

Quarterly Statement

9M/Q3 2018



At a glance

GROUP KEY FIGURES

IFRS in EUR million	9M/2017 *	9M/2018	Change
Total Group revenues	1,378.9	1,235.8	-10.4%
Sales revenues	1,265.6	1,122.2	-11.3%
Order intake	1,348.1	1,237.2	-8.2%
Order backlog	977.3	979.2	0.2%
EBITDA	136.2	126.2	-7.3%
EBIT	66.4	56.8	-14.5%
Earnings after tax	6.9	13.1	90.7%
Total assets	1,765.1	1,729.3	-2.0%
Equity	423.7	421.8	-0.5%
Employees (on average over the year)	10,819	11,475	6.1%

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

At variance with the consolidated revenues presented in the Group income statement, the total Group revenues presented here include portions of revenues from associated companies as well as revenues of non-consolidated subsidiaries and joint ventures.

OUTLOOK

in EUR million	Actual 2017	Forecast 2018 to date	Forecast 2018 new
Total Group revenues	1,772	~ 1,800	~ 1,700
EBIT	89.6	~ 90	~ 90
Earnings after tax	3.7	significant increase	significant increase

Summary

At the end of the third quarter of 2018, the **total Group revenues** of the BAUER Group decreased by 10.4% from EUR 1,378.9 million to EUR 1,235.8 million compared to the same period of the previous year. The main reason for this was the Construction segment, although the figures here are compared with an unusually good prior-year period. Nevertheless, revenues in the segment were below expectations, as some projects were not awarded as planned in the current year, and significant decline is recorded particularly in Middle Eastern markets. **Sales revenues** were down by 11.3% to EUR 1,122.2 million. **EBIT** fell from EUR 66.4 million in the previous year to EUR 56.8 million. **Earnings after tax** for the Group improved substantially from EUR 6.9 million in the previous year to EUR 13.1 million, as currency effects in particular had a significantly lower impact than in 2017.

The **order backlog** in the Group with EUR 979.2 million is almost exactly at the level of the same period of the previous year (EUR 977.3 million) and at the end of 2017 (EUR 977.8 million). The Construction and Equipment segments recorded a slight decline, while Resources furthermore was above the previous year. **Order intake** fell by 8.2% from EUR 1,348.1 million to EUR 1,237.2 million. All three business segments were below the previous year's level. However, there are still many good project opportunities in all segments.

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

At the beginning of November, Michael Stomberg started his work as the new Chairman of the Management Board of BAUER AG. He comes from the Bavarian mid-sized company EagleBurgmann, which is very internationally oriented and belongs to the Freudenberg family-owned group. He previously served as Chief Operating Officer here. Prof. Thomas Bauer joined the Supervisory Board as announced and has, in the meantime, taken on the role of Chairman.

Significant events and transactions

CONSTRUCTION SEGMENT

in EUR '000	9M/2017 *	9M/2018	Change
Total Group revenues	658,432	537,068	-18.4%
Sales revenues	617,500	509,472	-17.5%
Order intake	589,643	547,631	-7.1%
Order backlog	516,483	503,244	-2.6%
EBIT	21,444	12,735	-40.6%

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

Total Group revenues for the Construction segment were EUR 537.1 million, significantly down by 18.4% compared to the previous year. With a figure of EUR 658.4 million, this was at an unusually high level in the previous year since some large projects generated very high revenues. So far weaker capacity utilization, shifts in project awards as well as generally weaker Middle Eastern markets led to the decline in revenue figures this year. **EBIT** decreased from EUR 21.4 million to EUR 12.7 million year-on-year.

We expect the earnings to improve further by the end of the year as some larger successful projects continue over the next few months. Unlike as expected in the first half of the year, we will not be able to make any substantial recovery in terms of total Group revenues, as some projects could not be started as expected.

