

Half-Year Interim Report

to June 30, 2013



GROUP KEY FIGURES – 1ST HALF 2013

IFRS in EUR million	06/2012 *	06/2013	Change	12/2012 *
Total Group revenues	701.5	724.5	3.3 %	1,445.6
of which Germany	177.7	215.0	21.0 %	385.3
International	523.8	509.5	-2.7 %	1,060.3
International in %	74.7	70.3	n/a	73.3
of which Construction	320.3	347.3	8.4 %	656.8
Equipment	291.2	310.8	6.7 %	596.1
Resources	123.6	94.1	-23.8 %	263.9
Other/Consolidation	-33.6	-27.7	n/a	-71.2
Consolidated revenues	678.7	682.3	0.5 %	1,385.9
Sales revenues	605.4	608.3	0.5 %	1,344.4
Orders received	730.1	808.1	10.7 %	1,480.6
Orders in hand	778.6	868.6	11.6 %	785.0
EBITDA	63.8	51.3	-19.6 %	163.8
EBITDA margin in % (of sales revenues)	10.5	8.4	n/a	12.2
EBIT	19.4	8.4	-56.6 %	72.0
EBIT margin in % (of sales revenues)	3.2	1.4	n/a	5.4
Net profit or loss	-2.8	-7.9	n/a	25.8
Capital investment in property, plant and equipment	52.4	45.7	-12.8 %	96.4
Shareholders' equity	445.1	444.7	-0.1 %	462.8
Equity ratio in %	27.1	26.5	n/a	30.3
Net assets	1,640.2	1,677.8	2.3 %	1,529.4
Earnings per share	-0.12	-0.45	n/a	1.44
Return on equity after tax in %	n/a	n/a	n/a	5.6
Employees (on average over the year)	10,126	10,388	2.6 %	10,253
of which Germany	4,069	4,112	1.1 %	4,090
International	6,057	6,276	3.6 %	6,163

* See footnote on page 18

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.

Percentages are calculated on the basis of unrounded starting values (EUR thousand).

Summary

Total revenues of the BAUER Group for the first half of 2013 were EUR 724.5 million, 3.3 percent above the previous year comparative (EUR 701.5 million). The Construction segment began weakly due to the delayed start-up of some large-scale projects, but still managed to improve its revenues. Revenues in the Equipment segment rose by 6.7 percent. Weak margins meant that earnings were unsatisfactory however. The revenues of the Resources segment fell by 23.8 percent against the previous year, because contracts have not yet been signed on large-scale projects in the pipeline. The segment made a corresponding loss. As per the end of June, the Group's net loss for the period of EUR 7.9 million (previous year: EUR -2.8 million) was well down against the previous year comparative.

A first-quarter loss is commonly seen within our Group, because in many regions weather conditions at the start of the year are a determining factor in terms of business performance. Moreover, the public-sector contracts on which we are particularly dependent tend to be less prevalent at the start of the year due to budget constraints. It is frequently possible to return to profit in the second quarter, though we were unable to do so this year due to delays on projects in the Construction segment and the weak earnings of the Equipment and Resources segments.

Orders in hand rose strongly to EUR 868.6 million (previous year: EUR 778.6 million), thanks primarily to the very healthy trend in the Construction segment and to the better order intake in the Equipment segment.

In view of our weak first-half performance, we are unable to sustain the forecast we set out in our Annual Report. We now forecast full-year total Group revenues of around EUR 1.5 billion and an after-tax profit of around EUR 20 million.

Course of Business and Background Conditions

GENERAL ECONOMIC CLIMATE

Global conditions remain volatile. Who would have thought a few months ago that Egypt would be facing a second uprising? In China, the government is increasingly having to counter rumours of a financial crisis. Growth figures have already been adjusted downwards.

The euro debt crisis is likewise still an ever-present threat. Problems are continually being encountered, and rapid responses demanded. It is now almost five years since the financial crisis which triggered the dramatic turbulence in the global economic system first occurred. Many experts believed its consequences could be overcome in just a few years. There was a widespread feeling in Germany that the crisis had indeed already come to an end. But that was not the case.

The dramatic boom-and-bust trends of the past decade have brought turmoil to the global economy and are still exposing markets to high levels of volatility today. Businesses are finding it very difficult to operate in a climate of rapidly alternating positive and negative trends.

The widely anticipated positive effects of the reversal of energy policy in Germany have not been realized to date. Only the onshore wind power sector is generating healthy orders. The necessary north-to-south power transfer lines are not currently being implemented, and the development of offshore wind power has come to a complete stop. Even the urgently required growth in conventional power station capacity is not happening due to a lack of clear policy framing.

Despite all these problems, there are some positive developments to report too however. The USA appears to be recovering strongly, based largely on the major competitive benefit offered by low-cost energy production from fracking. This is helping to restore the USA's vitally important position as the main driver of global economic development. In the Far East, too, trends are heading in a positive direction. The smaller economies in particular, such as Indonesia, the Philippines and Malaysia, are in sound health. Despite having to deal with lower growth rates, China's economic prospects remain bright thanks to the enormously high demand levels in many sectors.

The situation in the Arab region has improved. In Qatar, large numbers of contracts have finally been awarded in preparation for the football World Cup. Other countries around the region, too, appear to be gradually shaking off the lethargy which had taken hold following the turmoil of recent years. All these factors indicate that the global economy is not on a downward trend overall.

A key factor for the construction business is that there remains considerable backlogged demand all over the world. In Western Europe and North America, much too little has been invested in building projects over a period of many years. Part of the reason for this was the widespread belief that everything needed for the future had already been built. The backlog of investment in infrastructure – such as roads, railways, waterways, power stations, or renewal of housing stocks – is massive. Despite public-sector budget constraints, the construction sector is likely to see healthy growth over the coming years, as the aforementioned work cannot be postponed any longer. Many emerging markets still have major infrastructural deficits. There will be a healthy economic situation here for the construction business for many years to come.

What cannot be expected to last any longer, however, is the enormous growth in construction activity seen in recent years in some countries such as China and India. Construction capacities in those countries are almost fully developed. Construction activity will remain at high levels, but the kind of double-digit annual growth rates seen previously will be very rare. This is of major significance to construction machinery manufacturers especially, as they will not be able to exploit their customers' increasing capacity in future, but will be much more reliant on serving replacement demand. In view of the considerable capacities built up by construction machinery manufacturers in some countries, especially China, in order to feed the domestic boom, the years ahead will be marked more by overcapacity.

Germany's economy has grown pleasingly over the last two years. The automotive industry has been a particularly strong driver of growth, based primarily on carmakers' strong strategic focus on premium models. Although it is to be hoped that the trend will be sustained, there are a number of signs indicating market problems ahead. In view of the still very fragile situation, we in Germany have absolutely no reason to abandon our focus on optimizing costs. It is very much better for all concerned to exercise restraint in terms of labour costs than to return rapidly to the hardships of higher unemployment.

The BAUER Group regards itself as being in a strong position, despite these tough market conditions. The global structure of our business enables us to pursue the opportunities opened up by varying market trends. We have established a degree of flexibility in our business which allows us to rapidly transfer capacities between regions, pulling out of declining markets in order to exploit more profitable growing ones elsewhere.

