

Interim Report to September 30, 2007



Interim Report of the BAUER Group

January 1 to September 30, 2007

Course of Business and Background Conditions

General economic climate

The global economy continues to develop in a positive manner. Growth will again be around 4 % this year. Construction volumes are still growing at well above that rate. Indeed, such growth in global GDP would be inconceivable without a substantial expansion of infrastructure and production facilities.

The construction equipment sector is profiting particularly from this upward trend, as the construction companies can only deliver the required work by substantially expanding their equipment portfolios. Against this background, it is not surprising that all construction machinery manufacturers are reporting increases in sales of around 15 %, and that shortages of construction machinery components on the market have already begun to occur.

Our main area of operations – the specialist foundation engineering industry, involving the construction of excavation pits and foundations – is profiting from this boom significantly, as increased building in the tight confines of inner cities and the ever larger structures being constructed mean more and more of the overall construction volumes are involving the need for specialist foundation engineering services. This is also opening up major opportunities for specialist foundation engineering equipment manufacturers.

Despite the consequences of the mortgage crisis in the USA, the global economy will continue to enjoy positive growth for a number of years to come. The decline in planned economies in many parts of the world has led to the creation of market economies in some of the world's most populous countries. The drive to eliminate the still existent disparity in levels of economic prosperity is producing an economic dynamism which is also generating additional momentum in the countries which have traditionally operated market economies.

The US mortgage crisis has caused major turbulence on global financial markets in recent months, hampering economic growth rates somewhat. However, most economists agree that the expected slowdown will represent just a few fractions of a percentage point. In the modern world, the dynamism of the major new players on global markets such as China, India and Russia is such that a crisis in the USA no longer has anywhere near the kind of negative effect that it might have had just a few years ago.

Nevertheless, the overwhelming ignorance exhibited by many of the parties involved which led to this crisis is certainly alarming. The blind faith in electronically based statistical methods to classify consumer debt, even in respect of major real estate loans – allied to a failure to monitor and take account of changes in seller and buyer behaviour in the relevant markets – is shocking. We can only hope that the financial world learns the lesson that computer programs cannot entirely replace the human brain. In fact, that lesson might even come to be seen as a positive driver of future global economic development.

The international character of the BAUER Group has enabled its companies to adapt as effectively as possible to the fluctuating economic cycles in the different countries in which they operate. Our network structure enables us rapidly to cut capacities in high-risk countries and utilize opportunities in other markets. As a result, although we cannot avoid regional losses altogether, we can limit them substantially, and compensate for them by generating income from new business elsewhere.

The problems on the American mortgage market will have only a minor impact on us, because last year our US subsidiaries were already moving more into the infrastructure sector, which is currently showing strong growth in the USA.

In all other economic regions of the world construction markets are currently developing well.

In the Far East the healthy progress made in the various economic areas has stabilized. Construction markets are growing, with the strength of the region's industrial development driving the industrial construction sector in particular. We are currently working on particularly interesting projects in Malaysia and Vietnam, delivering the promise of further solid take-up of capacities.

In the Middle East the boom is being sustained. The rise in oil prices is enabling the countries of the region to realize their ambitious plans for the development of their infrastructure in order to grow their tourism sectors and advance new market fields. The attraction of these

countries is indeed rising steadily, driven also by major landmark projects. The dramatic population rise in the region in recent years has pushed the countries' transport infrastructures to their very limits. Considerable investment commitment will be required over the coming years, resulting in stable demand from the region's construction markets. We are also seeing that some countries which had been somewhat more restrained in recent years – such as Saudi Arabia – are now pursuing ambitious new construction undertakings.

The rising new economic powers of India, China and Russia continue to grow very rapidly. Other eastern countries, such as Ukraine and Kazakhstan, are also exhibiting considerable growth in their construction markets. In Russia, a number of major projects, such as the St. Petersburg bypass and the construction work for the Winter Olympics in Sochi, are generating regional construction booms. Russia, in particular, has a major opportunity to drive its own economy based on its enormous oil and gas resources.

The countries of the European Union are showing a healthier general economic trend, and consequently stronger growth in construction than has been the case in recent years.

Generally weaker economic trends are persisting in Africa and South America. There are nevertheless many interesting opportunities in that region too, and some countries – such as Angola and South Africa – are showing highly dynamic economic growth.

The situation in Lebanon has stabilized further. We had previously transferred some of our capacities from Lebanon to Turkey, where we are working successfully on large-scale excavation pits for the underground rail network running beneath the Bosphorus.

The construction industry recession in Germany, which lasted for more than eleven years, came to an end last year. Unfortunately, the construction industry is subject to an abnormal cycle this year. The unusually mild weather conditions at the beginning of the year enabled construction companies to generate very healthy revenues in the early months. This resulted in a decline in orders for many companies in the second quarter, necessitating further redundancies among construction workers during the summer months. Housing construction orders declined, as a result of the ending of state subsidies.

