Annual Report 2017

BAUER

PASSION for PROGRESS

The BAUER Group is a leading provider of services, equipment and products related to ground and groundwater. With over 110 subsidiaries, Bauer operates a worldwide network on all continents.

The operations of the Group are divided into three future-oriented segments with high synergy potential: Construction, Equipment and Resources. The Construction segment offers new and innovative specialist foundation engineering services alongside the established ones, and carries out foundation and excavation work, cut-off walls and ground improvements worldwide. Bauer is a world market leader in the Equipment segment and provides a full range of equipment for specialist foundation engineering as well as for the exploration, mining and extraction of natural resources. In the Resources segment, Bauer focuses on highly innovative products and services in the areas of water, environment and natural resources.

Bauer profits greatly from the collaboration between its three separate segments, enabling the Group to position itself as an innovative, highly specialized provider of products and services for demanding projects in specialist foundation engineering and related markets. Bauer therefore offers suitable solutions to the greatest problems in the world, such as urbanization, the growing infrastructure needs, the environment and water, oil and gas.

The BAUER Group was founded in 1790 and is based in Schrobenhausen, Bavaria. In 2017, it employed some 11,000 people in around 70 countries and achieved total Group revenues of EUR 1.8 billion. BAUER Aktiengesellschaft is listed in the Prime Standard of the German stock market.

The Group at a glance

GROUP KEY FIGURES 2014 – 2017

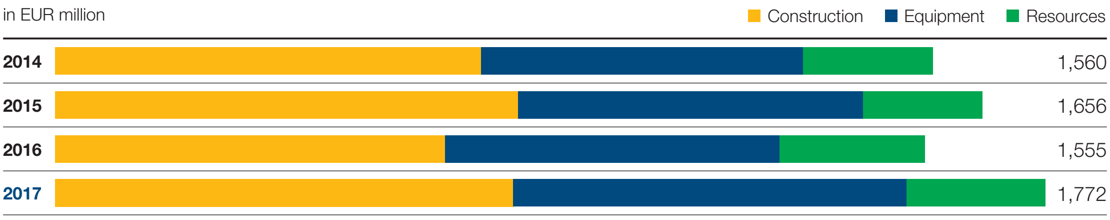
IFRS in EUR million		2014	2015	2016 **	2017	Change 2016/2017
Total Group revenues		1,560.2	1,656.4	1,554.7	1,772.0	14.0%
of which	Germany	440.2	473.7	472.9	477.8	1.1%
	International	1,120.0	1,182.7	1,081.8	1,294.2	19.6%
	International in %	71.8	71.4	69.6	73.0	n/a
of which	Construction	725.6	742.9	713.1	835.0	17.1%
	Equipment	639.2	753.1	634.4	754.5	18.9%
	Resources	252.8	221.6	262.4	248.2	-5.4%
	Other/Consolidation	-57.4	-61.2	-55.2	-65.7	n/a
Consolidated revenues		1,506.0	1,587.9	1,457.9	1,688.1	15.8%
Sales revenues		1,375.7	1,379.0	1,396.9	1,667.9	19.4%
Order intake		1,521.1	1,811.4	1,567.1	1,741.7	11.1%
Order backlog		762.7	995.6	1,008.1	977.8	-3.0%
EBITDA		171.0	185.1	160.3	182.6	13.9%
EBITDA margin in % (of sales revenues)		12.4	13.4	11.5	11.0	n/a
EBIT		76.4	90.7	70.3	89.6	27.5%
EBIT margin in % (of sales revenues)		5.6	6.6	5.0	5.4	n/a
Earnings after tax		15.7	29.0	14.4	3.7	-74.6%
Capital investment in property, plant and equipment		64.1	83.2	88.5	102.6	15.9%
Equity		418.9	451.2	434.1	418.7	-3.6%
Equity ratio in %		26.6	27.2	25.8	25.9	n/a
Total assets		1,575.1	1,656.9	1,681.8	1,617.7	-3.8%
Earnings per share		0.85	1.73	0.66	0.16	-75.8%
Distribution		2.57	2.57	1.71	1.71 *	n/a
Dividend per share in EUR		0.15	0.15	0.10	0.10 *	n/a
Return on equity after tax in %		3.7	6.9	3.2	0.8	n/a
Employees (on average over the year)		10,405	10,738	10,771	10,913	1.3%
of which	Germany	4,158	4,166	4,064	3,992	-1.8%
	International	6,247	6,572	6,707	6,921	3.2%

* Proposed; subject to the consent of the Annual General Meeting to be held on June 28, 2018

** Previous year adjusted; see notes on page 93 ff.

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.

DEVELOPMENT OF TOTAL GROUP REVENUES BY SEGMENT



CONSTRUCTION SEGMENT KEY FIGURES

in EUR '000	2016 *	2017	Change
Total Group revenues	713,141	835,001	17.1%
Sales revenues	614,456	783,782	27.6%
Order intake	707,354	742,410	5.0%
Order backlog	585,272	492,681	-15.8%
EBIT	29,722	19,630	-34.0%
Earnings after tax	9,463	-15,236	n/a
Employees (on average over the year)	6,412	6,467	0.9%

EQUIPMENT SEGMENT KEY FIGURES

in EUR '000	2016 *	2017	Change
Total Group revenues	634,401	754,545	18.9%
Sales revenues	542,688	660,893	21.8%
Order intake	650,335	759,859	16.8%
Order backlog	144,030	149,344	3.7%
EBIT	38,423	80,574	n/a
Earnings after tax	10,946	40,950	n/a
Employees (on average over the year)	2,753	2,833	2.9%

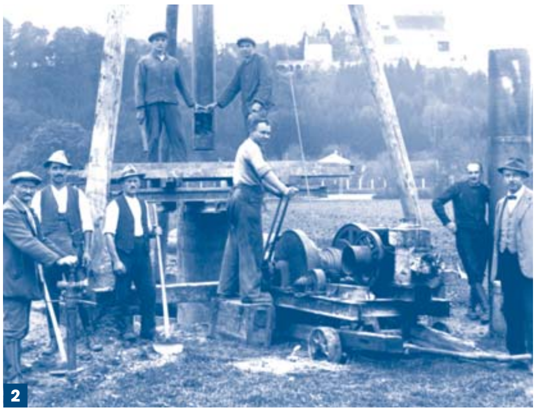
RESOURCES SEGMENT KEY FIGURES

in EUR '000	2016 *	2017	Change
Total Group revenues	262,411	248,209	-5.4%
Sales revenues	238,199	221,522	-7.0%
Order intake	264,743	305,185	15.3%
Order backlog	278,795	335,771	20.4%
EBIT	-3,718	-10,023	n/a
Earnings after tax	-8,452	-22,422	n/a
Employees (on average over the year)	1,282	1,287	0.4%

* Previous year adjusted; see notes on page 93 ff.

BAUER Aktiengesellschaft
Annual Report 2017

Milestones in the Company's History




Dipl.-Ing. Karl Bauer


Dr.-Ing. Karlheinz Bauer


Prof. Dr. Dipl.-Kfm. Thomas Bauer

1790 – 1956

> **1790** 1

Sebastian Bauer acquires a coppersmith's shop in the center of Schrobenhausen; in the 19th century, subsequent Bauer generations were engaged in copper working, primarily for breweries and domestic households

> **1840**

Copper cladding for the steeple roof of St. Jakob's church in Schrobenhausen

> **1900**

Start of well drilling by Andreas Bauer

> **1902** 2

Drilling of an artesian well for Schrobenhausen railway station

> **1928** 3

Dipl.-Ing. Karl Bauer constructs the Schrobenhausen water supply system; construction of wells and water pipes throughout Bavaria

> **1948**

First works on Wittelsbacherstrasse

> **1956** 4

Dr.-Ing. Karlheinz Bauer, a shareholder in the company since 1952, becomes sole managing director; construction of a first office building in Wittelsbacherstrasse

1958 – 1990

> **1958**

Invention of the injection anchor on the construction site of the Bayrischer Rundfunk building in Munich

> **1969**

First anchor drilling rig UBW 01

> **1972**

Construction of the new head office administration block

> **1975**

First contracts in Libya, Saudi Arabia and the United Arab Emirates

> **1976**

First heavy-duty rotary drilling rig BG 7

> **1984**

Work complex West begins operations; manufacture and deployment of the first trench cutter

> **1986** 5

Prof. Thomas Bauer becomes sole managing director of BAUER Spezialtiefbau GmbH and drives forward the international growth of the Group

> **1990**

Founding of BAUER und MOURIK Umwelttechnik GmbH and of SPESA Spezialbau und Sanierung GmbH

1992 – 2008

> **1992** 6

Takeover of SCHACHTBAU NORDHAUSEN GmbH

> **1994**

Founding of BAUER Aktiengesellschaft

> **2001**

BAUER Maschinen GmbH becomes independent company

> **2002**

Purchase of large machinery manufacturing facility in Aresing

> **2003 – 2005**

Specialist companies in a variety of fields are acquired and integrated into the BAUER Group

> **2006**

BAUER AG is listed on the stock market

> **2007**

Founding of BAUER Resources GmbH; market launch of the three new segments: Construction, Equipment and Resources

> **2008**

Expansion of machinery manufacturing capacities in Aresing and Nordhausen as well as in Tianjin and Shanghai, China

2009 – 2017

> **2009**

Largest investment program in the company's history completed: administration building in Schrobenhausen, Edelshausen plant, machinery manufacturing plant in Conroe, Texas, USA

> **2011**

The first deep drilling rig is sold to South America

> **2012**

During the year, the Group's global workforce topped the 10,000 mark for the first time

> **2013**

Bauma Innovation Prize for an underwater drilling technique

> **2015**

Joint Venture in the field of deep drilling technology with Schlumberger, the world's leading supplier of technology and project management for oil and gas industry customers

> **2016** 7

Start of drilling large diameter boreholes for the Kessler-grube remediation project, the company's largest single contract to date

> **2017** 8

BAUER Group commissioned to expand the world’s biggest constructed reed bed treatment plant in Oman

Pictures of 2017

More than 15 Bauer cutters in operation 1

The metro belongs to Paris like the Eiffel Tower. By 2030, the French capital intends to expand its famous subway network by 200 km, mainly underground. “Grand Paris Express” is the name of Europe’s gigantic and largest infrastructure project.

The new line 15, a high-capacity underground rail line, will provide a new ring line around Paris 10 km outside the city limits. It is here, at the heart of the “Grand Paris Express,” that six Bauer diaphragm wall cutters are currently in operation: Numerous French customers of Bauer Maschinen trust in the performance of the highly functional BAUER MC 96 duty-cycle cranes equipped with BC 40 diaphragm wall cutters. Furthermore, two GB 60 hydraulic grab units are working on site. With the start of construction of the new metro lines 16 and 18 in the coming year, more than 15 Bauer cutters will at times be in operation.

Remediation excavation in full swing 2

The remediation project on the former site of the Kesslergrube landfill (perimeter 1/3 northwest) began in late summer 2015. Roche Pharma AG commissioned BAUER Resources GmbH and Bauer Umwelt, which specializes in contamination remediation, to carry out the work. After the large diameter boreholes for the installation of a secant bored pile wall had been concluded by BAUER Spezialtiefbau GmbH in 2017, the time had come: in December the regular excavations on the airtight, sound-insulated enclosure after a trial operation started.

The logistics concept drawn up by Bauer for the renovation excavations prescribes that the majority of the special transport container is driven two kilometers up the Rhein by ship to the port terminal in Auhafen, Switzerland. Here, the containers are loaded onto the rail and taken away for thermal disposal. From here, the transport is transshipped to truck and then on by rail to the prescribed disposal plants.

2

4

4

Expansion of the world's biggest constructed wetland treatment plan 3

In October the BAUER Group was awarded the contract to expand the world's biggest industrial constructed wetland in the Sultanate of Oman on behalf of Petroleum Development Oman (PDO), the leading oil and gas exploration and production company in the country. The plant's first stage was completed in 2011 by the local subsidiary of BAUER Resources GmbH (BAUER Nimr LLC). The flagship project for treating contaminated water from oil extraction in the Sultanate of Oman in Nimr has won numerous international awards for excellence in sustainability, innovation and safety.

The commissioned expansion will now see the plant's capability being expanded by 60,000 m^3 per day to reach a total capacity of 175,000 m^3 per day. BAUER Nimr LLC will be responsible for designing, constructing and operating the plant until 2044. Construction will be finished by the end of 2019, after which Bauer will operate the plant on a 25-year basis.

Specialist foundation engineering works at a former power station 4

The Battersea Power Station on the south bank of the Thames has been a well-known London landmark for a long time now. The former power plant supplied Britain's capital with energy until the beginning of the 1980s, but then it was decommissioned. Now, a modern urban district is growing around the vacant industrial monument.

Phase 2 of the construction will see over 46,452 m^2 of office space created from the converted power station. The flexible space will be set out across six floors, within what was once the Boiler House. BAUER Technologies Ltd was awarded the Phase 2 foundations contract. The English subsidiary of BAUER Spezialtiefbau GmbH was carrying out the entire foundation work within the existing structure of the former power station, which presented some major challenges in terms of access to the construction site, working space and headroom. The main works were successfully completed in December.

Mission and Strategy

OUR MISSION

>>> **SERVICES, EQUIPMENT AND PRODUCTS DEALING WITH GROUND AND GROUNDWATER**

BAUER MASCHINEN

- >>> Target: ~ 40% of total Group revenues
- >>> Market leader in specialist foundation engineering machinery and equipment
- >>> New products for mining, deep drilling and offshore drilling
- >>> 80% of sales generated outside of Germany
- >>> Multi-branding strategy

RTG RAMMTECHNIK GMBH

KLEMM Bohrtechnik

BAUER MAT Slurry Handling Systems

PRAKLA Bohrtechnik

NEORig

EURO DRILL

TracMec

BAUER PILECO

SPANTEC Spann- & Ankertechnik GmbH

SYSTEM HAUS HERR

SBN SCHACHTBAU NORDHAUSEN

BAUER SPEZIALTIEFBAU

OUR STRATEGY

- >>> The world is our market
- >>> World market leadership in specialist foundation technologies
- >>> Powerful development of drilling techniques and applications for related markets such as environment, water and natural resources
- >>> Optimization of worldwide organizational structures and of the Group's self-managed business units
- >>> Annual growth from 3 to 8%

GWE GERMAN WATER and ENERGY GROUP

BAUER RESOURCES

BMU BAUER UMWELT

SITE GROUP

BWS BAUER WATER

- >>> Target: ~ 20% of total Group revenues
- >>> Activities in environmental technology, deep drilling, well construction, materials

ESAU&HUEBER

WÖHR + BAUER

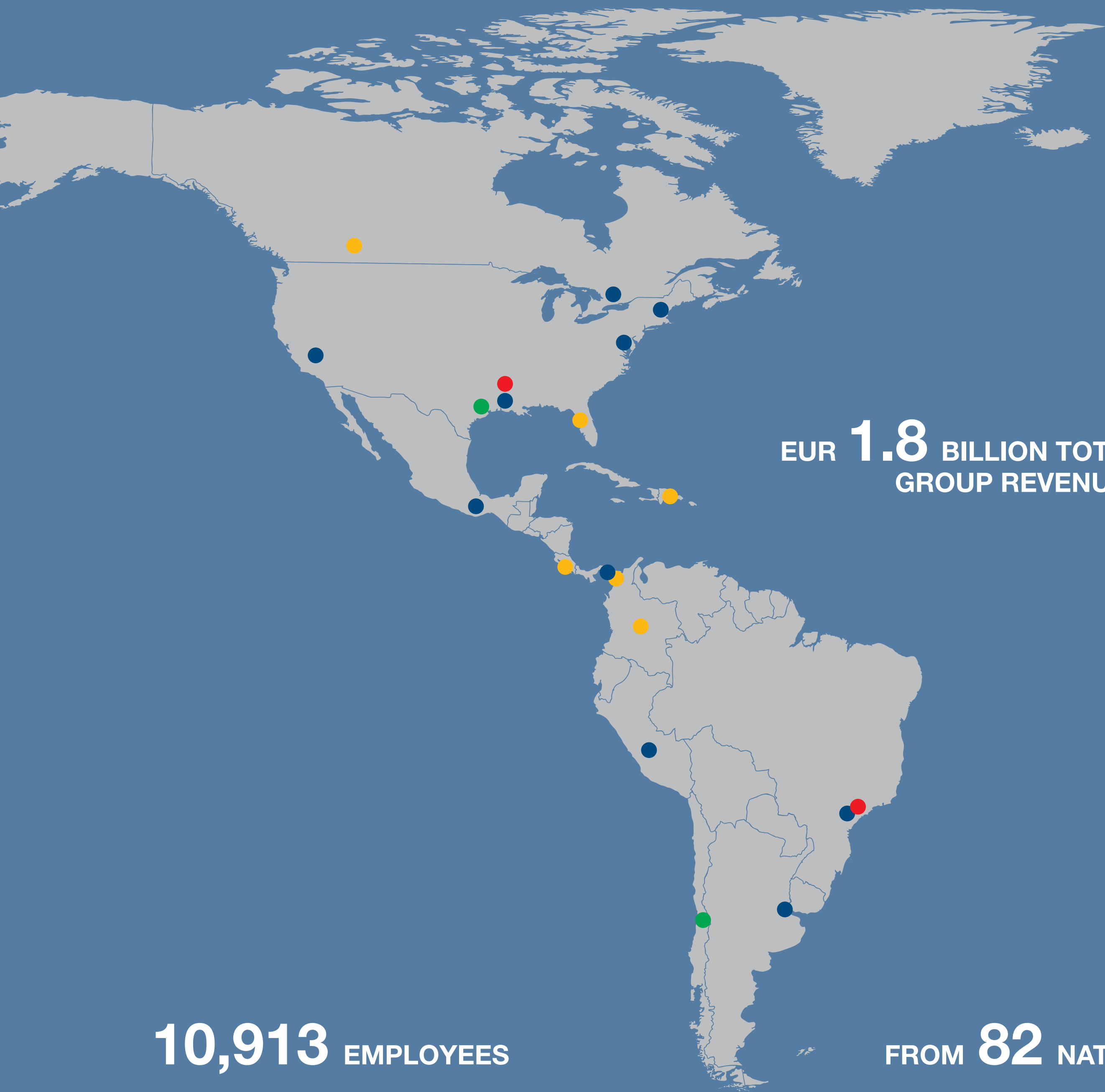
SPESA SPEZIALBAU UND SANIERUNG

- >>> Target: ~ 40% of total Group revenues
- >>> Global provider of specialist foundation engineering services
- >>> Specialist construction services
- >>> Focus on complex international projects

The World is our Market

OVER **110** GROUP COMPANIES

IN AROUND **70** COUNTRIES



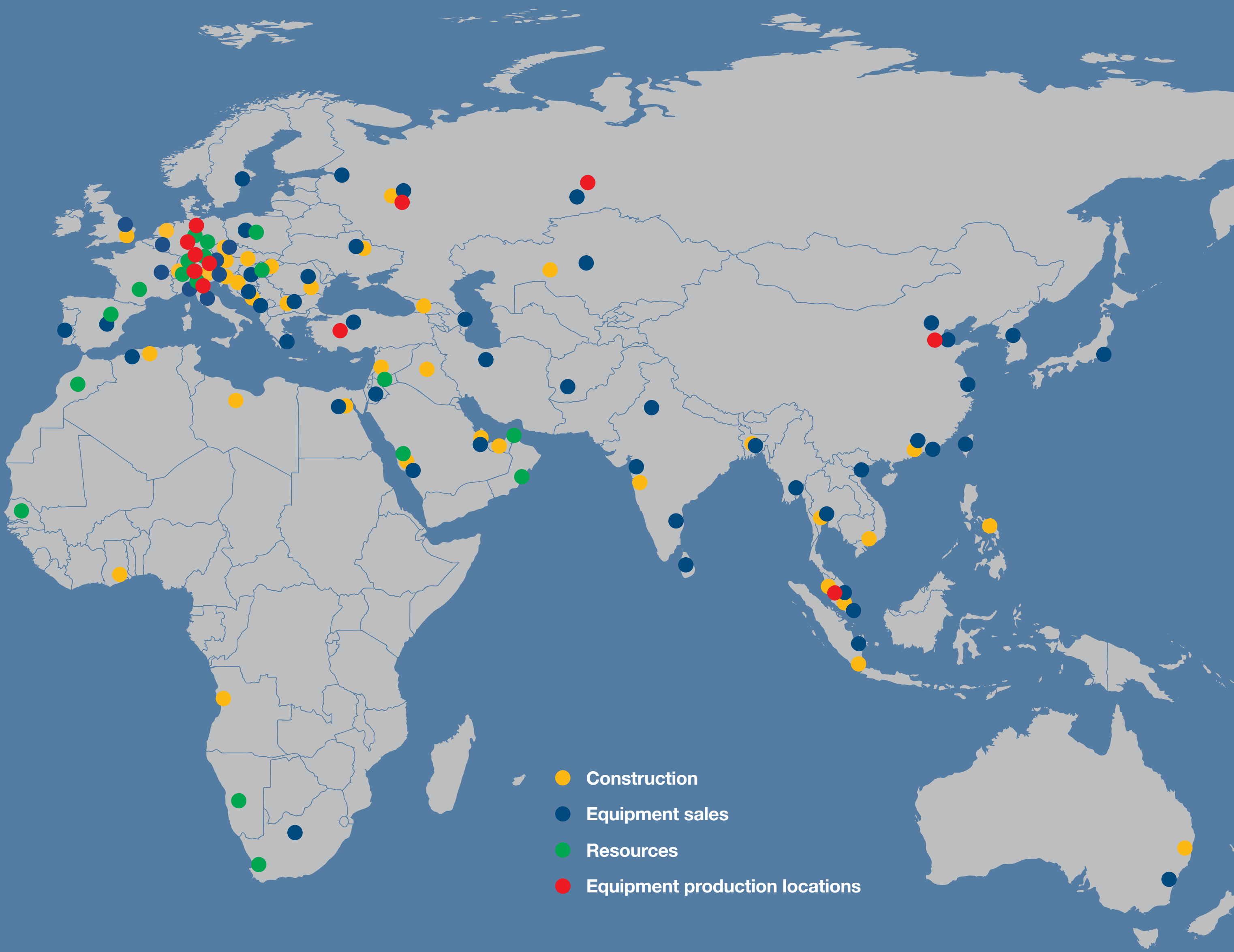
EUR **1.8** BILLION TOTAL GROUP REVENUES

10,913 EMPLOYEES

FROM **82** NATIONS

26 PRODUCTION FACILITIES

and many other service centers and construction yards



Foreword

Dear Shareholders, Partners and Friends of our company,
Ladies and Gentlemen,

2017 was a year of above-average growth for us. Total Group revenues were EUR 1.77 billion, up 14.0% from the previous year. In the Construction segment, we completed significantly more projects than in the previous year and we increased sales considerably in the Equipment segment.

Unfortunately, the situation is different with earnings after tax. One could say that we were overtaken shortly before the finish line. In January 2018, we received the verdict in a long arbitration process for a project we completed in Hong Kong in 2012. Although the ruling was in our favor, the amount awarded was far below our expectations. As a result, the receivables in the balance sheet had to be reassessed, resulting in a negative impact of more than EUR 20 million. This meant that we could no longer achieve our projected earnings after tax. From an operational standpoint, however, these earnings were once again much stronger than in previous years.

Overall, we again recorded a much better performance in 2017. The Equipment segment in particular benefited from the expanding markets in Europe and Asia and has increased sales and earnings significantly. At the end of the year, both were considerably higher than projected. Sales in large-scale and special equipment grew substantially. Several products and subsidiaries performed better once again as a result of the improvement measures we implemented in recent years.

The Construction segment fell below expectations at the beginning of the year. Strong revenues growth was offset by unsatisfactory earnings till the end of the third quarter. This was mainly due to negative earnings contributions from projects in Germany and Australia as well as from subsidiaries in the USA and the Middle East. Exchange rate fluctuations also impacted us here. Purely operationally, we would have been able to reach our targets by the end of the year, since we achieved very good earnings in several countries in Europe as well as in the Far East and Egypt. However, given the verdict in the arbitration proceedings, this was not possible.

We unfortunately did not meet our expectations in the Resources segment. The restructuring of recent years, while effective, has not been enough to produce positive earnings in some business areas. We are continuing to make improvements there. In addition to the negative earnings of our subsidiary in Jordan, losses in our water purification and brewing and beverage technology businesses had a major impact. Our environmental business remains strong. With the expansion of the reed bed treatment plant in Oman, it has now yet another large-scale project in hand and clearly has the most promising prospects for the future.

If we look beyond our company at our markets, we see steady growth in construction, which is propelled by the ever-increasing challenges of urbanization as well as new construction and modernization of infrastructure. As the world leader for the complete range of equipment for specialist foundation engineering, we offer our customers the right equipment for meeting these challenges. As demand for products and services for the environmental and water industry continues to grow, we are confident that we are on the right track in positioning our Group.

Of course, we also have to take advantage of these opportunities. We are by no means resting on our improved operating performance, as we still have a long way to go in further improving our earnings. To do this, we are focusing intensively on topics such as strategic purchasing or value analysis methods. Both efforts have already brought some success, as have our efforts to reduce working capital.

Our efforts to further develop our equipment proved to be the right strategy, especially in 2017. We have never stopped investing in this area, even during difficult years. While the sales figures of major construction equipment manufacturers fell by around

30% between 2012 and 2016, we managed to keep our sales stable. Some of our competitors, especially in China, are no longer on the market today. This also allowed us to increase sales significantly in the newly growing market.

Many observers are amazed that the economy has continued to grow despite the political events and military conflicts around the world. International companies like ours are having to cope with a very challenging environment, especially if we consider the war rhetoric between the USA and North Korea, the situation in Syria and Iraq, the politics of Turkey or the economic upheavals in the Middle East, which have caused the price of oil to drop.

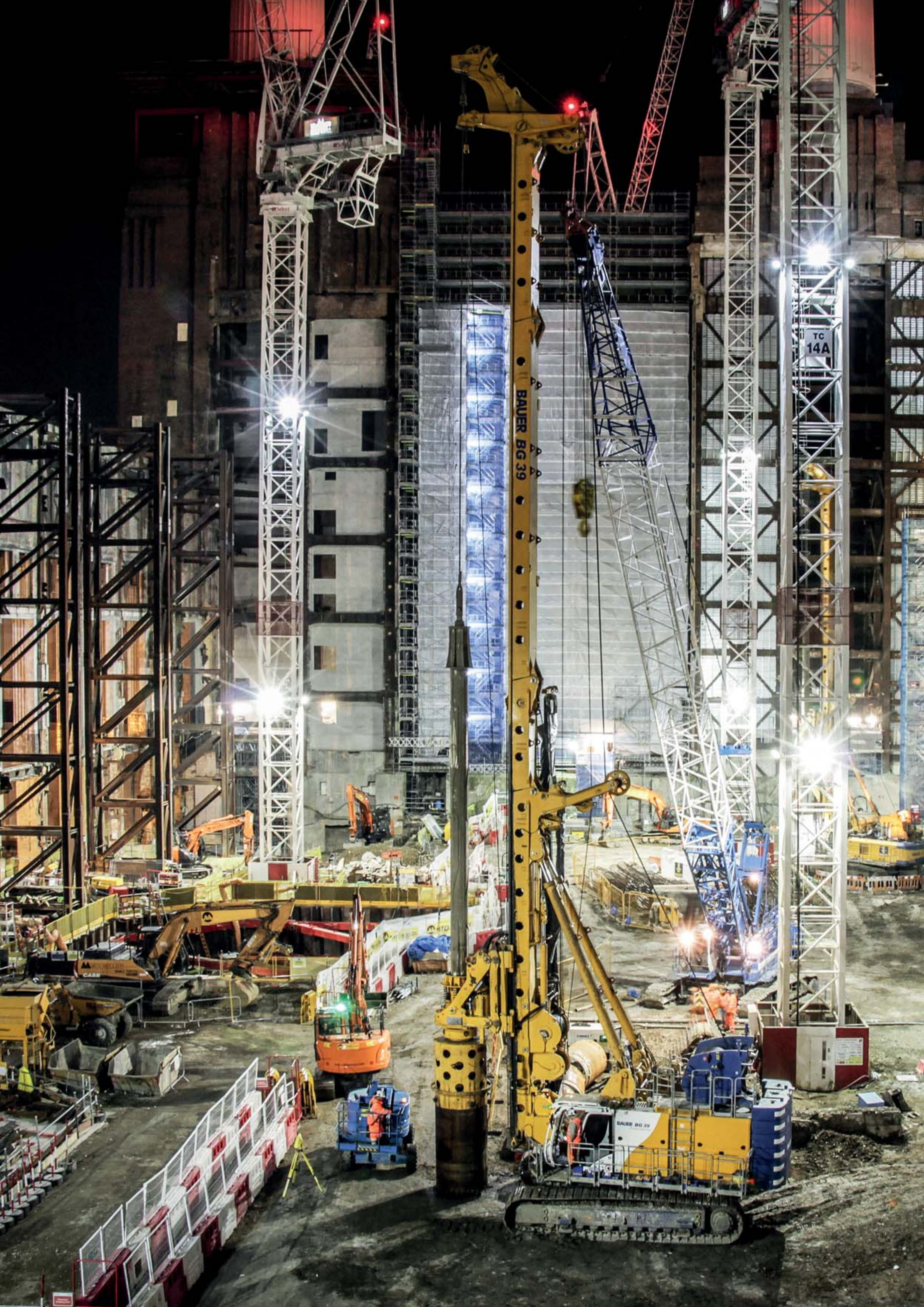
We are preparing for the future in even more ways. My son Florian joined the Management Board of BAUER AG at the beginning of 2018. He is in charge of the new Digitalization function, which focuses on a topic that will affect all economic players in the coming years. He is also responsible for the Corporate Culture function. Companies are defined by their values, and values must be reconciled with the challenges of a changing culture.

We are positive about the future. We are working hard not only to improve our earnings, but also to develop our company, our structures and our culture. For 2018, we are expecting total Group revenues of about EUR 1.8 billion, EBIT of about EUR 90 million and earnings after tax to be significantly higher than in the previous year.

I sincerely thank all employees, shareholders, financial partners, customers and friends of the company for the trust you have placed in us over the past difficult years. Join us as we move forward in the coming years. To quote our slogan, we have "Passion for Progress" – and we hope you have it too!

Kind regards,

Prof. Thomas Bauer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BAUER BG 39
BAUER BG 39

Combined Management Report

<<< The Battersea Power Station on the south bank of the Thames has long been a well-known London landmark. Now the former power plant will be part of a new district. BAUER Technologies Ltd. has been contracted to carry out the specialist foundation engineering works.


BAUER BG 39
IFG

Combined Management Report

I. GENERAL INFORMATION ABOUT THE GROUP

GROUP STRUCTURE

The BAUER Group is a leading provider of services, equipment and products related to ground and groundwater. With over 110 subsidiaries, Bauer operates a worldwide network on all continents. The operations of the Group are divided into three future-oriented segments with high synergy potential: Construction, Equipment and Resources.

The Construction segment applies all the established methods and techniques of specialist foundation engineering all over the world. These include creating complex excavation pits, foundations for large infrastructure projects and buildings, cut-off walls and ground improvements. Its specialist construction unit also performs other construction services such as civil engineering and remediation works.

Bauer is a world market leader in the Equipment segment and provides a full range of equipment for specialist foundation engineering as well as for the exploration, mining and extraction of natural resources. Besides its headquarters in Schrobenhausen, the Equipment segment operates a worldwide distribution network and additional production facilities in Germany, China, Malaysia, Russia, Italy, Turkey and the USA, among other locations.

The Resources segment delivers highly innovative products and services and acts as a full-service provider with several business units and subsidiaries in the water, environmental and natural resources sectors. The segment specializes in water treatment, environmental remediation and waste management, drilling technologies and well construction.

BAUER Aktiengesellschaft is the holding company of the Group and is listed on the Frankfurt Stock Exchange. BAUER AG provides central management and service functions for its affiliates. These specifically include human resources, accounting, finance, legal and tax affairs, IT, strategic purchasing, facility management, and health, safety and environment (HSE).

In the financial year gone by, there were no branch offices in the Group that were important or essential for business operations.

CORPORATE GOVERNANCE AND CONTROL SYSTEM

The principal task of the Management Board of BAUER AG is the strategic management of a global group of companies. As part of central strategies, goals and regulations, the main companies in the three operating segments – BAUER Spezialtiefbau GmbH, BAUER Maschinen GmbH and BAUER Resources GmbH – develop their own detailed strategies which are converged at holding company level and integrated into the strategic corporate planning process.

The development and implementation of a self-managing organizational structure with decentralized business units is the primary characteristic of corporate governance within the BAUER Group. The managers of the various Group companies operate under their own responsibility, and are provided with a large degree of independence within the framework of the corporate strategy in determining how their business units progress.

The autonomous management of the individual operating business units is constrained by framework guidelines and standards laid down by the Group and the individual subsidiaries. The principles of proper conduct, including adherence to our ethical and moral standards, are defined among other instances by an ethics management and values program covering all the companies of the BAUER Group, flanked by corporate management guidelines and a code of conduct imposed on our employees. The self-managing structure is linked to a centralized system of risk management and control, and to a central Group accounting function. Internal auditing systems monitor compliance with laws and standards across the Group.

The roles of the Management Board and Supervisory Board and other aspects of corporate governance are set forth in the Declaration on Corporate Governance on pages 71 to 75 of this Annual Report, which is published on the Internet at http://www.bauer.de/ in the Investor Relations section.

Financial performance indicators

The trend in total Group revenues is used as the fundamental and significant key financial performance indicator for the management of the Group. The total Group revenues represent the

<<< Bauer Maschinen customer, International Foundation Group, used a BG 39 among others to install bored piles to a depth of 36 m for the foundation of the Il Primo Residential Tower in Dubai.

revenues of all the companies forming part of our Group. The difference between the consolidated revenues and the total Group revenues is derived from the revenues of the associated companies, from our portion of revenues in joint ventures, and from the revenues of non-consolidated companies. The trend in total Group revenues and the contributions to them by the various segments are depicted in the Business Report.

Alongside total Group revenues, earnings before interest and taxes (EBIT) and earnings after tax are used as key financial performance indicators for internal management. The Business Report details the trends in EBIT and earnings after tax in the Group. At the segment level, only the total Group revenues and the EBIT are referred to as key financial performance indicators.

A wide range of other financial performance indicators, which are of comparatively minor significance to the medium- and long-term development of the Group, are collated and integrated in the course of internal Group management activities. They primarily comprise balance sheet and income statement figures and the indicators of capital structure, profitability and liquidity derived from them.

Non-financial performance indicators

Many non-financial indicators of Group performance are measured as part of a comprehensive reporting system, although they have no individual material significance in terms of internal controls and other respects. The reporting on trends in these performance indicators is primarily intended to convey an overall picture of the operations of the BAUER Group.

The indicators included originate, among other sources, from the human resources function, such as workforce numbers. Performance indicators on further and advanced training as well as others derived from the research and development field are also reported.

RESEARCH AND DEVELOPMENT

The BAUER Group once again invested substantial sums in developing new construction methods and equipment as well as for research purposes in fiscal 2017. The accent here is on the new and further development of different equipment for specialist foundation engineering as well as the matching drilling tools and add-on units. This is flanked by the new development and optimization of construction site applications and methods.

Research and development work in the BAUER Group is organized on a decentralized basis. In companies belonging to BAUER Maschinen GmbH, each major product group has its own development unit that concentrates entirely on the corresponding equipment, such as rotary or anchor drilling rigs. Within BAUER Maschinen GmbH, the diversified product range is divided into business areas that constantly develop their equipment families and pursue innovation. The central development department works on the technologies and components of a machine that are used in several product groups. Basic research work is also located in the central development department. Development work in the BAUER Maschinen GmbH subsidiaries is grouped into the system described above.

Our construction areas also have their own development capacities. In particular, BAUER Spezialtiefbau GmbH maintains a department for construction technology which develops new methods and conducts fundamental research.

To promote research that might be of Group-wide importance, internal and external orders for research work are placed via the BAUER Forschungsgemeinschaft (research community). Seemingly simple ideas sometimes give rise to outstanding new techniques that help our companies to achieve technological advances.

This type of overall organization for research and development work has proven highly effective. Rapid decisions and great flexibility allow all products to be kept at the cutting edge, while new ideas and market requirements can be implemented quickly.

Increasing digitalization, which affects both the Equipment and Construction segments, has been a central theme in our development activities in recent years. As part of our „digital construction“ initiative, we are working intensively on networking a wide range of construction site data and various processes and applications with our central databases in order to make workflows more efficient and ensure that experience from past construction projects is available to us all over the world. This will enable us to better assess the challenges of future projects.

We are also developing new applications for our equipment and assistance systems in order to ensure visually appealing data visualization and widely available, efficient data management as well as features that make work easier for customers. These include a joystick assistance, an intuitive user interface and standardized displays for up to 15 different specialist foundation methods, including data recording and diagnostics.

An increasing number of urban construction sites around the world presents special challenges. Such sites provide minimal space for working and must meet strict requirements for noise control and safety. At last year's in-house exhibition, we unveiled two new products that are designed precisely for these conditions: compact base carriers for our MBC 30 and MBC 40 cutters. The low headroom rigs are used when height is restricted because of power lines, for example. The machines are also very quiet and can be operated in cramped spaces.

In recent years, we have introduced numerous innovations that reduce noise emissions, lower diesel consumption and increase efficiency. The Energy Efficiency Package (EEP), also available as a professional package, combines many of these technologies and is available for most Bauer rigs. We are also constantly working to improve the performance of our cutter gears.

For many years now, our products and services have extended well beyond the bounds of specialist foundation engineering. The BAUER Group today is a provider of services, equipment and products in all fields dealing with ground and groundwater. Pursuing that strategy, many units within the Group have been undertaking additional development work, such as to design new pipes for underground engineering installations, to advance water purification based on a wide variety of methods, and to produce modern materials for use in geotechnical applications. A state-of-the-art system of innovation management is practiced with great intensity by all Group units.

In the environmental sector, our Resources segment is pioneering new methods of treating contaminated water, especially microbial processes such as reed bed treatment plants. Collaborations with universities as well as memberships in organizations such as the Sustainable Bioenergy Research Consortium of the Masdar Institute in Abu Dhabi, help us to improve and explore new technologies. The aim of the consortium is to develop and support technologies and new approaches in the production of sustainable bioenergy.

In the Equipment segment we invest a good 3.0% (including internal and project-related expenditure) of the corresponding portion of total Group revenues in research and development. A staff of some 195 people are involved in this field, as well as outside consulting engineers and interns. Research and development activities are routinely reviewed and maintained at a high level to keep pace with the ever increasing rate of change in market demands.

Research and development expenditure in the Construction segment is 0.4% of the corresponding total Group revenues, and in the Resources segment 0.6%. We are investing considerable further resources to prepare and design construction sites. These expenses are leading to a general increase in the expertise base of the segments.

QUALITY

Quality is the basis for the worldwide success of the BAUER Group and is therefore one of the fundamental concerns of senior management. Our quality management system is based on ISO 9001 as well other applicable government and industry standards.

Research and development in the BAUER Group

	2016 **				2017			
	Construction	Equipment	Resources	BAUER Group	Construction	Equipment	Resources	BAUER Group
Total Group revenues (in EUR million) *	697.1	597.8	259.8	1,554.7	819.5	705.0	247.6	1,772.0
Expenses for R&D (in EUR million)	3.2	20.2	1.3	24.7	3.2	21.4	1.6	26.2
as % of total Group revenues	0.5	3.4	0.5	1.6	0.4	3.0	0.6	1.5
Group employees	6,412	2,753	1,282	10,771	6,467	2,833	1,287	10,913
R&D employees	41	190	13	244	40	195	17	252

* After deduction consolidation
** Previous year adjusted; see notes on page 93 ff.

We must do everything in our power to maintain and, where possible, further develop our customers' trust in our companies and the quality of our products, services and equipment, earned over many years. We work hard to understand the needs and expectations of our customers so we can then meet them quickly, reliably and cost-effectively. This requires clear organization, a strong commitment to teamwork as well as an overwhelming desire to avoid mistakes, improve and innovate.

We firmly believe that errors and nonconformities in the delivery of our products and services are generally avoidable. By introducing a quality management system as part of a continuous improvement process, we are constantly striving to improve the quality of our products and services with a single goal: zero errors. The satisfaction of our customers and employees, not just the business success of our companies, is the most important benchmark for our success.

We conduct regular audits and benchmark reviews to make sure we are meeting our planned quality goals. Nonconformities are analyzed and quickly eliminated. The findings from these audits and reviews are incorporated into our regular employee training programs. Any shortcomings or potential improvements identified during the management review are incorporated in the next planning sequence to further improve the system.

We motivate our staff by demonstrating our own commitment to quality, setting challenging goals for them, giving them adequate responsibility and recognizing good performance. Active cooperation is essential to meet our quality targets quickly.

EMPLOYEES

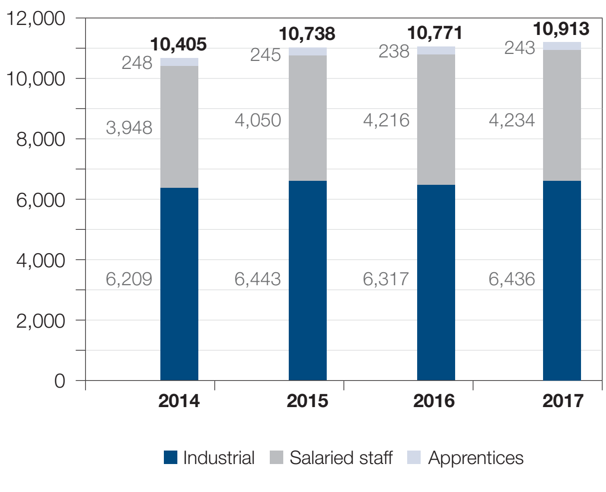
The companies of the BAUER Group employed an annual average of 10,913 employees all over the world (previous year: 10,771). They are divided up as follows:

- **Construction segment:** 6,467 employees (previous year: 6,412)
- **Equipment segment:** 2,833 employees (previous year: 2,753)
- **Resources segment:** 1,287 employees (previous year: 1,282)
- **Other segment:** 326 employees (previous year: 324)

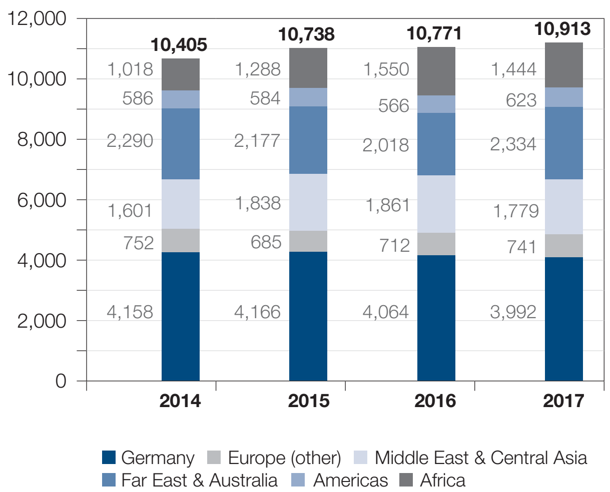
The trend in personnel numbers within the Group was in line with our expectations. Fluctuations at subsidiaries are mainly at international locations but may also be the result of the significant rise in total Group revenues and restructuring. Individual construction projects can cause major fluctuations at international locations.

By the nature of its operations, the workforce of the **Construction segment** is subject to the greatest fluctuation, depending on the number of major projects being handled in specific countries. Consequently, the biggest growth was at subsidiaries in Indonesia (106 employees), Vietnam (80 employees) and Malaysia (73 employees). The number of employees in Egypt dropped by 108 after major projects

Employees by employment type



Employees by region



were completed there. In some countries, such as Qatar and the United Arab Emirates, fewer people were employed in the year under review than in the previous year owing to the weaker state of the market. There was an overall increase in employees in Construction primarily as a result of personnel recruited for specific projects.

In the **Equipment segment**, the number of employees increased slightly due to the increase in revenues. BAUER Maschinen GmbH itself gained 15 employees. In the US, we added 51 people as a result of the joint venture with Schlumberger, and 27 people were added at our plants in the Far East. The number of employees at individual subsidiaries in Germany fell slightly. One of our key goals is to retain the loyalty of our core of long-term employees, which we once more achieved successfully in the past year.

There was an increase in the number of employees in the **Resources segment**, mainly due to individual projects. This is mainly due to the subsidiary in Jordan, which has gained 27 employees. There was a decrease of 18 employees at our German subsidiary that manufactures well construction materials in Peine. There were only minor changes at the other companies in the segment.

There was a slight increase in employees in the **Other segment**, which mainly comprises BAUER AG and its centralized functional areas.

Further information on employees can be found in the non-financial consolidated statement starting on page 62.

During the large-scale Eppenberg Tunnel project in the Swiss canton of Solothurn, BAUER MAT Slurry Handling Systems presented the latest addition to their proven separation systems: the BE-2550. 2,400 m³ of slurry is moved per hour in a closed circuit system.

II. BUSINESS REPORT

MACRO-ECONOMIC TRENDS

The global economy remains on a solid path for further growth despite persistently difficult political environments and trouble spots around the world. The conflict in Ukraine, sanctions against Russia, the still too low price of oil, to name just a few examples, have become the norm. The global economy is continuously faced with uncertainty and must adapt to abrupt changes more and more quickly, as evidenced by emerging tensions such as the Qatar crisis, the war rhetoric between North Korea and the US, the increasing division between Israel and the Palestinians caused by the actions of American leadership, the political changes in Saudi Arabia, the protectionist US tax policy and the uncertain outcome of Brexit negotiations. The economy has adapted surprisingly well in recent years, but we do not expect to see renewed stability and continuity in the global economic and political environment in the coming years. As a result, it remains uncertain as to whether the global economy can continue on its solid path for further growth.

Considering the different rates of growth, it is safe to assume that the political and economic leadership roles between China, the USA, the EU, Russia and the countries of the Middle East will be rearranged. Digitalization, climate change and the scarcity of resources will also have a decisive impact. Digitalization and data sovereignty in particular will have a strong influence on almost all sectors of the economy.

For companies, the greatest challenge is to find the right way to approach the mega trends of the future, especially digitalization and accompanying social changes, and to develop appropriate strategies at the right time. In many places, the speed of this change is still underestimated and corporate structures are not being adjusted quickly enough, which can quickly become a competitive disadvantage for some companies.

The BAUER Group is now highly focused on adjusting to these changes and developing appropriate strategies. We have further strengthened our many years of work in this area by merging digitalization, development coordination and corporate culture as functions under the leadership of new Management Board member Florian Bauer.

Global growth has continued despite the crises of recent years, and industry is responding accordingly. However, forecasts and appropriate decision-making continue to prove very difficult in this environment: Where will the next crisis be? Which market will collapse next and which opportunities will emerge in the near future? How long will China remain a reliable driver of the global economy and what are the opportunities and risks presented by „America First“? The answers to these questions are very important for future global economic and company growth, but are very difficult to unlock because of the complex issues involved.

According to the major research institutes, the world will continue to grow by about 3 percent. This cannot happen unless the construction markets lay the necessary foundations and continue to grow themselves. As a result, growth of 3.5 to 4 percent is predicted for the international construction markets. Even better growth expectations beckon for companies in the sector of specialist foundation engineering, since construction is taking place in increasingly confined urban areas. This calls for increasingly taller buildings, which in turn require extensive foundation work. In addition, stationary and flowing traffic must be ever-increasingly transferred below ground, which also leads to growth in specialist foundation engineering. Moreover, many buildings and infrastructural projects no longer involve new construction but are converted or expanded instead. The necessary subsoil preparatory ground works are greatly increasing, since unusual types of construction are required and the work has to be done in very confined conditions. Overall, we expect positive trends that may vary regionally due to short-term events around the world.

For a global specialized company like ours, these global trends offer a positive market environment in the long term, despite rapidly changing markets.

Construction statistics Germany – Change 2016/2017

in %	Revenues	Order intake	Employees
Residential construction	11.6	5.0	---
Commercial construction	8.4	6.9	---
Public construction	6.5	7.2	---
Total	8.5	6.6	5.9

Source: Central Federation of the German Construction Industry

A GENERAL VIEW OF OUR MARKETS

The construction markets continue to show good growth: The construction sector in particular benefits from an enormous need to catch up with backlogs in the rising economic countries, but also in the established industrial nations. Constantly increasing urbanization and growing infrastructural needs are leading to increasingly large-scale building schemes, which offer many interesting project opportunities to the construction industry. The amount of construction undertaken in the economically established countries was clearly inadequate for many years. It is realized today that buildings too must constantly be adapted to population needs and economic requirements. This applies not only to traffic infrastructure but also to residential and public buildings, dams or flood protection facilities.

Additionally, in recent years, new requirements regarding the depth and features of underground structures have place much greater demands on the equipment and technology required. We are well prepared for these requirements.

The companies of the BAUER Group can read this general trend from their very good order backlog, which is evenly distributed over all regions of the world. Sales of construction equipment are linked directly to the situation in construction markets, so healthy selling opportunities are also expected in this sector in the coming years.