There are large numbers of major construction projects all around the world for which our expertise is in demand. We are currently working on a large-scale dam remediation project in the USA, as well as on foundation works for Europe's tallest building in St. Petersburg, Russia, and what will be the world's tallest building in Jeddah, Saudi Arabia. Another major infrastructure project being built in large part on our foundation piles is the long-distance bridge between Hong Kong and Macau. Further interesting prospects in the pipeline include work on new dams for hydroelectric power stations.

The four largest projects cited could not be executed as planned in the first half of the year for a wide variety of reasons. Wide-ranging impairments on the part of developers, as well as a number of other circumstances, resulted in delays to the start of construction work, meaning that we were unable to achieve the planned revenues. This also led to a reduction in contribution margin. Pleasingly, all the aforementioned projects are now progressing very well in technical terms, so we can expect to see a much healthier trend in the second half of the year. However, we will not be able to entirely meet our planned full-year targets.

There is likewise lots of work for our Resources segment. We are currently in a position to offer large-scale projects in the Arab region with our environmental services especially. Contract awards have unfortunately been delayed in this sector, too, so 2013 revenues will be substantially down against the previous year comparative.

We regard our Equipment segment, which declined last year due to adverse market conditions, as being on a more positive course. Our specialist machinery provides us with a sound market base, and means our vulnerability to the growing competition is limited. Our new products for drilling underwater or for deep drilling in the oil, gas and geothermal energy sectors, as well as for emergency mine recovery, will enable us to serve some interesting markets in the years ahead. At Bauma, the world's largest construction machinery trade fair held in Munich in mid-April, we saw very lively interest from customers. Sales in the early months of the year have unfortunately been mainly in relatively low-margin products, as we sold only small numbers of large machines. We will therefore have to make major efforts in the second half of the year in order to achieve reasonable earnings.

OVERVIEW OF INTERNATIONAL MARKETS

Germany

The German construction market will see relatively positive growth over the coming years. Demand for construction works resulting from the reversal of energy policy will further strengthen this forecast trend.

Europe

Markets in Eastern Europe largely collapsed as a result of the financial crisis. There have recently been signs of a slight upturn, though at a very low level. There are large numbers of new construction projects currently in planning in Russia especially, as the country utilizes its enormous raw material wealth to drive recovery more rapidly than in other countries in the region. The construction market in some regions, such as around St. Petersburg, is very active. The forecast for Eastern Europe overall is a generally positive trend.

We predict that growth on construction markets in Western Europe will be modest over the coming years. Many countries have had to impose strict budget constraints which will hamper the further development of their infrastructure. There are nevertheless a number of opportunities for us around the region, including in Switzerland. In the UK, we are working on major projects for the London Underground which will keep us busy over the period ahead.

Middle East and Central Asia

The oil-rich and gas-rich countries of the Middle East, such as Abu Dhabi, Saudi Arabia and Qatar, have lots of large-scale construction projects in the pipeline, and have sufficient financial resources to sustain their development plans strongly. In Qatar, major contracts have been awarded in recent months for underground railway construction works as well as for many other construction projects in preparation for the football World Cup. This opens up good prospects for our businesses to achieve very healthy levels of capacity utilization and strong machinery sales in the second half of the year. All in all, the Arab world appears to be rousing from the economic lethargy resulting from the political turmoil seen in recent years.

Somewhat unexpectedly, in June of this year Egypt experienced a second revolution, which has again impeded the country's economic growth. Our local subsidiary has been severely affected too, as on many construction sites work came to a standstill for a number of weeks. We nevertheless believe we will be able to meet our planned targets by the year-end. It remains to be hoped that the revolution will not influence other countries in the region as previously.

Asia-Pacific, Far East and Australia

Construction markets in the Far East remain pleasingly stable. Almost every country in the region is undertaking major infrastructure projects. In Hong Kong, construction sector capacities are being well utilized by extensive rail and road construction works. The same is true in Singapore and Malaysia. Economies such as Indonesia and the Philippines are also seeing healthy growth. By contrast, the Australian economy is not developing quite so positively. A decline in the construction sector is expected on the basis of current forecasts.

America

The situation now appears to be improving after a number of weak years. It is in the USA that there is the highest level of backlogged demand in many infrastructure areas, arising from a lack of adequate investment over recent decades. Major efforts will be made over the coming years to make good this deficit, and a positive side effect of this commitment will be a further boost to the economy. Overall, we regard the situation as stable, and offering good opportunities for further growth in both our Construction and Equipment segments. Trends on the construction market in Canada are likewise sound. Project opportunities in Central America have been increasing for some time, so healthy sales are possible from the region.

Africa

In Africa, it will be worthwhile actively pursuing new business, even though the economic weakness of the countries concerned means the business generated will not make a major contribution to our total Group revenues overall.

In our global construction business, as well as in our Resources segment, alongside the regional changes already cited there are also some particularly strong opportunities arising from large-scale specialist projects. They include environmental remediation projects in the Arab region. One of the largest projects up for tender is the remediation of a dam in Iraq requiring extensive specialist foundation engineering works to a value in the billion euro range. No actual contract has yet been finally signed, as other government priorities in the region are significantly slowing the progress of negotiations. This means that the passing of time will reduce our chances of acquiring the contract slightly.

In general terms, our **Equipment** segment has similar opportunities to those of the Construction segment, as demand for construction machinery is very heavily dependent on construction markets.

In the **Resources** segment, alongside large-scale projects we see Africa, in particular, as offering strong opportunities for growth over the years ahead, as issues of water and raw material extraction play an increasingly important role. However, due to the current weakness of commodity markets we will not be able to achieve the expected capacity utilization in some areas.

PERFORMANCE OF THE BAUER GROUP

In the first half of 2013, the **total Group revenues** of the BAUER Group increased by 3.3 percent relative to the same period last year, to EUR 724.5 million. The Group's **net loss for the period** of EUR 7.9 million represented a EUR 5.1 million decline against the previous year comparative net profit of EUR -2.8 million.

The decline in earnings stems in particular from our Equipment segment, where a slight rise in revenues in the first half of the year was predominantly achieved on the basis of low-margin sales. Only small numbers of more profitable large machines were sold. The segment was additionally impacted by higher tax expenditure. The earnings of the Resources segment were likewise weak due to lower revenues. The Construction segment was unable to balance out these shortfalls owing to the delayed start to a number of large-scale projects. Moreover, the seasonal nature of our business has had a particularly marked impact this year. Our businesses normally make a loss in the early part of the year, which is balanced out as the year progresses, with a return to profitability after the summer months.

Group **orders in hand** continued to make healthy progress, increasing by 11.6 percent against the same period last year to EUR 868.6 million. Towards the end of last year we acquired a number of major projects which will substantially boost our growth this year. Orders in hand in the Construction segment are above the levels seen in the boom year 2008. Major drivers of growth were the Kingdom Tower project in Jeddah, Saudi Arabia (worth around EUR 25 million) and the section of the foundations for the Hong Kong-Zhuhai-Macau bridge (approximately EUR 65 million). In recent months we executed the foundations for the Lakhta Tower in St. Petersburg, which will be the tallest building in Europe once completed. Other interesting projects were acquired all over the world.