We are convinced that these abnormal trends do not indicate a rapid end to the upturn. The healthy economic development being seen in Germany provides a genuinely stable basis for the growth in the construction sector, meaning it will be sustained for a number of years. There are worries, however, about the enormous rise in the cost of construction materials such as structural steel and bitumen. The resultant rise in the price of construction services is not being matched by corresponding upward adjustments to public-sector budgets, so that real growth in public-sector construction volumes will quickly grind to a halt unless there is appropriate government action.

Although business in Germany now accounts for only around a fifth of our total Group revenues, we are pleased to see some dynamism slowly returning to our home market. It is less pleasing, however, that the unusual situation at the beginning of this year has meant that the financial strength of the market has not improved as much as expected. Though we are seeing a substantial improvement in price levels on small and medium-sized projects, large-scale projects remain subject to competitive pressures which are holding down prices. We have therefore been very cautious in acquiring new contracts for major projects in Germany over recent months.

Global developments and the problems faced by the world at large are opening up many new opportunities for our Group companies. On the one hand, the increasing global demand for energy is entailing a major growth in construction engineering volumes in the oil and gas industry. Alongside large numbers of deep-level drilling operations, new plants to refine the extracted resources need to be built. This entails a wide range of work for the specialist foundation engineering sector. On the other hand, great efforts need to be committed to developing alternative energy sources. Geothermal energy recovery from differing depths offers major potential in this respect, and the BAUER Group is able to provide all the related products and services. Furthermore, the lack of extensive water supply systems in many parts of the world is posing an ever greater problem. With our well drilling rigs and well engineering materials, we are suitably equipped to service the needs of that market too.

Overall, we are seeing our markets continue to develop in a healthy manner. Against that background, and based on our selling performance, almost all the segments of the BAUER Group have very healthy levels of orders in hand. In the equipment sales segment in particular, though, we are not finding it easy to satisfy our customers' needs promptly.

Development of the BAUER AG share

The Bauer share has maintained its positive growth in the current year. From the start of the year up to September 28, 2007, our share price rose by over 40 %. The turbulence on financial markets has left its mark on our share price too however, so the highs of over EUR 65 have subsequently been followed by lows of around EUR 45. By early November our share price was back well above the EUR 50 mark.

Business trend

In the first nine months of 2007 the companies of the BAUER Group clearly outperformed the previous year's levels.

Revenues and earnings were up in almost every segment.

Net profit of EUR 38.9 million is around 2.3 times that of the previous year comparative period.

In May we acquired the companies of the German Water and Energy (GWE) Group. GWE, based in Peine, operates mainly in the development, manufacture and sale of high-quality products for water exploration, exploitation, transportation and distribution. The focus of the GWE Group's activities is in the field of well engineering products, including screens and casings, as well as in pumping and drilling. Additionally, GWE Group company pumpenboese gmbh & co kg makes high-quality plastic products for the exploitation of geothermal energy. At its five locations, with a workforce of some 300 people, the companies of the GWE Group – now forming part of the Resources segment within the BAUER Group – generate annual sales of over EUR 60 million. In the first nine months of the year GWE contributed EUR 48.3 million to total BAUER Group revenues.

In June 2007, BAUER Maschinen GmbH acquired Olbersdorfer Guß GmbH, based near the town of Zittau, in the area where the borders of three countries – Germany, Poland and the Czech Republic – converge. Olbersdorfer Guß employs some 130 people in the production of medium-sized steel castings for the equipment manufacturing sector. The company is a core supplier to our Equipment segment, and its acquisition means we are less dependent on the open market for the sourcing of one of our key input materials. The acquisition of Olbersdorfer Guß GmbH has not produced any additional sales revenues to date, as the company has not yet been consolidated into the Group. The company's annual sales are budgeted to be around EUR 10 million.

Alongside the outstanding performance of the Equipment segment, the other segments have also contributed to the positive growth of the Group. We are especially pleased with the progress in our international construction operations on the specialist foundation engineering market. The new Resources segment has made a good start to its operations within the new organizational structure, and has set out its strategies for the future.

In September, BAUER Maschinen GmbH branch operation KLEMM Bohrtechnik GmbH was entered in the Register of Companies as an independent company, enabling it to operate on the market under its own distinct identity in future. This step helped to adapt the structures within the Bauer Maschinen Group more closely to the newly attained scale of our equipment manufacturing business. The demerger of KLEMM Bohrtechnik GmbH resulted in EUR 42.8 million of revenues being redistributed from BAUER Maschinen GmbH to the equipment subsidiaries during the period under review.