Order backlog in our Construction segment has declined slightly by 2.6% to EUR 503.2 million (previous year: EUR 516.5 million), which can be attributed to the lower **order intake** of EUR 547.6 million, which is 7.1% less than the value for the previous year of EUR 589.6 million. Overall, the order backlog still represents a good basis for achieving our targets. Despite strongly fluctuating economic and political developments, it is spread very evenly across the global regions, with the exception of the Middle East. In addition, we are currently working on further interesting project opportunities. Among others, these include large projects in England, Eastern Europe, North Africa and the USA.

EQUIPMENT SEGMENT

in EUR '000	9M/2017 *	9M/2018	Change
Total Group revenues	568,617	554,663	-2.5%
Sales revenues	480,838	446,288	-7.2%
Order intake	577,699	557,104	-3.6%
Order backlog	153,112	151,785	-0.9%
EBIT	48,832	52,122	6.7%

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

Total Group revenues in the Equipment segment in the first nine months of the year fell slightly by 2.5% from EUR 568.6 million to EUR 554.7 million compared with the same period of the previous year. **Sales revenues** declined by 7.2% from EUR 480.8 million to EUR 446.3 million. In the previous year, the sale of two deep drilling rigs was included here, meaning there is only a slight decline in core business compared to 2017. **EBIT** increased from EUR 48.8 million to EUR 52.1 million year-on-year.

Even though sales revenues declined somewhat in the third quarter, a very satisfactory earnings and margins development continues to be observed. We also expect this at the end of fiscal 2018.

The **order backlog** in the equipment business of EUR 151.8 million is at the previous year's level (EUR 153.1 million). **Order intake** fell slightly by 3.6% from EUR 577.7 million to EUR 557.1 million. Especially positive are the markets in Europe and the Far East. It is merely in Africa and the Middle East that the numbers remain behind expectations. The generally strong growth in the construction machinery sector has resulted in longer lead times for the delivery of components, which have resulted in longer production times in individual cases. Overall, however, we continue to expect a reasonable order situation for the coming months.

RESOURCES SEGMENT

in EUR '000	9M/2017 *	9M/2018	Change
Total Group revenues	192,827	189,138	-1.9%
Sales revenues	166,258	165,406	-0.5%
Order intake	221,747	177,511	-19.9%
Order backlog	307,715	324,144	5.3%
EBIT	-4,542	-7,823	n/a

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

At the end of the third quarter of 2018, **total Group revenues** in the Resources segment with EUR 189.1 million were slightly down by 1.9% on the previous year (EUR 192.8 million). **EBIT** fell from EUR -4.5 million to EUR -7.8 million.

After many measures implemented in previous years, the Resources segment remains in a reorganization phase, which we are continuing to drive onward very actively. The environmental and water treatment business are able to work with a very good order backlog and positive results. Our subsidiary in Jordan, whose drilling capacity has not been exhausted, continues to have the biggest impact on our earnings figures. We expect to be awarded one of the country's major orders in 2018.

The segment has a good **order backlog** of EUR 324.1 million, which is 5.3% above the previous year's EUR 307.7 million. A large portion of this is attributable to the major project for the expansion of the reed bed treatment plant in Oman. This contract is worth about EUR 160 million and is not fully included in the order backlog due to the long duration of the project. At EUR 177.5 million, **order intake** was significantly lower than in the previous year (EUR 221.7 million).

EARNINGS, FINANCIAL AND NET ASSET POSITION

Total assets amounted to EUR 1,729.3 million, 2.0% below the previous year's figure. This figure has increased slightly by 6.9% compared to the year-end figure for 2017 and is in line with seasonal trends. Overall, the balance sheet structure has improved significantly thanks to a reduction of debt.

Already in the first quarter, a large proportion of liabilities to banks was shifted from the short-term to the long-term position compared to the 2017 consolidated financial statements. The covenant (EBITDA to net interest coverage) for primary loans was exceeded as of the end of 2017. According to IFRS, these loans must be transferred to current liabilities to banks by December 31.