Our Resources segment has now completed the construction phase of the contract to construct and operate the large-scale biological water treatment plant for the oil industry in Oman. We were recently contracted to undertake a small expansion of this project; negotiations are ongoing with regard to a further, more extensive, expansion.

Orders in hand in the Equipment segment remain at a low level, though the trend is rising. They rose 13.8 percent compared to the previous year. Positive trends are being seen in the current strong growth in our service business and in parts sales. The machines sold during the boom period are now reaching an age, after a number of years in operation, when they need major servicing and maintenance. The global increase in use of the machines is also generating higher demand for wearing parts. The world's largest construction machinery trade fair Bauma, held in Munich in April, was a great success for us. Many thousands of visitors came to view the new equipment on our stand. The major interest shown had a positive influence on business in the second quarter.

All in all, the levels of orders in hand and the opportunities offered by the market provide a sound foundation for further growth in our business.

BREAKDOWN OF TOTAL GROUP REVENUES BY SEGMENT

in EUR million		June 2012 Revenues	June 2013 Revenues	Share 2013	Change against previous year	Orders in hand
Construction	BAUER Spezialtiefbau GmbH (BST)					
	BST, Germany	45.3	56.3	7.8 %	24.3 %	+
	Subsidiaries, Germany	2.1	30.4	4.2 %	n/a	-
	BST, international	42.5	29.8	4.1 %	-29.9 %	+
	Subsidiaries, international	235.6	249.3	34.4 %	5.8 %	+
	BST Group total	325.5	365.8	50.5 %	12.4 %	+
	SCHACHTBAU NORDHAUSEN GmbH incl. segment subsidiaries (SBN)	22.4	14.4	2.0 %	-35.7 %	•
	SPESA Spezialbau und Sanierung GmbH	8.9	11.1	1.5 %	24.7 %	•
	less intra-Group revenues and IFRS adjustments	-36.5	-44.0	-6.1 %		
	Construction total	320.3	347.3	47.9 %	8.4 %	+
Equipment	BAUER Maschinen GmbH (BMA)	182.5	179.5	24.8 %	-1.6 %	-
	Equipment subsidiaries	176.8	200.0	27.6 %	13.1 %	•
	BMA Group total	359.3	379.5	52.4 %	5.6 %	-
	SBN	26.8	30.8	4.3 %	14.9 %	-
	less intra-Group revenues and IFRS adjustments	-94.9	-99.5	-13.8 %		
Resources	Equipment total	291.2	310.8	42.9 %	6.7 %	-
	BAUER Resources GmbH (BRE)	5.6	2.8	0.4 %	-50.0 %	
	Resources subsidiaries	128.5	91.4	12.6 %	-28.9 %	-
	BRE Group total	134.1	94.2	13.0 %	-29.8 %	-
	SBN	10.0	12.3	1.7 %	23.0 %	++
Other	less intra-Group revenues and IFRS adjustments	-20.5	-12.4	-1.7 %		
	Resources total	123.6	94.1	13.0 %	-23.8 %	•
	BAUER Aktiengesellschaft (BAG)	14.4	15.8	2.2 %	9.7 %	
	Other subsidiaries	1.2	1.3	0.2 %	8.3 %	
	less intra-Group revenues and IFRS adjustments	0.0	0.0	0.0 %		
	Total Other/services	15.6	17.1	2.4 %	9.6 %	
	less intra-Group revenues and IFRS adjustments	-49.2	-44.8	-6.2 %		
	Group total (including minority interests)	701.5	724.5	100.0 %	3.3 %	•
	of which: Germany	177.7	215.0	29.7 %	21.0 %	
	International	523.8	509.5	70.3 %	-2.7 %	

Notes on the table:

- List also includes non-consolidated holdings
- Valuation of orders in hand relative to budgeted sales:
-- weak; - slightly weak; • adequate; + well adequate; ++ very well adequate
- Percentages and totals are calculated on the basis of unrounded starting values

- Breakdown Germany/international according to country in which accounting figures were allocated. For reasons of complexity the figures are not absolutely precise.

Trends in our Business Segments

CONSTRUCTION SEGMENT

CONSTRUCTION SEGMENT KEY FIGURES

in EUR '000	06/2012 *	06/2013	Change	12/2012 *
Total Group revenues	320,272	347,294	8.4 %	656,834
Sales revenues	283,223	292,429	3.3 %	579,069
Orders received	348,030	365,546	5.0 %	704,607
Orders in hand	484,586	531,339	9.6 %	513,087
EBIT	6,537	3,272	-49.9 %	22,025
Net profit or loss	-1,247	204	n/a	8,586
Employees (on average over the year)	5,354	5,531	3.3 %	5,454

* See footnote on page 18

The **total Group revenues** of the Construction segment amounting to EUR 347.3 million were 8.4 percent up on the previous year. We had originally planned for higher growth in the first half of the year. The weaker increase resulted from a delayed start to large-scale projects in Saudi Arabia and Hong Kong, and to the Center Hill Dam project in the USA. The reasons were problems which frequently occur in the early stages of contracts of such scale, including delays in obtaining approvals. **EBIT (earnings before interest and taxes)** was EUR 3.2 million down against the previous year comparative period. It fell to EUR 3.3 million (previous year: EUR 6.5 million). **Net profit for the period** rose to EUR 0.2 million, from a EUR 1.2 million loss in the previous year comparative period. The more marked improvement in net result for the period than in EBIT is explained by special effects relating to financial income and to income tax expense in connection with the large-scale projects.

The trend in **orders in hand** in our Construction segment was pleasing. At EUR 531.3 million, they are 9.6 percent above the corresponding period last year. We have plenty of projects in the pipeline in all our key markets, providing us with a sound basis to achieve our planned revenues. In addition to the aforementioned major projects internationally, we have also succeeded in acquiring a number of large contracts within Germany. As a result, our domestic prospects for the future are likewise positive.

The other German construction companies in the Group have likewise achieved higher order levels. SCHACHTBAU NORDHAUSEN GmbH is seeing an increase in capacity utilization in the mining sector.

An appraisal of ongoing market trends in the construction sector was presented in the "Overview of international markets" section above.

Full-year outlook

All in all, we expect our Construction segment to achieve healthy year-on-year growth in both revenues and earnings in 2013.

EQUIPMENT SEGMENT

EQUIPMENT SEGMENT KEY FIGURES

in EUR '000	06/2012 *	06/2013	Change	12/2012 *
Total Group revenues	291,221	310,831	6.7 %	596,086
Sales revenues	202,056	229,521	13.6 %	520,576
Orders received	301,892	351,762	16.5 %	592,959
Orders in hand	135,368	154,015	13.8 %	113,084
EBIT	11,741	5,771	-50.8 %	33,976
Net profit or loss	965	-5,303	n/a	8,896
Employees (on average over the year)	2,949	2,991	1.4 %	2,952

* See footnote on page 18

Total Group revenues in the Equipment segment in the first six months of this year rose by 6.7 percent against the previous year comparative to EUR 310.8 million. **Sales revenues** increased by 13.6 percent to EUR 229.5 million. Segment **EBIT** fell significantly against the previous year comparative, from EUR 11.7 million to EUR 5.8 million. The reason lies in the lower-margin sales in the first half of the year. Against a net profit of EUR 1.0 million in the previous year comparative period, the segment made a **net loss** in the first half of this year of EUR 5.3 million. The fall in earnings is also attributable to a EUR 2.2 million increase in tax expenditure compared to the previous year, linked to the very widely varying earnings performance in the countries where sales were made. **Orders in hand** in the Equipment segment rose slightly to EUR 154.0 million. No substantial increase has yet been achieved since the recovery seen in 2010 however. Business continued to be very short-term in nature. Specialist foundation engineering machinery customers expect immediate delivery after ordering.

