquisition costs" or 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 income statement 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).

As a general rule, the first accounting takes place 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 acquisition 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 interest and principal on the outstanding capital amount. Debt instruments that meet the cash flow conditions but are held within a business model that provides for both the collection of contractual payment 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 purchase of the financial asset or issue of the financial liability, and subsequently measured at continued acquisition costs using the effective interest method. The continued acquisition costs 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 purchase 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 at fair value in the income statement 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. Income 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 interest and principal on the outstanding capital amount, 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 in the income statement. Dividends continue to be recognized in profit or loss unless the dividend is clearly a repayment 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. With the depreciation of financial assets, 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, raw material 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, foreign exchange forward contracts, foreign exchange swaps and foreign exchange options) 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. The first accounting takes place 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 expense or earnings.

The free-standing derivative financial instruments in the "fair value through profit or loss" category include interest rate swaps, foreign exchange forward contracts, foreign exchange swaps and foreign exchange options.

In the case of derivatives which are designated as hedging instruments 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 market values as assets or liabilities. In the 2021 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 market values of the foreign exchange forward contracts are defined on the basis of future anticipated payment flows taking into account current reference rates and forward premiums and discounts. The market 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 costs or manufacturing costs 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 costs include all direct costs of the manufacturing process. The level of depreciation losses for impairment 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. Revenues and contract modifications (contract amendments and change orders) are recognized in accordance with IFRS 15 if it is highly probable that these contract modifications will not result in a material cancellation. Tender costs are capitalized if it is probable that they can be settled and they would not have been incurred if the order had not been received. Contract performance costs that are incurred before the start of the contract are capitalized if a settlement is expected and amortized over the contract term. BAUER AG has no contracts for which the period until transfer of the work owed to the customer constitutes a financing component. Accordingly, no transaction price will be adjusted by the fair value of the money. The contracts are reported under contract assets or contract liabilities. Construction contracts are recognized as assets under contract assets if the cumulative work performed (order costs and contract profit/loss) exceeds the advance payments in certain cases. If the total anticipated costs for the fulfillment of the contract obligation exceed the total anticipated sales revenues, provisions for impending losses are formed. In general, building contracts and service contracts include warranty periods and periods for the notification of defects following the completion of the project. These obligations are not considered as separate service obligations and are therefore included as estimates in the total contract costs. Where necessary, amounts are recorded under provisions in accordance with IAS 37.

These sales revenues can also include out-of-period sales resulting from final invoice agreements and sales corrections in the Construction segment.

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 deviations 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 participations 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 obligations 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% to 32.14%). Outside Germany, income tax rates of between 0.00% and 38.00% are applied (previous year: 0.00% and 38.00%).

When reporting any uncertainties concerning income tax in the balance sheet, the individual income tax treatment is generally applied. Insofar as it is not probable that an income tax treatment will be accepted by the local tax authorities, the BAUER Group uses the amount with the highest probability when determining the taxable profits as well as the tax base.
The tax returns of the companies in the BAUER Group are regularly audited by German and foreign tax authorities. Taking into account a variety of factors, including the interpretation, commentaries and case-law concerning the respective tax legislation, as well as the experiences from the past, provisions are formed for potential future tax obligations to the appropriate extent, insofar as this is apparent and probable.

Share-based remuneration with settlement in shares
Share-based remuneration is accounted for in accordance with IFRS 2. Here, the work performance allocable to share-based remuneration is evaluated at the fair value of the shares on issue and recorded in personnel expenses. The offsetting transaction is booked in equity. The fair value on issue is determined assuming full achievement of previously specified targets. As the targets are not based on the market price of the shares, these assumptions are regularly reviewed for significant deviations in the anticipated target achievement and the personnel expenses are adjusted to that effect.

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 payments 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 present 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 present 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 personnel expenses 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 that are stated in the personnel expenses.

b) Tax provisions
Tax provisions include obligations 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 expected 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. The evaluation is based on best estimates and takes into account expected future cost increases.

Sales revenues
Sales revenues from contracts with customers are realized after deducting value-added tax and other taxes, reduced by anticipated losses in income. Sales revenues are recorded as soon as control of the asset has been transferred to the customer. In the BAUER Group, sales revenues can be based on a point in time or based on a period of time. Revenues based on a period of time are realized when one of the following prerequisites is met:
- The customer receives the benefits of the service and makes use of the service at the same time that it is being performed,
- an asset is created and control of the asset passes over to the customer while the asset is still being created or
- an asset is created that has no other possible use for the BAUER Group.

In addition, the progress of performance must be measurable.

For clarification on the accounting of sales revenues from construction contracts, we refer to the section of the same name. Sales revenues from the rental of used machines relate to operating lease relationships with customers. The accounting of rental revenues is clarified in the "Leasing" section under "Accounting for lessor transactions."

If none of the above prerequisites applies, the BAUER Group records its sales revenues based on the point in time. This routinely includes sales revenues from the sale of machines and equipment, as well as corresponding accessories.

The transaction price corresponds to the consideration that we expect to obtain for the transfer of promised goods or services. Variable considerations are components of the transaction price that were not yet fixed at the time the contract was concluded. For example, these include discounts, reductions, credits or penalty payments. Variable components are estimated at the expected value or the most probable amount.
Specific payment conditions may apply for individual countries concerning the time of measuring the transaction price. These are usually 30 days in Germany. Warranty provisions are formed for anticipated warranty obligations. In the BAUER Group there are no significant repurchase, reimbursement or other obligations that impact revenue recognition.

Other income and expenses

Dividend income is recognized at the date on which the right to receipt of payment is created. Dividends received from companies over which we do not exercise control, and where neither joint control nor decisive influence are involved, are recognized as income from operating participations under “Financial income.”
Operating expenses, financial income and financial expenses are recognized as affecting net income when the supply or service is claimed or at the time they are caused, as appropriate.

6. GROUP SEGMENT REPORTING

The internal organizational and management structure and the internal system of reporting to the Executive Board and Supervisory Board form the basis for the segmentation employed by the BAUER Group.

The BAUER Group comprises the Construction, Equipment, Resources and Corporate Services segments. Transactions between the segments are conducted at market prices.
SCHACHTBAU NORDHAUSEN GmbH operates in both the Equipment and Resources segments. The assets and liabilities and income statement items of SCHACHTBAU NORDHAUSEN GmbH were assigned to the relevant segments.

Construction

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 improvements.
On the one hand, the construction markets are handled by local subsidiaries that support one another in networks, and on the other hand, large projects in countries without a local company are carried out by pooling capacities from all over the world. From Germany, support services are provided by means of central service functions and standards are set for the subsidiaries of each segment.

Equipment

In the **Equipment segment**, Bauer is a provider for a full range of equipment for specialist foundation engineering as well as for the exploration, mining and extraction of natural resources. In addition to 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.

Resources

The **Resources segment** focuses on the development, production and execution of innovative products and services and acts as a service provider with several business divisions and subsidiaries in the areas of drilling services and water wells, environmental services, constructed wetlands, mining and rehabilitation. Our areas of expertise include water extraction and drilling technologies, brownfield remediation and waste management along with water treatment and building rehabilitation.

Corporate Services

The **Corporate Services** segment encompasses services (accounting, personnel, IT, etc.) provided by BAUER AG for the Group companies. This also comprises the other units not assignable to the separately listed segments, which provide services such as in-house and external education and training as well as centralized research and development. In the 2021 financial year, EUR 45,679 thousand (previous year: 20,005) were included in this segment for distribution payments by Group subsidiaries to the parent company.

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 business area.The distribution payments stated in the Corporate Services segment are included in the offsetting of the interim results.
The segment earnings after tax reflect the financial income and expenses as well as the income tax expense. The assets and liabilities of the segment 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 single 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 report by region

In the 2021 financial year, a new breakdown of regions was determined between the Executive Board and management of the segments that is primarily based on the operative business activities. The classification of the sales and fixed assets of the subsidiaries that are active or positioned in the respective segments is facilitated and adjusted to the internal reporting system as a result.

The previous year's figures were changed accordingly.

Group segment reporting

SEGMENT REPORT BY BUSINESS SEGMENT	Construction		Equipment	
in EUR thousand	2020 *	2021	2020 *	2021
Total Group revenues	**644,695**	**682,437**	**610,735**	**681,480**
Sales revenues with third parties	587,871	640,343	491,462	552,189
Sales revenues between the segments	2,827	14,688	36,516	62,433
Changes in inventories	0	0	-17,202	4,988
Other own work capitalized	536	573	3,898	4,031
Other income	20,598	8,851	48,881	7,982
Consolidated revenues	**611,832**	**664,455**	**563,555**	**631,623**
Income from shares accounted for using the equity method	1,821	2,019	1,139	2,066
Earnings before interest, tax, depreciation and amortization (EBITDA)	**73,138**	**52,725**	**73,970**	**81,603**
Depreciation of fixed assets	-50,026	-61,348	-27,376	-33,613
Write-downs of inventories due to use	0	0	-16,534	-11,136
Earnings before interest and tax (EBIT)	**23,112**	**-8,623**	**30,060**	**36,854**
Financial income	17,823	20,752	9,286	20,805
Financial expenses	-30,897	-24,072	-22,123	-27,993
Income tax expense	-15,778	-9,921	-6,256	-10,551
Earnings after tax	**-5,740**	**-21,864**	**10,967**	**19,115**
ADDITIONAL INFORMATION ON THE INCOME STATEMENT				
Sales revenues with third parties based at a point in time	0	0	491,462	552,189
Sales revenues with third parties based over time	587,871	640,343	0	0
Unscheduled depreciation of fixed assets	-486	-260	-669	-5,526
Major non-cash segment items				
Depreciation losses on financial assets	0	0	0	0
Depreciation losses for impairment on inventories	-103	-285	-15,553	-7,380
Allocation of valuation allowances for receivables	-8,471	-5,435	-2,812	-1,611
Reversal of valuation allowances for receivables	718	623	797	1,632
ADDITIONAL INFORMATION ON THE BALANCE SHEET				
SEGMENT ASSETS DECEMBER 31	**584,659**	**644,790**	**744,043**	**793,683**
of which shares in companies accounted for using the equity method	1,865	5,439	11,955	12,580
of which capital investments in fixed assets	86,756	103,035	40,512	68,625
SEGMENT LIABILITIES DECEMBER 31	**460,600**	**487,533**	**424,700**	**428,257**

SEGMENT REPORT BY REGION	Germany		Europe	
in EUR thousand	2020	2021	2020	2021
Total Group revenues	**416,873**	**463,219**	**299,362**	**313,434**
Sales revenues with third parties	385,588	399,680	286,949	307,853
Intangible assets, property, plant and equipment, December 31	216,316	209,839	57,382	70,343

* Previous year's figure adjusted; SCHACHTBAU NORDHAUSEN Stahlbau GmbH was reclassified from the Construction segment into the Resources segment.

Resources		Corporate Services		Total of the segments		Consolidation		Group	
2020 *	2021	2020	2021	2020 *	2021	2020 *	2021	2020	2021
293,076	**272,516**	**69,134**	**100,525**	**1,617,640**	**1,736,958**	**-164,005**	**-199,357**	**1,453,635**	**1,537,601**
262,605	241,127	1,303	1,185	1,343,241	1,434,844	0	-1,771	1,343,241	1,433,073
2,561	9	43,580	47,175	85,484	124,305	-85,484	-124,305	0	0
413	442	0	0	-16,789	5,430	0	0	-16,789	5,430
541	1,637	0	2,816	4,975	9,057	3,077	6,032	8,052	15,089
272	2,622	20,087	45,216	89,838	64,671	-23,059	-45,836	66,779	18,835
266,392	**245,837**	**64,970**	**96,392**	**1,506,749**	**1,638,307**	**-105,466**	**-165,880**	**1,401,283**	**1,472,427**
6,836	7,176	0	0	9,796	11,261	0	0	9,796	11,261
17,194	**19,603**	**24,634**	**47,701**	**188,936**	**201,632**	**-23,689**	**-48,171**	**165,247**	**153,461**
-14,135	-10,121	-3,264	-2,999	-94,801	-108,081	1,625	1,781	-93,176	-106,300
0	0	0	0	-16,534	-11,136	0	0	-16,534	-11,136
3,059	**9,482**	**21,370**	**44,702**	**77,601**	**82,415**	**-22,064**	**-46,390**	**55,537**	**36,025**
2,591	3,276	4,895	9,406	34,595	54,239	-1,548	-3,487	33,047	50,752
-8,736	-5,697	-12,048	-11,220	-73,804	-68,982	1,548	3,487	-72,256	-65,495
-3,355	4,452	861	-1,276	-24,528	-17,296	-22	5	-24,550	-17,291
-6,441	**11,513**	**15,078**	**41,612**	**13,864**	**50,376**	**-22,086**	**-46,385**	**-8,222**	**3,991**
57,566	60,914	1,303	1,185	550,331	614,288	0	0	550,331	614,288
205,039	180,213	0	0	792,910	820,556	0	-1,771	792,910	818,785
-709	0	0	0	-1,864	5,786	0	0	-1,864	-5,786
0	0	0	1	0	1	0	0	0	1
-198	-2,421	0	0	-15,854	-10,086	0	0	-15,854	-10,086
-4,595	-1,098	0	0	-15,878	-8,144	0	0	-15,878	-8,144
343	3,536	0	0	1,858	5,791	0	0	1,858	5,791
229,938	**228,246**	**337,427**	**388,768**	**1,896,067**	**2,055,487**	**-352,082**	**-415,994**	**1,543,985**	**1,639,493**
62,369	63,862	0	0	76,189	81,881	0	0	76,189	81,881
9,195	12,779	2,204	7,035	138,667	191,474	-299	-541	138,368	190,933
135,222	**149,025**	**210,499**	**182,696**	**1,231,021**	**1,247,511**	**-52,559**	**-89,094**	**1,178,462**	**1,158,417**

Middle East		Asia-Pacific		Americas		Africa		Group	
2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
170,898	**170,149**	**221,318**	**224,148**	**271,481**	**280,094**	**73,703**	**86,557**	**1,453,635**	**1,537,601**
161,435	152,007	205,375	202,842	230,759	274,973	73,135	95,718	1,343,241	1,433,073
40,447	40,482	104,950	115,336	34,835	66,213	13,155	20,112	467,085	522,325

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

7. SALES REVENUES

The sales revenues generated in the amount of EUR 1,433,073 thousand (previous year: 1,343,241) include revenues based over time, goods and services delivered to consortia as well as sales revenues from the sale and rental of equipment and accessories.
Sales revenue from leased equipment and accessories amounted to EUR 25,205 thousand in the financial year (previous year: 18,997). 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 thousand	2020	2021
Sales revenues	1,343,241	1,433,073
Changes in inventories	-16,789	5,430
Other own work capitalized	8,052	15,089
Other income	66,779	18,835
Consolidated revenues	**1,401,283**	**1,472,427**
Subcontractor share in consortia	5,731	14,660
Revenues of associated companies and joint ventures	40,354	38,557
Revenues of non-consolidated companies	28,963	23,309
Intra-group revenues	-22,696	-11,352
Total Group revenues	**1,453,635**	**1,537,601**

Sales revenues also include EUR 5,172 thousand in net out-of-period sales (previous year: 6,160) resulting from final invoice agreements and sales corrections in the Construction segment. The revenue correction in the previous year involved variable transaction components that were recognized in the past. A potential reversal of sales was not assumed as part of project management. The matter concerned a change in the transaction price in accordance with IFRS 15.88. In the Construction segment, final invoices, for example, may include supplementary items that have not yet been finally negotiated with the client 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 sales 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 thousand	Dec. 31, 2020	Dec. 31, 2021
Unfulfilled contractual obligations	**730,575**	**531,222**
Expected realization within 1 year	455,503	409,940
Expected realization in 1 to 5 years	275,072	121,282
Expected realization after 5 years	0	0

8. OTHER OWN WORK CAPITALIZED

in EUR thousand	2020	2021
Income from other own work capitalized	8,052	15,089

9. OTHER INCOME

in EUR thousand	2020	2021
Income from disposal of property, plant and equipment	5,517	6,010
Income from insurance refunds	2,585	2,493
Other income from rentals	229	803
Effects from de-consolidation and transitional consolidations	48,195	773
Other operating income	10,253	8,756
Total	**66,779**	**18,835**

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 companies in the basis of consolidation which is of minor importance in the individual instances. Other income includes the write-ups of TERRABAUER S.L. amounting to EUR 1,550 thousand (previous year: 0).

