Half-Year Interim Report

as at June 30, 2017

At a glance

GROUP KEY FIGURES

IFRS in EUR million	6M/2016	6M/2017	Change
Total Group revenues	757.0	916.4	21.1%
Sales revenues	649.8	830.2	27.8%
Order intake	771.6	953.0	23.5%
Order backlog	1,010.2	1,044.7	3.4%
EBITDA	62.7	72.5	15.5%
EBIT	18.4	25.7	39.7%
Earnings after tax	-7.9	0.1	n/a
Total assets	1,715.9	1,776.5	3.5%
Equity	417.3	422.4	1.2%
Employees (on average over the year)	10,609	10,890	2.6%

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

OUTLOOK

in EUR million	Actual 2016	Forecast 2017 to date	Forecast 2017 new
Total Group revenues	1,586	~ 1,700	~ 1,800
EBIT	68.3	~ 75	~ 75
Earnings after tax	14.4	~ 23-28	~ 23-28

Summary

At the end of the first half of 2017, **total Group revenues** of BAUER Group amounted to EUR 916.4 million, 21.1% up on the previous year (EUR 757.0 million). **Sales revenues** grew by 27.8% to EUR 830.2 million. **EBIT** increased by 39.7% from EUR 18.4 million to EUR 25.7 million year-on-year. The Group‘s **earnings after tax** were EUR -0.1 million (previous year: EUR -7.9 million). The earnings figures meet our expectations, while revenues were developing better than anticipated.

The Group‘s **order backlog** increased by 3.4% year-on-year to EUR 1,044.7 million. This growth is mainly due to the Construction and Equipment segments. When comparing the previous year‘s figures, it has to be remembered that in the previous year, the Construction segment contained a high double-digit million order backlog, which was taken off the books after the sale of the shares in a real estate company at the end of 2016.

Significant events and transactions

MACRO-ECONOMIC TRENDS

Despite continuing crises and political unrest in various regions around the world, the global economy remained robust and recorded stable growth in the first half of 2017. The announced Brexit and outcome of the presidential elections in the USA have not yet had any significant negative impact on the financial markets or real economy. The generally expected global gross domestic product growth rates continue to create a positive business climate for international companies. The continuing challenges, such as the political conflict in Turkey, war in Syria, continuously low oil price, Russia sanctions, and potential complications regarding trade with the USA do not appear to have any additional impact on most markets.

The robust condition of the global economy, particularly the economic recovery in the Eurozone and positive development in Asia, currently provide excellent framework conditions for the construction sector. Increasing investments in infrastructure projects create excellent conditions for specialist foundation engineering companies and equipment manufacturers. The continuing urbanization trend and constant population growth rate provide the basis for a positive long-term outlook in the construction sector.

A GENERAL VIEW OF OUR MARKETS

The known political and economic issues have not changed significantly in recent months and have therefore not created any additional negative impact on the construction and equipment sales markets.

The imminent crisis in Qatar, which is in danger of being isolated from its neighboring countries, may have a negative impact, as much construction has been carried out there in recent years. Contrary to expectations, the other construction markets in the region, such as the United Arab Emirates, Saudi Arabia, Lebanon, and Egypt, remained stable.

Despite the continuing problems experienced by some countries, the European construction sector benefited from a general recovery and Germany‘s strength. The announced Brexit has so far not had any discernible negative impact on the European and UK construction market. Further developments in the UK will strongly depend on the results of the exit negotiations over the coming two years. The financial situation of some European countries also continues to be a problem. Russia will remain affected by sanctions and developments in Turkey are the reason for a continuously receding construction market in this country.

Almost all Asian markets are stable, which has a positive effect on specialist foundation engineering as well as equipment sales. Now that the newly elected US government has been in office for around 200 days, the expected economic upturn still has not materialized and the short-term outlook is hard to estimate. However, the US economy can nevertheless be assumed to develop stably. Numerous countries in South America continue to feel the adverse effects of the low oil price. In addition, Brazil remains afflicted by corruption scandals and political instability.