New Resources segment

In recent years the range of products and services offered by our Group has been greatly expanded. In earlier times we focussed almost exclusively on specialist foundation engineering and related equipment. Our ability to drill into the ground and to manage ground and groundwater in widely varying forms has led in recent years to the development of new fields of operation, in mining, geothermal energy and environmental technology. With the acquisition of the GWE Group we are now able to supply a wide range of products for the engineering of bore holes. This has provided the BAUER Group with the capability to offer a virtually complete range of products and services relating to ground and groundwater. Our newly formulated strategic claim for the Group as a whole expresses this approach: "Services, equipment and products for ground and groundwater".

This year we have consolidated all areas of business not related to construction engineering (particularly specialist foundation engineering) or equipment into our new segment named Resources. We have chosen to apply the English term for this segment even in our German usage, as our future markets in this segment will be primarily on the international stage. In order to provide the new segment with the appropriate legal structure, we have furnished the new company BAUER Resources GmbH with sufficient capital to function as the parent of all the subsidiary companies in the segment. Dipl.-Ing. Heinz Kaltenecker has been appointed Managing Director of the new BAUER Resources GmbH.

Beginning from the latest Half-Year Interim Report, we are now presenting our Group structure in three segments. The tables and the segment reporting have been adjusted accordingly. For greater comparability, the previous year's figures have also been adjusted in line with the new structure.

At present the legal steps are also underway to transfer the companies belonging to the Resources segment to the ownership of BAUER Resources GmbH. With a few exceptions, this process will have been completed by the end of the year.

Development of the Group's divisions
(including non-consolidated subsidiaries and joint ventures)

in EUR million

	Sept. 2006 Revenues in EUR million	Sept. 2007 Revenues in EUR million	Percentage Share Sept. 2007	Percentage Change over prev. year	Orders in hand	
Construction	BAUER Spezialtiefbau GmbH (BST)					
	BST Germany	78.3	85.5	9.6 %	9.2 %	●
	Subsidiaries, Germany	8.3	9.0	1.0 %	8.2 %	●
	BST international	109.2	119.4	13.4 %	9.4 %	+
	Subsidiaries, international	175.2	165.6	18.6 %	-5.5 %	+
	less intra-Group revenues and IFRS adjustments	-39.8	-35.4	-4.0 %		
	BST Group total	331.2	344.2	38.6 %	3.9 %	+
	SPESA Spezialbau und Sanierung GmbH	10.7	9.9	1.1 %	-7.5 %	●
	SCHACHTBAU NORDHAUSEN GmbH (SBN)					
	incl. SBN construction subsidiaries	49.3	52.3	5.9 %	6.2 %	●
less intra-Group revenues and IFRS adjustments	-4.0	-3.2	-0.4 %			
Construction total	387.2	403.3	45.3 %	4.2 %	●	
Equipment	SBN - construction equipment	30.3	32.8	3.7 %	8.2 %	++
	SBN Group total (construction & equipment)	79.6	85.1	9.5 %	7.0 %	+
	BAUER Maschinen GmbH (BMA)	312.4	361.2	40.5 %	15.6 %	++
	Equipment subsidiaries (specifically of BMA)	124.3	229.9	25.8 %	84.9 %	++
	BMA Group total	436.7	591.1	66.3 %	35.4 %	++
less intra-Group revenues and IFRS adjustments	-124.1	-170.1	-19.1 %			
Equipment total	342.9	453.7	50.9 %	32.3 %	++	
Resources	BAUER Resources GmbH (BRE)	0.2	0.5	0.1 %	n/a	
	Resources subsidiaries (specifically of BRE)	44.0	98.3	11.0 %	123.5 %	
	less intra-Group revenues and IFRS adjustments	-3.5	-11.4	-1.3 %	n/a	
	Resources total	40.7	87.4	9.8 %	114.9 %	●
Other	BAUER Aktiengesellschaft (BAG)	19.8	14.8	1.7 %	n/a	
	Other subsidiaries (specifically of BAG)	0.0	0.3	0.0 %	n/a	
	Total Other/services	19.8	15.1	1.7 %	-23.7 %	
	less intra-Group revenues and IFRS adjustments	-60.0	-68.3	-7.7 %		
Group TOTAL (incl. non-cons. subsidiaries/joint ventures)	730.5	891.2	100.0 %	22.0 %	+	
of which: Germany	203.8	275.7	30.9 %	35.3 %		
International	526.7	615.5	69.1 %	16.9 %		

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
- Percentages and totals are calculated on the basis of unrounded starting values.
- Breakdown Germany/International according to country in which accounting figures were allocated. For reasons of complexity the figures are not absolutely precise.

