

Quarterly Statement

Q1 2018



At a glance

GROUP KEY FIGURES

IFRS in EUR million	3M/2017 *	3M/2018	Change
Total Group revenues	448.2	370.8	-17.3%
Sales revenues	379.0	318.4	-16.0%
Order intake	484.4	429.0	-11.4%
Order backlog	1,044.3	1,036.0	-0.8%
EBITDA	30.5	33.2	9.0%
EBIT	8.5	11.1	30.6%
Earnings after tax	-3.9	-5.8	n/a
Total assets	1,765.2	1,655.8	-6.2%
Equity	431.9	405.0	-6.2%
Employees (on average over the year)	10,854	10,877	0.2%

* Previous year adjusted; see notes on page 93 ff. of the Annual Report 2017

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.

OUTLOOK

in EUR million	Actual 2017	Forecast 2018
Total Group revenues	1,772	~ 1,800
EBIT	89.6	~ 90
Earnings after tax	3.7	significant increase

Summary

In the first three months of 2018, **total Group revenues** of BAUER Group decreased by 17.3% year over year, from EUR 448.2 million to EUR 370.8 million. The Equipment segment had a very good start to the financial year. As expected, the Construction and Resources segments fell short of the previous year's development. Figures in the Construction segment are comparable to the first-quarter results of the previous year, which were unusually good. Performance in the current year was particularly impacted by the delayed start of several projects, slower markets and the lower overall order backlog in the Construction segment compared to the previous year. **Sales revenues** were down by 16.0% to EUR 318.4 million. **EBIT** increased from EUR 8.5 million to EUR 11.1 million year over year. Group **earnings after tax** totaled EUR -5.8 million (previous year: EUR -3.9 million), mainly due to negative currency effects.

The Group's **order backlog** for the period decreased by 0.8% year over year, and increased by 6.0% to EUR 1,036.0 million compared to year-end results for 2017. The order backlog in Construction decreased year over year, but increased compared to year-end figures. Order backlog was well above previous year's figures in the Equipment and Resources segments. **Order intake** decreased by 11.4% from EUR 484.4 million to EUR 429.0 million. In the Equipment segment, order intake was very good in all regions of the world. Order intake was down from the previous year in Construction and Resources. However, there are several good opportunities for projects in this area.

All in all, the order situation and the opportunities offered by the market provide a good foundation for further business growth.

Significant events and transactions

CONSTRUCTION SEGMENT

in EUR '000	3M/2017 *	3M/2018	Change
Total Group revenues	211,063	150,894	-28.5%
Sales revenues	196,586	143,154	-27.2%
Order intake	204,099	169,498	-17.0%
Order backlog	578,308	511,285	-11.6%
EBIT	961	2,674	n/a

* Previous year adjusted; see notes on page 93 ff. of the Annual Report 2017

Total Group revenues for the Construction segment were EUR 151.0 million, down 28.5% year over year. At EUR 211.1 million, total Group revenues were on a very high level in the first quarter of the previous year. This was primarily caused by a slight decrease in the number of large-scale projects and subdued growth in the Middle East. **EBIT** increased from EUR 1.0 million to EUR 2.7 million.

Order backlog in our Construction segment fell to EUR 511.3 million (previous year: EUR 578.3 million) due to lower **order intake**, which totaled EUR 169.5 million and was 17.0% below the previous year's figure of EUR 204.1 million. The current order backlog is relatively evenly distributed among regions in the world. We expect a recovery in earnings and order backlog over the course of the year.

EQUIPMENT SEGMENT

in EUR '000	3M/2017 *	3M/2018	Change
Total Group revenues	186,737	180,860	-3.1%
Sales revenues	126,657	128,610	1.5%
Order intake	211,515	226,636	7.1%
Order backlog	168,808	195,120	15.6%
EBIT	7,902	14,177	79.4%

* Previous year adjusted; see notes on page 93 ff. of the Annual Report 2017

At EUR 180.9 million, first-quarter **total Group revenues** in the Equipment segment were on the same good level as in the previous year (EUR 186.7 million). **Sales revenues** increased slightly by 1.5% from EUR 126.7 million to EUR 128.6 million. **EBIT** increased significantly from EUR 7.9 million in the previous year to EUR 14.2 million. These results are attributed to high sales levels and continued good delivery figures for equipment.