The African construction and equipment markets are recovering slightly, albeit still at a low level.

Overview of construction markets

Market/region	Situation	Status
Germany	- Good market situation overall, above all in residential building - High state budget for infrastructure measures	+
Europe	- Overall recovery in Western Europe - Only slow positive development in Eastern Europe - Russia remains weak	+ –
Middle East & Central Asia	- Individual markets such as Abu Dhabi or Dubai are stable - Uncertain outlook for Qatar - Overall uncertainty due to the low oil price - India is experiencing somewhat of an upswing in dynamism	o
Asia-Pacific, Far East and Australia	- Positive development in many markets - Excellent capacity utilization in Malaysia	+
Americas	- Slight reluctance in the USA due to new government - Occasional opportunities in South America	+
Africa	- Slight construction growth with opportunities in individual markets	o

-- very weak - weak o stable + growing ++ growing strongly

The continuously low oil price remains a major influencing factor in the oil and gas sector and companies in this market continue to display a reluctance to invest as a result. The same applies in countries with a major dependence on the oil business, which also continues to have an impact on the willingness to invest. However, the overall rise in raw materials prices provides a slightly improved outlook, particularly in the countries in Africa and South America. This also has a positive effect on other business, such as drilling services in the mining industry.

The equipment business has been impacted by developments in China in recent years. The significant reduction of over-capacities in this region has resulted in a normalization of the market for us. In addition, the construction machinery market in China has grown considerably year-on-year and currently provides a positive environment. This effect also has a positive influence on the other countries in the region.

The global crises and uncertainties bear further risks regarding short-term changes in the economic regions, and therefore also fluctuations which may have an impact on our company. However, our current outlook for our company is positive. We forecast positive development in the construction markets and recovery of the raw materials markets across all global regions, providing our segments with excellent opportunities.

CONSTRUCTION SEGMENT

in EUR '000	6M/2016	6M/2017	Change
Total Group revenues	331,863	436,618	31.6%
Sales revenues	298,529	402,976	35.0%
Order backlog	574,776	526,423	-8.4%
EBIT	5,276	2,916	-44.7%
Earnings after tax	-4,173	-4,171	n/a

Total Group revenues of the Construction segment amounting to EUR 436.6 million were 31.6% up on the previous year. At the beginning of the year, the majority of projects commenced practically on time and capacity utilization was excellent and spread evenly around the world. Revenues were considerably up year-on-year as a result. **EBIT** decreased from EUR 5.3 million to EUR 2.9 million year-on-year, thus developing not in line with revenues. This figure was negatively impacted by individual unsatisfactory projects in Germany and Australia as well as from effects related to exchange rate fluctuations. **Earnings after tax** amounted to EUR -4.2 million, identical to the previous year, as the financial result increased due to the distribution of a participation.

We expect results to improve in the second half of the year as most of the unsatisfactory projects have been concluded. Exchange rate fluctuations remain a factor of uncertainty.

Order backlog in our Construction segment decreased by 8.4% to EUR 526.4 million (previous year: EUR 574.8 million). Adjusted for the effects of the sale of shares in a real estate company at the end of 2016 in respect of which a high double-digit million order backlog was taken off the books, order backlog however increased year-on-year. This figure therefore remains high and provides a good basis for achieving our targets. Despite strongly fluctuating economic and political developments around the world, the current order backlog is spread very evenly across the global regions. The fact that we acquired another major project in Russia is particularly positive. This positive development was supplemented by further interesting project opportunities, on which we are working at present. This includes major projects in the UK and the Middle and Far East.

EQUIPMENT SEGMENT

in EUR '000	6M/2016	6M/2017	Change
Total Group revenues	312,429	380,652	21.8%
Sales revenues	223,003	312,324	40.1%
Order backlog	141,080	201,669	42.9%
EBIT	13,368	22,256	66.5%
Earnings after tax	-61	6,606	n/a

Total Group revenues in the Equipment segment in the first half-year increased significantly by 21.8% year-on-year, from EUR 312.4 million to EUR 380.7 million. **Sales revenues** also increased by 40.1% from EUR 223.0 million to EUR 312.3 million. **EBIT** increased strongly from EUR 13.4 million to EUR 22.3 million year-on-year. **Earnings after tax** improved from EUR -0.1 million to EUR 6.6 million. In addition to a considerable year-on-year rise in sales and successful deliveries of large machinery and specialist equipment, the improved ratio between fixed costs and sales also contributed to this increase.

