

Quarterly Statement

9M/Q3 2017



At a glance

GROUP KEY FIGURES

IFRS in EUR million	9M/2016	9M/2017	Change
Total Group revenues	1,146.3	1,398.1	22.0%
Sales revenues	992.6	1,265.6	27.5%
Order intake	1,169.6	1,367.3	16.9%
Order backlog	1,019.0	977.3	-4.1%
EBITDA	104.6	118.8	13.5%
EBIT	38.0	48.9	28.7%
Earnings after tax	-4.0	6.9	n/a
Total assets	1,706.7	1,783.5	4.5%
Equity	412.6	423.7	2.7%
Employees (on average over the year)	10,662	10,819	1.5%

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 2016	Forecast 2017
Total Group revenues	1,586	~ 1,800
EBIT	68.3	~ 75
Earnings after tax	14.4	~ 23-28

Summary

By the end of the third quarter of 2017, the **total Group revenues** of the BAUER Group had increased by 22.0% compared to the same period of the previous year, from EUR 1,146.3 million to EUR 1,398.1 million. In the Construction and Equipment segments, the financial year began with a very good development of revenues, which continued on into the subsequent quarters. With the very good order backlog, zero delays in the commencement of virtually all projects in the Construction segment as well as increased order intake in the Equipment segment were responsible for this. **Sales revenues** grew by 27.5% to EUR 1,265.6 million. **EBIT** increased from EUR 38.0 million to EUR 48.9 million year-on-year. The Group's **earnings after tax** were EUR 6.9 million (previous year: EUR -4.0 million). With a view to the development of earnings, the Equipment segment has significantly improved, whereas the Construction and Resources segments are behind expectations.

Group's **order backlog** for the period declined 4.1% year-on-year to EUR 977.3 million. A high double-digit million order backlog was taken off the books after the sale of shares in a real estate company at the end of 2016. Without this effect, the orders in hand were higher than the previous year. **Order intake** grew significantly by 16.9% from EUR 1,169.6 million to EUR 1,367.3 million. Numerous projects in the field of specialist foundation engineering were acquired and order intake increased in the Equipment segment thanks to a very good inflow of orders from all regions of the world. In the Resources segment, there continues to be a high order backlog, which increased slightly compared to the previous year. There are more opportunities for larger projects here. We expect their concrete commissioning in the fourth quarter.

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	9M/2016	9M/2017	Change
Total Group revenues	516,357	666,532	29.1%
Sales revenues	461,206	617,500	33.9%
Order intake	503,300	597,743	18.8%
Order backlog	578,002	516,483	-10.6%
EBIT	12,603	7,342	-41.7%

The **total Group revenues** in the Construction segment amounting to EUR 666.5 million were 29.1% up on the previous year. The handling of extensive projects over the course of the year and capacity distributed evenly across the globe ensure the significant increase in revenues compared to the previous year. **EBIT** decreased from EUR 12.6 million to EUR 7.3 million year-on-year, thus developing not in line with revenues or our expectations. As reported after the second quarter, this figure was negatively impacted in the third quarter as well by individual unsatisfactory projects in Germany and Australia as well as by effects related to exchange rate fluctuations.

Order backlog in our Construction segment decreased to EUR 516.5 million (previous year: EUR 578.0 million). However, this still represents an increase in order volume in specialist foundation engineering because of the derecognized order backlogs described above. Over the course of the year, we received the contracts for a number of larger projects, meaning **order intake** grew by 18.8% from EUR 503.3 million to EUR 597.7 million. The orders are distributed evenly across the regions in the world and are an excellent basis for the months to come.

EQUIPMENT SEGMENT

in EUR '000	9M/2016	9M/2017	Change
Total Group revenues	465,699	579,017	24.3%
Sales revenues	346,023	480,838	39.0%
Order intake	488,238	588,099	20.5%
Order backlog	150,635	153,112	1.6%
EBIT	22,790	46,728	n/a

The **total Group revenues** in the Equipment segment had increased significantly by 24.3% year-on-year from EUR 465.7 million to EUR 579.0 million by the end of the third quarter. **Sales revenues** also increased significantly by 39.0% from EUR 346.0 million to EUR 480.8 million. **EBIT** increased strongly from EUR 22.8 million to EUR 46.7 million year-on-year. The earnings figures are therefore significantly higher than our expectations. In addition to a considerable year-on-year rise in sales and successful deliveries of large machinery and specialist equipment, the improved ratio between fixed costs and sales also contributed to this increase.

Order backlog in the Equipment segment grew from EUR 150.6 million to EUR 153.1 million, the **order intake** by 20.5% from EUR 488.2 million to EUR 588.1 million. The trend toward increased and more stable order intake, which started in the fall of 2016, continued. The fact that this development is being recorded in almost all global regions is a positive sign. Europe and Asia developed particularly positively and exceeded our expectations. The Asian market, and particularly China, started to normalize after many years of overcapacities. The current production utilization and order backlog give us reason to expect continued positive development in the coming months.

