

Interim Report

to September 30, 2014



GROUP KEY FIGURES JANUARY – SEPTEMBER 2014

IFRS in EUR million	09/2013 *	09/2014	Change	12/2013 *
Total Group revenues	1,103.9	1,163.2	5.4 %	1,504.2
of which Germany	336.9	348.7	3.5 %	410.4
International	767.0	814.5	6.2 %	1,093.8
International in %	69.5	70.0	n/a	72.7
of which Construction	542.7	533.3	-1.7 %	731.3
Equipment	455.5	507.5	11.4 %	628.7
Resources	146.6	160.6	9.6 %	199.2
Other/Consolidation	-40.9	-38.2	n/a	-55.0
Consolidated revenues	1,051.9	1,136.4	8.0 %	1,447.5
Sales revenues	968.6	1,013.7	4.7 %	1,402.2
Orders received	1,155.6	1,178.8	2.0 %	1,484.5
Orders in hand	836.7	780.8	-6.7 %	765.2
EBITDA	80.6	105.9	31.4 %	124.0
EBITDA margin in % (of sales revenues)	8.3	10.4	n/a	8.8
EBIT	12.6	38.3	n/a	30.1
EBIT margin in % (of sales revenues)	1.3	3.8	n/a	2.1
Net profit or loss	-21.4	-5.0	n/a	-19.4
Capital investment in property, plant and equipment	64.6	36.7	-43.2 %	91.9
Shareholders' equity	420.9	410.2	-2.5 %	419.4
Equity ratio in %	25.5	24.1	n/a	26.5
Net assets	1,653.7	1,699.6	2.8 %	1,585.2
Earnings per share	-0.86	-0.36	n/a	-0.99
Return on equity after tax in %	n/a	n/a	n/a	-4.6
Employees (on average over the year)	10,256	10,389	1.3 %	10,264
of which Germany	4,119	4,151	0.8 %	4,144
International	6,137	6,238	1.6 %	6,120

* Previous year's figures amended; see p. 24f. and 2013 Annual Report p. 106f.

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

At the end of the third quarter of 2014 the BAUER Group recorded total revenues of EUR 1,163.2 million, up 5.4 % versus the previous year (EUR 1,103.9 million). The net loss for the period was EUR 5.0 million. Several disturbances in our business across all segments made it impossible to reach our earnings targets. A meaningful year-on-year comparison cannot be made due to special effects, which resulted in a loss of EUR 21.4 million in the previous year.

In the first nine months of the year the Equipment segment exceeded its previous-year performance. An increase of incoming orders was not possible because of market disruptions in several regions as well as in Russia and Ukraine in combination with rising competition, from China in particular. Excellent opportunities are emerging however in the deep drilling business. The loss recorded in our dam project in the United States is responsible for continuing dissatisfactory overall results in the Construction segment. The Environmental area in the Resources segment is going quite well, and the Materials area is slowly improving. Unfortunately we have again been forced to make significant cuts in Exploration & Mining. The order situation in Africa has been greatly impacted by severe weakness in the mining markets and risks posed by the Ebola virus.

Group orders in hand are 6.7 % lower versus the previous year at EUR 780.8 million. The decrease reflects the fact that last year we had a number of very large orders on our books which were mostly completed. We still have decent levels of orders on the books for medium to large-scale projects in all regions; these will keep us busy enough over the period ahead. Our Equipment segment continues to operate on the basis of short delivery lead times.

For full-year 2014 we forecast total Group revenues of around EUR 1.55 billion and EBIT of around EUR 75 million. We estimate after-tax profit will reach the lower end of the estimated range of EUR 15 to 20 million. Due to the problems outlined, we will only be able to achieve the target through a non-operating one-time income.

Course of Business and Background Conditions

GENERAL ECONOMIC CLIMATE

The world's problems have grown yet worse in recent months, with the Ukraine conflict increasingly impacting Europe as Russia has responded with countermeasures to economic sanctions imposed by the EU. The economic damage on both sides is substantial, the effects of which are likely to be felt for some years to come.

The situation in the Arab world is extremely precarious, the rise of the barbaric "Islamic State" terror group posing a particular risk. Moderate groups in the Islamic world and Western countries have not been able thus far to decisively quell the movement. There is thus still a risk of entire areas being taken by the terrorist group, which creates an enormous amount of uncertainty for conducting business in the Middle East.

The general trend to the global economy remains positive overall however. Most countries in the Far East are still working full speed to catch up in terms of infrastructure. In the US growth is picking up and some European countries are emerging from years of economic weakness. Several countries in the Arab world are performing well despite the region's problems, with major infrastructure and real estate projects keeping the construction sector strong, especially in the United Arab Emirates, Saudi Arabia and Qatar.

In recent weeks the German economy has shown initial signs of slowing. Incoming orders have fallen considerably in several industries and some analysts as well as the German government have withdrawn their original growth forecasts for 2014. In the face of so many troubles, an export-dependent country like Germany is certain to lose economic momentum.

The German construction sector showed significantly slower growth in the third quarter than expected. While figures for the first two quarters were extremely good for German construction, for the entire nine months growth has been small. The virtual absence of bad weather early in the year led to overly favorable projections, although the German construction sector will likely still see slight growth which will keep the industry well occupied next year.

For our group these developments mean we have to be able to respond much more flexibly to change. Russia has been a good market for us in recent years, but sales will be lower going forward. We will have to make up for this in other markets, such as Arab nations.

Despite the crisis hotspots presently affecting global construction markets, the medium-range trend remains positive overall. There has been far too little investment in construction in Western economies in recent decades, and emerging economies still have a vast amount of catching up to do to have the modern infrastructure required in today's world. Increasing urbanization is creating enormous demand – for construction works in particular – as major infrastructure improvements are needed in order to enhance people's lives and grow economies. Those works, including underground railway systems, bridges and underground parking garages, will entail increased demand for specialist foundation engineering services. The world will face further challenges in the years ahead with regard to water, the environment and energy production – all areas in which we offer solutions, and which will become increasingly important as time goes on. We therefore believe we are very well positioned to meet a wide range of demands through our products and services.

In our Equipment segment, the construction machinery market in China shows clear signs of decline. Local competitors have created excessive capacity which is now necessitating consolidation. In addition, Chinese manufacturers are stepping up efforts to enter international markets. Despite the added competition and market disruptions around the world, we have succeeded in keeping sales of our specialist foundation engineering equipment stable. This tells us that customers value the major efforts we have made in recent years in the areas of product development, quality and service, and as a result their confidence in our products is not only holding up well but in fact increasing. We thus expect continuing modest growth in this segment going forward.

