Half-Year Interim Report 2008

January 1 to June 30, 2008

BAUER

Group Key Figures – 1st Half 2008

IFRS in EUR million		06/2007	06/2008	Change	12/2007
Total Group revenues		562.5	719.5	27.9 %	1,208.1
of which	Germany	169.0	165.2	-2.2 %	331.6
	International	393.5	554.3	40.9 %	876.5
	International in percent	70.0	77.0	n/a	72.6
of which	Construction	246.8	337.6	36.8 %	531.8
	Equipment	287.2	365.7	27.3 %	643.1
	Resources	58.6	52.9	-9.7 %	112.0
	Other/Eliminations/Consolidations	-30.0	-36.7	n/a	-78.8
Consolidated revenues		534.3	686.9	28.6 %	1,159.4
Sales revenues		477.8	594.7	24.5 %	1,033.0
Orders in hand		463.8	808.4	74.3 %	618.0
EBITDA		65.9	89.1	35.2 %	185.4
EBITDA margin in percent (of sales revenues)		13.8	15.0	n/a	17.9
EBIT		42.1	63.4	50.6 %	131.8
EBIT margin in percent (of sales revenues)		8.8	10.7	n/a	12.8
Net profit or loss		18.6	37.2	100.0 %	74.4
Capital investment in property, plant and equipment		26.4	47.0	78.0 %	96.4
Shareholders' equity		239.5	297.2	24.1 %	279.1
Equity ratio in percent		29.6	30.5	n/a	34.1
Net assets		808.7	975.9	20.7 %	818.0
Earnings per share in EUR		1.05	2.09	99.0 %	4.23
Return on equity after tax in percent		n/a	n/a	n/a	34.9
Employees		6,507	7,989	22.8 %	6,983
of which	Germany	3,151	3,629	15.2 %	3,324
	International	3,356	4,360	29.9 %	3,659

At variance with the consolidated revenues presented in the Group income statement, the total Group revenues presented here include portions of revenues from associated companies as well as revenues of non-consolidated subsidiaries and joint ventures.

Course of Business and Background Conditions

Course of business and general economic climate

An unwelcome constellation of dark clouds has built up on the horizon of the global economy specifically during the past few months. At the time of the real estate crisis in the USA it could still be claimed with some optimism that the world markets would be able to handle the situation without undue upheaval thanks to their extremely dynamic growth; however, new problem areas have now emerged which must be viewed with much greater scepticism.

The drastic rise in the prices of raw materials for energy, and indeed of raw materials in general, coupled with the significantly higher prices of staple foods – which are pivotal to a standard of living that is at least passable in many poorer regions of the world – pose a threat to economic development worldwide. One could argue that these changes merely represent a shift in prosperity between nations: countries that are rich in natural resources are getting much wealthier, while other countries will have to adjust to a decline in their prosperity.

Unfortunately that is too simple an interpretation of these developments. First of all, economic changes will precipitate a dramatic slow-down in the economy of many countries by eroding purchasing power. The gain in purchasing power in the countries that are benefiting will certainly not be sufficient to compensate for this effect. This will cause the global economy to grow much more slowly over the next few years than had been assumed as recently as a few months ago, with the result that we will soon see global growth hovering around just 2 percent.

The bigger problem, however, is the shift in the basic political direction around the world. Surveys have revealed that significant sections of the population no longer feel the market economy to be the most suitable economic system. So what will this widespread sentiment lead to over the next few years if the economies of many countries worldwide cease to meet people's everyday needs due to perceived inflation? A shift towards the extremes in electoral patterns is therefore to be expected in many democracies, with the result that the basis for successful economic activity would be further restricted.

The response from the movers and shakers in both industry and politics has so far been utterly inadequate. Such consequences will be inevitable if those in lower income brackets are not offered anything to counterbalance this development or any explanation as to why it cannot currently be fully cushioned.

Every company will have to deal with these risks and forecasts through its own strategies and developments. Only those that prepare in good time for the future will have any chance of escaping the adverse consequences of change. They may even emerge stronger as a result if, for example, a company's services are in particular demand specifically during difficult times.

On the strength of the Bauer companies' current level of orders in hand as well as the time lapse with which economic changes are taking place, we are confident of still being able to give a very positive report of developments in 2008 and 2009. After that, however, a number of markets worldwide are expected to experience a downturn to which our Group will not be immune. A fall in global growth rates always has a disproportionately high impact on the construction sector and even more so on construction equipment.

If we ask ourselves how well the BAUER Group is prepared for the above negative scenario, the verdict is on the whole a positive one.

The most important aspect is how we compare with the competition in our industry. Those companies that have prepared the most thoroughly will cope best with the situation when times get hard.

