

# Quarterly Statement

9M/Q3 2016



## At a glance

### GROUP KEY FIGURES

IFRS in EUR million	9M/2015	9M/2016	Change
Total Group revenues	1,194.9	1,146.3	-4.1 %
Sales revenues	1,018.8	992.6	-2.6 %
Order backlog	1,017.6	1,019.0	0.1 %
EBITDA	107.0	104.6	-2.2 %
EBIT	36.4	38.0	4.4 %
Earnings after tax	-2.7	-4.0	n/a
Net assets	1,710.7	1,706.7	-0.2 %
Equity	419.5	412.6	-1.6 %
Employees (on average over the year)	10,679	10,662	-0.2 %

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 2015	Forecast 2016
Total Group revenues	1,656	< 1,650
EBIT	90.7	~ 65
Earnings after tax	29.0	~ 10 - 15

## Summary

At the end of the third quarter of 2016 the BAUER Group recorded **total Group revenues** of EUR 1,146.3 million, down 4.1 % versus the previous year (EUR 1,194.9 million). **Sales revenues** decreased by 2.6 % from EUR 1,018.8 million to EUR 992.6 million. **EBIT** increased by 4.4 % from EUR 36.4 million to EUR 38.0 million year-on-year. **Earnings after tax** by the Group amounted to EUR -4.0 million (previous year: EUR -2.7 million), due to higher financial expenses and a slightly negative result from the share of the profit or loss of associated companies using the equity method.

Our business is continuing to develop in the context of highly difficult general conditions. As we are active in all important countries of the world, we are significantly exposed to many political and economic hot spots. Specifically, the continuing low oil price has had negative influences on the construction sector in many countries. In the Equipment segment, the competitive situation with manufacturers in China has normalized although the effects on prices continue to be felt. Against this background, we succeeded in keeping our order intake in the Equipment segment at the same level of the previous year throughout the entire year.

In the construction business, individual markets weighed us down significantly, above all Malaysia and Hong Kong. Throughout the year, the process of awarding contracts for projects was unexpectedly delayed leading to large order shortages at some subsidiaries, with a corresponding financial impact. Together with the deficit in the development in revenues already described in the half-year statement, attributable to the extended startup phase of our major projects, the key figures for our Construction segment are now significantly behind our planning at the end of the third quarter. Moreover, contrary to our expectations, we failed to win a major project for expanding the airport in Hong Kong, a project which would have delivered significant revenues for the Group as a whole in the last months of the year.

In these general conditions, we are entitled to be quite satisfied with the development of our business overall; nevertheless, and contrary to our expectations, we will not succeed in meeting all of the targets we had set ourselves for 2016, for the reasons stated. We will finish the year below our expectations in terms of both revenue and earnings.

Consequently, as already disclosed, we will be unable to meet the forecast for the entire year. We now expect to achieve **total Group revenues** of slightly less than EUR 1.65 billion, **EBIT** of about EUR 65 million and **earnings after tax** of around EUR 10 to 15 million.

The **order backlog** in the Group remains a positive aspect and we have been able to maintain this at the level of about one billion euros throughout the entire year; this represents a significant increase compared to earlier years. At present, this figure is EUR 1,019.0 million (previous year: EUR 1,017.6 million). This growth is mainly due to the Construction and Resources segments, and consequently they are well positioned for the future. Order backlog in the Equipment segment decreased primarily due to outsourcing the business with deep drilling rigs. The order situation is also pleasing in the joint venture with Schlumberger, which is now operating under the name NEORig. Order intake development for specialist foundation engineering equipment matched our expectations.

All in all, the order situation and the existing opportunities offered by the market provide a suitable foundation for the further business development of our Group.

## Significant events and transactions

### CONSTRUCTION SEGMENT

in EUR '000	9M/2015	9M/2016	Change
Total Group revenues	564,426	516,357	-8.5 %
Sales revenues	499,404	461,206	-7.6 %
Order backlog	584,266	578,002	-1.1 %
EBIT	12,394	12,603	1.7 %

**Total Group revenues** for the Construction segment were 8.5 % lower year-on-year at EUR 516.4 million. **EBIT** grew by 1.7 % from EUR 12.4 million to EUR 12.6 million.

Over the course of the year, the key figures were negatively impacted above all by financial burdens from Malaysia and Hong Kong attributable to long delays and the resulting significant order shortages. Moreover, there were delays in starting our major projects during the first half of the year. In the previous year, the key result figures were at a similar level as a result of losses at our subsidiary in the USA. Consequently, the international business was the reason for the unsatisfactory result. In Germany, in contrast, the specialist foundation engineering business enjoyed a very pleasing development.

