Half-Year Interim Report

as at June 30, 2019

BAUER

At a glance

GROUP KEY FIGURES

IFRS in EUR million	6M/2018	6M/2019	Change
Total Group revenues	792.3	831.6	5.0%
Sales revenues	717.1	745.4	4.0%
Order intake	814.8	837.6	2.8%
Order backlog	1,000.3	1,019.6	1.9%
EBITDA	79.4	82.5	3.9%
EBIT	34.1	35.3	3.4%
Earnings after tax	1.6	-0.4	n/a
Total assets	1,706.3	1,733.3	1.6%
Equity	416.4	420.8	1.1%
Employees (on average over the year)	11,210	11,620	3.7%

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 2018	Forecast 2019
Total Group revenues	1,686.1	~ 1,700
EBIT	100.1	~ 95
Earnings after tax	24.1	significant increase

Summary

At the end of the first half of 2019, **total Group revenues** of the BAUER Group had increased by 5.0%, from EUR 792.3 million to EUR 831.6 million, compared to the same period in the previous year. Growth was achieved in all three segments, particularly in Construction and Resources. **Sales revenues** grew by 4.0% to EUR 745.4 million. **EBIT** amounted to EUR 35.3 million, above the previous year‘s figure of EUR 34.1 million. The financial year remains positive for the Equipment segment, and the Resources segment performed much better than the previous year. The Construction segment is slightly below expectations at the end of the first half of the year.

The Group‘s **earnings after tax** were EUR -0.4 million (previous year: EUR 1.6 million). Interest rate hedging transactions had a considerably negative effect in this regard because these are to be valuated in the balance sheet according to the development of market interest rates. As market interest rates are still in decline, this negatively impacts earnings after tax in the amount of around EUR 10 million despite the good operative development.

The Group‘s **order backlog** for the period increased by 1.9% year over year, and rose by 0.6% to EUR 1,019.6 million compared to year-end 2018. The order backlog in Construction significantly increased year over year, whereas it remained at approximately the same level as half-yearly figures for 2018 in the Resources segment. It decreased year over year in the Equipment segment. **Order intake** increased by 2.8%, from EUR 814.8 million to EUR 837.6 million. Overall, we continue to see good project opportunities on the market for all three segments.

Significant events and transactions

MACRO-ECONOMIC TREND

After many good years, the effects of weaker global economic growth have also been felt in Germany in 2019. Decreasing exports and a fall in demand in some areas are the first signs of this. Global crises continue to worsen, lasting political uncertainties are having more and more of an impact, and the robust global economy of the past years is starting to weaken as a result.

Escalation of the conflict with Iran, ongoing wars in Syria and Yemen as well as the embargo on Qatar influence both the price of oil and the political relations between the USA, Europe, Russia and the Middle East. This has led to a prolonged period of weakness with regard to the economy in the Middle East.

With Brexit drawing closer, unforeseeable economic risks await England and the European Union. The continuing trade conflicts between the USA, China and Europe remain a source of uncertainty and have already had negative implications for these countries with the exception of the latter. Persistently low interest rates, although an economic driver, also represent a risk to market stability. Weaknesses are beginning to show in the real estate sector especially.

In light of the stated conditions, only time will tell whether the slight decline in growth will weaken the global economy indefinitely or whether a larger collapse can be prevented through mutual political determination.

As for the construction sector, the markets generally still offer a good framework, but there are noticeable downturns in some regions. That said, the sustained trend toward urbanization and necessary investments in infrastructure – in particular when it comes to evolving mobility concepts – provide a positive perspective for the construction sector and manufacturers of equipment for this market in the medium and long term. The challenges we face in terms of reducing CO_2 also create a good framework for companies selling environmental products and services and those promoting the efficient use of resources.

OVERVIEW OF OUR MARKETS

The individual regions are increasingly experiencing the initial effects of the persistent and multifaceted political and economic challenges in the construction and equipment markets as well.

Following continuously good growth in recent years, the construction sector in Europe will now see this slowdown somewhat. In this context, the German construction market continues to be positive but there is a slight downward trend. A possible hard Brexit could impact construction markets, not only in England, but also in the European Union. Russia is still suffering under sanctions and the Turkish economy is suffering under a weak currency and the political environment. The construction markets in Scandinavia are seeing a positive trend overall.

In the USA and Canada, growth in construction sector slowed down slightly compared to previous years and is below that of last year. However, a good level of demand could still be reported overall in what has shown to be a stable economic environment. The construction sector is expected to weaken generally over the coming years though, especially when the 2020 election takes place. A potential change in monetary policy could positively counteract this. The construction markets in Central and Latin America are generally troubled by a weak economy in the majority of countries in the region.

The sustained conflicts in the Middle East and continued isolation of Qatar, the wars in Yemen and Syria and the sanctions against Iran have created a difficult market climate for construction and equipment sales in countries in the region. The escalating conflict with Iran poses additional risks. Moreover, the price of oil, which continues to be too low, is causing the region to fall far behind general global economic development.

In Asia, the economic situation is predominantly influenced by China. The trade conflict between the USA and China is noticeably slowing growth in China. Significantly slower growth is also expected here for the years to come. Political leaders are attempting to counteract this in the form of investment programs and interest rate cuts. Other countries like Malaysia and Indonesia are no longer growing as strongly as previous years either. Despite this, the demand for specialist foundation engineering services and for equipment in the Far East is still good overall.

The construction and equipment markets in Africa are at a low level and are placing hopes in a recovery through higher raw material prices. Since these are rising again, this generally means better future prospects for Africa.