Besides the general trends, current developments and future perspectives on construction markets in the various regions around the world vary:

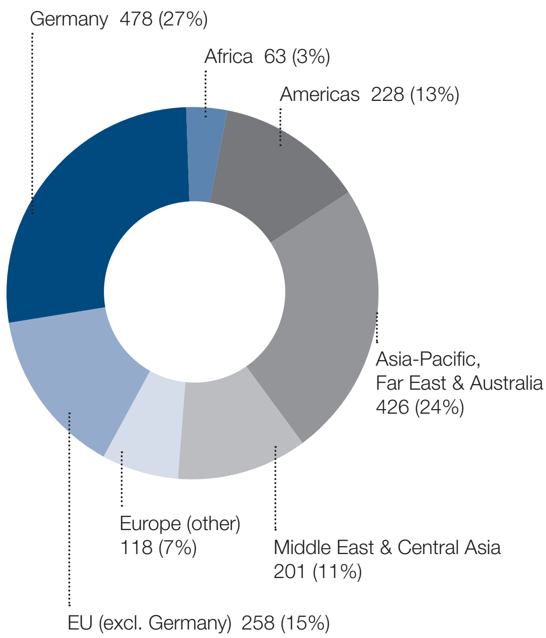
Germany

The positive trends in the German construction market in 2017 will continue in the coming years. Residential construction is being driven by continued low interest rates, government subsidies and the substantial ongoing backlog demand in metropolitan areas. Public sector construction is benefiting from a huge infrastructure deficit, for which the government budget is now providing considerably more funds. By establishing a „transportation infrastructure company", we plan to stabilize and increase federal investment in the medium term. A final turnaround in implementation delays due to lack of planning capacity and with regard to approvals is not yet apparent. In part, the poor state of the infrastructure has already had a major impact on freight traffic, necessitating

Geographical breakdown of total Group revenues

in EUR million

Total 1,772



enormous expenditures in this area. The ongoing discussion on pollution in inner cities could also necessitate further substantial investments in the expansion of local public transit. In commercial construction, we assume that the sustained economic upturn will lead to growing investment, which will also result in growing demand for construction.

Europe

In Western Europe, the economic recovery of the southern European countries will allow the construction markets to expand again in the coming years. Apart from this, there are major infrastructure projects for improving and expanding the European metropolitan areas such as London or Paris.

In Eastern Europe, some markets, such as Poland and Hungary, have recovered well from the crisis of recent years. In many other countries, construction investment continues to be at a very low level due to a lack of funds. The continuing crisis in the Ukraine continues to cause considerable damage to the local economy, meaning that limited resources are available for construction. Despite continuing sanctions, Russia is trying to finance the construction sector with a smaller budget. It remains to be seen whether Russia's stronger alignment with the East, especially China, will help it to grow again.

Middle East & Central Asia

The countries of the Middle East continue to be shaped by the ongoing crises in the region. This requires further austerity measures by all government in the region. In the last two years, this has caused a cooling of construction investment. In residential construction, projects are only being implemented in stages or have been completely postponed. An increasing vacancy rate of residential and office real estate encourages this trend. Oil and gas industries have significantly reduced their investments due to the low oil price. As a result, infrastructure projects are also being implemented more slowly or postponed. In the construction industry, this is resulting in increased competition, to which companies have to adjust. Despite an increase in the price of oil, rapid growth is not expected.

The political instability in the region has reached another high point with the crisis in Qatar, the announcement that the US will recognize Jerusalem as the capital of Israel, and Turkey's military offensive against the Kurds in northern Syria. Likewise, the political direction of Saudi Arabia after the recent change of power is still unclear. The current path certainly presents opportunities. The ongoing difficult situation in Syria, Iraq and Yemen and the related refugee situation as well as the tensions with Iran are causing restrained investment in all countries of the region, with implications for the construction industry. A possible future peace process in Syria presents opportunities as the country will require rebuilding.

In Egypt, the economy is developing in the face of an uncertain future. The huge government spending of the recent years, which can no longer be adequately covered by foreign aid, has led to considerable problems for the government. However, there are a number of large public construction projects in the country, such as the expansion of the Cairo Metro, that are heavily funded by foreign financing. In the private sector, residential construction is stimulated by very cheap construction prices for investors because of favorable exchange rates.

Asia-Pacific, Far East and Australia

Construction markets in the Far East remain pleasingly stable. Almost every country in the region is undertaking major infrastructure projects. In Malaysia and Singapore, new subway lines and urban motorways are being built. Economies such as Indonesia, the Philippines and Thailand are also seeing healthy growth. In contrast, the economy in Australia is not performing well.

The construction sector in China remains at a high level, but due to strong local competition and government regulations, there are hardly any opportunities for foreign companies to operate there. The „New Silk Road" project launched by the Chinese government is triggering many initiatives for new contracts. The construction equipment market in China recovered much faster than expected last year, with growth of more than 50% following a substantial capacity reduction in previous years. All construction equipment manufacturers benefited from this. A sustained positive demand situation is expected again for 2018.

Americas

In terms of overall economic growth, the USA has again become one of the driving forces in the world, but growth in the construction market was still rather unsatisfactory. A very high level of backlog demand has arisen in many infrastructure areas, due to a lack of construction activities over recent decades. We continue to expect major efforts over the coming years to make good this deficit, providing a new boost to the economy as a positive side effect. Overall, we regard the situation as stable and anticipate good opportunities for better growth in both our Construction and Equipment segments. In Canada, the construction market is rather weak, with some large-scale projects. Interesting projects frequently materialize in Central America.

Africa

In Africa, active pursuit of new business is worthwhile even if the overall economic level of these countries does not permit a very great contribution to our total Group revenues. A slight recovery in commodity prices suggests a small increase in investment, especially in the mining sector, which would stimulate the economy as a whole.

The current problems in the world have sidelined major issues for the future, such as the environment, demographic change as well as energy and water. These challenges are becoming important once again due to increasing social problems in many countries, which are partly the cause of the refugee crisis. These problems can only be resolved through greater efforts on the part of construction industry.

This is opening up wide-ranging opportunities for us too. In operation for several years now, our Resources segment is focused on projects relating to the environment, water and natural resources. We have already successfully handled projects in some countries around the world and expect demand for these services to grow considerably.

COURSE OF BUSINESS

The BAUER Group achieved **total Group revenues** amounting to EUR 1,772.0 million during the 2017 financial year, a 14.0% increase over the previous year's value of EUR 1,554.7 million. **EBIT** amounted to EUR 89.6 million (previous year: EUR 70.3 million). **Earnings after tax** were EUR 3.7 million (previous year: EUR 14.4 million).

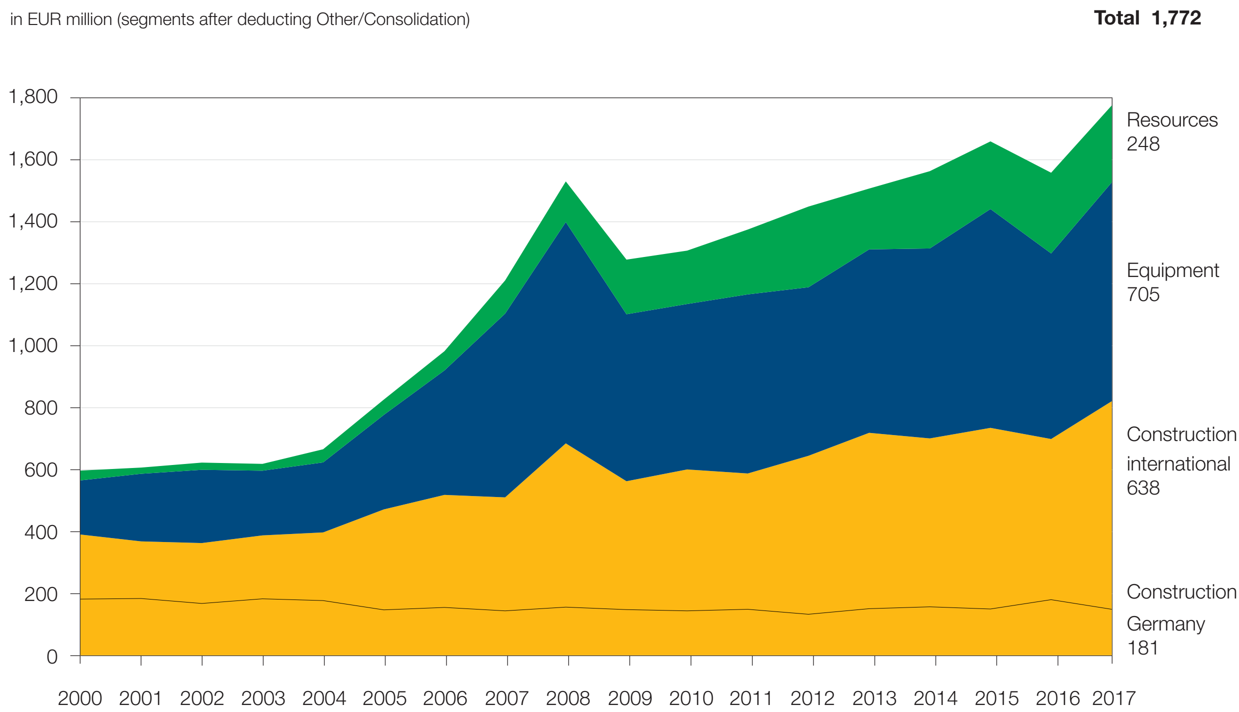
The accounting of currency effects was changed in the 2017 annual financial statement. Previously, realized and unrealized foreign exchange gains as well as gains from foreign exchange forward contracts were reported under other income, and realized and unrealized foreign exchange losses as well as losses from foreign exchange forward contracts were reported under other operating expenses. The foreign exchange result is now reported under financial income or expenses, as it is financial and not operational in nature. The balance of foreign currency gains and losses changed significantly, going from EUR -1.9 million in the previous year to EUR -22.5 million. This had a very negative impact on earnings after tax in the financial year gone by.

Operationally, the BAUER Group started the 2017 financial year with good performance. The significant increase in total Group revenues was attributable to the considerable increase in sales in the Equipment segment and the processing of the large order backlog in construction. As a result, the forecast for total Group revenues increased from approximately EUR 1.7 billion to approximately EUR 1.8 billion when the half-year interim report was published on August 11, 2017. The earnings forecast remained unchanged. We had originally predicted total Group revenues of about EUR 1.7 billion, EBIT of about EUR 75 million and earnings after tax of about EUR 23 to 28 million.

By the end of the year, the Equipment segment was well above expectations in terms of revenue and earnings. With the growth

Development of total Group revenues by segment

in EUR million (segments after deducting Other/Consolidation)



of markets in Europe and Asia, notably China, as well as improvements at some subsidiaries, sales increased significantly. The Construction segment fell short of expectations at the beginning of the year, which was mainly due to negative earnings contributions in Germany and Australia. Earnings were also significantly influenced by foreign currency losses. By the end of the year, however, operating figures were almost on target, which was a result of many good projects, among others in Egypt, Canada and the Far East. The Resources segment was impacted by major losses at subsidiaries or projects in the areas of well construction materials, well drilling and brewing and beverage technology. In addition, further necessary restructuring measures, which the well-performing environmental sector was unable to compensate for, had a negative impact.

By the end of the year, we were seeing much better trends in operating performance compared to previous years.

Unfortunately, the BAUER Group ultimately did not close the year with the planned earnings after tax. In January 2018, the unexpected outcome of long-standing arbitration proceedings necessitated a reassessment of the receivables in the balance sheet. This resulted in an additional loss at the local subsidiary in Hong Kong of just over EUR 20 million. The proceedings related to the Hong Kong Guangzhou Express Rail Link project, during which our local subsidiary carried out major construction work to erect an underground train station in 2011 and 2012. The amount and hardness of rock to be excavated in the soil turned out to be significantly different than expected during the bidding process. As a result, a lot of extra work was required to complete the project. Although the verdict was in our favor, the amount awarded was well below our expectations.

(Note: in the rest of the report, we refer to these proceedings as the „Hong Kong arbitration“ for reasons of readability).

As a result, the full-year Group forecast for 2017 had to be decreased, since this influencing factor must already be taken into account when the balance sheet is prepared. In the ad-hoc announcement published on January 8, 2018, the EBIT forecast was adjusted to about EUR 65 million as was the forecast for earnings after tax, which should be just in the positive range. The forecast for total Group revenues remained unchanged at around EUR 1.8 billion. The difference between the last forecast and the reported EBIT is mainly attributable to the change in the disclosure of currency effects described above.

The **order backlog** of the Group fell to EUR 977.8 million as a result of the completion of several large projects and was 3.0% below the previous year’s figure of EUR 1,008.1 million. Nevertheless, the order backlog in construction is distributed across all regions of the world and is still at a good level for the future. In the Equipment segment, the order backlog was at a similar level to that of the previous quarters despite numerous deliveries in the fourth quarter. In the Resources segment, the order backlog increased significantly as a result of the large-scale project to expand the reed bed treatment plant in Oman.

Summary

From an operational point of view, 2017 was a positive financial year with a significant improvement compared to the previous year. Further realignment of business units, reorganization measures and the termination of minor markets will contribute to the stabilization for the future. Additional new measures

Forecast/actual comparison 2017

in EUR million	Forecasts			Actual 2017
	April 13, 2017	August 11, 2017	January 8, 2018	
Total Group revenues	~ 1,700	~ 1,800	~ 1,800	1,772
EBIT	~ 75	~ 75	~ 65	89.6
Earnings after tax	~ 23-28	~ 23-28	just in the positive range	3.7

in the areas of purchasing, value analysis, production or reduction of working capital are proving successful and will be permanently implemented in the company in order to improve earnings even further. Unfortunately, the positive operating performance was almost completely offset by the negative verdict from the Hong Kong arbitration as well as currency effects. Irrespective of this, we are not yet satisfied with the Group's overall earnings situation. However, many measures have further improved our initial position. Bolstered by consistently positive market forecasts, we are confident about the future.

A three-story underground parking lot is being built under the eastern Altstadtring in Munich. BAUER Spezialtiefbau GmbH used two BG 28s to construct the bored pile wall for the 12-meter-deep excavation pit. The earthworks have been carried out by BAUER Resources GmbH.

CONSTRUCTION SEGMENT

in EUR '000	2016 *	2017	Change
Total Group revenues	713,141	835,001	17.1%
Sales revenues	614,456	783,782	27.6%
Order intake	707,354	742,410	5.0%
Order backlog	585,272	492,681	-15.8%
EBIT	29,722	19,630	-34.0%
Earnings after tax	9,463	-15,236	n/a
Employees (on average over the year)	6,412	6,467	0.9%

* Previous year adjusted; see notes on page 93 ff.

General conditions

Construction markets around the world continued to grow healthily in 2017. This growth is constantly propelled by the great need for infrastructural works such as roads, bridges, dams and energy supplies as well as increasing urbanization. Since this construction must be carried out in increasingly complex, troublesome circumstances, the need for specialist foundation engineering services is also expanding, so that we are acting in a market with a promising future.

Germany continues to be a very active construction market, albeit with too few public infrastructure projects at the present time. There is also overall growth in the other European countries, but performance varies in the different markets. In contrast to other southeastern European countries, Hungary is experiencing robust construction growth. The US was unable to meet the high expectations for new construction investments. The Far East is still characterized by many construction activities. On the other hand, the Middle East and Central America countries were somewhat weak, with some markets experiencing a downturn. The blockade of Qatar by several neighboring countries led to significant impairments and a collapse of the local construction market. The construction market in Russia is also still at a low level.

Significant events

The Construction segment generated **total Group revenues** of EUR 835.0 million in the 2017 financial year, which at 17.1% shows a very significant year-on-year increase from EUR 713.1 million. At EUR 19.6 million, **EBIT** was below the expectations and the previous year of EUR 29.7 million. **Earnings after tax** were negative at EUR -15.2 million – in the previous year, earnings were positive at EUR 9.5 million.

Overall, we significantly increased total Group revenues by processing the large order backlog and utilizing the very good market situation in some countries. The key earnings figures were affected by a wide variety of influencing factors. Some very good contributions to earnings from projects and subsidiaries, such as Canada, England, Egypt, Thailand, Indonesia and Russia, were offset by losses in Germany, Australia, the USA and the Middle East. Negative currency effects and high tax expenses, which additionally impacted earnings after tax, also had a major impact.

In January 2018, the unexpected outcome of the Hong Kong arbitration, as described in detail in the Course of Business section, necessitated a reassessment of slightly more than EUR 20 million on the receivables in the balance sheet. This correspondingly reduced sales revenues and total Group revenues of the segment. As a consequence, earnings figures fell far short of expectations. From a purely operational standpoint, we could have finished the year close to our expectations.

Overall, we benefited from the positive market environment, especially in Europe and the Far East. In Germany, individual projects negatively impacted earnings, although the revenues were significantly increased. In Europe, we achieved good results, above all in England, but also in Russia. We completed projects in the weak Russian market, including a follow-up project for the Lakhta Center in Saint Petersburg. In the Far East, the market environment was positive. As a result, we performed very well there, especially in Indonesia and Thailand. Malaysia significantly increased revenues and earnings compared to the previous year, when many projects were postponed. Once again, our subsidiaries in Egypt and Canada, where the major Diavik project was successfully completed, performed well.

By contrast, our subsidiary in the US had a difficult year. The company is still being reorganized and therefore continued to record a loss. In Australia, a large-scale project negatively impacted earnings. Overall, the Middle East declined compared to previous years and the subsidiaries made a negative contribution to earnings. We continue to see difficult market conditions in Qatar, while orders in the United Arab Emirates are expected to improve.

We provide civil engineering and remediation services in Germany through SCHACHTBAU NORDHAUSEN GmbH and SPESA Spezialbau und Sanierung GmbH. Although revenues increased, a loss was still recorded.

Order situation

Order intake was good in the financial year gone by and totaled EUR 742.4 million, up 5.0% from the previous year's EUR 707.4 million. At EUR 492.7 million, the **order backlog** was 15.8% below the previous year (EUR 585.3 million). This was primarily due to the completion of major projects.

However, we continue to record good order intake and are not expecting a significant change in the next few months due to the positive market environment. Overall, the projects are currently well distributed across the existing capacities in the individual regions. Due to the existing order backlog and further opportunities in the world, we have a good starting position for the current financial year.

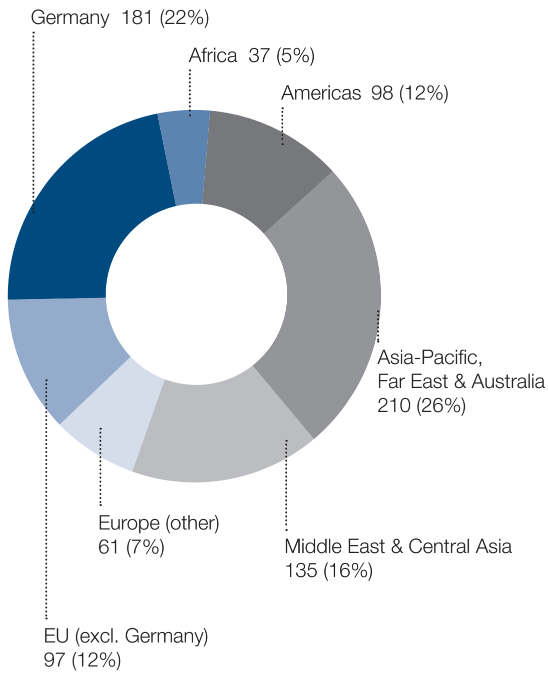
Outlook

The overall performance of the world regions remains positive, despite all the existing political and economic disturbances. Our global network enables us to exploit opportunities in markets with good business conditions and compensate for weaker markets.

Geographical breakdown of total Group revenues Construction segment

in EUR million (after deduction of Consolidation)

Total 819



Overall, we are expecting good performance again in Germany and in Europe. We continue to see the market in the US as challenging. In the Middle East, we expect stable performance overall, whereas in the Far East we expect a profitable financial year thanks to the order situation.

For 2018, we expect the segment to report a slight decline in total Group revenues due to the very strong gains in the previous year. We expect EBIT to improve significantly.

EQUIPMENT SEGMENT

in EUR '000	2016 *	2017	Change
Total Group revenues	634,401	754,545	18.9%
Sales revenues	542,688	660,893	21.8%
Order intake	650,335	759,859	16.8%
Order backlog	144,030	149,344	3.7%
EBIT	38,423	80,574	n/a
Earnings after tax	10,946	40,950	n/a
Employees (on average over the year)	2,753	2,833	2.9%

* Previous year adjusted; see notes on page 93 ff.

General conditions

The construction equipment markets showed significant overall growth in 2017. After somewhat weak or volatile development in previous years, some regions grew significantly. In particular, China and the Asian markets expanded noticeably; Europe was also very positive. Russia managed to grow slightly at a low level, but remained weak overall. The construction equipment market in North America remained virtually unchanged and was disappointing overall. The Middle East fell short of positive expectations, but was better than last year. At our annual in-house exhibition, which was attended by about 2,000 guests from all over the world in 2017, conversations with our customers reflected a much more positive mood and a greater willingness to invest.

The competitive environment, which in recent years was dominated by excess capacity in China, has increasingly normalized in the course of 2017. There are fewer Chinese manufacturers on the market. As a result, we have returned to our normal competition with European and Chinese manufacturers. We were able to benefit relatively well from the good growth in the construction equipment markets.

The important commodity markets for some of our special product groups, such as well drilling rigs, also grew in 2017.

Significant events

The Equipment segment significantly increased its **total Group revenues** in the past financial year by 18.9%, growing from EUR 634.4 million to EUR 754.5 million. **Sales revenues** also grew by 21.8%, from EUR 542.7 million to EUR 660.9 million. Accordingly, **EBIT** increased from EUR 38.4 million to EUR 80.6 million and **earnings after tax** from EUR 10.9 million to EUR 41.0 million.

In an overall growing market environment, we were able to significantly increase our revenues and sales. Business was already better than expected in the first months of the year. The main drivers for the year as a whole were the sales markets in Europe and Asia, especially China. Africa and South America performed well. Disappointing, however, were the sales figures in North America and the Middle East, which were below expectations. Sales in Russia continued to be weak due to a lack of funds on the part of customers. The neighboring countries of Eastern Europe and Central Asia were slightly profitable, but remained at a low level.

Overall, our subsidiaries and individual product groups made significant improvements over the previous year. The restructuring measures and the partial realignment of the product range were particularly effective for well drilling rigs and mixing systems. Sales of anchor drilling rigs, rotary drives and casings continued to show profitable results in 2017, as did the production and sales organization in the Far East, which once again contributed positively to revenues and earnings and benefited from the rapidly growing markets in the region. Business in spare parts, drilling tools and other after-sales services once again had a good impact on earnings overall.

The sales company for specialist foundation engineering equipment in the US will relocate to a new office with warehouse space and fully relinquish the existing site to the Schlumberger joint venture for the production of deep drilling rigs. The joint venture is not yet profitable, in accordance with plans. After testing the newly developed equipment, we see good opportunities for positive demand here. The rigs already in use performed well in the first drilling projects.

Overall, sales of large machinery and specialist equipment were noticeably higher than in the previous year. The very significant increase in revenue also led to better capacity utilization at the plants, which also had a positive impact on earnings. We were also able to improve the earnings situation through many individual measures at our subsidiaries and at BAUER Maschinen GmbH.

Order situation

Order intake was better than expected in the past financial year and has been consistently above our forecasts since the beginning of the year. It increased significantly by 16.8%, from EUR 650.3 million in the previous year to EUR 759.9 million. The order backlog at the end of 2017 was EUR 149.3 million, remaining close to the previous year's level of EUR 144.0 million. Due to significantly increased production volumes and fast delivery, the order backlog was quickly processed on a repeated basis.

All in all, new orders are up considerably compared to recent years. Still, customers for specialist foundation engineering equipment continue to order at relatively short notice. Only occasional equipment orders for special projects are placed somewhat longer ahead of time. This results in very swift deliveries to customers, so that the order backlog lasts between two and three months throughout the year. Although many machines were delivered again at the end of 2017, the order backlog in December was similar to the usual backlog during the course of the year, thanks to good order intake recorded in the fourth quarter. New orders for the construction of deep drilling rigs are expected in the joint venture with Schlumberger.

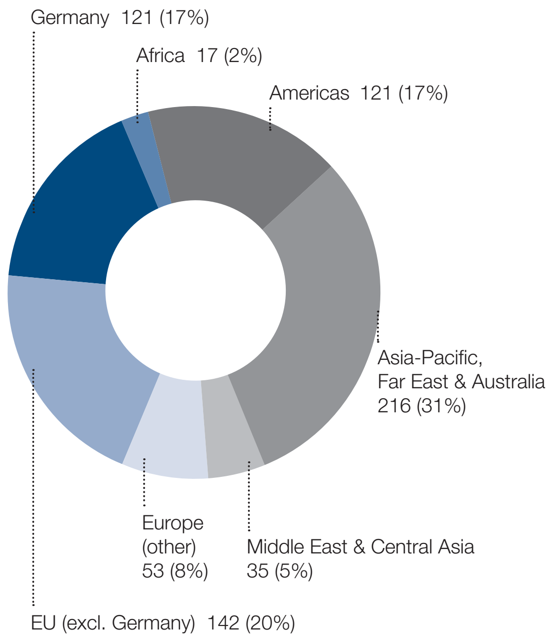
Outlook

2017 was very positive for our Equipment segment. Business in the segment benefited from strong growth in the European and Asian markets, more deliveries of large machinery and specialist equipment as well as restructuring measures at subsidiaries. We are expecting the good market development in our regions to continue in 2018. Russia and the Middle East are also expected to be somewhat weaker this year. The normalization of competition is also expected to continue.

Geographical breakdown of total Group revenues Equipment segment

in EUR million (after deduction of Consolidation)

Total 705



As a result, we do not expect any major market distortions in the near future.

For 2018, we expect total group revenues for the segment to be at about the same level as in the previous year, as well as a slight decline in EBIT.

RESOURCES SEGMENT

in EUR '000	2016 *	2017	Change
Total Group revenues	262,411	248,209	-5.4%
Sales revenues	238,199	221,522	-7.0%
Order intake	264,743	305,185	15.3%
Order backlog	278,795	335,771	20.4%
EBIT	-3,718	-10,023	n/a
Earnings after tax	-8,452	-22,422	n/a
Employees (on average over the year)	1,282	1,287	0.4%

* Previous year adjusted; see notes on page 93 ff.

General conditions

The Resources segment is focused on products and services in three areas: water, environment and natural resources. In the environmental area, the market performed well in the financial year gone by. Germany continues to provide many orders in the field of remediation, such as land recycling, groundwater treatment, or the disposal of contaminated soils and surfaces. Although there is great demand in the Middle East, the overall market has been very volatile over the last year.

In the water area, there was also stable demand for brewing and beverage technology as well as water purification plants in the past financial year. The market for well engineering materials was very stable in Germany, but was generally somewhat weak in Europe and Africa.

The markets for deep drilling to exploit oil, gas, water and natural resources still proved to be particularly difficult. Although commodity prices have risen again, there were not enough projects on the market. As a result, there was continued excess capacity, which had a significant negative impact once again last year.

Significant events

Total Group revenues in the Resources segment decreased by 5.4% from EUR 262.4 million in the previous year to EUR 248.2 million. **EBIT** decreased from EUR -3.7 million to EUR -10.0 million and **earnings after tax** were down from EUR -8.5 million to EUR -22.4 million.

The Resources segment fell well short of our expectations in 2017. Although many restructurings are already taking effect, some areas and companies are not posting profits yet. Therefore, further measures have been implemented.

Our environmental business, which has a very good order backlog in stable markets, performed well again. Major projects, such as the remediation of the Kesslergrube landfill, are progressing successfully. However, one of our soil remediation centers in Germany had a negative effect on results. Business activities in the United Arab Emirates and Saudi Arabia were reduced due to the volatile market situation. The project to expand the world's largest reed bed treatment plant in Oman, awarded in October and worth about EUR 160 million, was a very pleasing development. The construction phase, which accounts for around a quarter of the order volume, will last until the end of 2019.

Underutilization in well drilling continued to have a significant negative impact. Although the subsidiary in Jordan did a good job last year in maintaining wells in the country, the company's current excess capacity continued to impose major financial burdens. In addition, a reassessment on a receivable in the balance sheet from a well construction project completed in 2013 was necessary because our client lost an arbitration case. Companies in Africa also continued to have low order levels, although the increase in raw material prices for mines indicates market growth.

Our subsidiary, which manufactures systems for brewing and beverage technology, was dramatically impacted by an unprofitable project last year. Since the project has already been completed, we expect no further effects here and are more positive about the future once again. In the area of water treatment systems, some projects were awarded late, meaning that business should improve in 2018. The GWE Group, which manufactures well engineering materials, has undergone many restructuring measures in recent years. However, the company has not yet generated a profit, so intensive efforts to make improvements must be continued.

The Resources segment also includes the mining division of SCHACHTBAU NORDHAUSEN GmbH, which chiefly performs restoration and safeguarding of mines. Thanks to the continued good market in Germany and the strong performance of our company in Kazakhstan, the division once again made a positive contribution to revenue and earnings, which were well above the previous year.

Order situation

Order intake in 2017 was EUR 305.2 million, 15.3% above the previous year's value of EUR 264.7 million, mainly due to the large project for the expansion of the reed bed treatment plant in Oman, which has a volume of about EUR 160 million. At EUR 335.8 million, the **order backlog** at the end of the year was 20.4% higher than the previous year's EUR 278.8 million. Due to the long duration of the project in Oman, it is not fully included in the order backlog.

Good order growth was recorded above all in the environmental business, which succeeded in gaining the above-mentioned major project as well as other large-scale projects. The subsidiaries that produce water treatment plants and brewing and beverage technology systems also gained new orders and therefore had a good backlog. In the area of well drilling, order backlog has declined. This was mainly due to the completion of the order in Jordan. However, we expect things to improve again because new projects are coming onto the market.

Outlook

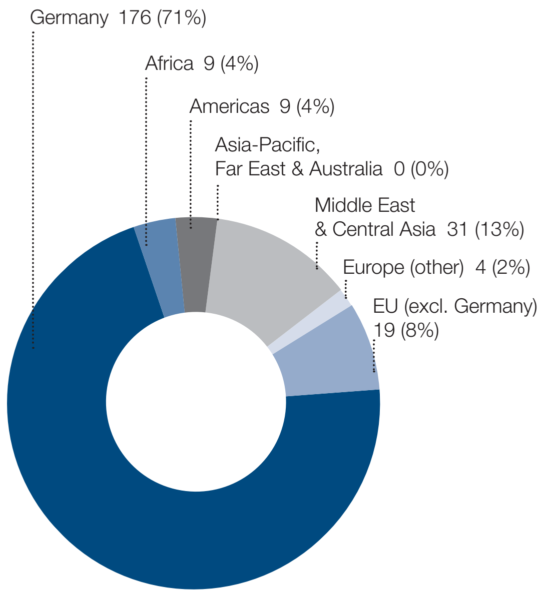
The Resources segment was unable to meet our original expectations in the year gone by. In addition to the drilling projects, a project in the brewery sector as well as subsidiaries that have not yet generated a profit also had a negative impact. Therefore, some additional measures have been implemented to improve the earnings situation.

We continue to see strong growth in the environmental sector, which has a good order backlog. The project to expand the reed bed treatment plant will also contribute positively to earnings in the coming years. The overall order situation in the water business is also good and offers us further opportunities for the future. In the area of brewery systems, the burdensome project was completed in 2017 and we now expect a normal financial year for 2018.

Geographical breakdown of total Group revenues Resources segment

in EUR million (after deduction of Consolidation)

Total 248



From today's perspective, the difficult market situation in well drilling will only improve slightly. The financial burden caused by excess capacity at our subsidiary in Jordan will continue in 2018.

Overall, we cannot return the Resources segment to profitable territory as soon as expected. However, we assume that the earnings situation will improve significantly compared to 2017 thanks to the order situation and the measures we have taken.

As a result, in 2018, we expect a healthy increase in total Group revenues and significantly improved EBIT in the segment.

OTHER / CONSOLIDATION SEGMENTS

The Other and Consolidation segments bundle the revenues and earnings of the Group which cannot be allocated to the operating segments. The Other segment essentially comprises the revenues of the parent company BAUER AG itself, generated from a wide variety of administrative services provided to Group subsidiaries.

The **Other segment** reports EBIT of EUR 14.2 million (previous year: EUR 8.1 million). This includes EUR 13.0 million of dividend payments by Group subsidiaries to the parent company. Earnings after tax were EUR 14.9 million (previous year: EUR 4.8 million). The segment‘s revenues are generated mainly by intra-group charges.

The **Consolidation segment** reflects the consolidation within the Group. The negative EBIT of EUR -14.8 million (previous year: EUR -2.3 million) largely matches the aforementioned dividend payments by Group subsidiaries to BAUER AG. Earnings after tax were EUR -14.5 million (previous year: EUR -2.4 million).

Esau & Hueber supplied a five-vessel brewery with a capacity of 70 hl for the privately owned Hofmann brewery in Pahres. The brewhouse is designed to produce more than 100,000 hl per year, with the possibility of expanding production to 150,000 hl per year.

Breakdown of total Group revenues by subsegment

	in EUR million	2016 Revenues *	2017 Revenues	Share Year 2016	Change against previous year	Orders in hand
Construction	BAUER Spezialtiefbau GmbH (BST)					
	BST, Germany	137.3	140.3	7.9%	2.2%	+
	Subsidiaries, Germany	33.3	2.3	0.1%	-93.0%	•
	BST, international	75.8	100.8	5.7%	33.0%	+
	Subsidiaries, international	487.3	641.0	36.2%	31.5%	+
	BST Group total	**733.7**	**884.4**	**49.9%**	**20.5%**	**+**
	SCHACHTBAU NORDHAUSEN GmbH Subsidiaries (SBN)	63.1	58.9	3.3%	-6.7%	•
	less intra-Group revenues and IFRS adjustments	-83.7	-108.3	-6.1%		
	Construction total	**713.1**	**835.0**	**47.1%**	**17.1%**	**+**
Equipment	BAUER Maschinen GmbH (BMA)	416.5	509.1	28.7%	22.2%	+
	Equipment subsidiaries	437.9	521.1	29.4%	19.0%	•
	BMA Group total	**854.4**	**1,030.2**	**58.1%**	**20.6%**	**+**
	SBN	38.1	43.9	2.5%	15.2%	•
	less intra-Group revenues and IFRS adjustments	-258.1	-319.6	-18.0%		
	Equipment total	**634.4**	**754.5**	**42.6%**	**18.9%**	**+**
Resources	BAUER Resources GmbH (BRE)	110.7	114.7	6.5%	3.6%	+
	Resources subsidiaries	128.5	115.0	6.5%	-10.5%	+
	BRE Group total	**239.2**	**229.7**	**13.0%**	**-4.0%**	**+**
	SBN	40.8	47.6	2.7%	16.5%	+
	less intra-Group revenues and IFRS adjustments	-17.6	-29.1	-1.6%		
	Resources total	**262.4**	**248.2**	**14.0%**	**-5.4%**	**+**
Other	BAUER Aktiengesellschaft (BAG)	42.7	52.5	3.0%	22.8%	
	Other subsidiaries	3.0	3.3	0.2%	12.4%	
	Total Other/services	**45.7**	**55.8**	**3.2%**	**22.2%**	
	less intra-Group revenues and IFRS adjustments	-101.0	-121.5	-6.9%		
	Group total (including non-controlling interests)	**1,554.7**	**1,772.0**	**100.0%**	**14.0%**	**+**
	of which: Germany	472.9	477.8	27.0%	1.1%	
	International	1,081.8	1,294.2	73.0%	19.6%	

Notes on the table:
- List also includes non-consolidated participations
- Evaluation of order backlog in relation to planned revenues:
  -- 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.

* Previous year adjusted; see notes on page 93 ff.

Breakdown of total Group revenues across the companies of the BAUER Group

Shareholdings < 50 % are listed with their revenue share

in EUR million	2016 *	2017
BAUER Spezialtiefbau GmbH - Group		
BAUER Spezialtiefbau GmbH, Schrobenhausen, Germany (BST)	213.1	241.1
Wöhr + Bauer GmbH, Munich, Germany - (sub-group consolidated financial statements)	29.8	-
BAUER Funderingstechniek B.V., Mijdrecht, Netherlands	5.2	3.8
BAUER Technologies Limited, Bishops Stortford, Great Britain	24.4	41.7
BAUER Spezialtiefbau Schweiz AG, Baden-Dättwil, Switzerland	24.6	22.1
BAUER Magyarország Speciális Mélyépítö Kft., Budapest, Hungary	9.7	12.5
BAUER ROMANIA S.R.L., Bucarest, Rumania	1.6	0.3
BAUER BULGARIA EOOD, Sofia, Bulgaria	1.7	1.8
BAUER SPEZIALTIEFBAU Gesellschaft m.b.H., Vienna, Austria	22.8	26.9
OOO BAUER Technologie, Moscow, Russian Federation	16.9	37.3
BAUER EGYPT S.A.E. Specialised Foundation Contractors, Cairo, Egypt	42.0	32.9
BAUER LEBANON FOUNDATION SPECIALIST S.a.r.l., Beirut, Lebanon	9.3	9.9
BAUER Georgia Foundation Specialists LCC, Batumi, Georgia	1.6	2.9
BAUER International FZE, Dubai, United Arab Emirates	30.8	62.8
BAUER Geotechnical Specialized Foundation LLC, Abu Dhabi, United Arab Emirates	34.8	40.0
BAUER International Qatar LLC, Doha, Qatar	25.6	14.3
Saudi BAUER Foundation Contractors Ltd., Jeddah, Saudi Arabia	12.8	13.7
BAUER (MALAYSIA) SDN. BHD., Petaling Jaya, Malaysia - (sub-group consolidated financial statements)	45.7	84.7
BAUER Hong Kong Limited, Hong Kong, People's Republic of China	15.8	-7.1
BAUER Vietnam Ltd., Ho Chi Minh City, Vietnam	10.0	18.8
BAUER Foundations Philippines, Inc., Quezon City, Philippines	15.6	20.8
P.T. BAUER Pratama Indonesia, Jakarta, Indonesia	17.0	31.4
Thai BAUER Co. Ltd., Bangkok, Thailand	21.9	30.1
BAUER Foundations Australia Pty Ltd., Brisbane, Australia	10.7	30.5
BAUER FOUNDATION CORP., Odessa, United States of America	16.8	24.0
BAUER Foundations Canada Inc., Calgary, Canada	35.2	48.8
BAUER FUNDACIONES PANAMÁ S.A., Panama City, Panama	11.4	13.3
BAUER Fundaciones America Latina S.A., Panama City, Panama	7.5	7.0
BAUER FUNDACIONES DOMINICANA, S.R.L, Santo Domingo, Dominican Republic	4.4	2.7
Other BST shareholdings	12.0	13.5
Joint ventures, Germany - (BST share only)	3.0	1.9
Intra-Group sales	-78.3	-103.4
BST Group total	**655.4**	**781.0**
SCHACHTBAU NORDHAUSEN GmbH - Group		
SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Germany (SBN)	70.6	79.1
SBN participations	465	49.6
Joint ventures SCHACHTBAU NORDHAUSEN GmbH - (SBN share only)	2.5	2.0
SPESA Spezialbau und Sanierung GmbH, Schrobenhausen, Germany	16.6	15.1
Joint ventures SPESA - (SPESA share only)	5.8	4.6
Intra-Group sales	-46.6	-50.8
SBN Group total	**95.4**	**99.6**
BAUER Maschinen GmbH - Group		
BAUER Maschinen GmbH, Schrobenhausen, Germany (BMA)	416.5	509.1
KLEMM Bohrtechnik GmbH, Drolshagen, Germany	46.0	46.5
PRAKLA Bohrtechnik GmbH, Peine, Germany	7.7	13.6
EURODRILL GmbH, Drolshagen, Germany	16.2	17.7
BAUER Foralith GmbH, Schrobenhausen, Germany	0.0	6.5
RTG Rammtechnik GmbH, Schrobenhausen, Germany	30.0	31.0

Compared to the breakdown of total Group revenues by segment, in the breakdown of total Group revenues by company the total of the individual groups is shown after consolidation.

in EUR million	2016 *	2017
BAUER Maschinen GmbH - Gruppe		
Olbersdorfer Guß GmbH, Olbersdorf, Germany	6.6	6.7
SPANTEC Spann- & Ankertechnik GmbH, Schrobenhausen, Germany	8.1	7.5
BAUER Deep Drilling GmbH, Schrobenhausen, Germany	3.6	1.4
TracMec Srl, Mordano, Italy	11.0	11.5
BAUER EQUIPMENT UK LIMITED Rotherham, Great Britain	14.2	6.9
BAUER Macchine Italia Srl, Mordano, Italy	11.0	13.7
BAUER MASZYNY POLSKA Sp.z.o.o., Warsow, Poland	5.4	6.1
OOO BAUER Maschinen Russland, Moscow, Russian Federation	3.6	6.8
OOO BAUER Maschinen - Kurgan, Kurgan, Russian Federation	2.2	2.3
OOO BG-TOOLS-MSI, Lyubertsy, Russian Federation	1.6	1.7
BAUER Equipment Gulf FZE, Dubai, United Arab Emirates	7.0	9.5
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	5.0	7.4
BAUER Equipment India Private Limited, Navi Mumbai, India	2.4	3.1
BAUER Technologies Far East Pte. Ltd., Singapore, Singapore - (sub-group consolidated financial statements)	121.4	184.4
NIPPON BAUER Y.K., Tokyo, Japan	10.1	13.3
BAUER Equipment Australia Pty. Ltd., Baulkham Hills, Australia	8.0	12.2
BAUER-Pileco Inc., Conroe, Texas, United States of America	92.4	66.5
BAUER Machinery USA Inc., Conroe, United States of America	0.5	0.0
BAUER Manufacturing Inc., Conroe, United States of America	21.2	39.5
Other BMA participations	2.7	5.3
Intra-Group sales	-223.1	-279.1
BMA Group total	**631.3**	**751.1**
BAUER Resources GmbH - Group		
BAUER Resources GmbH, Schrobenhausen, Germany (BRE)	110.7	114.7
GWE pumpenboese GmbH, Peine, Germany	38.5	41.0
Esau & Hueber GmbH, Schrobenhausen, Germany	24.2	13.2
GWE POL-Bud Sp.z.o.o, Lodz, Poland	2.7	3.6
GWE France S.A.S., Aspiran, France	1.7	2.2
GWE Budafilter Kft., Mezöfalva, Hungary	3.1	3.3
FORALITH Drilling Support AG, St. Gallen, Switzerland	1.6	1.3
Bauer + Moosleitner Entsorgungstechnik GmbH, Salzburg, Austria	2.4	2.4
BAUER Resources GmbH / Jordan Ltd. Co., Amman, Jordan - (sub-group consolidated financial statements)	30.3	20.8
BAUER Emirates Environment Technologies & Services LLC, Abu Dhabi, United Arab Emirates	2.0	1.4
BAUER Nimr LLC, Maskat-Al Mina, Sultanat Oman	8.7	10.3
BAUER Resources Maroc S.A.R.L., Kenitra, Morocco	2.5	3.0
BAUER Senegal SARL, Dakar, Senegal	2.5	1.2
BAUER Technologies South Africa (PTY) Ltd., Cape Town, South Africa - (sub-group consolidated financial statements)	2.1	3.4
GWE Tubomin S.A., City of Santiago, Chile	4.5	5.6
Other participations of BRE	1.5	1.4
Joint ventures BAUER Resources GmbH - (BRE share only)	0.2	0.9
Intra-Group sales	-11.4	-23.7
BRE Group total	**227.8**	**206.0**
BAUER Aktiengesellschaft, Schrobenhausen, Germany (BAG)	42.7	52.5
Other participations of BAG	3.0	3.3
Intra-Group sales	-100.9	-121.5
GROUP TOTAL	**1,554.7**	**1,772.0**

* Previous year adjusted; see notes on page 93 ff.

III. EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

The turnaround achieved in 2016 was successfully continued in 2017 and the earnings situation improved significantly, especially in terms of operating earnings. This was predominantly thanks to significantly improved total Group revenues in the Equipment segment, as well as many positive earnings achieved by subsidiaries in the Construction and Resources segments. Unfortunately, there were some factors that negatively impacted earnings in 2017. These mainly include the Hong Kong arbitration, significant foreign currency losses and a wide variety of negative results in the Resources segment. Some of these factors had a particular impact on our earnings after tax.

Although overall performance is more positive once again, the earnings position of the company is still below our expectations, partly because of these effects.

Note the following when comparing the individual items of the income statement:

As detailed in the Course of Business section, the accounting of currency effects was changed in the 2017 annual financial statement. The balance between gains and losses deteriorated significantly, going from EUR -1.9 million in the previous year to EUR -22.5 million as a result of considerable exchange rate fluctuations in 2017. The previous year's figures for consolidated revenues, other income, other operating expenses, EBITDA, EBIT and financial income and expenses were adjusted accordingly.

The key earnings figures changed as follows:

EBITDA grew by 13.9% from EUR 160.3 million to EUR 182.6 million, representing 10.8% (previous year: 11.0%) of consolidated revenues. **EBIT** rose from EUR 70.3 million in the previous year to EUR 89.6 million. **Earnings after tax** of EUR 3.7 million (previous year: EUR 14.4 million) include net currency effects of EUR -22.5 million in 2017 (previous year: EUR -1.9 million).

The **pre-tax return on equity** as the ratio of pre-tax earnings to equity (equity at the start of the period) increased compared to 2016 from 5.3% to 8.1%. The **return on equity after tax** was 0.8% (previous year: 3.2%). The **return on revenues after tax** (relative to the consolidated revenues of the income statement) decreased from 1.0% to 0.2% year-on-year.

The individual income statement items are summarized in the following.

Consolidated revenues grew significantly by 15.8%, from EUR 1,457.9 million in the previous year to EUR 1,688.1 million.

Sales revenues increased sharply by 19.4% from EUR 1,396.9 million to EUR 1,667.9 million. This increase was primarily due to the Construction and Equipment segments. The reassessment of the receivable in the balance sheet from the Hong Kong arbitration case had a corresponding reducing effect on this in 2017.

Changes in inventories changed were very significant, going from EUR 15.4 million to EUR -10.8 million. This was mainly due to excellent sales in the Equipment segment.

Other capitalized goods and services for own account declined from EUR 13.5 million to EUR 8.5 million.

Other income fell very significantly against the previous year, from EUR 32.2 million to EUR 22.6 million. EUR 15.6 million of income in de-consolidation was included in the previous year.

The **cost of materials** grew by 28.1% to EUR 919.6 million in the year under review. The increase was well above the increase in consolidated revenues. This was mainly due to changes in the order structure in the Construction segment, where a significant increase in the use of materials was evident in some projects. Costs of materials on construction projects vary widely, so comparisons between individual years are only possible to a very limited extent.

Personnel expenses, which rose by 3.7% to EUR 383.5 million, grew well below average compared to consolidated revenues. This is attributable to the slight growth in the number of employees and, above all, to the wage increase in the construction industry. With our earnings protection program we try to manage personnel expenses in the best possible way in relation to revenue development.

Other operating expenses fell by 3.6% from EUR 209.9 million to EUR 202.5 million. The many individual components of this item develop in very different ways depending on the course of business and the mix of the order portfolio. This reflects our lasting efforts to improve our cost structures.

Depreciation of fixed assets rose by 5.1% to EUR 78.3 million.

Write-downs of inventories due to use reflect the use of rental equipment made available to our customers. This equipment does not form part of the fixed assets, but is recognized under inventories. The reason for this approach is that most of this equipment remains within the company only for a relatively short time. The aim of the rental operation is to subsequently sell the equipment under a rental-purchase agreement. As the equipment has to be financed correspondingly on the Equity and Liabilities side of the balance sheet, its depreciation forms part of the company's EBITDA. Write-downs due to use fell by 5.7% to EUR 14.6 million during the year under review.

Financial income rose from EUR 36.2 million to EUR 37.6 million. Following the de-consolidation of our investment in Wöhr + Bauer GmbH in the previous year, the company's income of EUR 2.7 million was included in the item for the first time.

Financial expenses were EUR 90.8 million, up from EUR 79.4 million in the previous year. Foreign currency losses, which amounted to EUR 50.1 million in 2017, were significantly higher than the previous year's EUR 32.6 million. Adjusted for this effect, the item fell by EUR 6.0 million. The previous year's figures included EUR 4.2 million in impairment losses related to financial assets. Realized and unrealized foreign currency gains and losses as well as gains and losses from foreign exchange forward contracts result from our currency hedge management activities. Fluctuations in hedged and unhedged currencies can cause the corresponding income statement items to vary widely over the years depending on trends. The Group's objective is to undertake exchange rate hedging which rules out the possibility of foreign currency gains or losses as far as possible.

The **share of the profit or loss of associated companies accounted for using the equity method** improved from EUR -3.0 million to EUR -1.1 million. This was primarily caused by an extraordinary impairment of shares totaling EUR 5.3 million, which is offset by gains of EUR 7.1 million.

At EUR 31.6 million, **income tax expense** was significantly up from the previous year's EUR 9.6 million. This high tax rate is related to the very healthy earnings development of the Equipment segment as well as to the parent company in the Construction segment. In most cases, it was not possible to reduce the tax burden through deferred tax assets. In the previous year, there were additional positive effects due to changes under corporate law. We expect the tax rate to by higher than usual again in the coming year. In the medium term, we expect an income tax burden of between 30 % and 40% once again.

The **earnings after tax attributable to BAUER AG shareholders** was EUR 2.7 million (previous year: EUR 11.3 million).

At EUR 0.9 million, the **earnings after tax attributable to non-controlling interests** was down from the previous year's EUR 3.1 million.

GROUP FINANCIAL AND NET ASSET POSITION

Note the following when comparing the individual items of the balance sheet:

In the previous year, advances received for orders totaling EUR 13.9 million (previous year: EUR 13.9 million) were shown as a separate item on the equity and liabilities side under current liabilities. This financial statement presents the item on the assets side under inventories of finished goods and work in progress as well as stock for trade. The previous year figures for both items have been adjusted accordingly. This applies to an advance payment of EUR 10.8 million for a project investment in the Resources segment (previous year: EUR 5.7 million), which was shown on the equity and liabilities side under other current liabilities in the previous year and is now on the assets side under receivables from construction contracts (PoC). Both adjustments have the effect of reducing total assets, resulting in an adjustment of the total assets of the previous year, which in turn changes individual balance sheet ratios, such as the equity ratio.