**Order backlog** in our Construction segment decreased slightly by 1.1 % to EUR 578.0 million (previous year: EUR 584.3 million). This means it continues to remain on its high level. The overall order backlog is evenly distributed geographically across the world, providing a firm foundation for us to achieve our targets. Even the regions affected by order shortages this year have succeeded in winning new projects within the past few weeks. In the Middle East, we are expecting a decline in the medium term as a result of the low oil price.

## EQUIPMENT SEGMENT

in EUR '000	9M/2015	9M/2016	Change
Total Group revenues	496,591	465,699	-6.2 %
Sales revenues	367,275	346,023	-5.8 %
Order backlog	159,666	150,635	-5.7 %
EBIT	24,585	22,790	-7.3 %

**Total Group revenues** in the Equipment segment up to the end of the third quarter decreased by 6.2 % year-on-year, from EUR 496.6 million to EUR 465.7 million. **Sales revenues** also fell by 5.8 % from EUR 367.3 million to EUR 346.0 million. **EBIT** is EUR 22.8 million, which is 7.3 % less than the previous year's EUR 24.6 million.

When comparing the results, it should be considered that there was a special result in the third quarter 2015 from the sale of 50 % of the shares and the revaluation of the remaining 40 % of the shares in SPANTEC Spann- & Ankertechnik GmbH. The year-on-year improvement in the operating result is due, among other factors, to the delivery of some large and special rigs.

**Order backlog** in the Equipment segment decreased from EUR 159.7 million to EUR 150.6 million. This decrease is primarily due to the business with deep drilling rigs. The deep drilling business has now been integrated in the joint venture with Schlumberger. Order intake for the specialist foundation engineering equipment developed better than in the previous year. Generally speaking, the global construction machinery markets are relatively weak overall due to the decreasing market in China, the situation in Russia, and the low oil prices.

## RESOURCES SEGMENT

in EUR '000	9M/2015	9M/2016	Change
Total Group revenues	177,199	205,365	15.9 %
Sales revenues	151,633	184,191	21.5 %
Order backlog	273,688	290,321	6.1 %
EBIT	-1,183	3,419	n/a

After the third quarter 2016, **total Group revenues** in the Resources segment amounted to EUR 205.4 million, 15.9 % up year-on-year (EUR 177.2 million). **EBIT** amounted to EUR 3.4 million (previous year: EUR -1.2 million).

The Resources segment's performance at the beginning of the year was considerably better than last year, mainly due to major projects in the environmental business. The situation remains difficult on account of the very poor exploration and water drilling business. It is pleasing that our subsidiary in Jordan has once again succeeded in winning major orders, meaning that utilization of previously shut-down capacity is significantly improving. As part of the reorganization of the segment, many restructuring measures have already been carried out successfully. The major adjustments will be completed by the end of the year, thereby allowing us to concentrate fully on the operational business from the start of next year.

The segment has an excellent **order backlog** with a volume of EUR 290.3 million, 6.1 % up on the previous year (EUR 273.7 million).

# Full-year outlook

## CHANGE IN FORECAST REPORT

This year, we have been struggling above all with order shortages and delays in the Construction segment, leading to financial impacts. As a result, at the start of November we were obliged to adjust our forecast for the full-year given in the 2015 annual report.

As already disclosed, we now expect to achieve **total Group revenues** of slightly less than EUR 1.65 billion (previously: about EUR 1.65 billion), **EBIT** of about EUR 65 million (previously: about EUR 75 million) and **earnings after tax** of around EUR 10 to 15 million (previously: around EUR 20 to 25 million).

As a result of the earnings situation which remains unsatisfactory, we have started projects in all areas of the Group involving value analysis methods and personnel optimizations with the intention of reducing costs.

Overall, we see a positive trend for our business in spite of the difficult development over recent years. Even given the difficult market environment with its numerous disruptions, the global construction market continued to record positive growth. Consequently, we assume that we can proceed into the coming year with a high order backlog. We have succeeded in resolving many areas which proved problematic in recent years, and we are continuing to work intensively on others. As a result, we are convinced that we are on the right path improving our earnings again.