The BAUER Group holds a number of absolutely crucial advantages over most of its competitors:

- Internationally positioned in the Construction and Equipment segment: Bauer is active in virtually all major countries worldwide in all business areas within these segments. Specifically in those countries where the current changes are leading to higher prosperity, it has an excellent presence through major subsidiaries and sales offices. This will go a long way towards compensating for the anticipated downturn in other parts of the world.
- We have been working intensively on the further expansion of our Resources segment for some time now. As reflected in our strategy, the slump in the global economy has been caused by the very same issues that we address as the focal area of our activities in the Resources area: our operations focus on geothermal energy for energy conservation and generation, water recovery and treatment for an improved supply, finding solutions to environmental problems in the soil and groundwater, and the extraction of raw materials through mining. We believe that this area offers significant market opportunities specifically in times of economic slackness.
- Infrastructural problems worldwide have grown considerably in recent years. In the USA, for example, but also in Germany, many roads and other parts of the infrastructure have not been maintained to anything like the necessary standard. If politicians want to avoid aggravating the economic risks they must address such issues without delay, and indeed as a priority. The same applies to many facilities in the areas of oil, gas and power generation. A large number of new power stations need to be built in order to cover future demand for energy. All these problems cannot be solved without our specialist foundation engineering services, meaning that great opportunities will continue to arise in this area.
- In future there will be much greater demand for deep-level drilling than was previously the case. Deep-level geothermal energy extraction is still in its infancy. It can safely be assumed that this method of energy generation and raw materials conservation will become one of the key solutions to energy shortages in the coming decades. There will likewise be much greater demand for oil and gas drilling work, because the current price levels of these raw materials make it economically viable to exploit oil and gas fields much more thoroughly than in the past with a much denser drilling grid.

  We are preparing to serve such markets with the launch of our new deep-level drilling rigs next year. We are also currently building up capacity for performing such drilling work. Our aim is to realize substantial sales growth in a market segment that we have not previously tapped to any significant degree. This will help us to compensate for any gaps that appear in other markets.
- In the area of construction services for deep mines, we have continued to nurture our expertise throughout economically difficult times at our subsidiary SCHACHTBAU NORDHAUSEN GmbH. The world shortage of raw materials has now once again created considerable demand for our services. This opens up new opportunities both in Germany and in many other countries worldwide.

These examples illustrate how the BAUER Group has developed ample strategic options for securing business in the construction sector, even if times are more difficult. We will systematically continue to pursue these new market opportunities to ensure that we can look to the future with confidence.

The Group is currently developing highly positively. Along with this report, we are upgrading our profit forecast for the current year to more than EUR 100 million after tax. The excellent levels of orders in hand in all areas make us optimistic about the prospects even beyond the current year. We must nevertheless emphasize that the rapid growth of recent years cannot simply be replicated in the future. Our return on sales has reached a level that cannot normally be increased yet further. A drop in earnings is nevertheless to be expected in the medium term in the Equipment segment. However, we expect to be able to counterbalance this development through improved earnings for the other segments.

To strengthen our strategic position, we have acquired a majority interest in two smaller companies in the Resources segment in recent months.

The company Esau & Hueber GmbH, which is based close to our head office in Schrobenhausen, is active in the three areas of high-purity systems, water treatment and brewing and beverage technology. With a workforce of around 40 people, this company complements our environmental activities very well. We have acquired a 75.5 percent stake in Esau & Hueber GmbH.

In addition, we have acquired a controlling interest of 85 percent in the Swiss company Foralith Holding AG. The Foralith Group works in the area of sinking deep-level bore holes, with a core of only 6 employees and a team of temporary workers. For example, Foralith performed the exploration drilling for the tunnelling of the Gotthard Tunnel. The company significantly broadens our expertise in deep-level drilling.

The current developments in the construction sector in individual regions of the world will now be described in brief.

The construction boom continues in the Middle East. As well as Dubai, other countries in the region such as Abu Dhabi, Saudi Arabia, Qatar and Bahrain are now also making a considerable effort to develop their infrastructure and invest in new building projects. Major new projects, but also the excellent financial position of the countries in that region, are opening up the prospect of further substantial increases in construction demand.

The upward trend is also being sustained in the Far East. Construction volumes are increasing in all countries in the region. Even in Hong Kong, where the market had slowed markedly in recent times, a number of major infrastructure projects are being planned.

In the USA, housing construction has come to a virtual stop. On the other hand, the market for infrastructure projects, power stations and other industrial and commercial construction has not been affected by the financial crisis. There is even an expectation that this market will profit from it, because the US government is attempting to stabilize the economy by investing in infrastructure projects. The order books of our businesses in the USA are filled to very healthy levels. The market in Canada is lively, and many countries in South and Central America are also developing positively.

African countries generally exhibit little economic momentum, but some individual markets are seeing healthy growth. Some countries – such as Angola, as well as South Africa – are showing promising economic trends. In the mining industry especially, major exploration work is being carried out in an effort to increase the extraction of raw materials.

The European economy as a whole is still stable. The value of the euro gives us cause for concern, but the economy is robust enough to deal with the situation without major loss.

