

Quarterly Statement

9M/Q3 2019



At a glance

GROUP KEY FIGURES

IFRS in EUR million	9M/2018	9M/2019	Change
Total Group revenues	1,235.8	1,239.4	0.3%
Sales revenues	1,122.2	1,107.7	-1.3%
Order intake	1,237.2	1,288.1	4.1%
Order backlog	979.2	1,062.3	8.5%
EBITDA	126.2	121.0	-4.2%
EBIT	56.8	48.5	-14.5%
Earnings after tax	13.1	-0.4	n/a
Total assets	1,729.3	1,771.1	2.4%
Equity	421.8	415.0	-1.6%
Employees (on average over the year)	11,475	11,570	0.8%

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	~ 70
Earnings after tax	24.1	slightly positive

Summary

At the end of the third quarter of 2019, the **total Group revenues** of the BAUER Group were almost the same, with an increase by 0.3% from EUR 1,235.8 million to EUR 1,239.4 million, compared to the same period of the previous year. Both the Resources and Equipment segments recorded increases, with significant growth in the Resources segment and a slight improvement in the Equipment segment. Revenues declined in the Construction segment. **Sales revenues** decreased by 1.3%, from EUR 1,122.2 million to EUR 1,107.7 million. **EBIT** fell from EUR 56.8 million in the previous year to EUR 48.5 million. **Earnings after tax** for the Group were EUR -0.4 million, compared to EUR 13.1 million in the previous year. The decline in earnings is mainly attributable to the Construction segment, which was particularly affected by project postponements as well as delays in the final awarding of contracts in the Far Eastern and Australian markets. This caused an underutilization of capacities, which led to a corresponding burden of fixed costs.

In addition, the interest rate development resulted in substantial financial strain regarding provisions for pensions and interest rate hedging. The negative effects of the interest rate hedging transactions have a particularly large influence on earnings after tax.

As a result of these contributing factors, the Group needed to adjust its forecast in an ad-hoc announcement on September 18, 2019, as described in more detail in the Outlook section.

The **order backlog** of the Group increased significantly by 8.5% from EUR 979.2 million to EUR 1,062.3 million, a new all-time high. Compared to the end of 2018 (EUR 1,013.6 million), the increase was 4.8%. Order backlog in the Construction segment increased substantially, reflecting the generally high market demand for specialist foundation engineering services around the world. In the Equipment and Resources segments, on the other hand, order backlogs decreased. The **order intake** rose by 4.1%, from EUR 1,237.2 million to EUR 1,288.1 million.

Significant events and transactions

CONSTRUCTION SEGMENT

in EUR '000	9M/2018	9M/2019	Change
Total Group revenues	537,068	514,992	-4.1%
Sales revenues	509,472	484,841	-4.8%
Order intake	547,631	598,806	9.3%
Order backlog	503,244	631,086	25.4%
EBIT	12,735	775	n/a

At EUR 515.0 million, **total Group revenues** in the Construction segment were down by 4.1% compared to the previous year's EUR 537.1 million. The decline is primarily attributable to the markets of the Far East and Australia, which were affected by a lack of orders and project postponements. Underutilization of capacities led to a correspondingly high burden of fixed costs. The outcome of a legal dispute in the Philippines also had a negative impact. As a consequence, **EBIT** decreased significantly from EUR 12.7 million to EUR 0.8 million.

Order backlog in the Construction segment saw a strong increase of 25.4%, from EUR 503.2 million to EUR 631.1 million, taking it to a new all-time high. This is primarily due to large and long-term projects in the USA, including the restoration of the Herbert Hoover Dike, and a major project in Jordan. Accordingly, the **order intake** rose by 9.3% to EUR 598.8 million, compared to EUR 547.6 million in the previous year. Overall, the order situation is very positive. In addition, we are currently working on further interesting, large-scale project opportunities.

