Annual Report 2022

BAUER

The Group at a Glance

GROUP KEY FIGURES 2019 – 2022

IFRS in EUR million	2019	2020	2021	2022	Change 2021/2022
Total Group revenues	1,594.7	1,453.6	1,537.6	1,748.1	13.7%
of which Germany	518.7	416.9	463.2	536.5	15.8%
International	1,076.0	1,036.7	1,074.4	1,211.6	12.8%
International in %	67.5	71.3	69.9	69.3	n/a
of which Construction	628.8	644.7	682.4	787.4	15.4%
Equipment	713.7	610.7	681.5	747.8	9.7%
Resources	314.8	293.1	272.5	299.2	9.8%
Corporate Services/Consolidation	-62.6	-94.9	-98.8	-86.3	n/a
Consolidated revenues	1,537.7	1,401.3	1,472.4	1,680.0	14.1%
Sales revenues	1,470.9	1,343.2	1,433.1	1,630.1	13.7%
Order intake	1,608.7	1,588.5	1,739.5	1,828.6	5.1%
Order backlog	1,027.6	1,162.5	1,364.4	1,445.0	5.9%
EBITDA	134.3	165.2	153.5	60.5	-60.6%
EBITDA margin in % (of sales revenues)	9.1	12.3	10.7	3.7	n/a
EBIT	33.7	55.5	36.0	-68.0	n/a
EBIT margin in % (of sales revenues)	2.3	4.1	2.5	-4.2	n/a
Earnings after tax	-36.6	-8.2	4.0	-94.0	n/a
Capital investment in property, plant and equipment	145.8	133.4	179.7	133.0	-26.0%
Equity	386.9	365.5	481.1	402.3	-16.4%
Equity ratio in %	23.8	23.7	29.3	24.8	n/a
Total assets	1,628.5	1,544.0	1,639.5	1,620.0	-1.2%
Earnings per share	-2.17	-0.48	-0.02	-3.66	n/a
Distribution	0.00	0.00	0.00	0.00*	n/a
Dividend per share in EUR	0.00	0.00	0.00	0.00*	n/a
Return on equity after tax in %	-8.5	-2.1	1.09	-19.5	n/a
Employees (reporting date)	12,701	11,027	11,966	11,892	-0.6%
of which Germany	4,234	4,061	4,001	4,045	1.1%
International	8,467	6,966	7,965	7,847	-1.5%

* Proposed, subject to the approval of the General Meeting on June 22, 2023

The total Group revenues presented here, in contrast to the consolidated revenues presented in the Consolidated Income Statement, include revenue components from associated companies as well revenue from non-consolidated subsidiaries and consortia.

BAUER Aktiengesellschaft
Annual Report 2022

Milestones in the Company's History

1

2

3 Dipl.-Ing. Karl Bauer

4 Dr.-Ing. Karlheinz Bauer

5 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 – 2011

> **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

> **2006**

BAUER AG is listed on the stock market

> **2007**

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

> **2008**

Expansion of machinery manufacturing capacities in Germany and China

> **2009**

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

2012 – 2022

> **2012**

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

> **2019**

Bauer cutter technology reaches record depth of 251.4 m at project in Canada

> **2020**

Three successful decades of environmental and mixing plant technology

> **2021** 7

Bauer has been operating the world's largest reed bed treatment plant in Oman for ten years; Bauer presents its first electric rotary drilling rig eBG 33 and a world first with the Cube System

> **2022** 8

Employee fundraising campaign: Bauer donates 100,000 EUR for Ukraine; Bauer wins several contracts for the NEOM mega project in Saudi Arabia


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2

3

Pictures of 2022

Bauer piles for the NEOM mega project 1

NEOM is currently one of the largest construction projects – not only in the Arab region, but worldwide. The mega-city is to be newly built in the northwest of Saudi Arabia near the Red Sea. A major part of this is the construction project THE LINE, a city which, when completed, will have a length of 170 km, accommodate nine million people and meet its needs entirely with renewable energy.

Saudi BAUER Foundation Contractors Ltd. was commissioned in August 2022 with a first specialist foundation engineering project: the installation of approx. 70 m deep large-diameter bored piles for THE LINE. At the end of 2022, Bauer was awarded two further construction phases for the foundation of THE LINE, which will also involve the installation of approx. 70 m deep large-diameter bored piles up to 2.5 m in diameter. All contracts are part of a three-year framework agreement, within which further projects are expected for the BAUER Group.

Specialist foundation engineering solutions for the challenges of the future 2

For over half a century, Bauer has been setting standards in specialist foundation engineering with its powerful and highly efficient equipment. In October 2022, visitors to the world's leading trade fair Bauma in Munich were once again able to convince themselves of this. The BAUER Maschinen Group welcomed numerous guests to its certified climate-neutral exhibition stand with a city character. In addition to its rotary drilling rigs, duty-cycle cranes and diaphragm wall technology, Bauer also presented equipment and systems from Klemm, RTG and BAUER MAT. In particular, the first battery-powered Bauer drilling rig eBG 33 H all electric, the RG 19 T hybrid as well as the innovative BAUER Cube System met with lively interest. There was particular delight about the Bauma Innovation Award for the Deep Sea Sampling research project, in which BAUER Maschinen GmbH is also involved, and about the EuroTest Award 2022, which Bauer received for the Stability Plus assistance system.

Employees of the BAUER Group donate EUR 100,000 3

When the first reports and pictures of the war in Ukraine went around the world, many people were shocked. In view of the situation of the people in Ukraine and the refugees who had to leave their homes head over heels, a wave of willingness to help gripped people in many countries. In the BAUER Group, too, many employees said: We want to help! Therefore, in cooperation with Aktion Deutschland Hilft, the fundraising campaign "Ukrainehilfe BAUER Group" was launched without further ado. The result: after two weeks, together with the amount topped up by Bauer, a whole EUR 100,000 had been collected. On behalf of Aktion Deutschland Hilft, Sabine Sakals from the aid organization LandsAid, an alliance member of Aktion Deutschland Hilft, was delighted to accept the symbolic donation check.