The **total assets** of the Group declined by 3.8% from EUR 1,681.8 million to EUR 1,617.7 million, which was mainly due to the decline in trade receivables, inventories and investments accounted for using the equity method.

At 25.9%, the **equity ratio** was at the previous year's level of 25.8%. Despite the drop in total assets, the low level of earnings after taxes meant that no improvement in the equity ratio was achieved. We are once again aiming to achieve a value in excess of 30% in coming years. All investment and growth plans of the business are aligned to this target.

At EUR 593.7 million, the **net debt** of our company fell very sharply by 12.3% in the year under review to 2012 levels. Total Group revenues have increased by 23.4% since then. Notwithstanding the significant decline, we will continue to work hard in the coming years to improve net debt relative to total assets and revenues. We must stress, however, that in view of the nature of our business, this will only be possible to a certain extent.

The level of the net debt in the Group is largely dependent on the level of the working capital. The working capital of our businesses is inevitably relatively high due to the nature of our business model and the special market in which we operate. Our construction projects run for only comparatively short periods of time. As opposed to building construction contractors, who work on longer-running projects, we rarely receive advance payments for the construction project in question meaning that it is very rare for us to generate a positive cash flow over the term of the project. Short construction contracts – the majority of our contracts – require financing across the Group's many construction sites corresponding to roughly three months' sales of the Construction segment. Consequently, projects are always billed after the work has been completed.

The situation in the Equipment segment is similar. Production lead times for our specialist machinery are around 12 months. Since customers usually only order equipment once they have an actual contract to fulfill, and so expect short delivery lead times from us, we are forced to hold stocks of finished machinery. Moreover, we have a very broad product range and we need to stock spare parts for our customers worldwide, leading to a corresponding increase in the need for financing.

We succeeded in significantly reducing working capital in the year under review, which helped us to reduce net debt considerably. Inventories, finished goods and receivables were significantly reduced thanks to additional sales growth as well as our own measures. This is good news and we will continue our efforts to keep working capital at a reasonable level for our business.

We are aware that the Group's higher financing requirements place greater weight on the question of our self-financing capabilities. Insufficient income in recent years, changes in the valuation of pension provisions and currency effects have made the equity ratio too low. We are aware that it will have to be increased again in the coming years. It would be much higher if the hidden reserves were included. Since changing over to IFRS we have used the historical cost model to value land and buildings. With a carrying amount for the land and buildings of EUR 174.3 million, there is a considerable reserve here.

As the income statement of the Group in 2017 was burdened by increased financial expenses, the agreed EBITDA to Net Interest Coverage ratio for significant liabilities could not be fully achieved with a value of 3.28 being reached. An amicable solution has already been found with all relevant financial partners for the affected loans. We expect to meet the agreed ratios once again in the 2018 financial year. The two other agreed covenant ratios – Net Debt to EBITDA and equity ratio – are sufficiently within the agreed thresholds. In addition to the two syndicated loans, the Group has set covenants for a number of long-term loans, which were valued as per the 2017 year-end at EUR 193.8 million. The thresholds for the ratio of EBITDA to net interest coverage are between more than 2.8 and more than 3.5 for these loans at the end of 2018. On the whole, we see a sufficient scope for covering our liquidity requirements with credit lines that have been approved but not yet utilized.

Exchange rate trend

1 EUR corresponds to	Average rate 2016	Average rate 2017
USD	1.1040	1.1393
GBP	0.8227	0.8753
RUB	73.1804	66.2766
CNY	7.3488	7.6715

In 2017, the "Increase Option" in the existing syndicated loan agreement was used to increase the volume from EUR 430 million to EUR 455 million. The syndicated loan agreement of 2014 is valid until July 2019 with a renewal option for an additional two years. Furthermore, an additional syndicated loan with a volume of EUR 53 million, whose facilities run until September 2022 or September 2027, was concluded.

Covenants trend

	2016 *	2017
Net debt/EBITDA	4.27	3.25
EBITDA/net interest coverage	4.24	3.28
Equity ratio in %	25.8	25.9

* Previous year adjusted; see notes on page 93 ff.

In assessing the Assets side of the consolidated balance sheet, it is important to note that this is composed of a construction element (relating to the Construction and Resources segments) and an equipment element (relating to machinery manufacturing operations). Some specific items relate primarily to the construction element, while others, in contrast, relate to the equipment element. The main items of such kinds are listed in the following:

- Within property, plant and equipment, slightly more than half of the land, land rights and buildings item relates to the Equipment segment. On the other hand, about two thirds of the technical equipment and machinery item is attributable to the Construction segment.

- Some 40% of the raw materials and supplies item is linked to the machinery manufacturing operations of the Equipment segment.

- More than 90% of the work in progress and finished goods and stock for trade item relates to the Equipment segment, with a small percentage attributable to the Construction and Resources segments. In the Equipment segment, it is essential to successful selling operations to maintain stocks of rental equipment as part of current assets, so that customers can try out the machinery before making their final purchasing decision. Equipment can also be drawn from the pool to cover short-term capacity bottlenecks on construction sites. The machinery in production at the balance sheet date also represents a substantial capital tie-up.

- Receivables from construction contracts (PoC) are attributable to the Construction and Resources segments. The Construction segments accounts for just over one half of trade receivables and the Equipment segment accounts for one quarter.

These different weightings are barely relevant to inter-period balance sheet comparisons when the rate of growth – either positive or negative – of the business areas is roughly the same.

With regard to the items on the balance sheet, the following material changes should be noted:

On the Assets side:

- **Intangible assets** fell only slightly from EUR 25.6 million to EUR 21.0 million.

- **Investments accounted for using the equity method** decreased from EUR 129.3 million to EUR 121.3 million. The reason for this is mainly the devaluation of the shares in BAUER Deep Drilling GmbH as well as the merger of NDHE Entsorgungsgesellschaft GmbH with DEUSA International GmbH.

- **Deferred tax assets** increased by EUR 2.7 million to EUR 45.6 million, which, at EUR 1.3 million, is mainly attributable to the usability of tax losses carried forward and valuation differences.

- **Other non-current financial assets** decreased by EUR 4.0 million to EUR 14.4 million.

- **Inventories** decreased by EUR 16.7 million to EUR 416.7 million. Improved management of inventories and an increase in sales in the Equipment segment were the main reasons for the decline. In contrast to the previous year, this item includes the assets held for sale, which had formed their own position in 2016.

- **Receivables from construction contracts (PoC)** decreased by EUR 0.9 million to EUR 148.2 million. This

Assets	**Equity and liabilities**
Non-current assets 629.1 Mio. EUR (38.9%) (2016: 642.2 Mio. EUR (38.2%))	**Equity** 418.7 Mio. EUR (25.9%) (2016: 434.1 Mio. EUR (25.8%))
Current assets 941.3 Mio. EUR (58.2%) (2016: 1,006.1 Mio. EUR (59.8%))	**Non-current debt** 334.4 Mio. EUR (20.7%) (2016: 356.8 Mio. EUR (21.2%))
Liquid funds 47.3 Mio. EUR (2.9%) (2016: 33.5 Mio. EUR (2.0%))	**Current debt** 864.6 Mio. EUR (53.4%) (2016: 890.9 Mio. EUR (53.0%))
EUR 1,617.7 million	**EUR 1,617.7 million**

is offset by a EUR 11.9 million decrease in liabilities from construction contracts (PoC) on the equity and liabilities side. Changes in this item result from the percentage of completion of our projects at the year-end closing date. Also included is an advance payment of EUR 10.8 million (previous year: EUR 5.7 million) for a project investment in the Resources segment, which was included in other current liabilities in the previous year.

- **Trade receivables** decreased by EUR 22.5 million to EUR 317.5 million. Additional efforts in receivables management have contributed to this.

- **Other current financial assets** decreased by EUR 6.0 million to EUR 12.3 million.

- **Assets held for sale** were EUR 19.6 million in the previous year. These assets are deep drilling rigs for oil and gas that belong to our Resources subsidiary in Jordan and were supposed to have been sold in the first half of 2017. It was not possible to sell these assets due to the poor market conditions. The Group has therefore decided to transfer these rigs to the Equipment segment and continue sales efforts there. The value of these assets is now included in inventories.

On the Equity and Liabilities side:

- **Equity** decreased by EUR 15.4 million to EUR 418.7 million. Earnings after tax (EUR 3.7 million) contributed positively to this change. Exchange rate fluctuations (EUR 20.0 million) and dividend payments (EUR 2.4 million) had a negative effect. The interest-related adjustment of pension provisions, offset by associated deferred tax assets (EUR 2.4 million) and the market valuation of derivative financial instruments (EUR 0.9 million), had a positive effect.

- The **non-current portion of liabilities to banks** decreased from EUR 176.8 million to EUR 155.6 million. The covenant (EBITDA to net interest coverage) of credit agreements was exceeded as of the balance sheet date. According to IFRS, these loans must be transferred to current liabilities to banks. The same procedure was necessary at the end of the 2016 financial year. As mentioned above, an amicable solution has already been found with all relevant financial partners for all of the affected loans. Therefore, this effect will be reversed again in the first quarter of 2018.

- The **current portion of liabilities to banks** significantly decreased from EUR 479.7 million to EUR 429.6 million. This was due to a significant decline in net debt of EUR 83.2 million. The aforementioned transfer of liabilities from non-current liabilities to banks as a result of the covenant being exceeded also had an effect on this item. This effect will also be reversed again in the first quarter of 2018.

- **Liabilities from construction contracts (PoC)** decreased by EUR 11.9 million to EUR 51.1 million. This is offset by the above-mentioned decrease in receivables from construction contracts (PoC) on the assets side.

- **Trade payables** increased by EUR 30.6 million to EUR 233.5 million. The increase is attributable to the increase in revenues and improved management of payment terms with our suppliers.

- **Other current liabilities** decreased by EUR 83.0 million to EUR 79.7 million.

The ratio of total assets to consolidated revenues fell significantly from 115.4% to 95.8%.

Net cash from operating activities shown in the **cash flow statement** increased substantially from EUR 124.9 million to EUR 183.3 million. The following factors contributed to this change:

- The other non-cash transactions totaled EUR 37.8 million (previous year: EUR -23.8 million).

- Trade receivables changed by EUR 17.6 million compared to the previous year.

- The increase in receivables from construction contracts resulted in a capital tie-up of EUR 6.0 million (previous year: EUR 16.6 million).

- The change in inventories burdened the operating cash flow to the tune of EUR 23.2 million.

- The other current and non-current liabilities changed by EUR -10.9 million compared to the previous year.

Cash flow from investment activity totaled EUR -64.8 million and was EUR 1.8 million lower than in the previous year, mainly due to the increase in revenues from the sale of fixed assets.

Cash flow from financing activities amounted to EUR -102.7 million. The main factors influencing this were loan repayments amounting to EUR 277.1 million, interest payments of EUR 35.4 as well as new indebtedness to banks in the amount of EUR 217.8 million.

CAPITAL INVESTMENTS

In view of the unsatisfactory results of recent years, we have again kept our investments in 2017 at roughly the level of depreciation. This was made possible by the extensive investments devoted to our plants in previous years. The pace of technological progress in our business has accelerated, however, so that any future increase of our revenues will demand higher investments once more.

In the **Construction segment**, further investments were made in equipment to meet the market demand for ever more powerful equipment to handle specialist projects. For years now, we have seen a trend toward increasingly large-scale international infrastructure projects which foster growing demand for specialist foundation engineering works that can only be carried out by ever-larger machinery. This demands higher individual investments, but also opens up new market opportunities for us. We have also concentrated specifically on investments to equip our construction sites with modern communications technology. In the next few years, we will also invest in the modernization of our equipment.

In the **Equipment segment**, the investments were chiefly channeled into modernizing the equipment available to the production sites. Major investments in our plants and production facilities are not necessary at this time.

Investments in the **Resources segment** in 2017 were also at a low level. The investments went into the modernization of existing production systems.

In the 2017 financial year, the **BAUER Group** invested a total of EUR 107.5 million (previous year: EUR 95.8 million) in intangible assets and property, plant and equipment. Depreciation of fixed assets across the Group totaled EUR 78.3 million (previous year: EUR 74.5 million). Write-downs of inventories due to use Group-wide totaled EUR 14.6 million (previous year: EUR 15.5 million).

Additions to the property, plant and equipment assets of **BAUER AG** in the 2017 financial year totaled EUR 2.3 million (previous year: EUR 3.6 million), against depreciation of EUR 3.5 million (previous year: EUR 3.2 million).

We will again keep investments in balance with depreciations in 2018.

IV. FINANCIAL STATEMENTS OF BAUER AKTIENGESELLSCHAFT

The Group management report and the management report of the parent company BAUER AG are combined. The balance sheet and the income statement of BAUER AG (according to the German Commercial Code, HGB) will thus be explained at this point.

In 2017, BAUER AG reported a **net loss for the period** of EUR 11.2 million (previous year: EUR 1.4 million). In the previous year, BAUER AG made EUR 7.0 million in shareholder contributions to subsidiaries as a result of extensive restructuring measures in the Resources segment. Measures of the same kind totaling EUR 25.1 million were carried out in 2017 and were the cause of the reported loss.

The following items in the balance sheet and income statement changed significantly during the completed financial year compared to the previous year:

Main changes to the balance sheet:

- **Financial assets** increased from EUR 129.3 million to EUR 132.3 million, mainly due to a capital increase at SCHACHTBAU NORDHAUSEN GmbH.

- **Receivables and other assets** fell from EUR 240.1 million to EUR 187.0 million. This was largely due to the decrease in receivables from affiliated companies amounting to EUR 53.6 million. For strategic reasons, the financing of operational subsidiaries is increasingly handled by BAUER AG instead of the parent companies of the segments.

- **Equity** decreased from EUR 129.5 million to EUR 116.6 million. This was caused by the net loss amounting to EUR 11.2 million and dividend payments in 2017 totaling EUR 1.7 million.

- **Liabilities** decreased from EUR 248.5 million to EUR 208.5 million. The main factor responsible for this was a decrease in liabilities to banks by EUR 75.5 million, due to the aforementioned strategic reduction in BAUER AG‘s financing activities for the Group. Liabilities to affiliated companies as a countering item increased by EUR 35.4 million.

Main changes to the income statement:

- **Sales revenues**, primarily related to charging of administrative services to subsidiaries, increased by EUR 2.7 million to EUR 36.5 million.

- **Other operating expenses** rose by EUR 17.7 million. The main reason for this, both in 2016 and 2017, are the aforementioned expenditures by BAUER AG for restructuring measures at the subsidiaries in the Resources segment.

- Therefore, the **operating result** was again negative at EUR -26.2 million (previous year: EUR -8.7 million).

- **Income from participations** increased from EUR 4.5 million to EUR 13.0 million due to higher dividend payments by BAUER Maschinen GmbH to BAUER AG.

- At EUR 11.3 million, **net loss for the period** was also negative (previous year: EUR 1.4 million). EUR 12.9 million was withdrawn from **other revenue reserves**. **Distributable net profit** remained unchanged at EUR 1.7 million.

The payment of dividends to shareholders is based on the distributable net profit of BAUER AG as the parent company, taking into account the Group's consolidated earnings. The dividend policy of BAUER AG is one of continuity, meaning that in principle a dividend should be paid even in difficult years, where financially justifiable. As the Group's holding company, BAUER AG is dependent on the earnings of its subsidiaries, and additionally provides financing to them.

Although we were unable to achieve our original 2017 targets for earnings after tax, the earnings generated from the Group's operating activities were well above targets. Therefore, we believe it is appropriate to allow our shareholders to participate in this accordingly, so we intend to pay a small dividend again. The Management Board will encourage the Supervisory Board to propose a dividend of EUR 0.10 (previous year: EUR 0.10) to the shareholders at the Annual General Meeting. In the medium term, the dividend quota should be about 25 to 30% of the reported earnings after tax. The proposed dividend also serves to protect the Group's equity, which we intend to significantly improve in the coming years.

As the Group's holding company, BAUER AG receives earnings in particular from its subsidiaries. In 2018, dividend payments by the subsidiaries will be slightly higher than in 2017, although no additional effects are expected at the present time. Consequently, BAUER AG should once again achieve a profit.

V. RISK AND OPPORTUNITY REPORT

RISK REPORT

BASIC PRINCIPLE OF RISK MANAGEMENT

As part of our business activities, we are exposed to risks that are inseparably linked with our operations. Running a business requires taking risks. True risks result from unforeseeable events that can bring both hazards and opportunities along with them. Therefore, at Bauer, risk management means not just reducing the hazards but also knowing how to take advantage of the opportunities. The goals of risk management include safeguarding our business objectives, initiating measures early on and reducing the costs of risk. Risk management involves identifying, analyzing, evaluating and monitoring existing and anticipated risks along the entire value chain and devising actions to deal with them. This involves assessing external risks for our company as well as those that arise internally. Our risk management is based on an essentially risk-averse approach which aims to safeguard us against impending risks rather than to grasp opportunities for short-term gain. We never take risks that threaten the existence of the company.

Risk management system

Our risk management system regulates the handling of risks within the BAUER Group. It defines a uniform methodology applicable to all segments and their member companies. It is continually reviewed and adjusted as required.

Our risk management system is an integral element of our overall management system and, like all our management systems, serves as an instrument of value- and success-oriented corporate governance. Audits routinely verify its implementation and management reviews continuously improve its efficacy. Furthermore, our auditors annually review the extent to which our early risk-warning system is capable of detecting existentially threatening risks in good time. The process steps involved in risk management are: identification, assessment, control of measures, and monitoring.

For the identification of risks, risk categories have been defined and specific areas of risk have been assigned. This defines areas of focus. Risk categories defined by the BAUER Group are: strategic risks; market risks; financial market risks; political and legal risks; organizational and governance risks; risks arising from the value creation chain; and risks of the supporting processes. These risks are grouped as latent risks and managed in a unified process within the framework of our risk management system. Conversely, project risks are managed by an additional, independent process according to their nature and significance.

The process of identifying and assessing latent risks is reviewed biannually at working sessions of the relevant Group company managements and is implemented jointly with departmental and central function heads as well as individual specialists. This process ensures that potential new and familiar risks and opportunities are submitted for review at management level. Structured risk identification is followed by risk assessment based on a scale of relevance.

Relevant risks above a certain threshold value are quantified based on scenarios. Planning risks are estimated on the basis of empirical values, applying standard deviations. Risks from within the subgroups are consolidated at Group level.

Following assessment, risk-specific management measures are defined. Where possible and useful, we have taken out appropriate insurance cover in respect of potential damage and liability risk, in order to reduce our risk exposure and avoid, or at least minimize, potential losses. Responsibility for monitoring the particular risks lies with the risk managers of the operative areas.

The effects of individual risks are aggregated in the context of corporate planning by means of risk simulation. This means that the income statement for a given financial year is played through several thousand times in independent simulations based on random figures (Monte Carlo simulation).

Yearly reports are submitted to the Management Board and Supervisory Board. To communicate acute risks, the routine risk analysis is supplemented by immediate reporting. Our risk management system covers both risks and opportunities.

Handling of project risks

Project risks are the principal performance risks, and thus are an integral element in the work of the Construction and Resources segments, wherever construction work or plant

<<< BAUER Nimr LLC in Oman operates the world's largest commercial reed bed treatment plant in the middle of a desert. In October 2017, Bauer was commissioned to expand the capacity of the plant by 60,000 m³ to 175,000 m³ per day.

assembly is carried out on the customer‘s premises. Associated risks, such as in relation to the ground and resulting from the individual character of each individual project – including contract, timetable and damage risks – can thus accumulate detrimentally in specific cases in such a way that they may threaten the existence, if not of the Group as a whole, at least potentially of smaller subsidiary companies. In respect of all relevant projects above low threshold values, prior to submission of quotes all conceivable risks and opportunities are systematically identified, analyzed and assessed, and appropriate measures are defined to minimize risks and track opportunities. In ongoing projects, the risks relating to continuous project controlling and project management are analyzed; this means they are identified, evaluated and have measures applied to them.

Each project is assigned to a risk class and organizationally escalated according to its risk class, and is thus subject to a strict approval process. Risk classification is based, firstly, on defined checklists applying the K.O. principle, in order to prevent inadvertent assignment to an inappropriately low risk class. Secondly, it is based on potential harm identified in relation to the project, with the worst-case outcome serving as the decisive factor. The risk classes defined by this process are taken into account at fixed cost surcharges to cover the identified risks.

The system has been developed over a number of years across the corporate units faced by the relevant project risks and expanded to apply to the relevant operations.

Risks

In the following we set forth potential risks which may have a significant impact on our financial and earnings position and on our reputation, and assess the relevance to our business. The breakdown follows the same risk categories as we apply in our risk management system. The areas of risk are aggregated. Unless otherwise specified, the risks described in the following relate to all our segments.

STRATEGIC RISKS

Segmental structure

We counter the strategic risks arising from the segmental structure of the Group by dividing it internationally into separate Construction, Equipment and Resources segments, thereby pursuing the aim of greater independence from the economic cycles of the construction industry.

The Equipment segment‘s move into deep drilling and the manufacture of machinery for mining applications will also further reduce its dependence on the construction sector. We class the risks associated with the structure of our business as medium.

Strategic partnerships, cooperation partners

Particularly in the Equipment segment, we are supported by certified sales partners in selected regions. A failure or mismanagement of our partner could result in a decline in sales. The risk of partnerships must be recognized at an early stage by conducting a regular sales partner audit and analyzing financial data of major sales partners. In this way, we can counteract risks with the help of our own sales force or alternative dealers. We rate this risk as minimal.

Brand, image, PR

The Bauer brand carries a cachet for purchasers, especially in the Equipment segment, because it is known for high quality. Negative influences on our image, whether due to publications about accidents at work or quality and service defects for example, can result in falling demand for our machines. In some countries there is also a risk of counterfeiting, which has an influence on the quality image of the Bauer brand. We minimize this risk by, among other measures, our highly developed quality and HSE management system. We regard the risk of damage to our image as a moderate one.

Relevance scale of the BAUER Group

Relevance	Definition	Identified risks
1	Insignificant to low risk	Risks with this relevance are identified in our business
2	Medium risk	
3	Significant risk	We do not see risks with this relevance in our business
4	Serious risk	
5	Critical risk	

MARKET RISKS

Sales market risks

It has always been one of our key strategic principles to counter risks on our sales markets by means of a multi-segment organization. Whereas our machinery manufacturing business is still heavily influenced – if at a delay – by economic trends in the construction sector, the establishment of the Resources segment has enabled us to isolate part of our business from the effects of construction cycles much more effectively. Our strategy of spreading business in each segment across a large number of markets worldwide further reduces the overall risk, so that no serious risk is posed to the Group as a whole in the event of any weakening or collapse of individual regional markets. Moreover, in the event of a regional market downturn our network strategy in the Construction segment enables us to relocate our capacities rapidly to another country and continue operations at the new location. This strategy has proven effective during various regional crisis situations in the past, in which it cushioned negative impacts on the overall result. Our Resources segment has also already expanded on an international scale. We rate risks associated with our sales markets as medium.

Competitive environment

In the Equipment segment especially, we operate in highly competitive and price-sensitive markets. The resultant excess capacity in China has placed prices and margins under even heavier pressure at times. A number of Chinese competitors have already been forced out of market. Furthermore, in order to improve our competitive situation in China over the long term, the after-sales service has been expanded further in all markets as a stabilizing factor for new business.

Despite the excess capacity and associated pressure on margins in China, we were able to maintain our market position based on the recognized high quality and still clear technical edge of our machinery. This risk is classed as low.

Risks of market development

High levels of public sector debt in the USA, as well as in some EU member states, significant interventions by some central banks as well as uncertainty regarding the stability of markets in specific countries influence our appraisals of the macroeconomic situation.

The Group Management Board and the directors of the three operating segments routinely consider projections based on specific scenarios to estimate the impact of any given market development risks on the company in question and on the Group as a whole. Any necessary and relevant measures are derived from these analyses and implemented in full. The risks to the market development are currently assessed to be moderate.

FINANCIAL MARKET RISKS

Financial stability and liquidity

Several long-term loans are covered by covenants linked to pre-determined financial variables. These are primarily the ratio of net debt to EBITDA, the ratio of EBITDA to net interest coverage, and the equity ratio.

In addition to the earnings situation of the Group as a whole, higher financing requirements in particular may pose an increased covenant risk. This applies, for example, to changes in inventories in the Equipment segment. In order to reduce that risk, active selling of surplus stocks is initiated and production volumes are reduced as necessary.

The risk of financial instability and supply shortages on international financial markets was countered by renewing a syndicated loan agreement. This agreement ensures the medium-term liquidity supply for the Group of companies, and is an important tool for countering turbulence in the financial markets.

The risk in the area of financial stability and liquidity is classified as a medium risk.

Foreign exchange risks

Where possible and available, we counter foreign exchange risks by financing our international holdings in their respective local currency. Transaction risks (foreign currency risks arising from the current cash flow) are minimized in all business divisions by means of suitable rate hedging instruments. The remaining currency risks are evaluated as medium.

Participations, acquisitions, financial assets

The valuations of the shares in associated companies contain goodwill items, the values of which are subject to the risk from future company developments. Should these future expectations fail to materialize, it may become necessary to apply write-downs. We estimate that the risk of needing to undertake a write-down on the goodwill is a medium one.

POLITICAL AND LEGAL RISKS

Compliance

For the BAUER Group, acting responsibly and in keeping with the law is a fundamental principle underpinning our commercial success, the quality of our products and services and our sustainable ongoing development. We place the utmost value in upholding social conventions and in complying with applicable laws and business standards, so as to minimize the risk of non-compliance. For us, compliance means observing all applicable laws, rules and regulations. Legally compliant, ethical and socially sustainable action is the cornerstone of our values management system. This will be applied to ensure staff are aware of our fundamental values as soon as they are hired. Special training courses enable them to extend their knowledge. A software program ensures that we do not do business with any companies cited on an EU or US sanctions list.

In summary, we are of the opinion that our existing values management system provides us with an efficient means of keeping our compliance risk to a low level.

Political and legal environment

Ongoing political unrest in the Middle East is impeding willingness to invest in the countries immediately affected, and often beyond. Declining sales volumes in the Equipment segment and a decline in revenues in the Construction and Resources segments are the consequences. In some countries, there is also a risk that the government will intervene more heavily in company affairs. This in turn can lead to increased costs and time investments. The current political situation in Turkey could lead to a decline in sales in this region. We assess the risks from our political and legal environment as medium.

Contract risks

Our Construction and Resources segments primarily provide construction, drilling and environmental services. The underlying projects are almost always prototypes executed in each case on the basis of customized contracts. The resultant risks are subject to stringent management routines, and so can be rated as low.

Current legal cases

Legal disputes arise almost exclusively from our provision of services, in particular in the project business. Judicial disputes exist with regard to clients, suppliers and business partners, and in the majority of cases they relate to remuneration, claimed deficiencies in performance, or delays in completing a project. By their very nature, it is impossible to say for certain how the court or arbitration proceedings we are involved in will turn out. Nevertheless, following careful examination, we assume that adequate provision has been made in the balance sheet for all current legal disputes.

VALUE CREATION RISKS

Research and development risks

As a technology leader, particularly in our Equipment segment, we counter any possible weakening of our market position by means of continuous research and development. Although the booming markets in the Far East and the resultant new competitors are sharpening the innovative pressures, we have to date succeeded in maintaining the necessary edge as a technology leader.

Moreover, there is a risk of incurring additional costs in this context due to development and design mistakes necessitating modifications. This risk is minimized by a structured, multi-stage product creation process.

Thanks to our great innovative strength and transparent product creation process, we currently rate the risks in relation to research and development as being medium.

Acquisition, sales and contract negotiations as well as calculation

The risks of miscalculating quotations and of warranting technical characteristics which cannot be fulfilled are minimized by the strict application of the dual-control principle, and can be regarded as medium.

Materials management and procurement

Thanks to our long-standing and successful policy in our machinery manufacturing operations of planning well ahead to safeguard supplies of components which may be subject to bottlenecks, and based on additional measures we have taken and on our ability to have time-critical components made within the Group in the event of a bottleneck, the risks in terms of procurement currently remain classed as low. We also estimate the reliance on subcontractors or individual suppliers in our segments as a low risk.

Production and order fulfillment

Technical failures arising from design errors or miscalculations of statics in the project business can result in significant delays, both on the company‘s own projects and on our customers‘ projects. In the BAUER Group, the risks resulting from this represent an inherent component of our project business. Consequently, designs and statics are predominantly produced in our own design bureaus by experienced employees.

A further risk in order fulfillment is entailed by the selection and application of drilling techniques. Misjudging ground conditions can likewise result in increased risk costs. Disturbances to the project timetable must be identified by the project manager and communicated at an early stage. The management is aware of these risks, and relies on experienced project and production managers in all segments. In spite of all the precautions taken when carrying out projects, there is still a risk of management errors, which can drive up costs, especially in major projects. All the listed risks are subjected to a threat and opportunity analysis at project level in the Construction and Resources segments.

Project risks are essentially the principal performance risks in the Construction and Resources segments, especially as each project has its own individual characteristics. Although we work on the assumption that our projects are costed with due diligence, the possibility cannot be definitively ruled out that, on finally billing the customer, lower earnings will ultimately be generated. As a result of the trend for projects to increase in size and complexity, the resulting risks must be assessed as medium.

Supplements and claims management

Especially in respect of complex construction works, we are increasingly seeing parties resort to legal action when disputes arise in relation to contract interpretation as well as additional works and supplements. Clients‘ representatives are increasingly rarely authorized to resolve conflicts by mutual consent. As a result, final project settlement is increasingly being delayed by legal action, and additional costs are being incurred. We manage this risk by professional management of supplemental requirements in the course of the construction project, and based on full documentation of the work carried out. Despite all efforts, the outcomes of some negotiations on supplemental requirements pose a residual risk to the company. The risks arising from supplemental requirements are rated as medium.

RISKS OF SUPPORTING PROCESSES

Quality risks

Great attention is paid to the quality of work done in all areas of the business. This is safeguarded by employing well-trained staff and by means of an established quality management system which has been in place for many years. In the Equipment segment, parts with poor quality are rejected through systematic quality control upon goods receipt. Many of our Group companies are certified, and are audited on a regular basis. We therefore rate quality risks as low.

Debtor management

Our efficient receivables management counteracts the risk of bad debts. In addition, the creditworthiness of new customers is checked as a key criterion in the review process for our business partners. Our receivables are partially covered by insurance. We rate bad debts as low risk.

Accounting-related system of internal controls and risk management

Consolidated accounting risks comprise risks in respect of accounting, valuation and recognition. To counteract them, the accounting functions of the parent company as well as of BAUER Spezialtiefbau GmbH, BAUER Maschinen GmbH and BAUER Resources GmbH are managed centrally at the registered office in Schrobenhausen. This allows business transactions to be handled in a standardized way.

The accounting functions for the other subsidiaries are usually managed by decentralized in-house commercial departments. Our subsidiaries are assisted by external accountants and auditors as well as by the participation controllers of BAUER Spezialtiefbau GmbH, BAUER Maschinen GmbH and BAUER Resources GmbH, so as to ensure properly qualified financial reporting in accordance with the relevant national or international accounting regulations. Furthermore, statements are subjected to auditing in accordance with the relevant national regulations.

In order to draw up the monthly Group reporting as well as quarterly statements and the consolidated financial statements according to international accountancy regulations (IFRS), the subsidiaries use a uniform Group chart of accounts.

The individual financial statements are drawn up either based on an accounting guideline applicable throughout the Group or are applied to the regulations of the accounting guideline in the course of adjustment entries by the corresponding accountancy regulations under national law.

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

The individual Group companies and departments are monitored and controlled on a monthly basis by the central commercial departments in the respective segments and are then reviewed by Group Accounting further reducing the accounting, valuation and reporting risks.

The consolidated figures are in turn checked on a monthly basis against the figures from the annual Group-wide planning process and analyzed on the basis of Group key performance indicators (KPIs). Any necessary correction of non-conformance to plan is implemented promptly by the managers of the units concerned.

The annual financial statements and the year-end consolidated financial statements are audited by auditors in accordance with the applicable legal requirements and standards, and are reviewed by the Supervisory Boards established in the various business units as part of their duty of supervision. These figures and information reports are regularly submitted to the Management Board and the Supervisory Board of BAUER AG from Group Accounting function on a monthly basis.

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

OVERALL RISK

At present, no individual or aggregated risks can be detected that could threaten the existence of the BAUER Group in the 2018 financial year. Management sees no change in the overall risk situation, in view of future business prospects among other factors.

OPPORTUNITY REPORT

The opportunities arising are classified in parallel with the detailing of risks. In this context, too, the areas of opportunity have been aggregated. Unless otherwise specified, all opportunities set out in the following relate to all our segments.

STRATEGIC OPPORTUNITIES

Over the years, the Group has built up expertise through handling projects in areas associated with its core business, and has developed synergy effects from this which today shape the Resources segment. These include the environmental technology business which deals with treating contaminated ground and groundwater, and has taken on an increasingly international character since its beginnings more than 25 years ago. A similar business grew out of the first use of specialist foundation engineering equipment for diamond exploration. Today, bore holes are dug for all kinds of natural resources. In the water business, we also develop high-quality products for expanding wells and for close-to-the-surface geothermal energy applications, as well as for treating and purifying drinking water, process water and industrial waste water.

By merging these three areas into the Resources segment, we are addressing some of the most important issues of the 21st century. Moreover, Resources is less dependent on the economic cycles of our traditional Construction and Equipment segments.

In order to bring about the internationalization of the Resources segment, we are utilizing the experience of our long-standing organizational units in the other two segments.

In the event of a regional market downturn, our network strategy in the Construction segment will enable us to relocate our capacities rapidly to another country and continue operations at the new location. This leads to speed and cost advantages in our project business.

MARKET OPPORTUNITIES

Constantly increasing urbanization and growing infrastructural needs are leading to increasingly large-scale building schemes, which offer many interesting project opportunities to the construction industry – and especially the companies in the specialist foundation engineering sector. The construction sector in particular benefits from an enormous need to catch up with backlogs in the rising economic countries, but also in the established industrial nations. This applies not only to traffic infrastructure but also to residential and public buildings, dams or flood protection facilities. Moreover, building is taking place in urban areas where space is increasingly at a premium. This demands progressively higher buildings, which calls for extensive foundation work. In addition, stationary and flowing traffic must be ever-increasingly transferred below ground, which also leads to growth in specialist foundation engineering.

Opportunities for deep drilling technology have increased further through the establishment of a joint venture with Schlumberger. In the joint venture, a new generation of highly modern deep drilling rigs for use with oil and gas drilling rigs will be developed and constructed for Schlumberger and third parties. Overall, we are convinced that deep drilling technology will make an important positive contribution to our earnings in future.

In the Resources segment, we have succeeded in expanding out of our traditional sphere of pollution remediation into industrial process water treatment, and thus attracting customers in the automotive, chemicals, oil and gas industries. The demanding quality requirements combined with large quantities of industrial process waters occurring in oil production, against a background of ever more stringent environmental standards, offer additional outstanding market opportunities for our products and services.

VALUE CREATION OPPORTUNITIES

Development and innovation

Development and innovation are systematically integrated into many standard processes within the Group. Their efficiency is monitored as part of the quality management system. It is also ensured that customers‘ wishes are understood as being opportunities, and are translated into innovations for our products and services in a timely manner. The capacities of our engineering offices are systematically being strengthened by resources from countries with high levels of education allied to low labor costs, such as India.

Innovation is possible at practically every point within our business processes. Our employees are best placed to know where improvements are achievable in their particular sphere of work. In order to collate and make use of the many good suggestions which our employees submit, we have devised a system for the unbureaucratic recording, evaluation, implementation and rewarding of suggested improvements, which has been in turn rewarded by a number of good ideas.

Project opportunities

Regardless of national and global market cycles, projects often arise in otherwise weak markets which we as a corporation are extremely well equipped to handle thanks to the mix of our products and services portfolio. Examples of this are processes for retrofitting of core seals in earthwork dams, or for the long-term, environmentally compatible treatment and disposal of industrial process water.

The resultant projects in some cases entail very large lot units. When contracted, we are able to manage them successfully by converging our global resources and based on our many years of experience in handling large-scale projects.

Supplements and claims management

The assertion of requirements and supplements does not only entail risks, but also the opportunity to achieve better earnings than originally specified in the contract based on changes to the ordered construction services or supplemental work ordered by the client. On projects involving high potential for changes, this can result in a substantial improvement in earnings. We attempt to exploit such opportunities by professional management of supplemental requirements in the course of the construction project.

OVERALL OPPORTUNITIES

We are seeing a steady improvement in our opportunities on global markets as our Resources segment becomes increasingly well established. This is also being boosted by new, innovative products. Our strategy of systematically interlinking our mainly small and medium-sized globally operating units to create efficient networks is enabling us more and more effectively to generate speed and cost benefits from the associated economies of scale. All in all, we see the opportunities for our Group's worldwide business increasing once again in 2018.

For the extension of Motorway Route no. 6 in Thailand, Bauer constructed a total of 376 meters of piles to depths of up to 26 m. The piles are embedded 11 m into the rock.

VI. FORECAST REPORT

As was already explained in the Business Report, the BAUER Group operates in markets which display good underlying growth rates. As a result of the enormous pent-up and new demand for construction activities existing in the world, we are of the opinion that this situation will not change over the coming years, in spite of the turbulence that is affecting global markets. Nevertheless, it will be necessary to respond to shifts in the market focus by displaying great flexibility. The economic reorientation of the countries that are heavily dependent on oil and gas will continue for some years to come. In established industrial nations, the construction markets and the demand for equipment should increase as these countries can now invest in new projects because their financial position has improved again. The current strong demand in Asia, especially in China, requires a prudent approach to investment and capacity building. Developing countries, especially India, will continue to show the greatest growth rates in construction in the coming years so that they can reach their own goals.

Our good order backlog at the end of 2017 indicates that we are successfully exploiting the opportunities presented by the markets. Furthermore, there are many interesting major projects all over the world which will enable us to maintain this high level. In the Construction and Resources segments, we are able to achieve relatively high order backlogs as a result of the longer project durations.

The order backlog in the Equipment segment is rather low, however. This is not set to change in coming years. Equipment customers interested in special construction machinery tend only to order machines when they have a particular project to carry out. Given the short order lead times, it is difficult to accomplish equipment planning in line with future demand – above all because components and parts have got to be ordered several months ahead of production. We are responding to this development with a corresponding platform strategy and appropriate standardization measures, and in this way we are attempting to make production more flexible and reduce the inventory level. Delivery times for parts will once again be a major challenge for equipment manufacturing companies and their suppliers. Delivery times have already increased again to more than twelve months for some parts. We are trying to counteract this with several initiatives in purchasing and materials management. We expect this situation to continue to affect our business.

The past few years have been very difficult for our Group. In the construction and well drilling business, we have had to overcome some very difficult projects in recent years and face financial setbacks in 2017 due to the unexpected outcome of the Hong Kong arbitration as well as other negative influences. In addition, considerable expenses were required for restructuring measures, especially in the Resources segment, as the previous reorganization measures have not yet achieved the desired results. Also, we recorded a loss in the area of brewing and beverage technology. The overall low level of earnings in the Group was unable to compensate for individual problems.

On the other hand, we can also list many positive aspects: We succeeded in keeping our good order backlog stable. Our investments in our production site in China in recent years have greatly affected our ability to benefit from the more than 50% increase in the construction equipment market there. Our consistent continuous improvement process in the Equipment segment has also had a clear impact. Our research and development efforts ensure our leading position in this market segment. Good performance in the environmental sector and stabilization in the well construction sector are the foundation for strong future growth in the Resources segment. We have better aligned our business to completely new market conditions through many reorganization measures in recent years.

Earnings after tax for 2017 were lower than expected, mainly due to the outcome of the Hong Kong arbitration and other negative influences. We will therefore continue to work intensively on improving earnings. We are focused on continually improving our working capital, our processes for executing projects as well as purchasing. We can still see good opportunities for improvement in all areas. We are very confident that we will achieve our goals thanks to the good market situation, the excellent efforts on the part of our employees and the measures described above.

In addition, sales growth in the Equipment segment is resulting in significantly better utilization of our production capacity and a related decline in fixed costs. The possibilities offered by the digitalization of our products and services are one special area of focus for the future. We will continue to equip our machines with electronic systems in order to ensure further economic advantages for ourselves and our customers. „Digital construction“, the internal exchange of data on our construction projects as well as with our partners and customers will allow for more efficient management of construction sites. Networking our own sites and projects remains a top priority. „Big data“ is presenting many new opportunities for our company.

In view of these general conditions, it is our opinion that our business model will prove robust in 2018 as well. In our planning we have attempted to evaluate all known threats and opportunities, thinking through both positive and negative scenarios as well as possible. Overall, we are confident that our planning for 2018 is realistic. This applies to all segments as well as the Group as a whole. From an operational standpoint, 2017 was already much better than the two previous years, and we are once again experiencing a positive trend that we will utilize and strengthen even further.

Nevertheless, we are obliged to point out that specialist foundation engineering and our other businesses are exposed to greater risk than the business activities undertaken by most other companies. Our activity always contains a factor that cannot be perfectly analyzed in advance – the subsoil or the ground itself. Even after conducting extensive and detailed preliminary ground surveys, some factors which were not detectable will occur on a regular basis. They can impede construction works in a wide variety of ways, and in some cases also cause financial losses. We are continuously working hard to optimize our approach to risk, so as to avoid the issues that have impacted on us over recent years. For this purpose, we are working intensively on the systematization of our quotation and execution process.

Of course, an opportunity can also arise if the ground has been assessed too negatively prior to starting construction works. Our construction sites can then also generate additional profit.

There is currently no need to change the Group‘s basic strategic objective. The strategy comprising the Construction, Equipment and Resources segments will continue to dictate the direction of the Group over the coming years. We are not planning any major acquisitions at present, as we are intending to strengthen our capital base especially over the years ahead.

Based on the information available to us at the time of completing this report, we forecast that **total Group revenues** for the 2018 financial year will be around EUR 1.8 billion and **EBIT** will be around EUR 90 million. We expect **earnings after tax** to be significantly higher than in the previous year.

We are continuing to plan for growth of between 3% and 8% in total Group revenues for the coming years.

Comparison: 2017 actual / 2018 forecast

in EUR million	Actual 2017	Forecast 2018
Total Group revenues	1,772	~ 1,800
EBIT	89.6	~ 90
Earnings after tax	3.7	significant increase

We still expect to make a loss in the first quarter, in line with seasonal norms, though it will be balanced out over the following quarters. The trend over the full year will thus be in line with patterns in our business seen in earlier times. The reason for this is that fewer machines can be invoiced at the start of the year, because customers do not start buying equipment until the construction season gets underway. In the Construction segment, the winter period has a big impact on a number of our markets.

We were able to improve balance sheet ratios with our working capital reduction programs. Net debt was significantly reduced. By continuing the programs over the long term, we will be able to gradually improve balance sheet ratios even further. The positive trends in the markets at the current time should also support these efforts. Over the coming years, we will be making great efforts to increase our equity ratio back to more than 30%.

Although we were unable to achieve our original 2017 target for earnings after tax, the earnings generated from the Group‘s operating activities were above plannings. Therefore, we believe it is appropriate to allow our shareholders to participate in this accordingly, so we intend to pay a small dividend again. The Management Board will encourage the Supervisory Board to propose a dividend of EUR 0.10 (previous year: EUR 0.10) to the shareholders at the Annual General Meeting. In the medium term, the dividend ratio should be approximately 25 to 30% of reported earnings after tax once we have improved our equity ratio once again.

We do not see any existential risks or relevant risks to future progress in our trading environment. However, the global economy remains marked by great change, which may also have a negative impact on our situation again. We should point out that future forecasts are based on assumptions and estimates made by the company management. Such assumptions and estimates always entail a degree of uncertainty and risk, which may mean that actual performance differs from that forecast.

Traffic is now flowing on the Bøkfjordbrua bridge in the far north of Norway. The heart of the bridge structure, the 120-meter-long network arch made by SCHACHTBAU NORDHAUSEN Stahlbau GmbH, was assembled in Germany and transported by ship to its final position.

VII. LEGAL DISCLOSURES

REMUNERATION REPORT

The Remuneration Report sets forth the system of remuneration paid to the members of the Management Board and the total amounts paid to them, and explains the underlying principles and amount with regard to the remuneration paid to the Supervisory Board.

Remuneration of the Management Board

The Management Board of BAUER AG consisted of three members at the beginning of 2017, following the departure of Mr. Heinz Kaltenecker at the beginning of the year. Effective January 1, 2018, one person was added to the Management Board, and Florian Bauer has been appointed as Management Board member by the Supervisory Board. The Supervisory Board sets the overall levels of remuneration paid to the individual members of the Management Board, based on proposals submitted by the Presidial and Personnel Committee. The plenary Supervisory Board approves the remuneration system for the members of the Management Board following prior consultations in the Presidial and Personnel Committee.

The system of remuneration paid to the members of the Management Board did not change from the previous year. The overall levels of remuneration paid to the individual members are set on the basis of a performance assessment. This process assures that the overall remuneration is appropriate to the duties and performance of the Management Board member concerned and to the situation of the company. The remuneration paid to each Management Board member is composed of non-performance-related components, chiefly a fixed basic salary, paid in equal monthly installments, and a performance-related component in the form of a variable annual bonus. This is set by the Supervisory Board on the basis of short and long-term evaluation criteria, in which case the short-term evaluation criteria are equally weighted with the long-term ones when setting the variable remuneration.

The criteria for setting the fixed remuneration to members of the Management Board are the assignment of duties, the performance of the respective Management Board member, the economic position of the Group and its profitability and ongoing future prospects.

Maximum limits are imposed on the total remuneration paid. The variable remuneration paid to each member of the Management Board is limited by an individually defined maximum bonus level. This maximum is the upper limit of potential bonus payment in the normal course of business, and is paid in full if all set goals are attained. If business performance is exceptionally good, the said levels may be surpassed by up to 1.8 times.

The short-term criteria applied in setting the variable remuneration elements are the performance of the respective Management Board members in the past financial year and the economic position of the Group in respect of attainment of budget targets in the year under review, particularly the attainment of earnings and revenue targets, taking into account general economic trends.

The long-term criteria applied in setting the variable remuneration elements are the success and future prospects of the Group and the performance of the Management Board in respect of these criteria. This assessment judges the decision-making of the Management Board in terms of sustainable business development over the past three financial years and the effects of this decision-making in achieving long-term stability for the business. Criteria applied here are long-term earnings and revenue prospects, sustainable personnel development in accordance with the future prospects of the Group, the development of the corporate culture, the development of intra-group collaboration, the safeguarding of corporate harmony, strategic market and product development, risk and security management, long-term financial stability, and the quality of key financial indicators relative to the prevailing economic conditions.

In assessing the appropriateness of the remuneration paid to the Management Board, the variable remuneration is set and compared in proportion to the fixed basic salary. Furthermore, the fixed and variable portions respectively, and the overall remuneration paid, are compared against the normal levels of remuneration received by management board members of other stock market quoted companies, and other companies operating in the same sector, or companies similar in other ways, in Germany (horizontal comparison). A vertical comparison is carried out on two levels: firstly, the salaries of the Management Board members are compared against those of the directors of the major BAUER Group subsidiaries; secondly, they are assessed relative to salary grade A VIII stipulated in the collective pay agreement applicable within the Group within the industry-wide framework of salary and training remuneration to salaried staff and foremen in the construction sector.

The remuneration is further set so as to remain competitive with that generally paid to highly qualified management staff on the market as a whole.

The Annual General Meeting held on June 23, 2016 resolved that the BAUER AG financial statements and the Group consolidated financial statements for the financial years 2016 to 2020 would contain no disclosures of the remuneration paid to individual Management Board members, thereby applying the legal authority assigned to it by section 286 (5) and section 314 (3) of the German Commercial Code (HGB).

The total remuneration paid to members of the Management Board in the year under review, excluding allocations to pension provisions, was EUR 1,274 thousand (previous year: EUR 1,542 thousand). Of that total, EUR 1,104 thousand (previous year: EUR 1,392 thousand) was not performance-related and EUR 170 thousand (previous year: EUR 150 thousand) was performance-based. The total remuneration includes benefits in kind arising from the private use of a company car and reimbursement of expenses for each member of the Management Board, as well as group accident insurance premiums and employer's liability insurance association contributions.

The company pension scheme for Management Board members incurred pension service costs totaling EUR 136 thousand (previous year: EUR 137 thousand). The baseline salary defined for calculating retirement benefits is significantly lower in all contracts than the basic salary. Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Management Board at the end of the year was EUR 5,025 thousand (previous year: EUR 6,485 thousand).

The contracts of Management Board members include individual severance clauses regulating the specific terms of premature termination, with settlements oriented to the length of service of the Management Board member concerned and gauged so as not to exceed the sum of two years' remuneration for any one Management Board member. No provisions for compensation in the event of a takeover offer being made have been agreed with the members of the Management Board.

Remuneration of the Supervisory Board

The Supervisory Board of BAUER AG comprises 12 members. Calculation of the remuneration paid to the members of the Supervisory Board is specified in detail in the Articles of Association of BAUER AG. Each member of the Supervisory Board receives a basic annual fee of EUR 18 thousand, payable in December of each financial year, plus reimbursement of out-of-pocket expenses and any sales tax (VAT) liability incurred in performing the duties of a Supervisory Board member. The chairman of the Supervisory Board receives twice that amount of remuneration, and the deputy chairman 1.5 times the amount. The basic remuneration amounts are increased by 10% for each membership of a Supervisory Board committee, provided that the committee in question was convened at least twice in the financial year. Membership of the Mediation Committee is excluded from these remuneration provisions. Changes to the Supervisory Board and/or its committees are taken into account in the remuneration proportionate to the respective member's time in office, and rounded up or down to full months based on the standard commercial rule. The members of the Supervisory Board receive no performance-related pay.