EQUIPMENT SEGMENT

in EUR '000	9M/2018	9M/2019	Change
Total Group revenues	554,663	558,924	0.8%
Sales revenues	446,288	446,680	0.1%
Order intake	557,104	545,344	-2.1%
Order backlog	151,785	136,317	-10.2%
EBIT	52,122	51,456	-1.3%

In the first nine months of the year, **total Group revenues** in the Equipment segment increased slightly by 0.8%, from EUR 554.7 million to EUR 558.9 million, when compared to the same period of the previous year. At EUR 446.7 million, **sales revenues** were almost the same as the previous year's EUR 446.3 million. **EBIT**, on the other hand, decreased slightly compared to the previous year, from EUR 52.1 million to EUR 51.5 million. This includes a non-operating charge of EUR 4.5 million that is attributable to an earnings-affecting restructuring of a subsidiary, which was transferred from the Resources segment to the Equipment segment. The opposite effect can be seen in the earnings figures of the Resources segment. Operating performance continued to be positive.

Order backlog in the Equipment segment decreased by 10.2%, from EUR 151.8 million in the previous year to EUR 136.3 million. The **order intake** also fell by 2.1% from EUR 557.1 million to EUR 545.3 million as a result of slightly hesitant ordering behavior in the recent past. Overall, however, we expect to achieve our targets for the year based on the order situation.

RESOURCES SEGMENT

in EUR '000	9M/2018	9M/2019	Change
Total Group revenues	189,138	204,883	8.3%
Sales revenues	165,406	175,174	5.9%
Order intake	177,511	183,266	3.2%
Order backlog	324,144	294,861	-9.0%
EBIT	-7,823	-2,481	n/a

With EUR 204.9 million, **total Group revenues** in the Resources segment were significantly higher at the end of the third quarter of 2019 than the previous year's EUR 189.1 million, marking an increase of 8.3%. **EBIT** improved from EUR -7.8 million to EUR -2.5 million. This includes the positive non-operating contribution of EUR 4.5 million described in the Equipment segment. Compared to the first half of 2019 (EUR 0.5 million), EBIT has decreased due to the fact that, among others, receivables from old projects were adjusted as part of ongoing restructuring. Regardless of these effects, the operative performance of the segment improved.

In the first nine months of the year, the **order backlog** decreased significantly by 9.0% from EUR 324.1 million to EUR 294.9 million. The **order intake** grew by 3.2% from EUR 177.5 million to EUR 183.3 million.

EARNINGS, FINANCIAL AND NET ASSET POSITION

Interest rate hedges have continued to have a significant negative impact on the **financial result**. These must be valued in the balance sheet according to the development of market interest rates. As the market interest rates continue to decrease, this creates a significantly negative effect of considerably more than EUR 10 million on earnings after tax.

At the end of September, the **total assets** amounted to EUR 1,771.1 million, corresponding to an 2.4% increase compared to the previous year. At EUR 33.9 million, non-current assets rose significantly compared to the previous year, mainly due to the first-time application of IFRS 16 to the amount of EUR 19.5 million.

While **inventories** increased compared to the end of 2018, which is typical for the season and can primarily be attributed to the Equipment segment, **receivables and other assets** were significantly reduced. Compared to the end of the third quarter 2018, net debt therefore decreased by 6.3%.

General interest rate developments also led to the valuation of the **provisions for pensions** having a negative effect on the balance sheet and **equity**. Long-term provisions for pensions increased from EUR 129.5 million to EUR 171.2 million compared to the end of the third quarter in the previous year.

Full-year outlook

On September 18, the Group needed to adjust the forecast given in the 2018 Annual Report in an ad-hoc announcement. Previously, total Group revenues for the 2019 financial year were expected to amount to about EUR 1.7 billion, with EBIT of around EUR 95 million and significantly higher earnings after tax compared to the previous year.

In this quarterly statement, we assume that the adjusted forecast published on September 18 will be achieved: **total Group revenues** of about EUR 1.7 billion, **EBIT** of about EUR 70 million and slightly positive **earnings after tax**.

