

# Report of the Supervisory Board

In financial 2009 the Supervisory Board fulfilled the tasks incumbent upon it in accordance with the law, the company's Articles of Association and the rules of procedure and gave detailed consideration to the business development of the Group. We routinely provided the Management Board with advice and support on the conduct of business, and monitored its management activities.

At our meetings, the Management Board provided us with detailed, timely and comprehensive 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. The Management Board also provided the Supervisory Board with regular, timely and comprehensive reports outside of the meetings. 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 outside of the Supervisory Board meetings, and gathered information as appropriate relating to the course of business and key transactions. These consultations also related to the company's strategic perspectives and the future direction of individual business undertakings. In addition, the Chairman of the Supervisory Board undertook a tour of 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.

## **CHANGES TO THE SUPERVISORY BOARD**

With effect from May 31, 2009, Mr. Gerhard Riedelsheimer retired from the Supervisory Board and from membership of its Presidial and Personnel Committee. On application by the Management Board and in consultation with the company's Works Councils, Mr. Gerhard Piske was appointed to succeed him for the remaining scheduled period of office with effect

from June 1, 2009. The Supervisory Board appointed Mr. Gerold Schwab as Mr. Riedelsheimer's successor on the Presidial and Personnel Committee.

## **MAIN FOCUS OF CONSULTATIONS IN SUPERVISORY BOARD MEETINGS**

Four plenary meetings of the Supervisory Board were held in the year under review. In preparation for each meeting, those attending were furnished by the Management Board with a comprehensive and detailed preliminary report setting out current business developments, financial trends and the latest corporate planning. At the meetings, the written reports were expanded upon by the Management Board and scrutinized by the Supervisory Board members. The sales, earnings and activity levels of the individual Group segments, the financial position and major capital investment projects were the subject of routine consultations in the plenary meetings.

The meetings of the Supervisory Board and of its various committees in the financial year were attended by all members of the respective body.

At the annual accounts review meeting held on April 17, 2009, also attended by the auditors, the main items discussed and approved were the company's 2008 annual financial statements, the consolidated financial statements of the Group and the associated management 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 matters reviewed included the objectives for the 2009 financial year, taking into account the effects of the financial crisis on the business operations of the Group, and the measures undertaken by the Management Board to manage those effects. We also gave consideration to the agenda for the company's Ordinary Annual General Meeting. Detailed consultations were held regarding the acquisition of 60 percent of the shares in the Site Group for Services and Well Drilling Ltd. Co. based in Jordan

and in relation to bonus payments to the members of the Management Board and senior management staff. The decision was also taken to extend the Management Board contract of Mr. Heinz Kaltenecker.

At the meeting held on June 24, 2009, Mr. Gerold Schwab was elected to succeed retiring member Mr. Gerhard Riedelheimer on the Presidial and Personnel Committee. The main items discussed at the meeting were the situation of the Group against the background of the financial crisis and the response to the effects of the financial crisis, particularly in the Equipment segment.

The meeting on September 25, 2009 was held at the offices of Group company KLEMM Bohrtechnik GmbH in Drolshagen, in order to gain a first-hand picture of the course of business in anchor drilling systems for overburden, grouting and micro-pile drilling. The trend in order acquisition and the adjustment of capacities to that trend were also discussed. Consideration was additionally given to the introduction of short-time working in the machinery manufacturing sector and the liquidity situation. Another key area of review was the risk management system within the BAUER Group, based on a risk report submitted by the Management Board. We affirmed our consent to the medium-term consolidated financial planning presented by the Management Board.

At the meeting held on December 10, 2009, the Supervisory Board received detailed reports regarding the efficacy of the measures taken in response to the financial crisis. The planning for financial 2010 and the declaration of conformity to the German Corporate Governance Code were approved and the rules of procedure of the Supervisory Board were amended in line with changes to the law. Other important matters dealt with at the meeting included the remuneration paid to the members of the Management Board and a review of the efficacy of accounting procedures, the system of internal controls, the risk management system and the internal auditing system within the BAUER Group.

### WORK CARRIED OUT BY THE SUBCOMMITTEES

In the 2009 financial year there were four committees of the Supervisory Board. The Mediation Committee and the Nominations Committee were not required to convene in fulfilment of their respective assigned functions. The chairmen of the various subcommittees submitted regular reports on their work to the plenary Supervisory Board meetings.

The Presidial and Personnel Committee held two meetings, at which the principal matters discussed were the salaries and bonuses paid to the members of the Management Board and the extension of the contract of service on the Management Board of Mr. Heinz Kaltenecker. Furthermore, the declaration of conformity to the German Corporate Governance Code was reviewed in preparation for a resolution by the plenary Supervisory Board and consultations were also held on the system of remuneration for the Management Board.

In the year under review, the Audit Committee held three teleconferences and one meeting, also attended by the auditors, relating to the auditing of the quarterly reports, the half-year interim report and the annual financial statements of the parent company and consolidated financial statements of the Group. It also examined the Management Board's proposal regarding the appropriation of earnings. The Audit Committee also made preparations for the appointment of the auditors for financial 2010, including scrutinizing their independence.

### AUDITING OF 2009 ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of BAUER Aktiengesellschaft to December 31, 2009 and the consolidated financial statements of the Group, as well as the respective management reports, including the bookkeeping, 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 main subject of review was the risk man-

agement system. The Audit Committee subjected the audit documentation and reports to thorough scrutiny in the presence of the auditors. 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 accounts review meeting of the plenary Supervisory Board.

The audit documentation and reports from the auditors were furnished to all members of the Supervisory Board in good time for scrutiny. Following our own review of the annual financial statements of the parent company and the consolidated financial statements of the Group, together with the respective management reports, we duly noted the auditors' reports and concurred with their findings. 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 meeting on April 16, 2010. The

annual financial statements of BAUER AG were thereby confirmed. We concurred with the content of the parent company and consolidated Group management reports.

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.

I would like to express my personal thanks to retiring Supervisory Board member Gerhard Riedelsheimer for his many years of constructive contribution to the Supervisory Board and to the Presidial and Personnel Committee. I would also, on behalf of the Supervisory Board, like to thank the Management Board, all the employees of the company and the employees' representatives for their very hard work and their achievements over the past year.

Schrobenhausen, April 16, 2010

The Supervisory Board



Dr. Klaus Reinhardt  
Chairman of the Supervisory Board