

Report of the Supervisory Board

In financial 2008 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 future prospects of the company. 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 (including the risk position and matters of risk management) 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 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 also remained in regular contact with the Chairman of the Management Board outside of the Supervisory Board meetings, and obtained regular updates on the state of business, including in the course of a number of personal visits.

The Supervisory Board participated directly in decisions of fundamental significance to the company. The Management Board consulted us in defining the company's strategy.

CHANGES TO THE SUPERVISORY BOARD

In keeping with the requirements of parity with regard to German co-determination law, the Supervisory Board consists of twelve members – six representing the company's shareholders and six representing the employees. Wilken Freiherr von Hodenberg resigned for personal reasons from his position as a shareholder-representative member of the Supervisory Board and as a member of the Audit Committee of the

Supervisory Board with effect from the end of the company's Ordinary Annual General Meeting held on June 26, 2008.

At the proposal of the Supervisory Board, the Annual General Meeting of June 26, 2008 elected Professor Dr. Manfred Nußbaumer to succeed him on the Supervisory Board.

Professor Dr. Nußbaumer was also elected by the Supervisory Board to serve on its Audit 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.

Except for Professor Dr. Nußbaumer, who was not elected to the Supervisory Board until the middle of the year and was only able to attend one meeting of the full Supervisory Board in the year under review, all meetings were outstandingly well attended, with all remaining members of the Supervisory Board attending all of the Supervisory Board's meetings during their period of office in financial 2008.

At the annual accounts review meeting held on April 18, 2008, the main items discussed were the company's 2007 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 matters dealt with at the meeting included discussions with the Manage-

ment Board regarding investments in property, plant and equipment, the question of bonus payments to members of the Management Board and preparation of the resolutions to be put to the company's upcoming Annual General Meeting – in particular the election of a new member of the Supervisory Board.

At the meeting held on June 25, 2008, the extension of the period of office of Hartmut Beutler, member of the Management Board responsible for Finance, for a further five years was confirmed following preliminary consultations in the Presidial and Personnel Committee. The development of business relative to the performance of major competitors, the impact of the real estate crisis on economic growth and investment in company acquisitions were discussed with the Management Board.

The main topics covered at the meeting held on September 26, 2008 were a review of the Group's financial position, the investments in expansion of facilities against the background of the financial market crisis, medium-term corporate financial planning and risk management. The financial review established that the Management Board had been prudent in its response to the financial market crisis. The Supervisory Board also participated directly in the decisions relating to the expansion of the Resources segment.

At the meeting held on December 11, 2008, the main focus of reports and consultations was on planning for financial 2009 and the expected impact of the financial market crisis on global economic development and on that of the BAUER Group, as well as the liquidity situation in the Group. At the suggestion of the Presidial and Personnel Committee, the remuneration system for the Management Board, including the fundamental contract provisions, was reviewed and a resolution passed. A self-evaluation was also carried out in order to assess the efficiency of the Supervisory Board's activities in accordance with Article 5.6 of the German Corporate Governance Code. No conflicts of interest of Supervisory Board members were identified. On the same day, the Management Board and Supervisory Board issued their 2008 declaration of

conformity to the German Corporate Governance Code, which was subsequently published on the company's website. The company once again complied with most of the recommendations and suggestions set out in the German Corporate Governance Code.

WORK ON THE SUBCOMMITTEES

In the 2008 financial year there were four subcommittees of the Supervisory Board. The Mediation Committee was not required to convene in fulfilment of its assigned function.

The Nominations Committee was convened in order to prepare the election of a new member to the Supervisory Board at the Annual General Meeting on June 26, 2008 and to propose a successor to the retiring member, Freiherr Wilken von Hodenberg.

The Presidial and Personnel Committee concerns itself primarily with the creation, amendment and termination of contracts of employment for the members of the Management Board, including defining the structure and level of their remuneration. The members convened at two meetings, at which consideration was given to personnel-related matters, the extension of the contract of Management Board member Hartmut Beutler, and the level and structure of remuneration paid to the members of the Management Board and to senior management within the Group.

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 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 2009, including scrutinizing their independence.

The chairmen of the various subcommittees submitted regular reports on their work to the plenary Supervisory Board meetings.

AUDITING OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of BAUER AG to December 31, 2008 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 and Wirtschaftsprüfungsgesellschaft, Stuttgart. The accounts were certified by the auditors without reservation.

The audit documentation and reports from the auditors were furnished to us in good time for our scrutiny. 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 Committee consulted intensively with the auditors and subjected the audit documentation and reports to thorough scrutiny. The Committee reported on its review to the Supervisory Board.

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 17, 2009. The annual financial statements of BAUER AG are thereby confirmed. We concur with the content of the parent company and consolidated Group management reports.

The proposal of the Management Board regarding the appropriation of net profit available for distribution was discussed in detail with the Management Board by the Audit Committee. Following its own detailed scrutiny, with regard to the liquidity of the company and its financial planning, and giving due consideration to the interests of the shareholders, the Supervisory Board ultimately 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 Wilken Freiherr von Hodenberg for his hard work and constructive contribution to the Supervisory Board and the subcommittee on which he served. 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 contribution to what has been a very successful year for the BAUER Group.

Schrobenhausen, April 17, 2009

The Supervisory Board



Dr. Klaus Reinhardt
Chairman of the Supervisory Board