Order backlog in the Equipment segment increased from EUR 168.8 million to EUR 195.1 million. **Order intake** increased again by 7.1% from EUR 211.5 million to EUR 226.6 million. Once again, the segment benefited from continued growth in global construction markets. This is a strong foundation for reaching our targets in the Equipment segment.

RESOURCES SEGMENT

in EUR '000	3M/2017 *	3M/2018	Change
Total Group revenues	63,066	51,673	-18.1%
Sales revenues	55,359	46,252	-16.5%
Order intake	81,466	45,517	-44.1%
Order backlog	297,195	329,615	10.9%
EBIT	-94	-5,670	n/a

* Previous year adjusted; see notes on page 93 ff. of the Annual Report 2017

In the first three months of 2018, **total Group revenues** in the Resources segment totaled EUR 51.7 million, down by 18.1% from the previous year (EUR 63.1 million). As in the Construction segment, development in this segment has been very subdued so far, but we expect to recover over the course of the year thanks to major projects. **EBIT** decreased from EUR -0.1 million to EUR -5.7 million.

The Resources segment is still in a continuing reorganization phase after many measures in recent years. The environmental business has a very good order backlog to work with. We continue to perform well in the Mining division, thanks to a general upturn in this industry.

The segment has a good **order backlog** of EUR 329.6 million, which is 10.9% above the previous year's EUR 297.2 million. This is mainly attributable to the large-scale project for the expansion of the reed bed treatment plant in Oman. This contract is worth approximately EUR 160 million and is not fully included in the order backlog due to the long duration of the project. At EUR 45.5 million, **order intake** was significantly lower than in the previous year (EUR 81.5 million).

EARNINGS, FINANCIAL AND NET ASSET POSITION

Total assets amounted to EUR 1,655.8 million, 6.2% below the previous year's figure. This figure has increased slightly by 2.4% compared to the year-end figure for 2017 and is in line with seasonal trends. Overall, the balance sheet structure has improved significantly thanks to a reduction of debt.

The accounting of items in the income statement and the balance sheet was changed in the 2017 annual financial statements. The changes apply to currency effects, which are now reported under financial income or expenses (income statement); advances received for orders, which are now shown under inventories on the assets side; and an advance payment for a project investment in the Resources segment, which is reported under contract assets on the assets side. The previous year figures have been adjusted accordingly. For more detailed information on these changes, please refer to the explanatory notes in the 2017 Annual Report.

Compared to the consolidated financial statements for 2017, a large proportion of liabilities to banks has shifted from current to non-current liabilities. The covenant (EBITDA to net interest coverage) for primary loans was exceeded as of the end of 2017. According to IFRS, these loans must be transferred to current liabilities to banks by December 31. This effect has been reversed since an amicable solution was already found with all the relevant financial partners for all affected loans in the first quarter of 2018.

Full-year outlook

We continue to forecast a positive trend for our business overall. Despite a continuously challenging market environment, the global economy is experiencing stable growth, which also applies to the construction business. We want to sustainably strengthen our good operating performance of the previous year, implement further improvements and increase our earnings figures on this basis.

As reported in the 2017 Annual Report, we continue to forecast about EUR 1.8 billion in **total Group revenues** and about EUR 90 million in EBIT for the 2018 financial year. We expect **earnings after tax** to be significantly higher than in the previous year.