Earnings, Financial and Net Asset Position

Group total

Key figures	in EUR '000	09/2006	09/2007	Change	12/2006
Total Group revenues		730,514	891,232	22.0 %	979,850
Orders received		817,065	975,482	19.39 %	1,056,090
Orders in hand		422,669	506,608	19.86 %	422,358
EBITDA		78,418	115,712	47.56 %	123,191
EBIT		42,468	78,118	83.95 %	72,985
Earnings per share in EUR		1.07	2.21	106.54 %	2.17
Profit		16,910	38,935	130.25 %	35,206
Capital investment in property, plant and equipment		33,087	52,178	57.70 %	61,069
Capital investment in financial assets		1,362	570	-58.15 %	3,304
Employees		5,523	6,627	19.99 %	5,541

Earnings

Total Group revenues have increased by 22.0 % against the comparative previous year period to EUR 891.2 million. Growth in the Equipment segment of over 32 % once again outperformed the other areas of the business.

The Construction segment grew by 4.2 %. Revenues in the international specialist foundation engineering business are in line with the previous year, with revenues from the subsidiaries falling slightly while the international revenues of the parent company BAUER Spezialtiefbau GmbH rose to compensate. Consequently, the high revenues shown in the previous year resulting specifically from the Péribonka dam project in Canada were made up by a large number of different projects in the current year.

Specialist foundation engineering revenues in Germany were up on the previous year comparative period. The main drivers of this growth were the mild weather in the early months of the year and the recovery in small and medium-sized construction projects through our branch network. Our cautious approach to taking on large-scale projects is currently resulting in a significant decline in sales in this area. They are being more than made up for in other areas of business however, so that all capacities are being utilized.

The new Resources segment recorded very strong growth, though virtually all of it was attributable to the incorporation of the GWE Group. The reduction in revenues of BAUER Aktiengesellschaft itself results entirely from charges allocated in the previous year in the course of the company's stock market listing. Full-year revenues, largely comprising charges against subsidiaries, are fully in line with budget. Because of our extremely cautious approach to taking on new large-scale projects in Germany, orders in hand in the Group increased by somewhat less than total Group revenues, rising 19.9 % to EUR 506.6 million. Levels of orders in hand in the equipment sales business, in particular, are excellent, though this does entail a significant increase in delivery lead times compared to normal years. Overall, this represents an excellent foundation to maintain the positive development of our Group in the coming year.

All key cost blocks affecting profit and loss shown on the income statement have improved in relative terms. Consolidated revenues increased by 23.1 % to EUR 843.5 million. By contrast, material costs increased by only 19.5 %, and staff costs by 17.2 %. The increase in depreciation and amortization of just 4.6 % was kept virtually constant relative to the increase in revenues, as none has yet been applied to the ongoing major capital investments. Only the other operating expenses increased somewhat disproportionately, by 25.7 %. The financial result was virtually the same as in the previous year.

The tax ratio of 40 % is higher than forecast for the year-end.

Profit after tax increased by EUR 22.0 million against the previous year to EUR 38.9 million.

This success is again the result of the healthy growth in our equipment business. The major increase in sales was achieved with much smaller increases in fixed costs. The Construction segment also significantly improved its contribution to profits.

We are satisfied with the overall trend in profitability and we expect to see substantial rises in the contributions to profits made by the Construction and Resources segments over the coming years.

Financial position

The international rating agency Standard and Poor's upgraded our long-term rating to BB+ (outlook stable) in the second quarter of 2007. This rating provides us with even better access to financial markets, and will also bring 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 0.50 per share. The necessary funds totalling EUR 8.6 million were disbursed at the beginning of July 2007, as is also shown by the statement of changes in Group equity included in this report.

Also in July, promissory notes in an amount of EUR 60 million were placed. Their terms cover periods of five and seven years. This re-financing provides us with a very healthy level of financial security for the coming years.

Net asset position

The net assets shown on the consolidated balance sheet increased by 33.2 % against the year-end. Against the previous year comparative period to September 30, 2006, the increase was 21.7 %. Applied to the full year, the increase in net assets roughly matches the growth in total Group revenues.

In our business, based on the buying and payment practices of our 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 – additional to our substantial rise in capital investments – is in line with our experience over many years, and is of a similar magnitude to last year. The major increases on the Assets side of the balance sheet relate to inventories and receivables. On the Equity and Liabilities side there are increased financial liabilities.

The disproportionately high increase in inventories is attributable mainly to the Equipment segment. A lack of delivery capability from component supply markets meant that higher inventory levels had to be tolerated in order to maintain our own delivery capability at an acceptable level.

Financial liabilities rose by EUR 45.4 million (14.4 %), in line with the balance sheet growth over the previous year comparative period. This figure is the net result of a EUR 91.3 million rise in non-current financial liabilities and a EUR 45.9 million fall in current financial liabilities. We were able to achieve this improvement in our financing structure by issuing a promissory note in an amount of EUR 60 million and by means of long-term financing of our facilities construction projects. The initial consolidation of the companies of the GWE Group and the acquisition of the remaining 40 % of the shares in PRAKLA Bohrtechnik GmbH produced a provisional goodwill figure of EUR 14.8 million, which is stated under "Intangible assets" and which also contributes to the increase in balance sheet net assets. Allocation of the purchase price in line with IFRS 3 will see this asset distributed across the asset and liability items on the consolidated balance sheet by the year-end.

