

# Report of the Supervisory Board 2013

In the 2013 financial year, the Supervisory Board fulfilled the duties incumbent upon it in accordance with the law and the Articles of Association of the company. The Supervisory Board routinely provided the Management Board with advice and support on the conduct of business and monitored its management of the company, giving intensive consideration to the situation and prospects of the business.

The Supervisory Board participated directly in decisions of fundamental significance to the company. The Management Board provided the Supervisory Board with written and verbal reports on the course of business, the position of the parent company and the Group as well as on corporate strategy and planning. Between the meetings, the Management Board submitted monthly written reports on all important business transactions as well as on trends in key financial indicators of the Group and the parent company. The Chairman of the Supervisory Board was also in regular contact with the Management Board, and gathered information as appropriate relating to the course of business and key transactions. In addition, the Chairman of the Supervisory Board visited Group companies outside of Germany accompanied by the Chairman of the Management Board, during which he was likewise able to gather information relating to the course of business locally. In their subcommittees and plenary sessions, the Supervisory Board members had plenty of opportunity to scrutinize the reports and proposals submitted by the Management Board and to set forth their own suggestions.

The Supervisory Board reviewed performance trends on specific large-scale projects on several occasions in the course of the past year, and also gave consideration to the introduction of a cost-cutting programme and assessed the liquidity situation. The Supervisory Board reviewed the actions of the Management Board in dealing with the aforementioned issues as well as the strategy being pursued by the Group, providing the Management Board with advice and support to ensure that an appropriate approach was employed. There were no indications of conflicts of interest among members of the Management Board or Supervisory Board requiring immediate notification of the Supervisory Board and disclosure to the Annual General Meeting.

There was only one change of personnel on the Supervisory Board in the past financial year. Following Mr. Walter Sigl's

retirement from the BAUER Group, Mr. Stefan Reindl was elected as a new employee representative member of the Supervisory Board in July.

## **Main focus of consultations in Supervisory Board meetings**

Four routine plenary meetings and one extraordinary meeting of the Supervisory Board were held in the year under review. Apart from two meetings at which one member was absent in each instance, the meetings of the Supervisory Board were attended by all members.

At the annual accounts review meeting relating to the annual parent company and Group consolidated financial statements for the 2012 financial year, also attended by the auditors, a detailed review was undertaken of the respective financial statements and associated management and audit reports, taking into due consideration the report from the Audit Committee, and the proposal of the Management Board with regard to the appropriation of earnings. Other key topics discussed at the meeting were the trend in earnings performance and the execution status of specific major projects, the preparations for the upcoming Annual General Meeting, the competitive situation in the Equipment segment, the system of remuneration and the remuneration paid to the members of the Management Board. Additionally, the Management Board contract of service of Mr. Hartmut Beutler was extended for a further five years. At its second meeting of the financial year, the Supervisory Board considered matters including the interim report on the first quarter of 2013, the development of the Group's earnings and course of business in the current year, as well as the marketing of deep drilling rigs by the Equipment segment. September's meeting was held at the premises of a subsidiary company in Nordhausen. Alongside the trend in earnings from large-scale projects being carried out by the Construction and Resources segments, it reviewed compliance with financial performance targets in financing agreements and approved a cost-cutting programme presented to it. It also approved the medium-term plan with regard to the consolidated balance sheet. In late October of last year an extraordinary teleconference was held during which the preparation of the latest quarterly financial report was considered and project earnings were assessed, including a review of their effects on financing agreements and the adjustment of the full-year earnings forecast. At the Supervisory Board's last session of the year in December, the

focus was on the financing situation, as well as on the cost-cutting programme. An updated declaration of conformity to the German Corporate Governance Code was passed, and approval was given to the plans for financial 2014 as well as to the employee bonus framework.

#### Work carried out by the subcommittees

In the 2013 financial year there were four committees of the Supervisory Board. The Mediation Committee and the Nominations Committee were not required to convene. The chairmen of the various committees submitted regular reports on their work to the plenary Supervisory Board meetings. The meetings of the various subcommittees of the Supervisory Board in the financial year were attended by all the respective members.

Two meetings of the Presidial and Personnel Committee were convened. At those meetings, preparations were made for the decision of the Supervisory Board relating to the setting of the salaries and performance bonuses of the members of the Management Board and to the structuring of its remuneration system, as well as to the performance bonus framework. Consideration was also given to the declaration of conformity to the German Corporate Governance Code, as well as to the extension of the contract of service of Management Board member Mr. Hartmut Beutler.

The Audit Committee held four conference calls and two meetings in the financial year. The committee reviewed the audit of the interim reports and, in the presence of the auditors, the audit of the annual financial statements of the parent company and the consolidated financial statements of the Group. It also scrutinized the Management Board's proposal regarding the appropriation of earnings. The Audit Committee also made preparations for the appointment of the auditors, including scrutinizing their independence. The Audit Committee further reviewed the status and considered the required level of write-down on the large-scale project in Jordan, as well as reviewing the status of other large-scale projects being carried out by the Construction and Resources segments. The Group's financing situation and the management of agreed financial performance indicators were reviewed, and advice was given on the introduction of a cost-cutting programme. A dedicated meeting reviewed the risk management system's compliance with applicable laws and standards, as well as the audit activities of the Internal Auditing function.

#### Auditing of 2013 annual and consolidated financial statements

The annual financial statements of BAUER AG to December 31, 2013 and the consolidated financial statements of the Group, as well as the Combined Management Reports, including the Group accounts, were audited by the auditors elected by the Annual General Meeting and duly appointed by the Supervisory Board, PricewaterhouseCoopers Aktiengesellschaft und Wirtschaftsprüfungsgesellschaft, Stuttgart. The accounts were certified by the auditors without reservation. The Audit Committee subjected the audit documentation and reports to thorough scrutiny. The Committee reported on its review to the Supervisory Board. The auditors attended the relevant meetings of the Audit Committee as well as the annual financial review meeting of the plenary Supervisory Board.

The audit documentation and reports from the auditors were provided to all members of the Supervisory Board in good time for scrutiny. The Supervisory Board duly noted and concurred with the findings of the auditors' review of the parent company and Group consolidated financial statements and the Combined Management Report. On conclusion of the Supervisory Board's review, no objections were raised. The financial statements of BAUER AG and the consolidated financial statements of the Group were approved by the Supervisory Board at its annual review meeting on April 9, 2014. The annual financial statements of BAUER AG were thereby confirmed. Following prior consultations by the Audit Committee, the Supervisory Board concurred with the proposal of the Management Board regarding the appropriation of net profit available for distribution.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board, all the Group's employees and the employee representatives within all Group companies for their great effort and commitment throughout the past financial year.

Schrobenhausen, April 2014

#### The Supervisory Board



Dr. Klaus Reinhardt  
Chairman of the Supervisory Board