Order backlog in the Equipment segment increased from EUR 141.1 million to EUR 201.7 million. The trend toward increased and more stable order intake, which started in the fall of 2016, continued. The fact that good order intake is being recorded in almost all global regions is a positive sign. Europe and Asia developed particularly positively and exceeded our expectations. The Asian market, and particularly China, started to normalize after many years of overcapacities. The current production utilization and order backlog give us reason to expect continued positive development in the coming months.

RESOURCES SEGMENT

in EUR '000	6M/2016	6M/2017	Change
Total Group revenues	138,980	128,211	-7.7%
Sales revenues	127,483	113,059	-11.3%
Order backlog	294,376	316,624	7.6%
EBIT	-81	230	n/a
Earnings after tax	-4,399	-4,034	n/a

After the first half of 2017, **total Group revenues** in the Resources segment amounted to EUR 128.2 million, 7.7% down year-on-year (EUR 139.0 million). **EBIT** amounted to EUR 0.2 million (previous year: EUR -0.1 million), **earnings after tax** were EUR -4.0 million (previous year: EUR -4.4 million). The key earnings figures were therefore not an improvement on the previous year.

The raw materials markets are recovering only slowly – particularly in Africa. This combined with the continuously low oil price is affecting both revenues and earnings within the scope of our expectations. A project in the brewery business and other required reorganization expenses are having an additional negative impact on the segment. The water and environment business, on the other hand, continues to develop positively – we are expecting a major environmental project in the Middle East in the near future and also forecast good opportunities in China in the medium term.

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

The segment has a solid **order backlog** with a volume of EUR 316.6 million, 7.6% up on the previous year.

Earnings, financial and net asset position

EARNINGS POSITION

Sales revenues increased by 27.8% year-on-year to EUR 830.2 million and **consolidated revenues** by 21.6% to EUR 875.4 million. The reason for this development is the significantly improved revenues in the construction and equipment segments, which also led to a considerable reduction in inventories.

The Group's **EBITDA** for the half year increased by 15.5% from EUR 62.7 million to EUR 72.5 million. The cost of materials increased more considerably than consolidated revenues due to the structure of the orders in the project business. Personnel expenses and other operating expenses, on the other hand, grew less significantly.

The **EBIT** at EUR 25.7 million was significantly higher, 39.7%, than the previous year's value of EUR 18.4 million. Depreciation of fixed assets increased by EUR 2.9 million, while write-downs of inventories due to use decreased by EUR 0.4 million.

Earnings after tax improved considerably from EUR -7.9 million to EUR 0.1 million. The financial expenses decreased from EUR 21.8 million to EUR 19.7 million, whereas financial income rose from EUR 2.2 million to EUR 5.5 million, primarily due to the distribution of a participation.

FINANCIAL POSITION

Our financial position is developing in line with plans.

NET ASSET POSITIONS

The **total assets** increased by 4.4% against the 2016 year-end (EUR 1,701.4 million) and by 3.5% relative to June of the previous year, to EUR 1,776.5 million. This increase is mainly due to significantly improved revenues, which are increasing receivables during the course of the year as our business relies heavily on pre-finance. Our medium-term target is a substantial reduction in total assets relative to total Group revenues.

The asset side in the balance sheet increased by 16.6% to EUR 643.9 million, primarily due to the increase in **receivables and other assets**.

On the equity and liabilities side, **equity** decreased by EUR 11.7 million to EUR 422.4 million year-on-year, primarily due to currency effects (EUR -13.5 million).