Of the substantial increase in pension provisions (defined benefit plans) on the consolidated balance sheet, an amount of EUR 1.5 million relates to the GWE Group.

Trends in our Business Segments

Construction segment

Key figures	in EUR '000	09/2006	09/2007	Change	12/2006
Total Group revenues		387,209	403,298	4.16 %	538,815
Orders received		404,014	427,493	5.81 %	540,984
Orders in hand		275,116	284,675	3.47 %	260,480
EBIT		10,243	12,411	21.17 %	10,380
Employees		3,806	4,158	9.25 %	3,792

The Construction segment increased its revenues to the end of the third quarter by 4.2 %. Owing to the unusually mild weather conditions in Germany in the first quarter and the recovery in the German construction industry in the small and medium-sized projects sector, revenues in the Construction segment in Germany were up on the previous year comparative. International revenues were at the previous year's level. A large number of interesting projects and the existing orders in hand offer good opportunities to top the previous full-year performance on international markets too, and also to make a solid start into the new year.

We are seeing a healthy trend in virtually all the countries in which our specialist foundation engineering business operates. We are particularly pleased with developments in the United Arab Emirates where, after a slightly weaker performance last year, we are again recording very strong growth. There are pleasing trends in earnings especially from our new subsidiary in Panama, in Egypt, and from our projects business in Turkey. SPESA Spezialbau und Sanierung GmbH is developing in line with our planning. SCHACHTBAU NORDHAUSEN GmbH is also achieving healthy growth in revenues, though it is still making a slight loss. This is due to the conditions on the German construction market.

Group-wide orders in hand in the Construction segment increased only slightly, by 3.5 % to EUR 284.7 million. The decline resulting from the decrease in large project acquisition in Germany and from the end of the Péribonka project was more than made up by increases in orders received by the international subsidiaries and through the branch network in Germany. A potential shortfall in capacity take-up in the German large projects business poses no problem for the Group, as all capacities can currently be deployed in other areas. The total orders in hand provide a sound basis for us to achieve our targets for 2007 and to make a sound start to 2008 in this segment.

Overall, we are satisfied with the development of the Construction segment in the first three quarters of the year. Our EBIT of EUR 12.4 million is 21 % up on the previous year. We expect that trend to improve further by the year-end.

Equipment segment

Key figures	in EUR '000	09/2006	09/2007	Change	12/2006
Total Group revenues		342,903	453,748	32.33 %	452,446
Orders received		389,595	509,893	30.88 %	520,517
Orders in hand		121,999	199,523	63.54 %	143,378
EBIT		31,695	67,815	113.96 %	61,914
Employees		1,324	1,675	26.51 %	1,345

With a 32.3 % rise in revenues, our performance in the Equipment segment in the first three quarters of the year was outstanding. Orders in hand of EUR 199.5 million again broke the record, representing a 63.5 % increase against the previous year comparative. Segment earnings improved by EUR 36.1 million to EUR 67.8 million, 114 % up on the previous year.

There are a number of key reasons for this growth: Trends in the international construction business are bringing a major surge in demand for specialist foundation engineering machinery. Our extensive state-of-the-art equipment range is ideally suited to meeting the technical needs of our customers in all respects. The high levels of demand meant that we were not able to deliver the machinery ordered before the 2006 year-end. This was very different to the situation in the previous years: Usually customers wanted their equipment delivered before the year-end for tax reasons, so the early months of the new year were often sluggish for us. This time that did not occur, so the year began without the usual downturn. All these factors resulted in a substantial increase in sales at the start of the year, which cannot be extrapolated fully in order to forecast the year as a whole.

We regard it as a positive factor that demand is developing in a similarly pleasing way in all international markets. We are seeing high demand in particular for our new products in the fields of well drilling, geothermal drilling and exploration drilling technology. The world's largest construction equipment trade fair, Bauma in Munich, provided an additional boost to our successful equipment sales business.

At present we are working intensively on the expansion of our well drilling rig series, in order to reach depths of more than 3,000 metres. The machines will then be suitable for use in drilling deep-level geothermal, gas and oil wells. We are confident that we will be in a position to present a first machine of this kind as early as next year.

The demand for construction equipment for specialist foundation engineering and other drilling applications remains substantial. Growth is being hampered to a degree by the lack of component availability. However, since our high volumes enable us to plan over a longer term than our competitors, this in some ways provides us with a competitive edge. We are currently expanding our capacities significantly at all our plants. All ongoing construction projects and capital investments are currently in line with planning. We once again expect to see very healthy growth in sales in the fourth quarter, though the shortage of component supply does mean that some machines will not be shipped until next year. We expect a correspondingly good start to 2008.