Bridge rehabilitated in record time 4

The Innerstetal Bridge on the A7 highway in the direction of the German city of Hanover received the concreting for the superstructure of the second section in just one day by SPESA Spezialbau und Sanierung GmbH, a company of the Resources segment. Twenty-three concrete mixers and four huge concrete pumps ran continuously at full speed for this. Tirelessly, 70 men in two-shift operation moved around 100 m^3 of concrete per hour over a length of 150 m – a real tour de force. The concreting work started in the central span of the bridge, from the load-bearing elements of the structure up to the outer base of the roadway slab. After that, the team used the concrete pumps to work from the abutments toward the central span. When the load-bearing elements of the bridge were completed, the roadway slabs were concreted. This required a total of 300 loads for 2,625 m^3 of concrete. In August 2020, a similar quantity was already brought in for the roadway in the direction of Kassel. As a result, approx. 5,000 m^3 of concrete were installed for the two construction sections within a short period of time.

Mission

MISSION

>>> **THE BAUER GROUP IS A LEADING PROVIDER OF SERVICES, EQUIPMENT AND PRODUCTS DEALING WITH GROUND AND GROUNDWATER**

CONSTRUCTION

>>> **Global provider for specialist foundation engineering services**

- For private and public clients
- Broad portfolio of specialist foundation techniques and many years of know-how
- Focus on complex projects in the world
- Own equipment in use

EQUIPMENT

EQUITY STORY

- With our **highly specialized and innovative** services and equipment, we are **one of the world's leading providers for complex specialist foundation engineering projects.**
- With more than **230 years of experience**, we have **extensive expertise in the industry** and have been valued internationally for decades as a **strong brand in specialist foundation engineering.**
- We address major **global trends** such as rapidly progressing **urbanization** and **infrastructure** expansion, increasing **environmental awareness, water extraction** and **treatment.**
- We offer **highly specialized services** when it comes to **sustainable protection of the environment**.
- **Sustainability is anchored in the cultural DNA of our company**.
- We have a **clear roadmap** to **reach a sustainably profitable business development** for the coming years.

INFRASTRUCTURE

>>> **One of the technical leading manufacturer of specialist foundation equipment**

- Equipment for all specialist foundation engineering methods
- Innovative and digital assistance systems
- Specialized machines for mining, deep drilling and offshore drilling

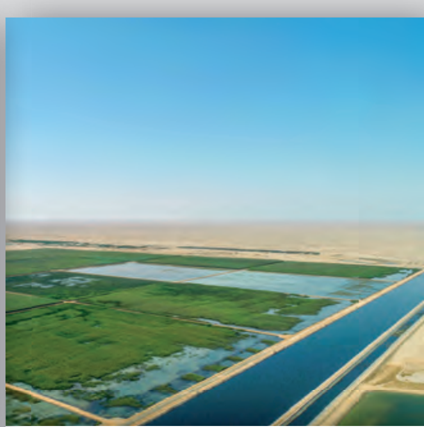
RESOURCES

>>> **Products and services for the water, mining and environmental industries**

- Drilling services and well construction, environmental technology, constructed wetlands, mining and remediation
- Waste disposal and brownfield services often in combination with specialist foundation engineering

URBANIZATION

ENVIRONMENTAL AWARENESS



WATER EXTRACTION/ TREATMENT

The World is our Market

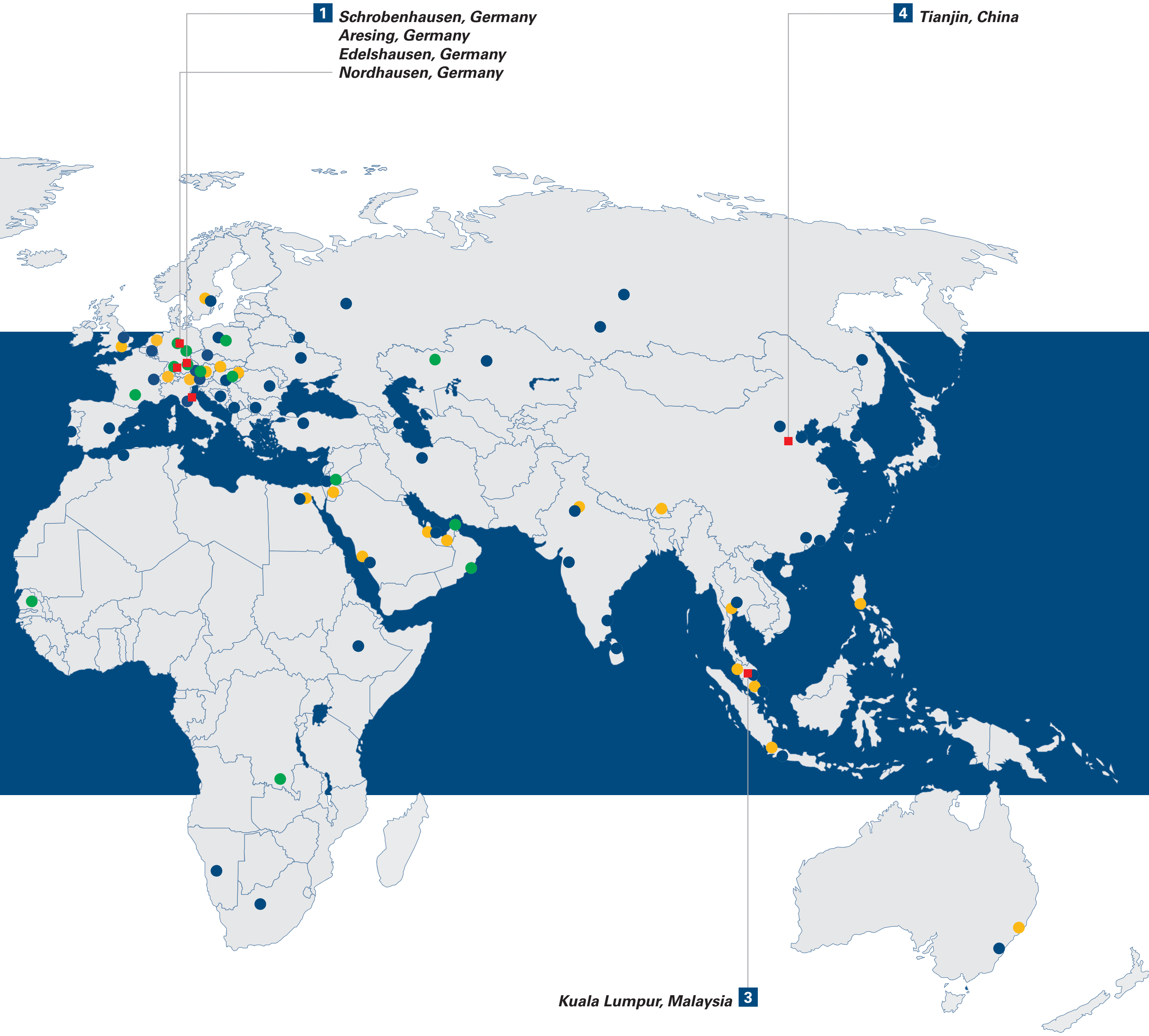
1.7 EUR BILLION
TOTAL GROUP REVENUES

WITH OVER **100**
NATIONALITIES

AROUND **12,000**
EMPLOYEES

- Construction
- Equipment
- Resources

- Production site


1
Schrobenhausen, Germany
Aresing, Germany
Edelshausen, Germany
Nordhausen, Germany
4
Tianjin, China
Kuala Lumpur, Malaysia
3