In Germany, the trend in the construction market is only moderately positive, after 12 years of recession. However, last year's figures were generally encouraging and we are confident that the trend will be sustained. Compared with the other original member states of the European Union, the volume of construction work in Germany is very low. Now that the long recession has come to an end, historical comparisons indicate to us that the upward trend is highly unlikely to be reversed again soon. We therefore expect to see decent market conditions for a number of years to come. The development in material prices is our biggest cause for concern. As a result of mushrooming costs, public-sector budgets are now no longer able to maintain the volume of construction work at the previous year's level.

Overall, we can report that our markets are still developing positively. In the construction equipment sector, our special business for civil engineering is still showing healthy growth rates. On the other hand, a fall in demand for equipment in mass construction business – such as building construction – has recently been reported. This indicator must be viewed as critical by the whole industry. In recent months almost all areas of the BAUER Group have succeeded in increasing their levels of orders in hand, and these are now at an excellent level. In the equipment sector, it remains difficult to meet the delivery times that customers want.

Development of the BAUER AG share

Our company's share was unable to escape the turbulence on financial markets during the first half of the year. It fell to lows of around EUR 36 during January, before recovering to around EUR 45 by the end of February. It came under renewed pressure in March. There has been a steep upward trend since mid-May, with the result that the BAUER share closed at EUR 63.07 on June 26, the day of the Annual General Meeting, when over 600 shareholders came to our headquarters in Schrobenhausen. The share price reached EUR 61.32 on June 30, having reached an all-time high of EUR 70.12 on June 5. Whereas the DAX and SDAX fell by over 20 percent in the first six months of 2008, Bauer shares thus appreciated by more than 22 percent.
At the end of July our share price was EUR 62.

Business trend

The member companies of the BAUER Group performed very well in the first half of 2008. Revenues and earnings were up substantially in almost every segment. Net profit of EUR 37.2 million is approximately double that of the previous year's comparative period. Total Group revenues rose by just under 28 percent to EUR 719.5 million.
Revenues were well up specifically in the Construction segment, on the back of an excellent level of orders in hand, and earnings therefore also improved. Equipment business, too, made good progress. Once again – as was already the case last year – the extremely healthy levels of orders in hand of all the Group's segments at the end of 2007 meant that there was no slowdown in business such as normally occurs in the early months of the year. The increasing proportion of construction business outside of Germany means that it is less and less subject to the vagaries of winter weather. The Equipment segment was not able to ship all the equipment ordered to its customers by the end of 2007, so its sales during the first quarter were likewise very healthy. The first half for the new Resources segment was not yet satisfactory. Our new structure moreover still needs time for its operations to acquire the momentum we believe they are capable of. However, we do expect to achieve our targets in this segment as in the others.

Development of the Group's divisions (including minority interests)

	in EUR million	June 2007 Revenues in EUR million	June 2008 Revenues in EUR million	Percentage Share June 2008	Percentage Change against previous year	Orders in hand
Construction	BAUER Spezialtiefbau GmbH (BST)					
	BST Germany	58.0	49.3	6.9 %	-15.0 %	+
	Subsidiaries, Germany	5.7	11.0	1.5 %	93.0 %	●
	BST international	71.5	125.7	17.5 %	75.8 %	++
	Subsidiaries, international	101.3	158.7	22.1 %	56.7 %	++
	less intra-Group revenues and IFRS adjustments	-24.5	-46.6	-6.5 %		
	BST Group total	**212.0**	**298.1**	**41.5 %**	**40.6 %**	+
	SPESA Spezialbau und Sanierung GmbH	5.8	7.4	1.0 %	27.6 %	●
	SCHACHTBAU NORDHAUSEN GmbH (SBN) incl. SBN construction subsidiaries	30.9	33.4	4.6 %	8.1 %	+
	less intra-Group revenues and IFRS adjustments	-2.0	-1.3	-0.2 %		
	Construction total	**246.8**	**337.6**	**46.9 %**	**36.8 %**	+
Equipment	SBN - construction equipment	21.1	28.6	4.0 %	35.5 %	+
	SBN Group total (construction & equipment)	**52.0**	**62.0**	**8.6 %**	**19.2 %**	+
	BAUER Maschinen GmbH (BMA)	258.2	302.9	42.1 %	17.3 %	+
	Equipment subsidiaries (specifically of BMA)	101.0	164.2	22.8 %	62.6 %	+
	BMA Group total	**359.3**	**467.1**	**64.9 %**	**30.0 %**	+
	less intra-Group revenues and IFRS adjustments	-93.2	-130.0	-18.1 %		
	Equipment total	**287.2**	**365.7**	**50.8 %**	**27.3 %**	+
Resources	BAUER Resources GmbH (BRE)	0.2	1.7	0.2 %		
	Resources subsidiaries (specifically of BRE)	65.5	58.9	8.2 %	-10.1 %	●
	less intra-Group revenues and IFRS adjustments	-7.0	-7.7	-1.1 %		
	Resources total	**58.6**	**52.9**	**7.3 %**	**-9.7 %**	●
Other	BAUER Aktiengesellschaft (BAG)	9.7	11.5	1.6 %	18.6 %	
	Other subsidiaries (specifically of BAG)	0.2	0.1	0.0 %	-50.0 %	
	Total Other/services	**9.9**	**11.6**	**1.6 %**	**17.2 %**	
	less intra-Group revenues and IFRS adjustments	-39.9	-48.3	-6.6 %		
	Group TOTAL (including minority interests)	**562.5**	**719.5**	**100.0 %**	**27.9 %**	+
	of which: Germany	169.0	165.2	23.0 %	-2.2 %	
	International	393.5	554.3	77.0 %	40.9 %	

Notes on the table:

- List also includes non-consolidated holdings
- Valuation of orders in hand relative to budgeted sales:
  -- weak; - slightly weak; ● adequate; + well adequate; ++ very well adequate
- Breakdown Germany/international according to country in which accounting figures were allocated.