Having gone through an extended period of low demand, good opportunities are now being seen in the deep drilling business. We have sold one of our largest rigs and received an order for a smaller TBA 100 deep drilling rig. We anticipate further orders to be received soon, which will be positive for the capacity utilization of our production facilities, significantly improving fixed costs coverages.

Our Resources segment continues to enjoy highly attractive prospects worldwide, particularly in the field of environmental technology and water-related products and services. As a result, this segment as well should be able to again achieve respectable growth.

OVERVIEW OF INTERNATIONAL MARKETS

Germany

Trends in the German construction market are positive, growth rates being projected to remain in the low single digits over the next few years. Housing construction remains the main driver of growth, with low interest rates providing a major incentive for developers to invest. Commercial property construction is benefiting from the general upturn in the global economy. The German government will be spending significantly more on infrastructure in the coming years, so public-sector construction should exhibit somewhat greater growth.

The widely anticipated positive effects of the reversal of energy policy in Germany to favor renewable energies have not been realized. Only the onshore wind power sector is generating strong order flow. The necessary power lines from northern to southern Germany have not yet been realized, and little progress is being made in the development of offshore wind power. Even the urgently required growth in conventional power station capacity is not happening due to a lack of clear policy framing.

Europe

Eastern Europe continues to suffer the after-effects of the financial crisis. Investment in construction remains at very low levels in almost all the countries in the region. This means there is likely much yet to come in the years ahead which will boost growth. Russia's future is extremely difficult to predict at this point. On the one hand the country is in a recovery phase due to the enormous need for construction, and the money for this is there thanks to oil and gas revenues. Sanctions on the other hand are crippling many sectors of the economy and public sector investment.

We predict that growth in Western European construction markets will continue to be modest over the coming years. Many countries have had to impose strict budget constraints which will hamper efforts to further develop their infrastructure. There are nonetheless a number of opportunities for us in Europe, including in Switzerland. In France, major funding will be needed in the coming years to improve the traffic situation in and around Paris. Large infrastructure projects are once again in planning in the UK.

Middle East & Central Asia

For several months the Middle East has been divided into two areas: one where the development of large areas is paralyzed through fighting against Islamic extremists; and entire countries, which have and difficulties rebuilding a functioning administration and economy in the wake of political upheaval. And the other, which includes states that are re-addressing their plans for developing modern infrastructure, such as the United Arab Emirates, Saudi Arabia and Qatar. The continuing strength of oil and gas revenues makes this possible.

In Qatar, great efforts are now underway to construct a subway system and to implement other infrastructure projects, while in the United Arab Emirates residential and vacation property construction is bouncing back. Work has begun in Dubai to build the world's largest shopping center. In Saudi Arabia new subway lines are being built in Riyadh and expansion of the railway network has begun. These projects require major construction capacity.

The situation in Egypt is remarkably positive for our business. The new government has launched a major infrastructure program to stimulate the economy, the biggest project in which is expansion of the Suez Canal, adding a second passage. This will require extensive specialist foundation engineering services for underpass structures, which will be keeping our equipment customers very busy. A contract is soon to be awarded as well for two additional subway lines in Cairo, which will involve huge construction pits for several subway stations.

In Libya, by contrast, the unstable political situation is preventing recovery of the construction market. Things are going better in Lebanon, where a number of interesting projects are being carried out. However, the market there is at risk due to the conflict in the neighboring countries.

Asia-Pacific, Far East & 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 airport is slated for expansion as well within the next several years. The construction sector is doing well in Singapore too, where a new harbor facility is being built. Economies such as Indonesia and the Philippines are also seeing healthy growth. By contrast, the Australian economy is not doing as well. Construction activity in the country has slowed.

Americas

The situation in North America is improving steadily after a number of weak years. It is in the USA that there is the highest level of backlogged demand in many areas of infrastructure, arising from a lack of adequate investment over recent decades. Major efforts will be made over the coming years to remedy this deficit, a positive side effect of which will be a further boost to the economy. We regard the market situation as stable overall and offering good opportunities for further growth in both our Construction and Equipment segments. Trends in the Canadian construction market are likewise favorable. Interesting projects are regularly seen in Central America.

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.

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

The **Resources** segment has a number of interesting environmental projects in the pipeline, on the Arabian Peninsula especially, which will soon be entering the contract award phase. Inquiries from the mining sector have fallen significantly due to weak commodity markets. Slight recovery is being seen in individual areas. Demand for water-related products and services is increasing worldwide.

PERFORMANCE OF THE BAUER GROUP

The adoption of IFRS 11 (Joint Arrangements) has entailed minor changes to the recognition of construction joint ventures in the income statement. These were also adjusted for the previous year, but are of lesser importance. All explanatory notes relate to changes to the adjusted previous-year figures.

In the first nine months of 2014 BAUER Group **total Group revenues** increased 5.4 % versus the same period last year to EUR 1,163.2 million. A **net loss for the period** of EUR 5.0 million was recorded. Last year special effects led to a loss of EUR -21.4 million, thus comparability is not given.

Earnings for the nine-months period were impacted by a fine of EUR 3.8 million and significantly higher income tax expense versus the prior-year period. The Construction segment was strongly affected by negative results in our dam project in the

USA. Equipment segment earnings were substantially higher versus the same period last year. Significant negative earnings were recorded in the Resources segment due to losses in Exploration & Mining and restructuring charges.

Group **orders in hand** for the period declined 6.7 % year-on-year to EUR 780.8 million. This is in line with our expectations, as a number of large-scale Construction segment projects were completed in the course of the year. Orders in hand in the Equipment segment are slightly down year-on-year, reflecting how difficult it still is to fill production capacity in advance. Orders in the environmental technology, underground mining and materials business in the Resources segment are in line with our projections, though in Exploration & Mining order receipts are insufficient. On the positive side, there are many interesting large-scale projects on the market in the Resources segment, which we are energetically pursuing.