Foreword

Ladies and Gentlemen,
shareholders and friends of our company,

2022 was another very challenging year. This was true for ourselves as a company, for the economy and global politics, but even more so for everyone in Europe. In February of last year, Russia launched its war against Ukraine. This has changed the world considerably. First and foremost, we are thinking about the suffering of the people in Ukraine, who fear for their homeland yet can also find hope in the profound solidarity shown by the people of Europe as well as politicians in the EU and USA.

This war has serious and long-lasting consequences on the political landscape of the western world – the German chancellor has even spoken of a "turning point in history". The effects on the economy have also been enormous. Considerable inflation occurred, which was counteracted with massive interest rate hikes. The supply chains, already in a tense situation due to the COVID-19 pandemic, were further strained and fully interrupted in places, prices exploded and political sanctions resulted in collateral damages for many companies. We also ultimately decided to sell our construction business in Russia and considerably scale back our equipment companies – unfortunately, this was not possible without considerable financial losses.

Nevertheless, there were also some glimmers of hope last year. The international construction markets performed well in Europe and the USA, the Middle East and particularly Saudi Arabia recorded growth once again, and Asia was able to increasingly move past the effects of the pandemic towards the end of 2022. The construction machinery markets similarly performed well – with the exception of China, which had to cope with significant economic losses because of the ongoing real estate crisis and also made market access nearly impossible for foreign companies due to its Zero-COVID policy.

Apart from the burdens mentioned previously, the changed interest rate which resulted in significantly increasing Weighted Average Costs of Capital (WACC), as well as the modified assessment of country risks, led us to make significant devaluations on the fixed assets and current assets. Together with the decision to sell or wind up other subsidiaries in connection with the portfolio streamlining that has been ongoing for some time now, considerable losses resulted for the Group overall. The outlined effects were nearly all non-cash effects, which means that this had no influence on the company's liquidity. Ultimately, the total Group revenues at EUR 1.75 billion and EBIT at EUR 68.0 million were in line with the last forecast.

A large share of the devaluations were recorded in the Construction segment, so a significant loss was reported here. In 2021, measures were initiated to optimize the international position and earnings growth. We continued to advance these measures consistently in the year gone by. Overall, we are significantly reducing the number of subsidiaries in the international markets and are focusing on the countries and regions in which the market environment enables sustainably positive results. Several subsidiaries have already been abandoned. Through our worldwide network, we will nevertheless continue to serve markets without our own branch office if major projects offer an attractive opportunity-risk profile.

The Equipment segment had a good financial year from an operative standpoint with growing contributions to earnings from the operative business. Due to unscheduled depreciations with regard to the Russian companies and due to the sale of a subsidiary as part of portfolio streamlining, however, the earnings figures at the end of the year were only slightly above the previous year. With the exception of China, the markets continued to record very positive development. We were able to set technological standards in our industry once again with our innovations in the area of alternative drives – the fully electrical eBG 33 all electric or the RG 19 T hybrid. We presented these innovations last year at Bauma in Munich.

The Resources segment also recorded a significant negative contribution to earnings at the end of the year. Here as well, this was due to the previously mentioned devaluations along with the closure of the subsidiaries in South Africa and particularly in Jordan, which had generated losses for our Group over a number of years. Overall, the segment is now positioned again without old liabilities. As a result – along with the other segments – it can once again concentrate fully on the positive operative business.

One important step for the future was the decision to carry out another extensive capital increase, which we resolved last year. We were aware that this would result in a significant change in the shareholder structure. We are grateful to the Bauer family for supporting this decision for the benefit of the company. Unfortunately the implementation was postponed until the ongoing year due to actions, but was successfully concluded in March 2023. Now, SD Thesaurus GmbH (27.9%) and Doblinger Beteiligung GmbH (24.9%) together hold more than 50% of the shares in BAUER AG. We are convinced that we have gained another long-term partner to whom the success of the company is just as important as it is to us. We will fully utilize proceeds from the issue to reduce our liabilities to banks, which means that the net debt will be considerably reduced again. In addition, a modification of our syndicated loan agreement was resolved at the beginning of 2023, so that our financing is again in a solid position.

Our business approach continues to be: Profitability before growth. We have been working on this consistently in recent years and have repositioned the Group with considerable changes in some areas. With our segments, we address major global trends such as water extraction and treatment, increasing environmental awareness, rapidly progressing urbanization and infrastructure expansion. We are very well positioned, particularly with regard to the trends of digitalization and sustainability in the construction sector, as well as adapting to climate change.

Of course, the current global situation involves numerous risk factors – for people, the economy and for our company as well. It is very difficult to predict whether additional risks will arise or how the world will develop politically and economically in the future. This is why we want to make our company more resilient. To this end, we have already done a lot in 2022 and will not let up in the future. We are approaching the 2023 financial year with due caution and anticipate a slight decrease in total Group revenues as well as EBIT between EUR 35 and 60 million.

Our very special thanks go above all to our employees and the management team for their efforts and commitment in another difficult year! We would also like to thank Michael Stomberg for his open and friendly cooperation over the last years. And we would like to warmly thank you, dear shareholders, financing partners, customers and friends of the company, for your loyalty. We hope you will continue to accompany our company in the future.

Yours sincerely,

Florian Bauer

Peter Hingott

Combined Management Report

Combined Management Report

I. GENERAL INFORMATION ABOUT THE GROUP

GROUP STRUCTURE

The BAUER Group sees itself as one of the leading providers of services, equipment and products related to ground and groundwater. Bauer operates a worldwide network on all continents. The operations of the Group are divided into three future-oriented segments with a high potential for synergy: Construction, Equipment and Resources.