Earnings, Financial and Net Asset Position

Earnings

Revenues shown in the consolidated income statement increased by 28.6 percent to EUR 686.9 million. The substantial increase in other income to EUR 34.1 million results primarily from self-manufactured machinery for Group companies. BAUER Spezialtiefbau GmbH is currently also investing in new construction equipment in order to keep pace with the healthy market growth.
The two large segments contributed towards the growth in consolidated revenues – the Construction segment achieving 33.5 percent and the Equipment segment at 29 percent. Consolidated revenues for the Resources segment dipped slightly by 5.8 percent.
While the cost of materials grew disproportionately sharply, all other cost items in the income statement – staff costs, depreciation and amortization and other operating expenses – increased at a much lower rate than revenues. The rise in the cost of materials is attributable on the one hand to the general rise in costs and on the other hand to random shifts due to higher materials components in our construction operations. Financial expenses increased slightly, in line with the rise in borrowing entailed by the growth in business volumes, though by no means as sharply as revenue growth. The income tax expense is much lower than in the previous year, thanks to the corporation tax reform in Germany as well as marginal non-recurring tax effects.
Profit after tax increased by almost EUR 19 million compared with the previous year, to EUR 37.2 million.

Financial position

The international rating agency Standard & Poor's upgraded our long-term rating to BB+ (outlook positive) in the second quarter of 2008. This rating provides us with even better access to financial markets, and will also yield further advantages in future with regard to the interest rate terms we are able to obtain.
Our company's Annual General Meeting passed a resolution to pay a dividend of EUR 1.00 per share. The necessary funds were disbursed at the end of June 2008. In the previous year, disbursement had taken place in the third quarter.
Compared with the previous year, cash flow from operating activities was positive in the first half of the year in spite of the strong growth. It was necessary to increase borrowing due to the substantial investment outlay. There are no other special points of note with regard to the financial position. Developments are in line with our planning.

Net asset position

The net assets shown on the balance sheet increased by 19.3 percent against the 2007 year-end figure. They rose by 20.7 percent against the comparative first half of the previous year. We regard this increase – which is much lower than the increase in revenues – as highly positive.

In our business, based on the buying and payment practices of customers the balance sheet net assets always increase significantly within the year and then fall away again by a similar amount by the year-end, as customers make more payments. This year's increase in net assets – in addition to the major increase in our capital investments – is in keeping with our many years' experience. It is actually somewhat less than would normally be expected. The major increases on the Assets side of the balance sheet against our 2007 annual financial statements relate to inventories and receivables. Both items relate to the development of business operations during the first half of the year. The disproportionately rather high rise in inventories is furthermore attributable to bottlenecks in the delivery capability of suppliers.

On the Equity and Liabilities side there were increased financial and other liabilities – including specifically trade payables. Other liabilities (see balance sheet, p. 15, C. II.) rose mainly as a result of a sharp increase in project-specific provisions of EUR 25 million. This is a consequence of the substantial rise in revenues from large-scale construction projects. We are planning major restructuring of non-current financial liabilities for our investment measures in the second half of the year, with the result that current financial liabilities will be reduced again in relative terms.

In contrast to the previous year, the dividend amounting to EUR 17.1 million was distributed to our shareholders during the first half of this year. The equity ratio improved from 29.6 percent in the prior-year period to 30.5 percent in the first half of the current year. If the dividend had been distributed in July, as was the case in the previous year, this figure would have been even higher at 32.2 percent.

Trends in our Business Segments

Construction segment

Construction segment key figures

in EUR '000	06/2007	06/2008	Change	12/2007
Total Group revenues	246,770	337,581	36.8 %	531,790
of which external sales revenues	209,059	286,358	37.0 %	433,405
Orders received	229,184	436,396	90.4 %	656,424
Orders in hand	242,894	483,929	99.2 %	385,114
EBIT	3,652	12,846	251.8 %	24,847
Employees	4,105	4,909	19.6 %	4,316

The Construction segment increased its revenues by 36.8 percent in the first half of the year. However, revenues from specialist foundation engineering operations in Germany fell by 15.0 percent during the period. The explanation for this downturn is that the performance in Germany in the first quarter of the previous year had been particularly good thanks to the exceptionally mild weather. Furthermore, we had only very few major projects on our books in the first half of 2008 as we were very cautious in acquiring large-scale projects in the previous year due to reasons of price. Much of our domestic capacity was deployed at our large-scale power station construction site in the Netherlands. Domestic revenues will increase considerably in future, now that we once again have several large-scale projects in progress: two power station foundations, one watergate and the Hamburg Pfeilerbahn.