10. COST OF MATERIALS

in EUR thousand	2020	2021
Expenses for raw materials and supplies and purchased goods	396,860	475,243
Expenses for purchased services	229,252	254,454
Total	**626,112**	**729,697**

The expenses for purchased services included short-term external device rentals in the amount of EUR 27,134 thousand (previous year: 26,472). This relates to large devices for short-term building site activities with a significant term of 3 to 6 months.

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". Allocations to anniversary provisions are also reported without the interest portion under Wages and salaries.

in EUR thousand	2020	2021
Wages and salaries	331,509	360,257
Social security contributions	54,147	60,793
Expenses for retirement benefits	9,242	9,370
Total	**394,898**	**430,420**

The employer's pension contributions in the financial year totaled EUR 22,643 thousand (previous year: 22,874). These are contribution-based schemes, as explained under 5.2 "Significant accounting policies in the Group." Of that total, EUR 18,816 thousand (previous year: 19,325) relate to Germany and EUR 3,827 thousand (previous year: 3,549) relate to other countries. The wages and salaries include severance expenses in the amount of EUR 1,631 thousand (previous year: 1,842). Government grants in connection with the COVID-19 pandemic are deducted from personnel expenses and amounted to EUR 3,217 thousand in 2021 (previous year: 5,364).

12. OTHER OPERATING EXPENSES

in EUR thousand	2020	2021
Losses from disposal of property, plant and equipment	1,380	1,926
Leasing expenses	17,122	14,216
Energy, heating, water	3,712	3,978
Vehicle costs	5,042	2,675
Property, motor vehicle and transport insurance	11,578	12,924
Other operating expenses	11,316	10,303
Administrative expenses	37,848	43,486
Distribution costs	30,152	33,700
Other employee-related expenses	16,124	18,143
Result from valuation allowances of receivables	15,929	10,085
Bank charges	2,224	2,914
Duties	5,062	4,287
Accrued expenses	5,309	823
Losses from disposal of investments accounted for using the equity method	41,373	0
Other taxes	4,768	4,914
Additional other operating expenses	15,883	5,736
Total	**224,822**	**170,110**

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 companies in the basis of consolidation 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 22,490 thousand (previous year: 18,847) resulting from the reversal of provisions, valuation allowances of receivables, derecognition of liabilities and written off receivables. We refer to section 38 for further disclosures regarding the valuation allowances.

The leasing expenses include the expenses arising from short-term leasing relationships in the amount of EUR 13,249 thousand (previous year: 16,663) and low-value leasing expenses in the amount of EUR 967 thousand (previous year: 459). This does not include variable leasing payments that are not contained in the evaluation of the leasing liability.

13. INCOME FROM SHARES ACCOUNTED FOR USING THE EQUITY METHOD

The income from shares accounted for using the equity method in the fiscal year is EUR 11,261 thousand (previous year: 9,796) and includes the income and loss shares of associated joint ventures that were evaluated in accordance with the equity method. No devaluation took place in this financial year or in the previous year.

Since the 2020 financial year, the item “Income from shares accounted for using the equity method” is recognized as part of the “Earnings before interest, tax, depreciation and amortization (EBITDA).” The background for the change is the inclusion of construction consortia and other companies accounted for using the equity method, for which their operative character is now paramount.

in EUR thousand	2020 *	2021
Income from equity participations	7,752	7,809
Expenses from equity participations	-772	-336
Income from consortia	3,306	3,999
Losses from consortia	-490	-211
Total	**9,796**	**11,261**

* Results of companies that were fully consolidated as at July 31, 2020 are only included on a pro rata temporis basis until transitional consolidation

14. DEPRECIATION AND AMORTIZATION

Depreciation is as follows:

in EUR thousand	2020	2021
Depreciation of intangible assets	7,310	10,840
Depreciation of property, plant and equipment	85,866	95,460
Total	**93,176**	**106,300**

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

15. WRITE-DOWNS OF INVENTORIES DUE TO USE

Write-downs of inventories due to use in the financial year totaled EUR 11,136 thousand (previous year: 16,534). This related to depreciation of used machinery temporarily rented out to customers as sales promotion measures. Use-related depreciation of used machinery disposed of in the 2021 financial year is included in these figures.

FINANCIAL RESULT

16. FINANCIAL INCOME

The financial income is broken down as follows:

in EUR thousand	2020	2021
Income from operating participations	1,311	914
Other interest and similar income	4,136	4,246
Income from changes in fair values of interest rate swaps	1,882	15,762
Income from foreign currency translation from financing activities	25,718	29,830
Total	**33,047**	**50,752**

17. FINANCIAL EXPENSES

The financial expenses are broken down as follows:

in EUR thousand	2020	2021
Interest and similar expenses	27,277	27,761
Depreciation losses on financial assets	0	1
Losses from changes in fair values of interest rate swaps	9,317	11,000
Interest portions of allocations to provisions for pensions and similar obligations	1,954	1,554
Losses from foreign currency translation from financing activities	33,708	25,179
Total	**72,256**	**65,495**

The interest from lease transactions included under "Interest and similar expenses" in the financial year totaled EUR 2,430 thousand (previous year: 1,976). The financial result includes interest income from financial assets in an amount of EUR 4,226 thousand (previous year: 4,119) and interest expenses from financial liabilities in an amount of EUR 25,326 thousand (previous year: 25,276) which were not measured at fair value affecting profit and loss.

18. INCOME TAX EXPENSE

The income tax expense is broken down as follows:

in EUR thousand	2020	2021
Actual taxes	28,416	22,574
Deferred taxes	-3,866	-5,283
Total	**24,550**	**17,291**

The theoretical tax rate is 28.08% (previous year: 28.08%). The actual taxes include recorded adjustments for out-of-period actual income tax in the amount of EUR -463 thousand (previous year: -205).

Reconciliation from expected to actual income tax expense

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 thousand	2020	2021
Earnings before tax (EBT)	16,328	21,282
Theoretical tax expenditure 28.08% (previous year: 28.08%)	4,585	5,976
Reconciliation		
Differences in tax rate	1,698	2,058
Taxation effects of non-deductible expenses and tax-free income	-1,875	1,193
Effects of deviations in the tax calculation base	5,101	5,929
Valuation of associated companies using the equity accounting method	-2,751	-3,162
Out-of-period tax payments/refunds for previous years	5,492	52
Effects of deferred tax assets in respect of losses carried forward and temporary differences	12,500	5,265
Other	-200	-20
Taxes on income and profit	**24,550**	**17,291**

The tax effects of the effects from transitional and de-consolidations contained in non-deductible expenses and tax-free earnings were not significant in the financial year (previous year: -1,981). Internal disbursements result in taxation effects after December 31, 2021 totaling EUR 358 thousand (previous year: 342).

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:

	2020	2021
Earnings after tax attributable to the shareholders of BAUER AG, in EUR thousand	**-8,397**	**-563**
Weighted average number of shares in circulation in financial year (basic)	17,273,756	23,083,153
Weighted average number of shares in circulation in financial year (diluted)	17,273,756	23,083,153
Basic earnings per share in EUR	**-0.48**	**-0.02**
Diluted earnings per share in EUR	**-0.48**	**-0.02**

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 thousand			Internally generated intangible assets		
Acquisition and/or manufacturing costs	Licenses, software and similar rights and values	Goodwill	Capitalized software costs	Capitalized devel-opment costs	Total
January 1, 2020	**36,719**	**2,186**	**0**	**43,964**	**82,869**
Change in basis of consolidation	-776	0	0	6,400	5,624
Additions	1,025	0	0	3,915	4,940
Disposals and reclassifications pursuant to IFRS 5	339	0	0	20,062	20,401
Transfers	37	0	0	-11	26
Currency adjustment	-412	0	0	0	-412
December 31, 2020	**36,254**	**2,186**	**0**	**34,206**	**72,646**

in EUR thousand			Internally generated intangible assets		
Accumulated depreciation	Licenses, software and similar rights and values	Goodwill	Capitalized software costs	Capitalized devel-opment costs	Total
January 1, 2020	**32,880**	**2,186**	**0**	**30,857**	**65,923**
Change in basis of consolidation	-767	0	0	-415	-1,281
Additions	2,086	0	0	4,559	6,645
Disposals and reclassifications pursuant to IFRS 5	323	0	0	13,192	13,515
Impairment expenses	161	0	0	505	666
Transfers	0	0	0	0	0
Currency adjustment	-390	0	0	0	-390
December 31, 2020	**33,647**	**2,186**	**0**	**22,215**	**58,048**
Carrying amount December 31, 2020	**2,607**	**0**	**0**	**11,991**	**14,598**

in EUR thousand			Internally generated intangible assets		
Acquisition and/or manufacturing costs	Licenses, software and similar rights and values	Goodwill	Capitalized software costs	Capitalized devel-opment costs	Total
January 1, 2021	**36,254**	**2,186**	**0**	**34,206**	**72,646**
Change in basis of consolidation	0	-1,255	0	0	-1,255
Additions	2,194	0	68	8,987	11,249
Disposals and reclassifications pursuant to IFRS 5	595	0	0	155	750
Transfers	0	0	0	0	0
Currency adjustment	245	0	0	0	245
December 31, 2021	**38,098**	**931**	**68**	**43,038**	**82,135**

in EUR thousand Accumulated depreciation	Licenses, software and similar rights and values	Goodwill	Internally generated intangible assets Capitalized software costs	 Capitalized development costs	Total
January 1, 2021	**33,647**	**2,186**	**0**	**22,215**	**58,048**
Change in basis of consolidation	0	-1,255	0	0	-1,255
Additions	1,217	0	4	4,093	5,314
Disposals and reclassifications pursuant to IFRS 5	470	0	0	1,218	1,688
Impairment expenses	0	0	0	5,526	5,526
Transfers	0	0	0	0	0
Currency adjustment	246	0	0	0	246
December 31, 2021	**34,640**	**931**	**4**	**30,616**	**66,191**
Carrying amount December 31, 2021	**3,458**	**0**	**64**	**12,422**	**15,944**

The changes in basis of consolidation originated from the de-consolidation of FORALITH Drilling Support AG.

Of the total research and development costs and patent costs incurred in 2021, EUR 2,846 thousand (previous year: 4,132) met the capitalization criteria in accordance with IFRS. The following amounts were recognized in net income:

in EUR thousand	2020	2021
Research costs and non-capitalized development costs	20,231	27,424
Depreciation of development costs and patents	5,175	10,071
Research and development costs recognized in net income	**25,406**	**37,495**

The carrying amount of the capitalized development costs that were not yet completed and not used in the financial year is EUR 1,551 thousand (previous year: 2,891).

20.2 Property, plant and equipment

in EUR thousand Acquisition and/or manufacturing costs	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and equipment in construction	Total
January 1, 2020	**331,504**	**626,161**	**98,027**	**17,777**	**1,073,469**
Change in basis of consolidation	32,278	11,535	-97	169	43,885
Additions	25,703	76,703	10,567	20,455	133,428
Disposals and reclassifications pursuant to IFRS 5	42,347	78,105	7,459	664	128,575
Transfers	3,105	6,435	174	-9,740	-26
Currency adjustment	-5,854	-34,548	-2,993	-840	-44,235
December 31, 2020	**344,389**	**608,181**	**98,219**	**27,157**	**1,077,946**

in EUR thousand **Accumulated depreciation**	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and equipment in construction	Total
January 1, 2020	**136,633**	**411,797**	**64,569**	**0**	**612,999**
Change in basis of consolidation	8,113	8,772	-38	0	16,847
Additions	14,017	59,085	11,566	0	84,668
Disposals and reclassifications pursuant to IFRS 5	10,403	47,964	5,069	-528	62,908
Impairment expenses	1,034	164	0	0	1,198
Transfers	266	-203	-63	0	0
Currency adjustment	-1,259	-23,768	-2,317	-1	-27,345
December 31, 2020	**148,401**	**407,883**	**68,648**	**527**	**625,459**
Carrying amount December 31, 2020	**195,988**	**200,298**	**29,571**	**26,630**	**452,487**
of which carrying amount of the rights of use as at December 31, 2020	23,553	33,888	9,050	0	66,491

in EUR thousand **Acquisition and/or manufacturing costs**	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and equipment in construction	Total
January 1, 2021	**344,389**	**608,181**	**98,219**	**27,157**	**1,077,946**
Change in basis of consolidation	12	1,577	6	0	1,595
Additions	39,724	110,972	10,641	18,347	179,684
Disposals and reclassifications pursuant to IFRS 5	3,852	67,821	6,351	10,882	88,906
Transfers	2,974	6,855	-68	-9,761	0
Currency adjustment	4,869	24,903	2,175	787	32,734
December 31, 2021	**388,116**	**684,667**	**104,622**	**25,648**	**1,203,053**

The additions of rights of use for the financial year 2021 amount to EUR 18,958 thousand (previous year: 27,091). The depreciations from rights of use in the financial year amounted to EUR 6,016 thousand for land and buildings (previous year: 5,605), for technical equipment and machinery, it amounted to EUR 12,024 thousand (previous year: 11,383), and for other equipment, factory and office equipment it amounted to EUR 3,478 thousand (previous year: 3,303).

in EUR thousand **Accumulated depreciation**	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and equipment in construction	Total
January 1, 2021	**148,401**	**407,883**	**68,648**	**527**	**625,459**
Change in basis of consolidation	2	114	1	0	117
Additions	15,899	67,815	11,486	0	95,460
Disposals and reclassifications pursuant to IFRS 5	2,932	39,760	5,035	-20	47,707
Impairment expenses	0	254	6	0	260
Transfers	0	38	-38	0	0
Currency adjustment	1,409	20,087	1,847	0	23,343
December 31, 2021	**162,779**	**456,431**	**76,915**	**547**	**696,672**
Carrying amount December 31, 2021	**225,337**	**228,236**	**27,707**	**25,101**	**506,381**
of which carrying amount of the rights of use as at December 31, 2021	22,574	35,996	7,427	0	65,997

The item “Technical equipment and machinery” includes machines for which the primary purpose is rental to customers. The carrying amount of these machines totaled EUR 14,621 thousand (previous year: 10,207) in the financial year.

Future payment obligations from orders that were not yet recognized on the balance sheet (purchase commitments) were EUR 1,866 thousand (previous year: 0) as at December 31, 2021.

The changes to the basis of consolidation for the current financial year in the area of the fixed assets primarily resulted from the initial consolidation of BAUER Engineering India Private Limited.

Items of property, plant and equipment have a carrying amount of EUR 91,764 thousand (previous year: 52,032) and are subject to encumbrances such as mortgages and chattel mortgages.
There are also standard restraints on disposal of leased assets, which are attributable to the Group in accordance with IFRS 16 and amount to EUR 65,997 thousand (previous year: 66,491).
No borrowing costs were capitalized in the financial year (previous year: EUR 0 thousand). Fixed assets were impaired by a total of EUR 5,786 thousand in the financial year (previous year: 1,864) on an unscheduled basis. These depreciations are attributable in the amount of EUR 260 thousand (previous year: 486) to the Construction segment and in the amount of EUR 5,526 thousand (previous year: 669) to the Equipment segment.
Of this amount, EUR 5,526 thousand pertained to intangible assets (previous year: 666) and EUR 260 thousand to property, plant and equipment (previous year: 1,198). The majority of depreciations on intangible assets relate to capitalized development costs (intellectual property) in the Equipment segment in the amount of EUR 5,526 thousand (previous year: 505). An altered market development, which is also shaped by the ongoing COVID-19 pandemic, among other factors, meant that intellectual property no longer fits into the future strategy of the BAUER Group. After initial efforts to sell, intellectual property was included in the fixed assets again in the financial year according to the requirements of IFRS 5 and then fully written down. Unscheduled depreciation of property plant and equipment relate at an amount of EUR 254 thousand (previous year: 164) to technical equipment and machinery and at EUR 6 thousand (previous year:0) to other equipment, operating and office equipment. The impairments were applied on the basis of the recoverable amount. These were determined using a discount rate of 8.71% (previous year: 8.04%). For the capitalized development costs, the recoverable amount corresponded to the value in use and was EUR 0 thousand. Effects on other non-financial assets were of minor importance in the financial year. 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 thousand	Dec. 31, 2020	Dec. 31, 2021
Shares in joint ventures accounted for using the equity method	27,527	32,548
Shares in associated companies accounted for using the equity method	48,662	49,333
Total	**76,189**	**81,881**

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

in EUR thousand	Associated companies		Joint ventures	
Acquisition and/or manufacturing costs	**2020**	**2021**	**2020**	**2021**
January 1	**51,401**	**50,801**	**79,187**	**27,527**
Additions	0	22	531	1,917
Disposals	0	0	1,337	1,764
Profit/loss attributable	4,100	4,088	5,696	7,173
Dividend payments	-4,700	-3,439	-2,807	-2,305
Change in basis of consolidation	0	0	-50,688	0
Currency adjustment	0	0	-3,055	0
December 31	**50,801**	**51,472**	**27,527**	**32,548**

in EUR thousand	Associated companies		Joint ventures	
Accumulated depreciation	2020	2021	2020	2021
January 1	**2,139**	**2,139**	**10,264**	**0**
Additions	0	0	0	0
Disposals	0	0	0	0
Change in basis of consolidation	0	0	-10,264	0
Currency adjustment	0	0	0	0
December 31	**2,139**	**2,139**	**0**	**0**
Carrying amount December 31	**48,662**	**49,333**	**27,527**	**32,548**

The amounts listed under the item “Change in basis of consolidation” only include values up until the date of full consolidation.