The Construction segment applies all the established methods and techniques of specialist foundation engineering all over the world. These include executing complex excavation pits and foundations for large-scale infrastructure projects and buildings, as well as cut-off walls and soil improvements. On the one hand, the construction markets are handled by local subsidiaries that support one another in networks, and on the other hand, large projects in countries without a local company are carried out by pooling capacities from all over the world. From Germany and from regional centers, support services are provided by means of central service functions and standards are set for the subsidiaries of each segment.

In the Equipment segment, Bauer is a provider for 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 production facilities in Germany, China, Malaysia, Italy, Turkey and in the USA, among other locations.

The Resources segment focuses on the development, production and execution of innovative products and services and acts as a service provider with several business divisions and subsidiaries in the areas of drilling services and water wells, environmental services, constructed wetlands, mining and rehabilitation. Areas of expertise include water extraction, brownfield remediation and waste management as well as water treatment and building rehabilitation.

BAUER Aktiengesellschaft (BAUER AG) is the holding company of the Group and primarily represents the Corporate Services segment. Its shares are listed on the Frankfurt Stock Exchange. BAUER AG provides central management and service functions for its affiliates. These specifically include human resources, accounting, financing, corporate communications, legal and tax affairs, IT, Group accounting and controlling, internal audit and risk management as well as health, safety and environment (HSE).

As the Group is highly diversified, no subsidiary within the Group is of a significant or material size.

CORPORATE GOVERNANCE AND CONTROL SYSTEM

The principal task of the Executive Board of BAUER AG is the strategic management of the 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 strategies, which are converged at holding company level and integrated into the strategic corporate planning process.

An organizational structure with decentralized business units is the primary characteristic of corporate governance within the BAUER Group. The managing directors and the company management of the various individual companies operate under the corporate guidelines, regulations and standards as well as the overarching strategies of the BAUER Group. These are laid down by the Executive Board of the Group and are binding for the various Group companies. The principles of proper conduct, including compliance with ethical and moral standards, are defined by an ethics management and values program, among others, which cover all the companies of the BAUER Group, flanked by corporate guidelines and management principles for our employees. The managing directors of the various Group companies are independently responsible for determining how their business units develop as long as they observe the rules and standards described above.

This structure is tied to a centralized risk management and control system as well as to a central Group Accounting function. Internal auditing systems monitor compliance with corporate guidelines, ethics management as well as laws and other policies across the Group. Strategic management by the Executive Board pursues the goal of securing the long-term success of the Group and optimally using the synergies between the segments.

Financial performance indicators

The performance of total Group revenues and earnings before interest and taxes (EBIT) are used as the fundamental and significant key financial performance indicators for the management of the Group. For BAUER AG, exclusively the sales revenues are used for this purpose.

Here, the total Group revenues serve as the common performance indicator for the construction industry and represent the revenues of all the companies that form part of the Group. The difference between the consolidated revenues and the total Group revenues is derived from the revenues of the associated companies, from the portion of revenues in consortia and from the revenues of non-consolidated companies. In contrast, sales revenues are not used as a performance indicator. These only provide an incomplete picture of Group performance in the financial year. For a presentation of the reconciliation, we refer to section 7 in the Notes to the Consolidated Financial Statements, and the Explanatory Notes to the Consolidated Income Statement.

The performance of total Group revenues and relevant contributions by the various segments to the total Group revenues are set out in the Business Report. The Business Report also details the calculation and trends in EBIT in the Group. At segment level, the total Group revenues and the EBIT are also used as key financial performance indicators.

Non-financial performance indicators

Non-financial key figures of Group performance are also measured as part of a comprehensive reporting system, although they have no individual material significance in terms of internal controls nor in other respects. The reporting on trends in these key figures is primarily intended to convey an overall picture of the operations of the BAUER Group.

The key figures included originate from the human resources function, such as workforce numbers, among other sources. Key figures on training and development as well as others derived from the field of research and development are also reported.

RESEARCH AND DEVELOPMENT

In the 2022 financial year, the BAUER Group once again invested considerable sums to create new and develop existing products and services in three segments as well as for research purposes. The focus was primarily a wide range of equipment for specialist foundation engineering as well as the appropriate drilling tools and attachment units. This was complemented by the new development and optimization of construction site applications and methods. In the Resources segment, the focus was on developing equipment and methods to solve existing environmental problems as well as on CO_2 reduction.

Research and development work in the BAUER Group is organized on a decentralized basis, but is coordinated across segments. In companies belonging to the Equipment segment, each major product group has its own development unit that concentrates on the corresponding equipment, constantly develops the equipment families and pursues innovation. The central development department in the Equipment segment works on the technologies and components of a machine that is used in several product groups. Basic research is also located within central development.

Research and development activities in the Equipment segment in 2022 focused on sustainability, digitalization and drive technology. A varied and innovative portfolio of sustainable solutions was presented for the first time at Bauma, the world's largest construction equipment exhibition, from the corded eBG 33 drilling rig for energy-intensive methods to the presentation of the RTG RG 19 T hybrid, which achieves up 50% reduction of CO_2 and noise emissions, all the way to the highlight, the eBG 33 all electric. This is the first battery-powered drilling rig in the mid-range performance class with electrified main consumers.

In 2022, the Equipment segment achieved several awards. These included the EuroTest Award for Occupational Safety for the Stability Plus assistance system, which offers innovative support for drilling rig operators when operating equipment safely. In the area of diaphragm wall equipment and maritime technology, the Deep Sea Sampling cooperative project, which BAUER Maschinen GmbH was involved in, won the Bauma Innovation Award in the Research category. The goal of the project was to develop sustainable, minimally invasive mining and site investigation methods in the deep sea.

The development capacities in the Construction segment can be strategically activated based on the specific development topic. Control of development topics is provided centrally by the management through the Research & Development department. The comprehensive development work in the area of digitalization was increasingly integrated in the construction projects. As a result, a growing quantity of process data concerning construction progress is available digitally, which made it possible to start strategic development work on the new process recording and analysis tool b.navigate last year. This system depicts and analyzes the entire site process in all its complexity. Relying on a combination of data from image recognition, intelligent cameras, artificial intelligence and analysis of drilling rig data, the main and secondary processes are automatically identified and used for site optimization. The goal: Obtaining a direct prediction for the optimal course of further production stages. In 2022, the existing prototype of b.navigate was successfully tested on a construction project in Vienna. In addition, it achieved second place for the Bauma Innovation Award in the Construction category.

Additional development work was carried out to address the focal topic of sustainability concerning the area of construction materials and their use in various construction projects. This pursues the goal of further reducing resource consumption, as well as efficiently counteracting increased material costs.

