



1) Statutory disclosures regarding takeovers

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

BAUER AG is a public limited company (stock corporation) with headquarters in Germany. The company's subscribed capital (share capital) 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. In the cases subject to Section 136 of the German Stock Corporation Act (AktG), voting rights arising from the shares in question are excluded by law. Multiple share categories do not exist.

At December 31, 2010, 51.81 percent of the shares were in free float, as in the previous year. The members of the Bauer family own a total of 8,256,146 nominal-value shares in BAUER AG on the basis of a pool agreement, representing a 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 24, 2010, the company was authorized to acquire treasury stock, over a limited period up to June 23, 2015, representing up to a total of 10 percent of the company's share capital at the time the resolution was

passed. At the same time, the authorization to acquire treasury stock expiring on December 24, 2010 was cancelled. 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

BAUER AG is managed and represented in its dealings with third parties by the Management Board. 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. With effect from October 25, 2010, the Supervisory Board reduced the number of members of the Management Board by one. Consequently, at present the Management Board comprises three 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 177 million (as per December 31, 2010), agreed by BAUER AG together with BAUER Spezialtiefbau GmbH, BAUER Maschinen GmbH and SCHACHTBAU NORDHAUSEN GmbH as the borrower and guarantor, provide for a right of termination for cause by the lender in the event of a change of control or acquisition of control in BAUER AG. 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.

2) Internal control and risk management system in relation to the financial reporting process

Consolidated accounting risks comprise risks in respect of accounting, valuation and recognition. To counter them, elements of the risk management system have been integrated into the consolidated financial reporting process.

The accounting functions for the major subsidiaries in Germany are mainly managed centrally at Group headquarters in Schrobenhausen. This also permits specialization in certain kinds of business operations, such as consortia, and means that transactions are all treated equally.

The accounting functions for the other subsidiaries – practically all international subsidiary companies outside of Germany – are usually managed by decentralized inhouse commercial departments. In this, our international subsidiaries are assisted by external accountants and auditors as well as by our investment controllers, so as to ensure properly qualified financial reporting in accordance with local laws or conforming to International Financial Reporting Standards (IFRS). The financial statements of the major Group companies are additionally audited in accordance with IFRS. Audits are conducted in accordance with the International Standards on Auditing (ISA).

The procedures for monthly Group reporting, preparation of quarterly and annual financial statements and consolidation of the individual financial statements in accordance with IFRS are implemented with the aid of Group-wide reporting packages on the basis of a unified schedule of accounts by the Group Accounting

function. Appropriate adjustments are made to adapt local accounts to IFRS.

At the major Group companies the success of each individual department is mapped as a central management instrument by means of an expense distribution sheet. This reveals any non-conformance to annual budgets. At project level, a monthly reconciliation is carried out to cross-check the actual figures against the cost accounting and site management budgets. Our judgement and experience tells us that self-monitoring allied to mutual monitoring are the effective elements of our system of internal controls.

The individual Group companies and departments are monitored on a monthly basis by the central commercial departments in the respective segments, where reports are consolidated and analyzed, thereby further reducing the accounting, valuation and reporting risks. These procedures routinely review accounting processes and optimize them as required.

At Group level, the figures from the consolidated companies are initially checked by the investment controllers and are then reviewed by Group Accounting according to the two person rule and corrected as necessary in consultation with the subsidiaries.

The consolidated figures are in turn checked 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). Any necessary correction of non-conformance is implemented promptly by the managers of the units concerned.

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. The key figures and related information reports are submitted to the Management Board and the Supervisory Board of BAUER AG from the central accounting function on a monthly basis.

The IT systems employed in these procedures are protected by appropriate security systems against unauthorized access and data loss. Based on the systematic multi-segment structuring of the Group's accounting process, with its redundant control instances, we are able to classify the resultant risks as low.