Markets

A number of machinery markets were very unsatisfactory in the past year. Ongoing unrest in Arab countries hampered investment; bureaucratic obstacles weakened the construction market in India, depressing the machinery business as a result; and in China the change of government resulted in very weak construction machinery markets. Other regions around the world were unable to balance out these effects, despite healthy performance in some instances. Moreover, competition from China in the standard equipment business intensified. The weaker margins at the start of the year were in part also caused by this general situation.

Since April, we have been seeing many of the factors impacting on markets last year being eliminated, so performance is recovering. Nevertheless, the prevailing instability in turn means that the possibility of declines in other regions around the world cannot be ruled out. We are seeing a general improvement in construction machinery markets overall. Based on our new products for deep drilling and other specialist foundation engineering techniques, we believe we are well equipped to balance out market fluctuations and achieve overall growth.

The improvement in revenues means also that our plants will again be working at higher capacity, so earnings will likewise improve. Thanks to our many new products, we expect capacity utilization to improve further in the period ahead.

Full-year outlook

We expect full-year sales in our Equipment segment to grow strongly against the previous year. Owing to the somewhat weaker margins achievable on the market, the leverage effect of improved capacity utilization can provide only a small boost to earnings.

RESOURCES SEGMENT

RESOURCES SEGMENT KEY FIGURES

in EUR '000	06/2012 *	06/2013	Change	12/2012 *
Total Group revenues	123,592	94,145	-23.8 %	263,916
Sales revenues	119,914	86,028	-28.3 %	244,273
Orders received	113,801	118,540	4.2 %	254,300
Orders in hand	158,652	183,222	15.5 %	158,827
EBIT	992	-1,850	n/a	15,196
Net profit or loss	-3,639	-4,513	n/a	5,664
Employees (on average over the year)	1,554	1,587	2.1 %	1,578

* See footnote on page 18

Our Resources segment saw its **total Group revenues** fall by a substantial 23.8 percent in the first half of 2013 to EUR 94.1 million. This performance needs to be seen in the light of the base-line figure, reflecting a strong rise seen in the previous year comparative period thanks to a number of large-scale projects which had brought about a 29.4 percent year-on-year increase in revenues in the first half of 2012 compared with 2011. The decline this year is largely attributable to the substantially lower revenues from large-scale projects. Segment **EBIT** of EUR -1.9 million was likewise well down against the previous year comparative (EUR 1.0 million). Unfortunately, we were not able to acquire the additional large-scale projects we had been expecting at the start of the year, as a result of which a shortfall was created which has also had a negative effect on the cost base. The year began sluggishly in some other areas of the segment's business too. Sales of well engineering materials, in particular, fell substantially short of planning owing to the bad weather in Germany. The **net loss for the period** deteriorated from EUR -3.6 million to EUR -4.5 million.

The Resources segment is currently underperforming its general trend. The completion of the construction phase on the major project in Oman – the driver of the significant increase in revenues last year – has created a gap in the processing of orders which will continue to impact generally on business through 2013. We nevertheless regard the segment as being on a healthy track. There are still large numbers of interesting large-scale projects on the market. Unfortunately, despite major efforts on our part, a number of contracts have not yet been awarded for different – and in some cases very random – reasons. There are also many positive signs being seen in the smaller businesses within the segment, leading us to expect general further growth in revenues.

The segment has healthy levels of **orders in hand** totalling EUR 183.2 million, though that figure in the core business is somewhat down against the peaks seen in the past. The Mining division of SCHACHTBAU NORDHAUSEN GmbH accounts for an impressive EUR 48.3 million of the total. Negotiations are currently being conducted in respect of other potential large-scale projects in Oman and other Arab countries. We are also making good progress on African markets.

Full-year outlook

We see further healthy opportunities for growth over the coming years in the Resources segment. However, we predict that total Group revenues will be significantly lower than last year owing to the shortfall stemming from the large-scale projects. Earnings will remain negative.

Earnings, Financial and Net Asset Position

Our consolidated balance sheet and income statement continue to bear the marks of the years following the financial crisis, which entailed the need for significantly higher funding of our business. Up-front financing of our works additionally rose substantially in relation to a number of major construction projects. That change will continue to impact on us through 2013. Our Equipment segment, too, is still clearly showing the impact of its much increased up-front financing requirements, resulting from the need to hold more stocks due to shortened delivery lead times. The key changes brought about by the shift in markets over recent years are reflected as follows:

- Our business is becoming ever more asset-intensive. The projects being executed by our construction companies world-wide are becoming larger and more complex. This also requires larger and more expensive machinery. Consequently, old equipment has to be replaced by higher-grade machinery, and so our fixed assets rise relative to business volumes. This trend is in fact positive in terms of income, as the competition for complex projects tends to be less.
- Our inventories of finished goods and work in progress are much higher than before the crisis, and they will remain largely at that level. We have thus returned to a situation as it was prior to the boom period. During the boom, our customers needed their equipment delivered as soon as possible. So machines could not be held for any length of time either in production or in stock. They were more or less "grabbed" as soon as they rolled off the assembly line. Today, the situation has normalized again, resulting in higher inventory levels. The major volatility on individual markets is repeatedly generating unavoidable peaks in inventory levels. We are making major efforts to find solutions which will reduce these fluctuations.
- In the construction sector, the somewhat weaker market conditions mean that customers can extend payment terms. Payment practices have also deteriorated. This leads to higher costs for up-front financing of ongoing site operations.

Moreover, it is normal in the specialist foundation engineering and related equipment business that the financing needs of the companies concerned increase substantially in the early months and only decrease again towards the end of the year. This effect is attributable firstly to the payment practices of our customers, but also stems from the seasonal nature of the business and the necessity to boost production at the start of the year in order to make deliveries in the summer when sales rise. This results in a significant in-year rise in **working capital**. The same factors will have an opposite effect at the year-end.

On the balance sheet, material changes have occurred in relation to **provisions for defined benefit plans, shareholders' equity** and **deferred taxes** resulting from the first-time adoption of IAS 19 R. The change also entailed an adjustment of the previous year's figures.

Provisions for defined benefit plans were increased by EUR 28.2 million on the 2012 year-end balance sheet, and consequently also in the 2013 first-half report. As per December 31, 2012 this resulted in an increase in provisions for defined benefit plans from EUR 51.9 million to EUR 80.1 million. The change is linked to the currently low market interest rates, which arithmetically result in a higher provision. The difference did not have to be recognized earlier due to a corridor provision.