Overview of construction markets

Market/region	Market climate	Bauer order situation
Germany	- Good market situation overall, high state budget for infrastructure measures - Slight decline in demand	- Good order backlog
Europe	- Stable development in Western Europe overall - Positive development in Scandinavia - Slow positive development in Eastern Europe - Russia remains weak	- Good in Western Europe
Middle East & Central Asia	- Ongoing uncertainty as a result of crises in the region (Syria, Yemen, Iran) - Continued sanctions against Qatar	- Low order backlog in the main markets - Compensated for by a large-scale project in Jordan
Asia-Pacific, Far East & Australia	- Largely stable markets - Malaysia, Singapore and Hong Kong weak - Opportunities in India and the Philippines	- Low order backlog in Malaysia - Individual large-scale projects in the markets
Americas	- High demand in terms of infrastructure, individual large-scale projects in the USA - Canada weaker - Some larger projects in South America	- Good order backlog in the USA - Stable order backlog at a low level in South America
Africa	- Individual projects - Slower growth in Egypt	- Good order backlog but declining

CONSTRUCTION SEGMENT

in EUR '000	6M/2018	6M/2019	Change
Total Group revenues	327,095	342,360	4.7%
Sales revenues	307,394	324,305	5.5%
Order intake	341,648	345,780	1.2%
Order backlog	507,234	550,692	8.6%
EBIT	4,765	4,160	-12.7%
Earnings after tax	-4,147	-10,488	n/a

Total Group revenues of the Construction segment amounting to EUR 342.4 million were 4.7% up on the previous year's value of EUR 327.1 million. **EBIT** decreased slightly from EUR 4.8 million to EUR 4.2 million year over year. **Earnings after tax** with EUR -10.5 million were significantly lower than the previous year's value of EUR -4.1 million. The negative market valuation of interest rate hedging transactions, underutilization in the USA, Russia and Malaysia as well as the outcome of a legal dispute in the Philippines had a very noticeable impact here. Ongoing projects have successfully processed so far this year too; no substantial project risks have arisen.

The **order backlog** showed a significant increase of 8.6%, from EUR 507.2 million to EUR 550.7 million. **Order intake** of EUR 345.8 million was 1.2% higher than the previous year's level of EUR 341.6 million. Overall, the order backlog is at a very good level. In some countries, such as Malaysia, utilization is not yet sufficient, mainly due to political changes. In summary, there are further interesting project opportunities we are still working on. Among others, these include large projects in Europe, the USA and Africa.

EQUIPMENT SEGMENT

in EUR '000	6M/2018	6M/2019	Change
Total Group revenues	374,462	380,778	1.7%
Sales revenues	302,241	305,014	0.9%
Order intake	396,707	377,722	-4.8%
Order backlog	171,589	146,841	-14.4%
EBIT	36,327	31,218	-14.1%
Earnings after tax	16,087	14,341	-10.9%

Total Group revenues in the Equipment segment in the first half-year increased slightly by 1.7% from EUR 374.5 million to EUR 380.8 million compared to the previous year, as did **sales revenues** by 0.9% from EUR 302.2 million to EUR 305.0 million. Business continued to develop well in the first half-year. Although we had excepted a slight decline based on the fact that the two previous years had already been very positive, this has not yet revealed itself. **EBIT** decreased from EUR 36.3 million to EUR 31.2 million year over year. **Earnings after tax** fell from EUR 16.1 million to EUR 14.3 million as these were also affected by interest rate hedging transactions. As was already the case in the first quarter, a non-operating charge in the amount of EUR 4.5 million is included in the earnings figures, which is attributable to an earnings-affecting restructuring of a subsidiary, which was transferred from the Resources segment to the Equipment segment. The opposite effect is seen in the earnings figures of the Resources segment. Irrespective of this, earnings continued to develop favorably.

The **order backlog** decreased by 14.4% year over year, from EUR 171.6 million to EUR 146.8 million. **Order intake** also decreased by 4.8%, from EUR 396.7 million to EUR 377.7 million, although the first half of 2018 had reached a relatively high level. Despite the decrease, order intake is stable from a global perspective, especially in Europe and in the Far East. The current production utilization and current order backlog give us reason to expect continued positive development in the coming months.

RESOURCES SEGMENT

in EUR '000	6M/2018	6M/2019	Change
Total Group revenues	119,227	138,674	16.3%
Sales revenues	106,719	115,429	8.2%
Order intake	104,918	144,236	37.5%
Order backlog	321,462	322,040	0.2%
EBIT	-6,657	470	n/a
Earnings after tax	-9,263	1,122	n/a

After the first half of the year, **total Group revenues** in the Resources segment amounted to EUR 138.7 million, a considerable 16.3% above the previous year's value of EUR 119.2 million. This growth primarily resulted from environmental and well construction material business. Here, **EBIT** improved significantly from EUR -6.7 million to EUR 0.5 million and **earnings after tax** were up from EUR -9.3 million to EUR 1.1 million. The earnings figures include the positive non-operating contribution to earnings of EUR 4.5 million, which was described in the Equipment segment. Independent of this effect, a much better operative development is seen in this segment.

The Resources segment has been undergoing reorganization for some years and this is not yet completed. The first signs of success of this work are noticeable though. The subsidiary for well construction materials was able to achieve positive results in the first half of the year. The drilling company in Jordan can lessen the continuing financial burdens resulting from overcapacities thanks to an ongoing large-scale contract which will keep it busy until 2020. Environmental business has been developing positively for years and enjoys a very high order backlog in Germany. The extension of the reed bed treatment plant in Oman has been successfully put into operation. Major opportunities for further projects of this kind present themselves in the Middle East in spite of the crises in the region. The order situation for the subsidiary offering brewery and beverage technology remains problematic. We have also decided to discontinue operations in the field of industrial water treatment at the end of the year because we do not believe that there are sufficient synergies in the Group over the long term to guarantee sustainably positive business development.

At EUR 322.0 million, the **order backlog** is at the previous year's level (EUR 321.5 million) after the first six months. **Order intake** increased significantly by 37.5%, from EUR 104.9 million to EUR 144.2 million.