The main focus of development in the Resources segment is placed on solutions for environmental business, brownfield remediation and dismantling. For some time now, the treatment of water polluted with per- and polyfluorinated chemicals (PFC) has been a focus. Per- and polyfluorinated chemicals (PFC) are currently a major environmental problem. Tests with alternative filter materials for PFC immobilization are a current focus of research. In the laboratory, new filter materials were successfully tested in 2022 as a supplement or substitute for conventional activated carbon. The actual application of these innovative filter materials is still being assessed for use in a pilot plant within a rehabilitation project.

Since the start of 2021, BAUER Resources GmbH and BAUER Spezialtiefbau GmbH are pursuing the development project "EcoSystem Boden". The goal of the project is to record and assess key soil data using automated methods. "EcoSystem Boden" will constitute an important component of future Building Information Modeling (BIM) applications in environmental services and specialist foundation engineering.

To promote research that might be of Group-wide importance, internal and external orders for research projects are placed via the BAUER Research Community. Seemingly simple ideas sometimes give rise to new techniques that help our companies achieve technological advances. This type of overall organization for research and development work has proven to be highly effective. Thanks to fast decisions and high flexibility, all products can be kept up to date, with new ideas and market requirements able to be implemented quickly.

In the Equipment segment there were 198 employees in research and development, plus interns. In 2022, the Construction segment had 33 employees in the area of research and development, while the Resources segment had 12 employees in this area.

For the BAUER Group in total, there were 243 employees in research and development. In 2022, research and development costs recognized in net income amounted to EUR 28.8 million (previous year: EUR 37.5 million). In the past, this expense has led to a general increase in the expertise base of the segments.

II. BUSINESS REPORT

MACROECONOMIC TREND

For many people, 2022 came with the hope that a new economic upswing would start after two years in which the COVID-19 pandemic had a considerable negative impact on the global economy. Today we know that the year turned out very differently than was hoped in many parts of the world.

Due to Russia's war against Ukraine which began in February 2022, the world and Europe in particular entered into the next crisis without reprieve. Furthermore, China triggered a considerable downturn of its own economy with its extremely restrictive COVID-19 policy that lasted nearly the entirely year. Both issues had consequences for the entire world. These included ongoing delivery bottlenecks, considerable price increases and an energy crisis in Europe, which was heavily dependent on Russian oil and gas supplies in the past. Consequently, inflation rose sharply and the central banks, particularly in Europe and the USA, reacted with considerable key interest rate hikes to counteract this.

Although the medium- and long-term influencing factors of all these developments on the global economy are difficult to predict, the real estate sector in Germany and Europe already recorded a decrease last year.

Russia's war against Ukraine caused tension to rise in global political relationships once again. The political and economic confrontation between the West and the East has flared up again and is growing steadily. China has not seriously condemned Russia's war and has increased its own threatening gestures towards Taiwan. The USA has returned as Europe's most important partner after the Trump era and stands by Ukraine together with the European partners in NATO, which have closed ranks considerably once again. The Middle East is regaining its strength and confidence as a beneficiary of the increased energy prices and as a new valued partner for oil and gas supplies. In addition, the economic importance of India is growing.

Europe itself is striving again for increased independence from international trade partners. The problems in supply chains, for example the medication shortage, are leading countries to turn away from Asia as the manufacturing base for the West. The aim is to increasingly return to producing more critical goods within Europe. At the same time, the EU is bogged down in bureaucracy and regulations that have now taken on excessive dimensions and pose a growing competitive disadvantage for German and European companies.

Nevertheless, changes that become necessary due to crises always involve opportunities as well. For instance, comprehensive investments are required for the expansion of renewable energy and the energy supply. Relocating production capacities back to Europe also requires the further expansion of infrastructure.

Although it had been a long time since the world experienced such a cluster of problems and crises as in 2022, the global economy proved surprisingly robust overall. So far, bankruptcies have not occurred on a large scale. In the area of energy supply, the state intervened financially. The stock markets also recovered very well by the end of 2022 and the raw material prices have started returning to normal again. The demand for labor has continued uninterrupted, which means that the shortage of specialist workers is an increasing problem for companies and is preventing further growth in some places.

OVERVIEW OF OUR MARKETS

In this management report, the appraisal of the market developments along with the general and economic situation for the Group and for the business segments is based on information from the individual subsidiaries as well as the appraisals of regional managers and the top levels of management.

The numerous negative influencing factors described above have impacted the individual regions of the world very differently. In North America, the effects scarcely influenced the construction and equipment markets overall, whereas in Europe the real estate sector in particular has already recorded decreases. In China there was a considerable downturn due to the restrictive COVID-19 policy and the real estate crisis, which caused liquidity problems in a growing number of communities. The other countries in Asia were able to recover markedly from the weak preceding years, particularly in the second half of the year. The countries in the Middle East that are rich with crude oil and natural gas experienced a considerable upswing in the construction and equipment markets due to the increase in energy and raw material prices. The huge projects launched in Saudi Arabia are particularly worth mentioning. Most countries in Africa and South America remained at a low level overall.

The general need for overhauling infrastructures, both in countries with emerging economies and in established industrial nations, continues to exist. State investments in infrastructure supported the global construction markets.

Alongside construction and equipment, which are the most important markets for us, we also see a positive trend in environmental services, water, mining and renewable energies, which is being spurred on by the growing significance of these products and services.

Germany
In Germany, the construction sector and equipment market showed themselves to be robust in 2022 despite the numerous influencing factors. Interest rates further increasing over the course of the year and growing inflation caused a slowdown in the real estate sector. Public sector construction continued to benefit from a considerable deficit in infrastructure, for which federal funding was available. The construction sector was able to benefit additionally from the necessary expansion of the energy infrastructure as well as the changeover to renewable energy supply. Towards the end of 2022, a growing attitude of caution set in regarding construction, and there was thus an increasing price pressure on the market.

The demand for construction equipment was at the same high level in 2022 as in the previous year.

Europe
The construction sector in Europe recorded slight growth overall in 2022. Due to the numerous negative influencing factors, this growth was less than expected and below the previous year. Apart from a few exceptions, this slight growth was recorded in nearly all European countries. As in Germany, real estate construction experienced the most marked slowdown.

The equipment markets in Europe performed well and recorded further growth.