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.The reporting is 100.00% in each case.

These are the material joint ventures:

Financial year 2020:

Name	Company's activities	Place of business	Capital share	Accounting policies
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40.00%	Equity method

Financial year 2021:

Name	Company's activities	Place of business	Capital share	Accounting policies
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40.00%	Equity method

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

BALANCE SHEET	SPANTEC Spann- & Ankertechnik GmbH	
in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Non-current assets	5,837	6,005
Current assets	8,872	10,032
(of which cash and cash equivalents)	(168)	(31)
Total assets	**14,709**	**16,037**
Non-current debt	604	510
(of which non-current financial liabilities)	(0)	(0)
Current debt	1,351	1,218
(of which current financial liabilities)	(0)	(0)
Total debt	**1,955**	**1,728**

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

INCOME STATEMENT	SPANTEC Spann- & Ankertechnik GmbH	
in EUR thousand	2020	2021
Sales revenues	26,961	31,526
Scheduled depreciation and amortization	-181	-206
Earnings before interest and tax	6,128	6,983
Interest income	94	82
Interest expense	-47	-53
Income tax expense	-1,751	-1,923
Earnings after tax	4,424	5,089
Other comprehensive income	18	68
Total comprehensive income	**4,443**	**5,157**
Dividends distributed to the BAUER Group	1,900	1,440

Construction consortia are classified as joint ventures in the Group and their results are recorded in the "Share of the profit or loss from participations accounted for using the equity method." For the 2020 financial year, the following table contains the five largest consortia with respect to revenue.

Share in %	2020
Consortium	
Consortium emplacement drift Konrad shaft	50.00
Steel construction consortium Müngsten Bridge	50.00
WBA Helmsdorf	50.00
VE10 above-ground western section	10.00
VE30 above-ground western section	10.00

The financial information concerning these consortia for the 2020 financial year is presented at 100.00% and before consolidation for each consortium.

in EUR thousand	2020					
	Sales revenues	Non-current assets	Current assets	of which liquid funds	Non-current debt	Current debt
Consortium emplacement drift Konrad shaft	12,702	432	34,940	9,906	0	15,179
Steel construction consortium Müngsten Bridge	1,688	2	8,584	195	0	8,235
WBA Helmsdorf	3,839	0	877	452	0	879
VE10 above-ground western section	34,117	3,292	13,420	13,224	0	11,074
VE30 above-ground western section	57,330	17,476	141,290	37,013	0	151,911

Construction consortia are classified as joint ventures in the Group and their results are recorded in the "Share of the profit or loss from participations accounted for using the equity method." For the 2021 financial year, the following table contains the five largest consortia with respect to revenue.

Share in %	2021
Consortium	
Consortium emplacement drift Konrad shaft	50.00
Steel construction consortium Müngsten Bridge	50.00
CEFAM University Hospital Cologne	50.00
VE10 above-ground western section	10.00
VE30 above-ground western section	10.00

The financial information concerning these consortia for the 2021 financial year is presented at 100.00% and before consolidation for each consortium.

in EUR thousand	2021					
	Sales revenues	Non-current assets	Current assets	of which liquid funds	Non-current debt	Current debt
Consortium emplacement drift Konrad shaft	11,216	1,160	38,132	7,427	0	17,425
Steel construction consortium Müngsten Bridge	919	0	8,752	37	0	8,570
CEFAM University Hospital Cologne	12,206	0	13,743	1,537	0	13,311
VE10 above-ground western section	33,146	2,591	22,372	22,184	0	15,206
VE30 above-ground western section	46,285	17,302	191,580	57,945	0	19,374

In the 2021 financial year, the item "Share of the profit or loss from participations accounted for using the equity method" includes earnings from the aforementioned consortia under "Share of profit or loss from companies accounted for using the equity method" in the amount of EUR 1,846 thousand (previous year: 2,047).

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

BALANCE SHEET	Immaterial joint ventures	
in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Non-current assets	2,271	4,087
Current assets	49,389	50,995
(of which cash and cash equivalents)	(3,887)	(4,348)
Total assets	**51,660**	**55,082**
Non-current debt	0	29
(of which non-current financial liabilities)	(0)	(0)
Current debt	38,502	37,928
(of which current financial liabilities)	(12,750)	(311)
Total debt	**38,502**	**37,957**

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

INCOME STATEMENT	Immaterial joint ventures	
in EUR thousand	2020	2021
Sales revenues	27,208	32,842
Scheduled depreciation and amortization	-2,141	-1,966
Earnings before interest and tax	**5,780**	**6,745**
Interest income	1,214	538
Interest expense	-715	-838
Income tax expense	-1,107	-1,044
Earnings after tax	**5,172**	**5,401**
Earnings after tax for the period in proportion to share	**2,576**	**3,287**
Dividends distributed to the BAUER Group	907	865

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 2020:

in EUR thousand	SPANTEC Spann- & Anker-technik GmbH	Immaterial joint ventures
Net assets of joint ventures	12,754	46,194
Share in joint ventures according to investment quota	5,102	16,495
Goodwill and other adjustments	5,930	0
Carrying amount reported in the balance sheet	**11,032**	**16,495**

Financial year 2021:

in EUR thousand	SPANTEC Spann- & Anker-technik GmbH	Immaterial Joint ventures
Net assets of joint ventures	14,309	60,872
Share in joint ventures according to investment quota	5,724	20,916
Goodwill and other adjustments	5,908	0
Carrying amount reported in the balance sheet	**11,632**	**20,916**

Fair values of material joint ventures:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
SPANTEC Spann- & Ankertechnik GmbH	70,332	62,098

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. The reporting is 100.00% in each case.

These are the material associated companies:

Financial year 2020:

Name	Company's activities	Place of business	Capital share
BAUER Nimr LLC	Water treatment and environmental technology	Muscat, Al Mina, Sultanate of Oman	52.50%

Financial year 2021:

Name	Company's activities	Place of business	Capital share
BAUER Nimr LLC	Water treatment and environmental technology	Muscat, Al Mina, Sultanate of Oman	52.50%

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 BAUER Nimr LLC is provided in the tables below. Due to the size criteria, the two associated companies AO Mostostrojindustria and TERRABAUER S. L. are no longer classified as key associated companies on the balance sheet date. The amounts in the following table are presented before consolidation.

BALANCE SHEET	BAUER Nimr LLC	
in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Non-current assets	67,149	68,086
Current assets	19,703	23,090
(of which cash and cash equivalents)	(11,310)	(13,622)
Total assets	**86,852**	**91,176**
Non-current debt	41,658	39,537
(of which non-current financial liabilities)	(12,526)	(25,511)
Current debt	10,340	11,832
(of which current financial liabilities)	(5,059)	(5,098)
Total debt	**51,998**	**51,369**

INCOME STATEMENT in EUR thousand	BAUER Nimr LLC Dec. 31, 2020	 Dec. 31, 2021
Sales revenues	17,609	13,711
Scheduled depreciation and amortization	-567	-508
Earnings before interest and tax	**8,806**	**8,552**
Interest income	5,526	5,292
Interest expense	-3,965	-3,524
Income tax expense	-1,534	-1,498
Earnings after tax	**8,833**	**8,822**
Earnings after tax for the period in proportion to share	**4,637**	**4,632**
Other comprehensive income	0	0
Total comprehensive income	**4,637**	**4,632**
Dividends distributed to the BAUER Group	4,700	3,439

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

BALANCE SHEET in EUR thousand	Immaterial associated companies Dec. 31, 2020	 Dec. 31, 2021
Non-current assets	45	46
Current assets	403	438
(of which cash and cash equivalents)	(96)	(210)
Total assets	**448**	**484**
Non-current debt	46	710
(of which non-current financial liabilities)	(46)	(694)
Current debt	306	184
(of which current financial liabilities)	(49)	(23)
Total debt	**352**	**894**

INCOME STATEMENT in EUR thousand	Immaterial associated companies Dec. 31, 2020	 Dec. 31, 2021
Sales revenues	808	1,030
Scheduled depreciation and amortization	-28	-37
Earnings before interest and tax	**41**	**-400**
Interest income	0	2
Interest expense	-7	-93
Income tax expense	-1	-14
Earnings after tax	**33**	**-505**
Earnings after tax for the period in proportion to share	**10**	**-559**
Dividends distributed to the BAUER Group	0	0

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 2020:

in EUR thousand	BAUER Nimr LLC	Immaterial associated companies
Net assets of associated companies	34,854	4,434
Share in associated companies according to investment quota	18,298	922
Goodwill and other adjustments	24,015	0
Present value of concession arrangement	5,427	0
Carrying amount reported in the balance sheet	**47,740**	**922**

Financial year 2021:

in EUR thousand	BAUER Nimr LLC	Immaterial associated companies
Net assets of associated companies	39,807	3,929
Share in associated companies according to investment quota	20,899	948
Goodwill and other adjustments	22,606	0
Present value of concession arrangement	4,880	0
Carrying amount reported in the balance sheet	**48,385**	**948**

The other adjustments mainly include currency adjustments. There were no obligations and material restrictions or risks with regard to the shares in associated companies on the balance sheet date.

As at December 31, 2021, the recoverable amount for BAUER Nimr LLC was EUR 49,007 thousand (previous year: 49,318). No further sensitivities were taken into account, as the company’s business is sustainably stable and safeguarded by long-term contracts.

20.4 Participations

Additional financial information for participations

Financial year 2020:

in EUR thousand	Wöhr + Bauer GmbH	Deusa International GmbH	Immaterial participations
Fair value	8,500	2,067	194
Dividends recorded during the period	684	250	0

Financial year 2021:

in EUR thousand	Wöhr + Bauer GmbH	Deusa International GmbH	Immaterial participations
Fair value	8,500	2,067	194
Dividends recorded during the period	289	191	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. As at December 31, 2021, due to only marginal effects, the balance sheet was not adjusted to the new fair values.

21. DEFERRED TAXES

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

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	234	222	5,832	8,540
Property, plant and equipment	948	1,078	2,804	4,609
Rights of use	34	316	5,127	5,109
Inventories	3,193	3,910	4,568	1,534
Contract assets	1	0	4,009	3,537
Other receivables and other assets	2,009	1,678	4,024	5,485
Provisions for pensions	32,953	28,287	1,933	2,316
Liabilities from lease agreements	5,880	5,648	36	382
Contract liabilities	30	309	0	48
Other provisions	296	535	1	0
Other liabilities	10,987	8,385	1,918	1,366
Losses carried forward	16,015	26,355	0	0
Consolidation	12,919	12,825	8,930	9,610
Offsetting	-18,583	-24,127	-18,583	-24,127
Net amount	**66,916**	**65,421**	**20,599**	**18,409**

In the table above, deferred tax assets to the amount of EUR 24 thousand (previous year: 56) and deferred tax liabilities in the amount of EUR 25 thousand (previous year: 63) are included in other liabilities, which is part of hedge accounting. In addition, in the provisions for pensions position, deferred tax assets in the amount of EUR 22,237 thousand (previous year: 27,624) and deferred tax liabilities in the amount of EUR 0 thousand (previous year: 0) are included for the actuarial income and losses recognized in equity. The deferred tax assets and deferred tax liabilities, which were generated as a result of hedge reserves and actuarial income and losses, were recognized under equity.

The share of current deferred tax assets without losses carried forward amounts to EUR 11,859 thousand (previous year: 13,834) and the share of deferred tax liabilities to EUR 10,990 thousand (previous year: 9,622).

The increase in deferred tax assets on losses carried forward, from EUR 16,015 thousand to EUR 26,055 thousand, is attributable in part to the merger of BAUER Resources GmbH with GWE pumpenboese GmbH. Unused losses carried forward amounting to EUR 4,942 were capitalized here. Secondly, at BAUER Spezialtiefbau GmbH there were initial (EUR 2,263 thousand) and at BAUER Foralith GmbH (EUR 2,308 thousand) and BAUER Machinery (EUR 2,458 thousand) there were additional capitalizations of deferred tax assets on losses carried forward due to the improved order situation and the accompanying tax forecast calculation.

Deferred tax assets were capitalized for companies in the reporting period in the amount of EUR 43,144 thousand (previous year: 42,407), which can be realized in the future on the basis of the tax forecast calculation. Deferred tax assets are included in the amount of EUR 26,901 thousand (previous year: 27,352) from companies that recorded losses in the previous period or the current period.

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

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Domestic losses (corporation tax)	94,136	103,547
Foreign losses	157,091	213,817
Total	**251,227**	**317,364**
Of which losses carried forward deductible for limited periods	84,139	101,179

No deferred taxes were recognized for unusable losses carried forward in the amount of EUR 218,995 thousand (previous year: 193,491) due to the medium-term income tax target.
The share of current deferred tax assets in respect of losses carried forward amounted to EUR 6,268 thousand (previous year: 4,629).

Deferred tax liabilities arising from temporary differences in connection with participations 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 1,563 thousand (previous year: 2,507) were not recognized for temporary differences.

22. NON-CURRENT TRADE RECEIVABLES

in EUR thousand	2020	2021
Non-current trade receivables	7,554	8,540

The non-current trade receivables include cumulative valuation allowances totaling EUR 5,428 thousand (previous year: 4,286).

23. OTHER NON-CURRENT ASSETS

The other non-current assets comprise the following items:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Claims from backup insurance	5,164	5,825
Sundry other non-current assets	2,262	3,396
Total	**7,426**	**9,221**

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.

24. OTHER NON-CURRENT FINANCIAL ASSETS

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

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Sundry other non-current financial assets	9,283	10,312
Shares in non-consolidated subsidiaries	3,882	13,608
Total	**13,165**	**23,920**

The additional other non-current assets contain receivables from derivatives and other non-current financial assets. The derivatives are presented in item 38 under “Other disclosures.” The item also contains a loan receivable, which is due at maturity and unsecured, from BAUER Nimr LLC in the amount of EUR 10,146 thousand (previous year: 9,365). The interest on the loan is a fixed rate at 8%. No subordination has been agreed on the loan. Non-consolidated subsidiaries do not include non-listed companies for which there is no active market. In the financial year, depreciations of EUR 457 thousand (previous year: 763) were carried out for non-consolidated subsidiaries.

CURRENT ASSETS

25. INVENTORIES

The inventories comprise the following items:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Raw materials and supplies	155,529	183,917
Finished goods and work in progress and stock for trade	231,969	229,105
Rental equipment	47,468	44,467
	434,966	457,489
Less advances received for inventories	-10,340	-10,770
Total	**424,626**	**446,719**

Of the inventories, EUR 130,210 thousand (previous year: 151,883) is stated at net realizable value. The impairment losses on inventories against the net realizable value affecting net expenditure in the financial year totaled EUR 21,222 thousand (previous year: 32,388).

They are broken down as follows:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Write-downs of inventories due to use	16,534	11,136
Depreciation losses for impairment on inventories	15,854	10,086
Total	**32,388**	**21,222**

In the financial year, the rental rate was lower than in the previous year due to the COVID-19 pandemic. For this reason, depreciation of used machinery due to use decreased from EUR 16,534 thousand to EUR 11,136 thousand.

The depreciation 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 depreciation losses relate to the machinery which was not rented out, and are attributable to the Equipment segment. The depreciations 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 levels 2 and 3 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. Equipment is rented out as part of sales-promoting activities. These proceeds are recorded as revenue from rentals.