Earnings, financial and net asset position

EARNINGS POSITION

Compared to the same period in the previous year, **sales revenues** rose by 4.0% to EUR 745.4 million and **consolidated revenues** increased by 4.5% to EUR 800.2 million, which is mainly due to the Construction and Resources segments.

The Group's **EBITDA** for the half-year increased by 3.9% from EUR 79.4 million to EUR 82.5 million. Cost of material and personnel expenses increased slightly more than consolidated revenues, while other operating expenses decreased.

EBIT amounted to EUR 35.3 million, 3.4% above the previous year's figure of EUR 34.1 million. Depreciation of fixed assets increased by EUR 2.6 million, while write-downs of inventories due to use decreased by EUR 0.7 million compared to the previous year.

Earnings after tax worsened from EUR 1.6 million to EUR -0.4 million. As described above, the interest rate hedging transactions had a highly negative impact here. For this reason, financial expenses rose significantly year over year from EUR 35.4 million to EUR 44.6 million. The financial income increased from EUR 17.1 million to EUR 19.9 million. The share of the profit or loss of associated companies accounted for using the equity method improved significantly from EUR -0.2 million to EUR 4.3 million. This was predominantly attributable to the completion of the reed bed treatment plant extension of our subsidiary in Oman as well as finalized joint ventures.

FINANCIAL POSITION

Our financial position is developing in line with plans.

NET ASSET POSITION

The **total assets** increased by 6.2% against the 2018 year-end (EUR 1,632.3 million) and by 1.6% relative to June of the previous year, to 1,733.3 million. At EUR 24.9 million, non-current assets showed a considerable increase compared to the previous year, which was caused primarily by the first-time adoption of IFRS 16 in the amount of EUR 19.5 million. Overall, the balance sheet structure has improved significantly thanks to a reduction of debt.

The asset side in the balance sheet therefore increased compared to the year-end 2018 primarily due to the increase in **inventories** of 13.4% to EUR 465.4 million, and due to the increase in **receivables and other assets** of 4.8% to EUR 560.7 million.

On the liabilities side, **equity** decreased by 2.6% to EUR 420.8 million against the end of last year. Compared to the end of June 2018, equity increased slightly by 1.1%.

Non-current debt rose compared to the end of last year from EUR 501.4 million to EUR 583.9 million; **current debt** rose from EUR 699.0 million to EUR 728.6 million. Net debt is EUR 30.2 million lower than the first half of 2018.

Opportunities and risks

Material opportunities and risks are outlined in the individual sections of this Interim Report. There has been no material change in risks since the Annual Report dated December 31, 2018. Please refer to the Combined Management Report for the 2018 financial year.

Full-year outlook

For the remainder of the year, we are seeing a positive trend for our business activities, especially in the equipment, environmental and commodity markets. With regard to construction, we expect that growth will remain stable but relatively slow over the rest of the year. In this context, the demand for complex specialist foundation engineering projects owing to continual urbanization and the increasing need for infrastructure will continue.

We met the challenges in recent years by implementing numerous measures, which are being consistently continued to increase our profitability in the long term. We plan to use the significantly improved overall situation for investing in the sustainability of this development. We are therefore confident that we are in a good position to further improve our earnings in the coming years.

Despite the negative impact of the valuation of interest rate hedging transactions on earnings after tax, we continue to forecast about EUR 1.7 billion in **total Group revenues** and about EUR 95 million in **EBIT** for the 2019 financial year, as reported in the 2018 Annual Report. We expect **earnings after tax** to be significantly higher than in the previous year.

For 2019, we still expect the Construction segment to report a slight increase in total Group revenues and EBIT slightly below the previous year. In the Equipment segment, we now anticipate total Group revenues at about the same level as the previous year and EBIT slightly below the previous year, taking into account the non-operating effect on earnings resulting from the transfer of the subsidiary from the Resources segment to the Equipment segment. In the Resources segment, we now predict a significant increase in total Group revenues and a significant improvement in EBIT.

Interim consolidated financial statements

INCOME STATEMENT

in EUR '000	Q2/2018	Q2/2019	6M/2018	6M/2019
Sales revenues	398,701	403,544	717,104	745,442
Changes in inventories	3,123	-3,173	38,311	43,879
Other capitalized goods and services for own account	2,031	1,375	3,595	3,025
Other income	3,063	3,527	6,880	7,867
Consolidated revenues	**406,918**	**405,273**	**765,890**	**800,213**
Cost of materials	-210,151	-203,219	-393,561	-416,975
Personnel expenses	-97,981	-104,722	-190,076	-204,674
Other operating expenses	-52,565	-47,560	-102,839	-96,080
Earnings before interest, tax, depreciation and amortization (EBITDA)	**46,221**	**49,772**	**79,414**	**82,484**
Depreciation and amortization a) Depreciation of fixed assets	-19,189	-21,570	-37,948	-40,538
b) Write-downs of inventories due to use	-3,979	-3,450	-7,357	-6,686
Earnings before interest and tax (EBIT)	**23,053**	**24,752**	**34,109**	**35,260**
Financial income	8,295	6,141	17,104	19,880
Financial expenses	-15,719	-19,194	-35,427	-44,609
Share of the profit or loss of associated companies accounted for using the equity method	-138	3,637	-207	4,275
Earnings before tax (EBT)	**15,491**	**15,336**	**15,579**	**14,806**
Income tax expense	-8,073	-10,589	-13,932	-15,184
Earnings after tax	**7,418**	**4,747**	**1,647**	**-378**
of which attributable to shareholders of BAUER AG	6,658	4,139	741	-2,114
of which attributable to non-controlling interests	760	608	906	1.736

in EUR	Q2/2018	Q2/2019	6M/2018	6M/2019
Basic earnings per share	0.39	0.24	0.04	-0.12
Diluted earnings per share	0.39	0.24	0.04	-0.12
Average number of shares in circulation (basic)	17,131,000	17,131,000	17,131,000	17,131,000
Average number of shares in circulation (diluted)	17,131,000	17,131,000	17,131,000	17,131,000

STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	Q2/2018	Q2/2019	6M/2018	6M/2019
Earnings after tax	**7,418**	**4,747**	**1,647**	**-378**
Income and expenses which will not be subsequently reclassified to profit and loss				
Revaluation of commitments arising from employee benefits after termination of employment	1,198	-11,561	-1,465	-20,600
Deferred taxes on that revaluation with no effect on profit and loss	-338	3,246	331	5,785
Market valuation of other investments	615	0	615	0
Income and expenses which will be subsequently reclassified to profit and loss				
Market valuation of derivative financial instruments (hedging reserve)	-2,504	1,024	2,995	-509
Included in profit and loss	2,742	-1,067	-2,725	343
Market valuation of derivative financial instruments (reserve for hedging costs)	0	-470	0	-1,570
Included in profit and loss	0	543	0	1,456
Deferred taxes on financial instruments with no effect on profit and loss	-69	-8	-78	79
Exchange differences on translation of foreign subsidiaries	2,838	-1,522	940	5,454
Other comprehensive income	**4,482**	**-9,815**	**613**	**-9,562**
Total comprehensive income	**11,900**	**-5,068**	**2,260**	**-9,940**
of which attributable to shareholders of BAUER AG	11,059	-6,486	1,444	-13,010
of which attributable to non-controlling interests	841	1,418	816	3,070

CONSOLIDATED BALANCE SHEET

Assets in EUR '000	June 30, 2018	Dec. 31, 2018	June 30, 2019
Intangible assets	19,237	18,077	16,988
Property, plant and equipment	408,581	411,571	439,609
Investments accounted for using the equity method	119,288	113,019	112,946
Participations	11,299	8,350	8,350
Deferred tax assets	48,932	49,189	60,547
Other non-current assets	8,154	7,637	7,650
Other non-current financial assets	18,700	13,198	12,954
Non-current assets	**634,191**	**621,041**	**659,044**
Inventories	484,760	426,353	478,114
Less advances received on inventories	-20,155	-16,098	-12,729
	464,605	410,255	465,385
Receivables and other assets	562,038	535,111	560,743
Effective income tax refund claims	4,560	3,290	4,067
Cash and cash equivalents	40,858	62,587	44,034
Current assets	**1,072,061**	**1,011,243**	**1,074,229**
	1,706,252	**1,632,284**	**1,733,273**

Equity and liabilities in EUR '000	June 30, 2018	Dec. 31, 2018	June 30, 2019
Equity of BAUER AG shareholders	**412,825**	**428,312**	**415,184**
Non-controlling interests	3,553	3,504	5,602
Equity	**416,378**	**431,816**	**420,786**
Provisions for pensions	128,552	134,389	155,939
Financial liabilities	366,118	338,304	392,957
Other liabilities	7,216	5,335	5,629
Deferred tax liabilities	23,917	23,396	29,359
Non-current debt	**525,803**	**501,424**	**583,884**
Financial liabilities	352,580	286,104	298,640
Other liabilities	379,418	357,851	388,741
Effective income tax obligations	16,889	31,687	19,695
Provisions	15,184	23,402	21,527
Current debt	**764,071**	**699,044**	**728,603**
	1,706,252	**1,632,284**	**1,733,273**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR '000			Other revenue reserves and unappropriated net profit						
	Subscribed capital	Capital reserve	Revenue reserves	Currency conversion	Derivative financial instruments (hedging reserve)	Derivative financial instruments (reserve for hedging costs)	Equity instruments	Non-controlling interests	Total
As of Jan. 1, 2018	**73,001**	**38,404**	**319,812**	**-14,721**	**-1,013**	**0**	**0**	**3,249**	**418,732**
Changes to accounting methods	0	0	-4,102	0	0	0	0	0	**-4,102**
As of Jan. 1, 2018 (adjusted)	**73,001**	**38,404**	**315,710**	**-14,721**	**-1,013**	**0**	**0**	**3,249**	**414,630**
Earnings after tax	0	0	741	0	0	0	0	906	**1,647**
Exchange differences on translation of foreign subsidiaries	0	0	0	1,035	0	0	0	-95	**940**
Revaluation of commitments arising from employee benefits after termination of employment	0	0	-1,471	0	0	0	0	6	**-1,465**
Market valuation of other participations	0	0	0	0	0	0	615	0	**615**
Market valuation of derivative financial instruments	0	0		0	270	0	0	0	**270**
Deferred taxes with no effect on profit and loss	0	0	332	0	-78	0		-1	**253**
Total comprehensive income	**0**	**0**	**-398**	**1,035**	**192**	**0**	**615**	**816**	**2,260**
Changes in basis of consolidation	0	0	0	0	0	0	0	0	**0**
Dividend payments	0	0	0	0	0	0	0	-512	**-512**
Other changes	0	0		0	0	0	0	0	**0**
As at Jun. 30, 2018	**73,001**	**38,404**	**315,312**	**-13,686**	**-821**	**0**	**615**	**3,553**	**416,378**
As of Jan. 1, 2019	**73,001**	**38,404**	**332,201**	**-13,285**	**-201**	**-145**	**-1,663**	**3,504**	**431,816**
Earnings after tax	0	0	-2,114	0	0	0	0	1,736	**-378**
Exchange differences on translation of foreign subsidiaries	0	0	0	4,132	0	0	0	1,322	**5,454**
Revaluation of commitments arising from employee benefits after termination of employment	0	0	-20,613	0	0	0	0	13	**-20,600**
Market valuation of other participations	0	0	0	0	0	0	0	0	**0**
Market valuation of derivative financial instruments	0	0	0	0	-166	-114	0	0	**-280**
Deferred taxes with no effect on profit and loss	0	0	5,786	0	47	32	0	-1	**5,864**
Total comprehensive income	**0**	**0**	**-16,941**	**4,132**	**-119**	**-82**	**0**	**3,070**	**-9,940**
Changes in basis of consolidation	0	0	-118	0	0	0	0	0	**-118**
Dividend payments	0	0	0	0	0	0	0	-972	**-972**
Other changes	0	0	0	0	0	0	0	0	**0**
As at Jun. 30, 2019	**73,001**	**38,404**	**315,142**	**-9,153**	**-320**	**-227**	**-1,663**	**5,602**	**420,786**