Full-year outlook

We continue to forecast a positive trend for our business overall. The global construction market is recording stable growth and demand for complex specialist foundation engineering projects will continue to grow due to continuing urbanization and an increasingly complex infrastructure. The recovery and stabilization of the raw materials prices is pushing investments in the industry once again. After an all-time high in terms of growth and sales in construction equipment business, slower growth is expected here.

Overall, we can be satisfied with how fiscal 2018 has developed; we are in line with our plans with regard to our earnings figures. Due to shifts in construction projects, we will not be able to reach our revenue forecast.

We therefore assume that in fiscal 2018, we will achieve **total Group revenues** of around EUR 1.7 billion (previously: around EUR 1.8 billion).

However, the slightly lower revenues will, from today's perspective, have no impact on our earnings forecast. We continue to assume that we will achieve an **EBIT** of around EUR 90 million and **earnings after tax** well above the previous year.

Interim consolidated financial statements

INCOME STATEMENT

in EUR '000	Q3/2017 *	Q3/2018	9M/2017 *	9M/2018
Sales revenues	435,402	405,118	1,265,644	1,122,222
Changes in inventories	1,644	11,751	13,933	50,062
Other capitalized goods and services for own account	6,291	2,354	15,200	5,949
Other income	5,153	2,379	14,996	9,259
Consolidated revenues	448,490	421,602	1,309,773	1,187,492
Cost of materials	-250,473	-219,190	-718,965	-612,751
Personnel expenses	-97,711	-97,915	-288,793	-287,991
Other operating expenses	-49,554	-57,687	-165,833	-160,526
Earnings before interest, tax, depreciation and amortization (EBITDA)	50,752	46,810	136,182	126,224
Depreciation and amortization				
a) Depreciation of fixed assets	-19,351	-18,768	-58,991	-56,716
b) Write-downs of inventories due to use	-3,689	-5,386	-10,834	-12,743
Earnings before interest and tax (EBIT)	27,712	22,656	66,357	56,765
Financial income	5,306	5,707	24,939	22,811
Financial expenses	-18,799	-11,780	-65,654	-47,207
Share of the profit or loss of associated companies accounted for using the equity method	745	3,702	1,799	3,495
Earnings before tax (EBT)	14,964	20,285	27,441	35,864
Income tax expense	-8,235	-8,850	-20,580	-22,782
Earnings after tax	6,729	11,435	6,861	13,082
of which attributable to shareholders of BAUER AG	6,676	10,390	5,373	11,131
of which attributable to non-controlling interests	53	1,045	1,488	1,951

in EUR	Q3/2017	Q3/2018	9M/2017	9M/2018
Basic earnings per share	0.39	0.61	0.31	0.65
Diluted earnings per share	0.39	0.61	0.31	0.65
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

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

STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	Q3/2017	Q3/2018	9M/2017	9M/2018
Earnings after tax	6,729	11,435	6,861	13,082
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	-412	5,861	-1,877
Deferred taxes on that revaluation with no effect on profit and loss	0	116	-1,647	447
Market valuation of other participations	0	56	0	671
Income and expenses which will be subsequently reclassified to profit and loss				
Market valuation of derivative financial instruments	-4,796	-4,452	-14,419	-1,457
Included in profit and loss	4,148	2,935	13,020	210
Deferred taxes on financial instruments with no effect on profit and loss	182	428	393	350
Exchange differences on translation of foreign subsidiaries	-4,926	-2,685	-18,379	-1,745
Other comprehensive income	-5,395	-4,014	-15,171	-3,401
Total comprehensive income	1,334	7,421	-8,310	9,681
of which attributable to shareholders of BAUER AG	1,483	6,610	-8,741	8,054
of which attributable to non-controlling interests	-149	811	431	1,627