The BAUER Group differentiates essentially between two forms of equipment and accessories (hereinafter: “Equipment”):

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 costs 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 impairment against the net realizable value is recognized by means of a depreciation 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 thousand	Dec. 31, 2020	Dec. 31, 2021
Carrying amount of used machines	47,468	44,467
of which rented out	23,374	25,335
of which not rented out	24,094	19,132

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

26. RECEIVABLES AND OTHER ASSETS

Contract assets and contract liabilities

Contract assets and contract liabilities developed as follows:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Order costs incurred (plus income, less losses) for projects not yet completed	629,451	740,323
less down-payments	611,119	718,842
Balance	**18,332**	**21,481**
of which: Contract assets	87,983	119,130
of which: Contract liabilities	61,084	77,971
of which: Provisions for impending losses for construction contracts	8,567	19,678

In the financial year, EUR 1,253 thousand (previous year: 513) in contract assets were impaired. These valuation allowances were applied to take expected credit losses into account.

Revenue from contracts with Customers

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 thousand	Dec. 31, 2020	Dec. 31, 2021
Revenue from contractual obligations included in contract liabilities at the beginning of the period	40,190	46,370
Revenue from contractual obligations that were fulfilled in previous periods	6,586	5,954

Development of receivables and other assets

The receivables and other assets comprise the following:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Contract assets	87,983	119,130
Trade receivables	241,403	243,033
Receivables from enterprises in which the company has participating interests	847	907
Prepayments	6,240	9,267
Other current assets	36,594	37,244
Other current financial assets	14,040	14,128
Total	**387,107**	**423,709**

The trade receivables also include receivables from joint ventures.
Other current assets mainly comprise miscellaneous tax refund claims and receivables from employees and against welfare benefit funds as well as accrued interest and insurance premiums and other prepayments and deferred charges.

For changes in valuation allowances in the financial year and in the previous year as stipulated in IFRS 9, please refer to section 38 “Financial instruments.”

The valuation allowances to reflect expected credit losses from trade receivables amounting to EUR 44,146 thousand (previous year: 37,494) 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. The already included share of valuation allowances on non-current trade receivables was EUR 5,428 thousand (previous year: 4,286).

In the financial year, other financial assets were impaired as a result of expected credit losses in the amount of EUR 214 thousand (previous year: 198).

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

In total in the financial year, EUR 11,942 thousand (previous year: 1,794) in monetary assets were deposited as collateral for potential future warranties for construction services. The current portion of the receivables from foreign exchange contracts included in the current financial assets in the financial year totaled EUR 557 thousand (previous year: 1,243).

27. CASH AND CASH EQUIVALENTS

The cash and cash equivalents totaling EUR 41,297 thousand (previous year: 46,015) include credit balances at banks and petty cash stocks. As at December 31, 2021, there were no restrictions on disposal of cash or cash equivalents (previous year: none).

28. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale comprise a property held by PRAKLA Bohrtechnik GmbH in the amount of EUR 1,370 thousand. The property was offered for sale due to the suspension of business activities by PRAKLA Bohrtechnik GmbH and a corresponding buyer was found. The final sale is planned for the first quarter of 2022. The assets are recorded in the Equipment segment. In the previous year, this included property and buildings held by BAUER Manufacturing LLC in the amount of EUR 28,286 thousand as well as the intellectual property of BAUER Maschinen GmbH in the amount of EUR 6,500 thousand. It was not possible to sell the property and intellectual property in the anticipated period, which led to the assets being reclassified back into the fixed assets. For the property, alternative opportunities of use are currently being reviewed.

29. EQUITY

The shareholder structure of BAUER AG is as follows:

in EUR thousand	December 31, 2020		December 31, 2021	
	%	EUR thousand	%	EUR thousand
Bauer family	43.81	35,183	36.02	40,053
Doblinger Beteiligung GmbH	19.84	15,929	30.00	33,356
Free float	36.35	29,189	33.98	37,777
Total	**100.00**	**80,301**	**100.00**	**111,186**

Please refer to the List of Holdings of BAUER AG pursuant to section 40 of the German Securities Trading Act (Gawp) on December 31, 2021 for reports on participations in BAUER AG.

Composition of subscribed capital

Under full utilization of the increase of the company's share capital approved on March 31, 2021, the share capital of BAUER AG was increased by EUR 30,885,149.15 from EUR 80,301,417.61 to EUR 111,186,566.76 against cash and non-cash contributions by the issue of 7,247,715 new no-nominal-value bearer shares with the entry of the execution of the capital increase in the company's Commercial Register on June 24, 2021. Since then, the subscribed capital and completely paid-in share capital of the company is EUR 111,186,566.76 and is divided into 26,091,781 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 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).

Before execution of the aforementioned capital increase, on the basis of a pool agreement, the members of the Bauer family and a foundation held a total share of 43.81% (8,256,246 voting rights) in the company, which changed in the course of the capital agreement to a total share of 36.02% (9,399,100 voting rights) in the company. Before execution of the above capital increase, BAUER AG was informed that Ms. Andrea Bauer has exceeded voting rights thresholds as a result of joining this pool agreement on June 11, 2021 and holds a share of voting rights pursuant to sections 33 and 34 of the German Securities Trading Act (WpHG) amounting to 43.81% (8,256,246 voting rights). 43.79% (8,252,309 voting rights) of the voting rights were assigned to her via the pool agreement pursuant to section 34 of the WpHG. In the course of the capital increase, BAUER AG was also informed that Mr. Alfons Doblinger exceeded voting rights thresholds on June 24, 2021 and holds a share of voting rights of 29.999995017% (7,827,533 voting rights) pursuant to sections 33 and 34 of the WpHG. 29.999995017% (7,827,533 voting rights) of the voting rights are assigned to him via DIB Industriebeteiligung GmbH & Co. Holding KG, DIB Industriebeteiligung GmbH and Doblinger Beteiligung GmbH pursuant to section 34 of the WpHG. No other direct or indirect participations in 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 Executive Board to issue or buy back shares

By resolution of the General Meeting of BAUER Aktiengesellschaft on March 31, 2021, an amendment to the Articles of Association was adopted authorizing the Executive Board of the company, with the consent of the Supervisory Board, to increase the company's share capital once or more than once up to March 30, 2026 by up to a total of EUR 10,000,000.00 by the issue of no-nominal-value bearer shares against cash and/or non-cash contributions (2021 authorized capital). To that end, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

a) in the case of capital increases in return for non-cash contributions, particularly for the purpose of purchasing companies, parts of companies, participations in companies and other assets or claims for the purchase of assets, including receivables from companies or their Group companies, or for the purpose of company mergers;

b) in the event of capital increases against cash contributions where the issue amount of the new shares is not materially below the market price of the already quoted shares at the time that the issue price is set definitively and the shares issued excluding shareholders' subscription rights pursuant to section 186 (3) sentence 4 of the 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 that have been or will be sold or issued in direct or corresponding application of section 186 (3) sentence 4 of the 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 this limit;

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

d) to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as a non-cash contribution to the company in return for the issuance of new shares from the 2021 authorized capital.

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.

By resolution in the Annual General Meeting adopted on June 27, 2019, the company was authorized to purchase treasury stock, over a limited period up to June 26, 2024, representing up to a total of 10% of the company's share capital at the time the resolution was passed. The shares shall be purchased at the discretion of the Executive Board by means of a public tender offer or via the stock market. If the acquisition is effected via the stock market, the acquisition price per share (excluding ancillary costs) may be no more than 10% above or below the mathematical average of the closing prices per share on the trading day for shares in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange for the three trading days prior to the date of entering the obligation to purchase. 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 below the mathematical 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 publication of the public tender offer. If significant deviations of the decisive share price occur after the day of issue of the public tender offer, the purchase price may be adjusted.

The Executive 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 participations in companies or other assets or effecting company mergers. They can also be issued to employees and members of management in the company and affiliated companies as part of employee participation programs. The aforementioned shares may be withdrawn without need of a further resolution by the General Meeting.

With regard to the 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 thousand	Dec. 31, 2020	Dec. 31, 2021
I. Capital reserve	47,069	91,717
II. Other revenue reserves and retained earnings	237,352	275,166
	284,421	**366,883**
III. Non-controlling interests	801	3,007
Total	**285,222**	**369,890**

In the financial year as well as the previous year, no dividends were 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 retained earnings

Other revenue reserves and retained earnings include past earnings of the companies included in the consolidated financial statements, insofar as they were not distributed.

The revenue reserves include revaluation of obligations arising from employee benefits after termination of the employment relationship as well as related taxes with no effect on profit and loss. In the financial year, the gross cumulative revaluation amounts to EUR 79,096 thousand (previous year: -98,185). Deferred taxes were recognized in the amount of EUR 22,237 thousand (previous year: 27,625). In addition, the IFRS settlement item is included here, which contains the cumulative effects from the initial date of application of the IFRS. On the reporting date, the cumulative earnings amounted to EUR 10,387 thousand (previous year: 10,387).

Currency differences from the conversion of a controlled foreign business are recorded in the other income and accumulated in a separate reserve in equity. The cumulative amount is reclassified into the income or loss as soon as the net investment is sold. The cumulative difference from the currency conversions amounts to EUR 11,629 thousand (previous year: -27,651).

This also includes the reserve for financial assets valued at fair value with no effect on profit and loss. These changes are aggregated in the “Fair value through OCI” reserve in equity. The cumulative effect amounts to EUR 8,621 thousand (previous year: -91) and is transferred from this reserve into the revenue reserves when the corresponding equity instruments are derecognized. The deferred taxes for this amount to EUR -103 thousand (previous year: 0).

The hedging reserve and reserve for hedging costs include the cash flow hedge reserve and the costs of the hedge reserve. The cash flow hedge reserve is used to record the effective portion of the income or loss from derivatives that are designated as cash flow hedges. The amounts are subsequently reclassified into the income or loss. The cumulative earnings amount to EUR -2 thousand (previous year: -17).

29.1 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 thousand		December 31, 2020			December 31, 2021		
Group company	Non-controlling interests	Share in the capital in %	Share in the capital in EUR thousand	Profit/loss attributable in EUR thousand	Share in the capital in %	Share in the capital in EUR thousand	Profit/loss attributable in EUR thousand
BAUER EGYPT S.A.E., Cairo, Egypt	Various natural persons	44.05	15,711	3,617	44.05	21,320	5,160
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	Emiroglu Makina	40.00	1,678	766	40.00	1,371	655
Thai BAUER Co. Ltd., Bangkok, Thailand		26.01	842	-2,377	26.01	-1,695	-991
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	Oweis family	16.67	-18,742	-1,636	16.67	-19,333	-637
Individual immaterial subsidiaries with non-controlling interests			1,312	-195		1,344	367
Total			**801**	**175**		**3,007**	**4,554**

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 Co. Ltd.	
in EUR thousand	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021
Non-current assets	1,032	589	10,628	16,753	5,361	5,449	21,846	21,577
Current assets	4,311	5,092	39,812	51,490	28,027	15,387	12,716	14,977
Non-current debt	568	445	258	625	72	0	2,475	1,976
Current debt	595	2,062	14,392	19,047	14,774	5,202	30,432	32,571

INCOME STATEMENT	BAUER Casings		BAUER EGYPT S.A.E		Site Group		Thai BAUER Co. Ltd.	
in EUR thousand	2020	2021	2020	2021	2020	2021	2020	2021
Sales revenues	7,802	8,249	46,667	58,960	11,262	8,919	11,990	13,391
Earnings before interest and tax	2,271	1,926	9,434	15,336	-8,430	-3,669	-7,280	-2,326
Earnings before tax	2,439	2,160	10,576	15,509	-9,975	-4,164	-9,212	-3,839
Earnings after tax	1,914	1,639	8,211	11,713	-10,009	-4,241	-9,212	-3,839
Profit/loss attributable to non-controlling interests	766	655	3,617	5,160	-1,636	-637	-2,377	-991
Profit/loss attributable to shareholders of BAUER AG	1,148	984	4,594	6,553	-8,373	-3,604	-6,835	-2,848
Dividends distributed to non-controlling interests	-201	-232	-1,936	-930	-25	-25	0	0

STATEMENT OF CASH FLOWS	BAUER Casings		BAUER EGYPT S.A.E		Site Group		Thai BAUER Co. Ltd.	
in EUR thousand	2020	2021	2020	2021	2020	2021	2020	2021
Cash flow from operating activities	525	704	9,025	14,174	1,596	1,975	2,546	2,931
Cash flow from investing activities	-61	-28	-990	-10,195	-42	-1,438	-1,274	-544
Cash flow from financing activities	-579	-716	-4,007	-1,680	-1,521	-530	-1,504	-2,538
Influence of exchange rate movements on cash	50	49	-727	1,134	0	-3	-60	-9
Changes in cash and cash equivalents with an effect on liquidity	-65	9	3,301	3,433	33	4	-292	-160

29.2 Additional disclosures regarding capital management

The object of BAUER Group 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 figures such as the equity ratio, net debt and earnings after tax for the period.

The key figures are presented below:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Equity	365,523	481,076
Equity ratio	23.67%	29.34%
Earnings after tax	-8,222	3,991
Net debt	528,805	497,243
Financial indebtedness	574,820	524,651
Liquid funds	46,015	41,297
Net debt / EBITDA	3.20	3.15
EBITDA / net interest coverage	4.08	9.80

Financial liabilities include long-term and short-term liabilities to banks, liabilities from lease agreements and other financial liabilities. Net interest coverage includes the financial result, adjusted for income from operating participations.

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.

30. NON-CURRENT DEBT

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

in EUR thousand	Remaining term December 31, 2020		Remaining term December 31, 2021	
	1 to 5 years	over 5 years	1 to 5 years	over 5 years
Liabilities to banks	210,397	23,646	202,202	26,803
Liabilities from subordinate loans	12,000	0	0	0
Liabilities from lease agreements	30,239	7,205	36,158	8,783
Other non-current liabilities	6,027	0	7,523	0
Other non-current financial liabilities	14,114	20,338	23,792	2,122
Total	**272,777**	**51,189**	**269,675**	**37,708**

in EUR thousand	Fair value		Interest rate margin	
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021
Liabilities to banks	241,066	231,695	0.80-9.75%	0.40-11.00%
Liabilities from subordinate loans	12,252	0	3.50%	-
Liabilities from lease agreements	38,736	45,933	0.04-7.16%	0.05-6.12%
Other non-current financial liabilities	34,672	26,094	0.23-5.00%	0.54-4.50%
Total	**326,726**	**303,722**	**-**	**-**

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 section 38). The other non-current financial liabilities include other non-current financial debt.

31. 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 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 %	December 31, 2020				December 31, 2021			
	Germany	Indonesia	Philippines	India *	Germany	Indonesia	Philippines	India *
Interest rate	0.75	6.75	3.96	-	1.30	7.25	5.09	-
Future salary increases	3.00	3.00	5.00	-	3.00	3.00	5.00	-
Future pension increases	2.00	-	-	-	2.00	-	-	-

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

Provisions for pensions in Germany are calculated biometrically applying the 2018 G guideline tables compiled by Klaus 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.

In the previous year, on June 30, 2020, the BAUER Group increased the discount rate for measuring its pension obligations in Germany to 1.30%. As of December 31, 2020, the interest rate was 0.75%. Refinements to the selection options at the data provider Bloomberg, which is used by our actuarial company Heubeck AG, enabled Heubeck AG to define the data base for the derivation of the actuarial interest rate even more precisely in the future. In the previous year's exceptional circumstances in the capital markets, this led to a significant increase in the actuarial interest rate published by Heubeck for international valuations of up to 0.70 percentage points. The original interest rate to be applied would have been 0.45% on December 31, 2020. In turn, the increase in the interest rate led to a corresponding reduction of the scope of the obligations. This was recorded in the statement of comprehensive income (other comprehensive income, OCI) according to IAS 8 as a change in accounting estimate with no effect on profit and loss and amounted to EUR 10,368 thousand. The change in accounting estimate had no material impact on future periods.