The net remuneration paid to all the members of the Supervisory Board in the 2017 financial year totaled EUR 255 thousand (previous year: EUR 261 thousand).

Other

No loans or advances were paid to members of executive bodies of the company in the year under review, nor were any liabilities entered into in their favor. As a matter of principle, no securities-oriented incentive systems exist for members of the Management Board or Supervisory Board of BAUER AG, or for Group employees in Germany. BAUER AG provides D&O (directors and officers) group insurance cover in respect of liability for economic loss to the members of executive bodies of BAUER AG and of all affiliates in Germany and internationally in which a majority share is held. The D&O policy includes an appropriate excess for the insured parties. For the members of the Management Board, the minimum excess stipulated by law of 10% of the loss up to at least an amount representing

Remuneration Supervisory Board (not including sales tax proportion and reimbursement of expenses)

in EUR '000	2016	2017
Chairman		
Dr. Klaus Reinhardt	40	38
Deputy Chairman		
Robert Feiger	27	27
Shareholder representatives		
Dr.-Ing. Johannes Bauer	20	20
Dipl.-Ing. (FH) Rainer Schuster	10	-
Dipl.-Ing. (FH) Elisabeth Teschemacher	20	18
Gerardus N. G. Wirken	20	20
Prof. Dr. Manfred Nussbaumer	20	18
Dipl.-Kffr. Andrea Teutenberg	10	20
Employee representatives		
Dipl.-Volkswirt Norbert Ewald	10	-
Dipl.-Kfm. (FH) Stefan Reindl	18	18
Regina Andel	18	18
Dipl.-Ing. Gerold Schwab	10	-
Reinhard Irrenhauser	19	20
Rainer Burg	9	18
Maria Engfer-Kersten	10	20
Total *	**261**	**255**

* rounded

one and a half times the fixed annual remuneration of the Management Board member concerned was agreed in the D&O insurance policy in the year under review.

The members of the Management Board are required to limit the extent to which they take on Supervisory Board mandates and other administrative or voluntary functions outside of the company. The members of the Management Board may not, without the consent of the Supervisory Board, carry out any trade or business or conduct, on their own or a third-party's account, any dealings in the sector in which the company operates. Further, they may not, without the consent of the Supervisory Board, become a management board member, director or personally liable shareholder of any other trading company. This ensures that no conflict arises with the assigned duties of the Management Board member either in relation to time commitment or to remuneration received. No separate remuneration is paid for the assumption of executive or supervisory mandates on the boards of Group companies.

STATUTORY DISCLOSURES REGARDING TAKEOVERS

The following disclosures are made pursuant to section 315 a (1) and section 289 a (1) of the German Commercial Code (HGB) as per December 31, 2017.

Composition of subscribed capital

The subscribed capital (share capital) of BAUER AG remains unchanged at EUR 73,001,420.45 and is divided into 17,131,000 no-nominal-value bearer shares, representing a pro rata amount of approximately EUR 4.26 per share of the total share capital. The company does not hold its own shares. Each share entails equal rights, and entitles the holder to one vote at the Annual General Meeting, with the exception of share categories precluded from voting by law pursuant to section 136 of the German Stock Corporation Act (AktG) and section 28 of the German Securities Trading Act (WpHG). Shares with special rights entailing supervisory powers were not issued. Employees holding a capital share in BAUER AG exercise their supervisory rights like other shareholders in accordance with the statutory provisions and the Articles of Association.

As in the previous year, 51.81% of the shares were in free float. The members of the Bauer family and the BAUER Stiftung, Schrobenhausen, own a total of 8,256,246 no-nominal-value shares in BAUER AG on the basis of a pool agreement, representing a 48.19% share in the company. The pool agreement provisions include binding voting commitments as well as restrictions on the transferability of pool members‘ shares. No other direct or indirect holdings of BAUER AG share capital exceeding 10% of the voting rights are known to the company.

Authority of the Management Board to issue or buy back shares

Article 4, paragraph 4 of the company’s Articles of Association states that the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or more than once up to June 22, 2021 by up to a total of EUR 7.3 million by the issue of new no-nominal-value bearer shares against cash and/or non-cash contributions (2016 authorized capital). To that end, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

- in the case of capital increases in return for non-cash contributions, particularly for the purpose of acquiring companies, parts of companies, investments in companies and other assets or claims for the acquisition of assets, including receivables from companies or their group companies, or for the purpose of company mergers;
- in the event of capital increases against cash contributions where the issue amount of the new shares issued is not materially below the market price of the already quoted shares at the time of definitive setting of the issue price and the shares issued excluding shareholders‘ subscription rights pursuant to section 186 (3) sentence 4 AktG do not in total exceed 10% of the existing share capital either at the time this authority takes effect or at the time of exercising this authority. Shares which have been or are to be sold or issued in direct or corresponding application of section 186 (3) sentence 4 AktG while this authority is in place until such time as it is exercised, pursuant to other authorities, excluding subscription rights, are to be set off against the said 10% limit;
- to compensate fractional amounts resulting during capital increases in return for cash and/or non-cash contributions due to the subscription ratio;
- to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as non-cash contribution in return for the issuance of new shares from the approved capital 2016.

By resolution of the Ordinary Annual General Meeting held on June 26, 2014, the company was authorized to acquire treasury stock, over a limited period up to June 25, 2019, representing up to a total of 10% of the company‘s share capital at the time the resolution was passed. The shares shall be acquired at the discretion of the Management Board by means of a public tender offer or by way of the stock market. If the acquisition is effected by way of the stock market, the acquisition price (excluding ancillary costs) may be no more than 10% above or 20% below the price determined by the opening auction on the trading day for shares in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange. If the acquisition is effected by means of a public tender offer, the purchase price or the limits of the purchase price span per share (excluding ancillary costs) may be no more than 10% above or 20% below the average of the closing prices per share in the company in Xetra trading (or a comparable successor system) on the three trading days prior to the day of issue of the public tender offer. If not insignificant variations of the decisive share price occur after the day of issue of the public tender offer, the purchase price may be adjusted.

The Management Board shall be authorized to appropriate shares in the company acquired pursuant to the above authorizations for all legally admissible purposes. Consequently, the acquired shares may also in particular be sold by means other than by way of the stock market or by means of an offer to the shareholders, if the shares are sold for cash at a price (excluding ancillary costs) not materially below the stock market price of shares of the company carrying the same rights at the time of the sale in Xetra trading (or a comparable successor system). The shares may also be sold in return for non-cash payment, provided this is done for the purpose of effecting company mergers or acquiring companies, parts of companies, shareholdings in companies or other assets. The aforementioned shares may be redeemed without need of a further Annual General Meeting in order to approve the redemption or its execution. With regard to use of the bought-back shares, the authorization provides, in specific cases, for legal rights of subscription of shareholders to be excluded. The facility to acquire treasury stock has not been utilized to date.

Appointment and termination of appointment of Management Board members, amendments of the Articles of Association

The appointment and termination of appointment of members of the Management Board of BAUER AG is regulated by sections 84 and 85 of the German Stock Corporation Act (AktG) and sections 30 ff. of the German Co-determination Act (MitbestG) in conjunction with Articles 5 and 6 of the company's Articles of Association. Pursuant to the company's Articles of Association, the Management Board comprises at least two persons, who are appointed by the Supervisory Board for a maximum term of office of five years. At the end of the 2017 financial year, the Management Board comprises three members appointed by the Supervisory Board and a Chairman of the Management Board, as well as a Labor Director. At the beginning of the 2018 financial year, the number of Management Board members was increased from three to four with the appointment of Mr. Florian Bauer. It is permissible to re-appoint or extend the appointment of a member of the Management Board for a further maximum term of office of five years. Any appointment or re-appointment requires a decision by the Supervisory Board, which may be taken no earlier than one year prior to the end of the relevant term of office. The Supervisory Board may rescind an appointment to the Management Board or an appointment as chairman for good cause. The Presidial and Personnel Committee of the Supervisory Board prepares the Supervisory Board's decisions on the appointment and termination of appointment of Management Board members and concerns itself with the long-term planning of successor members for appointment to the Management Board.

In accordance with section 119 (1) no. 5 and with section 179 AktG, the amendment of the Articles of Association is passed by the Annual General Meeting with a majority of at least three quarters of the share capital represented at the vote. Pursuant to Article 12 of the Articles of Association, the Supervisory Board is authorized to pass amendments to the Articles of Association which relate only to its wording. The Supervisory Board is further authorized to adapt the wording of Article 4 of the Articles of Association (amount and division of the share capital) following full or partial execution of the increase in share capital or on expiration of the authorization period according to the respective utilization of the authorized capital.

Change of control

BAUER AG, together with other Group companies, has concluded a syndicated loan agreement providing a credit line of up to EUR 455 million and a further syndicated loan agreement totaling EUR 53 million; this contains a provision for the lender to terminate its loan commitments in the event of a change of control or if control is gained by a third party. As defined by these syndicated loan agreements, a change of control is defined as a situation in which the total shareholding held by the pooled members of the Bauer family directly amounts to less than 40% of the capital shares or voting rights in BAUER AG. A third party gains control if, overall, more than 50% of the capital shares or voting rights in BAUER AG is held directly or indirectly by one or more persons acting jointly (with the exception of the pooled members of the Bauer family).

Furthermore, several long-term loans with balances totaling EUR 180.5 million as per the balance sheet date, agreed by BAUER AG together with other Group companies as the borrower and guarantor, provide for a right of termination for cause by the lender in the event of a change of control in BAUER AG. A change of control is considered to have taken place where a third party, not forming part of the circle of existing main shareholders, directly or indirectly acquires control of at least 30% of voting shares or the majority of outstanding share capital of BAUER AG. Any loaned amounts would have to be repaid in the event of termination. The terminated credit line would no longer be available for new borrowing.

Additional short- and long-term loan agreements also exist within the Group which provide for a right of termination for cause, at market terms, in the event of a change of control.

BAUER AG has not made any agreements with the members of the Management Board regarding provisions for compensation in the event of a takeover offer.

In June, the first train crossed the new railway line between Laufach and Heigenbrücken, the Schwarzkopf Tunnel bypass. Between 2013 and 2017, Bauer used several BG 28 and BG 40 as well as anchor drilling rigs for this project.

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VIII. NON-FINANCIAL CONSOLIDATED STATEMENT

BUSINESS MODEL

The BAUER Group is a leading provider of services, equipment and products related to ground and groundwater. The operations of the Group are divided into three future-oriented segments with high synergy potential: Construction, Equipment and Resources. Further details and a more detailed description of the business model can be found in the „General information about the Group“ chapter in the Combined Management Report, which is referred to here.

SUSTAINABILITY IN THE BAUER GROUP

Sustainability within the BAUER Group, as well as the other key strategies, goals and regulations, is governed by the basic principles of the Group‘s corporate governance and control system. These are described in the General Information about the Group chapter in the Combined Management Report and are referred to here.

The BAUER Group has summarized key areas of action, which are also the central aspects of sustainability management, under the maxim „BAUER‘s Triple A“: health, safety and environment, quality and ethics as well as performance. The slogan is based on the highest grade given by rating agencies when evaluating the strength of a company. The ultimate responsibility for the company‘s sustained development and its focus on these issues lies with the Group Management Board and the managing directors of the holding companies.

MEANING OF NON-FINANCIAL ASPECTS AND EXPLANATORY NOTES

The following section describes environmental, employee and social concerns, respect for human rights as well as anti-corruption and anti-bribery policies as non-financial aspects. As described, the framework guidelines of the BAUER Group form the basis for the Group‘s central strategies, goals and regulations. It also establishes definitions and concepts for the above-mentioned aspects. These apply to all subsidiaries and are the basis for explanations below.

Nonetheless, the non-financial aspects listed here are not required to understand the course of business, financial performance and position of the company, nor to understand the impact of the company‘s activities on each non-financial aspect. The concepts, processes and non-financial performance indicators are also of no significance for internal management and beyond. In addition, there are no significant risks to the aspects that are likely to have negative effects on the aspects themselves or on the company. Therefore, no reference is made to amounts reported in the annual financial statements, as this is not necessary for comprehension.

No framework was used for the non-financial consolidated statement in this management report, as the separately published but independent Sustainability Report is based on the framework of the GRI. It is therefore considered sufficient that the present non-financial consolidated statement only meets the minimum requirements of the Commercial Code for non-financial consolidated statements.

EMPLOYEE CONCERNS

Our employees are the basis for the company‘s success. In view of that fact, personnel development is a high priority in the BAUER Group. We know that only healthy, self-reliant, well-trained and satisfied employees can deliver high-quality results. We demand a high level of personal commitment from our employees. We ensure safe and well-designed workplaces and place great importance on the physical and health integrity of each employee. Therefore, the safety, health and satisfaction of our employees is one of the four goals of our company policy.

Employee development is described in the General Information about the Group chapter in the Combined Management Report.

Training and education

Whether in the industrial, technical or commercial area – our apprentices can expect to receive a varied education which is practical and future-oriented. Year after year, we train numerous young people in about 20 different professions. In 2017, we trained 243 (previous year: 238). And because we know that our workforce is our greatest potential, continuing education plays an important role with us, right from the apprenticeship phase. Targeted training of our employees is becoming increasingly important. In view of digitization, the production processes in our company are also becoming ever more complicated, and the requirements on the functions of our machines are growing more demanding.

BAUER Training Center GmbH represents a source of expert advice for our employees, customers and partners as well as external interested parties in all questions relating to further and continuing education. Its guiding objective is to constantly improve and professionalize its training and expand its scope in response to demand. The budget of the BAUER Training Center GmbH amounted to about EUR 2.8 million in 2017 (previous year: EUR 2.6 million). A total of 602 (previous year: 594) internal and external seminars and external conferences were attended.

Diversity

The employees of the BAUER Group literally come from all over the world. Our staff included employees from 82 different nations in 2017 – people from widely varying cultural and ethnic groups who strive on every continent to achieve our common goals. They shape our corporate culture with their different outlooks and viewpoints, experiences and traits. The promotion of diversity has therefore been firmly rooted in our corporate goals for many years.

In both the hiring and further development of our employees, we attach great value to an assessment based exclusively on their personality and qualification. Approximately 10% of the Group's employees were women in 2017, which essentially reflects the technical nature of our business and the low number of women applying for such careers.

Health Safety Environment (HSE)

HSE is a central element of the BAUER Group's work across the value chain. In 2011, we introduced global standards, thus creating a uniform HSE management system for all companies of the BAUER Group. By constantly reviewing our performance and comparing it against our set goals and targets, we seek to continuously improve our HSE system, and therefore to consistently minimize our accident and damage rates.

For us, the health and safety of our employees takes top priority. Our goal is to create a working environment which not only protects against workplace-related dangers but also reinforces their health resources and their performance capabilities. Standards and guidelines for health and safety in the BAUER Group are defined in cooperation with the Managing Directors and the Management Board. In addition, regular HSE training courses are held to reinforce the awareness of the topic of health and safety throughout the company. A program developed by the HSE department for carrying out health and safety audits within the company also helps the subsidiaries of the BAUER Group to build up their HSE policy to the Group standard.

Regular reviews and audits confirm the consistent implementation of our safety standards. Through certifications such as OHRIS, OHSAS 18001, AMS-Bau and SCC, we ensure that our safety policies meet the requirements of the International Labor Organization (ILO).

SOCIAL CONCERNS

The BAUER Group strives to be a „good citizen" in the locations and regions where we operate. Our commitment to the community also has a positive impact on the company. We regard ourselves as an active member of the community and we are aware that, alongside our commercial obligations, we also have a social duty to the community at large. We seek to play an active role in our region and in our various industry sectors. In that context, we also contribute our efforts to numerous regional development and industry-specific associations and trade bodies.

When making decisions, companies must always consider the impact of their actions on the economy, the environment and society. We are convinced that the only way to manage our companies successfully on a sustained basis is by aligning our entrepreneurial activities with the expectations of various stakeholder groups. We can only discharge this responsibility if we understand the requirements of our stakeholders and know what motivates them. As a result, we rely on an open dialog in a spirit of confidence with our customers, partners, employees, shareholders, suppliers and community as well as with research and scientific institutions in order to share experiences and reach common solutions.

ENVIRONMENTAL CONCERNS

Our business activities inevitably have an impact on the environment, in terms of the air, the soil and the water, by way of noise and vibration, or with regard to the consumption of raw materials and primary energy. In our work, we make all efforts to impact as little as possible on the environment, and we employ the latest state-of-the-art methods in those efforts. We regard compliance with environmental laws and regulations as a minimum standard. In addition, we strive continuously to improve the standard of our environmental protection through preventive measures.

As a globally acting company, we face the challenges of environmental and climate protection around the globe. We are working continuously to reduce fuel consumption, achieve noise abatement, save water, and use energy more efficiently. Environmental policy is part of Group-wide HSE management.

RESPECT FOR HUMAN RIGHTS

Our company success is based on people – our employees just as much as our customers and partners. As a result, respect for and upholding human rights forms part of our basic understanding of social responsibility. Child labor and forced labor are not tolerated in the BAUER Group. Often, we act as a subcontractor, meaning that almost exclusively our own employees are involved in projects. It is an important task of our managers to raise awareness for these topics among our employees on-site during their regular visits. In line with our understanding of values, discrimination, particularly on grounds of religion, age, gender, race or sexual orientation, has no place in our company.

COMPLIANCE

In all countries in which we market our products and services, our companies and their employees are required to comply with ethical standards that meet the requirements of their countries. In particular, actively corrupt behavior and passive corruption are not tolerated anywhere in the world.

We do not believe that you have to "play dirty" to win; rather, it is our conviction that correct and proper conduct is the best recipe for sustained long-term success. We support this fundamental belief by clearly defining our values.

Compliance means observing all applicable laws, rules and regulations. Every employee of the BAUER Group has the duty to adhere to legal, regulatory or court-ordered rules and internal company regulations in their professional activities.

The Compliance Management System is referred to as the ethics management system in the BAUER Group and has been implemented by the Management Board in the framework guidelines in the corporate management manual for the BAUER Group. According to these guidelines, subsidiaries must take appropriate measures to ensure compliance with the rules applicable to the Group. The management teams of the Group companies also ensure that employees are aware that violations of applicable law and ethics can have far-reaching implications for the individual company and the Group.

A values program and ethics management system was developed and implemented for the BAUER Group and is binding for all employees. New employees receive training in the values program and ethics management as defined by the corporate management manual. The ethics management system is based on a Code of Conduct published by the BAUER Group on the company's website. It emphasizes the core values of personal responsibility, reliability and appropriate conduct as well as the rules of conduct for specific situations according to selected areas of risk.

The ethics management system focuses on the proper conduct of executives and employees with regard to anti-corruption and anti-trust law. The ethics management system also focuses on ensuring compliance with legal and business ethics rules in dealings with business partners and customers as well as product safety, human and environmental health hazards resulting from our activities, export restrictions, tax and social insurance liabilities, accounting, data privacy and anti-discrimination policy.

In order to implement the ethics management system, ethics officers must be appointed in the organizational units, where required, and senior management and executive must actively communicate the contents of the ethics management system. Together with management, ethics management measures are analyzed by the ethics officer as part of a risk assessment. Wherever appropriate, the individual topics of the ethics management system are processed by specially designated officers as well as special departments that organize compliance with applicable rules and conduct requirements. The main rules applicable to the companies of the BAUER Group are defined in the corporate management manual. In the area of anti-corruption, for example, the dual control principle is defined as an essential tool for the relevant functions in the company.

The subsidiary BAUER Training Center GmbH organizes training courses and seminars for the Group. Special classroom training is provided in the core subjects of anti-corruption and antitrust law. For construction-related companies, the compliance e-learning program developed by EMB-Wertemanagement Bau e.V. is provided to all relevant employees.

The adequacy and effectiveness of the ethics management system is reviewed in internal audits by internal auditing as well as in external audits at construction-related companies in Germany that are members of EMB-Wertemanagement Bau e.V. If necessary, the system is improved based on the findings of the audits. The appointed ethics management officers also continuously strive to improve the ethics management system.

A whistleblowing system has also been implemented in the corporate management manual to expose violations. Additionally, the contact details for internal auditing and the external ombudsman are published on the BAUER Aktiengesellschaft website at www.bauer.de under ‚BAUER Group' – ‚Ethics Management' – ‚Ombudsman.'

Schrobenhausen, March 29, 2018
BAUER Aktiengesellschaft

Prof. Thomas Bauer Chairman of the Management Board	Dipl.-Ing. (FH) Florian Bauer, MBA	Dipl.-Betriebswirt (FH) Hartmut Beutler	Peter Hingott

The Bauer Share

World economy gains considerable momentum
The global economy expanded at a rate of 3.7% in 2017, up noticeably from the previous year's rate of 3.2%. This means that the economy has been unfazed by the political uncertainties in the world.

Growth is well distributed around the world. The euro area expanded by 2.3%, with Germany recording 2.2% growth. The US and Russia also picked up momentum and grew at rates of 2.2% and 1.8%.

A different picture emerges when we look at the political environment. In the US, the "America First" policy is calling into question many long-standing economic and political ties. The administration is pursuing an isolationist agenda and an economic strategy of massive tax breaks. The conflict with North Korea is dominated by war rhetoric. The Middle East remains a hotbed of political and military conflicts. Terrorism continues unabated around the world.

In Europe, the shift to the right was not as extreme as feared. Nevertheless, a nationalist party (AfD) now has a seat in the German parliament and there is also a far-right presence in the Austrian government.

The price of oil continued to stabilize in 2017. Bolstered by OPEC measures, it rose from around 57 USD to about 67 USD in 2017.

While the ECB decided not to change the key interest rate in 2017, the Federal Reserve continued to hike interest rates. At the beginning of the year, the interest rate was still 0.75 to 1.00%, but it was raised to 1.25 to 1.50% by December.

The prospects for the economy are good in 2018, but will continue to be accompanied by political uncertainty.

Bauer shares with impressive price increase
2017 was an extremely good year for Bauer shares. By the end of the year, the price had risen significantly by 163.2%. The DAX (+12.5%) and SDAX (+24.8%) indices also showed excellent growth.

After opening the year at EUR 11.40, the stock price was already close to 15 EUR by mid-January. The share price remained between EUR 13 and 15 by the time the 2016 financial results were published. Then, after the first quarter results in May, it grew steadily with no significant setbacks.

In mid-September, it reached the EUR 30 mark for the first time. It then temporarily dropped to just above 25 EUR in mid-October.

The share price subsequently rose again and surpassed the EUR 30 mark after third-quarter figures were released. It peaked at EUR 30.96 for the year on 24 November and closed the year at an even EUR 30.00.

Performance of the Bauer Share

At the beginning of 2018, the price initially fell to EUR 26.65 on the day after the ad-hoc announcement on 9 January. The stock price then came under further pressure as part of a deteriorating stock market environment and closed the first quarter of 2018 at EUR 19.14.

Investor Relations

The goal of the Management Board and the Investor Relations department is to openly provide information for the capital market and shareholders on a regular basis. Interest in the company and Bauer shares increased noticeably in 2017 after the recent difficult years in terms of operating results.

Capital market conferences and roadshows such as those in Frankfurt or London give us the opportunity to talk to domestic and foreign investors and discuss the current situation of the company.

In 2017, five analysts regularly reported on Bauer shares. Another financial research institute, Warburg Research, began covering us in May 2017. At the end of the year, four analysts voted "hold" and one voted "sell." The average target share price quoted was EUR 27.30.

Approximately 450 shareholders and guests attended the Annual General Meeting in Schrobenhausen in June 2017, to get informed about the company's situation from the Management Board and Supervisory Board.

Share information

ISIN / WKN	DE0005168108 / 516810
Trading symbol	B5A
Trading segment	Frankfurt, Prime Standard
Share indexes	CDAX
Class of share	No-nominal-value individual bearer shares
Share capital	EUR 73,001,420.45
Number of shares	17,131,000
Shareholder structure	Bauer family 48.19 %, free float 51.81 %

Dividend policy

Our dividend strategy is fundamentally oriented to the goals of providing shareholders with an appropriate and fair participation in the success of the business, maintaining continuity, and safeguarding the equity ratio.

We did not meet the goals we originally set for 2017. Earnings after tax in the Group were below our expectations, mainly due to the outcome of a Hong Kong arbitration proceeding.

As a result, we must continue to strike a careful balance between continuity and shareholder participation on the one hand, and safeguarding our equity ratio on the other.

The Management Board will encourage the Supervisory Board to propose a dividend of EUR 0.10 (previous year: EUR 0.10) to the shareholders at the Annual General Meeting.

More information:
http://ir.bauer.de

KEY FIGURES	2014	2015	2016	2017
Earnings per share (in EUR)	0.85	1.73	0.66	0.16
Dividend per share (in EUR)	0.15	0.15	0.10	0.10 *
Dividend total (in EUR ’000)	2,570	2,570	1,713	1,713 *
Year-end price (in EUR)	13.35	17.40	11.40	30.00
Annual high (in EUR)	20.04	19.20	17.16	30.96
Annual low (in EUR)	11.75	13.85	9.45	11.73
Market capitalization at year-end (in EUR ’000)	228,699	298,079	195,293	513,930
Average daily trading volume (units)	26,984	25,570	18,173	55,439

* Proposed; subject to the consent of the Annual General Meeting on June 28, 2018

Corporate Governance

REPORT OF THE SUPERVISORY BOARD 2017

The Supervisory Board regularly monitored the work of the Management Board during the 2017 financial year on the basis of the detailed reports provided by the Management Board in written and verbal form, and provided support in the form of advice. The Management Board discharged its duties to provide the Supervisory Board with regular, prompt and comprehensive information about all questions of strategy, planning, company development, risk development and compliance that are relevant to the company and the Group. Between the meetings, the Management Board submitted monthly written reports on all important business transactions and financial indicators of the Group and the company. The Chairman of the Supervisory Board was also in regular contact with the Management Board, and gathered information as appropriate relating to the course of business and key transactions.

There were no indications of conflicts of interest among members of the Management Board or Supervisory Board requiring immediate notification of the Supervisory Board and disclosure to the Annual General Meeting. There were no changes in members of the Supervisory Board in the year under review.

Main focus of consultations in Supervisory Board meetings
In the year under review, there were four regular plenary sessions and two resolutions by circulation procedure. One member of the Supervisory Board attended only half of the meetings of the Supervisory Board during the financial year.

Current business and earnings performance, order backlog development and developments in the markets in the Construction, Equipment, and Resources segments were discussed at all Supervisory Board meetings.

At the annual financial review meeting in April relating to the annual parent company and consolidated financial statements for the 2016 financial year, also attended by the auditors, a detailed review was undertaken of the respective financial statements and associated management and audit reports, taking into due consideration the report from the Audit Committee, and the proposal of the Management Board with regard to the appropriation of earnings. During this meeting, the Supervisory Board discussed the selection of auditors, the remuneration system, the remuneration of the Management Board and the invitation to the Annual General Meeting. In addition, the results of the efficiency review of the Supervisory Board were evaluated and the financial ratios agreed during financing as well the earnings improvement program were discussed.

In the second meeting of the financial year, the Supervisory Board focused on the target quota of women on the Management Board and voted on the corporate strategy of the Group.

The September meeting focused on improvements to project management, measures to reorganize burdensome business units and medium-term consolidated balance sheet planning. Management Board succession planning was also discussed.

At the Supervisory Board meeting in December of the year under review, an updated declaration of conformity was adopted in accordance with the German Corporate Governance Code. Currency risks and the procedure for currency hedging were discussed and the employee bonus framework and annual planning for the financial year were approved. Additionally, Mr. Florian Bauer was appointed to the Management Board and the competency profile and diversity plan for the Management Board and the Supervisory Board were agreed upon.

Work carried out by the subcommittees
There are four committees of the Supervisory Board. The Mediation Committee and the Nominations Committee were not required to convene due to the nature of the tasks presented. The chairpersons submitted regular reports on the main content of the subcommittee meetings to the plenary Supervisory Board meetings. None of the committee members attended only half or less than half of the committee meetings during their term in office.

Two meetings of the Presidial and Personnel Committee were convened. At those meetings, preparations were made for the decisions of the Supervisory Board relating to the setting of the salaries and performance bonuses of the members of the Management Board and to the structuring of its remuneration system, as well as to the performance bonus framework. These meetings also focused on the declaration of conformity with the German Corporate Governance Code, the competency profile and diversity plan for the Management Board and Supervisory Board as well as the appointment of Mr. Florian Bauer to the Management Board.

The Audit Committee held three conference calls and three meetings in the financial year. The committee reviewed the audit of the quarterly statements, the half-year interim report and, in the presence of the auditors, the audit of the annual financial statements of the parent company and the consolidated financial statements of the Group. It also scrutinized the Management Board's proposal regarding the appropriation of earnings as well as the selection and appointment of auditors of financial statements. The approval of non-auditing services by the auditor, currency hedging in the Group and the forecast were discussed. Audit content for key audit points was determined in consultation with the auditor. In addition, a focal point meeting focused on the financing of the Group, changes in deferred taxes, risk management and internal audit measures.

Auditing of 2017 annual and consolidated financial statements

The annual financial statements of BAUER AG to December 31, 2017 and the consolidated financial statements of the Group, as well as the Combined Management Report, including the Group accounts, were audited by the auditors elected by the Annual General Meeting and duly appointed by the Supervisory Board, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Stuttgart. The accounts were certified by the auditors without reservation. The Audit Committee scrutinized the audit documentation, the non-financial consolidated statement and the reports submitted by auditors. The Committee reported on its review to the Supervisory Board. The auditors attended the meeting of the Audit Committee as well as the annual financial review meeting of the plenary Supervisory Board.

The audit documentation along with the non-financial consolidated statement and reports from auditors were provided to all members of the Supervisory Board in good time for scrutiny. The Supervisory Board duly noted and concurred with the findings of the auditors' review of the parent company and Group consolidated financial statements and the Combined Management Report. On conclusion of the Supervisory Board's review, no objections were raised. The annual financial statements of BAUER AG and the consolidated financial statements of the Group were approved by the Supervisory Board at its financial review meeting on April 10, 2017. The annual financial statements of BAUER AG were thereby confirmed. Following prior consultations by the Audit Committee, the Supervisory Board concurred with the proposal of the Management Board regarding the appropriation of distributable net profit.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board, all the Group's employees and the employee representatives within all Group companies for their great commitment throughout the past financial year.

Schrobenhausen, April 2018
The Supervisory Board

Dr. Klaus Reinhardt
Chairman of the Supervisory Board


SKANSKA

CORPORATE GOVERNANCE REPORT

AND DECLARATION ON CORPORATE GOVERNANCE

The Management Board, also on behalf of the Supervisory Board, submits the following report in accordance with no. 3.10 of the German Corporate Governance Code. The Corporate Governance Report is also equivalent to the Declaration on Corporate Governance pursuant to sections 289f and 315d of the German Commercial Code (HGB), which forms part of the Combined Management Report for the 2017 financial year.

Declaration of Conformity 2017

In the year under review, based on preliminary work by the Presidial and Personnel Committee, the Management Board and Supervisory Board reviewed the company's compliance with the German Corporate Governance Code. On December 7, 2017 the Management Board and Supervisory Board passed the following declaration of conformity:

“Since the last declaration in December 2016 the company has complied with, and currently complies with, each of the recommendations of the "Government Commission of the German Corporate Governance Code" as published by the German Federal Ministry of Justice in the official section of the electronic version of the German Federal Gazette ("Bundesanzeiger"), with the following exceptions:

1. Contrary to no. 3.8 an excess of at least 10% of the loss up to at least an amount representing one and a half times the fixed annual remuneration of Management Board and Supervisory Board members is not agreed for D&O insurance for the Supervisory Board. As a result of the moderate remuneration provisions for the Supervisory Board in the Articles of Association, a corresponding excess for the Supervisory Board is not approved. Even without a corresponding excess, the Supervisory Board members will perform their duties responsibly.

2. Contrary to no. 4.1.5 there is no appropriate inclusion or participation of women arranged for in the filling of management positions. In particular, the introduction of a quota for women is not supported in order to ensure equal opportunities. These positions should be filled regardless of gender so that neither the female gender nor the male gender is favoured or discriminated against. In addition, a candidate should not suffer any disadvantage on the grounds of racial or ethnic origin, religion or belief.

3. The individualized disclosures of the benefits, the remuneration and the pension benefits awarded to each member of the Management Board are not individualized for each member of the Management Board in the remuneration report as the Annual General Meeting dated June 23, 2016 resolved on the omission of the disclosures according to section 285 no. 9 (a), sentences 5 to 8, section 315a (1) and section 314 (1) no. 6 (a), sentences 5 to 8 of the German Commercial Code (HGB) and therefore the disclosures required under no. 4.2.5 would contradict such shareholder resolution.

4. Contrary to no 5.1.2 and 5.4.1, no age limit for members of the Management Board or Supervisory Board and no time limit to the length of membership in the Supervisory Board are specified. Expertise and performance as well as independence cannot be determined on the basis of rigid age limits or length of membership. Upon the appointment of new Management Board and Supervisory Board members or upon prolongation of their membership at the end of the statutory term of office, the persons in the Supervisory Board and the Annual General Meeting who bear responsibility for selecting suitable members will take account of the age and the independence of the chosen person when reaching their decision, alongside assessing their skills.

5. Contrary to no 7.1.2, the consolidated financial statements at December 31, 2016 were made public within 103 days rather than 90 days of the end of the financial year. As a result of the international structure of the Group, the completion and consolidation of the separate financial statements take a considerable amount of time. In the interests of conscientious accounting processes, efforts to improve the accounting procedures continue.

Furthermore, BAUER Aktiengesellschaft already conforms largely to the additional suggestions of the German Government Commission on the Corporate Governance Code.”

Roles of the Management Board and Supervisory Board

German company law prescribes a dual system of management for BAUER AG, characterized by a strict separation of personnel between the Management Board as the executive

<<< Our customer Skanska Grundläggning drilled 20 bore holes with a pipe diameter of more than 400 mm to a depth of 114 m in Gothenburg for a bank reinforcement. An RM 20 from RTG Rammtechnik GmbH was used.

management body and the Supervisory Board as the supervising body. Moreover, the company's Articles of Association and the rules of procedure governing the work of the Supervisory Board and of the Management Board also lay down the basic structures of their collaboration.

The Management Board is assigned independent responsibility for managing the company. Notwithstanding the joint overall responsibility of the Management Board, each member of the Management Board acts on his or her own responsibility within his or her assigned portfolio of functions. Measures and transactions of a division of the Management Board that are of extraordinary importance for the company or a business unit, or which are associated with an extraordinary financial risk, require the prior approval of the entire Management Board. The Chairman of the Management Board coordinates the work of the Management Board. The Management Board members report on a regular basis to the Chairman of the Management Board in respect of all material matters and on the course of business within their assigned functions. A member of the Management Board has been appointed Labor Director, and is responsible to an increased extent for human resources and social policy topics in the company. The Management Board defines the corporate strategy, agrees on it in consultation with the Supervisory Board, and ensures that it is implemented. The Management Board provides the Supervisory Board and its subcommittees with information about all matters relevant to the company through monthly reports, conference calls as well as routine and special sessions.

The Supervisory Board appoints the Management Board. In doing so, it considers not only the relevant professional qualification of its members but also – given the international nature of the business – the diversity of its composition. The Supervisory Board also sets the overall level of remuneration paid to the Management Board, regularly reviews remuneration levels, and specifies the remuneration paid to individual members of the Management Board. It appoints, supervises and advises the Management Board, and participates in decisions of fundamental significance to the company. The company's Articles of Association stipulate relevant transactions and undertakings which require the consent of the Supervisory Board. Duties of the Supervisory Board include reviewing the annual financial statements of the company, the consolidated financial statements and the parent company and Group Management Report, as well as proposals for the appropriation of distributable net profit. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the Supervisory Board externally. The Supervisory Board regularly reviews the efficacy of its activities.

Composition of the Supervisory Board

Pursuant to the German Co-Determination Act, the Supervisory Board of BAUER AG comprises 12 members, with half of them being appointed by the employees and the other half by the Annual General Meeting. The Supervisory Board includes a sufficient number of independent members who have no business or personal links to the company, to its executive bodies, to any controlling shareholder or to any company associated with any such shareholder which may give grounds for a material and not merely temporary conflict of interests. Moreover, all members of the Supervisory Board are obligated to immediately disclose to the Supervisory Board any conflicts of interest as and when they arise. No conflicts of interest were disclosed to the Supervisory Board by any of its members during the year under review.

The Supervisory Board of BAUER AG currently comprises four women and eight men and therefore each half of the Supervisory Board is comprised of at least 30% women and at least 30% men pursuant to section 96 (2) of the German Stock Corporation Act.

The Supervisory Board has defined a competency profile and diversity plan to ensure that its members collectively possess the necessary skills, knowledge and professional experience to carry out its assigned role in a correct and proper manner. As part of this plan, the Supervisory Board shall include not more than four members in total who have business or personal links to BAUER AG, to its executive bodies, to any controlling shareholder or to any company associated with any such shareholder which may give grounds for a material and not merely temporary conflict of interests. In addition, the Supervisory Board shall not consist of more than two former members of the Management Board and members of the Supervisory Board shall not exercise any executive or advisory functions for significant competitors of the company. When appointments are made to the Supervisory Board, a candidate shall not be disadvantaged for reasons of race, ethnic origin, disability, religion or world view.

Supervisory Board posts should be filled on merit, regardless of gender, so that neither men nor women are preferred or disadvantaged. An exception to this rule is made if a person of a specific gender is disadvantaged in order to fulfill the statutory gender quota. According to the German Stock Corporation Act, the Supervisory Board of BAUER AG must be comprised of at least 30% women and at least 30% men. An age limit and a regular limit on the length of membership of the Supervisory Board have not been specified, as the competence and performance of a member of the Supervisory Board cannot be determined by strict rules.

The employees' representatives on the Supervisory Board will be elected in accordance with the provisions of the German Employees' Co-determination Act. The Supervisory Board observes the following principles in nominating shareholder representatives:

- The appointment of shareholders' representatives to the Supervisory Board shall take due account of the Group's fundamental character as a family business, giving due consideration to the implications of that character in terms of the corporate culture, whereby two members shall be appointed from the Bauer family, provided the candidates are suitable.

- At least two of the shareholders' representatives on the Supervisory Board shall have substantial experience in the management of construction and/or construction machinery manufacturing companies.

- At least one shareholder representative on the Supervisory Board shall possess specialist skills and experience in the application of financial reporting standards and the implementation of internal control procedures.

The current structure of the Supervisory Board fully complies with the objectives and the competency profile or diversity plan for the Supervisory Board as well as legal requirements.

Composition and roles of the subcommittees

The Supervisory Board has established four standing committees constituted from among its members. The Supervisory Board subcommittees and their roles and procedures are laid down in the rules of procedure governing the Supervisory Board. The chairmen of the various committees submit regular reports on their work to the plenary Supervisory Board meetings.

The Presidial and Personnel Committee comprises the Chairman of the Supervisory Board as well as one Supervisory Board member elected by the shareholder representatives and one by the employee representatives respectively. Its role includes preparing the way for Supervisory Board decisions relating to the setting of overall remuneration to individual Management Board members and to the remuneration system for the Management Board in general, as well as responsibility for establishing, amending and terminating service contracts with the members of the Management Board. It also discusses corporate governance matters.

The Audit Committee comprises three members elected by the Supervisory Board by a majority of the votes cast, with two members proposed by the Supervisory Board members of the shareholders and one member proposed by the Supervisory Board member of the employees. The Chairman of the Audit Committee is elected by the Supervisory Board at the suggestion of the shareholders' representatives. The Chairman of this committee is an independent member of the Supervisory Board possesses specific knowledge and experience in the application of accounting policies and audit procedures, and is neither a former member of the company's Management Board nor the Chairman of the Supervisory Board. The role of the Audit Committee is in particular to monitor accounting procedures and to review the efficiency of the system of internal controls, the risk management system and the internal auditing system including compliance. The Audit Committee prepares the proposal of the Supervisory Board to the Annual General Meeting concerning the appointment of auditors, and assesses their independence. It undertakes a preliminary review of the annual financial statements of the parent company and the consolidated financial statements of the Group together with the Combined Management Report, as well as preparing the proposal on appropriation of distributable net profit and consulting on the audit reports with the auditors. It also reviews the half-year interim report and quarterly statements.

The Nominations Committee comprises three shareholder representative members of the Supervisory Board. The Chairman and the Deputy Chairman of the Nominations Committee are proposed and elected by the Supervisory Board members of the shareholders. The task of the Nominations Committee is to submit to the Supervisory Board proposals of suitable candidates to be put forward to the Annual General Meeting for election to the Supervisory Board.

The Mediation Committee, constituted pursuant to the German Co-determination Act, comprises two shareholder representative and two employee representative members respectively. The Mediation Committee is only convened if a proposed candidate for appointment as a member of the Management Board has not obtained the majority vote required by the German Co-determination Act.

In his report to the Annual General Meeting, the Chairman of the Supervisory Board summarizes the work of the Supervisory Board and its subcommittees over the past financial year. The Report of the Supervisory Board for the 2017 financial year is published in the company's Annual Report on pages 68 to 69. This report is thereby quoted by way of reference.

Structure of the Management Board

At the beginning of the 2018 financial year, the number of Management Board members was increased from three to four. The Supervisory Board has defined a competency profile and diversity plan for the Management Board to ensure that its members collectively possess the necessary skills, knowledge and professional experience to carry out its assigned role in a correct and proper manner. Management Board posts shall be filled on merit, regardless of gender so that neither men nor women are preferred or disadvantaged. When appointments are made to the Management Board, a candidate shall not be disadvantaged for reason of race, ethnic origin, disability, religion or world view. An age limit and a limit on the length of membership of the Management Board for extensions of a Management Board appointment have not been specified. Expertise and performance as well as independence cannot be determined on the basis of rigid age limits or length of membership and must be decided on an individual basis.

The Management Board should have strong business and technical qualifications. In addition, the following priorities should be considered when filling positions:

- Because the Group is a family company, candidates who are members of the family are more likely to be preferred over other candidates if they are suitably qualified for the Management Board;

- Candidates with several years of work experience in the BAUER Group are more likely to be preferred over candidates from outside if they are suitably qualified for the Management Board;

- Other key selection criteria include strategic skills, industry networking and market experience, teamwork skills, leadership and resilience.

The current structure of the Management Board fully complies with the objectives, the competency profile and diversity plan for the Management Board.

Determination of the female quota in the Management Board and executive levels

The Supervisory Board determined a female target quota of 0% for the Management Board until June 28, 2022. This target has been met by the current Management Board structure. The Management Board specified a female target quota of 30% rounded in the top executive level beneath the Management Board until June 28, 2022 and 28.57% until June 30, 2022 for the second executive level beneath the Management Board. At the end of the year under review, these targets were also reached at the first level of management below the Management Board, where the female quota was 36.36%, and at the second management level, where the quota was 28.57%. Regardless of the legal requirement to set target quotas, the Group is committed to supporting women and men who want to become executives and, as a technology-driven company, is especially interested in inspiring women to pursue technical professions. However, the company believes that statutory quotas lead to gender inequality. For a small number of executive positions, the candidate's suitability for the position, not gender, should be the deciding factor, and equal opportunities should be given to all genders.

Corporate Governance and Compliance

The company's system of corporate governance is based on German law, specifically on legislation governing public limited companies, corporate co-determination and capital markets, as well as on the company's Articles of Association. The company's Articles of Association are published on the company website at www.bauer.de, in the "Investor Relations" section under "Corporate Governance". The Management Board employs the Corporate Management Manual implemented throughout the Group as its central instrument of management. This manual also stipulates the framework guidelines and management principles applicable for the Group as well as its basic values. A code of conduct has also been published on the company's website to ensure that all BAUER Group employees conduct themselves in compliance with the rules.

An appropriate system of risk management and of internal controls is established within the company. The essential features of the control and risk management system are set out in the Risk Report forming part of the Combined Management Report. Internal auditing systems monitor compliance with laws and standards across the Group. The Management Board regularly updates the Supervisory Board on existing risks and risk trends, as well as on internal auditing procedures.

Shareholders and Transparency

The company provides regular and timely information relating to the position of the company and in respect of material changes to the business. Extensive information resources are provided on the company's website. In addition, electronic distribution systems and the German Federal Gazette ("Bundesanzeiger") are used to ensure timely communication with our shareholders and with the public at large. No company share option schemes or similar stock incentive programs existed during the past financial year.

The Annual General Meeting passed a resolution, with the necessary three-quarters majority, stipulating that the remuneration paid to members of the Management Board shall not be disclosed individually. Consequently, as has been the policy to date, only the remuneration paid to the Management Board in total and the structure of the remuneration system are disclosed in the Remuneration Report on pages 56 to 58 of the company's Annual Report.


BAUER MC128
BAUER
MC128

Balance sheet and income statement of BAUER Aktiengesellschaft in accordance with HGB (German Commercial Code)

<<< Two new skyscrapers are being built in Xuhui, the commercial center of Shanghai. For the diaphragm walling, a Bauer Maschinen customer used an MC 128 and an MC 96 duty-cycle crane, both equipped with a BC 40 trench cutter, as well as a CBC 33 cutter.

Income statement of BAUER Aktiengesellschaft

in EUR '000	12M/2016	12M/2017
Sales revenues	33,824	36,530
Other capitalized goods and services for own account	0	0
Other operating income	6,651	6,025
	40,475	**42,555**
Cost of materials	-7,265	-8,656
Personnel expenses	-17,972	-18,290
Amortization of intangible assets and depreciation of property, plant and equipment	-3,169	-3,457
Other operating expenses	-20,730	-38,396
	-49,136	**-68,799**
Operating result	**-8,661**	**-26,244**
Income from participations	4,460	13,000
Other interest and similar income	11,772	11,686
Interest and similar expenses	-8,106	-8,679
Financial result	**8,126**	**16,007**
Result from operating activities	**-535**	**-10,237**
Income tax expense	-863	-969
Other taxes	-38	-22
Net loss for the period	**-1,436**	**-11,228**
Profit carried forward	5,616	1,713
Withdrawals from other revenue reserves	103	12,941
Dividend payment	-2,570	-1,713
Distributable net profit	**1,713**	**1,713**

Balance sheet of BAUER Aktiengesellschaft as at December 31, 2017

Assets

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Fixed assets		
Intangible assets	4,506	3,421
Property, plant and equipment	5,241	4,980
Financial assets	129,325	132,341
	139,072	**140,742**
Current assets		
Inventories Raw materials and supplies	45	74
Receivables and other assets (of which receivables from affiliated companies)	240,079 (238,487)	186,963 (184,900)
Cash at banks	6,923	6,868
	247,047	**193,905**
Prepayments and deferred charges	**940**	**855**
Deferred tax assets	**1,094**	**1,465**
	388,153	**336,967**

Equity and liabilities

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Equity		
Subscribed capital	73,001	73,001
Capital reserve	39,781	39,781
Revenue reserves	14,997	2,055
Distributable net profit (of which profit carried forward)	1,713 (5,616)	1,713 (1,713)
	129,492	**116,550**
Provisions (of which provisions for pensions)	**10,177** (8,740)	**11,947** (9,825)
Liabilities (of which liabilities payable to affiliated companies)	**248,484** (2,018)	**208,470** (37,447)
	388,153	**336,967**

BAUER BG 28 H
BAUER BG 28 H

Consolidated Financial Statements in accordance with IFRS

<<< i+R Lauterach drilled fully cased bore holes up to 46 m deep for a bridge foundation on Jägger 4 in Tyrol. A BAUER BG 28 H was used.

Consolidated Income Statement and Statement of Comprehensive Income

INCOME STATEMENT

in EUR '000	Notes	12M/2016 *	12M/2017
Sales revenues	(7)	1,396,881	1,667,861
Changes in inventories		15,359	-10,825
Other capitalized goods and services for own account	(8)	13,472	8,519
Other income	(9)	32,190	22,582
Consolidated revenues		**1,457,902**	**1,688,137**
Cost of materials	(10)	-717,992	-919,596
Personnel expenses	(11)	-369,700	-383,530
Other operating expenses	(12)	-209,913	-202,458
Earnings before interest, tax, depreciation and amortization (EBITDA)		**160,297**	**182,553**
Depreciation and amortization a) Depreciation of fixed assets	(13)	-74,509	-78,342
b) Write-downs of inventories due to use	(14)	-15,532	-14,644
Earnings before interest and tax (EBIT)		**70,256**	**89,567**
Financial income	(15)	36,214	37,649
Financial expenses	(16)	-79,406	-90,784
Share of the profit or loss of associated companies accounted for using the equity method	(17)	-3,021	-1,124
Earnings before tax (EBT)		**24,043**	**35,308**
Income tax expense	(18)	-9,629	-31,643
Earnings after tax		**14,414**	**3,665**
of which attributable to shareholders of BAUER AG		11,302	2,740
of which attributable to non-controlling interests		3,112	925

in EUR		12M/2016	12M/2017
Basic earnings per share	(19)	0.66	0.16
Diluted earnings per share	(19)	0.66	0.16
Average number of shares in circulation (basic)		17,131,000	17,131,000
Average number of shares in circulation (diluted)		17,131,000	17,131,000

* Previous year adjusted; see notes on page 93 ff.

STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	12M/2016	12M/2017
Earnings after tax	**14,414**	**3,665**
Income and expenses which will not be subsequently reclassified to profit and loss		
Revaluation of commitments arising from employee benefits after termination of employment	-12,736	3,250
Deferred taxes on that revaluation with no effect on profit and loss	3,605	-873
Income and expenses which will be subsequently reclassified to profit and loss		
Market valuation of derivative financial instruments	793	7,549
Included in profit and loss	-1,763	-6,285
Deferred taxes on financial instruments with no effect on profit and loss	272	-355
Exchange differences on translation of foreign subsidiaries	-13,770	-19,983
Other comprehensive income	**-23,599**	**-16,697**
Total comprehensive income	**-9,185**	**-13,032**
of which attributable to shareholders of BAUER AG	-5,470	-12,666
of which attributable to non-controlling interests	-3,715	-366

Consolidated Statement of Cash Flows

in EUR '000	12M/2016	12M/2017
Cash flows from operational activity:		
Earnings before tax (EBT)	24,043	35,308
Depreciation of property, plant and equipment and intangible assets	74,509	78,342
Depreciation of financial assets	4,209	131
Write-downs of inventories due to use	15,532	14,644
Financial income	-5,540	-10,062
Financial expenses	42,615	40,546
Other non-cash transactions and results of de-consolidations	-23,780	37,836
Dividends received	1,583	3,052
Income from the disposal of property, plant and equipment and intangible assets	-1,845	-4,804
Income from associated companies accounted for using the equity method	-3,021	-1,124
Change in provisions	-136	-1,042
Change in trade receivables	489	18,095
Change in receivables from construction contracts *	-16,635	-5,968
Change in other assets and in prepayments and deferred charges	11,501	4,212
Change in inventories *	-21,871	-23,237
Change in trade payables *	18,463	35,775
Change in liabilities from construction contracts	14,042	-9,325
Change in other current and non-current liabilities *	7,340	-3,566
Cash and cash equivalents generated from day-to-day business operations	**141,498**	**208,813**
Income tax paid	-16,619	-25,483
Net cash from operating activities	**124,879**	**183,330**
Cash flows from investment activity:		
Acquisition of property, plant and equipment and intangible assets	-79,073	-88,161
Proceeds from the sale of property, plant and equipment and intangible assets	12,521	23,394
Consolidation scope-related change in financial resources	-123	-49
Net cash used in investing activities	**-66,675**	**-64,816**
Cash flows from financing activity:		
Raising of loans and liabilities to banks	236,373	217,781
Repayment of loans and liabilities to banks	-256,943	-277,088
Repayment of liabilities from finance lease agreements	-8,555	-12,583
Disbursements for the acquisition of additional shares in subsidiaries	0	0
Dividends paid	-3,174	-2,362
Interest paid	-35,573	-35,377
Interest received	3,700	6,897
Net cash used in financing activities	**-64,172**	**-102,732**
Changes in liquid funds affecting payments	**-5,968**	**15,782**
Influence of exchange rate movements on cash	-7,975	-1,979
Total change in liquid funds	**-13,943**	**13,803**
Cash and cash equivalents at beginning of reporting period	**47,406**	**33,463**
Cash and cash equivalents at end of reporting period	**33,463**	**47,266**
Change in cash and cash equivalents	**-13,943**	**13,803**

* Previous year adjusted; see notes on page 93 ff.

Consolidated Balance Sheet at December 31, 2017

Assets

in EUR ’000	Notes	Dec. 31, 2016	Dec. 31, 2017
Intangible assets	(20)	25,640	21,021
Property, plant and equipment and investment property	(20)	407,977	407,429
Investments accounted for using the equity method	(20)	129,252	121,315
Participations	(20)	9,730	11,733
Deferred tax assets	(21)	42,907	45,607
Other non-current assets	(22)	8,256	7,653
Other non-current financial assets	(23)	18,412	14,389
Non-current assets		**642,174**	**629,147**
Inventories	(24)	447,326	430,606
Advances received on inventories *	(24)	-13,893	-13,883
		433,433	416,723
Receivables from construction contracts (PoC) *	(25)	149,064	148,203
Trade receivables	(25)	339,993	317,488
Receivables from enterprises in which the company has participating interests	(25)	6,473	4,175
Payments on account	(25)	3,870	4,726
Other current assets	(25)	30,574	33,673
Other current financial assets	(25)	18,364	12,326
Effective income tax refund claims		4,771	3,976
Cash and cash equivalents	(26)	33,463	47,266
Assets held for sale	(27)	19,608	0
Current assets		**1,039,613**	**988,556**
		1,681,787	**1,617,703**

* Previous year adjusted; see notes on page 93 ff.

Equity and liabilities

in EUR '000	Notes	Dec. 31, 2016	Dec. 31, 2017
Subscribed capital		73,001	73,001
Capital reserve		38,404	38,404
Other revenue reserves and distributable net profit		318,462	304,078
Equity of BAUER AG shareholders		**429,867**	**415,483**
Non-controlling interests		4,264	3,249
Equity	(28)	**434,131**	**418,732**
Liabilities to banks	(29)	176,754	155,621
Liabilities from finance lease agreements	(29)	19,127	20,356
Provisions for pensions	(30)	127,081	126,332
Other non-current liabilities	(29)	7,556	6,883
Other non-current financial liabilities	(29)	3,983	4,418
Deferred tax liabilities	(21)	22,296	20,789
Non-current debt		**356,797**	**334,399**
Liabilities to banks	(31)	479,746	429,589
Liabilities from finance lease agreements	(31)	10,460	14,324
Liabilities from construction contracts (PoC)	(31)	62,949	51,083
Trade payables	(31)	202,913	233,519
Liabilities to enterprises in which the company has participating interests	(31)	2,449	690
Other current liabilities *	(31)	82,958	79,706
Other current financial liabilities	(31)	20,291	16,652
Effective income tax obligations		11,213	16,202
Provisions	(32)	15,373	20,188
Current portion of provisions for pensions	(30)	2,507	2,619
Current debt		**890,859**	**864,572**
		1,681,787	**1,617,703**

* Previous year adjusted; see notes on page 93 ff.

Consolidated Statement of Changes in Equity from January 1, 2016 until December 31, 2017

in EUR '000			Other revenue reserves and distributable net profit				
	Subscribed share	Capital reserve	Revenue reserves	Currency conversion	Reserves from hedging transactions	Non-controlling interests	Total
As of Jan. 1, 2016	**73,001**	**38,404**	**317,752**	**10,909**	**-1,224**	**12,368**	**451,210**
Earnings after tax	0	0	11,302	0	0	3,112	**14,414**
Exchange differences on translation of foreign subsidiaries	0	0	0	-6,947	0	-6,823	**-13,770**
Revaluation of commitments arising from employee benefits after termination of employment	0	0	-12,731	0	0	-5	**-12,736**
Market valuation of derivative financial instruments	0	0	0	0	-970	0	**-970**
Deferred taxes with no effect on profit and loss	0	0	3,604	0	272	1	**3,877**
Total comprehensive income	**0**	**0**	**2,175**	**-6,947**	**-698**	**-3,715**	**-9,185**
Changes in basis of consolidation	0	0	-1,250	0	0	-988	**-2,238**
Dividend payments	0	0	-2,570	0	0	-604	**-3,174**
Other changes	0	0	315	0	0	-2,797	**-2,482**
As of Dec. 31, 2016	**73,001**	**38,404**	**316,422**	**3,962**	**-1,922**	**4,264**	**434,131**
As at Jan. 1, 2017	**73,001**	**38,404**	**316,422**	**3,962**	**-1,922**	**4,264**	**434,131**
Earnings after tax	0	0	2,740	0	0	925	**3,665**
Exchange differences on translation of foreign subsidiaries	0	0	0	-18,683	0	-1,300	**-19,983**
Revaluation of commitments arising from employee benefits after termination of employment	0	0	3,238	0	0	12	**3,250**
Market valuation of derivative financial instruments	0	0	0	0	1,264	0	**1,264**
Deferred taxes with no effect on profit and loss	0	0	-870	0	-355	-3	**-1,228**
Total comprehensive income	**0**	**0**	**5,108**	**-18,683**	**909**	**-366**	**-13,032**
Changes in basis of consolidation	0	0	-5	0	0	0	**-5**
Dividend payments	0	0	-1,713	0	0	-649	**-2,362**
Other changes	0	0	0	0	0	0	**0**
As at Dec. 31, 2017	**73,001**	**38,404**	**319,812**	**-14,721**	**-1,013**	**3,249**	**418,732**

Notes to the consolidated financial statements

GENERAL NOTES

GENERAL INFORMATION

BAUER Aktiengesellschaft, Schrobenhausen (referred to in the following as BAUER AG) is a stock corporation under German law. Its registered office is at BAUER-Strasse in Schrobenhausen, and the company is entered in the Register of Companies of Ingolstadt (HRB 101375).

The BAUER Group is a provider of services, equipment and products dealing with ground and groundwater. The Group markets its products and services all over the world. The operations of the Group are divided into three segments: Construction, Equipment and Resources.

BAUER AG is listed in the Prime Standard of the German stock market.

1. BASIS OF PREPARATION

The consolidated financial statements of BAUER AG were prepared applying section 315e of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU. The consolidated financial statements were prepared on the basis of historical cost, limited by the market-value valuation of available-for-sale financial assets and by the fair-value valuation of financial assets and liabilities (including derivative financial instruments) affecting net income. The previous year's figures have been determined according to the same principles.
The BAUER Group's financial year is the calendar year.
The consolidated financial statements were prepared in euros. Unless otherwise specified, all amounts are quoted in thousands of euros (EUR '000).

The income statement was prepared using the nature of expenses method and covers the period from January 1 to December 31.

2. BASIS OF CONSOLIDATION

The basis of consolidation includes BAUER AG and all major subsidiaries. Subsidiaries are all companies over which the parent has control in terms of financial and corporate policy. This is routinely accompanied by a voting rights share of over 50%. When assessing whether control is exerted, the existence and effect of potential voting rights currently exercisable or convertible are considered. Subsidiaries are not consolidated if their business operations are dormant or minor and they are, individually and as a whole, of minor importance for conveying a picture of the true and fair view of the net assets, financial and earnings situations as well as the cash flows of the BAUER Group.

They are recognized in the consolidated financial statements with their respective acquisition costs, taking into account any necessary impairments and value recovery adjustments.

In 2017, 110 companies were consolidated into the Group's annual financial statements in 2017 (previous year: 111). In the financial year, 2 (previous year: 2) companies were included in the basis of consolidation for the first time. Since the beginning of 2017, 3 (previous year: 12) companies were de-consolidated due to merger, sale and discontinuation of operations. Joint ventures are not included in the number of consolidated companies due to the short-term nature of these projects.

The following overview shows the number of subsidiaries by segment (without construction joint ventures):

	Main business	Registered office	Number of companies with 100% share		Number of companies with a share less than 100%		Number of of associated companies		Number of joint ventures		Total	
			Dec. 31 2016	Dec. 31 2017	Dec. 31 2016 *	Dec. 31 2017	Dec. 31 2016	Dec. 31 2017	Dec. 31 2016	Dec. 31 2017	Dec. 31 2016	Dec. 31 2017
Construction segment	Special foundation works	Global	34	37	4	3	1	1	1	1	40	42
Segment Equipment	Equipment Manufacture and Sales	Global	27	25	4	4	2	2	2	2	35	33
Resources segment	Water, environmental technology and natural resources	Global	24	24	4	4	2	1	2	2	32	31
'Other' segment	Central services	Global	4	4	0	0	0	0	0	0	4	4
Total			**89**	**90**	**12**	**11**	**5**	**4**	**5**	**5**	**111**	**110**

* Previous year adjusted; see notes on page 93 ff.

If the quality assessment of a new subsidiary finds that the company is immaterial in terms of the operative segment or Group, it may not be included in the consolidated financial statements.
Consequently, the non-inclusion of any one company must not result in material changes to the Group‘s net asset, financial and earnings position, nor must it mask any other materially relevant trends.
In a small number of cases, companies are fully consolidated into the financial statements of BAUER AG even though that company holds less than 50% of their voting rights. This is the result of state restrictions which stipulate that foreign investors may not hold more than 50% of the voting rights in domestic companies. In such cases BAUER AG makes use of so-called agency constructions, whereby more than 50% of the voting rights are commercially held in the company concerned, thus allowing for full consolidation.

Subsidiaries are included in the consolidated financial statements (fully consolidated) from the point at which control, or the option of control, is transferred to the Group. They are de-consolidated at the point when control ends. Companies of which BAUER AG is able, directly or indirectly, to exercise a significant influence on the said companies' financial and operating policy decisions (associated companies) are consolidated according to the equity method. This related to 5 companies as of December 31, 2017 (previous year: 5). Joint ventures were likewise consolidated according to the equity method.
The main subgroups and companies included in the consolidated financial statements are listed in the Major Participations section. The disclosures in accordance with Section 313, Subsection 2 HGB are grouped in a separate list of holdings.
This will be published as part of the Notes to the financial statements of BAUER Aktiengesellschaft in the electronic version of the official Gazette Bundesanzeiger of the Federal Republic of Germany. Subsidiaries with differing balance sheet dates compile interim financial statements as per the Group balance sheet date. BAUER Corporate Services Private Limited and BAUER Equipment India Private Limited prepare their annual financial statements for March 31 due to local statutory requirements.

Application of section 264, subsection 3 of the German Commercial Code (HGB)

Section 264, subsection 3 of the German Commercial Code (HGB) has been exercised for the following companies:
PRAKLA Bohrtechnik GmbH
KLEMM Bohrtechnik GmbH
EURODRILL GmbH
GWE pumpenboese GmbH
BAUER Resources GmbH
ESAU & HUEBER GmbH
RTG Rammtechnik GmbH

Application of section 291, subsection 1 of the German Commercial Code (HGB)

BAUER Resources GmbH and PRAKLA Bohrtechnik GmbH have utilized the exemption option under section 291, subsection 1 of the German Commercial Code (HGB) and has not prepared a consolidated financial statement and management report.

Changes at subsidiaries

Construction segment

In the fourth quarter of the 2017 fiscal year, BAUER Engineering International Ltd. and BAUER Bangladesh Ltd. were included in the consolidated financial statements for the first time. As part of a displacement between the number of companies with 100% and number of companies with less than 100% share, there was a change of one subsidiary to the previous year. The companies were previously not consolidated owing to their minor importance.

Equipment segment

In the first half of 2017, FAMBO Sweden AB and OOO BAUER Maschinen SPb were deconsolidated due to their operations being discontinued. The deconsolidation did not have a significant impact on the net asset, financial and earnings position of the BAUER Group. As a result, disclosures in accordance IFRS 10 and IAS 7 were not made.

Resources segment

Changes in the percentage of group investment in associated companies

Effective from November 23, 2017, NDH Entsorgungsbetreibergesellschaft mbH (NDHE) was merged with Deusa International GmbH (DEUSA). The business of NDHE is continued under NDH Entsorgungsbetreibergesellschaft, branch office of Deusa International GmbH.
Through the merging, the share of SCHACHTBAU NORDHAUSEN GmbH changed in the amount of 25% of the NDHE to a share of 10% of the DEUSA.
The fair value was determined using a discounted cash flow method and various multiple methods.
The estimated cash flows for the next 5 years as well as an interest rate of 6.8% were used as a basis. Payment flows for the 5-year period were extrapolated based on a constant annual growth rate of 1%.
Income was recorded in the group income statement as a result of the sale and is allocated as follows:

in EUR '000	2017
Fair value of remaining share (10%)	2,067
Minus: carrying amount of the participation at the time of loss of controlling interest	-1,069
Recognized income	**998**

Profit is recorded under other operating income.

‘Other‘ segment

In fiscal 2017, there were no changes in the ‘Other‘ segment.

3. CONSOLIDATION POLICIES

The assets and liabilities of the German and foreign companies included in the consolidated financial statements are stated according to the uniform accounting policies applicable throughout the BAUER Group. Mutual receivables and liabilities as well as expenses and income between consolidated companies are eliminated. Consolidated inventories and fixed assets are adjusted by existing intra-group balances.
Consolidation affecting net income is subject to deferral of taxes, with deferred tax assets and liabilities being offset against each other provided the payment period and tax creditor are the same. In respect of subsidiaries consolidated for the first time, the identifiable assets, liabilities and contingent liabilities of the acquired companies were recorded at their applicable fair values at the time of acquisition. Goodwill occurring on initial consolidation is capitalized and subjected to a yearly impairment test; an excess of the net fair value of the acquired net assets over cost is recognized in the income statement immediately at the time of initial consolidation in accordance with IFRS 3. Consolidation according to the equity method is subject to the same principles. If the pro rata loss in an associated company is equal to or greater than the carrying amount of the participating interest, no further losses are recognized, unless a consolidated Group company has entered into obligations or made payments on behalf of the associated company.

Non-controlling interests are a part of earnings and net assets which is not allocable to the Group. Earnings pertaining to these interests are therefore recognized separately from the share in earnings allocable to the shareholders of the parent company in the income statement. In the balance sheet, these earnings are recognized in equity, separately from the equity allocable to the shareholders of the parent company.
The acquisition of non-controlling interests and changes to the shareholding of the parent company in a subsidiary which do not lead to a loss of control are reported as equity transactions in the balance sheet.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the consolidated financial statements, assumptions and estimates must be made which influence the amounts and recognition of assets and liabilities, income and expenses recorded, as well as contingent liabilities. Assumptions and estimates are primarily used for determining the useful life of fixed assets, discounted cash flows during impairment tests, and assessing the feasibility of deferred tax assets, recoverability of receivables and the recognition of provisions for legal proceedings, pensions and other benefit commitments, taxes, warranties and guaranties. The actual values may differ from the estimates made.

5. PRINCIPLE ACCOUNTING POLICIES

5.1. Changes in accounting policies

It was obligatory to apply the following standards and interpretations for the first time in the financial year:

Amendments to IAS 12 “Income taxes” - recognition of deferred taxes

The amendments contain explanations pertaining to the question of the recognition of deferred taxes on temporary differences from unrealized losses.
The amendment to IAS 12 makes it clear that the determination of a temporary difference in terms of IAS 12 underlies the fundamental concept that the carrying amount at the time of determination is achieved by an economic benefit that flows to the company in the subsequent periods. The existence of a temporary difference may only be determined by comparing the IFRS carrying amount at the respective balance sheet date with the tax base at this point in time. Future foreseeable amendments to the carrying amount are not to be taken into consideration.

Furthermore, the IASB clarifies that the IFRS carrying amount is only relevant for determining temporary differences, but not for the estimation of the future income to be taxed. When determining the income to be taxed, the implementation of a value above the present IFRS carrying amount is conceivable, provided this is probably.

Within this context, it is also clarified that – provided according to Fiscal Law the use of deductible temporary differences is restricted to a particular type of result – for the observation as to whether and in what amount active deferred taxes are to be set, only this type of result is to be used for these differences.

The directive on the adoption of the amendments to IAS 12 by the EU ("endorsement") was published in the Official Journal of the EU on November 9, 2017.

Amendments to IAS 7 "Consolidated statement of cash flows" - Disclosure initiative
Due to the amendments to IAS 7, companies will be obligated in the future to make extended disclosures on the development of those borrowing costs of the balance sheet during the reporting period for which related payments in the consolidated statement of cash flows were evidenced in the cash flow from the financing activity or which must be evidenced in the future. Corresponding disclosures must be issued also with regards to the development of the balance sheet value, for which related payments in the cash flow from the financing activities must be evidenced.

The directive on the adoption of the amendments to IAS 7 by the EU („endorsement") was published in the Official Journal of the EU on November 9, 2017.

Moreover, the IASB and the IFRIC have adopted further standards, interpretations and amendments, as listed below, some of which were not yet bindingly applicable, or had not yet been recognized by the EU, in financial year 2017.
The BAUER Group had not implemented early application of these standards by December 31, 2017.

Initial application of the standards is planned as from the point they are recognized and adopted by the EU.

Standard/Interpretation/Amendment	Applicable as from the financial year	Adopted by the EU
IFRS 9; Financial Instruments	2018	Yes
Changes to IFRS 2, share-based payment	2018	Yes
IFRS 15; Revenue from Contracts with Customers	2018	Yes
Change of the IFRS 4, insurance contracts	2018	Yes
Annual improvement of IFRS, cycle 2014 - 2016	2018	Yes
Changes to IAS 40, investment property	2018	No
IFRIC 22, foreign currency transactions and advance payments	2018	No
IFRS 16, Leasing	2019	Yes
IFRIC 23, tax risk positions from income taxes	2019	No
Change to IAS 28 – Investments in Associated Companies and Joint Ventures	2019	No
Change to IFRS 9; financial instruments	2019	No
Annual improvement of IFRS, cycle 2015 - 2017	2019	No
Change to IAS 19, employee benefits	2019	No
IFRS 17, insurance contracts	2021	No

In the new IFRS 15 standard „Revenue from contracts with customers“, all regulations for recording sales revenues from contracts with customers are summarized. All previous standards and interpretations on sales realization are hereby replaced. This primarily comprises IAS 18 „Revenues“ and IAS 11 „Construction contracts“. The core statement of the IFRS 15 lies in the fact that a company records revenues from the time at which the power of disposition over the goods or services has been transferred onto the customer. This is the case if it is highly probable that for these contractual changes no significant cancellation will occur. IFRS 15 must be applied for reporting periods from January 1, 2018. It was adopted by the EU in September 2016.
The determination of effects is related to significant estimated. For instance, both the willingness of customers to accept changes and approval of supplements or the estimation of the completion progress during project execution must be taken in to account. The estimation of a customer order in accordance with IFRS 15 may lead to a different temporal implementation of sales revenues than in accordance with the previous regulation stipulations.
In the area of construction contracts, there are projects in the BAUER Group with only one contractual obligation. The contractually arranged revenues can also still be recorded at a certain point in time. With respect to the balancing of supplements and contractual changes as contract modifiers for the recording of sales, a higher probability threshold is taken as a basis.
According to an analysis of relevant existing contracts for each segment, there are no significant impacts on the achievement of the sales revenues for the BAUER Group.

The BAUER Group applies the modified retrospective method when implementing IFRS 15 as of January 1, 2018.

IFRS 16 will replace IAS 17 – Leasing relationships, IFRIC 4 – Establishing if an agreement contains a leasing relationship, SIC 15 – Operating leasing relationships – Incentives as well as SIC 27 – Assessment of the profitability of transactions in the legal form of leasing relationships. The new standard does not undertake any classification in finance and operating leasing relationships for lessees, instead basically all leasing relationships are included in the balance sheet in the form of usage rights and leasing liabilities. There will be no major changes to lessor accounting compared to IAS 17. In contrast to IAS 17, IFRS 16 stipulates more extensive details on the appendices.
Potential effects of the first-time adoption of IFRS 16 – Leasing Relationships are currently being analyzed The focus lies primarily in designing the future processes for recording and managing leasing contracts. It is to be expected that the remaining minimum lease payments from operating lease relationships will result in further capitalization of rights of use and the recognition of liabilities. The reduction of newly activated assets adopts a linear pattern, while the liabilities are reduced by the repayment portion. This results in an increase in the total assets with a simultaneous decline in the net assets. A reduction of the net working capital will result as part of the newly balanced liabilities will be listed under current liabilities. Operate lease expenses are replaced by an impairment to rights of use and interest expense for leasing liabilities. Accordingly, the interest expense will rise through the interest with the effective interest rate upon which the leasing contract is based.

As it currently stands, the BAUER Group is planning to apply the modified retrospective method for the implementation of IFRS 16 as of January 1, 2019.

IFRS 9 „Finance instruments“ was published in its final version by the IASB in July 2014 and contains new regulations on classifying and evaluating financial instruments, fundamental changes with respect to the recording of impairments of certain financial assets and revised regulations on balancing hedge accounting. IFRS 9 is to be applied to fiscal years that begin on or after January 1, 2018. The initial application of IFRS 9 by the BAUER Group thereby takes place as of January 1, 2018.

The new standard sees the difference to IAS 39, that contained four evaluation categories for financial assets, only the evaluation categories „continued acquisition costs“, „fair value from the income statement (FVTPL)“ and „fair value from the other comprehensive income (FVOCI)“ for debt instruments. The allocation to these evaluation categories will on the one hand take place in the future on the basis of the business model for the control of financial assets, and on the other it will depend on the payment flow condition, i.e. the specific design of the contractually arranged payment flows of the financial asset to be assessed.
Through the business model condition introduced with IFRS 9, it may be the case that financial assets that are evaluated under IAS 39 as amortized acquisition costs, will in future be evaluated at the fair value to be enclosed. Impacts on this result for the BAUER Group for which the sale of envisaged receivables that are sold to a bank as part of forfeitures. As sales are only carried out to a limited extend, the changeover effect is to be considered insignificant. All further debt instruments are still evaluated in the category under „amortized costs“.
Furthermore, participations are generally to be evaluated in net income at the fair value to be enclosed. There is no additional option, changes to the fair value are to be recorded in other income (Other Comprehensive Income). The BAUER Group envisages making use of this option, meaning value changes of participations currently evaluated under procurement costs solely appear in other comprehensive income.
The recording of write-downs will be no longer based solely on any losses incurred in the future (Incurred loss model), but also on expected losses (Expected loss model). In order to determine the scope of the risk provision strategy, a three-stage model is envisaged, according to which from the initial statement generally 12-month expected losses and in case of significant credit risk deterioration the expected total losses are to be recorded. In order to illustrate the expected losses on trade receivables and on the contract assets recorded in accordance with IFRS 15, a simplified procedure is permitted, whereby the impairment can be determined by referring to what is known as a „Provision Matrix“ that relies on historical failures and future-oriented estimations. The BAUER Group will be making use of this. On the basis of the analyses carried out, there will be an increase of a maximum of 25% of the current adjustment standard.
By revising the regulations on Hedge Accounting, the goal is being pursued of aligning it more heavily towards the company‘s economical risk management, particularly in terms of controlling non-financial risks. This has resulted in extended designation possibilities of individual risk components being permissible under IFRS 9 and generally a broader spectrum of hedging instruments and underlying transactions for the Hedge Accounting. In addition, the BAUER Group assumes that upon application of the new standard, all existing hedge accounting can be continued under IFRS 9.
Besides the displayed effect on certification and valuation, new extensive duties of disclosure have resulted, in particular with respect to credit risks and expected losses („expected credit losses“).

The BAUER Group applies the modified retrospective method when implementing IFRS 9 as of January 1, 2018. BAUER AG does not expect any of the other standards to have any material impact on the consolidated financial statements.

5.2. Adjustment of previous year figures

In the BAUER Group, the processes for posting and certifying certain business transactions are being examined all the time. In fiscal 2017, detailed analyses determined that the vast majority of the profits and losses from foreign exchange (forward) contracts and the realized and unrealized exchange rate profits and losses relate to financing. Accordingly, in the fiscal year we have moved these positions from the other income and other expenses into the financial income and financial expenses. We are furthermore moving the down payments on orders, which were hitherto included on the Equity and Liabilities side, onto the Assets side listed under openly deducted Inventories. Furthermore, down payments received from customers, which were previously part of prepayments and deferred charges on the Equity and Liabilities side, were offset with receivables from construction contracts as the down payment is part of the construction contract. For all amendments, the previous year figures have been adjusted accordingly.

The changes are shown in the following tables:

Adjusting the income statement from January 1 until December 31, 2016

in EUR '000	Jan. 1 - Dec. 31, 2016 (as reported)	Adjustments Other	Jan. 1 - Dec. 31, 2016 (adjusted)
Sales revenues	1,396,881		1,396,881
Changes in inventories	15,359		15,359
Other capitalized goods and services for own account	13,472		13,472
Other income	62,864	-30,674	32,190
Consolidated revenues	**1,488,576**	**-30,674**	**1,457,902**
Cost of materials	-717,992		-717,992
Personnel expenses	-369,700		-369,700
Other operating expenses	-242,495	32,582	-209,913
Earnings before interest, tax, depreciation and amortization (EBITDA)	**158,389**	**1,908**	**160,297**
Depreciation and amortization a) Depreciation of fixed assets	-74,509		-74,509
b) Write-downs of inventories due to use	-15,532		-15,532
Earnings before interest and tax (EBIT)	**68,348**	**1,908**	**70,256**
Financial income	5,540	30,674	36,214
Financial expenses	-46,824	-32,582	-79,406
Share of the profit or loss of associated companies accounted for using the equity method	-3,021		-3,021
Earnings before tax (EBT)	**24,043**		**24,043**
Income tax expense	-9,629		-9,629
Earnings after tax	**14,414**		**14,414**
of which attributable to shareholders of BAUER AG	11,302		11,302
of which attributable to non-controlling interests	3,112		3,112

Adjustment of the consolidated cash flow statement for the period January 1 to December 31, 2016

in EUR '000	Jan. 1 - Dec. 31, 2016 (as reported)	Adjustments Other	Jan. 1 - Dec. 31, 2016 (adjusted)
Cash flows from operational activity:			
Earnings before tax (EBT)	24,043		24,043
Depreciation of property, plant and equipment and intangible assets	74,509		74,509
Depreciation of financial assets	4,209		4,209
Write-downs of inventories due to use	15,532		15,532
Financial income	-5,540		-5,540
Financial expenses	42,615		42,615
Other non-cash transactions and results of de-consolidations	-23,780		-23,780
Dividends received	1,583		1,583
Income from the disposal of property, plant and equipment and intangible assets	-1,845		-1,845
Income from associated companies accounted for using the equity method	-3,021		-3,021
Change in provisions	-136		-136
Change in trade receivables	489		489
Change in receivables from construction contracts	-22,373	5,738	-16,635
Change in other assets and in prepayments and deferred charges	11,501		11,501
Change in inventories	-25,371	3,500	-21,871
Change in trade payables	21,963	-3,500	18,463
Change in liabilities from construction contracts	14,042		14,042
Change in other current and non-current liabilities	13,078	-5,738	7,340
Cash and cash equivalents generated from day-to-day business operations	**141,498**		**141,498**
Income tax paid	-16,619		-16,619
Net cash from operating activities	**124,879**		**124,879**
Cash flows from investment activity:			
Acquisition of property, plant and equipment and intangible assets	-79,073		-79,073
Proceeds from the sale of property, plant and equipment and intangible assets	12,521		12,521
Consolidation scope-related change in financial resources	-123		-123
Net cash used in investing activities	**-66,675**		**-66,675**
Cash flows from financing activity:			
Raising of loans and liabilities to banks	236,373		236,373
Repayment of loans and liabilities to banks	-256,943		-256,943
Repayment of liabilities from finance lease agreements	-8,555		-8,555
Disbursements for the acquisition of additional shares in subsidiaries	0		0
Dividends paid	-3,174		-3,174
Interest paid	-35,573		-35,573
Interest received	3,700		3,700
Net cash used in financing activities	**-64,172**		**-64,172**
Changes in liquid funds affecting payments	**-5,968**		**-5,968**
Influence of exchange rate movements on cash	-7,975		-7,975
Total change in liquid funds	**-13,943**		**-13,943**
Cash and cash equivalents at beginning of reporting period	**47,406**		**47,406**
Cash and cash equivalents at end of reporting period	**33,463**		**33,463**
Change in cash and cash equivalents	**-13,943**		**-13,943**

Adjusting the Consolidated Balance Sheet at December 31, 2016

Assets

in EUR '000	Dec. 31, 2016 (as reported)	Adjustment Other	Dec. 31, 2016 (adjusted)
Intangible assets	25,640		25,640
Property, plant and equipment and investment property	407,977		407,977
Investments accounted for using the equity method	129,252		129,252
Participations	9,730		9,730
Deferred tax assets	42,907		42,907
Other non-current assets	8,256		8,256
Other non-current financial assets	18,412		18,412
Non-current assets	**642,174**		**642,174**
Inventories	447,326		447,326
Less Advances received on inventories		-13,893	-13,893
			433,433
Receivables from construction contracts (PoC)	154,802	-5,738	149,064
Trade receivables	339,993		339,993
Receivables from enterprises in which the company has participating interests	6,473		6,473
Payments on account	3,870		3,870
Other current assets	30,574		30,574
Other current financial assets	18,364		18,364
Effective income tax refund claims	4,771		4,771
Cash and cash equivalents	33,463		33,463
Assets classified as held for sale	19,608		19,608
Current assets	**1,059,244**	**-19,631**	**1,039,613**
	1,701,418	**-19,631**	**1,681,787**

Equity and liabilities

in EUR '000	Dec. 31, 2016 (as reported)	Adjustment Other	Dec. 31, 2016 (adjusted)
Equity of BAUER AG shareholders	429,867		429,867
Non-controlling interests	4,264		4,264
Equity	**434,131**		**434,131**
Provisions for pensions	127,081		127,081
Financial liabilities	199,864		199,864
Other non-current liabilities	7,556		7,556
Deferred tax liabilities	22,296		22,296
Non-current debt	**356,797**		**356,797**
Financial liabilities	510,497		510,497
Other current liabilities	370,900	-19,631	351,269
Effective income tax obligations	11,213		11,213
Provisions	17,880		17,880
Current debt	**910,490**	**-19,631**	**890,859**
	1,701,418	**-19,631**	**1,681,787**

5.3. Significant accounting policies

Foreign currency translation

Foreign currency transactions are translated in the financial statements of BAUER AG and the consolidated subsidiaries at the rates applying on the dates of the transactions. The financial statements of the foreign companies belonging to the BAUER Group are translated into euros according to the functional currency concept. Accordingly, assets and liabilities are translated at the rate applying on the balance sheet date and the income statement items at the average rate. The resulting differences from the currency translation are recorded as other income and recognized cumulatively in the provision for currency translation losses stated under equity until the foreign operations are sold.

The following table shows the exchange rates applied for the currency translation:

1 EUR corresponds to		Yearly average value		Balance sheet date value	
		2016	2017	2016	2017
Egypt	EGP	11,1682	20,413	19,1589	21.3591
Argentina	ARS	16.4949	19.2041	16.8235	22.9391
Australia	AUD	1.4617	1.4812	1.4873	1.5378
Bulgaria	BGL	1.9559	1.9560	1.9561	1.9558
Chile	CLP	742.3758	737.7068	704.9368	738.633
China	CNY	7.3488	7.6715	7.3443	7.8216
Georgia	GEL	2.6209	2.8605	2.8083	3.113
Ghana	GHS	4.4024	5.0321	4.5018	5.4488
Great Britain	GBP	0.8227	0.8753	0.8581	0.8883
Hong Kong	HKD	8.5683	8.8823	8.1945	9.3867
India	INR	74.3119	73.9390	71.8220	76.7139
Indonesia	IDR	14,707.1687	15,266.2834	14,192.1525	16,297.57
Japan	JPY	120.4284	127.4100	123.5816	135.2146
Jordan	JOD	0.7823	0.8078	0.7498	0.8533
Canada	CAD	1.4598	1.4763	1.4230	1.5071
Qatar	QAR	4.0197	4.1876	3.8480	4.3987
Lebanon	LBP	1,664.8954	1,719.9553	1,593.6847	1,820.7160
Malaysia	MYR	4.5736	4.8697	4.7406	4.8604
Morocco	MAD	10.8407	10.9895	10.6705	11.2239
Mexico	MXP	20.6246	21.4839	21.8430	23.5528
New Zealand	NZD	1.5819	1.6002	1.5169	1.6913
Oman	OMR	0.4250	0.4386	0.4068	0.4624
Panama	PAB	1.1040	1.1393	1.0568	1.2010
Peru	PEN	3.7300	3.7048	3.5491	3.8906
Philippines	PHP	52.5996	57.41300	52.5416	59.9851
Poland	PLN	4.3638	4.2463	4.4180	4.1786
Romania	RON	4.4947	4.5757	4.5427	4.6647
Russia	RUB	73.1804	66.2766	64.7667	69.1006
Saudi Arabia	SAR	4.1407	4.2725	3.9637	4.5041
Sweden	SEK	9.4761	9.6461	9.5656	9.8196
Switzerland	CHF	1.0894	1.1162	1.0754	1.1705
Singapore	SGD	1.5245	1.5637	1.5265	1.6051
South Africa	ZAR	16.0580	15.1410	14.4954	14.8626
Taiwan	TWD	35.5641	34.5205	34.0622	35.7502
Thailand	THB	38.9178	38.4341	37.8475	39.1526
Turkey	TRY	3.3394	4.1513	3.7288	4.5493
Hungary	HUF	311.4683	309.4514	310.1667	310.2964
United Arab Emirates	AED	4.0549	4.1845	3.8815	4.4119
United States of America	USD	1.1040	1.1393	1.0568	1.2010
Vietnam	VND	24,695.6697	25,882.4171	24,048.4597	27,269.9060

Intangible assets

Intangible assets are capitalized at cost and amortized according to the straight-line method over the projected useful life of 3 to 10 years.

Assets which have an indefinite useful life, such as goodwill, are not subjected to scheduled amortization but are impairment tested each year, or when relevant indications arise. The goodwill is the amount by which the acquisition cost of the acquisition exceeds the fair value of the Group's shares in the net assets of the acquired entity at the date of acquisition. Goodwill created by acquisition is recognized under "Intangible assets". Goodwill resulting from the acquisition of an associated company is included in the carrying amount of investments in associated companies and consequently is not impairment-tested separately, but within the overall carrying amount.

The recognized goodwill undergoes an annual impairment test is recognized at cost less accumulated write-downs.

Write-ups are impermissible. Gains and losses from the sale of a company comprise the carrying amount of goodwill allocated to the company to be disposed of.

Assets subject to scheduled depreciation or amortization are tested for impairment if any events or changes of circumstances indicate that the carrying amount may no longer be achievable.

Impairment in the amount of the carrying amount exceeding the attainable amount is recognized.

The attainable amount is the higher amount of the applicable fair value of the asset less selling costs and the value in use. For the impairment test, assets are grouped at the lowest level for which cash flows can be separately identified (cash-generating units). With the exception of goodwill, a test is performed on each balance sheet date in respect of non-cash assets for which in the past an impairment was recognized as to whether a value recovery adjustment is required.

Research and development costs are generally charged as expenditure in the financial year in which they occurred, in accordance with IAS 38. Exceptions to this are certain development costs which are capitalized where it is probable that a future economic benefit will be drawn from the development project and the costs incurred can be measured reliably.

In addition, the following criteria in accordance with IAS 38.57 must be met:

- Technical feasibility of completion of the intangible asset so that it will be available for use or sale
- Intention to complete the intangible asset and to use or sell it
- Ability to use or sell the intangible asset
- Evidence of how the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The manufacturing cost includes all costs directly attributable to the development process as well as appropriate portions of development-related overheads. The assets in development are subjected to an annual impairment test and valued at their original cost less cumulative depreciation. Amortization is undertaken according to the straight-line method as from start of production over the intended term of the developed models. The projected useful life is between 3 and 6 years. Impairment losses on intangible assets are recognized to the higher of the value in use or net realizable value. If the preconditions for an impairment no longer exist, reversals of impairment – except for goodwill – are undertaken.

Property, plant and equipment

According to IAS 16, property, plant and equipment is valued at cost, less scheduled straight-line depreciation based on the pro rata temporis method, unless in exceptional cases some other method of depreciation more effectively reflects the usage. The following table provides an overview of the useful lives:

Asset	Economic life
Land	Unlimited
Buildings and other structures	3 to 60 years
Technical equipment and machinery	3 to 21 years
Other equipment, factory and office equipment	2 to 21 years

Impairment losses on property, plant and equipment are recognized in accordance with IAS 36 where the value in use or fair value less cost to sell of the asset concerned has fallen below the carrying amount. If the reasons for an impairment recognized in previous years no longer exist, a corresponding reversal of impairment is applied.

Both impairment losses and scheduled depreciation are recognized under the “Depreciation of fixed assets” item. The level of impairment losses is explained in accordance with IAS 36 under “Non-current assets”.

Leasing

The BAUER Group acts as both a lessee and a lessor. Leasing relationships are classified according to IAS 17 based on the distribution of opportunity and risk between the lessor and lessee.
Leasing relationships in which most of the opportunity and risk linked to ownership of the leased item remains with the lessor are classified as operating leases. Where the lessee has most of the opportunity and risk, the agreement is classified as a finance lease.

a) Accounting for lessee transactions

Payments made in connection with an operating lease (net after taking into account incentive payments by the lessor) are recognized in the income statement by straight-line depreciation over the term of the lease.
Assets from finance leases are capitalized at the start of the lease term at the lower of the fair value of the leased item and the present value of the minimum lease payments. A leasing liability is recognized under „Current and non-current debt.“ Each lease installment is split into an interest and a repayment portion, so that the leasing liability is subject to a consistent interest rate. The interest portion of the lease installment is recognized as affecting expenditure in the income statement. The property, plant and equipment asset held under a finance lease is written down over the shorter of the economic life of the asset or the lease term.

b) Accounting for lessor transactions

A lease is an agreement whereby the lessor assigns to the lessee the right to use an asset for a specific period of time against a payment or series of payments. Assets leased by the customer in the form of operating leases are assigned on the balance sheet according to their nature. Income from leases is recognized by the straight-line method over the term of the agreement. In the BAUER Group, mainly operating leases are entered into as the lessor.

Government grants

Government grants for assets including non-monetary benefits at fair value are recognized on the balance sheet as accruals on the Equity and Liabilities side (Investment allowance) or, on determining the carrying amount of the asset, are deducted from the Assets side (Invest subsidy).

Business combinations

Acquisitions of subsidiaries are accounted for in accordance with IFRS 3 based on the acquisition method. The cost of the acquisition corresponds to the fair value of the assets contributed, the equity instruments issued and the liabilities created and/or transferred at the transaction date. Assets, liabilities and contingent liabilities identifiable in the course of a business combination are measured on initial consolidation at their fair values at the acquisition date. The amount by which the acquisition cost exceeds the Group's share of the net assets measured at their fair value is stated as goodwill. The non-controlling interests are valued either at cost (Partial Goodwill method) or at fair value (Full Goodwill method). The available option can be exercised on a case-by-case basis. BAUER Group policy is to apply the Partial Goodwill method. If the acquisition cost is less than the net assets of the acquired subsidiary measured at their fair value, the difference is recognized directly in the income statement. Transaction costs directly linked to a business combination are recognized in the income statement. In the event of successive acquisitions, the differences between the carrying amount and the applicable fair value of the shares previously held are recognized as affecting net income at the time of acquisition. Existing contracts with the acquired entity at the time of acquisition, except those under the terms of IAS 17 and IFRIC 4, are analyzed and reclassified where appropriate.

Borrowing costs

Borrowing costs linked directly to the acquisition, construction or production of qualifying assets in accordance with IAS 23 are included in the cost of the asset in question for the period until start of use of the asset. No borrowing costs were capitalized in the financial and previous year. Testing as to whether an asset is a qualifying asset is carried out according to internally stipulated materiality limits for projects and installations. If the said materiality limits are exceeded, borrowing costs for qualified assets are capitalized. Other financing costs are recognized as ongoing expenditure under "Financial expenses."

Investments accounted for using the equity method

Associated companies

According to IAS 28, an associated company is any entity over which the investor has significant influence, though not control. This routinely means voting shares of between 20 and 50%.

Shares in associated companies are valued at-equity and recognized initially at cost. The Group's shares in associated companies include the goodwill created by the acquisition (less cumulative impairment).

The Group's share in the profits and losses of associated companies is reported in the income statement as from the time of acquisition. The shares in the other comprehensive income of the associated company are also reported proportionally in the Group's other income, broken down by amounts reclassified to the income statement in a later period and amounts that are not reclassified. Cumulative changes after acquisition are set off against the carrying amount of the investment. If the Group's share in the losses of an associated company is equal to or more than the Group's shareholding in the said associate, including other unsecured claims, the Group recognizes no additional losses, unless it has entered into obligations or made payments on behalf of the associated company.

Non-realized gains from transactions between Group companies and associated companies are eliminated according to the Group‘s share in the associated company. Non-realized losses are likewise eliminated, unless the transaction implies an impairment of the transferred asset.
The total equity carrying amount with the presence of indicators that would suggest a potential impairment, an impairment test in accordance with IAS 36 is carried out. If the achievable amount drops below the carrying amount of an at-equity balanced financial asset, an impairment in the amount of the difference is carried out. Subsequent revaluations are recognized in the income statement.

Joint ventures

Joint ventures are joint arrangements in which the parties exercise joint control and have claims to the net assets of the arrangement. The contractually agreed joint control of the arrangement jointly manages the venture. This is only the case if decisions regarding the material activities require the unanimous approval of the parties involved in the joint control. Joint arrangements recognized at equity include joint ventures as well as the Arbeitsgemeinschaften (“ARGE”) consortia specific to Germany, with there being a difference between ARGE consortia and umbrella ARGE consortia. Both consortia are subject to the regulations of IFRS 11.

Assets are provided for and invoiced to ARGE provision consortia in the form of employees, material or equipment. The results generated by the provision consortia are recognized in the balance sheet using the equity method, in accordance with IAS 28. They are recognized in the balance sheet as investments accounted for using the equity method and as income from investments accounted for using the equity method in the income statement.

An umbrella consortium, on the other hand, is always recognized without any effect on profit and loss. The compensation claims between umbrella consortium and customer are identical to the compensation claims between the individual consortia and the umbrella consortium.

The umbrella consortium transfers all payments received from the customer in full to the individual consortia. BAUER as a partner in an umbrella consortium accounts for the assets at its disposal and the liabilities it itself incurs, as well as its own expenditures, and recognizes the income from such activities on a pro-rata basis in its sales revenues.

Ongoing settlements from and to consortia are recognized in trade receivables and trade payables.

Joint operations

Joint operations are joint arrangements in which the parties assume joint control and hold rights in the assets as well as obligations with regard to the liabilities of the arrangement. The contractually agreed joint control of the arrangement jointly controls the arrangement. This is only the case if decisions regarding the material operations require the unanimous approval of the parties involved in the joint control.

Any operations performed by the BAUER Group as part of a joint operation relating to its share in the joint operation are recognized in the following items:

- Its assets, including its share in jointly held assets
- Its liabilities, including its share in jointly incurred liabilities
- Its income from the sale of its share in the products of the joint operation
- Its share in income from the sale of products or services by the joint operation, and
- Its expenses, including its share in any jointly incurred expenses

For transactions such as the acquisition of assets by a Group company, gains and losses are recognized in the amount of the Group share of other joint operations only once the assets are sold to third parties.

Financial instruments

a) Primary financial instruments

In the BAUER Group, primary financial instruments are assigned as financial assets to the following categories:

- Loans and Receivables (LaR)
- Available-for-Sale (AfS)
- Financial Liabilities Measured at Amortized Cost (FLAC) or Other Financial Liabilities

The fair value option provided by IAS 39 was not exercised.

Items are initially recorded on the performance date. The initial evaluation of financial assets and liabilities takes place at the fair value. The subsequent evaluation depends on the classification on the categories in accordance with the requirements of the IAS 39 and takes place either under amortized procurement costs or at the fair value.

Receivables and liabilities in the “Financial Liabilities Measured at Amortized Cost” and “Loans and Receivables” categories are initially recognized at the applicable fair value, including transaction costs directly attributable to acquisition of the financial asset or incurring of the financial liability, and subsequently measured at amortized cost, applying the effective interest rate method. The amortized cost of a financial asset or liability is calculated, applying the effective interest rate method, from the historical cost less the repayments made, plus or less the cumulative less the cumulative amortization of any difference between the original amount and the amount repayable at the final due date, and also less depreciation and impairment or plus appreciation and value recovery adjustment.

In the case of current receivables and liabilities, the amortized cost always corresponds to the nominal amount, or the amount repayable. Cash and cash equivalents comprise credit balances with banks as well as petty cash stocks, and are valued at amortized cost.

If there are doubts as to the collectability of receivables, they are valued at amortized cost less appropriate single valuation allowances or a flat-rate allowance. Impairment of trade receivables is recognized when there are objective signs (such as disputed contract variations, missed payments or insolvencies) indicating that the amounts due will not be collectable in full. The impairment is recognized in the income statement by way of a valuation allowance account. They are derecognized at the same time as the corresponding impaired receivable. All other impairments are written off directly and likewise recognized in the income statement.

Financial assets are derecognized if the rights to payments from the financial assets have expired or been transferred, and the Group has essentially transferred all risks and opportunities associated with ownership, or the essential opportunities and risks have neither been transferred nor retained, but right of disposal has been transferred. Financial liabilities are derecognized when they have been paid or the obligation has been extinguished.

In the BAUER Group, the „Loans and Receivables“ category comprises short and long-term trade receivables, cash and cash-equivalents and other current and long-term financial receivables. The “Financial Liabilities Measured at Amortized Cost” category includes liabilities to banks, trade payables as well as current and non-current financial liabilities.

The primary financial assets not fulfilling the definition of another category of financial instruments are categorized as available-for-sale and are generally evaluated with the fair value. The profits and losses resulting from the evaluation with the fair value is recorded with no effect on profit and loss under equity. This does not apply if these are permanent or significant impairments and currency-related value changes to borrowing instruments. Only with the disposal of financial assets, the cumulative profits and losses from the evaluation of the fair value recorded under equity are recorded in the income statement with no impact on loss or profit. If the fair value of non-listed equity instruments cannot be determined with sufficient reliability, the shares are evaluated with the procurement costs. For these equity positions, there is no active market. We have no intention of selling them. If there are objective indications that an impairment has occurred in these equity instruments, the amount of the valuation allowance is calculated as the difference between the carrying amount of the financial asset and the present value of the expected future cash flows that are discounted taking into account an appropriate market return. Such value allowances may not be reversed.

The “Available-for-Sale” category in the BAUER Group includes marketable securities as well as equity portions which are not consolidated or not recognized by the equity method.