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

BREAKDOWN OF TOTAL GROUP REVENUES BY SEGMENT

in EUR million		09/2013 * revenues	09/2014 revenues	Share 2014	Change against previous year	Orders in hand
Construction	BAUER Spezialtiefbau GmbH (BST)					
	BST, Germany	85.7	102.1	8.8 %	19.1 %	+
	Subsidiaries, Germany	33.7	7.4	0.6 %	-78.0 %	+
	BST, international	49.4	63.0	5.4 %	27.5 %	•
	Subsidiaries, international	392.7	373.5	32.1 %	-4.9 %	•
	BST Group total	561.5	546.0	46.9 %	-2.8 %	•
	SCHACHTBAU NORDHAUSEN GmbH incl. subsidiaries (SBN)	47.4	46.5	4.0 %	-1.9 %	•
	less intra-Group revenues and IFRS adjustments	-66.2	-59.2	-5.0 %		
	Construction total	542.7	533.3	45.9 %	-1.7 %	•
Equipment	BAUER Maschinen GmbH (BMA)	272.2	293.5	25.2 %	7.8 %	•
	Equipment subsidiaries	308.6	327.4	28.2 %	6.1 %	•
	BMA Group total	580.8	620.9	53.4 %	6.9 %	•
	SBN	46.4	48.3	4.2 %	4.1 %	•
	less intra-Group revenues and IFRS adjustments	-171.7	-161.7	-14.0 %		
	Equipment total	455.5	507.5	43.6 %	11.4 %	•
Resources	BAUER Resources GmbH (BRE)	7.0	11.2	1.0 %	60.0 %	
	Resources subsidiaries	140.0	151.3	13.0 %	8.1 %	-
	BRE Group total	147.0	162.5	14.0 %	10.5 %	-
	SBN	20.4	23.8	2.0 %	16.7 %	++
	less intra-Group revenues and IFRS adjustments	-20.8	-25.7	-2.2 %		
	Resources total	146.6	160.6	13.8 %	9.6 %	•
Other	BAUER Aktiengesellschaft (BAG)	22.9	23.1	2.0 %	0.9 %	
	Other subsidiaries	1.7	1.7	0.1 %		
	Total Other/services	24.6	24.8	2.1 %	0.8 %	
	less intra-Group revenues and IFRS adjustments	-65.5	-62.9	-5.4 %		
	Group total (including minority interests)	1,103.9	1,163.2	100.0 %	5.4 %	•
	of which: Germany	336.9	348.7	30.0 %	3.5 %	
	International	767.0	814.5	70.0 %	6.2 %	

* See footnote on page 2

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	09/2013 *	09/2014	Change	12/2013 *
Total Group revenues	542,730	533,253	-1.7 %	731,274
Sales revenues	474,409	492,112	3.7 %	657,920
Orders received	527,318	500,469	-5.1 %	716,888
Orders in hand	497,675	465,917	-6.4 %	498,701
EBIT	17,994	20,318	12.9 %	21,827
Net profit or loss	3,988	2,435	-38.9 %	5,472
Employees (on average over the year)	5,523	5,665	2.6 %	5,531

* See footnote on page 2

Total Group revenues for the Construction segment were 1.7 % lower year-on-year at EUR 533.3 million. The year 2014 started out well, coming after a weak previous year. The second and third quarters of the previous year were quite strong in any case, with several major projects being wrapped up. There have been far fewer orders of a similar magnitude this year, thus total Group revenues are down somewhat. **EBIT (earnings before interest and taxes)** increased by EUR 2.3 million year-on-year to EUR 20.3 million for the period. **Net profit for the period** declined however from EUR 4.0 million to EUR 2.4 million. These changes were chiefly due to much higher income tax expense and economic problems in our dam project in Tennessee, USA.

Orders in hand in the Construction segment declined 6.4 % to EUR 465.9 million (previous year: EUR 497.7 million) as several large-scale projects were completed. Order backlog is evenly distributed geographically across the world, providing a firm foundation for us to achieve this year's performance targets. More work is required however to ensure a firm foundation is in place for the year ahead as well.

The construction business is benefiting from expanding markets worldwide. Most projects on the market currently are smaller or mid-sized.

Business in Germany was particularly good, with specialist foundation engineering revenue up 19.0 % year-on-year for the period. While revenues in the UK, Russia and Saudi Arabia for example declined significantly due to a shortage of projects, substantial improvement was seen in Switzerland, the United Arab Emirates, Qatar, Hong Kong and Indonesia.

The other German construction companies in the Group have solid order backlog.

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

Full-year outlook

We believe Construction segment revenues will fall somewhat short of last year's level. Profit after tax is expected to come in slightly lower versus 2013, but EBIT should be higher.

EQUIPMENT SEGMENT

EQUIPMENT SEGMENT KEY FIGURES

in EUR '000	09/2013 *	09/2014	Change	12/2013 *
Total Group revenues	455,540	507,488	11.4 %	628,661
Sales revenues	357,068	370,950	3.9 %	561,615
Orders received	504,593	533,683	5.8 %	632,102
Orders in hand	162,137	142,720	-12.0 %	116,525
EBIT	13,311	25,894	94.5 %	32,223
Net profit or loss	-3,402	4,341	n/a	5,055
Employees (on average over the year)	2,987	3,043	1.9 %	2,998

* See footnote on page 2

Total Group revenues in the Equipment segment in the first nine months of this year rose by 11.4 % versus the previous year comparative to EUR 507.5 million. **Sales revenues** rose 3.9 % to EUR 371.0 million. **EBIT** rose significantly year-on-year from EUR 13.3 million to EUR 25.9 million. A number of complex machines were delivered in the first nine months of the year, improving margins. The change in value in the US dollar had a positive effect as well.

The **net result for the period** improved from EUR -3.4 million last year to EUR 4.3 million this year. **Orders in hand** in the Equipment segment totaling EUR 142.7 million (previous year: EUR 162.1 million) were slightly down. **Order receipts** remain highly variable. Some markets are continually seeing new factors appear contributing to political uncertainty, which reduces customer willingness to invest. Business continues to be very short-term in nature. Specialist foundation engineering machinery customers expect immediate delivery after ordering. Demand is nevertheless lively, thus we are forecasting sales growth to remain steady. Especially pleasing was the sale of one of our largest deep drilling rigs. And prospects are good for additional sales.

Over the years ahead revenues need to increase from their current level at a rate of around 10 % to achieve sustained earnings growth. This would provide much better capacity utilization, reducing fixed costs relative to total. New specialist foundation engineering products and our range of deep drilling rigs should enable us to achieve such growth. The cooperation contract with Saxon Energy Services Inc. to develop a large-sized deep drilling rig is an example of the increased opportunities we are enjoying in what are new markets for us. We are confident of our ability to grow our business volume in these areas.

On the other hand, the sanctions imposed on Russia are a matter of concern to us, which we hope will not cause a severe decline in sales.

Full-year outlook

We forecast Equipment segment sales to increase for the current financial year, enabling us to improve earnings.