Resources segment

Key figures

in EUR '000	09/2006	09/2007	Change	12/2006
Total Group revenues	40,667	87,396	114.91 %	63,878
Orders received	53,721	91,306	69.96 %	69,878
Orders in hand	25,554	22,410	-12.30 %	18,500
EBIT	1,877	1,251	-33.35 %	1,521
Employees	230	611	165.65 %	238

The Resources segment was included in our Half-Year Interim Report for the first time as an independent business segment. The organizational preconditions for this new segment were established during the first half of the year. For greater comparability, the previous year's figures have also been adjusted in line with the new structure.

Revenues in this segment increased substantially to EUR 87.4 million. The main reason for this change was the acquisition of the GWE Group, which contributed EUR 48.3 million in revenues. The performance of the other divisions – environmental technology and mining – was around the previous year's level. Orders in hand fell against the previous year comparative, by 12.3 % to EUR 22.4 million. The main factors in this were major orders received in this segment in the first quarter of last year (renovation of the Grasbrook site for the "HafenCity Hamburg" project), which skew the comparison somewhat. GWE enjoyed a successful start to life within our Group, delivering healthy sales growth and a corresponding improvement in earnings.

We are currently not satisfied by the progress of the Bauer Environment Group however. Problems have arisen at FWS Filter- und Wassertechnik GmbH stemming from the time of the previous owners, and they are problems we need to resolve. As a result, the company will make a substantial loss in the millions of euros range in 2007, though this will not impact on our overall profit forecast.

Progress in the mining business is highly satisfactory. Major contracts to open up another diamond mine were acquired in northern Canada. The first year will initially deliver just a small profit, consolidated in this segment. We expect substantial growth as early as next year however.

We are convinced that this segment will over the long term find attractive markets, and so deliver healthy growth.

Other Disclosures

Executive bodies of BAUER AG

On application from the Management Board of BAUER Aktiengesellschaft, the judgement passed by the District Court of Ingolstadt on September 21, 2007 confirmed the appointment of Mr. Gerold Schwab to the Supervisory Board of BAUER AG as employees representative in place of the late Mr. Manfred Wagner, who passed away on June 24, 2007.

Sustainability

Human resources

The number of employees increased by 20.0 % over the previous year. This increase is slightly less than the growth in total Group revenues. The total workforce increased by 1,104. Of that total, 303 new employees joined as a result of the acquisition of the GWE Group. Additional capacities to attain the necessary production were in part recruited from the short-term labour market. We are generally building up our core workforce at present, in order to achieve a good balance between permanent employees and temporary staff.

Follow-up Report

Effects of the corporation tax reform

On July 6, 2007 the upper house of the German Parliament, the Bundesrat, passed an Act reforming Germany's corporation tax, to come into force in 2008. This change impacted on BAUER's consolidated financial statements in the third quarter of 2007, as the theoretical Group tax rate decreased from 37.4 % to 29 %. The deferred tax assets and liabilities have been reduced, as already announced in the Half-Year Interim Report. No increase in tax expenditure arising from overhang of deferred tax assets occurred. Based on the current tax planning of SCHACHTBAU NORDHAUSEN GmbH, we estimate that more taxable profit will be available than in the previous year to be offset against the tax losses carried forward. In view of this, the deferred tax assets against losses carried forward increased in the third quarter, leading to a reduction in income tax expenditure.

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, 2006. Consequently, we refer back to the 2006 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 three quarters of 2007. A large number of innovations are driving the business forward. We are looking to deploy new machinery enabling us to drill down to depths of several thousand metres in future. The new Resources segment has been established and its organization put in place. With great commitment, the management has set out the strategy of the segment in detail, and the first measures aimed at implementing that strategy have been initiated. In the Construction segment, opportunities have increased by virtue of the improved economic climate in Germany. On international construction markets there are some interesting projects, and we see many good opportunities for the future. Overall, this has provided the BAUER Group with a sound foundation for further growth and increasing profits in the coming year.

We expect total Group revenues in 2007 to increase by approximately 20 %, to around EUR 1.2 billion (previous year: EUR 980 million). This forecast includes the revenues of the newly acquired businesses. We expect profit after tax to rise by more than 55 %, to at least EUR 55 million (previous year: EUR 35.2 million).

