



The following disclosures are made pursuant to Section 289 Subsection 4, Section 315, Subsection 4 of the German Commercial Code (HGB).

• **COMPOSITION OF SUBSCRIBED CAPITAL**

The subscribed capital (share capital) of BAUER AG totals EUR 73,001,420.45 and is divided into 17,131,000 nominal-value bearer shares, representing a pro rata amount of approximately EUR 4.26 per share of the total share capital. Each share entitles the holder to one vote at the Annual General Meeting and a corresponding share in profit. Multiple share categories do not exist.

At December 31, 2009, 51.81 percent of the shares were in free float. The members of the Bauer family own a total of 8,256,146 no-nominal-value shares (previous year: 8,255,946 shares) in BAUER AG on the basis of a pool agreement, representing a 48.19 percent (previous year: 48.19 percent) share in the company. The pool agreement provisions include binding voting commitments as well as a right of pre-emption of pool participants if any member of the pool sells shares to third parties. No other direct or indirect holdings of BAUER Aktiengesellschaft share capital exceeding 10 percent of the voting rights are known to the company. None of the shareholders has special rights entailing controlling powers. Nor does any voting rights control exist on the part of the employees holding shares in the capital.

• **AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES**

Article 4, Clause 4 of the company's Articles of Association states that the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital, in whole or in part, once or more than once, by up to a total of EUR 2,000,000.00 by the issue of new no-nominal-value bearer shares against cash and/or non-cash contributions (authorized capital). The authorization further provides, in specific cases, for the legal rights of subscription of the shareholders to be excluded with the consent of the Supervisory Board.

By resolution of the Ordinary Annual General Meeting held on June 25, 2009, the company was authorized to acquire treasury stock, over a limited period up to December 24, 2010, representing up to a total of 10 percent of the company's share capital at the time the resolution was passed. With regard to use of the bought-back shares, the authorization provides, in specific cases, for legal rights of subscription of shareholders to be excluded. The facility to acquire treasury stock has not been utilized to date.

• **APPOINTMENT AND TERMINATION OF APPOINTMENT OF MANAGEMENT BOARD MEMBERS, AMENDMENTS OF THE ARTICLES OF ASSOCIATION**

The appointment and termination of appointment of members of the Management Board of BAUER AG is

regulated by Sections 84 and 85 of the German Stock Corporation Act (AktG) and Sections 30 ff. of the German Co-determination Act (MitbestG) in conjunction with Articles 5 and 6 of the company's Articles of Association. The Management Board comprises at least two persons, who are appointed by the Supervisory Board for a maximum term of office of five years. At present the Management Board comprises four members appointed by the Supervisory Board and a Chairman of the Management Board, as well as a Labour Director. It is permissible to re-appoint or extend the appointment of a member of the Management Board for a further maximum term of office of five years. Any appointment or re-appointment requires a decision by the Supervisory Board, which may be taken no earlier than one year prior to the end of the relevant term of office. The Supervisory Board may rescind an appointment to the Management Board or an appointment as Chairman for good cause. The Presidial and Personnel Committee of the Supervisory Board prepares the Supervisory Board's decisions on the appointment and termination of appointment of Management Board members and concerns itself with the long-term planning of successor members for appointment to the Management Board.

In accordance with Sections 179 ff. AktG, the amendment of the Articles of Association is passed by the Annual General Meeting with a majority of at least three quarters of the share capital represented at the vote. Pursuant to Article 12 of the Articles of Association, the Supervisory Board is authorized to pass amendments to the Articles of Association which relate only to its wording. The Supervisory Board is further authorized to adapt the wording of Article 4 of the Articles of Association (amount and division of the share capital) following full or partial execution of the increase in share capital or on expiration of the authorization period according to the respective utilization of the authorized capital.

• **CHANGE-OF-CONTROL CLAUSES**

Several promissory notes in amounts totalling EUR 188.5 million, agreed between BAUER AG and, as the borrowers, BAUER Spezialtiefbau GmbH and BAUER Maschinen GmbH, provide for a right of termination for cause by the lender in the event of a change of control or acquisition of control. The conditions relating to the change of control are in line with standard market terms. A change of control is considered to have taken place where a third party directly or indirectly acquires control of at least 30 percent or the majority of voting shares in BAUER AG. Additional long-term loan agreements also exist within the Group which provide for a right of termination for cause, at market terms, in the event of a change of control.



- DESCRIPTION OF THE KEY FEATURES OF THE INTERNAL SYSTEM OF CONTROLS AND RISKS MANAGEMENT WITH REGARD TO THE GROUP'S CONSOLIDATED ACCOUNTING PROCESS -

Consolidated accounting risks comprise risks in respect of accounting, valuation and recognition. Within the Group, the consolidated accounting elements of risk management form an integral part of the internal system of controls. The following description relates only to the dependent subsidiaries included in the consolidated financial statements, over which BAUER AG is able to exert a direct or indirect controlling influence.

The accounting functions for the major subsidiaries in Germany are mainly managed centrally at Group headquarters in Schrobenhausen. This permits specialization in particular posting categories – such as in relation to the consortium arrangements which are common practice in the construction industry – while localization seeks also to promote consistent treatment of business transactions as well as enabling transactions to be merged and monitored. The minor German subsidiaries have their own independent, decentralized accounts departments. Tax affairs are handled by the Tax department, particularly in relation to the treatment of accounting-related tax matters.