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

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Present value of obligations financed by a fund	287	328
Fair value of plan assets	-287	-328
Plan deficit	**0**	**0**
Present value of obligations not financed by a fund	170,656	152,371
Total deficit of defined benefit plan obligations	**170,656**	**152,371**
Effect of asset ceiling	-	-
Recognized provision	**170,656**	**152,371**

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

in EUR thousand	Present value of obligation	Fair value of plan assets	Total	Effect of asset ceiling	Total
Date: January 1, 2020	**161,875**	**-233**	**161,642**	**-**	**161,642**
Current service costs	3,046	-	3,046	-	3,046
Interest expense/income	1,954	-18	1,936	-	1,936
Post-employment expenditure, income and losses from payment in lieu	-	-	-	-	-
Total	**166,875**	**-251**	**166,624**	**-**	**166,624**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	-	9	9	-	9
Actuarial income and losses arising from adjustments to demographic assumptions	-2	-	-2	-	-2
Actuarial income and losses arising from adjustments to financial assumptions	9,504	-	9,504	-	9,504
Empirical value-based adjustments	-2,101	-	-2,101	-	-2,101
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	-	-	-	-	-
Total	**7,401**	**9**	**7,410**	**-**	**7,410**
Exchange rate movements	-199	23	-176	-	-176
Contributions:					
Employer	-	-68	-68	-	-68
Beneficiary employee	-	-	-	-	-
Payments from the plan:					
Ongoing payments	-	-	-	-	-
Retirement benefits (not fund-financed)	-3,285	-	-3,285	-	-3,285
Other effects	151	-	151	-	151
Date: December 31, 2020	**170,943**	**-287**	**170,656**	**-**	**170,656**

The defined benefit obligations and the plan assets developed as follows during the financial year:

in EUR thousand	Present value of obligation	Fair value of plan assets	Total	Effect of asset ceiling	Total
Date: January 1, 2021	**170,943**	**-287**	**170,656**	**-**	**170,656**
Current service costs	3,105	-	3,105	-	3,105
Interest expense/income	1,554	-20	1,534	-	1,534
Post-employment expenditure, income and losses from payment in lieu	-58	-	-58	-	-58
Total	**175,544**	**-307**	**175,237**	**-**	**175,237**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	-	17	17	-	17
Actuarial income and losses arising from adjustments to demographic assumptions	-12	-	-12	-	-12
Actuarial income and losses arising from adjustments to financial assumptions	-16,677	-	-16,677	-	-16,677
Empirical value-based adjustments	-2,315	-	-2,315	-	-2,315
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	-	-	-	-	-
Total	**-19,004**	**17**	**-18,987**	**-**	**-18,987**
Exchange rate movements	134	35	169	-	169
Contributions:					
Employer	-	-73	-73	-	-73
Beneficiary employee	-	-	-	-	-
Payments from the plan:					
Ongoing payments	-	-	-	-	-
Retirement benefits (not fund-financed)	-3,908	-	-3,908	-	-3,908
Other effects	-67	-	-67	-	-67
Date: December 31, 2021	**152,699**	**-328**	**152,371**	**-**	**152,371**

The fair value of the plan assets can be allocated to the following categories:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Qualifying insurance contracts	0	0
Money market fund and pension fund	287	328
Cash and cash equivalents	0	0
Total	**287**	**328**

No market price quotations exist for the qualifying insurance contracts.

The key actuarial assumptions applied in determining the defined benefit plan obligation are the discount 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 thousand	Effect on obligation		
	Variation in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 0.5%	139,506	167,824
Future salary increases	+/- 0.5%	156,193	149,413
Future pension increase	+/- 0.5%	163,511	142,888
		Increase in assumption by 1 year	Decrease in assumption by 1 year
Probability of death		160,960	144,331

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 obligation 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 obligations 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 obligations and plan assets by country are as follows:

in EUR thousand	December 31, 2020				
	Germany	Indonesia	Philippines	India	Total
Present value of obligations	168,731	1,371	800	41	170,943
Fair value of plan assets	0	-287	0	0	-287
Total	**168,731**	**1,084**	**800**	**41**	**170,656**
Effect of asset ceiling	0	0	0	0	0
Total	**168,731**	**1,084**	**800**	**41**	**170,656**

in EUR thousand	December 31, 2021				
	Germany	Indonesia	Philippines	India	Total
Present value of obligations	150,273	1,545	840	41	152,699
Fair value of plan assets	0	-328	0	0	-328
Total	**150,273**	**1,217**	**840**	**41**	**152,371**
Effect of asset ceiling	0	0	0	0	0
Total	**150,273**	**1,217**	**840**	**41**	**152,371**

The present value of the defined benefit plan obligation is distributed as follows among the plan members:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Active scheme members	98,040	83,680
Deferred beneficiary employees	8,396	7,304
Retired employees	64,507	61,715
Total	**170,943**	**152,699**

The weighted average term of the provisions for pensions is 18.59 years (previous year: 19.85 years).

Pension payments in financial year 2021 are expected to amount to EUR 3,724 thousand (previous year: 3,521). Of that total, EUR 3,742 thousand (previous year: 3,521) is projected to be contributed by the employer. Contributions to the external plan assets totaling EUR 73 thousand are expected (previous year: 68) for 2021.

The following table provides an overview of the due dates of the non-discounted pension payments:

in EUR thousand	Up to 1 year	1 to 5 years	6 to 10 years	Dec. 31, 2021 Total
Pension payments	3,742	16,528	24,969	**45,239**

32. CURRENT DEBT

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Liabilities to banks	217,419	204,780
Liabilities from lease agreements	21,538	19,854
Contract liabilities	61,084	77,971
Trade payables	179,562	198,005
Liabilities to companies and participations accounted for using the equity method	24,066	26,530
Other current liabilities	82,760	78,633
Other current financial liabilities	17,924	14,046
Total	**604,353**	**619,819**

The “Trade payables” balance sheet item includes long-term payables totaling EUR 640 thousand (previous year: 604). The “Liabilities to companies and participations accounted for using the equity method” balance sheet item includes liabilities to consortia totaling EUR 26,080 thousand (previous year: 23,710).

The other current debt mainly comprises obligations in respect of 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 finance companies. The market values almost match the carrying amounts. The interest rate margin on current debt to banks is 0.06% to 11.04% (previous year: 0.38% to 9.90%). Other current financial liabilities includes other current financial debt.

33. OTHER PROVISIONS

The other provisions developed as follows in the financial year:

in EUR thousand	2020					
	Contract processing	Warranty	Litigation	Impending losses	Restructuring	Total
Date: January 1	**7,406**	**15,087**	**1,164**	**20**	**0**	**23,677**
Change in basis of consolidation	-23	0	0	0	0	-23
Currency adjustment	-173	0	-3	0	0	-176
Allocation	231	10,008	356	10,541	340	21,476
Reversal	1,354	4,273	62	180	0	5,869
Consumption	53	6,071	24	47	0	6,195
Date: December 31	**6,034**	**14,751**	**1,431**	**10,334**	**340**	**32,890**

in EUR thousand	2021					
	Contract processing	Warranty	Litigation	Impending losses	Restructuring	Total
Date: January 1	**6,034**	**14,751**	**1,431**	**10,334**	**340**	**32,890**
Changes to the basis of consolidation	0	0	0	0	0	0
Currency adjustment	45	96	74	0	0	215
Allocation	304	10,601	966	10,907	0	22,778
Reversal	2,258	5,774	238	1,563	0	9,833
Consumption	19	7,392	23	0	340	7,774
Date: December 31	**4,106**	**12,282**	**2,210**	**19,678**	**0**	**38,276**

The provisions for risk from contract processing and warranties include some risks arising from carrying out specialist foundation engineering work and from the sale of machinery, equipment and tools for specialist foundation engineering, with the associated services. These primarily relate to warranty obligations and to other uncertain commitments. The risk from contract processing and warranties is determined specific to project/construction site.

The provisions for impending losses result primarily from non-recurring losses on a construction project through application of a new drilling technology.

It is expected that approximately EUR 8,001 thousand (previous year: 1,240) of the inventory of other provisions will be consumed within a time period of 1-5 years according to the planning. All other provisions are expected to be consumed in 2022. The provisions for litigation relate for the most part to provisions for legal disputes on receivables.

34. 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 thousand	Dec. 31, 2020	Dec. 31, 2021
Liabilities from guarantees	140,526	176,253

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.

Future payment obligations from orders that were not yet recognized on the balance sheet (purchase commitments) were EUR 1,866 thousand (previous year: 0) as at December 31, 2021.

35. DISCONTINUED OPERATIONS

There are no plans to discontinue business operations under the terms of IFRS 5.

36. EVENTS AFTER THE BALANCE SHEET DATE

On February 24, 2022, Russia's military attack on Ukraine began. The effects resulting from this conflict constitute a non-adjusting event and therefore have no impact on the recognition and evaluation of assets and liabilities as at the balance sheet date. From today's perspective, this conflict will directly impact our businesses in Russia and Ukraine, however these were already at a low level in the previous years. The USA and the EU responded to the invasion of Russian troops with considerable sanctions. These developments could influence our business with regard to Russian clients, customers or banks. In addition, price increases for energy and raw materials, as well as delivery bottlenecks, could occur due to the conflict between Russia and Ukraine. These cannot currently be definitively predicted. The estimates and assumptions for the financial year of which the BAUER Group is aware have been taken into consideration and described in the forecast report. Furthermore, at the current time, no other major charges are known or foreseeable. The risks and consequences for the business activities of the BAUER Group resulting from the war between Russia and Ukraine will be monitored on an ongoing basis. Furthermore, no events subject to mandatory reporting in accordance with IAS 10 or DRS 20 occurred after December 31, 2021.


RTG RG 25 S
BAUER

OTHER DISCLOSURES

37. STATEMENT OF CASH FLOWS

The funds shown in the statement of cash flows comprise only the cash and cash equivalents stated on the balance sheet. The statement of cash flows 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 earnings before tax. The earnings before tax are 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 fixed 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 statement of cash flows 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 valuation allowances on trade receivables and provisions, do not affect payments and are stripped out. The other non-cash transactions include non-cash income and expenses, such as allocations to and reversals of provisions, non-cash effects from foreign currency translation and impairments and recoveries of current assets. In the course of the capital increase carried out in the year under review, liabilities from subordinate loans of the Bauer family to BAUER AG were fully converted to equity. The carrying amount of the subordinate loan was EUR 12,000 thousand. This process is included in the statement of cash flows in the item “Incoming payments from equity contributions by shareholders of the parent company.”

38. 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, possible changes in exchange rates also 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.

<<< *In the heart of Wolfratshausen, a Bavarian town roughly 30 km south of Munich and 10 km east of Lake Starnberg, a new residential complex with additional commercial spaces is currently under construction: the future Loisach Quartier. BAUER Spezialtiefbau GmbH is involved in the foundation work.*

Quantification of foreign exchange risk in case of exchange rate shifts of +/- 10%:

in EUR thousand **as at December 31, 2020 ***	USD/EUR	CNY/EUR	GBP/EUR
Overall effect of +10% on OCI	1,705	0	-303
Overall effect of -10% on OCI	-2,084	0	370
Overall effect of +10% on income statement	-2,852	-120	-139
Overall effect of -10% on income statement	3,556	146	158

* Previous year adjusted due to change in the basis for calculation.” The new calculation leads to a higher degree of precision when determining sensitivities to exchange rate shifts.

in EUR thousand **as at December 31, 2021**	USD/EUR	GBP/EUR	AUD/EUR	CHF/EUR	ZAR/EUR	Other currency/EUR
Overall effect of +10% on OCI	16	0	326	0	0	-129
Overall effect of -10% on OCI	-20	0	-398	0	0	157
Overall effect of +10% on income statement	-1,407	-88	-326	-1	-3	-147
Overall effect of -10% on income statement	1,630	108	398	1	4	171

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 reduce 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) which are not embedded in a hedging relationship pursuant to IFRS 9 have effects on financial income and financial 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 thousand	Dec. 31, 2020	Dec. 31, 2021
Overall effect of +100 base points on OCI	0	0
Overall effect of -100 base points on OCI	0	0
Overall effect of +100 base points on income statement	15,743	12.652
Overall effect of -100 base points on income statement	-16,500	-13.100

Within the framework of the IBOR Reform, interest rate hedging instruments will be subject to a number of uncertainties, such as the nature and time of the change in view of the hedged risk of the underlying transaction. Since the 2019 financial year, BAUER AG makes use of possible simplifications arising from the resulting standard changes of IFRS 7, IFRS 9 and IAS 39 in advance, regardless of the remaining term, for all affected hedging relationships. This does not negatively impact their effectiveness. The uncertainty relates to the highly likely expectation of hedged and variable payment flows (reference interest rate EURIBOR) within the framework of the application of cash flow hedge accounting. In addition, BAUER AG will observe the effects of the IBOR Reform on the interest rate hedging instruments and introduce corresponding measures if necessary.

In the BAUER Group, as at December 31, 2021 there are interest rate hedging instruments and loan agreements subject to variable interest rates that reference the USD Libor. The nominal value of the interest rate hedging instrument is USD 10,000,000; the fair value as at the reporting date is EUR -311 thousand. The nominal value of the loan agreements with reference to the USD Libor is USD 48,050,000 USD as at the reporting date; the utilization as at the reporting date is EUR 17,286 thousand. As soon as the USD Libor is replaced by the SONIA, contracts with reference to the USD Libor in the BAUER Group will be converted to the new reference interest rate via a fallback agreement. Significant impacts on the asset, financial and earnings position are not expected as a result.

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 investing 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 thousand	Carrying amount Dec. 31, 2020	Cash flow 2021	Cash flow 2022 to 2025	Cash flow 2026 et seq.
Liabilities to banks	451,462	226,538	230,289	24,621
Liabilities from subordinate loans	12,000	420	12,280	0
Liabilities from lease agreements	58,982	22,763	34,114	7,558
Other financial liabilities (excluding derivatives)	29,207	17,765	12,142	153
Trade payables	179,562	178,562	604	0
Liabilities to companies and participations accounted for using the equity method	24,066	24,066	0	0

in EUR thousand	Carrying amount Dec. 31, 2021	Cash flow 2022	Cash flow 2023 to 2026	Cash flow 2027 et seq.
Liabilities to banks	433,785	211,775	212,212	28,568
Liabilities from subordinate loans	0	0	0	0
Liabilities from lease agreements	64,795	21,118	42,154	7,047
Other financial liabilities (excluding derivatives)	23,859	11,838	12,851	0
Trade payables	198,005	197,365	640	0
Liabilities to companies and participations accounted for using the equity method	26,530	26,624	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 thousand as at December 31, 2020	Carrying amount	2021	2022 to 2025	From 2026
Liabilities from foreign exchange forward contracts	**137**	**-318**	**0**	**0**
Outflow of cash and cash equivalents	-	-18,855	0	0
Inflow of cash and cash equivalents	-	18,537	0	0
Liabilities from interest rate swaps	**23,032**	**-4,607**	**-16,932**	**-5,925**
Outflow of cash and cash equivalents	-	-4,626	-16,974	-5,925
Inflow of cash and cash equivalents	-	19	42	0

in EUR thousand as at December 31, 2021	Carrying amount	2022	2023 to 2026	From 2027
Liabilities from foreign exchange forward contracts	**2,212**	**-2,397**	**0**	**0**
Outflow of cash and cash equivalents	-	-74,936	0	0
Inflow of cash and cash equivalents	-	72,539	0	0
Liabilities from interest rate swaps	**13,889**	**-4,608**	**13,025**	**-1,674**
Outflow of cash and cash equivalents	-	-4,630	-13,054	-1,737
Inflow of cash and cash equivalents	-	22	29	63

To calculate the cash inflows from interest rate swaps the conditions as per December 31, 2021 were applied. The foreign exchange forward contracts represent a gross settlement while the interest rate swaps represent a net settlement.

In the reporting period, there were free credit lines for short-term loans and current account overdrafts in the amount of EUR 306,813 thousand (previous year: 314,793) and for guarantees in the amount of EUR 223,339 thousand (previous year: 186,363).

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 152. 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 for completed derivative financial instruments is negligible. No concentrations of risk exist.

The valuation allowance for trade receivables and contractual assets as at December 31, 2020 is transferred to the closing balance of the valuation allowance as at December 31, 2021 as follows:

in EUR thousand	Trade receivables		
	Stage 2 (simplified approach)	Stage 3 (creditworthiness-impaired)	Contract assets
Valuation allowance on January 1, 2020	**2,333**	**21,140**	**892**
Change in basis of consolidation	0	0	0
Foreign currency translation differences	0	1,093	0
Allocation	2,477	14,465	0
Reversal	321	1,636	379
Consumption	0	2,057	0
Valuation allowance on December 31, 2020	**4,489**	**33,005**	**513**
Valuation allowance on January 1, 2021	**4,489**	**33,005**	**513**
Change in basis of consolidation	0	0	0
Foreign currency translation differences	0	1,895	0
Allocation	2,085	11,597	740
Reversal	0	5,784	0
Consumption	0	3,141	0
Valuation allowance on December 31, 2021	**6,574**	**37,572**	**1,253**

The allocations and reversals include the results from valuation allowances on receivables from section 12 less the impairments on uncollectable receivables reported there in the amount of EUR 970 thousand (previous year: 1,274) and other effects in the amount of EUR 461 thousand (previous year: 0).