RESOURCES SEGMENT

in EUR '000	9M/2016	9M/2017	Change
Total Group revenues	205,365	193,469	-5.8%
Sales revenues	184,191	166,258	-9.7%
Order intake	219,223	222,389	1.4%
Order backlog	290,321	307,715	6.0%
EBIT	3,419	-5,339	n/a

After the third quarter of 2017, the **total Group revenues** in the Resources segment amounted to EUR 193.5 million, 5.8% down year-on-year (EUR 205.4 million). **EBIT** amounted to EUR -5.3 million (previous year: EUR 3.4 million). The earnings figures were therefore significantly lower than in the previous year.

The raw materials markets are recovering only slowly – particularly in Africa. This combined with the continuously low oil price is affecting both revenues and earnings within the scope of our expectations. The segment is also burdened by a project in the brewery business as well as other required reorganization expenses, which have again negatively impacted earnings with respect to the first half of 2017. By contrast, the water and environment businesses are continuing to develop positively. In our environment business, we are expecting the contract for a big project in the Middle East in the fourth quarter, and are also anticipating good opportunities in China in the medium term.

The development in the raw materials markets, which at least has improved again somewhat, is slightly increasing demand for drilling services in Africa at present. With the conclusion of the reorganization measures, our medium-term perspectives have improved again significantly in the segment thanks to its forward-looking environment, water and natural resources business.

The segment has a solid **order backlog** with a volume of EUR 307.7 million, 6.0% up on the previous year. **Order intake** grew slightly by 1.4% to EUR 222.4 million.

Full-year outlook

We forecast a positive trend for our business overall. The global construction market is recording continued stable growth and demand for challenging specialist foundation engineering projects will continue to grow due to continuing urbanization and an increasingly complex infrastructure. Due to the significant increase in business in the current year, we are currently anticipating a slight decline in revenues for our Construction segment in 2018. The overcapacities in the equipment market have been reduced significantly and the breaking up of a period of reluctance to invest of almost ten years, which is currently resulting in significant growth on the construction machinery market, is providing additional opportunities in the short and medium term. For Resources, the recovery and stabilization of the raw materials prices is pushing investments in the industry once again.

Our three segments have developed very differently over the course of the year. The Construction and Resources segments, which are behind our expectations with respect to their earnings, are contrasted by a significant increase in the Equipment segment. All in all, we expect to achieve the forecast updated with the half-year interim report for the Group. This means for full-year 2017 **total Group revenues** of around EUR 1.8 billion, **earnings after tax** of around EUR 23 to 28 million, and **EBIT** of around EUR 75 million.

Interim consolidated financial statements

CONSOLIDATED INCOME STATEMENT

in EUR '000	Q3/2016	Q3/2017	9M/2016	9M/2017
1. Sales revenues	342,785	435,402	992,552	1,265,644
2. Changes in inventories	13,211	1,644	60,304	13,933
3. Other capitalized goods and services for own account	3,752	6,291	9,869	15,200
4. Other income	4,795	10,174	21,980	34,151
Consolidated revenues	364,543	453,511	1,084,705	1,328,928
5. Cost of materials	-178,404	-250,473	-531,816	-718,965
6. Personal expenses	-92,259	-97,711	-275,177	-288,793
7. Other operating expenses	-51,972	-59,024	-173,083	-202,409
Earnings before interest, tax, depreciation and amortization (EBITDA)	41,908	46,303	104,629	118,761
8. Depreciation and amortization				
a) Depreciation of fixed assets	-18,252	-19,351	-55,037	-58,991
b) Write-downs of inventories due to use	-4,000	-3,689	-11,576	-10,834
Earnings before interest and tax (EBIT)	19,656	23,263	38,016	48,936
9. Financial income	1,430	285	3,604	5,784
10. Financial expenses	-9,827	-9,329	-31,590	-29,078
11. Share of the profit or loss of associated companies accounted for using the equity method	-1,097	745	-1,034	1,799
Earnings before tax (EBT)	10,162	14,964	8,996	27,441
12. Income tax expense	-6,287	-8,235	-12,983	-20,580
Earnings after tax	3,875	6,729	-3,987	6,861
of which attributable to shareholders of BAUER AG	2,747	6,676	-6,827	5,373
of which attributable to non-controlling interests	1,128	53	2,840	1,488

in EUR	Q3/2016	Q3/2017	9M/2016	9M/2017
Basic earnings per share	0.16	0.39	-0.40	0.31
Diluted earnings per share	0.16	0.39	-0.40	0.31
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	Q3/2016	Q3/2017	9M/2016	9M/2017
Earnings after tax	3,875	6,729	-3,987	6,861
Income and expenses which will not be subsequently reclassified to profit and loss				
Revaluation of commitments arising from employee benefits after termination of employment	-3,752	-3	-26,634	5,861
Deferred taxes on that revaluation with no effect on profit and loss	1,053	0	7,479	-1,647
Income and expenses which will be subsequently reclassified to profit and loss				
Market valuation of derivative financial instruments	-1,614	-4,796	-4,679	-14,419
Included in profit and loss	1,175	4,148	3,741	13,020
Deferred taxes on financial instruments with no effect on profit and loss	142	182	281	393
Exchange differences on translation of foreign subsidiaries	-3,431	-4,926	-9,684	-18,379
Other comprehensive income	-6,427	-5,395	-29,496	-15,171
Total comprehensive income	-2,552	1,334	-33,483	-8,310
of which attributable to shareholders of BAUER AG	-3,374	1,483	-33,932	-8,741
of which attributable to non-controlling interests	822	-149	449	431