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	6M/2018	6M/2019
Cash flows from operational activity:		
Earnings before tax (EBT)	15,579	14,806
Depreciation of property, plant and equipment and intangible assets	37,948	40,538
Depreciation of financial assets	7,357	6,686
Write-downs of inventories due to use	0	0
Financial income	-17,104	-19,880
Financial expenses	35,427	44,609
Other non-cash transactions and results of de-consolidations	7,953	15,688
Dividends received	2,698	1,600
Income from the disposal of property, plant and equipment and intangible assets	-1,932	-1,458
Income from associated companies accounted for using the equity method	-207	4,275
Change in provisions	-5,194	-1,631
Change in trade receivables	-9,089	28,941
Change in contract assets	-4,551	-24,294
Change in other assets and in prepayments and deferred charges	-26,427	-25,466
Change in inventories	-58,234	-72,929
Change in trade payables	19,185	24,131
Change in contract liabilities	-7,384	-3,970
Change in other current and non-current liabilities	-11,856	10,601
Cash and cash equivalents generated from day-to-day business operations	**-15,831**	**42,247**
Income tax paid	-13,817	-28,153
Net cash from operating activities	**-29,648**	**14,094**
Cash flows from investment activity		
Acquisition of property, plant and equipment and intangible assets	-42,009	-45,354
Proceeds from the sale of property, plant and equipment and intangible assets	12,099	12,504
Consolidation scope-related change in financial resources	0	5
Net cash used in investing activities	**-29,910**	**-32,845**
Cash flows from financing activity:		
Raising of loans and liabilities to banks	234,974	194,264
Repayment of loans and liabilities to banks	-156,007	-157,964
Repayment of liabilities from lease agreements	-8,859	-10,485
Dividends paid	-512	-972
Interest paid	-19,038	-32,235
Interest received	2,403	6,714
Net cash used in financing activities	**52,961**	**-678**
Changes in liquid funds affecting payments	**-6,597**	**-19,429**
Influence of exchange rate movements on cash	189	876
Total change in liquid funds	**-6,408**	**-18,553**
Cash and cash equivalents at beginning of reporting period	**47,266**	**62,587**
Cash and cash equivalents at end of reporting period	**40,858**	**44,034**
Change in cash and cash equivalents	**-6,408**	**-18,553**

SEGMENT REPORTING

in EUR '000	Construction		Equipment		Resources	
January - June	2018	2019	2018	2019	2018	2019
Total revenues (Group)	**327,095**	**342,360**	**374,462**	**380,778**	**119,227**	**138,674**
Sales revenues with third parties	307,394	324,305	302,241	305,014	106,719	115,429
Sales revenues between business segments	6,799	7,375	21,255	20,926	500	2,177
Changes in inventories	0	37	38,010	43,425	301	417
Other capitalized goods and services for own account	231	230	1,614	1,781	67	319
Other income	4,266	4,926	1,681	-2,375	1,004	5,618
Consolidated revenues	**318,690**	**336,873**	**364,801**	**368,771**	**108,591**	**123,960**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**25,967**	**25,657**	**53,363**	**49,850**	**-893**	**6,494**
Depreciation of fixed assets	-21,202	-21,497	-9,679	-11,946	-5,764	-6,024
Write-downs of inventories due to use	0	0	-7,357	-6,686	0	0
Earnings before interest and tax (EBIT)	**4,765**	**4,160**	**36,327**	**31,218**	**-6,657**	**470**
Financial income	8,287	6,416	5,559	6,695	1,929	4,536
Financial expenses	-12,812	-14,328	-14,214	-13,791	-6,402	-8,223
Share of the profit or loss of associated companies accounted for using the equity method	-49	339	-2,678	-1,476	2,520	5,412
Income tax expense	-4,338	-7,075	-8,907	-8,305	-653	-1,073
Earnings after tax	**-4,147**	**-10,488**	**16,087**	**14,341**	**-9,263**	**1,122**
	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019
SEGMENT ASSETS	**657,759**	**664,923**	**725,333**	**804,944**	**254,616**	**280,712**

in EUR '000	Others		Consolidation		Group	
January - June	2018	2019	2018	2019	2018	2019
Total revenues (Group)	**20,647**	**22,702**	**-49,122**	**-52,874**	**792,309**	**831,640**
Sales revenues with third parties	750	694	0	0	717,104	745,442
Sales revenues between business segments	18,929	20,806	-47,483	-51,284	0	0
Changes in inventories	0	0	0	0	38,311	43,879
Other capitalized goods and services for own account	0	0	1,683	695	3,595	3,025
Other income	48	144	-119	-446	6,880	7,867
Consolidated revenues	**19,727**	**21,644**	**-45,919**	**-51,035**	**765,890**	**800,213**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**934**	**987**	**43**	**-504**	**79,414**	**82,484**
Depreciation of fixed assets	-1,782	-1,985	479	914	-37,948	-40,538
Write-downs of inventories due to use	0	0	0	0	-7,357	-6,686
Earnings before interest and tax (EBIT)	**-848**	**-998**	**522**	**410**	**34,109**	**35,260**
Financial income	5,637	5,413	-4,308	-3,180	17,104	19,880
Financial expenses	-6,307	-11,447	4,308	3,180	-35,427	-44,609
Share of the profit or loss of associated companies accounted for using the equity method	0	0	0	0	-207	4,275
Income tax expense	68	1,358	-102	-89	-13,932	-15,184
Earnings after tax	**-1,450**	**-5,674**	**420**	**321**	**1,647**	**-378**
	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019
SEGMENT ASSETS	**443,310**	**400,190**	**-448,734**	**-417,496**	**1,632,284**	**1,733,273**

Notes to the Consolidated Financial Statements

1. 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 in Schrobenhausen, and the company is entered in the Register of Companies of Ingolstadt (HRB 101375).