Revenues in all other regions of the world increased very substantially. The sharp increase in orders in hand compared with the prior-year period indicates to us that this positive trend is being sustained.

We are currently seeing very healthy demand for specialist foundation engineering services from virtually every country in the world. This is especially true of the Arab countries, but also with regard to infrastructure projects in the USA, Canada and Europe. Orders in hand in the Construction segment increased by 99 percent against the first half of the previous year. A pleasing aspect of this is that the orders are spread very evenly across the various regions of the world and include a large number of major projects. We are working on some particularly large-scale projects in Canada (a cut-off wall for an open-cast oil mine), Egypt (stations for the new Cairo underground rail network), Turkey (an excavation pit for a hotel), the USA (power station foundations and sealing work for the Hoover Dike, which surrounds the largest artificial lake in Florida), the Netherlands (power station foundations), Australia (dam remediation), Vietnam (excavation pits for a group of residential complexes) and Abu Dhabi (large excavation pits). Various major projects also give us a very good level of orders in hand in the UK and Malaysia. In Germany, too, we are once again involved in major projects.

SPESA Spezialbau und Sanierung GmbH is developing in line with our planning. SCHACHTBAU NORDHAUSEN GmbH likewise has very healthy order books in the construction sector, so we expect it to have a good year.

All in all, we are satisfied with the progress of the Construction segment and its first-half EBIT of EUR 12.8 million.

Equipment segment

Equipment segment key figures

in EUR '000	06/2007	06/2008	Change	12/2007
Total Group revenues	287,173	365,651	27.3 %	643,115
of which external sales revenues	224,137	263,880	17.7 %	509,733
Orders received	336,550	450,130	33.7 %	710,119
Orders in hand	192,755	294,861	53.0 %	210,382
EBIT	38,454	51,058	32.8 %	105,894
Employees	1,623	2,241	38.1 %	1,872

The Equipment segment has made very good progress, with a 27.3 percent rise in revenues. High demand from all over the world means that our order books remain well filled. Orders in hand at the end of the first half were 53 percent up against the comparative previous-year figure. The disproportionately steep rise in the workforce is due principally to the acquisition of Olbersdorfer Guß GmbH in the previous year and the recruitment of an additional 100 employees in China.

Our in-house exhibition at the end of April attracted some 2,000 interested customers from all over the world to our home base in Schrobenhausen. The equipment on show – with a total value of some EUR 30 million – was greeted with enthusiasm by all visitors. The new MC 64 crane for specialist foundation engineering applications, featuring two synchronized 25-tonne hoisting devices, was particularly well-received by the industry specialists attending the exhibition. The BG rotary drilling rig series was extended to include a small-size piling unit – the BG 12. Many small items of equipment were also on show at the exhibition.

Investment projects aimed at expanding equipment manufacturing capacities are progressing according to plan. All new halls were commissioned at the Aresing plant, and at Edelshausen the shell of the new halls has almost been completed with the result that they should be ready for occupying on time towards the end of the year. At Nordhausen, the extensions to the welding halls will be completed in the course of the third quarter. The logistics hall and warehouse will be erected there over the next few months. The purchase of real estate for the plant extension in the USA in Conroe, near Houston, has now been completed. Construction work has started and the new facilities will be occupied in mid-2009.

Overall, the market trend for specialist foundation engineering equipment is still showing an upward curve. However, this boom is expected to come to an end in a few years' time. We are preparing for that time by developing new deep-level drilling products (for the oil, gas and geothermal energy sectors) as well as other niche products related to specialist foundation engineering.

EBIT for the Equipment segment increased by 32.8 percent in the first half, to EUR 51.1 million. This trend provides us with a reliable basis on which to comfortably meet our targets for 2008. The strong growth in earnings in the first half is in part attributable to the backlog of orders which could not be shipped at the end of last year and which therefore delivered a major boost to business in the early part of this year.

Resources segment

Resources segment key figures

in EUR '000	06/2007	06/2008	Change	12/2007
Total Group revenues	58,608	52,900	-9.7 %	111,950
of which external sales revenues	44,480	44,314	-0.4 %	89,612
Orders received	68,245	60,009	-12.1 %	115,990
Orders in hand	28,137	29,649	5.4 %	22,540
EBIT	1,242	-550	n/a	253
Employees	597	627	5.0 %	608

Our Resources segment is now in its first full year of business. The revenues of the GWE Group, which was acquired in the second quarter of last year, were consolidated in that same period. Revenues for the Resources segment showed a year-on-year fall of 9.7 percent. There are many reasons for this. Certain expected orders did not materialize, while other orders were received later than planned. The situation has now improved, meaning that we expect to reach the targets for this year, which are slightly up on the previous year. There are seasonal factors at work in the negative EBIT of EUR 0.5 million, but it is also due in part to the fact that total revenues were too low. As the Resources segment is part of our long-term strategy and our efforts are currently being concentrated on establishing an efficient structure, its restrained development is in line with our overall plans.