Middle East
The numerous conflicts prevailing in the Middle East in previous years, such as in Syria and Yemen, were overshadowed again in 2022. The sharply increased raw material prices as a consequence of Russia's war against Ukraine made the resource-rich countries of the region into beneficiaries of the conflict. Politically as well, the countries are now once again sought-after partners as suppliers for oil and gas to Europe. Renewed higher revenues from raw material sales are giving a considerable boost to the region's economic transformation: moving away from fossil raw materials towards green energy generation, such as the expansion of renewable energy or the production of green hydrogen. The necessary investments in infrastructure are making the construction sector profitable again in the region after several difficult years. Accordingly, the region experienced considerable recovery and renewed solid growth in 2022. This was particularly true for Saudi Arabia, which recorded additional activity in the construction sector due to several particular huge projects such as NEOM.

In the course of these developments, the equipment markets also began to recover slowly, though this continues to be shaped by considerable overcapacities from the previous years.

Asia-Pacific
The markets in Asia were some of the most heavily affected by the pandemic in the previous years. There were long-lasting and strict lockdowns in many countries in the region. Over the course of 2022, most countries were able to overcome the consequences of the pandemic, which meant that economic recovery began. Particularly in the second half of the year, this upswing occurred along with a renewed start of construction, although there were exceptions here as well. In Indonesia, Thailand, Australia and Singapore, the construction markets performed better again, while Malaysia still remains considerably behind this development. The equipment markets in these countries were still rather subdued in 2022.

In the markets of South Asia, particularly in India, there is still a high demand for infrastructure and energy supply. This results in interesting projects for the construction industry and especially for specialist foundation engineering. The market for construction equipment in India recorded significant growth.

China set off a considerable downturn of its own overall economy as well as the construction sector with its extremely restrictive COVID-19 policy that lasted nearly the entirely year – this had drastic consequences for the equipment market, which fell back to a very low level.

Americas
The backlog demand in the infrastructure sector of the USA remains high. The US economy performed very well overall. The established infrastructure programs, particularly the Infrastructure Investment and Job Act, are having a positive effect. This trend also led to further growth in the sale of construction equipment. In Canada, the construction and equipment market performed well, while in contrast the countries in Central and South America continued to be subdued.

Africa
In Africa, the economic level of many countries continues to be very low, which meant that demand for construction and equipment was weak in 2022 as well. Only Egypt had a stable construction sector. This is primarily due to state infrastructure projects. Important future issues for the continent, such as water, the environment, energy and natural resources, are gaining in importance and have been supported by incentive measures. Nevertheless, developments are very subdued in these areas as well.

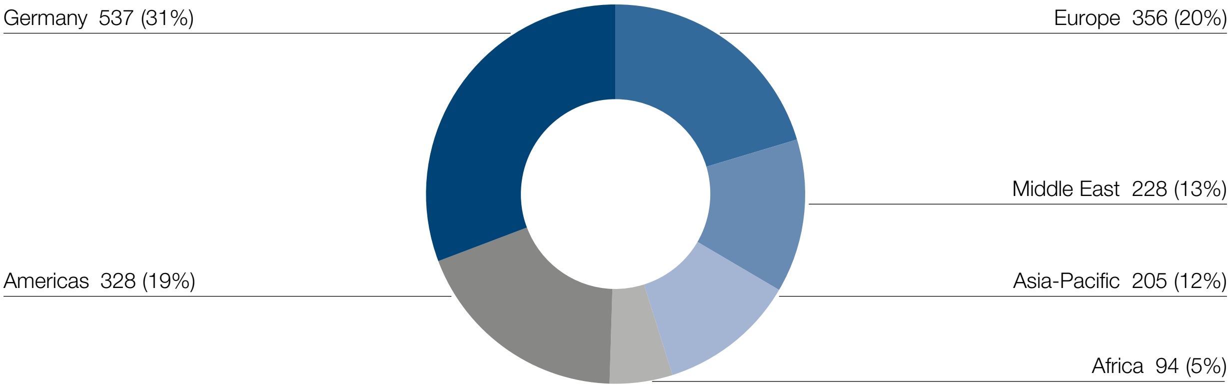
Summary of markets
The ongoing volatility of the global markets remains the greatest challenge. Political and economic framework conditions continue to change at short notice, requiring us to adapt quickly and flexibly as a company. This is particularly true for the construction and equipment markets.

Overall, the global demand in the construction and equipment markets was positive in 2022 as well. The numerous negative influencing factors which occurred after the COVID-19 pandemic and which are predominantly consequences of Russia's war against Ukraine – such as inflation, interest rate hikes or growing political tensions – already showed initial negative effects on the markets, but not yet to a very high degree. Overall it is expected that the markets will continue to adjust to the modified framework conditions, which is why a slowdown in demand needs to be anticipated, particularly in Europe and North America. In spite of this, the ongoing dynamism of individual markets is continuously presenting new potential for short-term market opportunities.

Geographical breakdown of total Group revenues

in EUR million

Total 1,748



COURSE OF BUSINESS

The BAUER Group achieved **total Group revenues** amounting to EUR 1,748.1 million in the 2022 financial year, representing an increase of 13.7%, significantly above the previous year's figure of EUR 1,537.6 million. At EUR -68.0 million, **EBIT** was markedly in the negative range (previous year: EUR 36.0 million), as were **earnings after taxes** which amounted to EUR -94.0 million (previous year: EUR 4.0 million).

The total Group revenues increased considerably compared to the previous year, particularly due to the Construction and Equipment segments. The Resources segment recorded slight growth as well.

The earnings figures for 2022 were negatively impacted by numerous influencing factors. These figures include a negative contribution to earnings in the amount of EUR 17.3 million due to unscheduled depreciations and effects from deconsolidation, which were carried out for companies in the Construction and Equipment segments based in Russia. This became necessary because the operational business in Russia had progressively collapsed due to the increasing tightening of sanctions by the European Union and resulting customer reticence.

Due to the changed interest rate environment because of further increasing interest rates which resulted in significantly increasing Weighted Average Costs of Capital (WACC), as well as the modified assessment of country risks owing to the more difficult global economic development overall, considerable devaluations had to be made on the fixed assets and current assets at the end of 2022. This leads to a considerable non-cash negative influence on the earning figures of approximately EUR 61.3 million.

In addition, the decision to sell or wind up other subsidiaries – including the Resources segment's well drilling company in Jordan – in connection with the portfolio streamlining that has been ongoing for some time now as part of efforts to focus on the core business and improve profitability, led to negative effects on the results in the amount of approximately EUR 24.6 million.