As already mentioned, adjustment of the forecast was primarily necessary due to poor capacity utilization in the Construction segment caused by project postponements and a lack of orders in our international construction markets in several countries. Demand for construction services in the affected markets continues to be high, so it can be expected that the majority of the projects have indeed simply been postponed. Despite this, the poor capacity utilization in the second half of the year led to considerably lower results than previously expected.

Interim consolidated financial statements

INCOME STATEMENT

in EUR '000	Q3/2018	Q3/2019	9M/2018	9M/2019
Sales revenues	405,118	362,223	1,122,222	1,107,665
Changes in inventories	11,751	21,669	50,062	65,548
Other capitalized goods and services for own account	2,354	1,601	5,949	4,626
Other income	2,379	7,217	9,259	15,084
Consolidated revenues	421,602	392,710	1,187,492	1,192,923
Cost of materials	-219,190	-198,158	-612,751	-615,133
Personnel expenses	-97,915	-103,942	-287,991	-308,616
Other operating expenses	-57,687	-52,116	-160,526	-148,196
Earnings before interest, tax, depreciation and amortization (EBITDA)	46,810	38,494	126,224	120,978
Depreciation and amortization				
a) Depreciation of fixed assets	-18,768	-21,616	-56,716	-62,154
b) Write-downs of inventories due to use	-5,386	-3,624	-12,743	-10,310
Earnings before interest and tax (EBIT)	22,656	13,254	56,765	48,514
Financial income	5,707	14,079	22,811	33,959
Financial expenses	-11,780	-25,010	-47,207	-69,619
Share of the profit or loss of associated companies accounted for using the equity method	3,702	3,230	3,495	7,505
Earnings before tax (EBT)	20,285	5,553	35,864	20,359
Income tax expense	-8,850	-5,589	-22,782	-20,773
Earnings after tax	11,435	-36	13,082	-414
of which attributable to shareholders of BAUER AG	10,390	-17	11,131	-2,131
of which attributable to non-controlling interests	1,045	-19	1,951	1,717
in EUR	Q3/2018	Q3/2019	9M/2018	9M/2019
Basic earnings per share	0.61	0.00	0.65	-0.12
Diluted earnings per share	0.61	0.00	0.65	-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	Q3/2018	Q3/2019	9M/2018	9M/2019
Earnings after tax	11,435	-36	13,082	-414
Income and expenses which will not be subsequently reclassified to profit and loss				
Revaluation of commitments arising from employee benefits after termination of employment	-412	-14,744	-1,877	-35,344
Deferred taxes on that revaluation with no effect on profit and loss	116	4,137	447	9,922
Market valuation of other investments	56	0	671	0
Income and expenses which will be subsequently reclassified to profit and loss				
Market valuation of derivative financial instruments (hedging reserve)	-4,452	789	-1,457	280
Included in profit and loss	2,935	-343	210	0
Market valuation of derivative financial instruments (reserve for hedging costs)	0	1,402	0	-168
Included in profit and loss	0	-1,456	0	0
Deferred taxes on financial instruments with no effect on profit and loss	428	-110	350	-31
Exchange differences on translation of foreign subsidiaries	-2,685	6,853	-1,745	12,307
Other comprehensive income	-4,014	-3,472	-3,401	-13,034
Total comprehensive income	7,421	-3,508	9,681	-13,448
of which attributable to shareholders of BAUER AG	6,610	-4,624	8,054	-17,634
of which attributable to non-controlling interests	811	1,116	1,627	4,186

BALANCE SHEET

Assets in EUR '000	Sep. 30, 2018	Dec. 31, 2018	Sep. 30, 2019
Intangible assets	18,437	18,077	16,302
Property, plant and equipment	410,368	411,571	445,123
Investments accounted for using the equity method	122,712	113,019	115,513
Participations	11,582	8,350	8,384
Deferred tax assets	47,367	49,189	67,346
Other non-current assets	8,386	7,637	6,249
Other non-current financial assets	19,559	13,198	13,395
Non-current assets	638,411	621,041	672,312
Inventories	490,605	426,353	507,290
Less advances received on inventories	-19,690	-16,098	-12,151
	470,915	410,255	495,139
Receivables and other assets	570,666	535,111	534,973
Effective income tax refund claims	5,086	3,290	4,551
Cash and cash equivalents	44,245	62,587	64,121
Current assets	1,090,912	1,011,243	1,098,784
	1,729,323	1,632,284	1,771,096