Non-current debt increased from EUR 356.8 million at the end of the previous year to EUR 621.5 million due to the shift of the majority of liabilities to banks from current to non-current debt in the first quarter. The covenant (net debt to EBITDA) of the syndicated loan and other long-term loans was exceeded slightly as of the end of 2016. According to IFRS, these loans must be transferred to current liabilities to banks on December 31.

Current debt decreased from EUR 910.5 million at the end of the previous year to EUR 732.6 million due to the effect described for non-current debt.

Total financial liabilities decreased by EUR 49.7 million year-on-year.

Opportunities and risks

Material opportunities and risks are outlined in the individual sections of this Interim Report. There has been no material change in risks since the Annual Report dated December 31, 2016. Please refer to the Combined Management Report for the 2016 financial year.

Full-year outlook

We forecast a positive trend for our business overall. The global construction market is recording stable growth and demand for complex specialist foundation engineering projects will continue to grow due to continuing urbanization and an increasingly complex infrastructure. The overcapacities in the equipment market have been reduced significantly and the breaking up of a period of reluctance to invest of almost ten years is providing additional opportunities. The recovery and stabilization of the raw materials prices is pushing investments in the industry once again.

We met the challenges in recent years by implementing numerous measures, which are being consistently continued to increase our profitability in the long term. We plan to use the improved overall situation for investing in the sustainability of this development. We are therefore confident that we are in a good position to sustainably increase our earnings again in the next two years.

Following the better-than-expected revenues in the first half of the year and considering the positive order situation, we now forecast **total Group revenues** of about EUR 1.8 billion (up to now: about EUR 1.7 billion) in full-year 2017. We continue to forecast **earnings after tax** of about EUR 23 to 28 million and **EBIT** of about EUR 75 million. The earnings forecast contains the currently known positive and negative factors, financial provisions and other discernible effects.

This has the following indications for the individual segments: In the Construction segment, we are now expecting a significant increase in total Group revenues year-on-year as well as EBIT and earnings after tax on par with the previous year. In the Equipment segment we now expect total Group revenues, EBIT, and earnings after tax to increase significantly instead of slightly year-on-year. In the Resources segment, we now expect total Group revenues roughly on par with the previous year and a slightly positive EBIT. Earnings after tax are expected to be negative, but slightly better than in the previous year.

Interim consolidated financial statements

CONSOLIDATED INCOME STATEMENT

in EUR '000	Q2/2016	Q2/2017	6M/2016	6M/2017
1. Sales revenues	332,126	451,200	649,767	830,242
2. Changes in inventories	12,344	-13,249	47,093	12,289
3. Other capitalized goods and services for own account	5,309	6,304	6,117	8,909
4. Other income	4,869	12,428	17,185	23,977
Consolidated revenues	**354,648**	**456,683**	**720,162**	**875,417**
5. Cost of materials	-181,338	-242,853	-353,412	-468,492
6. Personnel expenses	-92,274	-96,660	-182,918	-191,082
7. Other operating expenses	-45,667	-75,219	-121,111	-143,385
Earnings before interest, tax, depreciation and amortization (EBITDA)	**35,369**	**41,951**	**62,721**	**72,458**
8. Depreciation and amortization a) Depreciation of fixed assets	-18,292	-21,285	-36,785	-39,640
b) Write-downs of inventories due to use	-3,563	-3,508	-7,576	-7,145
Earnings before interest and tax (EBIT)	**13,514**	**17,158**	**18,360**	**25,673**
9. Financial income	1,507	3,088	2,174	5,499
10. Financial expenses	-10,662	-9,491	-21,763	-19,749
11. Share of the profit or loss of associated companies accounted for using the equity method	264	1,091	63	1,054
Earnings before tax (EBT)	**4,623**	**11,846**	**-1,166**	**12,477**
12. Income tax expense	-2,859	-7,817	-6,696	-12,345
Earnings after tax	**1,764**	**4,029**	**-7,862**	**132**
of which attributable to shareholders of BAUER AG	466	3,443	-9,574	-1,303
of which attributable to non-controlling interests	1,298	586	1,712	1,435