# Interim consolidated financial statements

## CONSOLIDATED INCOME STATEMENT

in EUR '000	Q3/2015	Q3/2016	9M/2015	9M/2016
1. Sales revenues	376,828	342,785	1,018,818	992,552
2. Changes in inventories	-623	13,211	47,571	60,304
3. Other capitalized goods and services for own account	1,087	3,752	11,287	9,869
4. Other income	16,816	4,795	57,106	21,980
<b>Consolidated revenues</b>	<b>394,108</b>	<b>364,543</b>	<b>1,134,782</b>	<b>1,084,705</b>
5. Cost of materials	-187,485	-178,404	-549,680	-531,816
6. Personnel expenses	-96,079	-92,259	-280,915	-275,177
7. Other operating expenses	-66,531	-51,972	-197,146	-173,083
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>44,013</b>	<b>41,908</b>	<b>107,041</b>	<b>104,629</b>
8. Depreciation and amortization				
a) Depreciation of fixed assets	-20,203	-18,252	-61,022	-55,037
b) Write-downs of inventories due to use	-3,420	-4,000	-9,638	-11,576
<b>Earnings before interest and tax (EBIT)</b>	<b>20,390</b>	<b>19,656</b>	<b>36,381</b>	<b>38,016</b>
9. Financial income	321	1,430	3,261	3,604
10. Financial expenses	-10,891	-9,827	-30,422	-31,590
11. Share of the profit or loss of associated companies accounted for using the equity method	517	-1,097	1,450	-1,034
<b>Earnings before tax (EBT)</b>	<b>10,337</b>	<b>10,162</b>	<b>10,670</b>	<b>8,996</b>
12. Income tax expense	-6,228	-6,287	-13,321	-12,983
<b>Earnings after tax</b>	<b>4,109</b>	<b>3,875</b>	<b>-2,651</b>	<b>-3,987</b>
of which attributable to shareholders of BAUER AG	3,287	2,747	-4,197	-6,827
of which attributable to non-controlling interests	822	1,128	1,546	2,840

in EUR	Q3/2015	Q3/2016	9M/2015	9M/2016
Basic earnings per share	0.20	0.16	-0.24	-0.40
Diluted earnings per share	0.20	0.16	-0.24	-0.40
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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	Q3/2015	Q3/2016	9M/2015	9M/2016
<b>Earnings after tax</b>	<b>4,109</b>	<b>3,875</b>	<b>-2,651</b>	<b>-3,987</b>
Income and expenses which will not be subsequently reclassified to profit and loss				
Revaluation of commitments arising from benefits to employees after termination of employment	1,347	-3,752	9,028	-26,634
Deferred taxes on that revaluation with no effect on profit and loss	-379	1,053	-2,535	7,479
Income and expenses which will be subsequently reclassified to profit and loss				
Market valuation of derivative financial instruments	1,695	-1,614	-2,840	-4,679
Included in profit and loss	-335	1,175	3,434	3,741
Deferred taxes on financial instruments with no effect on profit and loss	-382	142	-167	281
Exchange differences on translation of foreign subsidiaries	-10,387	-3,431	1,778	-9,684
<b>Other comprehensive income</b>	<b>-8,441</b>	<b>-6,427</b>	<b>8,698</b>	<b>-29,496</b>
<b>Total comprehensive income</b>	<b>-4,332</b>	<b>-2,552</b>	<b>6,047</b>	<b>-33,483</b>
of which attributable to shareholders of BAUER AG	-5,087	-3,374	4,205	-33,932
of which attributable to non-controlling interests	755	822	1,842	449