Equity and liabilities in EUR '000	Sep. 30, 2018	Dec. 31, 2018	Sep. 30, 2019
Equity of BAUER AG shareholders	417,722	428,312	408,847
Non-controlling interests	4,074	3,504	6,156
Equity	421,796	431,816	415,003
Provisions for pensions	129,536	134,389	171,178
Financial liabilities	381,047	338,304	392,492
Other liabilities	7,166	5,335	5,993
Deferred tax liabilities	25,384	23,396	29,963
Non-current debt	543,133	501,424	599,626
Financial liabilities	342,136	286,104	308,149
Other liabilities	388,542	357,851	405,531
Effective income tax obligations	18,535	31,687	21,453
Provisions	15,181	23,402	21,334
Current debt	764,394	699,044	756,467
	1,729,323	1,632,284	1,771,096

STATEMENT OF CASH FLOWS

in EUR '000	9M/2018	9M/2019
Cash flows from operational activity:		
Earnings before tax (EBT)	35,864	20,359
Depreciation of property, plant and equipment and intangible assets	56,716	62,154
Write-downs of inventories due to use	12,743	10,310
Depreciation of financial assets	0	0
Financial income	-22,811	-33,959
Financial expenses	47,207	69,619
Other non-cash transactions and results of de-consolidations	5,821	30,735
Dividends received	2,698	1,859
Income from the disposal of property, plant and equipment and intangible assets	-1,814	-2,657
Income from associated companies accounted for using the equity method	3,495	7,505
Change in provisions	-5,613	-1,674
Change in trade receivables	16,335	74,852
Change in contract assets	-38,610	-27,111
Change in other assets and in prepayments and deferred charges	-23,257	-27,521
Change in inventories	-73,336	-107,707
Change in trade payables	29,541	4,777
Change in contract liabilities	-15,438	8,296
Change in other current and non-current liabilities	-8,622	18,345
Cash and cash equivalents generated from day-to-day business operations	20,919	108,182
Income tax paid	-21,549	-32,712
Net cash from operating activities	-630	75,470
Cash flows from investment activity		
Acquisition of property, plant and equipment and intangible assets	-63,983	-66,644
Proceeds from the sale of property, plant and equipment and intangible assets	18,347	20,164
Consolidation scope-related change in financial resources	0	5
Acquisition of financial assets (Participations)	0	-34
Net cash used in investing activities	-45,636	-46,509
Cash flows from financing activity:		
Raising of loans and liabilities to banks	297,460	262,612
Repayment of loans and liabilities to banks	-217,972	-231,441
Repayment of liabilities from lease agreements	-12,254	-14,822
Dividends paid	-2,515	-3,247
Interest paid	-24,996	-50,897
Interest received	3,480	7,907
Net cash used in financing activities	43,203	-29,888
Changes in liquid funds affecting payments	-3,063	-927
Influence of exchange rate movements on cash	42	2,461
Total change in liquid funds	-3,021	1,534
Cash and cash equivalents at beginning of reporting period	47,266	62,587
Cash and cash equivalents at end of reporting period	44,245	64,121
Change in cash and cash equivalents	-3,021	1,534

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.

FINANCIAL CALENDAR 2020

April 9, 2020	Publication Annual Report 2019 Annual Press Conference Analysts' Conference
May 13, 2020	Quarterly Statement Q1 2020
June 25, 2020	Annual General Meeting
August 13, 2020	Half-Year Interim Report to June 30, 2020
November 13, 2020	Quarterly Statement 9M/Q3 2020

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

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