in EUR	Q2/2016	Q2/2017	6M/2016	6M/2017
Basic earnings per share	0.03	0.20	-0.56	-0.08
Diluted earnings per share	0.03	0.20	-0.56	-0.08
Average number of shares in circulation (basic)	17,131,000	17,131,000	17,131,000	17,131,000
Average number of shares in circulation (diluted)	17,131,000	17,131,000	17,131,000	17,131,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	Q2/2016	Q2/2017	6M/2016	6M/2017
Earnings after tax	**1,764**	**4,029**	**-7,862**	**132**
Income and expenses which will not be subsequently reclassified to profit and loss				
Revaluation of commitments arising from benefits to employees after termination of employment	-7,456	2,293	-22,882	5,864
Deferred taxes on that revaluation with no effect on profit and loss	2,094	-646	6,426	-1,647
Income and expenses which will be subsequently reclassified to profit and loss				
Market valuation of derivative financial instruments	3,841	-8,918	-3,065	-9,623
Included in profit and loss	-3,718	8,439	2,566	8,872
Deferred taxes on financial instruments with no effect on profit and loss	-36	135	139	211
Exchange differences on translation of foreign subsidiaries	3,403	-12,697	-6,253	-13,453
Other comprehensive income	**-1,872**	**-11,394**	**-23,069**	**-9,776**
Total comprehensive income	**-108**	**-7,365**	**-30,931**	**-9,644**
of which attributable to shareholders of BAUER AG	-1,550	-7,199	-30,558	-10,224
of which attributable to non-controlling interests	1,442	-166	-373	580

CONSOLIDATED BALANCE SHEET

ASSETS in EUR '000	June 30, 2016	December 31, 2016	June 30, 2017
A. Non-current assets			
I. Intangible assets	26,041	25,640	23,190
II. Property, plant and equipment and investment property	398,301	407,977	412,679
III. Investments accounted for using the equity method	128,890	129,252	123,638
IV. Participations	3,460	9,730	9,746
V. Deferred tax assets	36,390	42,907	43,913
VI. Other non-current assets	7,834	8,256	8,271
VII. Other non-current financial assets	14,907	18,412	16,218
	615,823	**642,174**	**637,655**
B. Current assets			
I. Inventories	498,005	447,326	447,205
II. Receivables and other assets	540,195	554,076	643,948
III. Effective income tax refund claims	2,902	4,771	4,730
IV. Cash and cash equivalents	42,621	33,463	43,002
V. Assets held for sale	16,350	19,608	0
	1,100,073	**1,059,244**	**1,138,885**
	1,715,896	**1,701,418**	**1,776,540**