An offsetting of financial assets and liabilities is only carried out if a settlement of the amounts at the current point in time can be legally implemented and also the intention exists to actually offset.

b) Derivative financial instruments

A derivative is a financial instrument or contract within the area of applicability of IAS 39, which cumulatively meets the following criteria:

- which varies in value based on changes in a specific interest rate, price of a financial instrument, commodity price, exchange rate, price or interest rate index, credit rating or credit index, or some similar variable, provided in the case of a non-financial variable the variable is not specific to one party to the contract;
- which requires no payment in return for acquisition, or one which, compared to other forms of contract expected to react similarly to changes in market conditions, is lower;
- which is settled at a later date.

In the BAUER Group, free-standing derivative financial instruments are assigned as financial assets to the following category:

- Financial Assets Held for Trading or “FAHfT“

Free-standing derivative financial instruments as financial liabilities are assigned to the following category:

- Financial Liabilities Held for Trading or “FLHfT“

In the case of financial assets or liabilities recognized in the income statement at fair value, the initial fair-value valuation excludes the transaction costs.

Value changes of derivatives that are not part of a cash flow hedge are considered with no impact on profit or loss under financial expenditure or earnings.

The free-standing derivative financial instruments of the “Financial Assets Held for Trading” and “Financial Liabilities Held for Trading” categories include interest rate swaps, interest rate caps, foreign exchange options, cross-currency swaps and foreign exchange forward contracts not included in hedge accounting or not meeting the hedge accounting conditions.
In the BAUER Group, derivative financial instruments (interest rate swaps, interest rate caps, foreign exchange options, cross-currency swaps and foreign exchange forward contracts) are entered into solely to hedge against interest rate and currency risks. No deals are made without an underlying transaction.

In the case of derivatives included in hedge accounting, when hedging expected future transactions (cash flow hedges) the effective portion of the gain or loss from a hedging instrument is initially recognized in the equity, taking into account deferred taxes, and is only recognized in the income statement when the underlying hedged transaction is realized. The ineffective portion of the hedge transaction is recognized in the income statement immediately. The derivative financial instruments are stated at their fair values as assets or liabilities. Items are initially recorded on the trading date. In the 2017 financial year, hedge accounting was used for cash flow hedges. The market values of the derivatives are calculated on the basis of the conditions prevailing at the balance sheet date, such as interest or exchange rates, and applying recognized models, such as discount cash flow or option price models. The fair values of the foreign exchange forward contracts are defined on the basis of current reference prices, taking into account forward premiums and discounts. The fair values of the interest rate swaps are determined on the basis of discounted future payment flows, applying the market interest rates applicable to the respective residual terms of the derivatives.

Inventories and advances received
Inventories of finished goods and work in progress and stock for trade as well as raw materials and supplies are valued at manufacturing cost or at the lower net realizable value on the balance sheet date in accordance with IAS 2. Down payments received for orders that do not represent construction contracts are listed as assets and openly deducted from inventories, provided manufacturing costs have already been incurred for the corresponding contract.
Al other down payments received are listed under Equity and Liabilities. The net realizable value is the estimated achievable selling price in the ordinary course of business less the estimated costs through to completion and the estimated necessary selling costs. Raw materials and supplies are valued mainly at floating average cost. Where the machinery and accessories classified as finished goods and stock for trade and primarily held for sale, are hired out for a short period as a secondary sales promotion measure, the following factors are considered in determining their net realizable values:
- Hire period
- Useful life of the machines
- Damage and inoperability

Where the net realizable value of previously written-down inventories has increased, corresponding value recovery adjustments are made. The manufacturing cost includes all direct costs of the manufacturing process. The level of impairment losses on inventories is explained in accordance with IAS 2 under “Inventories”.

Construction contracts

Construction contracts are accounted for by the percentage of completion method in accordance with IAS 11. The sales are recognized according to the progress of work based on the percentage of completion method. The applicable percentage of completion is determined according to the costs incurred (cost-to-cost method). Where the cumulative return (contract costs and pro-rata result) exceeds the payments on account in individual cases, the construction contracts are recognized as assets under “Receivables from construction contracts (PoC)”. If a negative balance remains after deduction of the payments on account, it is recognized as a liability under “Liabilities from construction contracts (PoC)”. Expected losses on a contract are accounted for in full at the time they are identified, by adjustments to the valuation of any existing receivables or by the creation of a provision. Construction contracts undertaken in joint ventures are valued according to the percentage of completion method. Receivables from joint ventures also include the pro-rata result from the contract.
Receivables from joint ventures also include the pro rata result from the contract. Expected losses are covered by write-downs or liabilities as appropriate, and are taken into account in the contract result.

Cash and cash equivalents

Cash and cash equivalents comprise cash and sight deposits with an original term of no more than three months.

Assets classified as held for sale

Long-term assets held for sale and the associated liabilities are measured in accordance with IFRS 5 and reported separately as current assets. Assets held for sale are assets that can be sold in their current state and are very likely to be sold.
The sale must be anticipated within one year from the date of reclassification. These may be individual assets, groups of assets (disposal groups) or corporate assets (discontinued operations). Assets held for sale are no longer amortized, but are recognized at their fair value less costs to sell, if this value is lower than the book value.

Deferred taxes

In accordance with IAS 12, deferred taxes are taken into account in respect of variations between the valuations of assets and liabilities according to IFRS and their corresponding tax bases in the amount of the projected future tax charge or refund. In addition, deferred tax assets are recognized for future advantages arising from tax losses carried forward, provided it is probable that they will be realized.
Deferred taxes arising from temporary differences in connection with investments in subsidiaries and associated companies are recognized, unless the date of reversal of the temporary differences can be determined by the Group and it is likely that the temporary differences will not be reversed again in the foreseeable future because of this effect.
According to IAS 12.74, deferred tax assets and liabilities are to be offset if a legally enforceable right to set off current tax assets against current tax liabilities exists. Offsetting should also be carried out if the deferred tax assets and liabilities relate to income taxes levied by the same tax authority in respect of:

- either the same taxable entity or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The tax expenditure for the period comprises current and deferred taxes. Taxes are reported in the income statement, unless they relate to items recognized directly in the equity or in the other comprehensive income. In this case; the taxes are likewise recognized in the equity or in the other comprehensive income.

In Germany, income taxes and deferred taxes are stated on the basis of corporation tax, the “solidarity surcharge” and trade tax, in a range of 28.08 to 32.14% (previous year: 26.90% and 32.14%). Outside Germany, income tax rates of between 0.00% and 38.15% are applied (previous year: 0.00 and 38.15%). Due to a US tax reform adopted in 2017, the corporate tax reduces with effect from 2018 for companies located in the USA to 21.00%. Deferred taxes of affected companies were evaluated with the correspondingly lower tax rate.

Provisions

a) Provisions for pensions

The BAUER Group operates a number of provisions for pensions in Germany and internationally.

Typically, such plans define an amount of pension benefit which employees will receive on retirement and which is normally dependent on one or more factors (such as age, years of service and salary).

The provision for provisions for pensions on the balance sheet corresponds to the cash value of the defined benefit obligation (DBO) at the balance sheet date, less the fair value of the plan assets. The DBO is calculated annually by an independent actuary applying the projected unit credit method. The cash value of the DBO is calculated by discounting the expected future inflow of funds at the interest rate of industrial bonds of the highest credit rating. The industrial bonds are denominated in the currency of the disbursements, and have terms corresponding to the pension commitments. In countries where the market in such bonds is insufficiently developed, government bonds are applied.

Actuarial gains and losses based on experience-related adjustments to actuarial assumptions are recognized in the “Other comprehensive income“ in the equity in the period in which they occur. Post-employment expenditure is recognized in staff cost and the interest portion of the addition to provisions in financial expenses.

Under the contribution-based provisions for pensions, the entity concerned makes payments to pension institutions which are stated in the personnel expenses.

b) Provisions for tax purposes

Tax provisions include liabilities from current income taxes. Income tax provisions are balanced against corresponding tax refund claims, provided they arise in the same tax territory and are identical in nature and in terms of due date.

c) Other provisions

The other provisions are created in accordance with IAS 37 where a present obligation arises from a past event, a relevant claim is more likely than unlikely, and the amount of the claim can be reliably estimated. The provisions are stated at their performance amount, and are not netted against profit contributions. Long-term provisions are recognized at present value. Provisions are created only for legal or constructive obligations to third parties.

Income and expenses

Sales revenues and other incomes are realized in accordance with IAS 18 on performance of the supply or service or on transfer of risk to the customer, as appropriate.

Dividend income is recognized at the date on which the right to receipt of payment is created. Dividends received are recognized as income from operating investments under “Financial income”. Operating expenses are recognized as affecting net income when the supply or service is claimed or at the time they are caused, as appropriate. Financial income and expenses are recognized when incurred.

Income from service contracts is recognized according to the degree of completion.

6. SEGMENT REPORTING

Reporting on the segments of the BAUER Group was implemented in accordance with IFRS 8, as in the previous year. The internal organizational and management structure and the internal system of reporting to the Management Board and Supervisory Board dictate the segmentation employed by the BAUER Group.

The BAUER Group comprises the Construction, Equipment and Resources segments. Transactions between the segments are conducted at market prices.

SCHACHTBAU NORDHAUSEN GmbH is the only Group company to operate in all three segments. The assets and liabilities and income statement items of SCHACHTBAU NORDHAUSEN GmbH are assigned to the relevant segments.

Construction

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 and buildings. 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, remediation and building renovation projects. The Construction segment is founded on the close interlinking of all construction activities.

Equipment

In the **Equipment segment**, machinery for all specialist foundation engineering processes as well as for deep drilling is developed and manufactured for worldwide distribution. The specialist foundation engineering equipment can be employed to produce large-diameter and small-diameter bores for piles, diaphragm walls, anchors, injections and wells. The deep drilling equipment can be employed to drill for geothermal energy, oil and gas. Equipment for ramming and ground 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.

Resources

In the **Resources segment**, the companies of the corporation that provide products and services in the water, environmental and mineral deposits sectors. They include environmental technology companies involved in the treatment of ground and groundwater as well as companies involved in exploration drilling and mining of raw materials and drilling of wells and geothermal energy sources. This segment also includes companies which manufacture and sell materials for the engineering of bore holes, specifically for wells and geothermal energy sources.

Other

The **Other segment** comprises the central services (accounting, human resources, IT etc.) provided by BAUER AG to the Group companies as well as other units not assignable to the separately listed segments, providing services such as in-house and external education and training and centralized research and development.

Consolidation

The intersegmental consolidation effects are grouped here under **Consolidation**. This includes offsetting of intra-group sales between the segments as well as income and expenses and interim results. The intersegmental consolidation effects are adjusted within the respective segments.
The segment earnings after tax reflect the financial income and expenses as well as the net earnings of shares valued at-equity and the income tax expenditure. The segments‘ assets and liabilities incorporate all the assets and liabilities of the Group. The non-current assets stated in the segment report by region comprise intangible assets, property, plant and equipment and investment property.

Total Group revenues, consolidated revenues and sales revenues with third parties

The consolidated revenues reflect the performance of all the companies included in the basis of consolidation. The total Group revenues represent the revenues of all the companies forming part of our Group. The difference between the consolidated revenues and the total Group revenues is derived from the revenues of the associated companies, from our subcontractor shares in joint ventures, and from the revenues of non-consolidated companies.

The sales revenues with third parties are allocated to the business segments according to the customer’s location. No one customer accounts for more than 10% of total sales.

No breakdown of sales revenues by product and service, or by groups of comparable products and services, was available as per the balance sheet date.

Segment reporting

SEGMENT REPORT BY BUSINESS SEGMENT	Construction		Equipment	
in EUR '000	2016 *	2017	2016 *	2017
Total revenues (Group)	**713,141**	**835,001**	**634,401**	**754,545**
Sales revenues with third parties	614,456	783,782	542,688	660,893
Sales revenues between business segments	15,995	15,411	41,535	52,765
Changes in inventories	-197	19	16,194	-11,206
Other capitalized goods and services for own account	647	478	4,337	3,438
Other income	22,012	13,457	7,147	7,395
Consolidated revenues	**652,913**	**813,147**	**611,901**	**713,285**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**72,068**	**62,273**	**72,682**	**114,642**
Depreciation of fixed assets	-42,346	-42,643	-18,727	-19,424
Write-downs of inventories due to use	0	0	-15,532	-14,644
Earnings before interest and tax (EBIT)	**29,722**	**19,630**	**38,423**	**80,574**
Financial income	10,358	14,966	18,889	15,623
Financial expenses	-21,280	-39,615	-38,204	-31,756
Share of the profit or loss of associated companies accounted for using the equity method	-2,530	963	-3,650	-7,084
Income tax expense	-6,807	-11,180	-4,512	-16,407
Earnings after tax	**9,463**	**-15,236**	**10,946**	**40,950**
ADDITIONAL INFORMATION ON THE INCOME STATEMENT				
Impairment losses on fixed assets	-57	-24	-967	-893
Major non-cash segment items				
Impairment losses on financial assets	-425	-131	-3,304	0
Impairment losses on inventories	-1,025	-446	-8,474	-7,820
Allocation of value allowance of receivables	-14,338	-7,891	-7,882	-2,840
Reversal of value allowance of receivables	13,618	4,195	7,518	2,449
ADDITIONAL INFORMATION ON THE BALANCE SHEET				
SEGMENT ASSET DEC. 31 **	**634,135**	**623,628**	**779,328**	**774,855**
of which shares in associated companies accounted for using the equity method	5,274	6,029	87,890	74,416
of which capital investments in fixed assets	54,147	58,908	26,802	30,848
SEGMENT LIABILITIES DEC. 31 **	**485,669**	**518,173**	**511,565**	**470,220**

SEGMENT REPORT BY REGION	Germany		EU (excl. Germany)		Europe (other)	
in EUR '000	2016	2017	2016	2017	2016	2017
Total revenues (Group) *	**472,866**	**477,815**	**212,379**	**258,097**	**91,568**	**118,325**
Sales revenues with third parties	394,661	427,584	217,070	267,567	68,831	105,527
Intangible assets Property, plant and equipment and investment property, Dec. 31	226,069	219,498	22,258	32,985	20,306	17,420

* Previous year adjusted; see notes on page 93 ff.
** The previous year's figures in the Resources segment were adjusted

Resources		Other		Consolidation		Group	
2016 *	2017	2016 *	2017	2016	2017	2016 *	2017
262,411	**248,209**	**45,703**	**55,830**	**-100,991**	**-121,535**	**1,554,665**	**1,772,050**
238,199	221,522	1,538	1,664			1,396,881	1,667,861
2,562	493	37,556	37,693	-97,648	-106,362	0	0
-638	362	0	0	0	0	15,359	-10,825
526	825	0	5	7,962	3,773	13,472	8,519
3,092	2.290	5,107	14,801	-5,168	-15,361	32,190	22,582
243,741	**225,492**	**44,201**	**54,163**	**-94,854**	**-117,950**	**1,457,902**	**1,688,137**
7,296	**1,273**	**11,430**	**17,727**	**-3,179**	**-13,362**	**160,297**	**182,553**
-11,014	-11,296	-3,284	-3,573	862	-1,406	-74,509	-78,342
0	0	0	0	0	0	-15,532	-14,644
-3,718	**-10,023**	**8,146**	**14,154**	**-2,317**	**-14,768**	**70,256**	**89,567**
3,719	2,911	14,682	15,545	-11,434	-11,396	36,214	37,649
-14,233	-17,058	-17,123	-13,751	11,434	11,396	-79,406	-90,784
3,159	4,997	0	0	0	0	-3,021	-1,124
2,621	-3,249	-869	-1,121	-62	314	-9,629	-31,643
-8,452	**-22,422**	**4,836**	**14,827**	**-2,379**	**-14,454**	**14,414**	**3,665**
-44	0	0	-125	0	0	-1,068	-1,042
-480	0	0	0	0	0	-4,209	-131
-85	-34	0	0	0	0	-9,584	-8,300
-1,641	-2,410	0	0	0	0	-23,861	-13,141
639	261	0	0	0	0	21,775	6,905
296,181	**258,244**	**430,804**	**407,162**	**-458,661**	**-446,186**	**1,681,787**	**1,617,703**
36,088	40,870	0	0	0	0	129,252	121,315
11,761	16,045	3,736	2,320	-652	-654	95,794	107,467
266,900	**222,564**	**268,743**	**230,002**	**-285,221**	**-241,988**	**1,247,656**	**1,198,971**

Middle East and Central Asia		Asia Pacific, Far East and Australia		Americas		Africa		Group	
2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
193,140	**201,095**	**277,959**	**425,949**	**233,211**	**228,120**	**73,542**	**62,649**	**1,554,665**	**1,772,050**
185,486	184,356	268,760	426,950	193,854	196,227	68,219	59,650	1,396,881	1,667,861
47,747	43,983	85,626	78,633	23,876	24,109	7,735	11,822	433,617	428,450

EXPLANATORY NOTES TO THE INCOME STATEMENT

7. SALES REVENUES

The sales revenues generated in the amount of EUR 1,667,861 thousand (previous year: EUR 1,378,991 thousand) include revenues arising from application of the percentage of completion method and revenues from the sale and hiring-out of equipment and accessories.

The sales revenues from the application of the percentage of completion method amounted to EUR 843,761 thousand in the financial year (previous year: EUR 714,983 thousand).

Revenue from leased equipment and accessories amounted to EUR 18,592 thousand (previous year: EUR 21,898 thousand) in the financial year, sales revenues and reductions in income totaled EUR 809,204 thousand (previous year: EUR 660,357 thousand). With regard to the presentation and breakdown of sales revenues by operating segment and region, please refer to the notes on segment reporting (see item 6).

Sales revenues provide only an incomplete picture of the performance in the financial year. Figures are therefore transferred to total Group revenues in the following sections:

in EUR '000	2016	2017
Sales revenues	1,396,881	1,667,861
Changes in inventories	15,359	-10,825
Other capitalized goods and services for own account	13,472	8,519
Other income	32,190	22,582
Consolidated revenues	**1,457,902**	**1,688,137**
Subcontractor share ARGEN	11,570	9,357
Revenues of associated companies and joint ventures	84,165	72,893
Revenues of non-consolidated companies	24,035	22,491
Intra-group revenues	-23,007	-20,828
Total revenues (Group)	**1,554,665**	**1,772,050**

Sales revenues also include EUR -15,532 thousand in out-of-period sales (previous year: EUR 8,663 thousand) resulting from final invoice agreements and sales corrections in the Construction segment, where final invoices, for example, may include supplementary items which have not yet been finally negotiated with the customer and ordered. These may prove uncertain. A revenue correction is applied to these amounts. Should the uncertain amount turn out to be recoverable, the corresponding revenue will be realized.

8. OTHER CAPITALIZED GOODS AND SERVICES FOR OWN ACCOUNT

in EUR '000	2016	2017
Income from other capitalized goods and services for own account	13,472	8,519

9. OTHER INCOME

in EUR '000	2016 *	2017
Income from disposal of property, plant and equipment	4,567	6,306
Income from insurance refunds	1,652	6,430
Other income from rentals	290	44
Effects from de-consolidation and transitional consolidations	15,608	1,314
Other operating income	10,073	8,488
Total	**32,190**	**22,582**

* Previous year adjusted; see notes on page 93 ff.

Additionally, the other operating income mainly comprises income from benefits in money's worth, other reimbursements of expenditure as well as other income spread across the consolidated companies which is of minor importance in the individual instances.

10. COST OF MATERIALS

in EUR '000	2016	2017
Expenses for raw materials and supplies and purchased goods	454,224	558,294
Expenses for purchased services	263,768	361,302
Total	**717,992**	**919,596**

11. PERSONNEL EXPENSES

The expenses for retirement benefits include the expenditure on benefits as well as the allocations to provisions for pensions excluding the interest portion, which is stated under „Interest and similar expenses".

in EUR '000	2016	2017
Wages and salaries	311,463	325,464
Social security contributions	52,146	50,852
Expenses for retirement benefits	6,091	7,214
Total	**369,700**	**383,530**

The employer's pension contributions in the financial year totaled EUR 21,854 thousand (previous year: EUR 21,406 thousand). These are contribution-based schemes, as explained under 5.3 Significant accounting policies. Of that total, EUR 17,627 thousand (previous year: EUR 17,554 thousand) relate to Germany and EUR 4,227 thousand (previous year: EUR 3,852 thousand) to Group companies outside of Germany. The wages and salaries include severance payments in the amount of EUR 2,160 thousand (previous year: EUR 647 thousand).

12. OTHER OPERATING EXPENSES

in EUR '000	2016 *	2017
Losses from disposal of property, plant and equipment	2,723	1,504
Rents and leases	22,593	20,167
Energy, heating, water	4,711	4,954
Vehicle costs	6,363	5,274
Property, motor and transport insurance	9,657	9,958
Other operating expenses	28,391	35,306
Administrative expenses	42,829	37,364
Distribution costs	32,999	42,405
Other employee-related expenses	15,525	15,240
Income from impairment of receivables	17,609	6,842
Bank charges	3,714	1,829
Duties	2,663	3,636
Accrued expenses	6,725	-1,767
Additional other operating expenses	13,411	19,746
Total	**209,913**	**202,458**

* Previous year adjusted; see notes on page 93 ff.

The “Additional other operating expenses” mainly comprise allocations to and reversal of provisions affecting net income as well as additional other operating expenses spread across the consolidated companies which are of minor importance in the individual instances. The other employee-related expenses include education and training costs, grants and gifts, travel and relocation expenses, and other project-specific personnel costs. Other operating expenses include income of EUR 12,038 thousand (previous year: EUR 15,156 thousand) resulting from the reversal of provisions, impairment of receivables, derecognition of liabilities and written-off receivables.

13. DEPRECIATION AND AMORTIZATION

Depreciation is as follows:

in EUR '000	2016	2017
Amortization of intangible assets	8,209	8,589
Depreciation of property, plant and equipment	66,300	69,753
Total	**74,509**	**78,342**

Impairments of fixed assets are explained under item 20.2 Property, plant and equipment and investment property.

14. WRITE-DOWNS OF INVENTORIES DUE TO USE

Write-downs of inventories due to use in the financial year totaled EUR 14,644 thousand (previous year: 15,532). This related to write-downs of used machinery temporarily hired out to customers as sales promotion measures. Write-downs of used machinery disposed of in the 2017 financial year are included in these figures.

FINANCIAL RESULT

15. FINANCIAL INCOME

The financial income is broken down as follows:

in EUR '000	2016 *	2017
Income from operating investments	280	2,703
Other interest and similar income	3,468	4,240
Income from changes in fair values of interest rate swaps	1,792	3,118
Profits from foreign currency translation from financing activities	30,674	27,588
Total	**36,214**	**37,649**

* Previous year adjusted; see notes on page 93 ff.

16. FINANCIAL EXPENSES

The financial expenses are broken down as follows:

in EUR '000	2016 *	2017
Interest and similar expenses	36,036	32,727
Impairment losses on financial assets	4,209	131
Losses from changes in fair values of interest rate swaps	3,798	5,380
Interest portions of allocations to provisions for pensions and similar obligations	2,781	2,441
Losses from foreign currency translation from financing activities	32,582	50,105
Total	**79,406**	**90,784**

* Previous year adjusted; see notes on page 93 ff.

The interest from finance leases included under "Interest and similar expenses" in the financial year totaled EUR 771 thousand (previous year: EUR 877 thousand). The financial result includes interest income from financial assets in an amount of EUR 4,187 thousand (previous year: EUR 3,418 thousand) and interest expenses from financial liabilities in an amount of EUR 31,623 thousand (previous year: EUR 35,545 thousand) which were not measured at fair value affecting profit and loss.

Of the impairment losses on financial assets of EUR 131 thousand (previous year: EUR 4,209 thousand), EUR 131 thousand (previous year: EUR 425 thousand) relates to the Construction segment, EUR 0 (previous year: EUR 3,304 thousand) to the Equipment segment and EUR 0 (previous year: EUR 480 thousand) to the Resources segment.

17. SHARE OF THE PROFIT OR LOSS OF ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The result from investments accounted for using the equity method in the fiscal year is EUR -1,124 thousand (previous year: EUR -3,021 thousand) and includes the profit and loss shares of associated joint ventures that were evaluated in accordance with the equity method. In the fiscal year, there was a write-down requirement during the impairment tests of the joint venture BAUER Deep Drilling GmbH on the achievable amount of EUR 5,259 thousand that was listed under this position.

18. INCOME TAX EXPENSE

The income tax expense is broken down as follows:

in EUR '000	2016	2017
Actual taxes	19,612	36,815
Deferred taxes	-9,983	-5,172
Total	**9,629**	**31,643**

The theoretical tax rate is 28.08% (previous year: 28.08%).

Reconciliation from expected to actual income tax expenditure

The expected tax expenditure is below the recorded tax expenditure. The reasons for the difference between the expected and recorded tax expenditure are as follows:

in EUR '000	2016	2017
Earnings before tax (EBT)	24,043	35,308
Theoretical tax expenditure 28.08% (previous year: 28.08%)	6,751	9,914
Differences in tax rate	1,747	-640
Taxation effects of non-deductible expenses and tax-free income	-1,190	4,799
Effects of variations in the tax calculation base	3,141	6,443
At-equity valuation of associated companies	848	316
Out-of-period tax payments/refunds for previous years	312	-90
Effects of deferred tax assets in respect of losses carried forward and temporary differences	-1,941	10,877
Other	-39	24
Income tax expense	**9,629**	**31,643**

The tax effects of the non-deductible expenses and tax-free earnings contain effects from transitional and de-consolidations to the amount of EUR 369 thousand (previous year: EUR -1,982 thousand).

Internal disbursements result in taxation effects after December 31, 2017 totaling EUR 63 thousand (previous year: EUR 35 thousand).

19. EARNINGS PER SHARE

The earnings per share are calculated by dividing the earnings after tax attributable to the shareholders of BAUER AG by the weighted average number of ordinary shares outstanding. Earnings per share amount to the following values:

	2016	2017
Earnings after tax attributable to the shareholders of BAUER AG, in EUR '000	**11,302**	**2,740**
Number of shares from Jan. 1 to Dec. 31	17,131,000	17,131,000
Weighted average number of shares in circulation in financial year (basic)	17,131,000	17,131,000
Weighted average number of shares in circulation in financial year (diluted)	17,131,000	17,131,000
Basic earnings per share in EUR	**0.66**	**0.16**
Diluted earnings per share in EUR	**0.66**	**0.16**

EXPLANATORY NOTES TO THE BALANCE SHEET

The breakdown of the fixed asset items summarized on the balance sheet and their development is presented in the fixed asset movement schedule on the following pages.

NON-CURRENT ASSETS

20. FIXED ASSETS

20.1 Intangible assets

in EUR '000			Internally generated intangible assets		
Cost of purchase/cost of manufacturing	**Licenses, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
Jan. 1, 2016	**36,218**	**2,186**	**82**	**39,534**	**78,020**
Change in basis of consolidation	-1,680	0	0	-170	-1,850
Additions	3,045	0	0	4,223	7,268
Disposals	172	0	42	934	1,148
Transfers	0	0	0	0	0
Currency adjustment	309	0	0	15	324
Dec. 31, 2016	**37,720**	**2,186**	**40**	**42,668**	**82,614**

in EUR '000			Internally generated intangible assets		
Accumulated depreciation	**Licenses, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
Jan. 1, 2016	**26,868**	**2,186**	**71**	**21,440**	**50,565**
Change in basis of consolidation	-1,325	0	0	-151	-1,476
Additions	3,217	0	9	4,983	8,209
Disposals	118	0	42	392	552
Transfers	5	0	0	-5	0
Currency adjustment	216	0	0	12	228
Dec. 31, 2016	**28,863**	**2,186**	**38**	**25,887**	**56,974**
Carrying amount, Dec. 31, 2016	**8,857**	**0**	**2**	**16,781**	**25,640**

in EUR '000			Internally generated intangible assets		
Cost of purchase/cost of manufacturing	**Licenses, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
01.01.2017	**37,720**	**2,186**	**40**	**42,668**	**82,614**
Change in basis of consolidation	-1	0	0	0	-1
Additions	1,411	0	0	3,496	4,907
Disposals	1,153	0	40	5,362	6,555
Transfers	0	0	0	0	0
Currency adjustment	-542	0	0	-1	-543
Dec. 31, 2017	**37,435**	**2,186**	**0**	**40,801**	**80,422**

in EUR '000 Accumulated depreciation	Licenses, software and similar rights and values	Goodwill	Internally generated intangible assets Capitalized software costs	 Capitalized development costs	Total
01.01.2017	**28,863**	**2,186**	**38**	**25,887**	**56,974**
Change in basis of consolidation	-1	0	0	0	-1
Additions	3,528	0	2	5,059	8,589
Disposals	1,134	0	40	4,551	5,725
Transfers	0	0	0	0	0
Currency adjustment	-436	0	0	0	-436
Dec. 31, 2017	**30,820**	**2,186**	**0**	**26,395**	**59,401**
Carrying amount Dec 31, 2017	**6,615**	**0**	**0**	**14,406**	**21,021**

Changes in the scope of consolidation were of minor significance in the fiscal year. In the previous year, the changes to the basis of consolidation mainly comprised intangible assets from the de-consolidation of BAUER - De Wet Equipment (Proprietary) Limited.

Of the total research and development costs and patent costs incurred in 2017, EUR 3,699 thousand (previous year: EUR 4,401 thousand) met the capitalization criteria in accordance with IFRS. The following amounts were recognized in net income:

in EUR '000	2016	2017
Research costs and non-capitalized development costs	17,137	18,496
Amortization of development costs and patents	5,162	5,212
Research and development costs recognized in net income	**22,299**	**23,708**

20.2 Property, plant and equipment and investment property

in EUR '000 Acquisition or Manufacturing costs	Land and buildings	Investment Property	Technical Equipment and machinery	Other equipment, factory and office equipment	Performed Payments on account and assets in course of construction	Total
Jan. 1, 2016	**287,043**	**1,749**	**523,701**	**80,193**	**5,662**	**898,348**
Change in basis of consolidation	-1,310	0	1,419	-551	0	-442
Additions	3,357	0	59,042	9,769	16,358	88,526
Disposals	4,808	1,749	35,873	6,991	359	49,780
Transfers	1,540	0	4,692	647	-6,879	0
Currency adjustment	-87	0	-8,302	-1,029	39	-9,379
Dec. 31, 2016	**285,735**	**0**	**544,679**	**82,038**	**14,821**	**927,273**

in EUR '000 Accumulated depreciation	Land and buildings	Investment Property	Technical Equipment and machinery	Other equipment, factory and office equipment	Performed Payments on account and assets in course of construction	Total
Jan. 1, 2016	**102,811**	**965**	**336,388**	**53,828**	**0**	**493,992**
Change in basis of consolidation	-235	0	-83	-410	0	-728
Additions	8,453	32	49,211	8,604	0	66,300
Disposals	3,010	997	22,026	5,620	0	31,653
Transfers	0	0	-412	412	0	0
Currency adjustment	-102	0	-7,782	-731	0	-8,615
Dec. 31, 2016	**107,917**	**0**	**355,296**	**56,083**	**0**	**519,296**
Carrying amount, Dec. 31, 2016	**177,818**	**0**	**189,383**	**25,955**	**14,821**	**407,977**
of which finance lease, carrying amount Dec 31, 2016	0	0	24,607	6,641	0	31,248

in EUR '000 Acquisition or Manufacturing costs	Land and buildings	Investment Property	Technical Equipment and machinery	Other equipment, factory and office equipment	Performed Payments on account and assets in course of construction	Total
01.01.2017	**285,735**	**0**	**544,679**	**82,038**	**14,821**	**927,273**
Change in basis of consolidation	0	0	-121	-2	0	-123
Additions	10,033	0	63,827	10,388	18,312	102,560
Disposals	214	0	46,027	7,887	130	54,258
Transfers	421	0	12,931	447	-13,799	0
Currency adjustment	-3,621	0	-34,066	-2,769	-570	-41,026
Dec. 31, 2017	**292,354**	**0**	**541,223**	**82,215**	**18,634**	**934,426**

in EUR '000 Accumulated depreciation	Land and buil-dings	Investment Property	Technical Equipment and machinery	Other equipment, factory and office equipment	Performed Payments on account and assets in course of construction	Total
01.01.2017	**107,917**	**0**	**355,296**	**56,083**	**0**	**519,296**
Change in basis of consolidation	0	0	-72	-2	0	-74
Additions	7,878	0	53,507	8,368	0	69,753
Disposals	104	0	30,006	6,437	0	36,547
Transfers	0	0	-236	236	0	0
Currency adjustment	2,405	0	-25,634	-2,203	0	-25,431
Dec. 31, 2017	**118,096**	**0**	**352,855**	**56,045**	**0**	**526,997**
Carrying amount Dec 31, 2017	**174,258**	**0**	**188,368**	**26,169**	**18,634**	**407,429**
of which finance lease, carrying amount Dec. 31, 2017	0	0	29,906	6,897	0	36,803

Changes to the basis of consolidation in fiscal 2016 mainly comprise disposals of property, plant and equipment from the de-consolidation of BAUER - De Wet Equipment (Proprietary) Limited totaling EUR 1,586 thousand, HGC Hydro-Geo-Consult GmbH totaling EUR 127 thousand as well as additions from the initial consolidation of BAUER Maszyny Polska Sp.z.o.o and BAUER Resources Saudi LLC, with an addition of property, plant and equipment totaling EUR 1,993 thousand.

Changes in the scope of consolidation in fiscal 2017 were of minor significance in the area of the fixed assets.

There are purchase options, which will be executed, for the majority of buildings and equipment subject to finance lease contracts. The underlying interest rates of the contracts vary between 1.17% and 7.12% (previous year: 1.17% and 7.75%), depending on the market and time of the conclusion of the contract. The lease payments due in the future and their present values are stated in the following table:

in EUR '000	Remaining term 2016				Remaining term 2017			
	under 1 year	1 to 5 years	over 5 years	Total	under 1 year	1 to 5 years	over 5 years	Total
Minimum lease payments	11,235	19,650	332	31,217	15,067	20,815	407	36,289
Interest portions	775	803	52	1,630	743	854	12	1,609
Present value	**10,460**	**18,847**	**280**	**29,587**	**14,324**	**19,961**	**395**	**34,680**

Items of property, plant and equipment have a carrying amount of EUR 97,438 thousand (previous year: EUR 92.104 thousand) and are subject to encumbrances such as mortgages and chattel mortgages. There are also common restraints on disposal on leased assets, which are attributable to the Group (finance lease) in accordance with IAS 17 and amount to EUR 36,804 thousand (previous year: EUR 31,248 thousand).

No borrowing costs were capitalized in the financial year (previous year: none). Fixed assets were impaired by a total of EUR 1,042 thousand (previous year: EUR 1,068 thousand) in the financial year. Of these impairments, EUR 24 thousand (previous year: EUR 57 thousand) related to the Construction segment, EUR 893 thousand (previous year: EUR 967 thousand) to the Equipment segment in the amount of EUR 0 (previous year: EUR 44 thousand) and the Resources segment and EUR 125 thousand (previous year: EUR 0) to the 'Other' segment.

Of the amount, EUR 1,017 thousand (previous year: EUR 947 thousand) pertained to intangible assets and EUR 25 thousand (previous year: EUR 121 thousand) to property, plant and equipment. The majority of impairments on intangible assets relates to capitalized development costs in the Equipment segment in the amount of EUR 664 thousand. The expected market development for various internally developed devices was the key factor in this respect. Impairment losses on property, plant and equipment pertain to properties and buildings to the amount of EUR 8 thousand and to the technical equipment to the amount of EUR 17 thousand. The impairments were applied on the basis of the recoverable amount. For the capitalized development costs, this corresponded with the value in use. A discount rate of 6.80 % (previous year: 7.00 %) was applied in the financial year. The recoverable amount of other non-financial assets regularly corresponded with the fair value less cost to sell. This method is part of level 1 of the fair value hierarchy stated in IFRS 13.

20.3 Investments recognized using the equity method

The balance sheet approaches of the joint ventures and associated companies developed as follows:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Shares in joint ventures accounted for using the equity method	92,489	81,008
Shares in associated companies accounted for using the equity method	36,763	40,307
Total	**129,252**	**121,315**

The following table provides an overview of the changes in shares accounted for using the equity method:

in EUR '000	Associated companies		Joint ventures	
Acquisition or Manufacturing costs	**2016**	**2017**	**2016**	**2017**
Jan. 1	**40,506**	**38,948**	**94,232**	**92,489**
Additions	3,800	3,389	235	0
Disposals	1,428	1,063	444	409
Profit/loss attributable	-2,347	2,870	-334	567
Dividend payments	-1,583	-1,652	-1,200	-1,400
Transfers	0	0	0	0
Currency adjustment	0	0	0	-4,980
Dec. 31	**38,948**	**42,492**	**92,489**	**86,267**

in EUR ’000	Associated companies		Joint ventures	
Accumulated depreciation	2016	2017	2016	2017
Jan. 1	**2,185**	**2,185**	**0**	**0**
Additions	0	0	0	5,259
Disposals	0	0	0	0
Transfers	0	0	0	0
Currency adjustment	0	0	0	0
Dec. 31	**2,185**	**2,185**	**0**	**5,259**
Carrying amount Dec. 31	**36,763**	**40,307**	**92,489**	**81,008**

a) Joint ventures

The amounts stated in the financial information for joint ventures are recognized in the annual financial statements prepared in accordance with local financial reporting standards, corrected by any adjustments to IFRS.
These are the material joint ventures:

Financial year 2016:

Name	Company's activities	Registered office	Capital share	Valuation method
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40%	At equity
BAUER Manufacturing LLC	Production	Conroe, USA	51%	At equity
BAUER Deep Drilling GmbH	Production	Schrobenhausen, Germany	51%	At equity

Financial year 2017:

Name	Company's activities	Registered office	Capital share	Valuation method
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40%	At equity
BAUER Manufacturing LLC	Production	Conroe, USA	51%	At equity
BAUER Deep Drilling GmbH	Production	Schrobenhausen, Germany	51%	At equity

Summarized financial information on the material joint ventures (before consolidation):

BALANCE SHEET	SPANTEC Spann- & Ankertechnik GmbH		BAUER Manufacturing LLC		BAUER Deep Drilling GmbH	
in EUR ’000	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
Non-current assets	4,641	5,374	28,759	27,542	15,309	22,718
Current assets	9,013	7,883	68,891	45,436	56,108	26,206
(of which cash and cash equivalents)	(1,115)	(243)	(15,287)	(6,575)	(31,416)	(24,314)
Total assets	**13,654**	**13,257**	**97,650**	**72,978**	**71,417**	**48,924**
Non-current liabilities	0	358	42	8,326	716	640
(of which non-current financial liabilities)	(0)	(0)	(42)	(8,326)	(0)	(1)
Current liabilities	1,087	835	52,907	29,369	23,073	2,425
(of which current financial liabilities)	(0)	(0)	(0)	(3,622)	(10)	(3)
Total liabilities	**1,087**	**1,193**	**52,949**	**37,695**	**23,789**	**3,065**

Non-current and current financial liabilities do not contain any trade payables and provisions.

INCOME STATEMENT	SPANTEC Spann- & Ankertechnik GmbH		BAUER Manufacturing LLC		BAUER Deep Drilling GmbH	
in EUR ’000	2016	2017	2016	2017	2016	2017
Sales revenues	20,467	18,274	19,111	74,018	2,333	2,621
Scheduled depreciation and amortization	-341	-184	-1,453	-1,521	-1,954	-1,985
Earnings before interest and tax	**4,581**	**4,322**	**-7,058**	**-4,172**	**-3,780**	**-2,588**
Interest income	79	78	44	1	0	97
Interest expense	-7	-23	-2	-98	-10	-7
Income tax expense	-1,323	-1,248	0	0	1,061	702
Earnings after tax	**3,330**	**3,129**	**-7,016**	**-4,269**	**-2,729**	**-1,796**
Other comprehensive income	0	-49	0	0	10	28
Total comprehensive income	**3,330**	**3,080**	**-7,016**	**-4,269**	**-2,719**	**-1,768**
Dividends distributed to the BAUER Group	1,200	1,400	0	0	0	0

The amounts stated in the financial information for joint ventures are recognized in the annual financial statements prepared in accordance with local financial reporting standards, corrected by any adjustments to IFRS.

Summarized financial information on the immaterial joint ventures (before consolidation):

BALANCE SHEET	Immaterial joint ventures	
in EUR ’000	Dec. 31, 2016	Dec. 31, 2017
Non-current assets	1,246	1,670
Current assets	61,723	43,334
(of which cash and cash equivalents)	(2,182)	(5,786)
Total assets	**62,969**	**45,004**
Non-current liabilities	270	0
(of which non-current financial liabilities)	(270)	(0)
Current liabilities	54,478	32,318
(of which current financial liabilities)	(33,530)	(12,325)
Total liabilities	**54,748**	**32,318**

Non-current and current financial liabilities do not contain any trade payables and provisions.

INCOME STATEMENT	Immaterial joint ventures	
in EUR '000	2016	2017
Sales revenues	87,315	42,275
Scheduled depreciation and amortization	-507	-320
Earnings before interest and tax	**4,070**	**5,566**
Interest income	0	0
Interest expense	-53	-12
Income tax expense	-34	-700
Earnings after tax	**3,983**	**4,854**
Dividends distributed to the BAUER Group	0	0

Reconciliation to the summarized financial information on joint ventures

The proportional carrying amount of the joint ventures can be offset and reconciled as follows:

Financial year 2016:

in EUR '000	SPANTEC Spann- & Ankertechnik GmbH	BAUER Manufacturing LLC	BAUER Deep Drilling GmbH	Immaterial joint ventures
Total assets of joint ventures	12,567	44,700	47,628	8,735
Share in joint ventures according to investment quota	5,027	22,798	24,290	4,647
Goodwill and other adjustments	5,841	19,606	10,278	2
Carrying amount reported in the balance sheet	10,868	42,404	34,568	4,649

Financial year 2017:

in EUR '000	SPANTEC Spann- & Ankertechnik GmbH	BAUER Manufacturing LLC	BAUER Deep Drilling GmbH	Immaterial joint ventures
Total assets of joint ventures	12,064	35,283	45,859	13,232
Share in joint ventures according to investment quota	4,826	17,994	23,388	6,649
Goodwill and other adjustments	5,893	17,253	5,005	0
Carrying amount reported in the balance sheet	10,719	35,247	28,393	6,649

Fair values of material joint ventures:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
SPANTEC Spann- & Ankertechnik GmbH	25,500	46,585
BAUER Manufacturing LLC	86,429	105,424
BAUER Deep Drilling GmbH	70,714	55,673

We did not state the fair value of our immaterial joint ventures as there is no listed market price.

The risk arising from the joint and several liability in the case of a shareholder defaulting is secured by mutual guarantees issued within the joint venture.
There are no other obligations or material restrictions.

b) Associated companies

The amounts stated in the financial information for associated companies are recognized in the annual financial statements prepared in accordance with local financial reporting standards, corrected by any adjustments to IFRS.

These are the material associated companies:

Financial year 2016:

Name	Company's activities	Registered office	Capital share
NDH Entsorgungsbetreibergesellschaft mbH	Disposal	Bleicherode, Germany	25.00%
TERRABAUER S. L.	Specialist foundation engineering	Madrid, Spain	30.00%
BAUER Nimr LLC	Water treatment and environmental technology	Maskat, Al Mina, Sultanat Oman	52.50%

Financial year 2017:

Name	Company's activities	Registered office	Capital share
TERRABAUER S. L.	Specialist foundation engineering	Madrid, Spain	30.00%
BAUER Nimr LLC	Water treatment and environmental technology	Maskat, Al Mina, Sultanat Oman	52.50%

BAUER Nimr LLC is classified as an associated company despite having a majority of voting rights because it cannot assert control over business and financial policy under the partnership agreement.

Summarized financial information for all associated companies (amounts before consolidation):

BALANCE SHEET	NDH Entsorgungsbetreiber-gesellschaft mbH		TERRABAUER S. L.		BAUER Nimr LLC	
in EUR '000	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016 *	Dec. 31, 2017 *	Dec. 31, 2016	Dec. 31, 2017
Non-current assets	15,731	-	-	-	41,423	33,147
Current assets	30,640	-	-	-	19,048	19,441
(of which cash and cash equivalents)	(23,836)	-	-	-	(9,400)	(11,284)
Total assets	**46,371**	**-**	**-**	**-**	**60,471**	**52,587**
Non-current liabilities	0	-	-	-	34,570	27,545
(of which non-current financial liabilities)	(0)	-	-	-	(34,167)	(27,037)
Current liabilities	41,704	-	-	-	7,979	5,890
(of which current financial liabilities)	(2,860)	-	-	-	(3,161)	(3,022)
Total liabilities	**41,704**	**-**	**-**	**-**	**42,549**	**33,435**

* Financial information was unavailable on the balance sheet

INCOME STATEMENT	NDH Entsorgungsbetreiber-gesellschaft mbH		TERRABAUER S. L.		BAUER Nimr LLC	
in EUR '000	2016	2017	2016 *	2017 *	2016	2017
Sales revenues	21,162	-	-	-	17,720	19,612
Scheduled depreciation and amortization	-3,114	-	-	-	-423	-340
Earnings before interest and tax	**1,222**	**-**	**-**	**-**	**6,013**	**7,638**
Interest income	14	-	-	-	1,961	1,784
Interest expense	-404	-	-	-	-2,872	-2,794
Income tax expense	-315	-	-	-	-722	-392
Earnings after tax	**517**	**-**	**-**	**-**	**4,380**	**6,236**
Earnings after tax for the period in proportion to share	**129**	**-**	**-**	**-**	**2,416**	**3,274**
Other comprehensive income	0	-	-	-	0	0
Total comprehensive income	**517**	**-**	**-**	**-**	**4,380**	**3,274**
Dividends distributed to the BAUER Group	146	-	-	-	1,437	1,466

* Financial information was unavailable on the balance sheet

Summarized financial information for associated companies, which are immaterial on their own (amounts before consolidation):

BALANCE SHEET	Immaterial associated companies	
in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Non-current assets	55	95
Current assets	259	303
(of which cash and cash equivalents)	(9)	(118)
Total assets	**314**	**398**
Non-current liabilities	22	39
(of which non-current financial liabilities)	(0)	(39)
Current liabilities	125	170
(of which current financial liabilities)	(0)	(0)
Total liabilities	**147**	**209**

INCOME STATEMENT	Immaterial associated companies	
in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Sales revenues	785	853
Scheduled depreciation and amortization	-25	-28
Earnings before interest and tax	**42**	**84**
Interest income	0	0
Interest expense	-2	0
Income tax expense	-4	-27
Earnings after tax	**36**	**57**
Earnings after tax for the period in proportion to share	**11**	**17**
Dividends distributed to the BAUER Group	0	11

Offsetting and reconciliation to the summarized financial information on associated companies

The proportional carrying amount of the associated companies can be offset and reconciled as follows:

Financial year 2016:

in EUR '000	NDH Entsorgungsbetreiber-gesellschaft mbH	BAUER Nimr LLC	Immaterial associated companies
Total assets of associated companies	4,667	17,922	167
Share in associated companies according to investment quota	1,167	9,409	50
Goodwill and other adjustments	-55	16,651	0
Cash value of concession arrangement	0	7,615	0
Currency adjustment	0	1,926	0
Carrying amount reported in the balance sheet	1,112	35,601	50

Financial year 2017:

in EUR '000	BAUER Nimr LLC	Immaterial associated companies
Total assets of associated companies	19,152	189
Share in associated companies according to investment quota	10,055	56
Goodwill and other adjustments	20,293	0
Cash value of concession arrangement	7,068	0
Currency adjustment	2,835	0
Carrying amount reported in the balance sheet	40,251	56

The other adjustments pertain to temporal differences in reporting.

There were no obligations and material restrictions or risks with regard to the shares in associated companies on the balance sheet date.

20.4 Participations

in EUR '000	Participations	
Acquisition or Manufacturing costs	**2016**	**2017**
Jan. 1	**4,429**	**13,850**
Additions	9,662	2,073
Disposals	11	0
Profit/loss attributable	0	0
Dividend payments	0	0
Transfers	-230	-70
Currency adjustment	0	0
Dec. 31	**13,850**	**15,853**

in EUR '000	Participations	
Accumulated depreciation	**2016**	**2017**
Jan. 1	**816**	**4,120**
Additions	3,304	0
Disposals	0	0
Transfers	0	0
Currency adjustment	0	0
Dec. 31	**4,120**	**4,120**
Carrying amount Dec. 31	**9,730**	**11,733**

The gain in investment impairments relates to equity interests for which there is no active market and which are categorized as “available for sale.” In the financial year, no investments were impaired (previous year: EUR 3,304 thousand). The impairment loss resulted from the difference between the carrying amount of the investment and the present value of the expected future cash flows.

21. DEFERRED TAXES

Deferred tax assets and liabilities pertained to the following balance sheet items:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	685	41	12,566	5,123
Property, plant and equipment	260	629	6,425	7,869
Inventories	253	1,128	4,694	8,780
Receivables and other assets	374	851	5,672	7,344
Provisions for pensions	21,868	21,866	576	698
Liabilities	8,612	10,334	2,383	1,901
Tax losses carried forward	19,330	20,673	0	0
Consolidation	6,514	7,180	4,969	6,169
Offsetting	-14,989	-17,095	-14,989	-17,095
Net amount	**42,907**	**45,607**	**22,296**	**20,789**

In the table above, deferred tax assets to the amount of EUR 926 thousand (previous year: EUR 1,454 thousand) and deferred tax liabilities in the amount of EUR 513 thousand (previous year: EUR 548 thousand) are included in liabilities, which is part of hedge accounting. In addition, deferred tax assets in the amount of EUR 17,644 thousand (previous year: EUR 18,319 thousand) and deferred tax liabilities in the amount of EUR 57 thousand (previous year: EUR 0 thousand) are included in provisions for pensions for the actuarial gains and losses recognized in equity. The deferred tax assets and deferred tax liabilities, which were generated as a result of hedge reserves and actuarial profits and losses, were included in the equity.