Schrobenhausen, November 14, 2007

Interim Financial Statements of the BAUER Group

Income statement of the BAUER Group

in EUR '000	01.07. - 30.09.2006	01.07. - 30.09.2007	01.01. - 30.09.2006	01.01. - 30.09.2007
1. Sales revenues *)	235,298	281,628	610,716	759,439
2. Changes in inventories	14,962	14,753	53,305	54,740
3. Other income *)	4,899	12,905	21,148	29,358
	255,159	309,286	685,169	843,537
4. Cost of materials	138,023	165,864	381,514	455,797
5. Staff costs	45,799	54,188	130,781	153,278
6. Depreciation and amortization	12,190	13,874	35,950	37,594
7. Other operating expenses *)	35,136	39,390	94,456	118,750
OPERATING RESULT	24,011	35,970	42,468	78,118
8. Financial income	1,525	-381	1,975	1,979
9. Financial expenses	6,754	6,030	15,752	16,844
10. Share of the profit or loss of associates accounted for using the equity method	293	632	931	1,781
PROFIT BEFORE TAX	19,075	30,191	29,622	65,034
11. Income tax expense	8,079	9,892	12,712	26,099
PROFIT	10,996	20,299	16,910	38,935
Profit attributable to minority interests	108	532	563	1,137
Profit attributable to equity holders of BAUER AG	10,888	19,767	16,347	37,798

*) Previous year figures have been adjusted; see 2006 Annual Report, Notes item (5)

	01.07. - 30.09.2006	01.07. - 30.09.2007	01.01. - 30.09.2006	01.01. - 30.09.2007
Basic earnings per share in EUR	0.64	1.15	1.07	2.21
Diluted earnings per share in EUR	0.64	1.15	1.07	2.21
Average number of shares in circulation (basic)	17,131,000	17,131,000	15,266,893	17,131,000
Average number of shares in circulation (diluted)	17,131,000	17,131,000	15,266,893	17,131,000

Balance sheet of the BAUER Group

Assets in EUR '000

	31.12.2006	30.09.2007
A. NON-CURRENT ASSETS		
I. Intangible assets	11,346	26,398
II. Property, plant and equipment and investment property	184,855	200,994
III. Investments accounted for using the equity method	6,013	7,069
IV. Participations	3,539	4,104
V. Deferred tax assets	15,232	14,314
VI. Other non-current assets	10,236	9,322
VII. Other non-current financial assets	512	1,300
	231,733	263,501
B. CURRENT ASSETS		
I. Inventories	156,356	232,116
II. Receivables and other assets	237,106	325,444
III. Effective income tax refund claims	1,379	1,680
IV. Cash and cash equivalents	17,143	34,432
	411,984	593,672
	643,717	857,173

Equity and Liabilities in EUR '000

	31.12.2006	30.09.2007
A. SHAREHOLDERS' EQUITY		
I. Group shares	214,213	240,918
II. Minority interests	8,368	8,896
	222,581	249,814
B. NON-CURRENT LIABILITIES		
I. Defined benefit plans	35,203	38,854
II. Financial liabilities	134,784	235,670
III. Other liabilities	2,522	3,818
IV. Deferred tax liabilities	11,159	9,510
	183,668	287,852
C. CURRENT LIABILITIES		
I. Financial liabilities	72,038	76,455
II. Other liabilities	138,230	211,053
III. Effective income tax obligations	13,874	15,243
IV. Provisions	13,326	16,756
	237,468	319,507
	643,717	857,173

Cash flow statement of the BAUER Group

in EUR '000

	01.01. - 30.09.2006	01.01. - 30.09.2007
Cash flow from operating activities	-36,536	-844
Cash flow from investing activities	-23,963	-56,354
Cash flow from financing activities	68,877	74,487
Net increase in cash and cash equivalents	8,378	17,289
Cash and cash equivalents at beginning of reporting period	14,521	17,143
Cash and cash equivalents at end of reporting period	22,899	34,432
Change in cash and cash equivalents	8,378	17,289

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	Currency translation	Reconciling item, IFRS	Own shares		
As at 01.01.2006	63,000	10,470	60,794	-762	10,387	-1,914	6,486	148,461
Consolidated profit	0	0	16,347	0	0	0	563	16,910
Dividend payments	0	0	-2,532	0	0	0	0	-2,532
Issue of new ordinary shares	10,001	29,311	5,609	0	0	1,914	0	46,835
IPO transaction costs, after tax	0	-1,377	-319	0	0	0	0	-1,696
Consolidation measures	0	0	0	0	0	0	-231	-231
Reconciling item from changeover to IFRS	0	0	0	0	0	0	0	0
Exchange rate movements	0	0	84	-1,356	0	0	-476	-1,748
As at 30.09.2006	73,001	38,404	79,983	-2,118	10,387	0	6,342	205,999
As at 01.01.2007	73,001	38,404	96,475	-4,054	10,387	0	8,368	222,581
Consolidated profit	0	0	37,798	0	0	0	1,137	38,935
Dividend payments	0	0	-8,565	0	0	0	0	-8,565
Consolidation measures	0	0	-641	0	0	0	-558	-1,199
Exchange rate movements	0	0	-2	-1,885	0	0	-51	-1,938
As at 30.09.2007	73,001	38,404	125,065	-5,939	10,387	0	8,896	249,814