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

These condensed interim consolidated financial statements were released for publication on August 9, 2019.

Auditing

These condensed interim consolidated financial statements and the interim Group Management Report have not been audited in accordance with section 317 of the German Commercial Code (HGB), nor have they been subjected to any review by an auditor.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

BAUER AG prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), the requirements of the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable on the balance sheet date and recognized by the European Union. Only IASB Standards and Interpretations adopted by the Commission and duly published in the Official Journal of the EU by the balance sheet date are applied.

The Half-Year Interim Report to August 14, 2019 was prepared in condensed form on the basis of IAS 34, „Interim Financial Reporting," and as such does not include all the disclosures mandatory for full-year consolidated financial statements. These condensed interim consolidated financial statements are based on the Group's consolidated financial statements to December 31, 2018, and as such should be read in conjunction with the consolidated financial statements of BAUER AG to December 31, 2018.

3. BASIS OF CONSOLIDATION

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

In a small number of cases, companies are fully consolidated into the financial statements of BAUER AG even though that company holds less than 50% of their voting rights. This is the result of state restrictions which stipulate that foreign investors may not hold more than 50% of the voting rights in domestic companies. In such cases BAUER AG makes use of „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 option of control, is transferred to the Group. They are de-consolidated at the point when control ends. Companies of which BAUER AG is able, directly or indirectly, to exercise a significant influence on the said companies' financial and operating policy decisions (associated companies) are consolidated according to the equity method.

Changes at subsidiaries:

No changes have occurred to the basis of consolidation since December 31, 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In this context we refer to page 92 of the 2018 Annual Report.

5. ACCOUNTING POLICIES

The accounting policies applied from January 1, 2019 correspond to those of the consolidated financial statements to December 31, 2018, with the exception of the valuation of the provisions for pensions and the first-time application of new and amended standards.

a) Valuation of the provisions for pensions

On June 30, 2019, the BAUER Group lowered the discount rate for measuring its defined benefit plan commitments in Germany to 1.15% (previous year: 1.90%).

b) New and amended standards adopted by the BAUER Group

Numerous new or amended standards entered into force in the current reporting period. Due to the first-time application of the new standard IFRS 16 „Leases," there were retrospective amendments of accounting methods in the BAUER Group.

The effects of the first-time application of this standard are explained under point 6. Other amendments to standards do not affect the accounting principles of the BAUER Group.

6. AMENDMENTS OF THE ACCOUNTING PRINCIPLES

a) IFRS 16 „Leases"

IFRS 16 will replace IAS 17 – Leases, IFRIC 4 – Determining Whether an Arrangement Contains a Lease, SIC 15 – Operating Leases – Incentives as well as SIC 27 – Evaluating the Substance of Transactions in the Legal Form of a Lease.
The new standard does not undertake any classification in finance and operating leasing relationships for lessees, instead basically all leasing relationships are included in the balance sheet in the form of usage rights and leasing liabilities.
During the lease term, the right-of-use asset is to be written down and the leasing liability is to be updated while applying the effective interest rate method and taking the lease payments into consideration.

The recognition simplifications within the scope of IFRS 16 apply to short-term and low-value leases. The BAUER Group makes use of these and therefore does not record any right-of-use asset or liability for such leases. The associated lease payments continue to be recorded as expenditure in the consolidated statement of profit and loss.
At the time of initial application, lease contracts with a term ending before January 1, 2020 were classified as short-term leases regardless of the commencement date of the lease contract. The simplification in terms of a single discount rate for a portfolio of lease contracts with similar characteristics was also applied. Furthermore, at the time of initial application, existing contracts were not reassessed to determine whether or not they contain a lease according to the criteria of IFRS 16. The assessment made in accordance with IAS 17 was therefore retained. Existing contracts that were not classified as leases as per IAS 17 or IFRIC 4 continue to not be treated as such.

In addition, the simplifications were drawn on for the exclusion of initial direct costs from the measurement of right-of-use assets at the time of initial application as well as the use of hinsight in determining the lease term if contracts contain option to extend or terminate the lease.

Lessor accounting remains substantially unchanged from the former provisions of IAS 17.
Lessors must still classify each lease as an operating lease or a finance lease based on the distribution of risks and rewards incidental to ownership of the underlying asset.

The BAUER Group applies the modified retrospective method when implementing IFRS 16 as of January 1, 2019. Accordingly, the reassignments and adjustments resulting from the new regulations are recorded in the opening balance sheet as of January 1, 2019. An adjustment of the comparative figures for the previous year is not carried out.
According to this method, the leasing liability is to be measured as the present value of remaining lease payments at the date of transition.
Lease payments are discounted at the interest rate implicit in the lease if that can be readily determined. Otherwise, the lessee shall use their incremental borrowing rate.

With the initial application of IFRS 16, the BAUER Group recorded leasing liabilities for leases previously classified as operating leases as per IAS 17. Lease payments were discounted using the underlying borrowing rate of the leasing contract if it is determinable. Otherwise they were discounted using the lessee's incremental borrowing rate. The weighted average incremental borrowing rate was 3.99%.

For simplification purposes, the right-of-use assets are recognized at an amount equal to the lease liability – adjusted for any prepaid or accrued lease payments.
At the time of initial application of IFRS 16, there were no lease liabilities so it was not necessary to adjust the value of the right-of-use assets in this regard.
The right-of-use assets included in the balance sheet are disclosed in the balance sheet items in which the underlying assets of the lease contract would have been disclosed if they were owned by the BAUER Group. The right-of-use assets are therefore disclosed under non-current assets, primarily in the Property, plant and equipment item, on the balance sheet date.