The orders in hand in this segment are slightly up on the previous year. Several relatively large projects are currently in the final phase prior to awarding, and we therefore expect the level of orders in hand to rise in the short term.

Other disclosures

The Annual General Meeting of BAUER AG on June 26, 2008 elected Professor Dr.-Ing. E. H. Manfred Nußbaumer to the Supervisory Board as successor to Freiherr Wilken von Hodenberg, who retired from it as of the close of the Annual General Meeting.
There are no other events of note to report.

Sustainability

Human resources

The number of employees increased by 22.8 percent against the comparative six months of the previous year. This increase is much lower than the growth in total Group revenues. Overall, the workforce increased by 1482 people relative to the corresponding six months of the previous year and by 1006 since the year-end. In the Construction segment, the increase since the year-end relates mainly to major projects and new activities in the USA, Panama, Egypt, Vietnam and the United Arab Emirates. In the Equipment segment, in addition to general workforce growth personnel have been recruited specifically in China and at SCHACHTBAU NORDHAUSEN GmbH. Additional capacities to attain the necessary production output in the Equipment segment were in part recruited from the short-term labour market. We are generally building up our core workforce at present, in order to maintain a good balance between permanent employees and temporary staff.

Follow-up Report

Opportunities and risks

Major opportunities are set out in the individual sections of this Interim Report.
There has been no change in material risks since the Annual Report to December 31, 2007. Consequently, we refer back to the 2007 Group management report.

Material transactions with related parties

In the period under review no material transactions were undertaken with related parties.

Outlook for the full year

The companies of the BAUER Group have made very good progress in the first six months of 2008. The extraordinarily high increase in orders received in all segments of the Group will provide a healthy take-up of capacities through to the year-end. We have not yet felt any ill effects from the sub-prime crisis in our business. International construction markets have continued to develop to our advantage. However, we expect this trend to level off in about one year, and possibly even to tip over into a downward trend. We are preparing for the expected slowdown on construction markets by developing our new Resources segment, operating in a field which will grow strongly over the coming years.
We expect total Group revenues in 2008 to increase by around 20 percent, to over EUR 1.4 billion (previous year: EUR 1.2 billion). We expect profit after tax to rise by an even greater rate, to more than EUR 100 million (previous year: EUR 74.4 million).

Schrobenhausen, June 30, 2008

Interim Financial Statements of the BAUER Group

Income statement of the BAUER Group

in EUR '000	01.04. - 30.06.2007	01.04. - 30.06.2008	01.01. - 30.06.2007	01.01. - 30.06.2008
1. Sales revenues	274,069	333,240	477,811	594,659
2. Changes in inventories	-1,949	10,017	39,987	58,088
3. Other income	9,574	15,393	16,453	34,123
	281,694	**358,650**	**534,251**	**686,870**
4. Cost of materials	145,874	206,397	289,933	388,522
5. Staff costs	53,982	60,914	99,090	117,511
6. Depreciation and amortization	12,131	12,881	23,720	25,727
7. Other operating expenses	39,477	40,512	79,360	91,757
OPERATING RESULT	**30,230**	**37,946**	**42,148**	**63,353**
8. Financial income	1,598	1,384	2,360	1,949
9. Financial expenses	5,767	5,084	10,814	11,371
10. Share of the profit or loss of associates accounted for using the equity method	684	404	1,149	845
PROFIT BEFORE TAX	**26,745**	**34,650**	**34,843**	**54,776**
11. Income tax expense	11,664	9,853	16,207	17,550
NET PROFIT OR LOSS	**15,081**	**24,797**	**18,636**	**37,226**
Profit attributable to minority interests	489	982	606	1,484
Profit attributable to equity holders of BAUER AG	14,592	23,815	18,030	35,742

	01.04. - 30.06.2007	01.04. - 30.06.2008	01.01. - 30.06.2007	01.01. - 30.06.2008
Basic earnings per share in EUR	0.85	1.39	1.05	2.09
Diluted earnings per share in EUR	0.85	1.39	1.05	2.09
Average number of shares in circulation (basic)	17,131,000	17,131,000	17,131,000	17,131,000
Average number of shares in circulation (diluted)	17,131,000	17,131,000	17,131,000	17,131,000

Balance sheet of the BAUER Group

ASSETS in EUR '000	31.12.2007	30.06.2008
A. NON-CURRENT ASSETS		
I. Intangible assets	14,198	14,154
II. Property, plant and equipment and investment property	245,815	264,928
III. Investments accounted for using the equity method	7,465	7,260
IV. Participations	4,099	4,108
V. Deferred tax assets	13,118	13,372
VI. Other non-current assets	6,387	7,172
VII. Other non-current financial assets	1,271	1,946
	292,353	**312,940**
B. CURRENT ASSETS		
I. Inventories	218,978	287,346
II. Receivables and other assets	268,760	328,046
III. Effective income tax refund claims	4,798	6,767
IV. Cash and cash equivalents	33,082	40,761
	525,618	**662,920**
	817,971	**975,860**