Forecast/actual comparison for 2022

in EUR million	Forecasts			
	April 7, 2022	September 13, 2022	December 6, 2022	Actual 2022
Total Group revenues	significant increase	significant increase	significant increase	1,748
EBIT	significant increase	significant decrease	-65 to -90	-68.0

In contrast, interest rate hedging transactions had a markedly positive impact on the earnings after taxes in 2022, as these must be valued in the balance sheet according to the development of market interest rates. As the market interest rates increased again compared with the end of December 2021, there was a positive effect on the earnings after taxes. This figure amounted to EUR 29.1 million (previous year: positive effect of EUR 3.4 million).

The earnings figures were considerably below the original expectations, whereas the revenue figures met the expectations. With the publication of the 2021 Annual Report, the Group issued a forecast for the 2022 financial year on April 7, 2022. This predicted a considerable increase in total Group revenues as well as EBIT.

In an ad-hoc announcement on September 13, 2022, the Executive Board adjusted its forecast for EBIT and anticipated that it would be considerably below the previous year. The forecast for the total Group revenues remained unchanged. This was due to the extraordinary depreciations with regard to the companies based in Russia in the Construction and Equipment segments.

On December 6, 2022, the Executive Board adjusted its forecast for EBIT again. The forecast for the total Group revenues remained unchanged. This was due in part to the already described need for devaluations on the fixed assets and current assets due to the changed interest rate environment which resulted in significantly increasing Weighted Average Costs of Capital (WACC), as well as the modified assessment of country risks. On the other hand, this was due to the decision to sell or wind up other subsidiaries. The Executive Board assumed then that EBIT for the 2022 financial year would be between EUR -65 million and EUR -90 million. This last issued forecast was achieved.

At EUR 1,445.0 million, the **order backlog** of the Group at the end of 2022 was up 5.9%, significantly more than the previous year's already high figure of EUR 1,364.4 million. In the Construction segment, the order backlog remained nearly at the same high level, while this was significantly increased in the Equipment and Resources segments. At EUR 1,828.6 million, the **order intake** rose by 5.1% compared to the previous year's EUR 1,739.5 million.

Effects of the COVID-19 pandemic and Russia's war against Ukraine

Looking back on the impact of the COVID-19 pandemic on markets in the Construction segment, in the 2022 financial year there were no more restrictions for the construction business in nearly all countries in Europe, the Middle East, the Americas and Africa. In the Asia-Pacific region, which was most strongly affected in the previous years by large-scale curfews and an ongoing shutdown of the economy, most countries relaxed restrictions gradually in the first half of 2022. Accordingly, the region recovered late and slowly, which also applied for the construction markets. Thailand, Singapore, Australia and the Philippines were able to recover faster and to a greater extent than other markets in the region, which has also had positive effects on the local construction demand.

Due to Russia's war against Ukraine, it was resolved to sell the subsidiary in the Construction segment in Russia and consequently to no longer serve the market. As a result, a negative contribution to earnings was generated due to the deconsolidation with regard to the Russian company. The rapid increase in prices for construction materials and energy, particularly as a result of Russia's war against Ukraine, made negotiation necessary for the additional costs in some existing contracts. However, it was not possible to pass on these extra costs in some places.

For the Equipment segment, the overall situation was similar to that of the Construction segment concerning the impacts of the COVID-19 pandemic. Global construction equipment markets were scarcely impacted by the consequences of the COVID-19 pandemic anymore in 2022. Particularly in Europe and North America, solid growth was recorded once again. In the other Asian countries, a slight recovery of equipment demand took place after the pandemic according to the construction markets. One exception in 2022 was China, which continued to adhere to its strict zero-COVID policy, further weakening the market in addition to the local real estate crisis. This resulted in a very low level of construction activity. In consequence, the equipment market dropped considerably, so that sales for the Equipment segment in China were at a very low level again.

In Russia, the sales market for the Equipment segment dropped as the consequence of EU sanctions for European manufacturers. Consequently, unscheduled depreciation had to be carried out with regard to the Russian companies, which burdened the earnings. Furthermore, in the Equipment segment there were no significant additional factors from Russia's war against Ukraine influencing production or operating business in terms of the increase in material or energy prices.

The Resources segment was scarcely influenced by the COVID-19 pandemic and Russia's war against Ukraine in the 2022 financial year, as it does not operate locations there and Russia does not constitute a market for the segment's products and segments.

Summary of course of business

Due to numerous influencing factors, 2022 was once again a very variable year for the Group. In the Construction segment, very good results were achieved in construction projects in many countries. On the other hand, many markets, particularly in Asia, were still affected by the consequences of the COVID-19 pandemic. This was complemented by the consequences of Russia’s war against Ukraine, the increase in material prices as well as the Group’s own efforts to optimize its international positioning. With the exception of China, the operative performance in the Equipment segment improved again overall. The Resources segment recorded good operative performance in many areas, but was significantly impacted by the expenses for the resolved closure of the subsidiary in Jordan. Overall, consistent measures continue to be implemented to make the Group strong for the future.

CONSTRUCTION SEGMENT

in EUR thousand	2021	2022	Change
Total Group revenues	682,437	787,405	15.4%
Sales revenues	640,343	731,288	14.2%
Order intake	806,594	794,478	-1.5%
Order backlog	845,493	852,566	0.8%
EBIT	-8,623	-65,528	n/a
Earnings after tax	-21,864	-79,676	n/a
Employees (reporting date)	7,085	6,990	-1.3%

General conditions

The significant effects of the COVID-19 pandemic and Russia's war against Ukraine on the Construction segment were already described in the course of business.

The construction market in Germany weakened markedly in the past year. While the order situation remained stable in the area of infrastructure construction, it fell noticeably in residential construction particularly. In Europe, construction market development varied widely, yet was weaker overall than in the previous year. In Great Britain the construction market was stable, while in the Netherlands, Austria, Switzerland and the countries of Eastern Europe, the order situation once again remained at levels that were too low in the year gone by. The subsidiary in Russia was sold, and the market is thus no longer served. In North America, the markets in Canada and in the USA showed a positive development, particularly due to the high expenditure in infrastructure by the US government. The countries of Central America reported a weak market situation. After extremely weak previous years owing to the consequences of the COVID-19 pandemic, the countries in the Asia-Pacific region such as Thailand, the Philippines and Indonesia performed considerably better again. Malaysia continues to be a negative exception. In India, the construction market continued to be encouraging. Markets in the Middle East remained too weak, but stable. One exception was Saudi Arabia, which is experiencing an exceptional boom with huge projects such as NEOM. In Sub-Saharan Africa, the construction markets again remained at a low level. In Egypt on the other hand, the construction market continued to be positive.