For leases previously classified as finance leases, the carrying amount of the underlying asset of the lease as per IAS 17 applicable immediately before initial application of IFRS 16 as well as the carrying amount of the leasing liability as per IAS 17 as the initial carrying amount of the right-of-use asset and that of the leasing liability as per IFRS 16 are recognized. The measurement principles of IFRS 16 are only applied after this.

At the time of initial application of IFRS 16 on January 1, 2019, the following effects arose in terms of right-of-use assets and leasing liabilities:

in EUR '000	
Obligations from operating leases reported up to December 31, 2018	24,710
Discounted using the lessor's incremental borrowing rate at the time of the additional initial application of IFRS 16	23,178
plus lease payments based on the present value	780
plus use of hindsight in determining the term in the case of extension or termination options	1,037
minus short-term leases and those with underlying assets of low value	-5,511
plus liabilities from finance leases recognized up to December 31, 2018	30,796
Liabilities from lease agreements recognized on January 1, 2019	**50,280**

The recognized right-of-use assets relate to the following types of assets and affect the balance sheet items listed below as follows:

in EUR '000	Dec. 31, 2018	Jan. 1, 2019	Jun. 30, 2019
Land and buildings	0	10,925	11,787
Technical equipment and machinery	28,002	33,945	35,688
Other equipment, factory and office equipment	7,534	10,151	9,506
Total	**35,536**	**55,021**	**56,981**

Capitalized advance payments and deferred liabilities were set off against the right-of-use assets. Of the recognized right-of-use assets, EUR 35,536 thousand were already recorded in the balance sheet as of December 31, 2018 as part of finance leases, in contrast to leasing liabilities amounting to EUR 30,796 thousand.

The reconciliation of liabilities from finance lease contracts to liabilities from lease agreements as per IFRS 16 is as follows:

in EUR '000	Dec. 31, 2018	Jan. 1, 2019	Jun. 30, 2019
Liabilities from lease agreements	30,796	50,280	49,661

First-time application did not affect equity.

Lease payments for low-value and short-term leases are not included in the leasing liabilities of the opening balance sheet.

Unlike the previous approach in which expenses for operating leases were reported in EBITDA in their entirety, write-downs of right-of-use assets and the interest expense are attributed to earnings after tax in accordance with IFRS 16. Compared to the previous year's value, EBITDA consequently improved by EUR 3,337 thousand in total due to the change in disclosure of lease payments as write-downs and interest expense.

At the same time, the change in recognition of expenses from operating leases in the consolidated statement of cash flows in the first half of 2019 resulted in an improvement in the cash flow from ongoing operating activities of EUR 1,626 thousand compared to the previous year. This is contrasted by a decrease in the cash flow from financing activity of the same amount.

Effects on segment disclosures according to business division

The segment assets and segment liabilities as of June 30, 2019 rose as follows due to the change in the accounting method:

in EUR '000	Segment assets	Segment liabilities
Construction	26,935	20,179
Equipment	23,942	23,597
Resources	5,292	5,075
Other	812	810
Total	**56,981**	**49,661**

In addition to the aforementioned effects on the net asset, financial and earnings position of the BAUER Group, there will be significantly more extensive disclosures in the notes at the end of the financial year compared to this condensed Half-Year Interim Report.

7. DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

7.1 Financial risk factors

In its business operations and financing activities, the BAUER Group is subject to a wide range of market risks (foreign exchange rate, interest rate, raw material price and liquidity risks, risk of default).

These condensed interim consolidated financial statements do not include all disclosures and information relating to financial risk management, so they should be read in conjunction with the consolidated financial statements to December 31, 2018.

No changes to the management of financial risks have been made since the end of the financial year.

7.2 Carrying amounts and fair values

The fair values of financial instruments are determined on the basis of one of the methods set out on the three following levels:

- Level 1: Quoted prices (adopted unchanged) on active markets for identical assets and liabilities
- Level 2: Directly or indirectly observable input data for the asset or liability other than quoted prices as per level 1
- Level 3: Applied input data which does not originate from observable market data for measurement of the asset and liability (non-observable input data)

The financial instruments measured at fair value are assignable to the following levels:

Assets in EUR '000	Dec. 31, 2018		Jun. 30, 2019		
	Carrying amount	Fair value	Carrying amount	Fair value	Level
Participations	8,350	8,350	8,350	8,350	3
Other non-current financial assets	11,411	10,839	11,301	10,755	3
Forfeited trade receivables	4,789	4,789	2,666	2,666	2
Derivatives not in hedge accounting	329	329	2,309	2,309	2
Derivatives in hedge accounting	286	286	143	143	2
Total	**25,165**	**24,593**	**24,769**	**24,223**	

Equity and liabilities in EUR '000	Dec. 31, 2018		Jun. 30, 2019		
	Carrying amount	Fair value	Carrying amount	Fair value	Level
Liabilities to banks	308,472	316,491	335,209	368,631	3
Liabilities from finance lease agreements	20,739	21,498	33,902	35,851	3
Other non-current financial liabilities	1,281	1,306	2,602	2,564	3
Derivatives not in hedge accounting	8,520	8,520	21,494	21,494	2
Derivatives in hedge accounting	700	700	2,232	2,232	2
Total	**339,712**	**348,515**	**395,439**	**430,772**	

In the first six months of the financial year, no reclassification was undertaken between the levels.

Level 2 derivatives comprise foreign exchange forward contracts, foreign exchange options, interest rate swaps and interest rate caps. For derivative financial instruments without option component, including foreign exchange forward contracts and interest rate swaps, future payment flows are determined based on term curves. The fair value of these instruments corresponds to the sum of discounted payment flows. Currency pair options are valued on the basis of customary market option price models.