The share of current deferred tax assets in respect of losses carried forward amounts to EUR 7,675 thousand (previous year: EUR 5,533 thousand) and the share of deferred tax liabilities to EUR 12,350 thousand (previous year: EUR 10,164 thousand).

For companies that in the previous year or in the current fiscal year achieved a negative earnings before tax, a deferred tax asset of EUR 11,635 thousand (previous year: EUR 13,795 thousand) is activated. In implementation of this tax claim is expected due to the future planned taxable income.

The tax losses carried forward at the end of the year are as follows:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Domestic losses (corporation tax)	100,170	109,884
Foreign losses	116,089	149,577
Total	**216,259**	**259,461**
Of which losses carried forward deductible for limited periods	77,131	95,034

No deferred taxes were recognized for unusable losses carried forward in the amount of EUR 181,344 thousand (previous year: EUR 142,827 thousand) due to the medium-term income tax target.
The share of current deferred tax assets in respect of losses carried forward amounted to EUR 6,438 thousand (previous year: EUR 5,048 thousand) in the financial year.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries, shares in joint arrangements and associated companies are only recognized if the date of reversal of the temporary differences can be determined by the Group and it is likely that the temporary differences will not be reversed again in the foreseeable future because of this effect. This is not presently the case.

In connection with shares in subsidiaries, for temporary differences, deferred taxes in the amount of EUR 1,311 thousand (previous year: EUR 1,566 thousand) are not recognized.

22. OTHER NON-CURRENT ASSETS

The other non-current assets comprise the following items:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Claims from backup insurance	4,459	4,544
Sundry other non-current assets	3,797	3,109
Total	**8,256**	**7,653**

The additional other non-current assets did not incur any interest in the financial and previous year.

As in the previous year, the other non-current assets were neither impaired nor overdue in the year under review.

Within BAUER Group, trade receivables and services in the amount of EUR 0 thousand (previous year: EUR 2,419 thousand) were sold to third parties within the scope of individual receivables sales agreements. The risks with respect to sold receivables relevant for the risk assessment are the credit risk and the risk of late payment (late-payment risk). The credit risk primarily represents all risks and opportunities connected with the receivables and is mostly fully transferred onto the receivable purchaser against payment of a fixed purchase price reduction. For the BAUER Group, an arranged excess with respect to the purchaser of the receivables remains an agreed excess. The late-payment risk is still borne to the full extent by the BAUER Group. The maximum loss risk resulting for the late-payment risk for the BAUER Group from the sold and written off receivables as of December 31, 2017 is EUR 915 thousand (previous year: EUR 1,269 thousand) and is listed under the remaining other long-term assets as an ongoing commitment.

The corresponding liability amounts to EUR 1,725 thousand (previous year: EUR 1,396 thousand), and is stated under "Other non-current debt." The difference in the amount of EUR 810 thousand (previous year: EUR 127 thousand) represents the fair value from remaining risks and is recognized in net income.

23. OTHER NON-CURRENT FINANCIAL ASSETS

The other non-current financial assets comprise the following:

in EUR '000	Remaining term Dec. 31, 2016		Remaining term Dec 31, 2017	
	1 to 5 years	over 5 years	1 to 5 years	over 5 years
Sundry other non-current financial assets	3,403	11,288	1,441	9,672
Shares in non-consolidated subsidiaries	3,721	0	3,276	0
Total	**7,124**	**11,288**	**4,717**	**9,672**

The additional other non-current assets contain receivables from derivatives and other non-current financial assets. The derivatives are presented in item 38 under "Other disclosures". The item also contains a loan receivable from BAUER Nimr LLC in the amount of EUR 9,568 thousand (previous year: EUR 10,874 thousand). As in the previous year, the other non-current financial assets were neither impaired nor overdue in the year under review. Non-consolidated subsidiaries do not include non-listed companies for which there is no active market. They are recognized as acquisitions costs. There were no disposals of non-listed companies in the year under review nor in the previous year. Depreciation totaled EUR 131 thousand (previous year: EUR 905 thousand) during the financial year.

CURRENT ASSETS

24. INVENTORIES

The inventories comprise the following items:

in EUR '000	Dec. 31, 2016 *	Dec. 31, 2017
Raw materials and supplies	151,489	144,415
Finished goods and work in progress and stock for trade	295,837	286,191
	447,326	430,606
Less Advances received on inventories	-13,893	-13,883
Total	**433,433**	**416,723**

* Previous year adjusted; see notes on page 93 ff.

Of the inventories, EUR 163,353 thousand (previous year: EUR 144,066 thousand) are stated at net realizable value.
The impairment losses on inventories against the net realizable value affecting net expenditure in the financial year totaled EUR 22,944 thousand (previous year: EUR 25,116 thousand).

They are divided up as follows:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Write-downs of inventories due to use	15,532	14,644
Impairment losses on inventories	9,584	8,300
Total	**25,116**	**22,944**

The rate of hire during the financial year was lower than in the previous year. Write-downs of used machinery due to use therefore decreased from EUR 15,532 thousand to EUR 14,644 thousand.

The impairment losses on inventories include both impairment losses on new and used machinery (stated under "Changes in inventories") and on warehouse inventories (stated under "Cost of materials"). Most of the impairment losses relate to the machinery which was not hired out, and are attributable to the Equipment segment. The impairments were applied on the basis of the recoverable amount. This regularly corresponded to the fair value less cost to sell.
This method is part of level 1 of the fair value hierarchy stated in IFRS 13.

The finished goods and stock for trade include machinery and accessories produced internally by the Equipment segment and intended primarily for sale.

We differentiate essentially between two forms of machinery and accessories (referred to in the following as "machinery"):

New machines
These are machines manufactured in the financial year or in earlier years which are available for sale but have not yet been hired out. These machines are valued at manufacturing cost or at the lower net realizable value on the balance sheet date.

Used machines
Used machines are machines which are primarily up for sale and which have been temporarily hired out as a secondary sales promotion measure during the financial year or in earlier years. New machines automatically become used machines the first time they are hired out.

When hiring out machinery, the net realizable value is determined from the manufacturing cost less the write-downs due to use and impairment losses on inventories.

In the case of a new machine, or a used machine which has not been hired out, the reduction in value against the net realizable value is recognized by means of an impairment loss.

The sale and hire of machinery relates solely to the Equipment segment.

The following chart sets out the carrying amount before impairment of the used machinery and accessories along with the rate of hire status on the balance sheet date:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Carrying amount of used machines	44,252	55,828
of which hired out	21,409	29,148
of which not hired out	22,843	26,680

Inventories were not listed as loan securities this year or last year.

25. RECEIVABLES AND OTHER ASSETS

Construction contracts

The construction contracts measured according to the percentage of completion method developed as follows:

in EUR '000	Dec. 31, 2016 *	Dec. 31, 2017
Contract costs incurred (plus profits, less losses) for projects not yet completed	855,139	941,942
less down-payments	769,024	844,822
Balance	**86,115**	**97,120**
of which: Receivables from construction contracts (PoC)	149,064	148,203
of which: Liabilities from construction contracts (PoC)	62,949	51,083

* Previous year adjusted; see notes on page 93 ff.

Development of receivables and other assets

The receivables and other assets comprise the following:

in EUR '000	Dec. 31, 2016 *	Dec. 31, 2017
Receivables from construction contracts (PoC)	149,064	148,203
Trade receivables	339,993	317,488
Receivables from enterprises in which the company has participating interests	6,473	4,175
Payments on account	3,870	4,726
Other current assets	30,574	33,673
Other current financial assets	18,364	12,326
Total	**548,338**	**520,591**

* Previous year adjusted; see notes on page 93 ff.

The “Trade receivables” balance sheet item includes long-term receivables totaling EUR 6,653 thousand (previous year: EUR 5,942 thousand).

The following table presents the changes in valuation allowances to current receivables:

in EUR ’000	Dec. 31, 2016 *	Dec. 31, 2017
Valuation allowance at start of financial year	61,276	55,543
Change in basis of consolidation	858	0
Currency adjustment	-1,990	-713
Allocation	23,861	13,141
Reversal	21,775	6,905
Consumption	6,687	13,695
Valuation allowance at end of financial year	**55,543**	**47,371**

* Previous year adjusted; see explanations on page 93 ff.; correction of value adjustments from the Construction sector

The valuation allowance for doubtful trade receivables of EUR 47,371 thousand (previous year: EUR 55,543 thousand) was calculated taking into account individual risks and on the basis of past experience in relation to payment default. Value adjustments were applied in respect of individual claims as well as on a portfolio flat-rate basis. The value adjustments for trade receivables include industry-typical value adjustments in the Construction segment. The individual value adjustments were translated into flat-rate percentages spread across the age structure of the receivables. The determination of valuation allowances for uncertain receivables primarily bases on estimates and evaluations of individual claims, incorporating considerations of the creditworthiness and late-payment record of the customer concerned as well as current economic trends and historical experience in relation to default.

No receivables from construction contracts were impaired in the financial year (previous year: none).

The following table presents an analysis of the due dates of trade receivables:

in EUR ’000	Dec. 31, 2016 *	Dec. 31, 2017
overdue up to 30 days	38,566	47,649
overdue up to 60 days	13,376	12,357
overdue up to 90 days	6,767	7,270
overdue more than 90 days	76,346	71,096
Total	**135,055**	**138,372**

* Previous year adjusted; see notes on page 93 ff.

The above table includes trade receivables as well as receivables from joint ventures. The share of trade receivables before value adjustments on the reporting date is EUR 364,859 thousand (previous year: 395,536 thousand). With regard to the trade receivables which were neither impaired nor overdue, which amount to EUR 179,116 thousand (previous year: EUR 135,055 thousand), there were no indications at the balance sheet date that the debtors concerned will not fulfill their payment obligations. Credit ratings are derived from an active system of claims management with reference to the relevant credit history and from continuous monitoring of the creditworthiness of our customers based on information obtained from both internal and external sources. Other current assets were neither impaired nor overdue in the year under review. Other current assets mainly comprise miscellaneous tax refund claims and claims against employees and against welfare benefit funds as well as accrued interest and insurance premiums and other prepayments and deferred charges.

A total of EUR 1,289 thousand (previous year: EUR 87 thousand) monetary assets were deposited as collateral for potential future warranties for construction activities.

The current portion of the receivables from foreign exchange forward contracts included in the current financial assets in the financial year totaled EUR 3,589 thousand (previous year: EUR 661 thousand).

In financial year 2017, total impairments amounted to EUR 11,333 thousand (previous year: EUR 25,774 thousand). Contained in this are EUR 6,083 thousand (previous year: 15,888 thousand) of impairments for uncollectable receivables.

26. CASH AND CASH EQUIVALENTS

The cash and cash equivalents totaling EUR 47,266 thousand (previous year: EUR 33,463 thousand) include credit balances at banks and petty cash stocks.

27. ASSETS HELD FOR SALE

Assets held for sale amounted to EUR 0 as of December 31, 2017 (previous year: 19,608). These assets were supposed to have been sold off in the first half of 2017. It was not possible to sell these assets due to the poor market conditions. The BAUER Group has therefore decided to transfer these rigs to the Equipment segment and continue sales efforts there. They are now listed under inventories.

28. EQUITY

The shareholder structure of BAUER AG is as follows:

in EUR '000	Dec. 31, 2016		Dec. 31, 2017	
	%	EUR '000	%	EUR '000
Bauer family	48.19	35,182	48.19	35,182
Free float	51.81	37,819	51.81	37,819
Total	**100.00**	**73,001**	**100.00**	**73,001**

Please refer to the Notes to the Financial Statements of BAUER AG (published in the Federal Gazette (Bundesanzeiger)) on December 31, 2017 for reports on the participations in BAUER AG.

Composition of subscribed capital

The recorded and completely paid in capital (share capital) of BAUER AG is EUR 73,001,420.45 and is divided up into 17,131,000 no-nominal-value bearer shares, representing a pro rata amount of approximately EUR 4.26 per share of the total share capital. The shares have no nominal value. Each share entails equal rights, and entitles the holder to one vote at the Annual General Meeting, with the exception of share categories precluded from voting by law pursuant to section 136 of the German Stock Corporation Act (AktG) and section 28 of the German Securities Trading Act (WpHG).

As in the previous year, 51.81% of the shares were in free float. The members of the Bauer family and a charitable foundation own a total of 8,256,246 no-nominal-value shares in BAUER AG on the basis of a pool agreement, representing a 48.19% share in the company. The pool agreement provisions include binding voting commitments as well as a right of pre-emption of pool participants if any member of the pool sells shares to third parties. No other direct or indirect holdings of BAUER AG share capital exceeding 10% of the voting rights are known to the company.

None of the shareholders have special rights entailing controlling powers. Nor does any voting rights control exist on the part of the employees holding shares in the capital.

Authority of the Management Board to issue or buy back shares

Section 4, subsection 4 of the company‘s Articles of Association authorizes the Management Board, with the consent of the Supervisory Board, to increase the share capital once or more than once up to June 22, 2021 by up to a total of EUR 7.3 million by the issue of no-nominal-value shares against cash and/or non-cash contributions. To that end, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

- in the case of capital increases in return for non-cash contributions, particularly for the purpose of acquiring companies, parts of companies, investments in companies and other assets or claims for the acquisition of assets, including receivables from companies or their group companies, or for the purpose of company mergers;
- in the event of capital increases against cash contributions where the issue amount of the new shares issued is not materially below the market price of the already quoted shares at the time of definitive setting of the issue price and the shares issued excluding shareholders‘ subscription rights pursuant to section 186 (3) sentence 4 AktG do not in total exceed 10% of the existing share capital either at the time this authority takes effect or at the time of exercising this authority. Shares which have been or are to be sold or issued in direct or corresponding application of section 186 (3) sentence 4 AktG while this authority is in place until such time as it is exercised, pursuant to other authorities, excluding subscription rights, are to be set off against the said 10% limit;
- to compensate fractional amounts resulting during capital increases in return for cash and/or non-cash contributions due to the subscription ratio,
- to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as non-cash contribution in return for the issuance of new shares from the approved capital 2016.

The Supervisory Board is authorized to amend Article 4 of the Articles of Association accordingly following complete or partial execution of the increase in share capital or on expiration of the period of authority.

Through resolution in the Annual General Meeting dated June 26, 2014, the company was authorized to acquire treasury stock, over a limited period up to June 25, 2019, representing up to a total of 10% of the company‘s share capital at the time the resolution was passed. The shares shall be acquired at the discretion of the Management Board by means of a public tender offer or by way of the stock market. If the acquisition is effected by way of the stock market, the acquisition price (excluding ancillary costs) may be no more than 10% above or 20% below the price determined by the opening auction on the trading day for shares in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange. that if the acquisition is effected by means of a public tender offer, the purchase price or the limits of the purchase price span per share (excluding ancillary costs) may be no more than 10% above or 20% below the average of the closing prices per share in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the three trading days prior to the day of issue of the public tender offer. If not insignificant variations of the decisive share price occur after the day of issue of the public tender offer, the purchase price may be adjusted.

The Management Board shall be authorized to appropriate shares in the company acquired pursuant to the above authorizations for all legally admissible purposes. Consequently, the acquired shares may also in particular be sold by means other than by way of the stock market or by means of an offer to the shareholders, if the shares are sold for cash at a price (excluding ancillary costs) not materially below the stock market price of shares of the company carrying the same rights at the time of the sale in Xetra trading (or a comparable successor system). The shares can also be transferred to third parties, provided this pursues the goal of purchasing companies, company segments or participations in companies or other assets or performing business combinations. The aforementioned shares may be withdrawn without need of a further resolution by the Annual General Meeting.

With regard to use of the bought-back shares, the authorization provides, in specific cases, for legal rights of subscription of shareholders to be excluded. The facility to acquire treasury stock has not been utilized to date.

The remaining equity of the BAUER Group developed as follows:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
I. Capital reserve	38,404	38,404
II. Other revenue reserves and distributable net profit	318,462	304,078
	356,866	**342,482**
III. Non-controlling interests	4,264	3,249
Total	**361,130**	**345,731**

In the financial year a dividend of EUR 0.10 (previous year: EUR 0.15) per share was paid to the shareholders.

Capital reserve

The capital reserve essentially comprises amounts that exceeded the book value of the nominal value when shares were issued, as well as expenses for the issue of shares.

Other revenue reserves and distributable net profit

Other revenue reserves and distributable net profit include past earnings of the companies included in the consolidated financial statements, insofar as they were not distributed. In addition, revaluations of liabilities from benefits to employees after termination of employment totaling EUR -62,804 thousand (previous year: EUR -66,042 thousand) and related deferred taxes with no effect on profit and loss totaling EUR 17,698 thousand (previous year: EUR 18,568 thousand) were recognized in Revenue reserves. This line item also includes cumulative differences from the translation of financial statements for foreign subsidiaries with no effect on profit and loss totaling EUR 14,721 thousand (previous year: EUR 3,962 thousand) and cumulative gains from the switch to IFRS of EUR 10,387 thousand (previous year: EUR 10,387 thousand).

This line item also includes the cumulative effects of the valuation of derivative financial instruments not affecting profit and loss (reserves from hedging transactions) totaling EUR -1,013 thousand (previous year: EUR -1,922 thousand). The hedging transactions reserve includes the effective portion of the changes in the value of derivatives that were designated in a cash flow hedge.

28.1 Non-controlling interests

Details on the 100%igen not wholly owned subsidiaries in which material non-controlling interests are held

These are the material non-controlling interests of BAUER Group:

in EUR '000		Dec. 31, 2016			Dec. 31, 2017		
Group company	Non-controlling interests	Share-holding in %	Share-holding in EUR '000	Profit/loss attributable (in EUR '000)	Share-holding in %	Capital share in EUR '000	Profit/loss attributable (in EUR '000)
BAUER EGYPT S.A.E, Cairo, Egypt	Various natural persons	44.25	7,312	3,371	44.25	9,077	2,220
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	Emiroglu Makina	40.00	1,328	358	40.00	1,450	546
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	Oweis family	16.67	-8,693	-1,412	16.67	-11,516	-2,913
Individual immaterial subsidiaries with non-controlling interests			4,317	795		4,238	1,072
Total			**4,264**	**3,112**		**3,249**	**925**

Below is the summarized financial information for each Group company with material non-controlling interests corresponding to the amounts before Group-internal elimination:

BALANCE SHEET in EUR '000	BAUER Casings		BAUER EGYPT S.A.E.		Site Group	
	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
Non-current assets	2,321	1,912	5,258	8,988	18,605	5,170
Current assets	3,516	4,541	18,794	20,518	82,733	56,340
Non-current liabilities	1,840	1,268	375	342	0	0
Current liabilities	670	1,559	6,948	10,434	103,249	71,454

INCOME STATEMENT	BAUER Casings		BAUER EGYPT S.A.E.		Site Group	
in EUR '000	2016	2017	2016	2017	2016	2017
Sales revenues	4,864	6.945	41,898	32,860	30,218	12,454
Earnings before interest and tax	1,189	1,999	9,963	5,933	-2,174	-11,993
Earnings before tax	1,120	1,674	10,759	6,443	-8,032	-17,594
Earnings after tax	895	1,331	7,618	5,017	-8,486	-17,659
Profit/loss attributable to non-controlling interests	358	546	3,371	2,220	-1,412	-2,913
Profit/loss attributable to shareholders of BAUER AG	537	785	4,247	2,797	-7,074	-14,746
Dividends distributed to non-controlling interest	-86	-152	-518	-464	0	0

CASH FLOW STATEMENT	BAUER Casings		BAUER EGYPT S.A.E.		Site Group	
in EUR '000	2016	2017	2016	2017	2016	2017
Cash flow from operating activities	273	933	4,187	7,339	-82	-1,194
Cash flow from investing activities	-1,949	-169	-2,861	-7,240	7,086	6,605
Cash flow from financing activities	1,651	-516	274	-994	-7,798	-5,202
Influence of exchange rate movements on cash	-17	-12	-8,855	-880	37	-55
Changes in cash and cash equivalents with an effect on liquidity	-42	236	-7,255	-1,775	-757	154

28.2 Additional disclosures regarding capital management

The object of Bauer's capital management is to safeguard a strong financial profile. In particular, it aims to provide shareholders with appropriate dividend payments and to safeguard servicing of capital on behalf of lenders. We also aim to provide ourselves with adequate financial resources to sustain our growth strategy. The risk profile is actively managed and monitored. This is focused primarily on key indicators such as the equity ratio, net debt and net result for the period for the period.

The key indicators are presented below:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Equity	434,131	418,732
Equity ratio	25.81%	25.88%
Earnings after tax	14,414	3,665
Net debt	676,898	593,694
Financial indebtedness	710,361	640,960
Liquid funds	33,463	47,266
Net debt / EBITDA	4.27	3.25
EBITDA / net interest coverage	4.24	3.28

Financial liabilities include long-term and short-term liabilities to banks, liabilities from finance lease agreements and other financial liabilities. Net interest coverage includes the financial result, adjusted for income from operating investments. As part of the capital management strategy covering the subsidiaries of the BAUER Group, it is ensured that member companies are provided with an equity base in line with local requirements. Our aim in doing this is to provide the necessary flexibility in terms of finance and liquidity. As of December 31, 2017, BAUER AG did not meet the agreed EBITDA / Net Interest Coverage ratio for major loan agreements. As a result, some liability items could have become due under the terms of the contract, meaning they are reported independently of the original contract period under current liabilities to credit institutions. The reclassification amounted to EUR 211,306 thousand as of the reporting date. An amicable solution has already been found with all relevant financial partners for all of the affected loans. At the end of the first quarter of 2018, these liabilities are therefore again listed under the non-current liabilities. Please see the disclosures in the Group management report.

29. NON-CURRENT DEBT

The non-current portions of the liabilities comprise the following:

in EUR '000	Remaining term Dec. 31, 2016		Remaining term Dec 31, 2017	
	1 to 5 years	over 5 years	1 to 5 years	over 5 years
Liabilities to banks	164,286	12,468	151,058	4,563
Liabilities from finance lease agreements	19,127	0	20,356	0
Other non-current liabilities	7,556	0	6,883	0
Other non-current financial liabilities	3,983	0	4,418	0
Total	**194,952**	**12,468**	**182,715**	**4,563**

in EUR '000	Fair value		Interest rate margin	
	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
Liabilities to banks	228,690	286,560	0.50 - 11.2%	0.50 - 11.89%
Liabilities from finance lease agreements	19,127	20,356	1.17 - 7.75%	1.17 - 7.12%
Other non-current financial liabilities	3,983	4,411	3.97 - 7.93%	3.67 - 7.93%
Total	**251,800**	**311,327**	**-**	**-**

The other non-current debt include non-current portions of liabilities from obligations in respect of service anniversary payments and the corresponding liabilities from receivables sales.
Other non-current financial liabilities mainly include the market value of the derivatives as well as other liabilities to financing companies (see notes to the financial instruments in item 38).

30. PROVISIONS FOR PENSIONS

The BAUER Group operates a number of provisions for pensions in Germany and internationally. The provisions for pensions of the companies in Schrobenhausen recognized on the consolidated balance sheet cover most (96%) of the balance sheet value. Those companies are governed by the occupational pension scheme of BAUER Spezialtiefbau GmbH constituted on July 1, 1992 as amended by the in-company agreement dated November 18, 1998. In it, the company grants all employees who joined by March 31, 1998 and their surviving dependents a retirement pension and invalidity benefit as well as a widow's/widower's pension. Employees qualify for the retirement pension on reaching the standard retirement age, or on prior qualification for a pension from the statutory pension fund. The pension payable amounts to 0.225% of the employee's pensionable earnings for each pensionable year of service, plus 0.075% of pensionable earnings for each pensionable year of service completed before January 1, 1999; plus, for the portion of pensionable earnings above the contribution assessment limit in the statutory pension fund, 0.375% plus 0.125% for each pensionable year of service completed before January 1, 1999. In the case of scheme members who are not members of the Zusatzversorgungskasse des Baugewerbes (construction industry ancillary benefits fund): For each pensionable year of service, 0.3% plus 0.1% of pensionable earnings for each pensionable year of service completed before January 1, 1999; plus, for the portion of pensionable earnings above the contribution assessment limit in the statutory pension fund, 0.3% plus 0.1% for each year of service completed before January 1, 1999.

The widow's/widower's pension amounts to 50% of the attained entitlement. Benefits are also promised to surviving dependent children in various forms. Vesting and transitional arrangements are also in place. The risks entailed by the pension schemes are mainly those commonly associated with provisions for pensions in terms of potential variations in the discount interest rate and, to a lesser extent, inflation trends as well as longevity.

The calculations are based on the following actuarial assumptions:

in %	Dec. 31, 2016			
	Germany	Indonesia	Philippines	Taiwan
Interest rate	1.80	8.30	5.03	1.13
Future salary increases	3.00	10.00	5.00	3.00
Future pension increases	2.00	-	-	-

in %	Dec. 31, 2017			
	Germany	Indonesia	Philippines	Taiwan
Interest rate	1.90	7,00	5,77	1,38
Future salary increases	3.00	10.00	5.00	3.00
Future pension increases	2.00	-	-	-


ATLAS
RTG RG 16 T
TBJ

Provisions for pensions in Germany are calculated biometrically applying the 2005 G Graduated Life Tables compiled by Professor Dr. Heubeck. The interest rate applied for discounting the future payment obligations is always determined on the basis of the return on top company bonds.
Outside of Germany, the underlying biometric probability of death is based on published national statistics and empirical data.

The provision for pensions and similar obligations recognized in the balance sheet is calculated as follows:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Present value of commitments financed by a fund	4,535	4,683
Fair value of plan assets	-931	-1,038
Plan deficit	**3,604**	**3,645**
Present value of commitments not financed by a fund	125,984	125,306
Total deficit of define benefit plan commitments	**129,588**	**128,951**
Effect of asset ceiling	-	-
Recognized provision	**129,588**	**128,951**

<<< TBJ Tiefbau GmbH from Jarmen produced a sheet pile wall with a depth of 7.5 m for a bridge structure over the Plöwen culvert in Löcknitz using a RG 16 T from RTG Rammtechnik GmbH.

The defined benefit obligation and the plan assets developed as follows in the previous year:

in EUR '000	Present value of commitment	Fair value of plan assets	Total	Effect of asset ceiling	Total
Date: Jan 1, 2016	**115,276**	**-751**	**114,525**	**-**	**114,525**
Current service costs	2,531	-	2,531	-	2,531
Interest expense/income	2,781	-49	2,732	-	2,732
Post-employment expenditure, gains and losses from payment in lieu	-	-	-	-	-
Total	**120,588**	**-800**	**119,788**	**-**	**119,788**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	-	2	2	-	2
Actuarial gains and losses arising from adjustments to demographic assumptions	-	-	-	-	-
Actuarial gains and losses arising from adjustments to financial assumptions	12,919	-	12,919	-	12,919
Empirical value-based adjustments	-648	-	-648	-	-648
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	-	-	-	-	-
Total	**12,271**	**2**	**12,273**	**-**	**12,273**
Exchange rate movements	101	-31	70	-	70
Contributions:					
Employer	-	-102	-102	-	-102
Beneficiary employee	-	-	-	-	-
Payments from the plan:					
Ongoing payments	-	-	-	-	-
Benefits (not fund-financed)	-2,441	-	-2,441	-	-2,441
Other effects	-	-	-	-	-
Date: Dec. 31, 2016	**130,519**	**-931**	**129,588**	**-**	**129,588**

The defined benefit obligation and the plan assets developed as follows during the financial year:

in EUR '000	Present value of commitment	Fair value of plan assets	Total	Effect of asset ceiling	Total
Date: Jan 1, 2017	**130,519**	**-931**	**129,588**	**-**	**129,588**
Current service costs	2,845	-	2,845	-	2,845
Interest expense/income	2,441	-54	2,387	-	2,387
Post-employment expenditure, gains and losses from payment in lieu	-	-	-	-	-
Total	**135,805**	**-985**	**134,820**	**-**	**134,820**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	-	-7	-7	-	-7
Actuarial gains and losses arising from adjustments to demographic assumptions	-	-	-	-	-
Actuarial gains and losses arising from adjustments to financial assumptions	-2,320	-	-2,320	-	-2,320
Empirical value-based adjustments	-613	-	-613	-	-613
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	-	-	-	-	-
Total	**-2,933**	**-7**	**-2,940**	**-**	**-2,940**
Exchange rate movements	-234	85	-149	-	-149
Contributions:					
Employer	-	-131	-131	-	-131
Beneficiary employee	-	-	-	-	-
Payments from the plan:					
Ongoing payments	-	-	-	-	-
Benefits (not fund-financed)	-2,610	-	-2,610	-	-2,610
Other effects	-39	-	-39	-	-39
Date: Dec. 31, 2017	**129,989**	**-1,038**	**128,951**	**-**	**128,951**

The fair value of the plan assets can be allocated to the following categories:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Qualifying insurance contracts	255	266
Money market fund and pension fund	633	686
Cash and cash equivalents	43	86
Total	**931**	**1,038**

No market price quotations exist for the qualifying insurance contracts.

The key actuarial assumptions applied in determining the defined benefit plan commitment are the discount interest rate, expected salary increases and expected pension increases.

The sensitivity of the overall pension commitment to variations in the weighted primary assumptions is:

in EUR '000	Effect on commitment		
	Variation in assumption	**Increase in assumption**	**Decrease in assumption**
Discount interest rate	+/- 0.5 %	118,545	143,086
Future salary increases	+/- 0.5 %	133,441	126,682
Future pension increase	+/- 0.5 %	138,688	122,113
		Increase in assumption by 1 year	**Decrease in assumption by 1 year**
Probability of death		136,173	123,685

The above sensitivity analysis is based on a variation in one assumption while all other assumptions remain constant. It is unlikely that this will occur in reality, and variations in some assumptions may correlate. The sensitivity for life expectancy is reached using general (age-independent) factors for a reference person with a life expectancy of one year higher or one year lower. In calculating the sensitivity of the defined benefit plan commitment to variations in actuarial assumptions, the same method was applied as that used to measure the provisions for pensions on the balance sheet. The present value of the defined benefit plan commitments was calculated by the Projected Unit Credit method as at the end of the reporting period.

The methods and categories of assumption applied in preparing the sensitivity analysis have not changed relative to the prior period. The defined benefit plan commitments and plan assets by country are as follows:

in EUR '000	Dec. 31, 2016				
	Germany	**Indonesia**	**Philippines**	**Taiwan**	**Total**
Present value of commitments	128,627	1,465	302	125	130,519
Fair value of plan assets	-255	-633	0	-43	-931
Total	**128,372**	**832**	**302**	**82**	**129,588**
Effect of asset ceiling	-	-	-	-	-
Total	**128,372**	**832**	**302**	**82**	**129,588**

in EUR '000	Dec. 31, 2017				
	Germany	Indonesia	Philippines	Taiwan	Total
Present value of commitments	127,846	1,689	333	121	129,989
Fair value of plan assets	-266	-686	0	-86	-1,038
Total	**127,580**	**1,003**	**333**	**35**	**128,951**
Effect of asset ceiling	-	-	-	-	-
Total	**127,580**	**1,003**	**333**	**35**	**128,951**

The present value of the defined benefit plan commitment is distributed as follows among the plan members:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Active scheme members	79,563	76,652
Deferred beneficiaries	7,538	6,955
Retired employees	43,418	46,382
Total	**130,519**	**129,989**

The weighted average term of the provisions for pensions is 19.25 years (previous year: 19.84 years).

Pension payment in financial year 2018 are expected to amount to EUR 3,412 thousand (previous year: EUR 2,765 thousand). Of that total, EUR 3,412 thousand (previous year: EUR 2,765 thousand) is projected to be contributed by the employer. Contributions to the external plan assets totaling EUR 125 thousand (previous year: EUR 109 thousand) are expected for 2018.

The following table provides an overview of the due dates of the undiscounted pension payments:

in EUR '000	under 1 year	1 to 5 years	6 to 10 years	Dec. 31, 2017 Total
Pension payments	3,412	13,418	21,241	38,071

31. CURRENT LIABILITIES

in EUR '000	Dec. 31, 2016 *	Dec. 31, 2017
Liabilities to banks	479,746	429,589
Liabilities from finance lease agreements	10,460	14,324
Liabilities from construction contracts (PoC)	62,949	51,083
Trade payables	202,913	233,519
Liabilities to enterprises in which the company has participating interests	2,449	690
Other current liabilities	82,958	79,706
Other current financial liabilities	20,291	16,652
Total	**861,766**	**825,563**

* Previous year adjusted; see notes on page 93 ff.

The "Trade payables" balance sheet item includes long-term payables totaling EUR 653 thousand (previous year: EUR 1,204 thousand).

The other current debt mainly comprise obligations in respect of outstanding invoices, flexitime and holiday credits, employer's liability insurance associations, the compensation levy for the shortfall in handicapped employees, performance bonuses as well as other tax liabilities and liabilities in respect of social security.

The other current financial liabilities mainly comprise obligations to leasing and finance companies. The fair values virtually match the carrying amounts. The interest rate margin on current debt to banks is 0.5% to 11.20% (previous year: 0.5 to 11.89%).

32. OTHER PROVISIONS

The other provisions have developed as follows in the financial year:

in EUR '000	Dec. 31. 2016	Dec. 31, 2017
Date: Jan. 1	**16,113**	**15,373**
Change in basis of consolidation	0	0
Currency adjustment	40	-233
Allocation	4,856	11,354
Reversal	3,194	2,567
Consumption	2,442	3,739
Date: Dec. 31	**15,373**	**20,188**

The other provisions comprise the following:

in EUR '000	Dec. 31. 2016	Dec. 31, 2017
Risk from contract processing and warranties	14,375	19,143
Litigation	998	1,045
Total	**15,373**	**20,188**

The provisions for risk from contract processing and warranties include all risks arising from carrying out specialist foundation engineering work and from the sale of machinery, equipment and tools for specialist foundation engineering, with the associated services. These primarily relate to warranty obligations and to other uncertain commitments. The risk from contract processing and warranties is determined specific to project/construction site.

The provisions for risks arising from contract processing and warranties and provisions for litigation are predicted to be used up during 2018. The provisions for litigation relate for the most part to provisions for legal disputes on supplementary receivables.

33. CONTINGENT LIABILITIES

Contingent liabilities are liabilities not yet recognized in the financial statements, which are recognized in the amount of the maximum possible exposure on the balance sheet date.

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Liabilities from guarantees	52,428	46,059

In the construction industry, it is common and essential practice to issue various guarantees to secure obligations arising from construction contracts. These guarantees are usually issued by banks or credit insurance companies (guarantors), and essentially guarantee quotations, contract performance, prepayments and warranty commitments. In the event of a guarantee being given, the guarantors have a right of recourse against the Group. A risk of a guarantee being implemented exists only when the underlying contractual obligations are not duly met.

The contingent liabilities were mainly in relation to the securing of contract performance, to warranty obligations and to advance payments. Liabilities from guarantees exist to third parties. In addition, we are subject to joint and several liability in respect of all joint ventures in which we participate. Maturities of payments for liabilities are not expected.

34. OTHER FINANCIAL OBLIGATIONS

in EUR '000	Remaining term					
	under 1 year		1 to 5 years		over 5 years	
	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
Minimum lease payments from operating leases	8,990	10,104	10,824	11,521	1,313	114
Other financial obligations	9,481	8,878	5,539	5.895	4,026	4,261

The operating leases relate mainly to mutual agreements about factory and office equipment, as well as to technical equipment and machinery which were added in the financial year and are classified as operating leases. The BAUER Group is committed to rental agreements of unlimited term totaling monthly EUR 472 thousand (previous year: EUR 506 thousand). The other financial obligations mainly include limited-term property rentals and leases.

35. DISCONTINUED OPERATIONS

There are no plans to discontinue business operations under the terms of IFRS 5.

36. EVENTS AFTER THE BALANCE SHEET DATE

As of December 31, 2017, BAUER AG the agreed upon ratio of EBITDA/ Net Interest Coverage was not met by BAUER AG, as the change agreement had not yet been gathered as at December 31, 2017, and the borrowing condition at this point in time was so that it would be immediately repayable. As a result, some liability items could have become due under the terms of the contract, meaning they are reported independently of the original contract period under current liabilities to credit institutions. The reclassification amounted to EUR 211,306 thousand as of the reporting date. With the change contract dated February 6, 2018, the creditors of the affected loan have agreed to the reduction of the financial figure EBITDA/Net Interest Coverage as at December 31, 2017, March 31, 2018, June 31, 2018, and September 30, 2018 to 3.0%, whereby the figure is not hereby met. In exchange for this, the credit margin was increased by 20 basis points. At the end of the first quarter of 2018, these liabilities are again listed under the non-current liabilities.
In addition, no events subject to mandatory reporting in accordance with IAS 10 or DRS 20 occurred after December 31, 2017.

OTHER DISCLOSURES

37. CASH FLOW STATEMENT

The funds shown in the cash flow statement comprise only the cash and cash equivalents stated on the balance sheet. The cash flow statement details payment flows, broken down by inflow and outflow of funds from operating activities and from investing and financing activities.

The cash flow from operating activities is derived indirectly from the pre-tax profit. The pre-tax profit is adjusted by non-cash transactions. The cash flow from operating activities is produced taking account of the changes in working capital.

Investing activities include additions to property, plant and equipment and to financial assets and intangible assets, as well as income from the sale of assets. Financing activities include outflows of cash and cash equivalents arising from dividend payments as well as the change in other financial indebtedness.

The changes in balance sheet items applied for the preparation of the cash flow statement are not directly derivable from the balance sheet, as the effects of currency translation and changes in the basis of consolidation, as well as the allocation and elimination of value adjustments on trade receivables, do not affect payments and are stripped out.

38. FINANCIAL INSTRUMENTS

In its business operations and financing activities the BAUER Group is subject in particular to fluctuations in exchange rates and interest rates. It is the company‘s policy to exclude, or at least limit, these risks by entering into hedge transactions. All hedging measures are controlled and executed centrally by BAUER AG. Application of the segregation-of-duties approach ensures that there is an adequate split between the trading and execution functions. The segregation-of-duties approach is implemented by spreading functions across the Management Board (financial reporting) and the corporate departments (operational handling). All derivatives transactions are entered into only with banks of the highest possible credit rating.

MARKET RISKS

Foreign exchange rate risks

Foreign exchange rate risks under the terms of IFRS 7 are created by financial instruments which are denominated in a currency different to the functional currency and are of a monetary nature. Exchange rate-related differences when converting financial statements into the Group currency are ignored. All non-functional currencies in which the BAUER Group enters into financial instruments are classed, as a matter of principle, as relevant risk variables.

The existing foreign exchange forward contracts and cross-currency swaps safeguard our currency hedging strategy. Within the BAUER Group, the primary monetary financial instruments are either denominated directly in functional currency or are largely transferred into the functional currency by means of derivatives. In view of the usually short-term maturity of the instruments too, possible changes in exchange rates have only very minor effects on earnings or equity.

For the purposes of sensitivity analysis, foreign exchange rate risks arising from monetary financial instruments which were not concluded in the functional currencies of the individual member companies of the BAUER Group are included in the analysis.

Quantification of foreign exchange risk in case of exchange rate shifts of +/- 10%:

in EUR '000 on Dec. 31, 2016	USD	AUD	CAD
Overall effect of +10% on OCI	11,669	633	0
Overall effect of -10% on OCI	-13,803	-759	0
Overall effect of +10% on income statement	2,436	0	-430
Overall effect of -10% on income statement	-2,916	0	526

in EUR '000 on Dec. 31, 2017	USD	AUD	CAD
Overall effect of +10% on OCI	8,840	617	0
Overall effect of -10% on OCI	-10,806	-753	0
Overall effect of +10% on income statement	3,705	0	-594
Overall effect of -10% on income statement	-4,501	0	726

The sensitivity effects in 2017 primarily related to the US dollar, Australian dollar and the British pound. The Canadian dollar was no longer listed due to insignificant sensitivity effects. No concentrations of risk exist.

Interest rate risks

The interest rate risk of the Group is based on financial liabilities with floating interest rates (as well as the short-term credit lines). The existing interest rate swaps serve to safeguard our financing and interest rate hedging strategy. Agreements exist in respect of swaps from variable to fixed interest rates in order to exclude the risk of fluctuation in market interest rates. Changes in market interest rates affect the interest results of variable-rate primary financial instruments of which the interest payments are not hedged by derivatives, and consequently are included in the calculation of earnings-related sensitivity.

Changes in market interest rates of interest rate derivatives (interest rate swaps, interest rate/currency swaps) which are not embedded in a hedging relationship pursuant to IAS 39 have effects on financial income and expenses (net valuation based on adjustment of financial assets to applicable fair value) and so are included in the calculation of earnings-related sensitivity. The effects of changes in market interest rates of interest rate derivatives to which hedge accounting is applied are recognized in the OCI.

Quantification of risk of change in interest rate in case of interest rate shifts of +/- 100 base points:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Overall effect of +100 base points on OCI	317	59
Overall effect of -100 base points on OCI	-33	-159
Overall effect of +100 base points on income statement	-1,185	12,970
Overall effect of -100 base points on income statement	1,022	-13,470

Raw material risks

Raw material risks to which the BAUER Group is exposed in respect of availability and potential fluctuations in price on the market are excluded, or limited, by means of supply promises and fixed pricing agreements entered into with suppliers prior to execution of contracts. The raw material risk relates mainly to steel.

Liquidity risks

The liquidity risk is managed by means of business planning, which ensures that the necessary funds to finance operating activities and current and future capital investments are made available at the appropriate time, in the required currency, and at optimum cost, in all Group companies.

In liquidity risk management, the liquidity requirement arising from operating activities, from investment activities and from other financial measures is determined in the form of a banking report and a liquidity plan.

Liquidity is guaranteed at all times by means of a liquidity forecast focused on a fixed planning horizon and by unused lines of credit and guarantee facilities.

The following tables present the contractually agreed and undiscounted interest payments and capital repayments in respect of primary financial liabilities of the BAUER Group:

in EUR ’000	Carrying amount Dec. 31, 2016	Cash flow 2017	Cash flow 2018 to 2021	Cash flow 2022 ff.
Liabilities to banks	656,500	498,576	178,145	13,200
Liabilities from finance lease agreements	29,587	11,094	19,332	628
Other liabilities	96,252	88,696	4,462	3,093
Other financial liabilities (excluding derivatives)	15,872	15,647	233	0
Liabilities from construction contracts (PoC)	62,949	62,949	0	0
Trade payables	202,913	201,709	1,202	2
Liabilities to enterprises in which the company has participating interests	2,449	2,449	0	0

in EUR ’000	Carrying amount, Dec. 31, 2017	Cash flow 2018	Cash flow 2019 to 2022	Cash flow 2023 ff.
Liabilities to banks	585,210	441,269	160,839	4,780
Liabilities from finance lease agreements	34,680	15,090	20,627	729
Other liabilities	86,589	79,705	3,405	3,504
Other financial liabilities (excluding derivatives)	17,078	16,304	1,004	0
Liabilities from construction contracts (PoC)	51,083	51,083	0	0
Trade payables	233,519	232,866	653	0
Liabilities to enterprises in which the company has participating interests	690	690	0	0

There were no instances of defaulting on interest payments or capital repayments in the period under review. In addition, no concentrations of risk exist. It is not to be expected that liabilities arising from sureties (contingent liabilities) will result in significant actual liabilities, and thus in significant cash flows, for which no provisions have yet been made.

The due dates of derivative financial instruments based on outflow and inflow of cash and cash equivalents are as follows:

in EUR '000 on Dec. 31, 2016	Carrying amount	2017	2018 to 2021	as from 2022
Liabilities from foreign exchange forward contracts	**5,314**	**-4,057**	**-1,400**	**0**
Outflow of cash and cash equivalents	-	-141,639	-18,925	0
Inflow of cash and cash equivalents	-	137,582	17,525	0
Liabilities from interest rate swaps	**3,088**	**-1,158**	**-2,323**	**-1,373**
Outflow of cash and cash equivalents	-	-1,158	-2,323	-1,373

in EUR '000 on Dec. 31, 2017	Carrying amount	2018	2019 to 2022	from 2023
Liabilities from foreign exchange forward contracts	**294**	**-283**	**-520**	**0**
Outflow of cash and cash equivalents	-	-14,821	-10,308	0
Inflow of cash and cash equivalents	-	14,538	9,788	0
Liabilities from interest rate swaps	**3,697**	**-3,093**	**-15,974**	**0**
Outflow of cash and cash equivalents	-	-3,093	-15,974	0

To calculate the cash inflows from interest rate swaps the conditions as per December 31, 2017 were applied.

Risk of default

The risk of default is managed at Group level. Default risks arise from cash and cash equivalents, derivative financial instruments and deposits at banks and financial service companies.

Only banks and financial services companies with the highest possible credit ratings are selected as partners. No credit limit was exceeded in the reporting period. The management expects no defaults on the part of these business partners.

The risk of default on financial assets exists in terms of the risk of failure of a contract party and thus to a maximum in the amount of the carrying amount of the exposure to the said party. A presentation of the carrying amounts and the resultant maximum risk of default per category is given in the tables starting on page 156. The risk arising from primary financial instruments is countered by means of valuation allowances for bad debt, and in Germany also by means of credit insurance cover.
As derivative financial instruments are entered into only with banks with the highest possible credit ratings, and the risk management system sets limits for each party, the actual risk of default is negligible. No concentrations of risk exist.

Other disclosures relating to financial instruments

The Group has taken up loans with variable interest rates and hedged against its interest rate-related cash flow risk by means of swaps. Such interest rate swaps have the commercial effect of converting variable-interest loans into fixed-interest loans. In these interest rate swaps, the Group agrees with other parties to swap the difference between the fixed and variable interest rates derived from the agreed nominal amounts at regular intervals.

The nominal volumes and market values of the derivative financial instruments are as follows:

in EUR '000	Nominal volume		Fair value			
	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016		Dec. 31, 2017	
			Positive	Negative	Positive	Negative
Interest rate swaps						
of which in hedge accounting	23,643	21,500	0	-226	0	-118
of which not in hedge accounting	54,950	256,750	0	-2,862	0	-3,579
Foreign exchange forward contracts						
of which in hedge accounting	136,079	106,365	371	-3,865	2,903	-1
of which not in hedge accounting	71,876	65,985	317	-1,449	800	-294
Foreign exchange forward options						
of which in hedge accounting	0	0	0	0	0	0
of which not in hedge accounting	5,000	5,000	349	0	76	0
Cross currency swaps						
of which in hedge accounting	0	0	0	0	0	0
of which not in hedge accounting	1,105	368	100	0	20	0
Interest rate swaps						
of which in hedge accounting	0	0	0	0	0	0
of which not in hedge accounting	0	216,000	0	0	1	0

Net result by valuation category

The following table sets out the net profits and losses (before tax) on financial instruments stated in the income statement, broken down by valuation category as per IAS 39:

in EUR '000	Dec. 31, 2016 *	Dec. 31, 2017
Loans and receivables	-21,423	-34,726
Financial liabilities measured at amortized cost	-30,785	-31,623
Available-for-sale financial assets	-4,209	-131
Held for trading	-7,424	1,152
Total	**-63,841**	**-65,328**

* Previous year adjusted; see notes on page 93 ff.

The net result of the "Loans and Receivables" category includes results from the creation and reversal of value adjustments in respect of trade receivables, results from bank fees, impairments of uncollected receivables as well as interest income.

The net result of the "Financial Liabilities Measured at Amortized Cost" category includes the result from interest expenditure to third parties, for current and non-current loans as well as guaranty commissions.

Net available for sale financial assets contain amortization on financial assets. Equity shares in companies are valued at cost and are not included. The net result of the "Financial Assets and Liabilities Held for Trading" category includes results from foreign exchange forward contracts and options, as well as results from changes to the fair values of interest rate swaps.

In the table below the included impairments are evident:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Impairment for Loans and Receivables	-17,605	-8,623
Impairment for Available for Sale Financial Assets	-4,209	-131
Total	**-21,814**	**-8,754**

The net interest result from financial instruments valued at Amortised Cost is represented as follows:

in EUR '000	Dec. 31, 2016	Dec. 31, 2017
Interest income	3,418	4,187
Interest expense	-30,785	-31,623
Total	**-27,367**	**-27,436**

Carrying amounts and fair values

The fair value of a financial instrument is the consideration for which an asset might be exchanged, or a debt paid, between informed, willing and mutually independent parties. Where financial instruments are quoted on an active market – such as in particular shares held and bonds issued – the price quoted on the market in question is the fair value. If no active market exists, the fair value is determined by financial valuation methods.

The fair values of foreign exchange forward contracts and cross-currency swaps are measured separately at their respective forward prices and discounted to the reference date based on the corresponding interest rate curve. The market prices of foreign exchange forward options are determined by recognized option models.
The fair values of the interest swaps correspond to the respective market value as determined by appropriate financial valuation methods, such as by discounting expected future cash flows.

For cash and cash equivalents, current trade receivables and other current assets, current trade payables and other current debt, owing to their short remaining terms the carrying amount should be adopted as a realistic estimate of the fair value.

The fair values of non-current financial assets and of other non-current financial liabilities correspond to the cash values of the payment flows linked to the assets, taking into account the applicable interest rate parameters, which reflect changes in the terms and expectations of the market and of the respective parties.

The fair values of financial instruments are determined on the basis of one of the methods set out on the three following levels:

- Level 1: Quoted prices (adopted unchanged) on active markets for identical assets and liabilities
- Level 2: Directly or indirectly observable input data for the asset or liability other than quoted prices as per level 1
- Level 3: Applied input data which does not originate from observable market data for measurement of the asset and liability (non-observable input data)

Effective from November 23, 2017, NDH Entsorgungsbetreibergesellschaft mbH (NDHE) was merged with Deusa International GmbH (DEUSA). Through the merging, the share of SCHACHTBAU NORDHAUSEN GmbH changed in the amount of 25% of the NDHE to a share of 10% of the DEUSA. The new participation is to be allocated to the AfS category, whereby a fair value evaluation of stage 3 takes place. Up until the end of the year, no further fair value changes resulted from the participation.