Interim consolidated financial statements

INCOME STATEMENT

in EUR '000	3M/2017 *	3M/2018
Sales revenues	379,042	318,403
Changes in inventories	25,538	35,188
Other capitalized goods and services for own account	2,605	1,564
Other income	3,995	3,817
Consolidated revenues	411,180	358,972
Cost of materials	-225,639	-183,410
Personnel expenses	-94,422	-92,095
Other operating expenses	-60,662	-50,274
Earnings before interest, tax, depreciation and amortization (EBITDA)	30,457	33,193
Depreciation and amortization		
a) Depreciation of fixed assets	-18,355	-18,759
b) Write-downs of inventories due to use	-3,637	-3,378
Earnings before interest and tax (EBIT)	8,465	11,056
Financial income	9,964	8,809
Financial expenses	-17,761	-19,708
Share of the profit or loss of associated companies accounted for using the equity method	-37	-69
Earnings before tax (EBT)	631	88
Income tax expense	-4,528	-5,859
Earnings after tax	-3,897	-5,771
of which attributable to shareholders of BAUER AG	-4,746	-5,917
of which attributable to non-controlling interests	849	146

in EUR	3M/2017	3M/2018
Basic earnings per share	-0.28	-0.35
Diluted earnings per share	-0.28	-0.35
Average number of shares in circulation (basic)	17,131,000	17,131,000
Average number of shares in circulation (diluted)	17,131,000	17,131,000

* Previous year adjusted; see notes on page 93 ff. of the Annual Report 2017

STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	3M/2017	3M/2018
Earnings after tax	-3,897	-5,771
Income and expenses which will not be subsequently reclassified to profit and loss		
Revaluation of commitments arising from employee benefits after termination of employment	3,571	-2,663
Deferred taxes on that revaluation with no effect on profit and loss	-1,001	669
Income and expenses which will be subsequently reclassified to profit and loss		
Market valuation of derivative financial instruments	-705	5,499
Included in profit and loss	433	-5,467
Deferred taxes on financial instruments with no effect on profit and loss	76	-9
Exchange differences on translation of foreign subsidiaries	-756	-1,898
Other comprehensive income	1,618	-3,869
Total comprehensive income	-2,279	-9,640
of which attributable to shareholders of BAUER AG	-3,025	-9,615
of which attributable to non-controlling interests	746	-25

CONSOLIDATED BALANCE SHEET

Assets in EUR '000	Mar. 31, 2017 *	Dec. 31, 2017	Mar. 31, 2018
Intangible assets	24,484	21,021	20,126
Property, plant and equipment and investment property	402,205	407,429	405,310
Investments accounted for using the equity method	128,320	121,315	120,404
Participations	9,746	11,733	10,650
Deferred tax assets	42,389	45,607	48,634
Other non-current assets	8,408	7,653	6,492
Other non-current financial assets	17,812	14,389	16,580
Non-current assets	633,364	629,147	628,196
Inventories	470,601	430,606	471,654
Less advances received on inventories	-22,739	-13,883	-18,869
	447,862	416,723	452,785
Receivables and other assets	614,074	520,591	512,873
Effective income tax refund claims	4,571	3,976	3,268
Cash and cash equivalents	45,933	47,266	58,654
Assets held for sale	19,377	0	0
Current assets	1,131,817	988,556	1,027,580
	1,765,181	1,617,703	1,655,776

Equity and liabilities in EUR '000	Mar. 31, 2017 *	Dec. 31, 2017	Mar. 31, 2018
Equity of BAUER AG shareholders	426,842	415,483	401,766
Non-controlling interests	5,010	3,249	3,224
Equity	431,852	418,732	404,990
Provisions for pensions	124,198	126,332	129,251
Financial liabilities	469,169	180,395	409,518
Other non-current liabilities	7,305	6,883	6,869
Deferred tax liabilities	22,886	20,789	22,269
Non-current debt	623,558	334,399	567,907
Financial liabilities	316,826	460,565	288,034
Other current liabilities	364,531	364,998	364,314
Effective income tax obligations	9,869	16,202	15,697
Provisions	18,545	22,807	14,834
Current debt	709,771	864,572	682,879
	1,765,181	1,617,703	1,655,776

