

Report of the Supervisory Board 2010

In financial 2010 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. In this way the Supervisory Board was kept continually informed as to intended business policies, corporate planning, including financial, capital investment and personnel planning, the company's profitability and the course of business, as well as with regard to the position of the company and the Group as a whole. The Chairman of the Supervisory Board once again accompanied the Chairman of the Management Board on trips to subsidiaries outside Germany.

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 economic situation portrayed in the reports of the Management Board and the prospects for the development of the Group, its individual segments and key subsidiaries in Germany and internationally, as well as construction projects and machinery developments of special note, were discussed at all the meetings.

The meetings of the various subcommittees of the Supervisory Board in the financial year were attended by all the respective members. All except one of the plenary meetings of the Supervisory Board were attended by all members. All members of the Management Board attended the meetings of the Supervisory Board.

At the annual accounts review meeting relating to the annual financial statements and Group consolidated financial statements for the 2009 financial year, also attended by the auditors, a detailed review was undertaken of the respective financial statements, 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 major topics discussed at the meeting were the Group's financing, the preparations for the upcoming Annual General Meeting, the course of business in the current financial year against the backdrop of the crisis-hit previous year, the extension of the period of office of the Chairman of the Management Board and the structuring of the remuneration paid to the Management Board. At its second meeting of the financial year the Supervisory Board considered the Interim Report on the first quarter of 2010, the development of the Group's business in 2010, and the corporate culture. At its September meeting, the Supervisory Board focused on the Group's medium-term financial planning and on the amendments to the German Corporate Governance Code. It also discussed the upcoming resignation of Mark Schenk from the parent company's Management Board, which was reaffirmed subsequently by a written special resolution. With regard to the trends in the 2010 financial year, at its December meeting the Supervisory Board discussed the ongoing order situation with the Management Board, as well as giving its consent to the planning for financial 2011. That same meeting also considered the declaration of conformity to the German Corporate Governance Code as well as the performance bonus framework.

Work carried out by the subcommittees

In the 2010 financial year there were four subcommittees of the Supervisory Board. The Mediation Committee and the Nominations Committee were not convened. The chairmen of the various subcommittees submitted regular reports on their work to the plenary Supervisory Board meetings.

Three meetings of the Presidial and Personnel Committee were convened. In preparation for resolutions by the Supervisory Board, they gave consideration to the extension of the period of office and the contract of employment of Chairman of the Management Board Professor Thomas Bauer, the reduction of the Management Board to three members, the associated termination of service of Management Board member Mark Schenk and related contractual matters, and the service contract of a member of the Supervisory Board. Preparations were additionally 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. Consideration was also given to the declaration of conformity to the German Corporate Governance Code as well as the performance bonus framework.

The Audit Committee held three teleconferences and three attended meetings in financial 2010. 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 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 for financial 2010, including scrutinizing their independence. At two meetings the Audit Committee considered primarily the effects of amendments to national and international financial reporting standards on the financial reporting of the parent company and the Group, the Group's system of risk management, the system of internal controls and internal auditing, and discussed compliance-related matters.

Auditing of 2010 annual and consolidated financial statements

The annual financial statements of BAUER AG to December 31, 2010 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 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 annual accounts review meeting on April 14, 2011. The annual financial statements of BAUER AG were thereby confirmed. The Supervisory Board 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.

The Supervisory Board would like to thank the Management Board, all the employees of the company and the employees' representatives for their commitment and achievements over the past year.

Schrobenhausen, April 2011
The Supervisory Board



Dr. Klaus Reinhardt
Chairman of the Supervisory Board