EQUITY AND LIABILITIES in EUR '000	31.12.2007	30.06.2008
A. SHAREHOLDERS' EQUITY		
I. Group shares	268,464	285,464
II. Minority interests	10,666	11,705
	279,130	**297,169**
B. NON-CURRENT LIABILITIES		
I. Defined benefit plans	39,862	41,044
II. Financial liabilities	215,511	217,032
III. Other liabilities	3,965	3,915
IV. Deferred tax liabilities	15,707	16,347
	275,045	**278,338**
C. CURRENT LIABILITIES		
I. Financial liabilities	68,355	121,916
II. Other liabilities	168,786	251,404
III. Effective income tax obligations	10,761	9,443
IV. Provisions	15,894	17,590
	263,796	**400,353**
	817,971	**975,860**

Cash flow statement of the BAUER Group, 1st half-year

in EUR '000	30.06.2007	30.06.2008
Cash flows from operating activities	-35,619	19,830
Cash flows from investing activities	-41,675	-42,439
Cash flows from financing activities	86,612	30,288
Net increase in cash and cash equivalents	**9,318**	**7,679**
Cash and cash equivalents at beginning of reporting period	17,143	33,082
Cash and cash equivalents at end of reporting period	26,461	40,761
Change in cash and cash equivalents	**9,318**	**7,679**

Statement of changes in equity of the BAUER Group

	Subscribed capital	Capital reserve	Other revenue reserves and net earnings available for distribution					Minority interests	Total
			Revenue reserves	Foreign currency translation	Reconciling item, IFRS	Hedging transactions reserve	Own shares		
As at 31.12.2006	73,001	38,404	96,475	-4,054	10,387	0	0	8,368	**222,581**
Consolidated profit	0	0	18,030	0	0	0	0	606	**18,636**
Dividend payments	0	0	0	0	0	0	0	0	**0**
Consolidation measures	0	0	-641	-435	0	0	0	-558	**-1,634**
Exchange rate movements	0	0	0	0	0	0	0	-132	**-132**
As at 30.06.2007	**73,001**	**38,404**	**113,864**	**-4,489**	**10,387**	**0**	**0**	**8,284**	**239,451**
As at 31.12.2007	73,001	38,404	154,060	-7,463	10,387	75	0	10,666	**279,130**
Consolidated profit	0	0	35,742	0	0	0	0	1,484	**37,226**
Dividend payments	0	0	-17,131	0	0	0	0	0	**-17,131**
Consolidation measures	0	0	0	0	0	942	0	0	**942**
Exchange rate movements	0	0	0	-2,553	0	0	0	-445	**-2,998**
As at 30.06.2008	**73,001**	**38,404**	**172,671**	**-10,016**	**10,387**	**1,017**	**0**	**11,705**	**297,169**

Segment reporting of the BAUER Group, 1st half-year

in EUR '000	Construction		Equipment		Resources		Other	
	2007	2008	2007	2008	2007	2008	2007	2008
Total revenues (Group)	**246,770**	**337,581**	**287,173**	**365,651**	**58,608**	**52,900**	**9,873**	**11,619**
INCOME External sales	209,059	286,358	224,137	263,880	44,480	44,314	135	107
Inter-segment sales	8,822	9,730	18,390	27,507	2,716	942	9,533	11,430
Changes in inventories	5,293	2,440	32,285	54,224	2,409	1,424	0	0
Other income	4,447	5,331	7,732	18,901	1,841	1,795	111	29
Consolidated revenues	**227,621**	**303,859**	**282,544**	**364,512**	**51,446**	**48,475**	**9,779**	**11,566**
RESULT **Segment result (operating result) / EBIT**	**3,652**	**12,846**	**38,454**	**51,058**	**1,242**	**-550**	**338**	**203**
Share in results of associated companies	212	392	0	0	937	453	0	0
Financial expenses and income, income tax expense								
Net profit or loss								

in EUR '000	Eliminations/Consolidations		Consolidated	
	2007	2008	2007	2008
Total revenues (Group)	**-39,882**	**-48,252**	**562,542**	**719,499**
INCOME External sales			477,811	594,659
Inter-segment sales	-39,461	-49,609	0	0
Changes in inventories	0	0	39,987	58,088
Other income	2,322	8,067	16,453	34,123
Consolidated revenues	**-37,139**	**-41,542**	**534,251**	**686,870**
RESULT **Segment result (operating result) / EBIT**	**-1,538**	**-204**	**42,148**	**63,353**
Share in results of associated companies	0	0	1,149	845
Financial expenses and income, income tax expense			-24,661	-26,972
Net profit or loss			**18,636**	**37,226**

Notes

Accounting principles

BAUER Aktiengesellschaft prepares its interim financial statements in accordance with the International Financial Reporting Standards (IFRS). The Half-Year Interim Report to June 30, 2008 was prepared on the basis of IAS 34, "Interim Financial Reporting".
The same accounting and valuation methods as for the consolidated financial statements to December 31, 2007 are applied in the Interim Report to June 30, 2008. A detailed description of those methods is presented in the 2007 Annual Report.
The Standards and Interpretations bindingly applicable for the first time with effect from January 1, 2008 had no effects on the interim financial statements.