## CONSOLIDATED BALANCE SHEET

<b>ASSETS</b> in EUR '000	Sep. 30, 2015	Dec. 31, 2015	Sep. 30, 2016
<b>A. Non-current assets</b>			
I. Intangible assets	31,228	27,455	24,653
II. Property, plant and equipment and investment property	443,993	404,356	391,222
III. Investments accounted for using the equity method	52,953	132,553	128,140
IV. Participations	3,613	3,613	3,457
V. Deferred tax assets	28,977	27,190	39,189
VI. Other non-current assets	7,202	7,722	7,832
VII. Other non-current financial assets	28,119	15,355	19,007
	<b>596,085</b>	<b>618,244</b>	<b>613,500</b>
<b>B. Current assets</b>			
I. Inventories	470,236	444,629	500,709
II. Receivables and other assets	593,760	544,329	534,507
III. Effective income tax refund claims	1,599	2,300	3,127
IV. Cash and cash equivalents	49,040	47,406	38,636
V. Assets classified as held for sale	0	0	16,172
	<b>1,114,635</b>	<b>1,038,664</b>	<b>1,093,151</b>
	<b>1,710,720</b>	<b>1,656,908</b>	<b>1,706,651</b>
<b>LIABILITIES</b> in EUR '000	Sep. 30, 2015	Dec. 31, 2015	Sep. 30, 2016
<b>A. Equity</b>			
I. Equity of BAUER AG shareholders	399,324	438,842	402,628
II. Non-controlling interests	20,171	12,368	9,960
	<b>419,495</b>	<b>451,210</b>	<b>412,588</b>
<b>B. Non-current debt</b>			
I. Provisions for pensions	109,457	112,284	140,320
II. Financial liabilities	413,371	393,694	421,625
III. Other non-current liabilities	5,687	7,262	7,444
IV. Deferred tax liabilities	14,267	20,664	26,119
	<b>542,782</b>	<b>533,904</b>	<b>595,508</b>
<b>C. Current debt</b>			
I. Financial liabilities	385,068	318,700	352,912
II. Other current liabilities	330,267	317,785	315,208
III. Effective income tax obligations	14,885	16,955	12,515
IV. Provisions	18,223	18,354	17,920
	<b>748,443</b>	<b>671,794</b>	<b>698,555</b>
	<b>1,710,720</b>	<b>1,656,908</b>	<b>1,706,651</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	9M/2015	9M/2016
<b>Cash flows from operational activity:</b>		
Earnings before tax	10,670	8,996
Depreciation of fixed assets	61,022	55,037
Write-downs of inventories due to use	9,638	11,576
Financial income *	-3,261	-3,604
Financial expenses *	30,422	31,590
Other non-cash transactions and results of de-consolidations *	-33,008	-38
Dividends received	921	2,783
Result from the disposal of fixed assets	-1,957	-1,277
Result from associated companies accounted for using the equity method *	1,450	-1,034
Change in provisions	1,663	-113
Change in trade receivables	18,789	81,190
Change in receivables from construction contracts	-77,630	-60,534
Change in other assets and in prepayments and deferred charges	-14,211	-18,759
Change in inventories	-42,219	-79,797
Change in trade payables	30,761	7,483
Change in liabilities from construction contracts	-13,768	-11,508
Change in other current and non-current liabilities	-11,187	5,299
<b>Cash and cash equivalents generated from day-to-day business operations</b>	<b>-31,905</b>	<b>27,290</b>
Income tax paid	-7,238	-17,822
<b>Net cash from operating activities</b>	<b>-39,143</b>	<b>9,468</b>
<b>Cash flows from investment activity:</b>		
Acquisition of property, plant and equipment and intangible assets	-56,052	-45,898
Proceeds from sale of fixed assets	18,923	11,873
Consolidation scope-related change in financial resources	-2,047	-19
<b>Net cash used in investing activities</b>	<b>-39,176</b>	<b>-34,044</b>
<b>Cash flows from financing activity:</b>		
Raising of loans and liabilities to banks	167,098	147,615
Repayment of loans and liabilities to banks	-47,869	-98,844
Repayment of liabilities from finance lease agreements	-5,871	-2,596
Dividends paid	-2,987	-3,098
Interest paid	-28,312	-27,443
Interest received	2,815	2,863
<b>Net cash used in financing activities</b>	<b>84,874</b>	<b>18,497</b>
<b>Changes in liquid funds affecting payments</b>	<b>6,555</b>	<b>-6,079</b>
Influence of exchange rate movements on cash	650	-2,691
<b>Total change in liquid funds</b>	<b>7,205</b>	<b>-8,770</b>
<b>Cash and cash equivalents at beginning of reporting period</b>	<b>41,835</b>	<b>47,406</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>49,040</b>	<b>38,636</b>
<b>Change in cash and cash equivalents</b>	<b>7,205</b>	<b>-8,770</b>

\* Previous year adjusted

### **FUTURE-RELATED STATEMENTS**

This Interim Report 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 Interim Report.

## FINANCIAL CALENDAR 2017

<b>April 13, 2017</b>	<b>Publication Annual Report 2016 Annual Press Conference Analysts' Conference</b>
<b>May 15, 2017</b>	<b>Quarterly Statement Q1 2017</b>
<b>June 29, 2017</b>	<b>Annual General Meeting</b>
<b>August 11, 2017</b>	<b>Half-Year Interim Report to June 30, 2017</b>
<b>November 14, 2017</b>	<b>Quarterly Statement 9M/Q3 2017</b>

You will find more information on the BAUER Group on the Internet at [www.bauer.de](http://www.bauer.de).

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