RESOURCES SEGMENT

RESOURCES SEGMENT KEY FIGURES

in EUR '000	09/2013 *	09/2014	Change	12/2013 *
Total Group revenues	146,540	160,571	9.6 %	199,211
Sales revenues	136,748	150,334	9.9 %	182,115
Orders received	164,633	182,754	11.0 %	190,404
Orders in hand	176,920	172,203	-2.7 %	150,020
EBIT	-19,695	-5,659	n/a	-24,582
Net profit or loss	-23,890	-10,983	-54.0 %	-31,444
Employees (on average over the year)	1,463	1,391	-4.9 %	1,449

* See footnote on page 2

Total Group revenues in the Resources segment rose 9.6 % to EUR 160.6 million for the nine-months period, thanks primarily to the Materials and Environment areas. **EBIT** was recorded at EUR -5.7 million. The **net loss for the period** was EUR 11.0 million. Comparability is not given with the previous-year result of EUR -23.9 million, which was due to special effects.

Major efforts continue to realign the Resources segment, involving the closure of some locations. The environmental technology and water-related businesses are doing well. The healthy level of orders in those areas will help us to achieve growth. The Materials area has improved to the point of regaining profitability in 2015 according to our projections.

Our deep drilling operations for water extraction and mining exploration continue to fall short of our expectations. We have not yet been able to acquire sufficient orders to cover our capacities in Jordan owing to the problems in the region. Weak mining markets worldwide – especially in Africa – are additionally having a negative impact on us. We have discontinued operations in some regions and restructuring this business. We are optimistic that we will soon be able to make the progress necessary in this area as well, although the current problems will continue to cause significant losses.

The segment has **orders in hand** valued at EUR 172.2 million, a solid figure although below the record level for the core business. The Mining division of SCHACHTBAU NORDHAUSEN GmbH holds much of this total, with orders valued at EUR 46.1 million. Operations in this field include in particular shaft driving for a mine in Kazakhstan.

Although much effort will yet be required in the Resources segment to address problems stemming from the past, there are many opportunities. In our markets there are a considerable number of large projects for cleaning up environmental contamination and exploratory drilling for mineral resources. We are highly confident of achieving successes in this area.

Full-year outlook

We see promising growth opportunities in the Resources segment for the years ahead. In 2014, revenues will be up again. A substantial operating net loss for the period will still be recorded however. The non-operating one-time income we are presently working on will give the segment a positive result at yearend.

OTHER SEGMENT

The performance of the Other segment differed substantially versus last year's nine-months period. **EBIT** was down by EUR 3.3 million over the previous year to EUR -2.8 million. This figure reflects a portion of the fine against one of our subsidiaries, costs connected to the syndicated loan and unrealized losses from BAUER AG foreign exchange forward contracts to hedge against foreign receivables which were not cashed. Based on current forecasts, these items will not impact on business any further this year.

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. Our Equipment segment, too, is still clearly showing the impact of its increased up-front financing requirements, resulting from the need to hold more stocks due to shortened delivery lead times. The loss recorded last year and adjustments to provisions for defined benefit plans necessitated by IFRS have had a negative impact on our balance sheet – especially on the equity ratio. These changes will continue to affect us, though we will be working to improve the equity ratio in the years ahead.

It is normal in the specialist foundation engineering and related equipment business that the financing needs of the companies concerned increase substantially early in the year, then decline towards the end of the year. This effect is attributable in part to customer payment practices, but also reflects the seasonal nature of the business which necessitates boosting 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 have a converse effect at year-end.

At the end of the third quarter 2014, **net assets** were 7.2 % higher versus year-end 2013. This represented a 2.8 % increase versus the balance sheet in September of last year. The increase rate for net assets was substantially below the rate of rise in revenues (+8.0 % year-on-year). Our medium-term target is a substantial reduction in net assets relative to total Group revenues.

EARNINGS

Consolidated revenues on the Group income statement increased 8.0 % year-on-year for the period to EUR 1,136.4 million. The **changes in inventories** increased to EUR 83.8 million. The item **other capitalized goods and services for own account**, which mainly relates to equipment required for our own in-house construction operations as well as development costs, amounted to EUR 9.2 million for the first nine months of the year. **Other income** rose by EUR 13.1 million to EUR 29.8 million, reflecting realized and unrealized foreign exchange gains totaling EUR 13.8 million. These were offset by realized and unrealized foreign exchange losses of EUR 6.7 million recorded under other operating expenses. **Sales revenues** rose 4.7 % year-on-year to EUR 1,013.7 million.

The **cost of materials, staff costs, depreciation and amortization and other operating expenses** items on the income statement increased somewhat less overall than revenues, contributing to a modest improvement in EBIT.

Cost of materials increased by 8.1 %, roughly the same rate as consolidated revenues. In the service business in the Construction segment, year-to-year cost distribution often varies considerably due to order structure. Small relative changes are thus irrelevant. **Staff costs** increased 3.0 %, a rate significantly lower than the rise in revenues.

Depreciation of fixed assets decreased 3.4 %, while **write-downs of inventories due to use** increased by EUR 1.6 million, as more machines were leased out than in the previous-year period. **Other operating expenses** include foreign currency losses, mentioned above.

Financial expenses changed only slightly compared to the same period last year. The **financial income** increased to EUR 3.9 million. No year-on-year comparison is possible in this respect, as the previous year period was subject to special influencing factors.

Income tax expense came in EUR 6.2 million higher versus the previous-year period at EUR 11.1 million. Losses in the USA, among other factors, resulted in tax income last year. This year significant taxes accrued for the Group despite reporting a loss. The reason is that tax breaks in countries where a loss is made cannot be set off against taxation in other countries where a profit is made due to the national autonomy of tax laws. We expect full-year income tax expense to be somewhat higher than last year. However, the tax rate will be higher than the rate of around 30 % typical for previous years.

A **net loss for the period** of EUR 5.0 million was recorded. Comparability with the result of EUR -21.4 million for the previous-year period is not given due to special effects.

FINANCIAL POSITION

Our financial position is developing in line with plans. On April 17, 2014 we agreed a three-year syndicated loan with a consortium of the company's main banks providing a EUR 450 million credit facility. This provided the firm a new financing structure which will form the basis for planning going forward. The syndicated loan also replaced loans affected by the breaking of covenants. The new financing structure will increase the Group's finance costs.

NET ASSET POSITION

Net assets increased 7.2 % versus year-end 2013, and 2.8 % versus September of the previous year. An in-year increase is normal in our business, for the reasons outlined above. According to our projections, the increase in net assets at the year-end will be markedly less than the increase in revenues.