The accounts of international subsidiaries are mainly handled by in-house commercial departments or on a decentralized basis by personnel with commercial skills. Compilation of the individual company end-of-period financial statements accounts is usually aided by external contractors and by the parent company financial controllers responsible for the respective subsidiaries. The external contractors employed are tax advisors and auditors with specialist know-how in the respective country as well as international experience – a requirement of particular importance in safeguarding the correct treatment of tax matters influencing accounting. The practice of decentralization with external assistance at the international locations is intended to ensure properly qualified compilation of the individual company end-of-period financial statements accounts in accordance with the relevant national laws on the basis of international accounting standards.

The monthly Group reporting, drafting of the quarterly and annual financial statements and consolidation of the individual financial statements in accordance with International Financial Reporting Standards (IFRS) is carried out centrally by the International Accounting department based on the Group-wide Reporting Package constructed in line with IFRS requirements. In this process, the consolidation system IDL Konsis is first created as a Master Package, incorporating technical system elements – such as account balances, inter-company transactions, capital and asset movements – on the one hand and accounting particulars for compilation of the Notes to the consolidated financial statements of the BAUER Group on the other. This Master Package is issued in uniform manner for the financial reporting of all subsidiaries.

An integral component of the Reporting Package is the standard Group Chart of Accounts of the BAUER Group, to which the respective local charts of accounts are linked. This forms the basis for unified and consistent consolidation of the accounts from all consolidated companies within the Group.

Where the cost of sales method is applied in individual countries, adjustments are carried out by the subsidiaries concerned by means of transfers or recategorization in order to ensure unified depiction of the standard total cost method implemented within the BAUER Group. The progression to

IFRS is effected by means of appropriate adjustments to postings using the Group Chart of Accounts. The information required to make the adjustments is polled, firstly, by way of the Reporting Package and, secondly, is reviewed again with the subsidiaries locally and/or the parent company financial controllers. The aim of this is to ensure correct and complete recording of all accounting particulars. As well as defining the scope of consolidation (with the participation of the respective commercial managers), this department also specifies the elements of the Reporting Packages to be completed by the Group companies.

For compilation of the consolidated financial statements of the BAUER Group, the Reporting Packages are made available to the subsidiaries. After being processed, the Packages are filed centrally in an International Accounting data folder and, following checking for completeness and integrated data validation by IDL Connector (Excel database interface), are imported into the IDL Konsis consolidation system. In the consolidation system, all the consolidation transactions in compiling the consolidated financial statements of the BAUER Group are carried out, administered and documented.

The business activities of the member companies of the BAUER Group are statistically recorded and documented. The accounting function is divided into autonomous units. Each department, business unit and company acts like a business operating independently on the market. All internal transactions are mapped by the accounts departments (internal transfer). The central instrument is the expense distribution sheet ("BAB") for each major company, which is intended to provide a rapid overview of the positions of the individual business units and serve as the basis for assessing in detail the reasons for them. Each department and business unit is required to operate profitably, and so should monitor in detail what is happening in the departmental or unit accounts. Our judgement and experience tells us that self-monitoring allied to mutual monitoring are the key elements of any system of internal controls.



As a further instrument of mutual monitoring of the individual business units and departments, monthly report figures are consolidated and analyzed in the central commercial department responsible for each segment in respect of the companies within the segment, with the aim of further reducing accounting, valuation and recognition risks. This department routinely reviews accounting-related processes and discusses them with the International Accounting department.

At Group level, the figures from the consolidated companies are continually reviewed in terms of plausibility in a first stage by the parent company financial controllers and, in a second stage, by the International Accounting department (based on the dual control principle, including travel to the locations concerned and meetings with the local commercial staff) and are corrected as necessary in consultation with the subsidiaries or the relevant commercial manager.

Technical control mechanisms in the Reporting Package and in the IDL Konsis consolidation system are also intended to point up incorrect entries, which are again corrected at Group level.

The consolidated figures are compared on a monthly basis against the figures from the annual Group-wide planning process and analyzed on the basis of Group key performance indicators (KPIs). If any material non-conformance is identified, measures in response to specific instances are to be defined and implemented by the management of the business units concerned. The Group-wide planning process is supported by use of the unified data processing system Professional Planner and is based on an additional planning model.

The other specific control and monitoring activities of the International Accounting department are intended to help safeguard the accuracy, propriety and reliability of Group accounting. They comprise the analysis and, where necessary, correction of the individual financial statements submitted by the Group companies within the predetermined reporting calendar, taking into consideration any associated auditors' reports.

In addition, so-called value-retention tests are drawn up in respect of the – from a Group standpoint – specific cash-generating units (CGUs). The centralized definition of parameters for valuation of pension reports is likewise carried out by the International Accounting department in consultation with the Management Board. Checks of local reporting are also carried out by International Accounting in order to monitor the implementation of requirements.

To assist in compiling the consolidated financial statements, on-site training is given to business unit financial controllers, local bookkeepers and managers

with regard to the requirements of Group accounting in ensuring unified accounting and valuation.

The major Group company annual financial statements and the year-end consolidated financial statements are audited by auditors in accordance with the applicable legal requirements and standards, and are reviewed by the Supervisory Boards established in the various business units as part of their duty of supervision. Additionally, the Supervisory Board of BAUER AG receives monthly accounting reports presenting the key figures and related information.

The IT systems used at all national and international locations are required to incorporate appropriate security systems to protect against unauthorized access and loss of data.