CONSOLIDATED BALANCE SHEET

Assets in EUR '000	Sep. 30, 2017 *	Dec. 31, 2017	Sep. 30, 2018
Intangible assets	21,254	21,021	18,437
Property, plant and equipment and investment property	406,231	407,429	410,368
Investments accounted for using the equity method	122,911	121,315	122,712
Participations	9,746	11,733	11,582
Deferred tax assets	43,943	45,607	47,367
Other non-current assets	7,682	7,653	8,386
Other non-current financial assets	15,210	14,389	19,559
Non-current assets	626,977	629,147	638,411
Inventories	445,958	430,606	490,605
Less advances received on inventories	-18,416	-13,883	-19,690
	427,542	416,723	470,915
Receivables and other assets	647,584	520,591	570,666
Effective income tax refund claims	6,884	3,976	5,086
Cash and cash equivalents	56,129	47,266	44,245
Current assets	1,138,139	988,556	1,090,912
	1,765,116	1,617,703	1,729,323

Equity and liabilities in EUR '000	Sep. 30, 2017 *	Dec. 31, 2017	Sep. 30, 2018
Equity of BAUER AG shareholders	419,413	415,483	417,722
Non-controlling interests	4,292	3,249	4,074
Equity	423,705	418,732	421,796
Provisions for pensions	122,810	126,332	129,536
Financial liabilities	418,286	180,395	381,047
Other non-current liabilities	6,237	6,883	7,166
Deferred tax liabilities	27,869	20,789	25,384
Non-current debt	575,202	334,399	543,133
Financial liabilities	324,090	460,565	342,136
Other current liabilities	412,901	364,998	388,542
Effective income tax obligations	10,621	16,202	18,535
Provisions	18,597	22,807	15,181
Current debt	766,209	864,572	764,394
	1,765,116	1,617,703	1,729,323

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

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	9M/2017	9M/2018
Cash flows from operational activity:		
Earnings before tax (EBT)	27,441	35,864
Depreciation of property, plant and equipment and intangible assets	58,991	56,716
Write-downs of inventories due to use	10,834	12,743
Depreciation of financial assets	122	0
Financial income *	-24,939	-22,811
Financial expenses *	65,533	47,207
Other non-cash transactions and results of de-consolidations *	35,946	5,821
Dividends received	2,877	2,698
Income from the disposal of property, plant and equipment and intangible assets	-4,185	-1,814
Income from associated companies accounted for using the equity method	1,799	3,495
Change in provisions	-1,224	-5,613
Change in trade receivables	-11,830	16,335
Change in contract assets	-78,252	-38,610
Change in other assets and in prepayments and deferred charges	-34,602	-23,257
Change in inventories *	-27,329	-73,336
Change in trade payables *	63,517	29,541
Change in contract liabilities	-4,510	-15,438
Change in other current and non-current liabilities	-13,473	-8,622
Cash and cash equivalents generated from day-to-day business operations *	66,716	20,919
Income tax paid	-23,004	-21,549
Net cash from operating activities *	43,712	-630
Cash flows from investment activity:		
Acquisition of property, plant and equipment and intangible assets	-51,678	-63,983
Proceeds from the sale of property, plant and equipment and intangible assets	13,571	18,347
Consolidation scope-related change in financial resources	-9	0
Net cash used in investing activities	-38,116	-45,636
Cash flows from financing activity:		
Raising of loans and liabilities to banks	102,305	297,460
Repayment of loans and liabilities to banks	-51,604	-217,972
Repayment of liabilities from finance lease agreements	-10,020	-12,254
Dividends paid	-2,116	-2,515
Interest paid *	-24,098	-24,996
Interest received	4,265	3,480
Net cash used in financing activities *	18,732	43,203
Changes in liquid funds affecting payments	24,328	-3,063
Influence of exchange rate movements on cash	-1,662	42
Total change in liquid funds	22,666	-3,021
Cash and cash equivalents at beginning of reporting period	33,463	47,266
Cash and cash equivalents at end of reporting period	56,129	44,245
Change in cash and cash equivalents	22,666	-3,021

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

FUTURE-RELATED STATEMENTS

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

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

DATES 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.

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