LIABILITIES in EUR '000	June 30, 2016	December 31, 2016	June 30, 2017
A. Equity			
I. Equity of BAUER AG shareholders	405,701	429,867	417,930
II. Non-controlling interests	11,627	4,264	4,456
	417,328	**434,131**	**422,386**
B. Non-current debt			
I. Provisions for pensions	136,408	127,081	122,332
II. Financial liabilities	261,929	199,864	465,327
III. Other non-current liabilities	7,404	7,556	7,257
IV. Deferred tax liabilities	22,960	22,296	26,599
	428,701	**356,797**	**621,515**
C. Current debt			
I. Financial liabilities	542,702	510,497	289,612
II. Other current liabilities	297,622	370,900	415,906
III. Effective income tax obligations	11,348	11,213	7,849
IV. Provisions	18,195	17,880	19,272
	869,867	**910,490**	**732,639**
	1,715,896	**1,701,418**	**1,776,540**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR '000	Subscribed capital	Capital reserve	Other revenue reserves and unappropriated net profit: Revenue reserves	Foreign currency translation	Hedging transactions reserve	Non-controlling-interests	Total
As at Jan. 1, 2016	73,001	38,404	317,752	10,909	-1,224	12,368	**451,210**
Earnings after tax	0	0	-9,574	0	0	1,712	**-7,862**
Exchange differences on translation of foreign subsidiaries	0	0	0	-4,317	0	-1,936	**-6,253**
Revaluation of commitments arising from employee benefits after termination of employment	0	0	-22,680	0	0	-202	**-22,882**
Market valuation of derivative financial instruments	0	0	0	0	-495	-4	**-499**
Deferred taxes with no effect on profit and loss	0	0	6,369	0	139	57	**6,565**
Total comprehensive income	**0**	**0**	**-25,885**	**-4,317**	**-356**	**-373**	**-30,931**
Changes in basis of consolidation	0	0	0	0	0	0	**0**
Dividend payments	0	0	-2,570	0	0	-381	**-2,951**
Other changes	0	0	-13	0	0	13	**0**
As at Jun. 30, 2016	**73,001**	**38,404**	**289,284**	**6,592**	**-1,580**	**11,627**	**417,328**
As at Jan. 1, 2017	73,001	38,404	316,422	3,962	-1,922	4,264	**434,131**
Earnings after tax	0	0	-1,303	0	0	1,435	**132**
Exchange differences on translation of foreign subsidiaries	0	0	0	-12,598	0	-855	**-13,453**
Revaluation of commitments arising from employee benefits after termination of employment	0	0	5,864	0	0	0	**5,864**
Market valuation of derivative financial instruments	0	0	0	0	-751	0	**-751**
Deferred taxes with no effect on profit and loss	0	0	-1,647	0	211	0	**-1,436**
Total comprehensive income	**0**	**0**	**2,914**	**-12,598**	**-540**	**580**	**-9,644**
Changes in basis of consolidation	0	0	0	0	0	0	**0**
Dividend payments	0	0	-1,713	0	0	-388	**-2,101**
Other changes	0	0	0	0	0	0	**0**
As at Jun. 30, 2017	**73,001**	**38,404**	**317,623**	**-8,636**	**-2,462**	**4,456**	**422,386**

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	6M/2016	6M/2017
Cash flows from operational activity:		
Earnings before tax	-1,166	12,477
Depreciation / Reversals of impairment of fixed assets	36,785	39,640
Write-downs of inventories due to use	7,576	7,145
Depreciation of financial assets	0	123
Financial income	-2,174	-5,499
Financial expenses	21,763	19,626
Other non-cash transactions and results of de-consolidations	-7,591	34,238
Dividends received	2,637	2,877
Result from the disposal of fixed assets	-245	-1,999
Result from associated companies accounted for using the equity method	63	1,054
Change in provisions	482	204
Change in trade receivables	65,545	-24,670
Change in receivables from construction contracts	-54,101	-56,663
Change in other assets and in prepayments and deferred charges	-7,298	-30,455
Change in inventories	-68,332	-22,241
Change in trade payables	-6,116	61,882
Change in liabilities from construction contracts	-14,943	-9,259
Change in other current and non-current liabilities	-2,294	-13,155
Cash and cash equivalents generated from day-to-day business operations	**-29,409**	**15,325**
Income tax paid	-12,487	-15,417
Net cash from operating activities	**-41,896**	**-92**
Cash flows from investment activity:		
Acquisition of property, plant and equipment and intangible assets	-32,631	-35,090
Proceeds from sale of fixed assets	6,871	7,380
Consolidation scope-related change in financial resources	-19	-9
Net cash used in investing activities	**-25,779**	**-27,719**
Cash flows from financing activity:		
Raising of loans and liabilities to banks	151,566	156,455
Repayment of loans and liabilities to banks	-59,769	-95,532
Repayment of liabilities from finance lease agreements	-4,831	-5,451
Dividends paid	-2,951	-2,101
Interest paid	-20,424	-18,372
Interest received	1,576	3,639
Net cash used in financing activities	**65,167**	**38,638**
Changes in liquid funds affecting payments	**-2,508**	**10,827**
Influence of exchange rate movements on cash	-2,277	-1,288
Total change in liquid funds	**-4,785**	**9,539**
Cash and cash equivalents at beginning of reporting period	**47,406**	**33,463**
Cash and cash equivalents at end of reporting period	**42,621**	**43,002**
Change in cash and cash equivalents	**-4,785**	**9,539**