* Previous year adjusted; see notes on page 93 ff. of the Annual Report 2017

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	3M/2017	3M/2018
Cash flows from operational activity:		
Earnings before tax (EBT)	631	88
Depreciation of property, plant and equipment and intangible assets	18,355	18,759
Write-downs of inventories due to use	3,637	3,378
Depreciation of financial assets	122	0
Financial income *	-9,964	-8,809
Financial expenses *	17,639	19,708
Other non-cash transactions and results of de-consolidations *	11,538	7,246
Dividends received	0	15
Income from the disposal of property, plant and equipment and intangible assets	-1,228	-1,341
Income from associated companies accounted for using the equity method	-37	-69
Change in provisions	158	-5,216
Change in trade receivables	-2,088	18,403
Change in contract assets	-53,262	-3,603
Change in other assets and in prepayments and deferred charges	-7,490	-15,551
Change in inventories *	-20,028	-44,339
Change in trade payables *	20,219	-1,607
Change in contract liabilities	-2,736	4,035
Change in other current and non-current liabilities	-8,040	-9,749
Cash and cash equivalents generated from day-to-day business operations *	-32,574	-18,652
Income tax paid	-5,652	-5,536
Net cash from operating activities *	-38,226	-24,188
Cash flows from investment activity:		
Acquisition of property, plant and equipment and intangible assets	-10,860	-19,354
Proceeds from the sale of property, plant and equipment and intangible assets	3,893	4,258
Consolidation scope-related change in financial resources	0	0
Net cash used in investing activities	-6,967	-15,096
Cash flows from financing activity:		
Raising of loans and liabilities to banks	90,697	116,975
Repayment of loans and liabilities to banks	-21,757	-53,802
Repayment of liabilities from finance lease agreements	-2,887	-5,762
Dividends paid	0	0
Interest paid *	-9,949	-6,721
Interest received	1,560	722
Net cash used in financing activities *	57,664	51,412
Changes in liquid funds affecting payments	12,471	12,128
Influence of exchange rate movements on cash	-1	-740
Total change in liquid funds	12,470	11,388
Cash and cash equivalents at beginning of reporting period	33,463	47,266
Cash and cash equivalents at end of reporting period	45,933	58,654
Change in cash and cash equivalents	12,470	11,388

* Previous year adjusted; see notes on page 93 ff. of the Annual Report 2017

FUTURE-RELATED STATEMENTS

This quarterly statement contains future-related statements. Future-related statements are any statements which do not relate to historical facts and events, such as forecasts of future financial earning power and indications of plans and expectations with regard to the development of the business of the BAUER Group and relating to the general economic climate or other factors to which the BAUER Group is subject. The use of words such as “believe”, “expect”, “predict”, “forecast”, “intend”, “plan”, “estimate”, “aim”, “likely”, “assume” and similar formulations indicates that the statements in question are future-related. Future-related statements are subject to risks and many uncertainties which may mean that actual developments, earnings or levels of performance differ widely from those explicitly or implicitly assumed in the future-related statements.

Readers are advised that, in view of the said risks and uncertainties, no inappropriately high degree of confidence should be placed in the likelihood of such statements proving to be accurate in the future. BAUER Aktiengesellschaft does not intend to, and assumes no obligation to, publish updates of such future-related statements in order to incorporate events or circumstances beyond the date of publication of this quarterly statement.

DATES 2018

April 12, 2018	Publication Annual Report 2017 Annual Press Conference Analysts' Conference
May 14, 2018	Quarterly Statement Q1 2018
June 28, 2018	Annual General Meeting
August 10, 2018	Half-Year Interim Report to June 30, 2018
November 13, 2018	Quarterly Statement 9M/Q3 2018

You will find more information on the BAUER Group on the Internet at www.bauer.de.

PUBLISHED BY

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86529 Schrobenhausen, Germany
Registered at the Local Court of
Ingolstadt under HRB 101375



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