Within the contra-item increasing the provisions for defined benefit plans, EUR +7.9 million related to **deferred tax assets**, EUR -20.1 million to the **shareholders' equity in BAUER AG**, and EUR -0.2 million to shareholders' equity attributable to **minority interests**. The **equity ratio** at the 2012 year-end decreased as a result of this matter from 31.8 percent to 30.3 percent. **Net assets** increased by EUR 7.9 million. The company will experience a long-term effect from this change to the balance sheet. Our aim is to return to a 33 percent equity ratio soon. All other disclosures relate to the adjusted balances.

Net assets increased by 9.7 percent in the first six months of 2013 relative to the 2012 year-end. Against the previous year's balance sheet to June, the increase was 2.3 percent. This includes the initial consolidation of the subsidiary in Russia

which is carrying out the large-scale project in St. Petersburg. That company's net assets total EUR 18.3 million. Cash and cash equivalents additionally rose by EUR 6.7 million. Taking into account these two effects, the change in net assets is very minor.

EARNINGS

The **consolidated revenues** shown in the Group's earnings statement increased by 0.5 percent against the previous year comparative period to EUR 682.3 million. The **changes in inventories** item increased slightly to EUR 52.9 million. The **other capitalized goods and services for own account** item, which mainly relates to the equipment required for our own in-house construction operations, amounted to EUR 6.4 million in the first six months of the year. **Other income** decreased by EUR 3.5 million to EUR 14.8 million. **Sales revenues** in themselves totalled EUR 608.3 million, 0.5 percent up on the previous year.

The **cost of materials, staff costs, depreciation and amortization and other operating expenses** items in the income statement rose somewhat more than the revenues overall, thereby also contributing to the slightly higher first-half loss. This illustrates that the first half of the year was also marked by weaker margins.

Cost of materials increased the most, by 5.7 percent. This was partially balanced by the 9.9 percent decrease in the **other operating expenses** item. In the Construction segment's service business, the distribution of costs between years often varies very widely owing to the order structure. **Staff costs** increased by 4.8 percent, due to the higher revenues in the Construction segment and the general increase in pay rates in our industry.

Depreciation of fixed assets increased by 3.9 percent. **Write-downs of inventories due to use** decreased by EUR 3.0 million, because fewer machines were hired out.

Financial expenses decreased by 2.7 percent against the previous year. The substantial EUR 4.4 million rise in **financial income** is notable. The increase arose roughly in equal measure from special effects on large-scale construction sites and from derivative transactions to hedge our interest rate structure.

Income tax expense decreased to EUR 0.8 million, reflecting the decrease in earnings relative to the previous year comparative. The expenditure was incurred despite the pre-tax loss, as subsidiaries made both profits and losses. The taxation effects cannot be offset. The tax expense will normalize again by the year-end. We expect that the full-year **income tax rate** will ultimately be similar to that of last year, at 30 percent.

The **net loss for the period** deteriorated against the previous year from EUR -2.8 million to EUR -7.9 million.

FINANCIAL POSITION

Our financial position is developing somewhat weaker than planned. In view of the planned growth, we expect to see a slight increase in working capital and net debt over the full year. The ratio to revenues is expected to improve. The Group's 2013 financing requirement has already been covered by the long-term refinancing measures undertaken last year.

Our promissory notes, and some of the long-term loans taken out previously, are subject to credit clauses linked to pre-determined financial variables (covenants). These are a ratio of net debt to EBITDA below 4 and 4.75 respectively, of EBITDA to net interest coverage above 2.8, and an equity ratio above 25 percent. The ratios are analyzed solely on the basis of end-of-year figures. We expect to maintain these ratios.

NET ASSET POSITION

The **net assets** shown on the balance sheet rose by 9.7 percent against the 2012 year-end figure. An in-year increase is normal in our business, for the reasons already outlined. The increase in net assets at the year-end should be slightly less than the rate of rise in revenues.

Fixed assets have increased slightly relative to the 2012 year-end. Non-current assets have risen by 1.1 percent overall. The **inventories** (particularly finished goods and work in progress and stock for trade) and the **receivables** reflect the annual recurring seasonal effect. The level of up-front financing for our projects and inventories has therefore risen accordingly. Cash and cash equivalents rose by EUR 8.8 million against the year-end figure.

On the Equity and Liabilities side, **shareholders' equity** decreased by EUR 18.1 million. This reflects the loss made as well as the dividend payment totalling EUR 5.1 million. The usual seasonal additional financing requirement was mainly covered by borrowings. **Non-current financial liabilities** had decreased by EUR 26.7 million and **current financial liabilities** increased by EUR 201.5 million relative to the year-end. Borrowings increased only slightly, by EUR 14.3 million, against the figure at June 30, 2012.

DEVELOPMENT OF THE BAUER AG SHARE

At the start of the year the share price was on an upward trend. By mid-January it had risen from its opening EUR 19.79 to reach EUR 22.32. After a brief fall, the share price rose to its high for the year to date of EUR 23.05 on February 13. It continued to outperform the DAX and SDAX indices through to mid-March, before coming under heavier pressure in a generally weaker market. By early April the share price had fallen back to EUR 18.86, though it did recover to EUR 22.70 by mid-May. The weaker year-on-year first-quarter results caused the share price to fall, and the decline continued through to the end of June, when it reached EUR 18.60. At the end of July the share was quoted at EUR 19.25. Following the ad-hoc publication of the adjusted earnings forecast on August 1 it fell severely, closing on August 9 at EUR 17.73.

HUMAN RESOURCES

The number of employees has not changed substantially from the levels at the year-end. The large-scale international projects repeatedly result in significant fluctuations between the individual Group segments. The trend in employee numbers is within the scope of our planning. Overall, on average over the year, we currently employ 10,388 people worldwide.

FOLLOW-UP REPORT

No matters of special note which we would expect to have a material influence on the net asset, financial and earnings position of the BAUER Group occurred after June 30, 2013.

OPPORTUNITIES AND RISKS

Major opportunities and risks are set out in the individual sections of this Interim Report. There has been no material change in risks since the Annual Report to December 31, 2012. Consequently, we refer back to the Group management report for financial 2012.

FULL-YEAR OUTLOOK

The first half of 2013 was generally disappointing for our businesses. Large-scale projects in our Construction segment did not start as planned; our Equipment segment suffered weaker margins as a result of the very quiet start to the year; and our Resources segment failed to acquire contracts which we had regarded as highly likely to be awarded. The high levels of orders in hand give us confidence for the future however. One of our large-scale projects – the foundation works in St. Petersburg – has been successfully completed. The other large-scale projects are now running at very high technical performance levels. In our Equipment segment, after a very disappointing start to the year order intake has recovered to a healthy, stable level, enabling us to improve our financial performance. The performance of the Resources segment will unfortunately continue to fall short of our expectations owing to a lack of large-scale projects, though we are working hard to acquire the necessary contracts.

All in all, we look positively to the future, despite the fact that we will unfortunately not be able to meet our full-year targets. There are at present simply too many impeding factors around the world which are continually posing problems for us. We nevertheless remain committed to our policy of maintaining a broad international base, which provides us with very much greater security than if we were reliant on a small number of markets.