The following tables display the gross carrying amounts and the risk of default for trade receivables and contract assets:

in EUR thousand	Valuation allowance matrix for risk of default				
	Credit default rate	Gross carrying amount		Total term ECL	Gross carrying amount of creditworthiness-impaired trade receivables
		Trade receivables	Contract assets		
Valuation allowance matrix on December 31, 2020					
not overdue	0.98%	140,738	88,497	2,246	-
overdue up to 30 days	2.88%	26,634	-	768	-
overdue up to 60 days	3.87%	12,645	-	490	-
overdue up to 90 days	6.09%	3,359	-	205	-
overdue more than 90 days	2.84%	45,578	-	1,293	-
Total	**-**	**228,954**	**88,497**	**5,002**	**57,551**
Valuation allowance matrix on December 31, 2021					
not overdue	1.20%	138,925	120,383	3,124	-
overdue up to 30 days	2.81%	27,744	-	780	-
overdue up to 60 days	5.67%	16,901	-	959	-
overdue up to 90 days	5.36%	7,348	-	394	-
overdue more than 90 days	3.85%	66,734	-	2,570	-
Total	**-**	**257,652**	**120,383**	**7,827**	**38,068**

The overdue payments arise, on the one hand, from limitations in acknowledgment of performance, and on the other hand because construction is very often carried out for public-sector clients whose processes for internal payment approval are lengthy but generally result in full payment.

The following table displays the gross carrying amounts of financial assets as per ECL stages on December 31, 2021:

in EUR thousand	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 3 Total term ECL (creditworthiness-impaired)	Total
as at December 31, 2020				
Other financial assets	21,637	0	0	**21,637**
as at December 31, 2021				
Other financial assets	22,571	0	0	**22,571**

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 10,146 thousand (previous year: 9,365) 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 is transferred to the closing balance of the allowance as follows:

in EUR thousand	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 3 Total term ECL (creditworthiness-impaired)	Total
Valuation allowance on December 31, 2019	**208**	**0**	**0**	**208**
Change in basis of consolidation	0	0	0	0
Foreign currency translation differences	0	0	0	0
Allocation	15	0	0	15
Reversal	25	0	0	25
Consumption	0	0	0	0
Valuation allowance on December 31, 2020	**198**	**0**	**0**	**198**

in EUR thousand	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 3 Total term ECL (creditworthiness-impaired)	Total
Valuation allowance on December 31, 2020	**198**	**0**	**0**	**198**
Change in basis of consolidation	0	0	0	0
Foreign currency translation differences	0	0	0	0
Allocation	16	0	0	16
Reversal	0	0	0	0
Consumption	0	0	0	0
Valuation allowance on December 31, 2021	**214**	**0**	**0**	**214**

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 thousand	Dec. 31, 2020	Dec. 31, 2021
Financial assets measured at amortized cost	-23,627	3,596
Financial liabilities measured at amortized cost	-27,469	-29,489
Financial assets at fair value through OCI without recycling	1,311	914
Financial assets and liabilities at fair value through profit or loss	-3,608	-42
Total	**-53,393**	**-25,021**

The net result of the “financial assets measured at amortized cost” category includes results from the creation and reversal of valuation allowances in respect of trade receivables, impairments and write-ups of uncollected receivables, effects from currency translation as well as interest income.

The significant change from the previous year resulted primarily from exchange rate effects. The net result of the “financial liabilities measured at amortized cost” category includes the result from interest expenses to third parties, for current and non-current loans, guarantee commissions and results from bank fees.

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 contrast to the reconciliation statement for valuation allowances, the impairments for financial assets measured at amortized cost also include the results from uncollectable receivables in the amount of EUR 970 thousand
(previous year: 1,274).

In the table below the included impairments are evident:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Impairments for financial assets measured at amortized cost	-15,929	-10,085

The total interest income and expense from financial instruments valued at amortized cost is represented as follows:

in EUR thousand	Dec. 31, 2020	Dec. 31, 2021
Interest income	4,119	4,226
Interest expense	-25,276	-26,575
Total	**-21,157**	**-22,349**

Carrying amounts and fair values

The fair value of a financial instrument is the amount for which an asset might be exchanged, or a liability 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 152 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.

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 present 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 input parameters 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 the 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 thousand	January 1, 2020	Additions	Disposals	Changes without any effect on profit or loss	Changes recognized in the income statement	December 31, 2020
Participations	**8,806**	43	0	1,912	0	**10,761**
Shares of non-consolidated companies	**2,499**	2,819	673	-763	0	**3,882**
Total	**11,305**	**2,862**	**673**	**1,149**	**0**	**14,643**

in EUR thousand	January 1, 2021	Additions	Disposals	Changes without any effect on profit or loss	Changes recognized in the income statement	December 31, 2021
Participations	**10,761**	42	0	0	0	**10,803**
Shares of non-consolidated companies	**3,882**	3,213	2,201	8,714	0	**13,608**
Total	**14,643**	**3,255**	**2,201**	**8,714**	**0**	**24,411**

These are participations valued at fair value through OCI as well as shares in non-consolidated companies.
In the financial year, there was a need to write down shares in non-consolidated companies to the amount of EUR 457 thousand (previous year: 763), which was reported with no effect on profit and loss in “Other comprehensive income.”
The assumptions regarding company 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 1,173 thousand (previous year: 136) lower or EUR 1,516 thousand higher (previous year: 151). There are no significant relationships between the significant, non-observable entry parameters.

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 at December 31, 2021 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 swap 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 thousand	Nominal volume		Market value			
	December 31, 2020	December 31, 2021	December 31, 2020		December 31, 2021	
			Positive	Negative	Positive	Negative
Interest rate swaps (including accrued interest)						
of which in hedge accounting	18,500	0	0	-22	0	0
of which not in hedge accounting	297,149	297,829	0	-23,010	0	-13,889
Foreign exchange forward contracts						
of which in hedge accounting	31,242	5,197	89	-88	0	-81
of which not in hedge accounting	56,011	105,796	1,154	-49	557	-2,130
Foreign exchange options						
of which in hedge accounting	0	0	0	0	0	0
of which not in hedge accounting	104,584	137,500	584	0	609	0

Amount, timing and uncertainty of future cash payment 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:

December 31, 2020	Hedging of currency and interest rate risk		
	2021	2022	> 2023
Foreign exchange risk Nominal volume (in EUR thousand)			
of which USD/EUR	20,209	0	0
of which GBP/EUR	3,328	0	0
of which ZAR/EUR	1,942	0	0
of which AUD/EUR	3,523	0	0
of which CAD/EUR	2,240	0	0
Average hedging rate			
Average price USD/EUR	1.2257	-	-
Average price GBP/EUR	0.9050	-	-
Average price ZAR/EUR	18.3127	-	-
Average price AUD/EUR	1.6177	-	-
Average price CAD/EUR	1.5811	-	-
Interest rate risks Nominal volume (in EUR thousand)	18,500	0	0
Average interest hedging rate	**0.2300%**	**-**	**-**

December 31, 2021	Hedging of currency and interest rate risk		
	2022	2023	> 2024
Foreign exchange risk Nominal volume (in EUR thousand)			
of which USD/EUR	177	0	0
of which AUD/EUR	3,586	0	0
of which RUB/EUR	821	0	0
of which YEN/EUR	614	0	0
Average hedging rate			
Average price USD/EUR	1.2264	-	-
Average price GBP/EUR	0	-	-
Average price ZAR/EUR	0	-	-
Average price AUD/EUR	1.5901	-	-
Average price CAD/EUR	0	-	-
Average price RUB/EUR	85.8458	-	-
Average price YEN/EUR	128.4742	-	-
Interest rate risks Nominal volume (in EUR thousand)	0	0	0
Average interest hedging rate	**-**	**-**	**-**

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 thousand	Information about hedging instruments				
as at December 31, 2020	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	31,242	89	-88	1,795	Other financial assets or other financial liabilities
Interest rate risks	18,500	0	-22	43	Other financial liabilities

in EUR thousand	Information about hedging instruments				
as at December 31, 2021	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	5,197	0	-81	474	Assets or other financial liabilities
Interest rate risks	0	0	0	17	-

The following table shows the carrying amounts of the hedged items and the balances of the cash flow hedge reserve:

in EUR thousand	Information on underlying transactions of cash flow hedges				
December 31, 2020	Carrying amount of hedged items		Cumulative value change of hedged items for determining inefficiencies	Balance of the cash flow hedge reserve	
	Assets	Liabilities		Active hedges	Ended hedges
Cash flow hedges					
Foreign exchange risks	27,205	4,037	-1,795	0	0
Interest rate risks	0	18,451	-43	-15	0

in EUR thousand	Information on underlying transactions of cash flow hedges				
December 31, 2021	Carrying amount of hedged items		Cumulative value change of hedged items for determining inefficiencies	Balance of the cash flow hedge reserve	
	Assets	Liabilities		Active hedges	Ended hedges
Cash flow hedges					
Foreign exchange risks	3,763	1,434	-474	0	0
Interest rate risks	0	0	-17	0	0

in EUR thousand	Reconciliation statement for cash flow hedge reserve					
			Amounts reclassified to the income statement			
	January 1, 2020	Changes in market value	due to non-occurrence of expected cash payment flows	due realization of underlying transaction in income statement	Tax effect of change in reserves	December 31, 2020
Hedging reserve						
Foreign exchange risks	**0**	1,795	0	-1,795	0	**0**
Interest rate risks	**-273**	43	0	317	-102	**-15**
Reserve for hedging costs						
Foreign exchange risks	**-46**	445	0	-385	-16	**-2**

in EUR thousand	Reconciliation statement for cash flow hedge reserve					
			Amounts reclassified to the income statement			
	January 1, 2021	Changes in market value	due to non-occurrence of expected cash payment flows	due realization of underlying transaction in income statement	Tax effect of change in reserves	December 31, 2021
Hedging reserve						
Foreign exchange risks	**0**	474	0	-474	0	**0**
Interest rate risks	**-15**	17	0	4	-6	**0**
Reserve for hedging costs						
Foreign exchange risks	**-2**	374	0	-374	0	**-2**

Reassignment for recognition in the income statement was carried out using the financial income and financial expenses items in the 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 thousand	Gross amount of financial assets recognized	Gross amount of financial liabilities offset on the balance sheet	Net amount of financial assets recognized on the balance sheet	Related amounts, which are not offset in the balance sheet		
				Financial instruments	Cash securities paid	Net amount
Date: December 31, 2020						
Derivative financial assets	1,827	0	1,827	-1,082	-	745
Cash and cash equivalents	46,015	0	46,015	-10,305	-	35,710
Total	**47,842**	**0**	**47,842**	**-11,387**	**-**	**36,455**
Date: December 31, 2021						
Derivative financial assets	1,166	0	1,166	-519	-	647
Cash and cash equivalents	41,297	0	41,297	-8,130	-	33,167
Total	**42,463**	**0**	**42,463**	**-8,649**	**-**	**33,814**

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 thousand	Gross amount of financial liabilities recognized	Gross amount of financial assets offset on the balance sheet	Net amount of financial liabilities recognized on the balance sheet	Related amounts, which are not offset in the balance sheet		
				Financial instruments	Cash securities paid	Net amount
Date: December 31, 2020						
Derivative financial liabilities	23,169	0	23,169	-1,082	-	22,087
Current-account overdrafts	452,751	0	452,751	-10,305	-	442,446
Total	**475,920**	**0**	**475,920**	**-11,387**	**-**	**464,533**
Date: December 31, 2021						
Derivative financial liabilities	16,101	0	16,101	-519	-	15,582
Current-account overdrafts	436,252	0	436,252	-8,130	-	428,122
Total	**452,353**	**0**	**452,353**	**-8,649**	**-**	**443,704**

The “Financial instruments” column lists the amounts which are subject to master-netting arrangements but are not netted on the balance sheet because the prerequisites 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 thousand	Measurement benchmark	Carrying amount		Amortized cost	
		Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021
NON-CURRENT ASSETS					
Participations		10,761	10,803		
	at cost	0	0	0	0
	at fair value	10,761	10,803	0	0
Trade receivables	at amortized cost	7,554	8,540	7,554	8,540
Other non-current financial assets		13,165	23,920		
	at fair value	3,882	13,608	0	0
	at amortized cost	9,283	10,312	9,283	10,312
	at cost	0	0	0	0
	n/a	0	0	0	0
CURRENT ASSETS					
Trade receivables		241,403	243,033		
	at amortized cost	240,126	243,033	247,680	243,033
	at fair value	1,277	0	0	0
Receivables from enterprises in which the company has participating interests	at amortized cost	847	907	847	907
Other current financial assets		14,040	14,128		
	at fair value	1,827	1,166	0	0
	at amortized cost	12,213	12,962	12,213	12,962
Cash and cash equivalents	at amortized cost	46,015	41,297	46,015	41,297
Total financial assets		**333,785**	**342,628**	**323,592**	**317,051**

Balance sheet valuation under IAS 9										
Fair Value through OCI (without recycling)		Fair Value through profit or loss		Derivatives in hedge accounting		Not assigned to IFRS 9 category		Fair value according to IFRS 7 and IFRS 13		Measure-ment level under IFRS 13
Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	
0	0	0	0	0	0	0	0	n/a	n/a	n/a
10,761	10,803	0	0	0	0	0	0	10,761	10,803	3
0	0	0	0	0	0	0	0	7,283	8,233	3
3,882	13,608	0	0	0	0	0	0	3,882	13,608	3
0	0	0	0	0	0	0	0	10,672	12,138	3
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	1,277	0	0	0	0	0	1,277	0	3
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	1,738	1,166	89	0	0	0	1,827	1,166	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
14,643	**24,411**	**3,015**	**1,358**	**89**	**0**	**0**	**0**	**35,702**	**46,140**	

in EUR thousand	Measurement benchmark	Carrying amount		Amortized cost	
		Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021
NON-CURRENT DEBT					
Liabilities to banks	at amortized cost	234,043	229,005	234,043	229,005
Liabilities from subordinate loans	at amortized cost	12,000	0	12,000	0
Liabilities from lease agreements	n/a	37,444	44,941	0	0
Other non-current financial liabilities		34,452	25,912		
	at fair value	23,010	13,889	0	0
	at amortized cost	11,442	12,023	11,442	12,023
CURRENT DEBT					
Liabilities to banks	at amortized cost	217,419	204,780	217,419	204,780
Liabilities from lease agreements	n/a	21,538	19,854	0	0
Trade payables	at amortized cost	179,562	198,005	179,562	198,005
Liabilities to companies accounted for using the equity method using the equity method	at amortized cost	24,066	26,531	24,066	26,531
Other current financial liabilities		17,924	14,046		
	at fair value	159	2,212	0	0
	at amortized cost	17,765	11,834	17,765	11,834
Total financial liabilities		**778,448**	**763,074**	**696,297**	**682,178**

With regard to the fundamental classification of the different accounting categories and standards, we refer to section 5.2 "Accounting policies."

Balance sheet valuation under IAS 9												
Fair Value through OCI (without recycling)		Fair Value through profit or loss		Derivatives in hedge accounting		Not assigned to IFRS 9 category		Fair value according to IFRS 7 and IFRS 13		Measure-ment level under IFRS 13
Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	
0	0	0	0	0	0	0	0	241,066	231,695	3
0	0	0	0	0	0	0	0	12,252	0	3
0	0	0	0	0	0	37,444	44,941	38,736	45,933	3
0	0	23,010	13,889	0	0	0	0	23,010	13,889	2
0	0	0	0	0	0	0	0	11,617	12,205	3
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	21,538	19,854	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	49	2,131	110	81	0	0	158	2,212	2
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	**0**	**23,059**	**16,020**	**110**	**81**	**58,982**	**64,795**	**326,839**	**305,934**	

Net liabilities

The development of the net liabilities is represented in the following table:

in EUR thousand	Borrowings	Leasing relationships	Subtotal	Cash and cash equivalents	Total
Net liabilities as of January 1, 2020	**505,389**	**58,637**	**564,026**	**37,575**	**-526,451**
Cash flow	-29,025	-23,066	-52,091	10,400	62,491
Purchases – Leasing relationships	0	27,091	27,091	0	-27,091
Other changes	-12,902	-3,680	-16,582	-1,960	14,622
Net liabilities as of December 31, 2020	**463,462**	**58,982**	**522,444**	**46,015**	**-476,429**
Net liabilities as of January 1, 2021	**463,462**	**58,982**	**522,444**	**46,015**	**-476,429**
Cash flow	-23,951	-14,269	-38,220	-6,851	31.369
Purchases – Leasing relationships	0	18,958	18,958	0	-18,958
Other changes	-5,726	1,123	-4,603	2,133	6,736
Net liabilities as of December 31, 2021	**433,785**	**64,794**	**498,579**	**41,297**	**-457,282**

Other changes mainly include the effects of currency translation in the Liabilities to banks and Liabilities from lease agreements. Furthermore, the other changes to banks include the conversion of the subordinate loan into equity.