SEGMENT REPORTING

in EUR '000	Construction		Equipment		Resources	
January - June	2016	2017	2016	2017	2016	2017
Total revenues (Group)	**331,863**	**436,618**	**312,429**	**380,652**	**138,980**	**128,211**
Sales revenues with third parties	298,529	402,976	223,003	312,324	127,483	113,059
Sales revenues between business segments	6,788	6,289	22,950	25,532	373	214
Changes in inventories	-140	0	46,900	12,422	333	-133
Other capitalized goods and services for own account	116	150	1,603	1,592	215	26
Other income	6,930	11,722	8,787	10,857	1,357	1,463
Consolidated revenues	**312,223**	**421,137**	**303,243**	**362,727**	**129,761**	**114,629**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**26,035**	**23,798**	**30,130**	**39,020**	**5,600**	**8,034**
Depreciation of fixed assets	-20,759	-20,882	-9,186	-9,619	-5,681	-7,804
Write-downs of inventories due to use	0	0	-7,576	-7,145	0	0
Earnings before interest and tax (EBIT)	**5,276**	**2,916**	**13,368**	**22,256**	**-81**	**230**
Financial income	902	3,485	609	1,226	593	461
Financial expenses	-7,558	-7,192	-9,372	-8,667	-5,815	-5,589
Share of the profit or loss of associated companies accounted for using the equity method	-156	320	-1,556	-1,816	1,775	2,550
Income tax expense	-2,637	-3,700	-3,110	-6,393	-871	-1,686
Earnings after tax	**-4,173**	**-4,171**	**-61**	**6,606**	**-4,399**	**-4,034**

	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017
SEGMENT ASSETS	**634,135**	**682,663**	**779,328**	**803,518**	**315,812**	**305,017**

in EUR '000	Others		Consolidation		Group	
January - June	2016	2017	2016	2017	2016	2017
Total revenues (Group)	**18,541**	**21,953**	**-44,838**	**-51,014**	**756,975**	**916,420**
Sales revenues with third parties	752	1,883			649,767	830,242
Sales revenues between business segments	16,641	19,215	-46,752	-51,250	0	0
Changes in inventories	0	0	0	0	47,093	12,289
Other capitalized goods and services for own account	0	5	4,183	7,136	6,117	8,909
Other income	372	11	-261	-76	17,185	23,977
Consolidated revenues	**17,765**	**21,114**	**-42,830**	**-44,190**	**720,162**	**875,417**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**792**	**1,748**	**164**	**-142**	**62,721**	**72,458**
Depreciation of fixed assets	-1,590	-1,729	431	394	-36,785	-39,640
Write-downs of inventories due to use	0	0	0	0	-7,576	-7,145
Earnings before interest and tax (EBIT)	**-798**	**19**	**595**	**252**	**18,360**	**25,673**
Financial income	5,320	5,948	-5,250	-5,621	2,174	5,499
Financial expenses	-4,268	-3,922	5,250	5,621	-21,763	-19,749
Share of the profit or loss of associated companies accounted for using the equity method	0	0	0	0	63	1,054
Income tax expense	7	-534	-85	-32	-6,696	-12,345
Earnings after tax	**261**	**1,511**	**510**	**220**	**-7,862**	**132**

	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017
SEGMENT ASSETS	**430,804**	**406,146**	**-458,661**	**-420,804**	**1,701,418**	**1,776,540**

Notes to the consolidated financial statements

1. GENERAL INFORMATION

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, equipment and products dealing with ground and groundwater. The Group markets its products and services all over the world. The operations of the Group are divided into three segments: Construction, Equipment and Resources.

These condensed interim consolidated financial statements were released for publication on August 8, 2017.

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. BASIS OF PREPARATION

BAUER AG prepares 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 balance sheet 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 balance sheet date are applied.

The Half-Year Interim Report to August 11, 2017 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, 2016, and as such should be read in conjunction with the consolidated financial statements of BAUER AG to December 31, 2016.

3. BASIS OF CONSOLIDATION

The basis 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 rights share of over 50%. 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% of their voting rights. This is the result of state restrictions which stipulate that foreign investors may not hold more than 50% of the voting rights in domestic companies. In such cases BAUER AG makes use of so-called agency constructions, whereby more than 50% 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, or the option of 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.