Based on the explained reasons, we have revised our forecasts for the full year 2013 as follows:

- Total Group revenues of around EUR 1.5 billion.
- Profit after tax around EUR 20 million, equating to EBIT of about EUR 70 million.

Despite the many disturbances being encountered worldwide, we continue to plan for growth in total Group revenues of between 5 and 10 percent over the coming years.

As in previous years, we must again advise that – contrary to earlier boom years – the forecast revenues and earnings of the BAUER Group are subject to a much greater degree of uncertainty. The main reason for this is the persisting uncertainty regarding developments in many parts of the world.

The Group's management and all its employees are well aware of the major challenges posed by these turbulent years, and we will hold steady to our course based on our concerted determined efforts.

Interim Financial Statements of the BAUER Group

INCOME STATEMENT

in EUR '000	01.04. - 30.06.2012	* 01.04. - 30.06.2013	01.01. - 30.06.2012	* 01.01. - 30.06.2013
1. Sales revenues	319,212	345,670	605,429	608,266
2. Changes in inventories	18,341	16,918	50,294	52,878
3. Other capitalized goods and services for own account	3,595	4,393	4,672	6,411
4. Other income	9,102	5,239	18,264	14,765
CONSOLIDATED REVENUES	350,250	372,220	678,659	682,320
5. Cost of materials	-178,525	-208,380	-346,541	-366,156
6. Staff costs	-79,347	-85,252	-157,256	-164,794
7. Depreciation and amortization				
a) Depreciation of fixed assets	-18,437	-19,636	-36,625	-38,053
b) Write-downs of inventories due to use	-4,000	-2,437	-7,754	-4,796
8. Other operating expenses	-56,963	-50,426	-111,057	-100,093
OPERATING RESULT	12,978	6,089	19,426	8,428
9. Financial income	219	5,389	1,843	6,277
10. Financial expenses	-11,001	-10,090	-22,242	-21,637
11. Share of the profit or loss of associated companies accounted for using the equity method	467	6	427	-213
PROFIT BEFORE TAX	2,663	1,394	-546	-7,145
12. Income tax expense	-795	238	-2,236	-789
NET PROFIT OR LOSS	1,868	1,632	-2,782	-7,934
of which attributable to shareholders of BAUER AG	2,495	1,603	-1,984	-7,716
of which attributable to minority interests	-627	29	-798	-218
in EUR / share	01.04. - 30.06.2012	* 01.04. - 30.06.2013	01.01. - 30.06.2012	* 01.01. - 30.06.2013
Basic earnings per share	0.15	0.09	-0.12	-0.45
Diluted earnings per share	0.15	0.09	-0.12	-0.45
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 OF THE BAUER GROUP

in EUR '000	01.04. - 30.06.2012	* 01.04. - 30.06.2013	01.01. - 30.06.2012	* 01.01. - 30.06.2013
Net profit or loss	1,868	1,632	-2,782	-7,934
Income and expenses not transferred to profit and loss				
Actuarial gains/losses from defined benefit plans	-3,550	-1,417	-10,892	-1,417
Deferred taxes on defined benefit plans with no effect on profit and loss	914	398	2,978	398
Income and expenses transferred to profit and loss				
Market valuation of derivative financial instruments	149	654	-309	1,733
Included in profit and loss	0	-569	0	-1,035
Deferred taxes on financial instruments with no effect on profit and loss	-41	-184	87	-487
Differences from currency translation	7,675	-5,874	3,794	-2,024
Other result after tax	5,147	-6,992	-4,342	-2,832
Total profit	7,015	-5,360	-7,124	-10,766
of which attributable to shareholders of BAUER AG	7,239	-4,603	-6,471	-9,738
of which attributable to minority interests	-224	-757	-653	-1,028

* Previous year figures adjusted; the change relates to the first-time adoption of IAS 19 R

BALANCE SHEET OF THE BAUER GROUP

ASSETS in EUR '000	31.12.2012 *	30.06.2013
A. NON-CURRENT ASSETS		
I. Intangible assets	34,567	34,021
II. Property, plant and equipment and investment property	465,316	469,933
III. Investments accounted for using the equity method	13,133	10,287
IV. Participations	3,638	3,613
V. Deferred tax assets	28,161	32,746
VI. Receivables from concession arrangements	40,770	38,934
VII. Other non-current assets	8,597	9,338
VIII. Other non-current financial assets	6,846	8,507
	601,028	607,379
B. CURRENT ASSETS		
I. Inventories	429,794	472,730
II. Receivables and other assets	448,836	538,133
III. Effective income tax refund claims	4,514	5,549
IV. Cash and cash equivalents	45,232	54,015
	928,376	1,070,427
	1,529,404	1,677,806
EQUITY AND LIABILITIES in EUR '000	31.12.2012 *	30.06.2013
A. SHAREHOLDERS' EQUITY		
I. Equity of BAUER AG shareholders	429,579	412,687
II. Minority interests	33,205	32,011
	462,784	444,698
B. NON-CURRENT LIABILITIES		
I. Defined benefit plans	80,080	82,546
II. Financial liabilities	465,085	438,407
III. Other liabilities	8,674	8,860
IV. Deferred tax liabilities	19,397	19,271
	573,236	549,084
C. CURRENT LIABILITIES		
I. Financial liabilities	190,542	392,063
II. Other liabilities	281,257	270,197
III. Effective income tax obligations	4,808	5,037
IV. Provisions	16,777	16,727
	493,384	684,024
	1,529,404	1,677,806

* Previous year figures adjusted; the change relates to the first-time adoption of IAS 19 R

CASH FLOW STATEMENT OF THE BAUER GROUP

in EUR '000	30.06.2012	30.06.2013
Cash flows from operating activities	-49,147	-116,934
Cash flows from investing activities	-47,533	-32,738
Cash flows from financing activities	119,636	157,150
Changes in liquid funds affecting payments	22,956	7,478
Influence of exchange rate movements on cash	-638	1,305
Total change in liquid funds	22,318	8,783
Cash and cash equivalents at beginning of reporting period	24,947	45,232
Cash and cash equivalents at end of reporting period	47,265	54,015
Change in cash and cash equivalents	22,318	8,783