Audit

These consolidated interim financial statements and management report have not been audited in accordance with section 317 of the German Commercial Code (HGB), nor have they been subjected to any review by an auditor.

Scope of consolidation

In addition to BAUER Aktiengesellschaft, the consolidated Group companies comprise all major domestic and foreign enterprises in which BAUER Aktiengesellschaft holds a direct or indirect interest enabling it to govern the said companies' financial and business policies in such a way that the members of the Group draw benefit from the activities of the said companies (subsidiaries).

No changes have occurred to the scope of consolidation since December 31, 2007.

Notes on segment reporting

The segmentation of the BAUER Group is in accordance with IAS 14. It is founded on the internal organizational and reporting structures of the Group. The same accounting and valuation methods as for the 2007 consolidated financial statements are applied.
The core business of the **Construction segment** is specialist foundation engineering. Complete excavation pits and foundation works, often in difficult subgrade conditions, are carried out for major infrastructure projects. In order to offer customers a full range of services, the companies of the BAUER Group additionally offer other construction services, often involving a major specialist foundation engineering element. Examples of this include bridges, environmental engineering and remediation projects. The Construction segment is founded on the close interlinking of all construction activities, including those handled by the Projects departments.
In the **Equipment segment**, machinery for all specialist foundation engineering processes is developed and manufactured for worldwide distribution. The equipment can be employed to produce large-diameter and small-diameter bores for piles, diaphragm walls, anchors, injections and wells. Equipment for ramming and soil improvement is also manufactured. The range is supplemented by a wide selection of add-on units and ancillary equipment, covering all the processes involved in specialist foundation engineering.
The **Resources segment** brings together all the Group units providing products and services relating to the remediation and exploitation of natural resources essential to human life. The units operate in the field of environmental technology, in soil and groundwater remediation, in exploration drilling and mining of raw materials and drilling of wells and geothermal energy sources, and in the manufacture and sale of materials for the engineering of bore holes, specifically for wells and geothermal energy sources.
The **Other segment** comprises the central services for the Group's business units (accounting, human resources, IT etc.), specifically those of BAUER Aktiengesellschaft.

Events after June 30, 2008

85 percent of the shares in Foralith Holding AG were acquired on July 2, 2008 for a purchase price of CHF 3,655 thousand. In addition, 75.5 percent of the shares in Esau & Hueber GmbH were acquired on August 4, 2008 for a purchase price of EUR 1,680 thousand.
The purchase prices were paid in cash.
The purchase prices will be allocated finally by no later than the end of the financial year. Until then, only provisional figures will be included in the consolidated financial statements.
No details of the acquired assets and liabilities were available at the time of preparation of this report.
On July 24, 2008 BAUER und MOURIK Umwelttechnik GmbH, Nordhausen, was merged with BAUER Umwelt GmbH. The merger had no effect on the earnings, net assets and financial position of the BAUER Group.

Assurance by the legal representatives

We hereby assure that, to the best of our knowledge, the condensed interim consolidated financial statements give a true and fair view of the net assets, financial position and earnings of the company in accordance with the accounting principles applicable to interim reporting, and that the interim Group management report depicts the course of business, including the earnings and overall situation of the Group, in such a way that a true and fair view is conveyed and the material opportunities and risks of the foreseeable development of the Group over the remaining course of the financial year are set out.

Schrobenhausen, August 14, 2008
The Management Board

Future-related statements

This Interim Report contains future-related statements. Future-related statements are any statements which do not relate to historical facts and events, such as forecasts of future financial earning power and indications of plans and expectations with regard to the development of the business of the BAUER Group and relating to the general economic climate or other factors to which the BAUER Group is subject. The use of words such as "believe", "expect", "predict", "forecast", "intend", "plan", "estimate", "aim", "likely", "assume" and similar formulations indicates that the statements in question are future-related. Future-related statements are subject to risks and many uncertainties which may mean that actual developments, earnings or levels of performance differ widely from those explicitly or implicitly assumed in the future-related statements.

Readers are advised that, in view of the said risks and uncertainties, no inappropriately high degree of confidence should be placed in the likelihood of such statements proving to be accurate in the future. BAUER Aktiengesellschaft does not intend to and assumes no obligation to publish updates of such future-related statements in order to incorporate events or circumstances beyond the date of publication of this Interim Report.

Dates

2008

Annual Press Conference	April 22, 2008
Analysts' Conference	April 22, 2008
Interim Report to March 31, 2008	May 15, 2008
Annual General Meeting	June 26, 2008
Half-Year Interim Report to June 30, 2008	August 14, 2008
Interim Report to September 30, 2008	November 14, 2008

You will find more information on the BAUER Group on the Internet at www.bauer.de.

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DEUTSCHE BÖRSE
PRIME STANDARD

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