The following table represents the balance sheet items evaluated at the fair value of level 3, which solely comprises the participation in the DEUSA.

in EUR '000	Jan. 1, 2017	Additions	Disposals	Changes with no effect on profit and loss	Changes with effect on profit and loss	Dec. 31, 2017
Financial assets	0	2,067	0	0	0	2,067

In the previous period, there were no balance sheet items of level 3 evaluated at the fair value.

Significantly non-observed entry parameters here that are incorporated in the evaluation are the assumptions with respect to the company planning, the growth rate for the estimation of cash flows after completing the planning period and the discount rate. Based on information that is currently available, a significant change to the company planning is estimated as being improbably. The used cash flow forecasts are considered for this reason as a suitable foundation for determining the fair value. For a variation in the long-term growth rate of +/- 0.5 percentage points, the equity would be EUR 139 thousand (previous year EUR 0) higher or EUR 121 thousand (previous year 0) lower. For a variation of the cost of capital rate calculated on the after-tax basis of +/- 0.5 percentage points, the equity would be EUR 160 thousand (previous year EUR 0) lower or EUR 182 thousand (previous year 0) higher. Between the significant, non-observable entry parameters, there are no significant relationships.
Other financial stakes classified as available for sale are valued at procurement costs and have a carrying amount of EUR 9.666 thousand (previous year EUR 9,730 thousand). These are mainly assets and shares of non-listed companies for which no reliable fair value valuation can be carried out. There is currently no intention to sell these stakes.

There were no transfers between the levels during the year. If circumstances arise necessitating a reclassification, it is undertaken at the end of the reporting period.

Other disclosures relating to hedging transactions
In financial year 2017, changes in equity due to cash flow hedges in the amount of EUR -1,264 thousand (previous year: EUR -970 thousand) before taxes and in the amount of EUR 909 thousand (previous year: EUR -698 thousand) after taxes were recognized as hedge reserve in equity without any effect on profit and loss. An amount of EUR 6,285 thousand (previous year: EUR 1,763 thousand) was recognized in profit and loss from the hedge reserve created with no effect on net income in the equity Fair value changes resulting from the derivative financial instruments held on December 31, 2017 were recognized in equity (increase) in the amount of EUR 7,549 thousand (previous year: EUR 793 thousand). In addition, the changes in deferred taxes in the amount of EUR -355 thousand (previous year: EUR 272 thousand) were recognized in equity without any effect on profit and loss. Future transactions in foreign currencies secured by hedging and changes in market interest rates are expected to be realized by 2020 at the latest. Gains and losses on future contracts in foreign currency and interest rates at December 31, 2017 included in the hedge reserve in the OCI are recognized in the income statement in the period in which the hedged planned transaction impacts on the income statement.
The prospective effectiveness is measured according to the Critical Term Match method and the retrospective effectiveness according to the Dollar Offset method based on the Hypothetical Derivatives method. No inefficiencies emerged during the reporting period.

Offsetting Financial Assets and Financial Liabilities
a) Financial assets
The following financial assets are subject to offsetting, enforceable master-netting arrangements or similar arrangements.

in EUR '000				Related amounts, which are not offset in the balance sheet		
	Gross financial liabilities recognized Assets	Gross financial liabilities, offset in the balance sheet	Net amount of financial assets, offset in the balance sheet	Financial instruments	Cash Cash securities	Net amount
Date: Dec. 31, 2016						
Derivative financial Assets	1,136	0	1,136	-438	-	698
Cash and cash equivalents	33,463	0	33,463	-2,416	-	31,047
Total	**34,599**	**0**	**34,599**	**-2,854**	-	**31,745**
Date: Dec. 31, 2017						
Derivative financial Assets	3,799	0	3,799	-1,724	-	2,075
Cash and cash equivalents	47,266	0	47,266	-16,835	-	30,431
Total	**51,065**	**0**	**51,065**	**-18,559**	-	**32,506**

b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master-netting arrangements or similar arrangements.

in EUR '000				Related amounts, which are not offset in the balance sheet		
	Gross financial liabilities recognized Liabilities	Gross financial liabilities recognized assets, offset in the balance sheet	Net amount of financial Liabilities offset in the balance sheet	Financial instruments	performed Cash securities	Net amount
Date: Dec. 31, 2016						
Derivative financial Liabilities	8,402	0	8,402	-438	-	7,964
Current-account overdrafts	168,922	0	168,922	-2,416	-	166,506
Total	**177,324**	**0**	**177,324**	**-2,854**	-	**174,470**
Date: Dec. 31, 2017						
Derivative financial Liabilities	3,992	0	3,992	-1,724	-	2,269
Current-account overdrafts	449,128	0	449,128	-16,835	-	432,293
Total	**453,120**	**0**	**453,120**	**-18,559**	-	**434,562**

The "Financial instruments" column lists the amounts which are subject to master-netting arrangements but are not netted on the balance sheet because the preconditions for offsetting are not met. The "Cash securities received" column lists the amounts of cash and financial instrument securities received relative to the sum total of assets and liabilities which do not meet the criteria for netting on the balance sheet.

Within the Group, financial instruments are classified in the same way as the respective balance sheet items. No fair value was stated for current financial instruments and financial instruments recognized at cost in accordance with IFRS 7.29a. For financial instruments available for sale that due to the lack of an active market do not permit a fair value valuation, no fair value indication is made in accordance with IFRS 7.29b. The following table presents a progression of the classes to the categories of IAS 39 and the respective market values:

in EUR '000	Measurement benchmark	Carrying amount		Loans and receivables/ other financial liabilities	
		Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
NON-CURRENT ASSETS					
Participations	at cost	9,730	9,666	0	0
	at fair value	0	2,067	0	0
Other non-current financial assets		18,412	14,389		
	at fair value	476	133	0	0
	at amortized cost	14,215	10,980	14,215	10,980
	at cost	3,721	3,276	0	0
CURRENT ASSETS					
Receivables from construction contracts	at amortized cost	154,802	148,203	0	0
Trade receivables	at amortized cost	339,993	317,488	339,993	317,488
Receivables from enterprises in which the company has participating interests	at amortized cost	6,473	4,175	6,473	4,175
Other current financial assets		18,364	12,326		
	at fair value	661	3,666	0	0
	at amortized cost	17,703	8,660	17,703	8,660
Cash and cash equivalents	at amortized cost	33,463	47,266	33,463	47,266
Total financial assets		**581,237**	**555,580**	**411,847**	**388,569**

	Balance sheet valuation as per IAS 39				Not allocated to any IAS 39 category						
	Available for Sale		Financial Assets and Liabilities Held for Trading		Derivatives in the hedge Accounting		Balance sheet valuation as per IAS 17		Fair value as per IFRS 7 and IFRS 13		Rating levels according to IFRS 13
	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	
	9,730	9,666	0	0	0	0	0	0	n/a	n/a	n/a
	0	2,067	0	0	0	0	0	0	0	2,067	3
	0	0	450	0	26	133	0	0	476	133	2
	0	0	0	0	0	0	0	0	13,198	9,808	3
	3,721	3,276	0	0	0	0	0	0	n/a	n/a	n/a
	0	0	0	0	0	0	0	0	n/a	n/a	n/a
	0	0	0	0	0	0	0	0	n/a	n/a	n/a
	0	0	0	0	0	0	0	0	n/a	n/a	n/a
	0	0	317	897	344	2,769	0	0	661	3,666	2
	0	0	0	0	0	0	0	0	n/a	n/a	n/a
	0	0	0	0	0	0	0	0	n/a	n/a	n/a
	13,451	**15,009**	**767**	**897**	**370**	**2,902**	**0**	**0**	**14,335**	**15,674**	

in EUR '000	Measurement benchmark	Carrying amount		Loans and receivables/ other financial liabilities	
		Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
NON-CURRENT LIABILITIES					
Liabilities to banks	at amortized cost	176,754	155,621	176,754	155,621
Liabilities from finance lease agreements	at fair value	19,127	20,356	0	0
Other non-current financial liabilities		3,983	4,418		
	at fair value	3,758	3,643	0	0
	at amortized cost	225	775	225	775
CURRENT LIABILITIES					
Liabilities to banks	at amortized cost	479,746	429,589	479,746	429,589
Liabilities from finance lease agreements	at fair value	10,460	14,324	0	0
Liabilities from construction contracts	at amortized cost	62,949	51,083	0	0
Trade payables	at amortized cost	202,913	233,519	202,913	233,519
Liabilities to enterprises in which the company has participating interests	at amortized cost	2,449	690	2,449	690
Other current financial liabilities		20,291	16,652		
	at fair value	4,644	348	0	0
	at amortized cost	15,647	16,304	15,647	16,304
Total financial liabilities		**978,672**	**926,252**	**877,734**	**836,498**

Balance sheet valuation as per IAS 39				Not allocated to any IAS 39 category								
Available for Sale		Financial Assets and Liabilities Held for Trading		Derivatives in the hedge Accounting		Balance sheet valuation as per IAS 17		Fair value as per IFRS 7 and IFRS 13		Rating levels according to IFRS 13
Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	
0	0	0	0	0	0	0	0	223,460	286,560	3
0	0	0	0	0	0	19,127	20,356	n/a	n/a	n/a
0	0	2,702	3,588	1,056	55	0	0	3,758	3,643	2
0	0	0	0	0	0	0	0	225	768	3
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	10,460	14,324	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	1,605	285	3,039	64	0	0	4,644	348	2
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	**0**	**4,307**	**3,873**	**4,095**	**119**	**29,587**	**34,680**	**232,087**	**291,319**	

39. EXECUTIVE BODIES

In the year under review the Supervisory Board comprised the following members:

Shareholder representatives

- Dr. Klaus Reinhardt, General (retd.), Starnberg, chairman
- Dr.-Ing. Johannes Bauer, Schrobenhausen
  Civil engineer with BAUER Designware GmbH, Schrobenhausen
- Prof. Dr.-Ing. E.h. Manfred Nußbaumer M.Sc., Munich
  Retired civil engineer
  Supervisory Board Leonhardt, Andrä und Partner Beratende Ingenieure VBI AG, Stuttgart, member
- Dipl.-Ing. (FH) Elisabeth Teschemacher, née Bauer, Schrobenhausen
  Self-employed in real estate management, building rehabilitation and construction consulting
- Dipl.-Kffr. Andrea Teutenberg, Berlin
  Managing director of Kelvion Holding GmbH, Bochum (since January 1, 2018)
  Administrative Board KSB Management SE, Frankenthal (Pfalz), member (since November 4, 2017)
- Gerardus N. G. Wirken, Breda, Netherlands
  Freelance consultant on strategy, controlling and accounting
  Supervisory Board Winters Bouw- en Ontwikkeling B.V., Breda, Netherlands, Chairman

Employee representatives

- Robert Feiger, Neusäß, Deputy Chairman
  Chairman of the Federal Executive Committee of the Bauen-Agrar-Umwelt industrial trade union, Frankfurt am Main
  Supervisory Board, Zusatzversorgungskasse des Baugewerbes AG, Wiesbaden, member
- Regina Andel, Ellrich
  Chair of the Works Council, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen
- Rainer Burg, Gerolsbach
  Concrete technologist at BAUER Spezialtiefbau GmbH, Schrobenhausen
- Maria Engfer-Kersten, Langenhagen
  Union secretary of IG BCE Industriegewerkschaft Bergbau, Chemie, Energie, Hanover
- Reinhard Irrenhauser, Schrobenhausen
  Works Council Chairman at BAUER Maschinen GmbH, Schrobenhausen
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, member
- Dipl.-Kfm. (FH) Stefan Reindl, Schrobenhausen
  Human Resources Director of BAUER Aktiengesellschaft, Schrobenhausen
  Advisory Board, BAUER Training Center GmbH, Schrobenhausen, Chairman

Management Board

- Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer, Schrobenhausen, Chairman
  Functions: Participations, IT, Core Process Management, HSE, Quality Management
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, Chairman
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Chairman
  Supervisory Board SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Chairman
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, Chairman
  Supervisory Board, BAUER EGYPT S.A.E., Cairo, Chairman
  Administrative Board MAURER SE, Munich, member
- Dipl.-Ing. (FH), Florian Bauer, MBA, Schrobenhausen (since January 1, 2018)
  Functions: Digitalization, Development Coordination, Training, Corporate Culture)
- Dipl.-Betriebswirt (FH) Hartmut Beutler, Schrobenhausen
  Functions: Finance, Legal and Insurance, Corporate Communications, Facility Management, Media Design
  Supervisory Board Schrobenhausener Bank e.G., Schrobenhausen, Chairman
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, member
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Deputy Chairman (since January 12, 2017)
- Peter Hingott, Schrobenhausen
  Functions: Participations, Accounting, Human Resources, Corporate Purchasing
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, member (since January 12, 2017)
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, member (since January 12, 2017)
  Administrative Board, BAUER Emirates Environment Technologies & Services LLC, Abu Dhabi, member
  Supervisory Board, BAUER Nimr LLC, Maskat/Oman, Chairman
  Administrative Board, BAUER Resources GmbH / Jordan Ltd. Co., Amman/Jordan, Chairman
  Administrative Board, Site Group for Services and Well Drilling Ltd. Co., Amman/Jordan, Chairman
  Administrative Board, BAUER Resources Chile Limitada, Santiago de Chile/Chile, Chairman

The total remuneration paid to members of the Management Board in the year under review, excluding allocations to pension provisions, was EUR 1,274 thousand (previous year: EUR 1,524 thousand). Of that total, EUR 1,104 thousand (previous year: EUR 1,392 thousand) was not performance-related and EUR 170 thousand (previous year: EUR 150 thousand) was performance-related. The total remuneration includes benefits in kind arising from the private use of a company car and reimbursement of travel expenses for each member of the Management Board, as well as pro-rata group accident insurance premiums and employer's liability insurance association contributions. The company pension scheme for Management Board members incurred pension service costs totaling EUR 136 thousand (previous year: EUR 137 thousand). The pensionable earnings serving as the basis for calculating pension levels are significantly lower than the basic salary in all contracts. Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Management Board at the end of the year was EUR 5,025 thousand (previous year: EUR 6,485 thousand). Former members of the management bodies of the parent company received total remuneration of EUR 0 thousand (previous year: 0) in return for duties performed on behalf of the parent company.

The remuneration paid to the Supervisory Board for the 2017 financial year totaled EUR 254 thousand (previous year: EUR 261 thousand) and was distributed as follows:

in EUR '000	2016	2017
Chairman		
Dr. Klaus Reinhardt	40	38
Deputy Chairman		
Robert Feiger	27	27
Shareholder representatives		
Dr.-Ing. Johannes Bauer	20	20
Dipl.-Ing. (FH) Rainer Schuster	10	-
Dipl.-Ing. (FH) Elisabeth Teschemacher	20	18
Gerardus N. G. Wirken	20	20
Prof. Dr. Manfred Nußbaumer	20	18
Dipl.-Kffr. Andrea Teutenberg	10	20
Employee representatives		
Dipl.-Volkswirt Norbert Ewald	10	-
Dipl.-Kfm. (FH) Stefan Reindl	18	18
Regina Andel	18	18
Dipl.-Ing. Gerold Schwab	10	-
Reinhard Irrenhauser	19	20
Rainer Burg	9	18
Maria Engfer-Kersten	10	20
Total *	**261**	**255**

* rounded

40. RELATED PARTY DISCLOSURES

Related parties under the terms of IAS 24 are parties that the reporting enterprise has the ability to control or exercise significant influence over, or parties that have the ability to control or exercise significant influence over the reporting enterprise.
Transactions with related parties are defined as the transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether an invoice is issued in respect of the transaction or not.
Members of the Management Board of BAUER AG are members of Supervisory Boards and Management Boards of other companies with which BAUER AG maintains relations in the course of its ordinary business operations. Related persons received pensions totaling EUR 116 thousand (previous year: EUR 85 thousand) in respect of former employment within the BAUER Group. The members of the Supervisory Board, by virtue of their role as employees, received remuneration totaling EUR 479 thousand (previous year: EUR 482 thousand). Lease and service contracts and contracts of employment (except for the remuneration to members of the Management Board disclosed) exist with members of the Management Board, including close family, in respect of which remuneration to an amount of EUR 690 thousand (previous year: EUR 833 thousand) was paid.

Loan commitments to the BAUER Foundation existed totaling EUR 1,000 thousand (previous year: EUR 1,000 thousand), for which interest amounting to EUR 55 thousand (previous year: EUR 55 thousand) was paid.
At the end of the financial year no loan commitments existed to shareholders of BAUER AG.
The key relationships between fully consolidated Group companies and related parties are set out in the following table:

in EUR '000	Associated companies		Non-consolidated companies		Immaterial joint ventures	
	2016	2017	2016	2017	2016	2017
Income	4,483	4,416	4,137	5,277	23,801	12,854
Purchased services	2,435	2,791	5,524	4,132	5,041	31,508
Receivables and other assets (Dec. 31)	479	84	8,956	6,953	35,086	31,588
Liabilities (Dec. 31)	131	322	1,706	1,082	5,737	4,181
Impairment of receivables	0	0	145	202	22,624	15,030
Expenditure for uncollectable and uncertain receivables	0	0	145	58	3,343	0

The purchased services essentially comprise all expenses incurred with related parties during the financial year.

Transactions with related parties are conducted at standard market terms.

The receivables and other assets include uncollectable receivables as well as financial assets in respect of related parties.

41. JOINT VENTURES

The material joint ventures are listed below:

Financial year 2016:

Project	Company's activities	Registered office	Shareholding
Piling Contractors Bauer Australia - Crown Resort Hotel	Spezialtiefbau	Sydney, Australia	50%
Deep-Bauer Foundation Inc.	Spezialtiefbau	Calgary, Canada	44%

Financial year 2017:

Project	Company's activities	Registered office	Shareholding
Deep-Bauer Foundation Inc.	Specialist foundation engineering	Calgary, Canada	44%
Piling Contractors Bauer Australia - Crown Resort Hotel	Specialist foundation engineering	Sydney, Australia	50%
Wagstaff Piling Bauer Australia - Melb Metro Early Works	Specialist foundation engineering	Melbourne Victoria	50%

42. FEES AND SERVICES OF THE AUDITORS

The fee paid to the auditors and recorded as expenditure in the financial year is broken down as follows:

PricewaterhouseCoopers GmbH:

in EUR ’000	2016	2017
Fees for auditing services	740	734
Fees for other certification	18	15
Fees for tax advice	118	36
Fees for other services	10	7
Total	**886**	**792**

In the fees for other services, both near-audit consulting services and services as part of disclosure obligations are included. In addition, Roland Jehle GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was engaged to audit the major German capital corporations included in the Group‘s consolidated financial statements.
The fees for this recognized in the financial year are broken down in accordance with Section 285, Paragraph 17 and Section 314, Subsection 1, Paragraph 9 HGB as follows:

in EUR ’000	2016	2017
Fees for auditing services	49	40
Fees for other certification	2	1
Fees for tax advice	5	6
Fees for other services	0	0
Total	**56**	**47**

43. DECLARATION OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE

The management Board and Supervisory Board of BAUER AG issued the Declaration of conformity prescribed by Paragraph 161 AktG on December 7, 2017 and made it permanently available for shareholders at www.bauer.de.

44. AVERAGE NUMBER OF EMPLOYEES

	2016	2017
Salaried staff	**4,216**	**4,234**
Germany	1,986	1,946
International	2,230	2,288
Industrial & trades	**6,317**	**6,436**
Germany	1,840	1,803
International	4,477	4,633
Apprentices	**238**	**243**
Total number of employees	**10,771**	**10,913**

45. AUTHORIZATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board has submitted the consolidated financial statements to the Supervisory Board for authorization for issue (the Supervisory Board meeting is scheduled for April 10, 2018).

46. PROPOSAL ON APPROPRIATION OF UNAPPROPRIATED NET PROFIT

The Management Board and Supervisory Board of BAUER AG propose to resolve to distribute a dividend of EUR 0.10 per dividend-bearing share to the shareholders from distributable net profit in financial year 2017 in the amount of EUR 1,713,100.00. At 17,131,000 dividend-bearing no-nominal-value shares, this corresponds to a dividend of EUR 1,713,100.00. Any partial amount relating to non-dividend-bearing no-nominal-value shares will also be carried forward to new account.

Schrobenhausen, March 29, 2018

The Management Board

Prof. Thomas Bauer Chairman of the Management Board	Dipl.-Ing. (FH) Florian Bauer, MBA	Dipl.-Betriebswirt (FH) Hartmut Beutler	Peter Hingott

List of shareholdings of the BAUER Group pursuant to Section 313 of the German Commercial Code (HGB) as of December 31, 2017

	NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
1.	**Fully consolidated companies**		
	BAUER Aktiengesellschaft	EUR	
A.	**Germany**		
	BAUER Spezialtiefbau GmbH, Schrobenhausen, Germany	EUR	100.00
	BAUER Maschinen GmbH, Schrobenhausen, Germany	EUR	100.00
	SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Germany	EUR	100.00
	SPESA Spezialbau und Sanierung GmbH, Schrobenhausen, Germany	EUR	100.00
	BAUER Resources GmbH, Schrobenhausen, Germany	EUR	100.00
	BAUER Training Center GmbH, Schrobenhausen, Germany	EUR	100.00
	BAUER Designware GmbH, Schrobenhausen, Germany	EUR	100.00
	KLEMM Bohrtechnik GmbH, Drolshagen, Germany	EUR	100.00
	EURODRILL GmbH, Drolshagen, Germany	EUR	100.00
	WW Beteiligung GmbH, Schrobenhausen, Germany	EUR	100.00
	RTG Rammtechnik GmbH, Schrobenhausen, Germany	EUR	100.00
	PRAKLA Bohrtechnik GmbH, Peine, Germany	EUR	100.00
	Olbersdorfer Guß GmbH, Olbersdorf, Germany	EUR	75.00
	SCHACHTBAU NORDHAUSEN Bau GmbH, Nordhausen, Germany	EUR	100.00
	SCHACHTBAU NORDHAUSEN Stahlbau GmbH, Nordhausen, Germany	EUR	100.00
	MMG Mitteldeutsche MONTAN GmbH, Nordhausen, Germany	EUR	100.00
	PURE Umwelttechnik GmbH, Schrobenhausen, Germany	EUR	100.00
	BAUER Foralith GmbH, Schrobenhausen, Germany	EUR	100.00
	GWE pumpenboese GmbH, Peine, Germany	EUR	100.00
	Esau & Hueber GmbH, Schrobenhausen, Germany	EUR	100.00
B.	**EU excluding Germany**		
	GWE Budafilter Kft., Mezöfalva, Hungary	HUF	100.00
	BAUER Ambiente S.r.l., Milan, Italy	EUR	100.00
	BAUER SPEZIALTIEFBAU Gesellschaft m.b.H., Vienna, Austria	EUR	100.00
	BAUER Technologies Limited, Bishops Stortford, Great Britain	GBP	100.00
	BAUER RENEWABLES LIMITED, Bishops Stortford, Great Britain	GBP	100.00
	BAUER EQUIPMENT UK LIMITED, Rotherham, Great Britain	GBP	100.00
	BAUER Magyarország Speciális Mélyépítö Kft., Budapest, Hungary	HUF	100.00
	BAUER ROMANIA S.R.L., Bucharest, Rumania	RON	100.00
	BAUER BULGARIA EOOD, Sofia, Bulgaria	BGN	100.00
	BAUER Funderingstechniek B.V., Mijdrecht, Netherlands	EUR	100.00
	BAUER Maszyny Polska Sp.z.o.o., Warsaw, Poland	PLN	100.00
	BAUER Foundations (IRL) Ltd., Bishops Stortford, Great Britain	EUR	100.00
	GWE France S.A.S., Aspiran, France	EUR	100.00
	TracMec Srl, Mordano, Italy	EUR	100.00
	BAUER Macchine Italia Srl, Mordano, Italy	EUR	100.00
	GWE POL-Bud Sp.z.o.o, Lodz, Poland	PLN	100.00
	BAUER RESOURCES SPAIN S.A., Leganes, Spain	EUR	100.00
	BAUER Resources UK Ltd., Beverley, Great Britain	GBP	100.00

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
C. Europe (other)		
BAUER Spezialtiefbau Schweiz AG, Baden-Dättwil, Switzerland	CHF	100.00
FORALITH Drilling Support AG, St. Gallen, Switzerland	CHF	100.00
OOO BAUER Maschinen - Kurgan, Kurgan, Russian Federation	RUB	65.00
OOO BG-TOOLS-MSI, Ljuberzy, Russian Federation	RUB	55.00
OOO BAUER Maschinen Russia, Moscow, Russian Federation	RUB	100.00
OOO BAUER Technologie, Moscow, Russian Federation	RUB	100.00
BAUER Georgia Foundation Specialists LCC, Tbilisi, Georgia	GEL	100.00
D. Middle East & Central Asia		
Saudi BAUER Foundation Contractors Ltd., Jeddah, Saudi Arabia	SAR	100.00
BAUER LEBANON FOUNDATION SPECIALISTS S.a.r.l., Beirut, Lebanon	USD	100.00
BAUER International FZE, Dubai, United Arab Emirates	AED	100.00
BAUER International Qatar LLC, Doha, Qatar	QAR	49.00 *
BAUER Equipment Gulf FZE, Dubai, United Arab Emirates	AED	100.00
BAUER Emirates Environment Technologies & Services LLC, Abu Dhabi, United Arab Emirates	AED	49.00 *
BAUER Resources GmbH / Jordan Ltd. Co., Amman, Jordan - (sub-group consolidated financial statements)	USD	100.00
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	USD	83.33
Site Drilling Ltd. Co., Limassol, Cyprus	USD	100.00
Technical Dimension Co. for Maintenance Services Ltd., Amman, Jordan	USD	60.00
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	TRY	60.00
BAUER Corporate Services Private Limited, Mumbai, India	INR	100.00
BAUER Geotechnical Specialized Foundation LLC, Abu Dhabi, United Arab Emirates	AED	100.00
BAUER Equipment India Private Limited, Navi Mumbai, India	INR	100.00
BAUER Resources Saudi LLC, Riyadh, Saudi Arabia	SAR	100.00
BAUER Engineering International Ltd., Dubai, United Arab Emirates	AED	100.00
BAUER Bangladesh Limited, Dhaka, Bangladesh	BDT	100.00
E. Asia-Pacific, Far East and Australia		
BAUER (MALAYSIA) SDN. BHD. - (subsidiary consolidated financial statements), Petaling Jaya, Malaysia	MYR	100.00
BAUER Foundations Australia Pty Ltd, Brisbane, Australia	AUD	100.00
P.T. BAUER Pratama Indonesia, Jakarta, Indonesia	IDR	100.00
BAUER Services Singapore Pte Ltd, Singapore	EUR	100.00
BAUER Hong Kong Limited, Hong Kong, People’s Republic of China	HKD	100.00
BAUER Vietnam Ltd., Ho Chi Minh City, Vietnam	VND	100.00
BAUER Foundations Philippines, Inc., Quezon City, Philippines	PHP	40.00 *
BAUER Technologies Far East Pte. Ltd. - (subsidiary consolidated financial statements), Singapore	EUR	100.00
BAUER EQUIPMENT SOUTH ASIA PTE. LTD., Singapore	EUR	100.00
BAUER Technologies Taiwan Ltd., Taipei, Taiwan	TWD	99.88
BAUER Tianjin Technologies Co. Ltd., Tianjin, People's Republic of China	CNY	100.00
BAUER Equipment Hong Kong Ltd., Hong Kong, People's Republic of China	EUR	100.00
BAUER Equipment (Malaysia) Sdn. Bhd., Shah Alam, Malaysia	MYR	100.00

* Commercial ownership is 100%

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
Continued: E. Asia-Pacific, Far East and Australia		
Shanghai BAUER Technologies Co. Ltd., Shanghai, People's Republic of China	CNY	100.00
BAUER Equipment (Shanghai) Co. Ltd., Shanghai, People's Republic of China	CNY	100.00
NIPPON BAUER Y.K., Tokyo, Japan	JPY	100.00
Inner City (Thailand) Company Limited, Bangkok, Thailand	THB	49.00 *
Thai BAUER Co. Ltd., Bangkok, Thailand	THB	73.99
BAUER Equipment Australia Pty. Ltd., Baulkham Hills, Australia	AUD	100.00
F. Americas		
BAUER FUNDACIONES PANAMÁ S.A., Panama City, Panama	USD	100.00
BAUER MEXICO, S.A. DE C.V., Mexico City, Mexico	MXP	100.00
BAUER Resources Canada Ltd., Edmonton, Canada	CAD	100.00
BAUER Foundations Canada Inc., Calgary, Canada	CAD	100.00
BAUER FOUNDATION CORP., Odessa, Florida, United States of America	USD	100.00
BAUER Resources Chile Limitada - (subsidiary consolidated financial statements), Santiago de Chile, Chile	CLP	100.00
GWE Tubomin S.A., Santiago de Chile, Chile	CLP	60.00
BAUER Machinery USA Inc., Conroe, United States of America	USD	100.00
BAUER-Pileco Inc., Woodlands, United States of America	USD	100.00
G. Africa		
BAUER EGYPT S.A.E. Specialised Foundation Contractors, Cairo, Egypt	EGP	55.75
BAUER Technologies South Africa (PTY) Ltd. (subsidiary consolidated financial statements), Midrand, South Africa	ZAR	100.00
MINERAL BULK SAMPLING NAMIBIA (PTY) LTD, Windhoek, Namibia	NAD	100.00
MINERAL BULK SAMPLING SOUTH AFRICA (PTY) LTD, Midrand, South Africa	ZAR	100.00
BAUER Engineering Ghana Ltd., Accra, Ghana	GHS	100.00
BAUER Resources Maroc S.A.R.L., Kenitra, Morocco	MAD	100.00
BAUER Resources Senegal SARL, Dakar, Senegal	XOF	100.00
2. Companies in the expanded basis of consolidation		
A. Germany		
Harz Hotel Grimmelallee Nordhausen Beteiligungsgesellschaft mbH, Nordhausen, Germany	EUR	100.00
Schacht- und Bergbau Spezialgesellschaft mbH, Mülheim an der Ruhr, Germany	EUR	50.00
pumpenboese Beteiligungs- und Verwaltungs GmbH, Peine, Germany	EUR	100.00
B. International		
First Asian Limited, Hong Kong, People’s Republic of China	HKD	100.00
BAUER Ukraine TOV, Kiev, Ukraine	UAH	100.00
BAUER Angola Lda., Luanda, Angola	AOA	100.00
BAUER Specialized Foundation Contractor India Pvt. Ltd., New Delhi, India	INR	100.00
BAUER Fondations Spéciales EURL, Algiers, Algeria	DZD	100.00
BAUER Leasing Services LLC, Odessa, United States of America	USD	100.00
BAUER Cimentaciones Costa Rica S.A., Alajuela, Costa Rica	CRC	100.00
BAUER Libyan Egyptian Specialized Corporate for Technical Engineering Works, Tripoli, Libya	LYD	36.00
BAUER FUNDACIONES DOMINICANA, S.R.L., Santo Domingo, Dominican Republic	DOP	100.00

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
Continued: B. International		
TOO BAUER KASACHSTAN, Almaty, Kazakhstan	KZT	100.00
BAUER Fundaciones Colombia S.A.S., Bogota, Colombia	COP	100.00
BAUER Fundaciones America Latina S.A., Panama City, Panama	USD	100.00
BAUER Iraq for Construction Contracting LLC, Baghdad, Iraq	IQD	100.00
BAUER Special Foundations FZE, Dubai, United Arab Emirates	AED	100.00
BAUER Maschinen Ukraine TOV, Kiev, Ukraine	UAH	100.00
BRASBAUER Equipamentos de Perfuração Ltda., Sao Paulo, Brazil	BRL	60.00
BAUER Equipamentos do Brasil – Comércio e Importacao Ltda., Sao Paulo, Brazil	BRL	100.00
BAUER Equipamientos de Panama S.A., Panama City, Panama	PAB	100.00
BAUER Maschinen Canada Ltd., Acheson, Canada	CAD	100.00
BAUER Parts HUB (Singapore) Pte. Ltd., Singapore	EUR	100.00
BAUER - De Wet Equipment (Proprietary) Limited, Rasesa, Botswana	BWP	51.00
BAUER Machines SAS, Strasbourg, France	EUR	100.00
BAUER Maschinen Pars LLC, Teheran, Iran	IRR	100.00
OOO TRAKMECHANIKA, Yaroslavl, Russian Federation	RUB	100.00
GERMAN WATER & ENERGY PAKISTAN (PRIVATE) LIMITED, Islamabad, Pakistan	PKR	100.00
3. Associated companies and joint ventures		
A. Germany		
TMG Tiefbaumaterial GmbH, Emmering, Germany	EUR	50.00
Grunau und Schröder Maschinentechnik GmbH, Drolshagen, Germany	EUR	30.00
SPANTEC Spann- & Ankertechnik GmbH, Schrobenhausen, Germany	EUR	40.00
BAUER Deep Drilling GmbH, Schrobenhausen, Germany	EUR	51.00
B. International		
TERRABAUER S. L., Madrid, Spain	EUR	30.00
Bauer + Moosleitner Entsorgungstechnik GmbH, Salzburg, Austria	EUR	50.00
BAUER Nimr LLC, Maskat - Al Mina, Sultanate of Oman	OMR	52.50
BAUER Manufacturing LLC, Conroe, United States of America	USD	51.00
TOO SCHACHTBAU Kazakhstan, Almaty, Kazakhstan	KZT	50.00
4. Enterprises in which the company has participating interests		
A. Germany		
Wöhr + Bauer GmbH, Munich, Germany	EUR	16.65
Nordhäuser Bauprüfinstitut GmbH, Nordhausen, Germany	EUR	20.00
Deusa International GmbH, Bleicherode, Germany	EUR	10.00
Stadtmarketing Schrobenhausen e.G., Schrobenhausen, Germany	EUR	4.18
Digital start-up center of Region Ingolstadt GmbH, Ingolstadt, Germany	EUR	2.00
B. International		
OAO Mostostrojindustria, Moscow, Russian Federation	RUB	15.00

* Commercial ownership is 100 %

The complete list of shareholdings in accordance with section 313 of the German Commercial Code (HGB) is published in the electronic version of the official Gazette Bundesanzeiger of the Federal Republic of Germany.

Assurance by the legal representatives

We hereby assure that, to the best of our knowledge, the 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 financial reporting, and that the Combined 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 are set out.

Schrobenhausen, March 29, 2018

The Management Board

Prof. Thomas Bauer
Chairman of the Management Board

Dipl.-Ing. (FH)
Florian Bauer, MBA

Dipl.-Betriebswirt (FH)
Hartmut Beutler

Peter Hingott

Audit opinion

"INDEPENDENT AUDITOR'S REPORT

To BAUER Aktiengesellschaft, Schrobenhausen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of BAUER Aktiengesellschaft, Schrobenhausen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of BAUER Aktiengesellschaft, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Con-solidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ At-equity valuation of shares in associated companies or joint ventures and their recoverability
❷ Revenues realized from production orders
❸ Accounting for hedging instruments
❹ Accounting for deferred taxes

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ At-equity valuation of shares in associated companies or joint ventures and their recoverability

① In the consolidated financial statements of the Company, an amount of EUR 121.3 million is stated under the balance sheet heading of „Shares valued at equity“. Having applied the equity method, BAUER Aktiengesellschaft is obliged pursuant to IAS 39 to check whether it is necessary to make value adjustments to their stake in the net assets of the associated com-panies. In doing so, the entire carrying amount of the investment - as an asset - is examined for impairment in accordance with IAS 36, i.e. the goodwill contained therein is not examined separately. As at balance sheet date, BAUER Aktiengesellschaft examined the recoverability of its shares in associated companies or joint ventures that are valued using the equity method. In order to calculate the values of material equity investments, BAUER Aktiengesellschaft carried out its own business valuations, whereby the present values of the expected future cash flows derived from the budgetary accounting of the Company‘s executive directors were calculated using discounted cash flow models. In doing so, the Company also took account of expectations as to future market trends and assumptions about the development of macroeconomic influencing factors. The discounting was performed using costs of capital calculated individually for each financial asset concerned. Based on the Company‘s present calculations and other documentation, it was found that the value of the investments needed to be written down for impairment by a total EUR 5.3 million for the 2017 financial year.

The result of this valuation is greatly dependent on how the Company‘s executive directors assess the future cash flows and on the discounting and growth rates applied in each case. The valuations are therefore subject to major uncertainties. Against this background and because of the highly complex nature of the valuation and its material significance for the Company‘s net assets and results of operations, this matter was of key significance in our audit.

② As part of our audit, we initially acquired an understanding of the processes used in the equity adjustment method. In a sample test of associated companies, we verified the equity adjustment for (among other things) the correctness of the mathematical calculation and to establish whether the financial data used was reconcilable with the annual and consolidated financial statements of the associated companies. By inspecting the associated companies‘ contracts, we satisfied ourselves of the fact that BAUER Aktiengesellschaft has a significant influence in its role as shareholder.

Furthermore, as part of our audit, we verified, among other things, the methodical procedures used to evaluate the shares in associated companies. In particular, we assessed whether the values of the material shares in associated companies were calculated properly using discounted cash flow models, taking the relevant valuation standards into account. In doing so, we relied among other things on a comparison with general and sector-specific market expectations and on extensive clarifications from the Company‘s executive directors as to the key value drivers, upon which the anticipated cash flows are based. Knowing that even relatively small changes in the discounting rate used can already have a major impact on the value of the companies thus calculated, we also assessed the parameters used in determining the discounting rates applied in the calculation and verified the calculation method.

Taking into account the information available to us, the valuation parameters and underlying valuation assumptions used by the executive directors are, in our opinion, generally suitable for an appropriate evaluation of the shares in associated companies.

③ The information provided by the Company on the shares in associated companies is contained in Sections 5.3. „Accounting and valuation methods“ and 20.3 „Shares valued at equity“ of the Notes to the Consolidated Financial Statements.

❷ Realization of revenues from production orders

① BAUER Group is involved in partly large-scale and complex building projects in which the Company uses the percentage-of-completion method. In this context, sales revenues are realized on the basis of the percentage of completion which is calculated as the ratio of the contract costs incurred to the total contract costs expected (the cost-cost method). In the consolidated financial statements as of December 31, 2017, the income statement recognizes sales revenues of EUR 843.8 million realized from customer-driven production orders. As of December 31, 2017, there are receivables from production orders amounting to EUR 148.2 million and liabilities from production orders amounting to EUR 51.1 million recorded in the balance sheet. The amount of the revenues and profits that are recognized for projects in one year depends among other things on the costs actually incurred, the assessment of the percentage of completion of contracts and the projected revenues from the order and the costs for each project. Furthermore, the amount of the revenues and profits is influenced by the Company‘s assessment of variation orders and claims for damages. Because of the complexity of the projects and the uncertainty as to the costs of completion and as to the outcome of discussions with customers about changed orders and requirements, this is often subject to a large measure of discretion. Against this background, the correct application of the accounting standards must be seen as complex and is based in part on estimates and assumptions made by the Company‘s executive directors. For this reason, this was a matter of key significance for our audit.

② As part of our audit, among other things we assessed the appropriateness of the internal control system set up at BAUER Group and the effectiveness of relevant controls, and we examined the determination of the percentage of completion of building projects based on supporting documentation and checked it for compliance with BAUER‘s accounting policies. In doing so, we also appraised the appropriateness of the accounting guidelines in place at BAUER and their interpretation of the relevant accounting standards. In order to ensure the consistency of the consolidated items, in 2017 BAUER Aktiengesellschaft made these accounting guidelines more precise for all components in terms of the conditions that must be fulfilled in order to recognize a receivable and variation orders as a part of the revenues from an order.

Our specific audit approach included the examination of controls and substantial audit procedures. In this context, above all we assessed the cost accounting system and other relevant systems that assist in the process of accounting for production orders. Furthermore, on a sample basis, we assessed the appropriate nature of the recording and netting of the direct costs, the amount and netting of overhead rates, the project cost calculations underlying the production orders and the determination of the percentage of completion of individual projects. In this connection, we also appraised the statements submitted to us from external parties such as lawyers or experts with regard to the accounting treatment of variation orders and claims for damages and reconciled the executive directors' estimates with regard to the enforcement of variation orders and claims for damages with historical values based on experience.

Moreover, with regard to the contracts we compared the items recorded in the consolidated financial statements with the prior year in order to assess the consistency of the evaluation and perform back-testing on the estimate.

We were able to satisfy ourselves that the systems and processes set up and the controls in place are generally appropriate and that the estimates made and assumptions reached by the executive directors are sufficiently documented and justified in order to ensure the appropriate realization of revenues from customer-driven production orders.

③ The information provided by the Company on the realization of revenues from production orders is contained in Sections 5.3. „Accounting and valuation methods“ and 25. „Receivables and other assets“ of the Notes to the Consolidated Financial Statements.

❸ **Accounting for hedging instruments**

① The companies of the BAUER Group conclude a large number of different derivative financial instruments in order to hedge against currency and interest rate risks arising from ordinary business operations. The currency risk mainly arises from intra-group loans granted and assets assumed from companies in the BAUER Group that are denominated in a foreign currency. The interest rate hedges aim to rule out the risk of fluctuating interest rates on the market. The Company limits these risks by concluding forward exchange transactions, foreign currency options, interest swaps and interest caps, among other things. The required hedging measures are largely carried out and coordinated by the Group Finance department of the BAUER Group.

Derivative financial instruments are recognized at their fair value on balance sheet date. The positive fair values of the total derivative financial instruments used for hedging purposes amount to EUR 2.9 million overall at balance sheet date, and the negative fair values amount to EUR 0.1 million in total. Provided that the derivative financial instruments used by the BAUER Group are effective hedging transactions for future cash flows applying the hedge accounting provisions of IAS 39, changes in their fair value are recognized as unrealized gains and losses under „Other Comprehensive Income“ (OCI) - without affecting the income statement - over the duration of the hedge relationship until the due date of the hedged cash flow (the effective part). In the financial year, the Company recognized effective changes in fair values amounting to a total EUR 7.5 million as unrealized gains and losses in equity, without an effect on the income statement. In the same period or periods, the amounts recognized in equity are re-classified from „Other Comprehensive Income“ to the income statement, in which the hedged expected cash flows have an impact on profit and loss. Besides the derivative financial instruments recorded using hedge accounting principles, the BAUER Group also have derivative financial instruments to hedge against currency and interest risks which are not recorded using hedge accounting principles. If there are freestanding derivative financial instruments in existence, their changes in value are recognized through profit and loss and stated under the relevant income statement headings.

In our opinion, these matters were of key significance for our audit because of their high complexity and the large number of transactions and because of the extensive accounting and reporting requirements of IAS 39 and IFRS 7.

② As part of our audit, among other things we appraised the contractual and financial fundamentals with the help of our internal specialists in the field of Corporate Treasury Solutions and verified the relevant accounting, including the impact of the various hedging transactions on equity and earnings. In doing so, we addressed in particular the pre-requisites for applying hedge accounting. Furthermore, in auditing the valuation of the financial instruments at fair value, we also verified the calculation methods based on market data. Moreover, we requested bank confirmations in order to assess the completeness aspect and to audit the fair values of the transactions recorded. With regard to the expected cash flows and the assessment of the effectiveness of hedging transactions, we largely retrospectively appraised the degree of hedging in the past. Based on our audit procedures, we were able to satisfy ourselves that the estimates made and assumptions reached by the Company's executive directors are justified and sufficiently documented.

③ The information provided by the Company on accounting for hedging instruments is contained in Sections 5.3. „Accounting and valuation methods" and 38. „Financial instruments" of the Notes to the Consolidated Financial Statements.

❹ Accounting for deferred taxes

① In the Company's consolidated financial statements, deferred tax assets amounting to EUR 45.6 million are recognized as of December 31, 2017. Netting these with congruent deferred tax liabilities results in a surplus of deferred tax assets amounting to EUR 25.0 million. The amount recognized in the accounts corresponds to the extent to which the Company's executive directors deem it likely that taxable earnings will be generated in the foreseeable future through which the deductible temporary differences and the tax loss carry-forwards can be used. For this purpose, unless there are sufficient relevant deferred tax liabilities available, prognoses are made as to the future tax results which are derived from the approved forecast calculation. Overall, the amount of tax losses not yet used upon which no deferred tax assets were stated was EUR 181.3 million in total, based on the fact that it is unlikely that this can be utilized for tax purposes through netting with future earnings.

In our opinion, the accounting for deferred taxes was a matter of key significance for our audit because it is highly dependent upon estimates and assumptions made by the Company's executive directors and is therefore subject to uncertainty.

② As part of our audit, among other things we assessed the internal processes and controls for recording tax issues and the methodical procedures for calculating, accounting for and evaluating deferred taxes. Furthermore, we assessed the recoverability of the deferred tax assets for deductible temporary differences and tax losses not yet used based on the Company's internal prognoses regarding its future earnings situation and appraised the appropriateness of the underlying estimates and assumptions.

Based on our audit procedures, we were able to satisfy ourselves that overall the estimates made and assumptions reached by the Company's executive directors are justified and sufficiently documented.

③ The information provided by the Company on deferred taxes is contained in Sections 5.3. „Accounting and valuation methods" and 21. „Deferred taxes" of the Notes to the Consolidated Financial Statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the section headed „Corporate governance and management system" of the group management report
- the non-financial statement pursuant to § 289b (1) HGB and § 315b (1) HGB included in the section headed „Non-financial group statement" of the group management report

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.
We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 29, 2017. We were engaged by the supervisory board on June 29, 2017. We have been the group auditor of BAUER Aktiengesellschaft, Schrobenhausen, without interruption since the financial year 1999.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Angelika Kraus."

Stuttgart, April 3, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft (auditing firm)

Angelika Kraus	ppa. Bernd Adamaszek
Auditor	Auditor

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Consolidated statement of profit or loss

in EUR '000	12M/2016 *	12M/2017	Change
Sales revenues	1,396,881	1,667,861	19.4%
Changes in inventories	15,359	-10,825	n/a
Other capitalized goods and services for own account	13,472	8,519	-36.8%
Other income	32,190	22,582	29.9%
Consolidated revenues	**1,457,902**	**1,688,137**	**15.8%**
Cost of materials	-717,992	-919,596	28.1%
Personnel expenses	-369,700	-383,530	3.7%
Other operating expenses	-209,913	-202,458	-3.6%
Earnings before interest, tax, depreciation and amortization (EBITDA)	**160,297**	**182,553**	**13.9%**
Depreciation of fixed assets	-74,509	-78,342	5.1%
Write-downs of inventories due to use	-15,532	-14,644	-5.7%
Earnings before interest and tax (EBIT)	**70,256**	**89,567**	**27.5%**
Financial income	36,214	37,649	4.0%
Financial expenses	-79,406	-90,784	14.3%
Share of the profit or loss of associated companies accounted for using the equity method	-3,021	-1,124	-62.8%
Earnings before tax (EBT)	**24,043**	**35,308**	**46.9%**
Income tax expense	-9,629	-31,643	n/a
Earnings after tax	**14,414**	**3,665**	**-74.6%**

Consolidated balance sheet

Assets in EUR '000	Dec. 31, 2016 *	Dec. 31, 2017	Change
Intangible assets	25,640	21,021	-18.0%
Property, plant and equipment and investment property	407,977	407,429	-0.1%
Investments accounted for using the equity method	129,252	121,315	-6.1%
Participations	9,730	11,733	20.6%
Deferred tax assets	42,907	45,607	6.3%
Other non-current assets	8,256	7,653	-7.3%
Other non-current financial assets	18,412	14,389	-21.9%
Non-current assets	**642,174**	**629,147**	**-2.0%**
Inventories	447,326	430,606	-3.7%
Advances received on inventories	-13,893	-13,883	-0.1%
	433,433	416,723	-3.9%
Receivables and other assets	548,338	520,591	-5.1%
Effective income tax refund claims	4,771	3,976	-16.7%
Cash and cash equivalents	33,463	47,266	41.2%
Assets held for sale	19,608	0	n/a
Current assets	**1,039,613**	**988,556**	**-4.9%**
	1,681,787	**1,617,703**	**-3.8%**

Equity and liabilities in EUR '000	Dec. 31, 2016 *	Dec. 31, 2017	Change
Equity of BAUER AG shareholders	**429,867**	**415,483**	**-3.4%**
Non-controlling interests	4,264	3,249	-23.8%
Equity	**434,131**	**418,732**	**-3.5%**
Provisions for pensions	127,081	126,332	-0.6%
Financial liabilities	199,864	180,395	9.7%
Other non-current liabilities	7,556	6,883	-8.9%
Deferred tax liabilities	22,296	20,789	-6.8%
Non-current debt	**356,797**	**334,399**	**-6.3%**
Financial liabilities	510,497	460,565	-9.8%
Other current liabilities	351,269	364,998	3.9%
Effective income tax obligations	11,213	16,202	44.5%
Provisions	17,880	22,807	27.6%
Current debt	**890,859**	**864,572**	**-3.0%**
	1,681,787	**1,617,703**	**-3.8%**

In the “Change” column, there may be differences from the Group key figures as a result of roundings and a different representation between thousands of EUR and millions of EUR.

* Previous year adjusted; see notes on page 93 ff.

Financial calendar 2018

April 12, 2018	Publication Annual Report 2017 Annual Press Conference Analysts‘ Conference
May 14, 2018	Quarterly Statement Q1 2018
June 28, 2018	Annual General Meeting
August 10, 2018	Half-Year Interim Report to June 30, 2018
November 13, 2018	Quarterly Statement 9M/Q3 2018

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