STATEMENT OF CHANGES IN EQUITY OF THE BAUER GROUP

in EUR '000

	Other revenue reserves and net earnings available for distribution								Total
	Subscribed capital	Capital reserve	Revenue reserves	Currency translation reserve	Reconciling item, IFRS	Hedging transactions reserve	Own shares	Minority interests	
As at 01.01.12	73,001	38,404	306,836	10,019	10,387	-1,933	0	33,720	470,434
First-time adoption of IAS 19 R	0	0	-9,206	0	0		0	-83	-9,289
Figures as at 01.01.2012 adjusted	73,001	38,404	297,630	10,019	10,387	-1,933	0	33,637	461,145
Net profit or loss	0	0	-1,984	0	0	0	0	-798	-2,782
Differences from currency translation	0	0	0	3,573	0	0	0	221	3,794
Change in actuarial gains and losses	0	0	-10,786	0	0	0	0	-106	-10,892
Market valuation of derivative financial instruments	0	0	0	0	0	-309	0	0	-309
Deferred taxes with no effect on profit and loss	0	0	2,948	0	0	87	0	30	3,065
Total profit	0	0	-9,822	3,573	0	-222	0	-653	-7,124
Changes in scope of consolidation	0	0	-4	0	0	0	0	850	846
Dividend payments	0	0	-8,565	0	0	0	0	-1,249	-9,814
Other changes	0	0	0	0	0	0	0	0	0
As at 30.06.2012	73,001	38,404	279,239	13,592	10,387	-2,155	0	32,585	445,053
As at 01.01.2013	73,001	38,404	324,234	7,373	10,387	-3,722	0	33,398	483,075
First-time adoption of IAS 19 R	0	0	-20,098	0	0	0	0	-193	-20,291
Figures as at 01.01.2013 adjusted	73,001	38,404	304,136	7,373	10,387	-3,722	0	33,205	462,784
Net profit or loss	0	0	-7,716	0	0	0	0	-218	-7,934
Differences from currency translation	0	0	0	-1,223	0	0	0	-801	-2,024
Change in actuarial gains and losses	0	0	-1,404	0	0	0	0	-13	-1,417
Market valuation of derivative financial instruments	0	0	0	0	0	698	0	0	698
Deferred taxes with no effect on profit and loss	0	0	394	0	0	-487	0	4	-89
Total profit	0	0	-8,726	-1,223	0	211	0	-1,028	-10,766
Changes in scope of consolidation	0	0	-2,015	0	0	0	0	0	-2,015
Dividend payments	0	0	-5,139	0	0	0	0	-166	-5,305
Other changes	0	0	0	0	0	0	0	0	0
As at 30.06.2013	73,001	38,404	288,256	6,150	10,387	-3,511	0	32,011	444,698

SEGMENT REPORTING OF THE BAUER GROUP

in EUR '000	Construction		Equipment		Resources		Other	
01.01. - 30.06.	2012 *	2013	2012 *	2013	2012 *	2013	2012 *	2013
Total revenues (Group)	320,272	347,294	291,221	310,831	123,592	94,145	15,511	17,067
Sales revenues with third parties	283,223	292,429	202,056	229,521	119,914	86,028	236	288
Sales revenues between business segments	7,738	7,861	25,766	22,542	1,097	617	14,604	15,447
Changes in inventories	-1,073	378	50,551	50,096	816	2,404	0	0
Other capitalized goods and services for own account	101	295	2,047	2,137	15	150	0	0
Other income	8,287	6,757	9,651	6,136	1,714	1,747	255	775
CONSOLIDATED REVENUES	298,276	307,720	290,071	310,432	123,556	90,946	15,095	16,510
OPERATING RESULT	6,537	3,272	11,741	5,771	992	-1,850	109	814
Financial income	393	3,212	1,058	1,968	1,071	1,147	3,705	3,135
Financial expenses	-7,954	-7,813	-11,170	-10,202	-5,222	-4,730	-2,280	-2,077
Share of the profit or loss of associated companies accounted for using the equity method	166	-329	15	5	246	111	0	0
Income tax expense	-389	1,862	-679	-2,845	-726	809	-430	-493
NET PROFIT OR LOSS	-1,247	204	965	-5,303	-3,639	-4,513	1,104	1,379
	31.12.2012	30.06.2013	31.12.2012	30.06.2013	31.12.2012	30.06.2013	31.12.2012	30.06.2013
SEGMENT ASSETS **	555,983	597,786	748,335	796,972	283,996	296,074	298,535	273,421

ADDITIONAL INFORMATION ON THE INCOME STATEMENT

Depreciation and amortization

Depreciation of fixed assets	-21,504	-23,556	-8,625	-7,884	-4,947	-5,161	-1,588	-1,644
Write-downs of inventories due to use	0	0	-7,754	-4,796	0	0	0	0

SEGMENT REPORTING OF THE BAUER GROUP

in EUR '000	Consolidation		Group	
01.01. - 30.06.	2012	2013	2012 *	2013
Total revenues (Group)	-49,061	-44,812	701,535	724,525
Sales revenues with third parties			605,429	608,266
Sales revenues between business segments	-49,205	-46,467	0	0
Changes in inventories	0	0	50,294	52,878
Other capitalized goods and services for own account	2,509	3,829	4,672	6,411
Other income	-1,643	-650	18,264	14,765
CONSOLIDATED REVENUES	-48,339	-43,288	678,659	682,320
OPERATING RESULT	47	421	19,426	8,428
Financial income	-4,384	-3,185	1,843	6,277
Financial expenses	4,384	3,185	-22,242	-21,637
Share of the profit or loss of associated companies accounted for using the equity method	0	0	427	-213
Income tax expense	-12	-122	-2,236	-789
NET PROFIT OR LOSS	35	299	-2,782	-7,934
	31.12.2012	30.06.2013	31.12.2012	30.06.2013
SEGMENT ASSETS **	-357,445	-286,447	1,529,404	1,677,806

ADDITIONAL INFORMATION ON THE INCOME STATEMENT

Depreciation and amortization

Depreciation of fixed assets	39	192	-36,625	-38,053
Write-downs of inventories due to use	0	0	-7,754	-4,796

* Previous year figures adjusted; the change relates to the first-time adoption of IAS 19 R

** Figures from the previous year shown in gross

Notes to the Financial Statements

1. GENERAL DISCLOSURES RELATING TO 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 under file reference HRB 101375.

The BAUER Group is a provider of services, machinery and ancillary products for ground and groundwater. The Group markets its products and services all over the world. Its business is divided into three segments: Construction, Equipment and Resources. BAUER AG has been listed on the SDAX stock market index since September 2006. Between September 2008 and September 2010 BAUER AG was also listed on the MDAX index.

These condensed consolidated financial statements were released for publication on August 12, 2013.

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. BASES FOR COMPILING THE CONSOLIDATED FINANCIAL STATEMENTS

BAUER AG compiles 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 accounting reference 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 accounting reference date are applied.

The Half-Year Interim Report to June 30, 2013 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, 2012, and as such should be read in conjunction with the consolidated financial statements of BAUER AG to December 31, 2012.

3. SCOPE OF CONSOLIDATION

The scope of consolidation includes BAUER AG and all major subsidiaries. Subsidiaries are all companies over which the parent has control in terms of financial and corporate policy. This is routinely accompanied by a voting share of over 50 per cent. 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 percent of their voting rights. This is the result of state restrictions which stipulate that foreign investors may not hold more than 50 percent of the voting rights in domestic companies. In such cases BAUER AG makes use of so-called agency constructions, whereby more than 50 percent 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 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.

Construction segment

OOO Bauer Technologie, Moscow, Russia, was consolidated for the first time with effect from June 30, 2013. The company is newly established.

Resources segment

Bauer + Moosleitner Entsorgungstechnik GmbH, Salzburg, Austria, was consolidated for the first time with effect from March 31, 2013. The company is newly established.

No further changes have occurred to the scope of consolidation since December 31, 2012.

4. KEY ASSUMPTIONS AND ESTIMATES

In this context we refer to our 2012 Annual Report, page 106.

5. ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods applied as from January 1, 2013 correspond to those applied to the consolidated financial statements to December 31, 2012, with the following exceptions:

IAS 19 Employee Benefits (IAS 19 R)

As a result of the abolition of the "corridor" method, actuarial gains and losses are recorded immediately in the period in which they occur, under "Other result".

The first-time adoption of IAS 19 R had the following effects on the period result, the Group's equity and the provisions for defined benefit plans of the comparative period:

- **Net profit or loss**

Staff costs in the first half of 2012 decreased by the previously included expenses from the amortization of actuarial gains and losses in an amount of EUR 417 thousand. Of that total, EUR 119 thousand was income tax expense, resulting in a EUR 298 thousand effect on the period result.

- **Group equity and provisions for defined benefit plans**

The setting-off of actuarial gains and losses increased provisions for defined benefit plans by EUR 28,221 thousand as per December 31, 2012. Of that total, EUR 7,930 thousand related to deferred taxes, resulting in a reduction in the Group's equity of EUR 20,291 thousand.

All other changes, such as the adoption of the Net Interest Approach or the requirement in future for post-employment service costs to be recorded directly affecting net expenditure (see 2012 Annual Report, page 107), have no significant effects on the net asset, financial and earnings position of the BAUER Group.

IAS 1 Presentation of items in Other Comprehensive Income

The items presented in the statement of comprehensive income must be broken down depending on whether they are transferred to the income statement in the subsequent periods or not. The Group's statement of comprehensive income has been adjusted and expanded accordingly.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

Additional disclosures have been included in the Notes to the financial statements in relation to offsetting of financial instruments. The amended IFRS 7 has no effect on the condensed interim consolidated financial statements of the BAUER Group.

IFRS 13 Fair Value Measurement

IFRS 13 stipulates how fair value is to be determined and extends fair value disclosure requirements.

6. DISCLOSURES REGARDING FINANCIAL INSTRUMENTS**6.1 Financial risk factors**

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

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 of BAUER AG to December 31, 2012.

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

6.2 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 on active markets for identical assets or liabilities
- Level 2: Other methods in which all incoming information having a material influence on the fair value determined originates from directly and indirectly observable market data
- Level 3: Methods using incoming information having a material influence on the fair value determined which does not originate from observable market data

Level 3 was not relevant to the BAUER Group at June 30, 2013.

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

ASSETS in EUR '000	IAS 39 category	30.06.2013	Level 1	Level 2
Securities	AfS	0	0	0
Derivatives not in hedge accounting	FAHfT	1,201	0	1,201
Derivatives in hedge accounting	n/a	108	0	108
Total		1,309	0	1,309

EQUITY AND LIABILITIES in EUR '000	IAS 39 category	30.06.2013	Level 1	Level 2
Derivatives not in hedge accounting	FLHfT	5,496	0	5,496
Derivatives in hedge accounting	n/a	4,581	0	4,581
Total		10,077	0	10,077

ASSETS in EUR '00	IAS 39 category	31.12.2012	Level 1	Level 2
Securities	AfS	0	0	0
Derivatives not in hedge accounting	FAHfT	403	0	403
Derivatives in hedge accounting	n/a	1,197	0	1,197
Total		1,600	0	1,600

EQUITY AND LIABILITIES in EUR '000	IAS 39 category	31.12.2012	Level 1	Level 2
Derivatives not in hedge accounting	FLHfT	6,163	0	6,163
Derivatives in hedge accounting	n/a	6,105	0	6,105
Total		12,268	0	12,268

In the first half of the year no reclassification was undertaken between level 1 and 2 financial instruments measured at fair value.

6.3 Methods for determining level 2 fair values

Level 2 derivatives comprise foreign exchange forward contracts, foreign exchange forward options, interest rate swaps and cross-currency swaps.

The fair values of foreign exchange forward contracts and cross-currency swaps are measured separately at their respective forward prices and discounted to the reference date based on the corresponding interest rate curve. The market prices of foreign exchange forward options are determined by recognized option price models.

The fair values of the interest rate swaps correspond to the respective market value as determined by appropriate financial valuation methods, such as by discounting expected future cash flows.

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 assets and non-current financial assets and of non-current liabilities and non-current financial liabilities correspond to the cash 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.

Investments are valued at cost, as no fair value can be reliably determined owing to the lack of an active market.

6.4 Financial liabilities

The following table sets out the carrying amounts and fair values of the individual classes of financial liability. The fair values for the financial liabilities were determined on the basis of the applicable interest rates for corresponding remaining terms/repayment structures on the accounting reference date, utilizing available market information (Bloomberg).

in EUR '000	31.12.2012		30.06.2013	
	Carrying amount	Fair value *	Carrying amount	Fair value
Liabilities to banks	426,186	434,092	405,613	414,289
Other non-current financial liabilities	22,712	23,002	18,295	18,585
Total	448,898	457,094	423,908	432,874

* Previous year figures adjusted; the method for measuring fair values has been amended.

In the case of all other financial liabilities the carrying amount corresponds to the fair value.

In other respects we refer to pages 152ff. of the 2012 Annual Report.

7. SEASONALITY

Our Construction segment undertakes many projects in regions where winter and other hostile weather conditions impact severely on site results in the first quarter of the year and at the start of the second quarter. The first quarter is also weak in terms of the performance of 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.

8. 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. 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, liabilities, total Group revenues, sales revenues with third parties and other 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 subgrade 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. In order to portray development trends, the Construction segment sales

are additionally broken down into the subdivisions of "Specialist Foundation Engineering, Germany" and "Specialist Foundation Engineering, International" in the management report. The Construction segment is founded on the close interlinking of all construction activities.

Equipment

In the **Equipment segment**, machinery 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 geothermal energy, oil and gas. Equipment for ramming and soil improvement is also manufactured. The range is supplemented by a wide selection of add-on units and ancillary equipment, covering all the processes involved in specialist foundation engineering.

Resources

The **Resources segment** brings together all the Group companies providing products and services relating to the remediation and extraction of natural resources essential to human life. They include environmental technology companies involved in the treatment of soil and groundwater as well as companies involved in exploratory 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.

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.

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.

9. TOTAL GROUP REVENUES, CONSOLIDATED REVENUES AND SALES REVENUES WITH THIRD PARTIES

The consolidated revenues reflect the performance of all the companies included in the scope 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 consortia, 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 percent 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, 2013

No findings subject to mandatory reporting in accordance with IAS 10 occurred after June 30, 2013.

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 4,452 thousand (December 31, 2012: EUR 4,452 thousand). In addition, we are subject to joint and several liability in respect of all joint ventures 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 company 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, 2013

The Management Board

Prof. Dipl.-Kfm. Thomas Bauer
Chairman of the Management Board

Dipl.-Betriebswirt (FH) Hartmut Beutler

Dipl.-Ing. Heinz Kaltenecker

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.

DATES 2013

April 11, 2013	Publication of 2012 Annual Report Annual Press Conference Analysts' Conference
May 15, 2013	Interim Report to March 31, 2013
June 27, 2013	Annual General Meeting
August 14, 2013	Half-Year Interim Report to June 30, 2013
November 14, 2013	Interim Report to September 30, 2013

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

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