39. EXECUTIVE BODIES

In the year under review the Supervisory Board comprised the following members:

Shareholder representatives

- Dr.-Ing. Johannes Bauer, Schrobenhausen (until June 24, 2021)
  Civil engineer with BAUER Designware GmbH, Schrobenhausen
- Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer, Schrobenhausen, Chairman
  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
- Sabine Doblinger, Munich (since June 24, 2021)
  Personnel Director of DIBAG Industrie AG, Munich
  Supervisory Board Bayerische Gewerbebau AG, Member
- Prof. Dr.-Ing E.h. Manfred Nußbaumer M.Sc., Munich (until June 24, 2021)
  Retired civil engineer
  Supervisory Board, Leonhardt, Andrä und Partner Beratende Ingenieure VBI AG, Stuttgart, Chairman
- Dipl.-Ing. Klaus Pöllath (since June 24, 2021)
  Retired civil engineer
- Dipl.-Ing. (FH) Elisabeth Teschemacher, née Bauer, Schrobenhausen
  Self-employed in the area of real estate management, building renovation and construction consulting
- Dipl.-Kffr. Andrea Teutenberg, Berlin
  Administrative Board KSB Management SE, Frankenthal (Palatinate), Member
- Gerardus N. G. Wirken, Breda, Netherlands
  Freelance consultant in the area of strategy, managerial accounting and accounting
  Supervisory Board, Winters Bouw- en Ontwikkeling B.V., Breda, Netherlands, Chairman

Employee representatives

- Regina Andel, Ellrich (until June 24, 2021)
  Vice-Chairwoman of the Works Council, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen
- Rainer Burg, Gerolsbach
  Technical Marketing Manager at BAUER Spezialtiefbau GmbH, Schrobenhausen
- Dipl.-Ing. (FH) Petra Ehrenfried, Langenmosen (since June 24, 2021)
  Chairwoman of the Works Council BAUER Resources GmbH, Schrobenhausen
- Maria Engfer-Kersten, Langenhagen
  Union secretary of IG BCE Industriegewerkschaft Bergbau, Chemie, Energie, Hanover
- Robert Feiger, Neusäß, Deputy Chairman
  Federal Chairman of the Industriegewerkschaft Bauen-Agrar-Umwelt industrial trade union, Frankfurt am Main
  Supervisory Board, Zusatzversorgungskasse des Baugewerbes AG, Wiesbaden, member
  Supervisory Board Zusatzversorgungskasse des Dachdeckerhandwerks WaG, Wiesbaden, Chairman
- Reinhard Irrenhauser, Schrobenhausen
  Works Council Chairman at BAUER Maschinen GmbH, Schrobenhausen
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Member
- Dipl.-Ing. Wolfgang Rauscher, Gachenbach (since June 24, 2021)
  Head of Production at BAUER Maschinen GmbH, Schrobenhausen
- Dipl. Kfm. (FH) Stefan Reindl, Schrobenhausen (until June 24, 2021)
  Personnel Director of BAUER AG, Schrobenhausen
  Advisory Board, BAUER Training Center GmbH, Schrobenhausen, Chairman

Executive Board

- Dipl.-Ing. (FH), Florian Bauer, MBA, Schrobenhausen
  Functions: Digitalization, Development Coordination, Training, Corporate Culture
- Dipl.-Betriebswirt (FH) Hartmut Beutler, Schrobenhausen (until December 31, 2021)
  Functions: Finance, Legal and Insurance, Facility Management
  Supervisory Board, Schrobenhausener Bank e.G., Schrobenhausen, Chairman
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Deputy Chairman
- Peter Hingott, Schrobenhausen
  Functions: Participations, Accounting, Personnel, Group Corporate Purchasing, Labor Director
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, Member
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Member
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, Chairman
  Supervisory Board, BAUER Nimr LLC, Muscat/Oman, Chairman
  Administrate Board, Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan, Chairman
- Dipl.-Phys. Michael Stomberg, Strasslach-Dingharting, Chairman
  Functions: Participations, IT, Corporate Communications, Group Process Management, HSE, Quality Management
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, Chairman
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Chairman
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, Deputy Chairman
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Chairman

40. SHARE-BASED REMUNERATION

For members of the Executive Board, there was a long-term share-based incentive plan in the financial year ("LTI Shares"). This is a long-term variable share-based remuneration over an assessment period of four years in total, which includes the financial year and the three preceding financial years.
After each financial year has elapsed, a net amount is paid out in the following year after approval of the annual financial statements based on previously defined targets.
As target values, both qualitative and quantitative goals were agreed.
Apart from taking into account the total Group revenues and earnings after tax, performance criteria from the areas of Market, Employees, Corporate Culture, Finance, Earnings Performance, Balance Sheet, Organization, Processes, Strategy, IT, Accounting, Stakeholders as well as ecological and social aspects are included in the assessment. Additional individual prescribed goals are also possible.
The "Target LTI Shares" corresponds to 25.05% of a previously defined variable target remuneration. The specific amount to be invested in the form of shares is obtained by multiplying the target value by a percentage achievement factor depending on target achievement.
The members of the Executive Board commit to investing the amount paid to them in the form of shares in BAUER Aktiengesellschaft. In the process, an irrevocable purchase order will be issued to BAUER Aktiengesellschaft and the selected custodian bank in accordance with a separate agreement, which will be executed for all Executive Board members immediately after the receipt of the amount at the uniform average market price.
The holding period for the shares booked to the custodial account is four years starting with the end of the reference year; the shares may not be disposed of during this period. After the holding period has elapsed, the Executive Board member is entitled to dispose of the shares in accordance with the legal regulations. The item "LTI Shares" is accounted for according to IFRS 2 as share-based remuneration with settlement in shares. The item "Target LTI Shares" for all members of the Executive Board together was EUR 155 thousand in the financial year. Personnel expenses of EUR 83 thousand (previous year: 0) were recorded.

41. RELATED PARTY DISCLOSURES

Total remuneration pursuant to section 314 (1) no. 6 of the HGB

Members of the Executive Board of BAUER AG are members of Supervisory Boards and Executive Boards of other companies with which BAUER AG maintains relations in the course of its ordinary business operations.
The total remuneration paid to members of the Executive Board pursuant to section 314 (1) no. 6 of the HGB for their activities on the Executive Board in the year under review, excluding allocations to pension provisions, was EUR 2,054 thousand (previous year: 1,721). Of that total, EUR 1,433 thousand (previous year: 1,319) was not performance-related and EUR 621 thousand (previous year: 402) 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 Executive Board, as well as group accident insurance premiums and employer's liability insurance association contributions.
Old contracts with members of the Executive Board include pension commitments and a survivor's pension as part of the company pension scheme. A retirement pension is also offered through a direct pension plan with a deferred compensation option. The company pension scheme for members of the Executive Board incurred pension service costs totaling EUR 31 thousand (previous year: 74). The baseline salary defined for calculating retirement benefits is significantly lower in all contracts than the basic salary. The total remuneration of the former members of the Executive Board amounted to EUR 235 thousand for the 2021 financial year (previous year: 233). The contracts of Executive Board members include individual severance clauses regulating the specific terms of premature termination, with settlements oriented to the length of service of the member of the Executive Board concerned and gauged so as not to exceed the amount of two years' remuneration for any one Executive Board member. No provisions for compensation in the event of a takeover offer being made have been agreed with the members of the Executive Board. For departed members of the Executive Board, provisions for pensions amounting to EUR 5,980 thousand are recognized as a liability on the reporting date (previous year: 6,733).

The remuneration paid to the Supervisory Board for the 2021 financial year totaled EUR 366 thousand (previous year: 365).

Related party disclosures pursuant to IAS 24

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.

For members of the Executive Board in the financial year, along with fixed remuneration components there were also agreements concerning variable remuneration components with one-year and multiple-year assessment periods.
The variable remuneration components include short term incentives (“STI”), long term incentives with cash settlement (“LTI Cash”) and long term share-based incentives (“LTI Share”).
At the start of the reference year, the Supervisory Board specifies performance targets for “STI” and “LTI Cash” using financial and non-financial performance criteria. After each financial year has elapsed, payment is made in the following year after approval of the annual financial statements based on the achievement of the previously defined targets.
As target values, both qualitative and quantitative goals were agreed.
Apart from taking into account the total Group revenues and earnings after tax, performance criteria from the areas of Market, Employees, Corporate Culture, Finance, Earnings Performance, Balance Sheet, Organization, Processes, Strategy, IT, Accounting, Stakeholders as well as ecological and social aspects are included in the assessment. Additional individual prescribed goals are also possible.
The specific payment amount of the “STI” depends on achievement of the targets for the financial year.
The “LTI Cash” extends to the current and three preceding financial years with the assessment period for target achievement.
For the description of “LTI Shares”, we refer to section 40 “Share-based remuneration” of the notes.
Additional detailed statements concerning the variable remuneration components can be found in the remuneration report.

For existing lease contracts with close relatives, a right of use of EUR 1,653 thousand was capitalized according to IFRS 16 on December 31, 2021 (previous year: 1,676) and a liability of EUR 1,681 thousand (previous year: 1,697) was recognized. BAUER Anteilspool GbR, Schrobenhausen, granted BAUER Aktiengesellschaft a subordinate loan in the amount of EUR 0 thousand (previous year: 12,000). BAUER Anteilspool GbR is classified under related parties. In addition, liabilities to the BAUER Foundation arising from a mortgage-backed amortizing loan existed totaling EUR 1,500 thousand (previous year: 1,500), for which set interest in the amount of EUR 83 thousand (previous year: 83) was paid. The BAUER Foundation is classified under other related parties. Regarding the loan from the associated company BAUER Nimr LLC, Muscat, Sultanate of Oman, we refer to the statements in section 24 “Other non-current financial assets”.

The remuneration of members of the management in key positions can be found in the following table.

in EUR thousand	2020	2021
Short-term benefits	2,086	2,337
Benefits after termination of the employment relationship	74	31
Other long-term benefits	0	0
Benefits due to the termination of the employment relationship	0	0
Share-based remuneration (LTI Shares)	0	83
Total	**2,160**	**2,451**

The outstanding balances as at the balance sheet date for variable non-share-based remuneration components was EUR 537 thousand (previous year: 480). Variable share-based remuneration components were reported in the balance sheet amounting to EUR 83 thousand (previous year: 0).

Apart from the total remuneration for the members of the Executive Board described in the section “Total remuneration pursuant to section 314 (1) no. 6 of the HGB” and remuneration for the Supervisory Board, the short-term benefits to members of the management in key positions include the remuneration of the Supervisory Board by virtue of their role as employees to an amount of EUR 598 thousand (previous year: 653) as well as contracts of employment with members of the Executive Board, including close family, with regard to which remuneration to an amount of EUR 561 thousand (previous year: 679) was paid.

The benefits after termination of the employment relationship were made up of pension commitments to serving members of the Executive Board in the section “Total remuneration pursuant to section 314 (1) no. 6 of the HGB” as well as pension benefits for related persons from previous employment in the BAUER Group to the amount of EUR 292 thousand (previous year: 289). Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Executive Board serving at the end of the financial year was EUR 1,882 thousand (previous year: 1,902).

The key relationships between fully consolidated Group companies and related parties are set out in the following table:

in EUR thousand	Associated companies		Non-consolidated companies		Joint ventures	
	2020	2021	2020	2021	2020	2021
Income	3,125	3,867	18,243	10,183	2,943	1,292
Purchased services	3,655	2,652	4,061	6,487	3,887	1,136
Receivables and other assets (December 31)	9,573	9,467	24,095	21,894	10,401	7,163
Liabilities (December 31)	196	3,810	1,961	3,567	27,025	25,624
Valuation allowance of receivables	0	0	3,933	6,652	12,292	9,962
Expenditure for uncollectable and uncertain receivables	0	0	4,952	3,530	0	0

The purchased services essentially comprise all expenses incurred with related parties during the financial year. Dividends from associated companies to the amount of EUR 4,879 thousand (previous year: 4,700) and from joint ventures in the amount of EUR 865 thousand (previous year: 2,807) were included.
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.

42. JOINT OPERATIONS

The material joint ventures are listed below:

Financial year 2020:

Project	Company's activities	Place of business	Investment quota
Piling Contractors Bauer Australia – Crown Resort Hotel	Specialist foundation engineering	Sydney, Australia	50.00%
Wagstaff Piling Bauer Australia – Westgate Tunnel	Specialist foundation engineering	Melbourne, Australia	50.00%

Financial year 2021:

Project	Company's activities	Place of business	Investment quota
Piling Contractors Bauer Australia – Crown Resort Hotel	Specialist foundation engineering	Sydney, Australia	50.00%
“Gleisgründungszug” Consortium RTG Rammtechnik GmbH – Kirow Ardelt GmbH	Equipment manufacturing	Leipzig, Germany	29.23%

43. FEES AND SERVICES OF THE AUDITORS

The fee paid to the auditor of the consolidated financial statements and recorded as expenditure in the financial year is broken down as follows:

PricewaterhouseCoopers GmbH:

in EUR thousand	2020	2021
Auditing services	985	1,228
Other certification	0	286
Tax advice	26	123
Other services	16	116
Total	**1,027**	**1,753**

The fees for other services and for other confirmation services include near-audit consulting services, audits concerning the use of information technology over the course of the project and services as part of disclosure obligations. 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 recognized as expenditure in the financial year are broken down in accordance with section 285 (17) and section 314 (1) no. 9 of the HGB as follows:

in EUR thousand	2020	2021
Fees for auditing services	44	45
Fees for other certification	0	0
Fees for tax advice	0	0
Fees for other services	2	2
Total	**46**	**47**

44. DECLARATION OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE

The Executive Board and Supervisory Board of BAUER AG issued the Declaration of conformity prescribed by paragraph 161 of the AktG on December 8, 2021 and made it permanently available for shareholders at www.bauer.de.

45. RELEASE FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Executive Board has submitted the consolidated financial statements to the Supervisory Board for authorization for issue (the Supervisory Board meeting is scheduled for April 5, 2022).

46. NUMBER OF EMPLOYEES

	Average		Reporting date	
	2020	2021	2020	2021
Employees	**3,694**	**3,588**	**3,572**	**3,579**
Germany	1,977	1,962	1,946	1,969
International	1,717	1,626	1,626	1,610
Industrial & trade employees	**7,898**	**7,900**	**7,163**	**8,117**
Germany	1,895	1,792	1,830	1,767
International	6,003	6,108	5,333	6,350
Apprentices	**262**	**246**	**292**	**270**
Germany	256	241	285	265
International	6	5	7	5
Total number of employees	**11,854**	**11,734**	**11,027**	**11,966**

47. PROPOSAL ON THE USE OF RETAINED EARNINGS

The adopted annual financial statements of BAUER Aktiengesellschaft as of December 31, 2021 show an accumulated loss. Therefore, the General Meeting will not be presented with any suggestions relating to the use of the retained earnings.