Fixed assets have decreased slightly relative to year-end 2013. **Property, plant and equipment** is lower by 3.7 %, reflecting our efforts to ensure economical investment activities. **Non-current assets** decreased by only 1.0 % overall. The foreign currency changes in the third quarter increased a number of non-current balance sheet items including receivables from concession arrangements. **Inventories** (particularly finished goods, work in progress and stock for trade) and **receivables** reflect the annually recurring seasonal effect. The level of up-front financing for our projects and inventories has thus risen accordingly. **Cash and cash equivalents** decreased by EUR 3.3 million versus their year-end level, but were EUR 6.2 million higher versus last year's nine-months period. **Current assets** increased 5.6 % versus the previous-year period.

Shareholders' equity decreased by EUR 9.2 million since the end of last year. The primary changes, alongside the loss recorded (EUR -5.0 million), are foreign currency exchange variations of EUR +11.9 million, effects of changes in interest rates on the valuation of pension commitments totaling EUR -14.6 million (after deducting deferred taxes), dividend payments to minority shareholders totaling EUR 2.3 million and the EUR 0.9 million increase in minority interests.

The usual seasonal additional financing requirement was mainly covered by borrowings. The proportion of **non-current** relative to **current financial liabilities** was significantly affected by the syndicated loan. Most of the syndicated loan has been allocated to current financial liabilities, as the company will be able to utilize the credit in a highly flexible way. Borrowings under these items increased against the year-end by EUR 102.8 million in line with seasonal trends. Against the previous year comparative nine-month period they increased by EUR 3.7 million.

DEVELOPMENT OF THE BAUER AG SHARE

The Bauer share started the year out strong, climbing from its opening price of EUR 18.75 to its year-to-date high of EUR 20.04 on January 17. The stock then generally moved in line with the DAX and SDAX indices. Following publication of the 2013 Annual Report on April 11, the share price declined to EUR 18.27 then traded sideways between EUR 18 and 19. When equity markets began running out of momentum in late June, the Bauer share underperformed the market, trending down to a low of EUR 14.44 on August 8. By the end of the month the share had recovered somewhat up to EUR 15.46 before again coming under pressure, falling to EUR 13.62 at the end of September. In October the DAX and SDAX indices declined as the stock market outlook grew bleaker, pushing the Bauer share down to a closing price of EUR 12.35 at the end of October.

HUMAN RESOURCES

The number of company employees increased only slightly since September of last year (10,256) to an average 10,389 for the year. Changes occurred solely in lower-wage countries in relation to specific projects. This is in line with our efforts to improve revenues without significant increases in staffing levels.

FOLLOW-UP REPORT

No matters of special note which we would expect to have a material influence on the BAUER Group's balance sheet or earnings occurred after the date September 30, 2014.

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, 2013. Consequently, we refer back to the Combined Management Report for financial 2013.

FULL-YEAR OUTLOOK

The year to-date has been marked by many developments in our markets, both positive and negative. The in part dramatic manner in which political disturbances affected Russia, Ukraine and Iraq was unpredictable. These are having a negative impact on our business – and not just in the countries concerned. However, they will not materially alter the opportunities open to Group companies overall.

All in all we are pleased to have been able to maintain revenue growth within the target corridor in spite of the developments occurring in 2014. Our after-tax earnings are below estimates due to the changes in our operating environment and a number of special influencing factors.

Looking ahead, we see the following key factors relevant to our business:

- There is considerable pent-up demand for infrastructure and buildings in almost every region of the world. The outlook is particularly favorable for our domestic market, Germany. Over the next several years the global construction industry will see steady growth despite economic problems and crisis areas. Specialist foundation engineering will grow faster than other construction segments, as underground construction now is increasingly necessary. The competitive situation will not be significantly changing for our construction companies.

- The sharp rise in competition in the equipment business in the past few years, especially from China, will continue impacting the market. We believe many competitors will soon be consolidated back out of the market however, as many newer firms are unable to operate profitably due to overcapacity. Our business model of selling premium products for complex special foundation engineering projects will enable us to increase revenues somewhat despite greater competition.
- The months ahead offer promising sales opportunities for our deep drilling equipment, as years of hard work now come to fruition. Such orders would improve our capacity utilization, enhancing earnings by reducing fixed costs relative to total cost. Our underwater drilling rigs and methods give us additional attractive growth opportunities over the next few years as the market picks up.
- There are a number of attractive big projects around the world for our Resources segment. Our environmental expertise opens up many opportunities in particular with which can put the segment solidly back on track.

Thus in general we believe the Group companies are well-positioned for the future. Aware that our recent results have not met expectations, we are working hard on our current problem areas so as to ultimately emerge stronger than before.

The new financing structure will slightly increase our interest costs, which we will be offset by cost savings. The cost-cutting program which we have launched to this end is progressing in line with planning.

For full-year 2014 we predict:

- Total Group revenues of around EUR 1.55 billion and EBIT of around EUR 75 million
- We estimate after-tax profit will reach the lower end of the estimated range of EUR 15 to 20 million. Due to the problems outlined, we will only be able to achieve the target through a non-operating one-time income.

As in previous years, we must again point out that BAUER Group revenue and earnings estimates are subject to heightened uncertainty than was the case during the boom period, due primarily to persistent, troubling developments in many parts of the world.

While the rapid changes seen in our time pose a major challenge for all of our staff and leaders, together we move forward, tackling every new situation with confidence and dedication.

Interim Financial Statements of the BAUER Group

INCOME STATEMENT

in EUR '000	01.07. - 30.09.2013 *	01.07. - 30.09.2014	01.01. - 30.09.2013 *	01.01. - 30.09.2014
1. Sales revenues	361,321	368,145	968,587	1,013,687
2. Changes in inventories	110	14,475	52,988	83,779
3. Other capitalized goods and services for own account	7,231	3,215	13,642	9,176
4. Other income	4,136	18,515	16,724	29,780
CONSOLIDATED REVENUES	372,798	404,350	1,051,941	1,136,422
5. Cost of materials	-189,871	-205,457	-556,027	-600,828
6. Staff costs	-92,672	-90,315	-257,466	-265,171
7. Depreciation and amortization				
a) Depreciation of fixed assets	-21,393	-20,129	-59,446	-57,429
b) Write-downs of inventories due to use	-3,771	-3,427	-8,567	-10,143
8. Other operating expenses	-59,903	-60,333	-157,819	-164,559
OPERATING RESULT	5,188	24,689	12,616	38,292
9. Financial income	-1	1,303	6,276	3,944
10. Financial expenses	-14,072	-14,298	-35,709	-35,817
11. Share of the profit or loss of associated companies accounted for using the equity method	-477	-329	310	-263
PROFIT BEFORE TAX	-9,362	11,365	-16,507	6,156
12. Income tax expense	-4,073	-5,354	-4,862	-11,109
NET PROFIT OR LOSS	-13,435	6,011	-21,369	-4,953
of which attributable to shareholders of BAUER AG	-7,018	5,240	-14,734	-6,106
of which attributable to minority interests	-6,417	771	-6,635	1,153