For cash and cash equivalents, current trade receivables and other current assets, current trade payables and other current liabilities, owing to their short remaining terms the carrying amount should be adopted as a realistic estimate of the fair value.

The fair values of non-current 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.
For participations the fair value is determined using the discounted cash flow model. Up to the second half of the year, no significant fair value changes have resulted from the participations.

8. SEASONALITY

Our Construction segment undertakes many projects in regions where winter and other hostile weather conditions impact on site results in the first quarter of the year and at the start of the second quarter. As a general rule, the first quarter is also weak for our Equipment segment, because customers only buy machines when they actually need them to carry out their construction works. For our Resources segment, wintry conditions at the start of the year mean that sales of well engineering materials are very weak.
Since most costs are fixed, significant losses are made in the first quarter of each year. Beginning with the second quarter, those losses are balanced out as contribution margins improve. Break-even has normally not yet been achieved by the end of the second quarter. Most profit is generated in the third and fourth quarters. This annually recurring business cycle allows performance, sales and earnings in the various quarters to be compared against the corresponding reference periods, ignoring special factors.

9. NOTES ON SEGMENT REPORTING

The internal organizational and management structure and the internal system of reporting to the Management Board and Supervisory Board dictate the segmentation employed by the BAUER Group.

The BAUER Group comprises the Construction, Equipment and Resources segments. Business transactions between the segments are conducted at market prices.
SCHACHTBAU NORDHAUSEN GmbH is the only Group company to operate in all three segments.
The assets and liabilities and income statement items of SCHACHTBAU NORDHAUSEN GmbH are assigned to the relevant segments.

Construction

The core business of the **Construction segment** is specialist foundation engineering. Complete excavation pits and foundation works, often in difficult subsoil conditions, are carried out for major infrastructure projects and buildings. In order to offer customers a full range of services, the companies of the BAUER Group additionally offer other construction services, often involving a major specialist foundation engineering element. Examples of this include bridges, environmental engineering, remediation and building renovation projects. The Construction segment is founded on the close interlinking of all construction activities.

Equipment

In the **Equipment segment**, construction equipment for all specialist foundation engineering processes and for deep drilling is developed and manufactured for worldwide distribution. The specialist foundation engineering equipment can be employed to produce large-diameter and small-diameter bores for piles, diaphragm walls, anchors, injections and wells. The deep drilling equipment can be employed to drill for oil and gas. Equipment for ramming and ground improvement is also manufactured. The range is supplemented by a wide selection of attachments and ancillary equipment, covering all the processes involved in specialist foundation engineering.

Resources

In the **Resources segment**, the companies of the Group that provide products and services in the water, environmental and mineral deposits sectors. They include environmental technology companies involved in the treatment of ground and groundwater as well as companies involved in exploration drilling and mining of raw materials and drilling of wells and geothermal energy sources. This segment also includes companies which manufacture and sell materials for the engineering of bore holes, specifically for wells and geothermal energy sources.

Other

The **Other segment** comprises the central services (accounting, human resources, IT etc.) provided by BAUER AG to the Group companies as well as other units not assignable to the separately listed segments, providing services such as in-house and external education and training and centralized research and development.

Konsolidierung

The intersegmental consolidation effects are grouped here under **Consolidation**. This includes offsetting of intra-group sales between the segments as well as income and expenses and interim results. The intersegmental consolidation effects are adjusted within the respective segments.

The segment earnings after tax reflect the financial income and expenses as well as the net earnings of shares valued at- equity and the income tax expenditure. The segments‘ assets and liabilities incorporate all the assets and liabilities of the Group. The non-current assets stated in the segment report by region comprise intangible assets, property, plant and equipment and investment property.

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

The consolidated revenues reflect the performance of all the companies included in the basis of consolidation. The total Group revenues represent the revenues of all the companies forming part of our Group. The difference between the consolidated revenues and the total Group revenues is derived from the revenues of the associated companies, from our subcontractor shares in joint ventures, and from the revenues of non-consolidated companies.

The sales revenues with third parties are allocated to the business segments according to the customer’s location. No one customer accounts for more than 10% of total sales.

No breakdown of sales revenues by product and service, or by groups of comparable products and services, was available as per the balance sheet date.

10. EVENTS AFTER JUNE 30, 2019

No events of special note which we would expect to have a material influence on the BAUER Group's balance sheet or earnings occurred after the balance sheet date.

11. MATERIAL TRANSACTIONS WITH RELATED PARTIES

The relationships between fully consolidated Group companies and related companies and persons relate mainly to associated and joint-venture companies. Transactions with the said companies are transacted at standard market terms. In the period under review no material transactions were undertaken with related parties.

12. CONTINGENT LIABILITIES

Contingent liabilities arising from guarantees to third parties exist in an amount of EUR 48,571 thousand (December 31, 2018: EUR 45,252 thousand). In addition, we are subject to joint and several liability in respect of all consortia in which we participate.

ASSURANCE BY THE LEGAL REPRESENTATIVES

We hereby assure that, to the best of our knowledge, the condensed interim consolidated financial statements give a true and fair view of the net assets, financial position and earnings of the Group in accordance with the accounting principles applicable to interim reporting, and that the interim Group Management Report depicts the course of business, including the earnings and overall situation of the Group, in such a way that a true and fair view is conveyed and the material opportunities and risks of the foreseeable development of the Group over the remaining course of the financial year are set out.

Schrobenhausen, August 14, 2019

The Management Board

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

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 2019

April 15, 2019	Publication Annual Report 2018 Annual Press Conference Analysts‘ Conference
May 14, 2019	Quarterly Statement Q1 2019
June 27, 2019	Annual General Meeting
August 14, 2019	**Half-Year Interim Report to June 30, 2019**
November 14, 2019	**Quarterly Statement 9M/Q3 2019**

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

PUBLISHED BY

BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany

Office of the Management Board
Phone: +49 (0)8252 97-1218
E-mail: investor.relations@bauer.de

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