48. LIST OF HOLDINGS

NAME AND PLACE OF BUSINESS 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	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
	BAUER Verwaltungs und Beteiligungs GmbH, Schrobenhausen, Germany	EUR	100.00
	rig.plus GmbH, Schrobenhausen, Germany	EUR	100.00
B.	**EU (excluding Germany)**		
	GWE Budafilter Kft., Mezöfalva, Hungary	HUF	100.00
	BAUER SPEZIALTIEFBAU Gesellschaft m.b.H., Vienna, Austria	EUR	100.00
	BAUER DK A/S, Søborg, Denmark	DKK	100.00
	BAUER Fondations SAS, Paris, France	EUR	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
	GWE France S.A.S., Aspiran, France	EUR	100.00
	BAUER Machines SAS, Strasbourg, 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
C.	**Europe (other)**		
	BAUER Resources UK Ltd., East Yorkshire, Great Britain	GBP	100.00
	BAUER Technologies Limited, Bishops Stortford, Great Britain	GBP	100.00
	BAUER RENEWABLES LIMITED, Dundee, Great Britain	GBP	100.00
	BAUER EQUIPMENT UK LIMITED, Rotherham, Great Britain	GBP	100.00

NAME AND PLACE OF BUSINESS OF COMPANY	Currency	Capital share in %
C. Continued: Europe (other)		
BAUER Foundations (IRL) Ltd., Dublin, Great Britain	EUR	100.00
BAUER Spezialtiefbau Schweiz AG, Baden-Dättwil, Switzerland	CHF	100.00
OOO BAUER Maschinen – Kurgan, Kurgan, Russian Federation	RUB	90.00
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 and Projects Operation Ltd., Amman, Jordan	USD	60.00
Water Well Equipment Limited, Dubai, United Arab Emirates	AED	100.00
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	TRY	60.00
BAUER Corporate Services Private Limited, Mumbai, India	INR	100.00
BAUER Geotechnical Specialized Foundation LLC, Abu Dhabi, United Arab Emirates	AED	49.00 *
BAUER Specialized Foundation Contractor India Pvt. Ltd., Gurgaon (Haryana), India	INR	100.00
BAUER Equipment India Private Limited, Delhi, India	INR	100.00
BAUER Engineering India Private Limited, Gurgaon (Haryana), India	INR	100.00
BAUER Resources Saudi LLC, Al Khobar, Saudi Arabia	SAR	100.00
BAUER Environment Bahrain W.L.L., Al Seef District, Bahrain	BHD	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. P.T. BAUER Pratama Indonesia, Jakarta, Indonesia	IDR	100.00
BAUER Services Singapore Pte Ltd, Singapore	EUR	100.00
BAUER Vietnam Ltd., Ho Chi Minh City, Vietnam	VND	100.00
BAUER Foundations Philippines, Inc., Quezon City, Philippines	PHP	40.00 *
BAUER Piling Inc., Quezon City, Philippines	PHP	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

* Companies are fully consolidated despite capital share < 50%. This may be owing to contractual agreements that enable the BAUER Group to exercise control in this regard under the terms of IFRS 10.

NAME AND PLACE OF BUSINESS OF COMPANY	Currency	Capital share in %
Continued: E. Asia-Pacific, Far East & Australia		
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
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. P.T. BAUER Equipment Indonesia, Jakarta, Indonesia	IDR	100.00
NIPPON BAUER Y.K., Tokyo, Japan	JPY	100.00
BAUER (Shanghai) Resources Environmental Engineering Technology Co. Ltd., Shanghai, People's Republic of China	CNY	100.00
Inner City (Thailand) Company Limited, Bangkok, Thailand	THB	49.02 *
Thai BAUER Co. Ltd., Bangkok, Thailand	THB	74.19
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 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., Conroe, United States of America	USD	100.00
BAUER Financial Services Inc., Wilmington, United States of America	USD	100.00
BAUER Manufacturing LLC, Conroe, United States of America	USD	100.00
G. Africa		
BAUER EGYPT S.A.E Specialised Foundation Contractors, Cairo, Egypt	EGP	55.95
BAUER Technologies South Africa (PTY) Ltd. - (subsidiary consolidated financial statements), Cape Town, South Africa	ZAR	100.00
MINERAL BULK SAMPLING NAMIBIA (PTY) LTD, Windhoek, Namibia	NAD	100.00
MINERAL BULK SAMPLING SOUTH AFRICA (PTY) LTD, Cape Town, South Africa	ZAR	100.00
BAUER TECHNOLOGIES RDC LTD SARL, Lubumbashi/Haut-Katanga, Republic of the Congo	USD	49.00 *
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
pumpenboese Beteiligungs- und Verwaltungs GmbH, Peine, Germany	EUR	100.00
fielddata.io GmbH, Munich, Germany	EUR	99.00
Obermann MAT GmbH, Michelstadt, Germany	EUR	100.00
BAUER Offshore Technologies GmbH, Schrobenhausen, Germany	EUR	100.00

* Companies are fully consolidated despite capital share < 50%. This may be owing to contractual agreements that enable the BAUER Group to exercise control in this regard under the terms of IFRS 10.

NAME AND PLACE OF BUSINESS OF COMPANY	Currency	Capital share in %
B. International		
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	36.37
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
BAUER-Iraq for Construction Contracting LLC, Baghdad, Iraq	IQD	100.00
BAUER Geoteknoloji Insaat Anonim Sirketi, Istanbul, Turkey	EUR	100.00
Sverige BAUER GL AB, Stockholm, Sweden	SEK	100.00
BAUER Special Foundations Cambodia Co., Ltd., Daun Penh, Cambodia	USD	100.00
EURODRILL ASIA PTE. LTD., Singapore	EUR	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 Fundaciones America Latina, S. A., Panama Pacifico – Panama City, Panama	PAB	100.00
BAUER Maschinen Canada Ltd., Calgary, Canada	CAD	100.00
BAUER Parts HUB (Singapore) Pte. Ltd., Singapore	EUR	100.00
BAUER – De Wet Equipment (Proprietary) Limited, Rasesa, Botswana	BWP	51.00
BAUER Maschinen Pars LLC, Tehran, Iran	IRR	100.00
OOO TRAKMECHANIKA, Yaroslavl, Russian Federation	RUB	100.00
BAUER Bhutan Pvt. Ltd., Thimphu-Khangkhulu, Bhutan	BTN	74.00
BAUER ENGINEERING PNG LIMITED, Port Moresby – National Capital District, Papua New Guinea	PGK	100.00
BAUER Equipment Gulf LLC, Abu Dhabi, United Arab Emirates	AED	49.00 *
BAUER Hong Kong Limited, Hong Kong, People's Republic of China	HKD	100.00
BAUER Latvia SIA, Riga, Latvia	EUR	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
SMS Seabed Mineral Services GmbH, Schrobenhausen, Germany	EUR	50.00
Schacht- und Bergbau Spezialgesellschaft mbH, Mülheim an der Ruhr, Germany	EUR	50.00
B. International		
TERRABAUER S. L., Madrid, Spain	EUR	30.00
Bauer + Moosleitner Entsorgungstechnik GmbH, Nußdorf am Haunsberg, Austria	EUR	50.00
BAUER Nimr LLC, Maskat – Al Mina, Sultanate of Oman	OMR	52.50
BAUER Resources Bahrain W.L.L., Diplomatic Area, Bahrain	BHD	99.00
BAUER Technology (Shanghai) Co. Ltd., Shanghai, People's Republic of China	CNY	50.00
TOO SCHACHTBAU Kasachstan, Almaty, Kazakhstan	KZT	50.00
AO Mostostrojindustria, Moscow, Russian Federation	RUB	20.70

* Companies are fully consolidated despite capital share < 50%. This may be owing to contractual agreements that enable the BAUER Group to exercise control in this regard under the terms of IFRS 10.

NAME AND PLACE OF BUSINESS OF COMPANY		Currency	Capital share in %
4.	**Enterprises in which the company has participating interests**		
A.	**Germany**		
	Wöhr + Bauer GmbH, Munich, Germany	EUR	16.66
	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 HGB is published in the electronic version of the official Gazette Bundesanzeiger of the Federal Republic of Germany.

Schrobenhausen, April 1, 2022

The Executive Board

Dipl.-Phys. Michael Stomberg
CEO

Dipl.-Ing. (FH)
Florian Bauer, MBA

Peter Hingott

Audit Opinion

„The following copy of the auditor‘s report also includes a „Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB“ („Separate report on ESEF conformity „). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.“

„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 31 December 2021, 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 1 January to 31 December 2021, 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 1 January to 31 December 2021.

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 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, 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") 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

<<< The newly developed BAUER BG 23 H completed its first practical application with flying colors on an urban site of a customer of BAUER Maschinen GmbH in Berlin. The compact UW 50 undercarriage particularly excels on urban sites, where cramped spaces and construction noise often pose major challenges.

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) 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 1 January to 31 December 2021. 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 Recognition of revenue from contracts with customers
❷ Accounting treatment of hedging relationships
❸ Accounting treatment of 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 **Recognition of revenue from contracts with customers**
① The BAUER Group is involved in certain major and complex construction projects for which revenue is recognized over a period of time. When recognizing revenue over time, the revenue is recognized on the basis of the stage of completion, which is calculated as the ratio of the actual contract costs incurred to estimated total contract costs. Revenue from customer-specific contracts amounting to EUR 818.8 million was recognized in the consolidated income statement as of December 31, 2021. EUR 119.3 million in contract assets and EUR 78.0 million in contract liabilities were recognized in the balance sheet as of December 31, 2021. Revenue from contracts with customers is recognized over time if an asset is created that has no alternative use for the BAUER Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognized over time even if an asset is created or enhanced and the customer has since obtained control over that asset. With respect to the complex production processes, the recognition of revenue over time requires in particular an effective internal budgeting and reporting system, including concurrent project costing, as well as a functioning internal control system.

The amount of the income and profits recognized for projects in a single year depends inter alia on the costs actually incurred, the extent to which the projects have been completed and the projected revenue and costs for each project. In addition, the amount of revenue and profit is affected by the measurement of subsequent orders and claims for damages.

Given the complexity of the projects, the uncertainty regarding the costs of completion in light of the impacts of the coronavirus pandemic and the uncertainty of the outcome of negotiations with customers concerning change orders and claims, this often involves a high degree of judgment. Against this background, the proper application of the accounting standards is considered to be complex and to a certain extent based on estimates and assumptions made by management. This matter was therefore of particular significance for our audit.

② As part of our audit, we assessed, among other things, the appropriateness of the internal control system established by the BAUER Group and the effectiveness of the relevant controls as well as whether the degree of completion of construction projects was determined based on supporting documents for compliance with BAUER's accounting policies. We also assessed the appropriateness of BAUER's accounting policies and its interpretation of the relevant accounting standards and in particular evaluated the provisions of the accounting policies with regard to the conditions that must be met in order to recognize a receivable and subsequent orders as part of contract revenue.

Our specific audit approach included testing of the controls and substantive audit procedures. In particular, we assessed the cost accounting system and other relevant systems supporting the accounting for construction contracts. Furthermore, we assessed on a test basis the proper recognition and attribution of direct costs, the amount and attribution of overheads, the project costings underlying the construction projects, and the determination of the degree of completion of individual projects, including the impacts of the coronavirus pandemic on them. In this context, we also assessed the statements provided to us by external parties such as attorneys and experts regarding the accounting treatment of subsequent orders and claims for damages, and reconciled the assessments of the executive directors regarding the enforcement of subsequent orders and claims for damages with past experience.

For contracts, we also compared the items recognized in the consolidated financial statements against the prior year to assess the consistency of the valuation and performed back-testing on this estimate. In this context, we also assessed the design of the processes set up to map the transactions in accordance with IFRS 15.

We verified that the systems, processes, and controls in place are appropriate overall and that the estimates and assumptions made by management are sufficiently documented and substantiated to ensure that revenue from contracts with customers is properly recognized.

③ The Company's disclosures on recognition of revenue from contracts with customers are contained in sections 5.2 „Accounting policies“ and 26 „Receivables and other assets“ to the consolidated financial statements.

❷ Accounting treatment of hedging relationships

① The companies of the BAUER Group use a number of different derivative financial instruments to hedge against currency and interest rate risk arising in the ordinary course of business. The currency risk results primarily from intragroup loans granted and foreign-currency deposits by companies of the BAUER Group. Interest rate hedges are concluded to eliminate the risk of fluctuating interest rates on the market. The means of limiting this risk include entering into currency forwards, currency swaps, currency options and cross-currency interest rate swaps. The necessary hedges are implemented or coordinated primarily by the BAUER Group's Group Finance department.

Derivatives are measured at fair value as of the reporting date. The positive fair values of all of the derivatives used for hedging purposes amounted to EUR 1.2 million as of the reporting date, while the negative fair values amounted to EUR 16.1 million in total. If the financial instruments used by the BAUER Group are effective hedges of future cash flows in the context of hedging pursuant to the requirements of IFRS 9, the effective portion of the changes in fair value is recognized in other comprehensive income (OCI) as unrealized gains/losses over the duration of the hedging relationships until the maturity of the hedged cash flows (cash flows hedges). Changes in the value of derivative hedging transactions caused by changes in the spot price are shown under the hedge reserve. The Bauer Group made use of the option afforded to it under IFRS 9 to recognize changes in the value of hedges caused by changes in forward rates and changes in the value of the cross-currency basis spread in the „reserve for hedging costs".

As of the balance sheet date, the cumulative changes in fair value recognized outside of profit or loss in equity („hedging reserve") amounted to EUR 0.0 million after income taxes. The amounts recognized in equity are recycled in the same period or periods from other comprehensive income to the income statement in which the hedged expected cash flows affect the income statement.

We believe that these matters were of particular importance for our audit due to the complex accounting requirements as well as the extensive disclosure requirements of IFRS 9 and IFRS 7.

② As a part of our audit and together with the help of our internal specialists from Corporate Treasury Solutions, we assessed inter alia the technical requirements of IFRS 9. In addition, we assessed the contractual and financial bases and the accounting treatment adopted including the impact on equity and profit or loss from the various hedges. We examined in particular the requirements for applying hedge accounting. Furthermore, we also used market data to review the measurement method applied to measure the fair value of the financial instruments. In addition, we also obtained bank confirmations in order to assess the completeness of and to examine the fair values of the recorded transactions. With regard to the assessment of the effectiveness of hedges, we essentially retrospectively assessed past hedge levels. We verified that the estimates made by management were substantiated and sufficiently documented.

③ The Company's disclosures pertaining to the accounting treatment of hedging transactions are contained in sections 5.2 „Accounting policies", and 38 „Financial instruments" of the notes to the consolidated financial statements.

❸ Accounting treatment of deferred taxes

① In the consolidated financial statements of the Company deferred tax assets amounting to EUR 65.4 million are reported as of December 31, 2021. An excess of deferred tax assets amounting to approximately EUR 47.0 million remained after netting with matching deferred tax liabilities. The deferred tax assets were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax loss carryforwards to be utilized. For this purpose, insofar as sufficient relevant deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan, including the expected impact of the ongoing coronavirus crisis. No deferred tax assets were recognized in respect of unused tax losses amounting in total to EUR 219.0 million since it is not probable that they will be utilized for tax purposes by means of offset against future profits.

From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties, including against the backdrop of the impacts of the coronavirus crisis.

② As part of our audit, we assessed, among other things, the internal processes and controls for recording tax matters as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses on the basis of the Company's internal forecasts of its future earnings situation, and the appropriateness of the underlying estimates and assumptions. In doing so, we also assessed the executive directors' estimate as to the impact of the coronavirus pandemic on the Company's business and evaluated how this was taken into consideration in calculating future earnings.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented on the whole.

3 The Company's disclosures pertaining to deferred taxes are contained in sections 5.2 „Accounting policies", 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 statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB
- 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 mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with 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. 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. 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

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Bauer_AG_KA_LB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the „Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the „Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 24 June 2021. We were engaged by the supervisory board on 24 June 2021. We have been the group auditor of the 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).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Jürgen Schwehr.

Stuttgart, April 4, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jürgen Schwehr	ppa. Christian Derosa
Auditor	Auditor


LIEBHERR
LIEBHERR
SAUER

Assurance by the legal representatives

We hereby assure that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net assets, financial position and earnings position 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, April 1, 2022

The Executive Board

Dipl.-Phys. Michael Stomberg CEO	Dipl.-Ing. (FH) Florian Bauer, MBA	Peter Hingott

IMPRINT

Published by
BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany
www.bauer.de

Photos
BAUER Group
André Künzelmann (p. 7)

Contact
Investor Relations
BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany
investor.relations@bauer.de

Registered place of business
86529 Schrobenhausen, Germany
Registered at the District Court of
Ingolstadt under HRB 101375

PASSION for PROGRESS

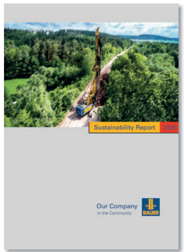
ANNUAL REPORT

This Report is published in German and English.

Download as PDF
http://ir.bauer.de

FURTHER PUBLICATIONS

Bauer Review
Discover the company magazine for employees and friends of the BAUER Group.



Sustainability Report
The Sustainability Report shows how our company is involved in society.

To order under www.bauer.de

VISIT OUR SOCIAL MEDIA CHANNELS

Facebook
www.facebook.com/BauerAGgroup

YouTube
https://www.youtube.com/BAUERGruppe

LinkedIn
www.linkedin.com/company/bauer-group

XING
www.xing.com/companies/bauergruppe

BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany
www.bauer.de