CONSOLIDATED BALANCE SHEET

ASSETS in EUR '000	Sep. 30, 2016	Dec. 31, 2016	Sep. 30, 2017
A. Non-current assets			
I. Intangible assets	24,653	25,640	21,254
II. Property, plant and equipment and investment property	391,222	407,977	406,231
III. Investments accounted for using the equity method	128,140	129,252	122,911
IV. Participations	3,457	9,730	9,746
V. Deferred tax assets	39,189	42,907	43,943
VI. Other non-current assets	7,832	8,256	7,682
VII. Other non-current financial assets	19,007	18,412	15,210
	613,500	642,174	626,977
B. Current assets			
I. Inventories	500,709	447,326	445,958
II. Receivables and other assets	534,507	554,076	647,584
III. Effective income tax refund claims	3,127	4,771	6,884
IV. Cash and cash equivalents	38,636	33,463	56,129
V. Assets held for sale	16,172	19,608	0
	1,093,151	1,059,244	1,156,555
	1,706,651	1,701,418	1,783,532

EQUITY AND LIABILITIES in EUR '000	Sep. 30, 2016	Dec. 31, 2016	Sep. 30, 2017
A. Equity			
I. Equity of BAUER AG shareholders	402,628	429,867	419,413
II. Non-controlling interests	9,960	4,264	4,292
	412,588	434,131	423,705
B. Non-current debt			
I. Provisions for pensions	140,320	127,081	122,810
II. Financial liabilities	421,625	199,864	418,286
III. Other non-current liabilities	7,444	7,556	6,237
IV. Deferred tax liabilities	26,119	22,296	27,869
	595,508	356,797	575,202
C. Current debt			
I. Financial liabilities	352,912	510,497	324,090
II. Other current liabilities	315,208	370,900	431,317
III. Effective income tax obligations	12,515	11,213	10,621
IV. Provisions	17,920	17,880	18,597
	698,555	910,490	784,625
	1,706,651	1,701,418	1,783,532

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	9M/2016	9M/2017
Cash flows from operational activity:		
Earnings before tax	8,996	27,441
Depreciation / Reversals of impairment of fixed assets	55,037	58,991
Write-downs of inventories due to use	11,576	10,834
Depreciation of financial assets	0	122
Financial income	-3,604	-5,784
Financial expenses	31,590	28,956
Other non-cash transactions and results of de-consolidations	-38	55,468
Dividends received	2,783	2,877
Result from the disposal of fixed assets	-1,277	-4,185
Result from associated companies accounted for using the equity method	-1,034	1,799
Change in provisions	-113	-1,224
Change in trade receivables	81,190	-11,830
Change in receivables from construction contracts	-60,534	-78,252
Change in other assets and in prepayments and deferred charges	-18,759	-34,602
Change in inventories	-79,797	-31,852
Change in trade payables	7,483	68,040
Change in liabilities from construction contracts	-11,508	-4,510
Change in other current and non-current liabilities	5,299	-13,473
Cash and cash equivalents generated from day-to-day business operations	27,290	68,816
Income tax paid	-17,822	-23,004
Net cash from operating activities	9,468	45,812
Cash flows from investment activity:		
Acquisition of property, plant and equipment and intangible assets	-45,898	-51,678
Proceeds from sale of fixed assets	11,873	13,571
Consolidation scope-related change in financial resources	-19	-9
Net cash used in investing activities	-34,044	-38,116
Cash flows from financing activity:		
Raising of loans and liabilities to banks	147,615	102,305
Repayment of loans and liabilities to banks	-98,844	-51,604
Repayment of liabilities from finance lease agreements	-2,596	-10,020
Dividends paid	-3,098	-2,116
Interest paid	-27,443	-26,198
Interest received	2,863	4,265
Net cash used in financing activities	18,497	16,632
Changes in liquid funds affecting payments	-6,079	24,328
Influence of exchange rate movements on cash	-2,691	-1,662
Total change in liquid funds	-8,770	22,666
Cash and cash equivalents at beginning of reporting period	47,406	33,463
Cash and cash equivalents at end of reporting period	38,636	56,129
Change in cash and cash equivalents	-8,770	22,666

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.

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BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany

Office of the Management Board:
Phone: +49 (0)8252 97-1218
Fax: +49 (0)8252 97-2900
E-mail: investor.relations@bauer.de

Registered place of business:
86529 Schrobenhausen, Germany
Registered at the Local Court of
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