Changes at subsidiaries:

Equipment segment:

In the first half of 2017, FAMBO Sweden AB and OOO BAUER Maschinen SPb were deconsolidated due to their operations being discontinued.

No changes have otherwise occurred to the basis of consolidation since December 31, 2016.

4. ASSETS HELD FOR SALE

On December 31, 2016, assets held for sale amounted to EUR 19,608 thousand. These assets were scheduled for disposal in the first half of 2017.

It was not possible to sell these assets due to the poor market conditions and machine specifications. The BAUER Group therefore decided to reclassify these assets to fixed assets. Depreciation, which had not been applied since the measurement in accordance with IFRS 5, was deducted from the carrying amount. The write-down in the amount of EUR 2,426 thousand was recognized in the income statement in depreciation of fixed assets.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In this context we refer to page 85 of the 2016 Annual Report.

6. ACCOUNTING POLICIES

The accounting policies applied as from January 1, 2017 correspond to those applied to the consolidated financial statements to December 31, 2016, with the following exceptions:

On June 30, 2017, the BAUER Group increased the discount rate for measuring its defined benefit plan commitments in Germany to 2.05% (previous year: 1.80%).

7. DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

7.1 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, 2016.

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

7.2 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	June 30, 2017	Level 1	Level 2
Securities	AfS	0	0	0
Derivatives not in hedge accounting	FAHfT	6,266	0	6,266
Derivatives in hedge accounting	n/a	6,156	0	6,156
Total		**12,422**	**0**	**12,422**

LIABILITIES in EUR'000	IAS 39 category	June 30, 2017	Level 1	Level 2
Derivatives not in hedge accounting	FLHfT	2,768	0	2,768
Derivatives in hedge accounting	n/a	278	0	278
Total		**3,046**	**0**	**3,046**

ASSETS in EUR '000	IAS 39 category	December 31, 2016	Level 1	Level 2
Securities	AfS	0	0	0
Derivatives not in hedge accounting	FAHfT	767	0	767
Derivatives in hedge accounting	n/a	370	0	370
Total		**1,137**	**0**	**1,137**

LIABILITIES in EUR '000	IAS 39 category	December 31, 2016	Level 1	Level 2
Derivatives not in hedge accounting	FLHfT	4,307	0	4,307
Derivatives in hedge accounting	n/a	4,095	0	4,095
Total		**8,402**	**0**	**8,402**

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

7.3 Methods for determining level 2 fair values

Level 2 derivatives comprise foreign exchange forward contracts, foreign exchange options, interest 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 options are determined by recognized option price models.
The fair values of the interest 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 debt, 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 debt 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.

7.4 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 2016 Annual Report.

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

in EUR '000	December 31, 2016		June 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Other non-current financial assets	18,412	17,395	16,218	15,272
Liabilities to banks	176,754	223,460	444,188	462,136
Other non-current financial liabilities	3,983	3,983	2,463	2,463
Total	**199,149**	**244,838**	**462,869**	**479,871**

The carrying amount of all other financial assets and liabilities corresponds to the fair value. In other respects we refer to pages 144 et seq. of the 2016 Annual Report.

8. SEASONALITY

Our Construction segment undertakes many projects in regions where winter and other hostile weather conditions impact on site results in the first quarter of the year and at the start of the second quarter. As a general rule, the first quarter is also weak for 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.

9. 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 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 exploration 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 basis 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% 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, 2017

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

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 54,136 thousand (December 31, 2016: EUR 52,428 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 11, 2017

The Management Board

Prof. Thomas Bauer Chairman of the Management Board	Dipl.-Betriebswirt (FH) Hartmut Beutler	Peter Hingott

FUTURE-RELATED STATEMENTS

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

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

DATES 2017

August 11, 2017	**Half-Year Interim Report to June 30, 2017**
November 14, 2017	**Quarterly Statement 9M/Q3 2017**

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

PUBLISHED BY

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