Segment reporting of the BAUER Group, January – September

in EUR '000

	Construction		Equipment		Resources	
	2006	2007	2006	2007	2006	2007
Total revenues (Group)	387,209	403,298	342,903	453,748	40,667	87,396
INCOME						
External sales *)	315,102	335,252	263,074	354,482	31,297	69,557
Inter-segment sales	12,679	16,643	29,532	31,053	196	3,617
Changes in inventories	3,361	4,912	45,295	47,897	4,649	1,931
Other income *)	8,045	8,925	4,041	13,434	1,793	3,015
Consolidated revenues	339,187	365,732	341,942	446,866	37,935	78,120
RESULT						
Segment result (operating result) / EBIT	10,243	12,411	31,695	67,815	1,877	1,251
Share in results of associated companies	931	407	0	0	0	1,374
Financial expenses and income, income tax expense						
Profit						

in EUR '000

	Other		Eliminations/Consolidations		Consolidated	
	2006	2007	2006	2007	2006	2007
Total revenues (Group)	19,784	15,091	-60,049	-68,301	730,514	891,232
INCOME						
External sales *)	1,243	148			610,716	759,439
Inter-segment sales	12,476	14,647	-54,883	-65,960	0	0
Changes in inventories	0	0	0	0	53,305	54,740
Other income *)	193	207	7,076	3,777	21,148	29,358
Consolidated revenues	13,912	15,002	-47,807	-62,183	685,169	843,537
RESULT						
Segment result (operating result) / EBIT	1,057	735	-2,404	-4,094	42,468	78,118
Share in results of associated companies	0	0	0	0	931	1,781
Financial expenses and income, income tax expense					-26,489	-40,964
Profit					16,910	38,935

*) Previous year figures have been adjusted; see 2006 Annual Report, Notes item (5)

Notes

Accounting principles

BAUER Aktiengesellschaft prepares its interim financial statements in accordance with the International Financial Reporting Standards (IFRS). The Interim Report to September 30, 2007 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, 2006 are applied in the Interim Report to September 30, 2007. A detailed description of those methods is presented in the 2006 Annual Report.

The Standards and Interpretations bindingly applicable for the first time with effect from January 1, 2007 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).

The following changes have occurred to the scope of consolidation since December 31, 2006:

The previously fully consolidated BAUER America Latina S.A., Peru, was de-consolidated effective March 31, 2007.

BAUER Corporate Services Private Ltd, India, was consolidated for the first time effective March 31, 2007.

In the second quarter of 2007 the BAUER Group acquired 100 % of the shares in the GWE Group. At that time, the GWE Group essentially comprised the following companies: pumpenboese gmbh & co kg, SBF-Hagusta GmbH, Gerd Nelke Beteiligungs- und Verwaltungs- GmbH and GWE Prakla Bohrtechnik GmbH. The total cost of this acquisition was EUR 17,803 thousand, of which EUR 16,800 thousand was paid in cash on May 24, 2007 and EUR 3 thousand, likewise in cash, on June 10, 2007. A further EUR 1,000 thousand falls due for payment on May 10, 2009, and is recognized as a discounted liability on the balance sheet. The BAUER Group has also acquired the remaining 40 % of the shares in PRAKLA Bohrtechnik GmbH, for which it paid a cash amount of EUR 6,100 thousand. In accordance with IFRS 3.62, the transaction is initially recorded only provisionally on the balance sheet. All provisional figures will be adjusted when the purchase price has been fully allocated.

In addition, the BAUER Group has acquired 75 % of the shares in Olbersdorfer Guß GmbH, for which a cash payment of EUR 2,625 thousand was made on June 26, 2007. This transaction is likewise initially recorded only provisionally on the balance sheet, and will be adjusted on completion.

In the course of the third quarter 2007, by the demerger and transfer contract dated June 20, 2007 BAUER Maschinen GmbH, as the transferor, hived off its branch operation KLEMM Bohrtechnik, based at the Drolshagen/Wenkhausen site, in its entirety to the subsidiary KLEMM Bohrtechnik GmbH, as the transferee. The demerger took effect on being lodged in the entry of BAUER Maschinen GmbH in the Register of Companies on September 21, 2007. The decisive time and date of the demerger is January 1, 2007, 00.00 hours, so that in the relations between the two entities from that time on the actions of the transferor, where they affect the KLEMM Bohrtechnik operation, are classed as being for the account of the transferee.

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 2006 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. This segment was established during the second quarter of the year, merging existing businesses from the Construction and Equipment segments with the newly acquired GWE Group.

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 September 30, 2007

Following the consent passed on July 6, 2007 by the upper house of the German Parliament (the Bundesrat) to the 2008 Corporation Tax Reform Act, amended tax regulations will come into force with effect from January 1, 2008.

This entailed a revaluation of the domestic deferred taxes of the BAUER Group in the third quarter of 2007. The effects are detailed in the Follow-up Report.

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
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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