in EUR / share	01.07. - 30.09.2013 *	01.07. - 30.09.2014	01.01. - 30.09.2013 *	01.01. - 30.09.2014
Basic earnings per share	-0.41	0.31	-0.86	-0.36
Diluted earnings per share	-0.41	0.31	-0.86	-0.36
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	01.07. - 30.09.2013 *	01.07. - 30.09.2014	01.01. - 30.09.2013 *	01.01. - 30.09.2014
Net profit or loss	-13,435	6,011	-21,369	-4,953
Income and expenses not transferred to profit and loss				
Revaluation of commitments arising from employee benefits after termination of employment	0	-8,523	-1,417	-20,583
Deferred taxes on that revaluation with no effect on profit and loss	0	2,393	398	5,780
Income and expenses transferred to profit and loss				
Market valuation of derivative financial instruments	-145	500	553	582
Included in profit and loss	0	-1,319	0	-746
Deferred taxes on financial instruments with no effect on profit and loss	61	230	-426	193
Differences from currency translation	-8,132	10,675	-10,156	11,943
Other comprehensive income after tax	-8,216	3,956	-11,048	-2,831
Total comprehensive income	-21,651	9,967	-32,417	-7,784
of which attributable to shareholders of BAUER AG	-14,880	8,644	-24,618	-9,071
of which attributable to minority interests	-6,771	1,323	-7,799	1,287

* See footnote on page 2

BALANCE SHEET OF THE BAUER GROUP

ASSETS in EUR '000	30.09.2013 *	31.12.2013 *	30.09.2014
A. NON-CURRENT ASSETS			
I. Intangible assets	31,857	35,388	33,871
II. Property, plant and equipment and investment property	461,864	459,537	442,649
III. Investments accounted for using the equity method	11,908	12,651	11,947
IV. Participations	3,613	3,613	3,613
V. Deferred tax assets	32,508	26,299	34,290
VI. Receivables from concession arrangements	37,395	36,762	40,065
VII. Other non-current assets	7,959	7,564	7,680
VIII. Other non-current financial assets	7,783	5,420	7,361
	594,887	587,234	581,476
B. CURRENT ASSETS			
I. Inventories	477,743	419,352	487,359
II. Receivables and other assets	528,393	517,978	574,231
III. Effective income tax refund claims	4,974	3,437	2,647
IV. Cash and cash equivalents	47,675	57,217	53,915
	1,058,785	997,984	1,118,152
	1,653,672	1,585,218	1,699,628
EQUITY AND LIABILITIES in EUR '000	30.09.2013 *	31.12.2013 *	30.09.2014
A. SHAREHOLDERS' EQUITY			
I. Equity of BAUER AG shareholders	396,873	396,602	387,580
II. Minority interests	23,994	22,809	22,622
	420,867	419,411	410,202
B. NON-CURRENT LIABILITIES			
I. Defined benefit plans	83,273	81,637	104,268
II. Financial liabilities	352,245	279,437	451,817
III. Other liabilities	6,716	6,483	5,915
IV. Deferred tax liabilities	19,015	14,788	15,914
	461,249	382,345	577,914
C. CURRENT LIABILITIES			
I. Financial liabilities	476,099	449,875	380,275
II. Other liabilities	270,749	307,204	302,863
III. Effective income tax obligations	7,721	9,606	9,538
IV. Provisions	16,987	16,777	18,836
	771,556	783,462	711,512
	1,653,672	1,585,218	1,699,628

* See footnote on page 2

CASH FLOW STATEMENT OF THE BAUER GROUP

in EUR '000	30.09.2013	30.09.2014
Cash flows from operating activities	-103,759	-22,625
Cash flows from investing activities	-48,993	-24,686
Cash flows from financing activities	148,174	41,315
Changes in liquid funds affecting payments	-4,578	-5,996
Influence of exchange rate movements on cash	7,021	2,694
Total change in liquid funds	2,443	-3,302
Cash and cash equivalents at beginning of reporting period	45,232	57,217
Cash and cash equivalents at end of reporting period	47,675	53,915
Change in cash and cash equivalents	2,443	-3,302

STATEMENT OF CHANGES IN EQUITY OF THE BAUER GROUP

in EUR '000

in EUR '000

	Other revenue reserves and net earnings available for distribution							
	Subscribed capital	Capital reserve	Revenue reserves	Foreign currency translation	Reconciling item, IFRS	Hedging transaction reserve	Minority interests	Total
As at 01.01.2013	73,001	38,404	303,892	7,373	10,387	-3,722	33,205	462,540
Net profit or loss	0	0	-14,734	0	0	0	-6,635	-21,369
Differences from currency translation	0	0	0	-9,001	0	0	-1,155	-10,156
Revaluation of commitments arising from employee benefits after termination of employment	0	0	-1,404	0	0	0	-13	-1,417
Market valuation of derivative financial instruments	0	0	0	0	0	553	0	553
Deferred taxes with no effect on profit and loss	0	0	394	0	0	-426	4	-28
Total comprehensive income	0	0	-15,744	-9,001	0	127	-7,799	-32,417
Changes in scope of consolidation	0	0	-2,705	0	0	0	0	-2,705
Dividend payments	0	0	-5,139	0	0	0	-1,412	-6,551
Other changes	0	0	0	0	0	0	0	0
As at 30.09.2013 *	73,001	38,404	280,304	-1,628	10,387	-3,595	23,994	420,867
As at 01.01.2014	73,001	38,404	283,895	-6,492	10,387	-2,593	22,809	419,411
Net profit or loss	0	0	-6,106	0	0	0	1,153	-4,953
Differences from currency translation	0	0	0	11,691	0	0	252	11,943
Revaluation of commitments arising from employee benefits after termination of employment	0	0	-20,404	0	0	0	-179	-20,583
Market valuation of derivative financial instruments	0	0	0	0	0	-177	13	-164
Deferred taxes with no effect on profit and loss	0	0	5,729	0	0	196	48	5,973
Total comprehensive income	0	0	-20,781	11,691	0	19	1,287	-7,784
Changes in scope of consolidation	0	0	0	0	0	0	0	0
Dividend payments	0	0	0	0	0	0	-2,325	-2,325
Other changes	0	0	49	0	0	0	851	900
As at 30.09.2014	73,001	38,404	263,163	5,199	10,387	-2,574	22,622	410,202

* See footnote on page 2

SEGMENT REPORTING OF THE BAUER GROUP

in EUR '000	Construction		Equipment		Resources		Other	
	2013 *	2014	2013 *	2014	2013 *	2014	2013 *	2014
01.01. - 30.09.								
Total revenues (Group)	542,730	533,253	455,540	507,488	146,540	160,571	24,665	24,775
Sales revenues with third parties	474,409	492,112	357,068	370,950	136,748	150,334	362	291
Sales revenues between business segments	12,698	10,314	36,613	28,855	1,309	2,529	23,114	22,726
Changes in inventories	1,125	-61	51,024	83,021	839	819	0	0
Other capitalized goods and services for own account	477	186	3,377	3,694	218	294	0	0
Other income	8,054	12,369	7,219	14,754	2,091	2,408	375	937
CONSOLIDATED REVENUES	496,763	514,920	455,301	501,274	141,205	156,384	23,851	23,954
OPERATING RESULT	17,994	20,318	13,311	25,894	-19,695	-5,659	579	-2,739
Financial income	2,314	1,475	2,530	1,113	1,713	1,536	4,863	5,597
Financial expenses	-15,239	-14,334	-15,201	-16,134	-7,288	-7,548	-3,125	-3,578
Share of the profit or loss of associated companies accounted for using the equity method	-130	-536	2	-56	438	329	0	0
Income tax expense	-951	-4,488	-4,044	-6,476	942	359	-665	-397
NET PROFIT OR LOSS	3,988	2,435	-3,402	4,341	-23,890	-10,983	1,652	-1,117
ADDITIONAL INFORMATION ON THE INCOME STATEMENT								
Depreciation and amortization								
Depreciation of fixed assets	-35,233	-33,798	-12,089	-14,830	-9,915	-6,916	-2,497	-2,248
Write-downs of inventories due to use	0	0	-8,567	-10,143	0	0	0	0
	31.12.2013	30.09.2014	31.12.2013	30.09.2014	31.12.2013	30.09.2014	31.12.2013	30.09.2014
SEGMENT ASSETS	566,266	603,512	803,467	819,078	265,613	285,157	303,121	299,448

SEGMENT REPORTING OF THE BAUER GROUP

in EUR '000	Consolidation		Group	
	2013	2014	2013 *	2014
01.01. - 30.09.				
Total revenues (Group)	-65,553	-62,924	1,103,922	1,163,163
Sales revenues with third parties			968,587	1,013,687
Sales revenues between business segments	-73,734	-64,424	0	0
Changes in inventories	0	0	52,988	83,779
Other capitalized goods and services for own account	9,570	5,002	13,642	9,176
Other income	-1,015	-688	16,724	29,780
CONSOLIDATED REVENUES	-65,179	-60,110	1,051,941	1,136,422
OPERATING RESULT	427	478	12,616	38,292
Financial income	-5,144	-5,777	6,276	3,944
Financial expenses	5,144	5,777	-35,709	-35,817
Share of the profit or loss of associated companies accounted for using the equity method	0	0	310	-263
Income tax expense	-144	-107	-4,862	-11,109
NET PROFIT OR LOSS	283	371	-21,369	-4,953
ADDITIONAL INFORMATION ON THE INCOME STATEMENT				
Depreciation and amortization				
Depreciation of fixed assets	288	363	-59,446	-57,429
Write-downs of inventories due to use	0	0	-8,567	-10,143
	31.12.2013	30.09.2014	31.12.2013	30.09.2014
SEGMENT ASSETS	-353,249	-307,567	1,585,218	1,699,628

* See footnote on page 2

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 (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 is listed on the SDAX index.

These condensed consolidated financial statements were released for publication on November 11, 2014.

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 Interim Report to September 30, 2014 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, 2013, and as such should be read in conjunction with the consolidated financial statements of BAUER AG to December 31, 2013.

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 percent. 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. Joint ventures are likewise consolidated according to the equity method.

Changes at subsidiaries:

Equipment segment

With effect from April 30, 2014, Celler Brunnenbau Holding GmbH, Celle, contributed assets with a fair value of EUR 900 thousand to PRAKLA Bohrtechnik GmbH as part of an asset deal. The fair value was certified by an external auditor. In return, linked to a capital increase by PRAKLA Bohrtechnik GmbH, Peine, a capital share (10 percent, or EUR 114 thousand) determined by the DCF method was allotted. The asset deal also entailed a premium of EUR 786 thousand.

The assets contributed are linked to the business unit involved in the production of drilling rigs, casing oscillators and grip heads, as well as spare parts in particular for water extraction, subgrade and constructional engineering works, and geological drilling and exploration.

Amounts recorded at time of acquisition:

in EUR '000	
Cash and cash equivalents	0
Equity portions	900
Total acquisition cost	900
Non-current assets	900
Current assets	0
Assets	900
Non-current liabilities	0
Current liabilities	0
Equity and liabilities	0
Net worth	900
Minority interests	900
Goodwill	0

As this is a change in equity at a subsidiary as a result of which the Group's share in equity is reduced or increased without loss of control, the change is recognized as a transaction between equity investors not affecting profit and loss.

No goodwill was created by the asset deal.

Resources segment

On August 25, 2014, GWE Prakla Services GmbH, Peine, Germany and on August 29, 2014, GWE GF-Tec GmbH, Rödermark, Germany were merged into GWE pumpenboese GmbH, Peine, Germany retrospectively with effect from January 01, 2014.

No changes have otherwise occurred to the scope of consolidation since December 31, 2013.

4. KEY ASSUMPTIONS AND ESTIMATES

In this context we refer to our 2013 Annual Report, page 103.

5. ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods applied as from January 1, 2014 correspond to those applied to the consolidated financial statements to December 31, 2013, with the following exceptions:

- **IAS 28 – Investments in Associates and Joint Ventures**

This amendment replaces IAS 28, “Investments in Associates”, and stipulates the preconditions for application of the equity method by associates and joint ventures.

- **IAS 32 – Financial Instruments: Presentation**

The amendment essentially involves clarification of a number of rules for the offsetting of financial assets and liabilities. A financial asset may only be set off against a financial liability if the claim is current. That is to say, it must not be dependent on a future event. Additionally, the amendments clarify that gross offsetting mechanisms (such as through clearing), which both eliminate credit and liquidity risks and process receivables and liabilities in a single accounting process, must be treated as equivalent to net offsetting.

The amendment to IAS 32 has no effect on the interim consolidated financial statements of BAUER AG.

- **IAS 36 – Impairment of Assets**

Pursuant to the amendment to IFRS 13, “Fair Value Measurement”, a number of disclosure rules in IAS 36, “Impairment of Assets”, regarding measurement of the achievable amount of asset impairment have been changed.

The amendment to IAS 36 has no effect on the interim consolidated financial statements of BAUER AG.

- **IAS 39 – Financial Instruments: Recognition and Measurement**

With the amendment to IAS 39, it is possible to retain hedge accounting for derivatives if the contract party changes. This possibility is only allowable under certain preconditions.

The amendment to IAS 39 has no effect on the interim consolidated financial statements of BAUER AG.

- **IFRS 10 – Consolidated Financial Statements**

IFRS 10 modifies the term “control” such that the same criteria are applied to all entities in assessing a control relationship. This definition is backed by wide-ranging application examples illustrating various kinds of control.

The effects of IAS 10 have no effect on the interim consolidated financial statements of BAUER AG.

- **IFRS 11 – Joint Arrangements**

As a result of the changes to definitions in IFRS 11, there are now two kinds of joint arrangement: joint operation and joint venture. Moreover, the option of proportionate consolidation of jointly controlled entities has been abolished. Parties to a joint venture are obligated to recognize their share on the balance sheet applying the equity method in accordance with IAS 28, “Investments in Associates and Joint Ventures”. Parties to a joint operation recognize their shares proportionate to their share of the assets and liabilities of the joint operation. Consequently, a party to a joint operation includes the following items in its consolidated financial statements:

- Its assets, including its share in jointly held assets
- Its liabilities, including its share in jointly incurred liabilities
- Its income from the sale of its share in the products of the joint operation

- Its share in income from the sale of products by the joint operation
- Its expenses, including its share in any jointly incurred expenses

The Accounting and Auditing Board of the Institute of German Certified Public Accountants (IDW) takes the view that the typical German construction consortium meets the preconditions for classification as a joint venture.

As previously mentioned, IFRS 11 stipulates that shares in joint ventures are to be valued according to the equity method.

In the BAUER Group the changes relate only to recognition in the income statement.

Pro rata results are no longer stated as receivables from joint ventures and sales revenues through joint ventures, but under "Investments accounted for using the equity method" as well as in the net result from investments accounted for using the equity method. The previous year's figures have been adjusted for greater comparability.

Apart from the change in recognition, IFRS 11 has no effects on the interim consolidated financial statements of BAUER AG.

- **IFRS 12 – Disclosure of Interests in Other Entities**

IFRS 12 requires disclosures which enable readers of financial statements to assess the nature, risks and financial effects linked to interests in subsidiaries, associated companies, joint arrangements and non-consolidated structured entities (special-purpose entities).

The effects of IFRS 12 have no effect on the interim consolidated financial statements of BAUER AG.

- **Amendments to IFRS 10, IFRS 12 and IAS 27**

The IASB project resulting in the amendments to IFRS 10, IFRS 12 and IAS 27 emerged from the consultation process relating to the publication of IFRS 10, "Consolidated Financial Statements".

These changes have no effect on the interim consolidated financial statements of BAUER AG.

- **IFRIC 21 – Levies**

IFRIC 21 regulates accounting for government levies not covered by IAS 12. It stipulates when such an obligation is to be recognized as a liability.

The effects of IFRIC 21 have no effect on the interim consolidated financial statements of BAUER AG.

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 market risks (foreign exchange rate, interest rate, raw material and liquidity risks, risk of default).

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 to December 31, 2013.

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 (adopted unchanged) on active markets for identical assets and liabilities
- Level 2: Directly or indirectly observable input data for the asset or liability other than quoted prices as per level 1
- Level 3: Applied input data which does not originate from observable market data for measurement of the asset and liability (non-observable input data)

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

ASSETS in EUR '000	IAS 39 category	30.09.2014	Level 1	Level 2
Securities	AfS	0	0	0
Derivatives not in hedge accounting	FAHfT	307	0	307
Derivatives in hedge accounting	n/a	395	0	395
Total		702	0	702

EQUITY AND LIABILITIES in EUR '000	IAS 39 category	30.09.2014	Level 1	Level 2
Derivatives not in hedge accounting	FLHfT	7,520	0	7,520
Derivatives in hedge accounting	n/a	9,882	0	9,882
Total		17,402	0	17,402

ASSETS in EUR '000	IAS 39 category	31.12.2013	Level 1	Level 2
Securities	AfS	0	0	0
Derivatives not in hedge accounting	FAHfT	1,326	0	1,326
Derivatives in hedge accounting	n/a	1,980	0	1,980
Total		3,306	0	3,306

EQUITY AND LIABILITIES in EUR '000	IAS 39 category	31.12.2013	Level 1	Level 2
Derivatives not in hedge accounting	FLHfT	4,591	0	4,591
Derivatives in hedge accounting	n/a	2,940	0	2,940
Total		7,531	0	7,531

In the first nine months 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 Fair value disclosures

The principles and methods of calculating fair value have essentially remained unchanged from the previous year. Detailed explanatory notes on the measurement principles and methods are set out in the 2013 Annual Report.

The financial assets and liabilities of which the fair values differ from their carrying amounts are as follows:

in EUR '000	31.12.2013 *		30.09.2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivables from concession arrangements	36,762	40,449	40,065	47,440
Other non-current financial assets	5,420	5,309	7,361	7,228
Trade receivables	320,329	319,482	329,813	329,351
Liabilities to banks	247,775	256,361	419,846	434,165
Other non-current financial liabilities	14,397	15,396	17,314	18,181
Total	624,683	636,997	814,399	836,365

* See footnote on page 2

The carrying amounts of all other financial assets and liabilities correspond to their fair value.

In other respects we refer to pages 154ff. of the 2013 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, ignoring special factors.

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 and liabilities and 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. 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 ground 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 ground 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.

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 joint ventures, 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.

9. EVENTS AFTER SEPTEMBER 30, 2014

The sale of shares to a subsidiary in the Resources segment is planned in the fourth quarter of 2014.

10. 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.

11. CONTINGENT LIABILITIES

Contingent liabilities arising from guarantees to third parties exist in an amount of EUR 4,537 thousand (December 31, 2013: EUR 4,386 thousand). In addition, we are subject to joint and several liability in respect of all joint ventures in which we participate.

Schrobenhausen, November 11, 2014

The Management Board

Prof. 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 2015

April 10, 2015	Publication of 2014 Annual Report Annual Press Conference Analysts' Conference
May 13, 2015	Interim Report to March 31, 2015
June 25, 2015	Annual General Meeting
August 14, 2015	Half-Year Interim Report to June 30, 2015
November 13, 2015	Interim Report to September 30, 2015

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

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