The global demand for infrastructure such as roads, bridges, dams or energy supply, continues to be strong. Urbanization is continuing, which means that construction has to take place under increasingly complex and difficult conditions due to the limited space on urban sites. Climate change is leading both to higher investments in the rehabilitation and new building of dams and dikes as well as to increasing demand for sustainable construction methods with a lower cement consumption, lower transport expenses and consequently a lower carbon footprint. As a result, it is anticipated that more specialist foundation engineering work will be needed, and specialist foundation engineering – particularly with modern and sustainable methods – continues to be a promising market for the future.

Significant events

The Construction segment achieved **total Group revenues** of EUR 787.4 million in the 2022 financial year, representing an increase of 15.4%, significantly above the previous year's EUR 682.4 million. At EUR -65.5 million, **EBIT** was markedly negative (previous year: EUR -8.6 million). Accordingly, **earnings after tax** amounted to EUR -79.7 million (previous year: EUR -21.9 million).

The revenue and earnings figures for the previous year were particularly negatively influenced by the consequences of the COVID-19 pandemic. This primarily concerned the countries in Asia, where considerable losses were recorded. In addition, considerable additional expenditures with a foundation project for an offshore wind park off the French coast led to a significantly negative contribution to earnings.

The earnings figures for 2022 include a negative contribution to earnings in the amount of EUR 9.7 million due to the deconsolidation with regard to the Russian company in the Construction segment described in the course of business. This subsidiary has now been sold. In addition, the devaluations on the fixed assets and current assets described in the course of business led overall to a negative influence on the earnings figures in the Construction segment of roughly EUR 35.6 million.

In the year gone by, the measures to optimize the international position and earnings growth were advanced consistently. Overall, the plan is to significantly reduce the permanent presence of subsidiaries in the markets. Instead, the business will focus on the countries and/or regions in which the market environment enables sustainably positive results. Thus some subsidiaries in countries that can be handled as needed by existing units in the region on a single-project basis have already been abandoned. These are Bulgaria, Georgia, Romania, Vietnam, Russia, Ghana, Bangladesh and Lebanon. Additional individual companies will follow in 2023. These measures caused additional financial expenses.

Based on the general conditions, the individual construction markets showed themselves to be very different for us as well. In Germany, revenue was below the previous year, but a good positive operating result was achieved. In Europe, we had a rather difficult financial year in 2022. While good revenues were achieved in Hungary, the capacity utilization was too low in Great Britain, the Netherlands and Switzerland, as well as in the eastern European countries. Higher depreciations and expenses were also generated in connection with a project for the foundation of an offshore wind farm.

The markets in the Middle East were rather weak with individual exceptions. Our subsidiary in the United Arab Emirates was able to achieve very good earnings, thanks to the execution of a very large order in Jordan by the Dead Sea, while the country itself had a weak market environment. In contrast, we had to report losses in Qatar due to underutilization and the suspension of all construction projects during the World Cup. Saudi Arabia recorded an exceptional boom with huge projects such as NEOM. In the year gone by, our subsidiary there was able to nearly complete a first order and received additional extensive follow-up orders for 2023.

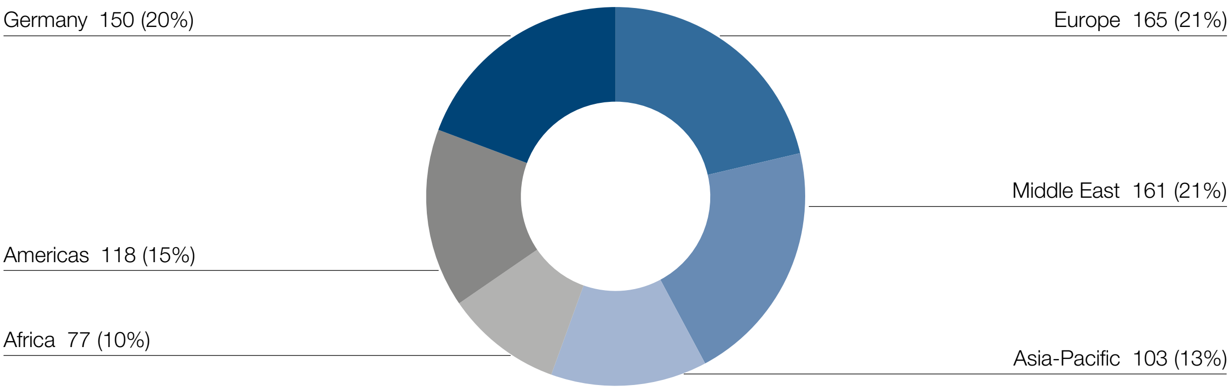
It was pleasing to note the performance of our subsidiary in Egypt once again, which was able to deliver a very good contribution to earnings thanks to several good projects. However, we further reduced our presence in Africa in the year gone by.

After two difficult years due to the consequences of the COVID-19 pandemic, the countries in the Asia-Pacific region revived significantly, particularly in the second half of 2022. Our subsidiaries in Thailand, Indonesia and the Philippines had considerably better capacity utilization once again, although positive results could not yet be achieved everywhere. In Malaysia, a loss was recorded again due to the ongoing underutilization of capacities. In Australia and Vietnam, there were also too few orders, and losses were recorded as a result. In India, we were able to increase our revenue considerably compared to the previous year and heighten our market presence.

Geographical breakdown of total Group revenues
Construction segment

in EUR million (after deduction of Consolidation)

Total 774



The subsidiary in the USA had a good order situation overall, but delays in large projects as well as a too weak operative performance overall led to a considerable loss. The business continued to be shaped by large dam rehabilitation and infrastructure projects. In Canada, similar reasons also led to a loss. The markets in Central America, especially in Panama, were again weak.

In 2022, we continued with global rollout of the BAUER Construction Process (BCP), i.e. the systematic introduction of structured lean management methods transferred to specialist foundation engineering. We have already achieved good success here and improved the execution of our projects in many areas while also standardizing processes and risk reduction measures for the long term. Overall, operative execution was again strong.

Our efforts continue to focus on establishing a streamlined and globally networked organizational structure with a lower number of individual companies. To this end, we are consistently pursuing the worldwide rollout of the BAUER Construction Process (BCP). We aim to take on a leading role in specialist foundation engineering both in the area of sustainable construction methods and applications as well as in the area of digitalization.

Order situation

Order backlog increased slightly by 0.8%, from EUR 845.5 million in the previous year to EUR 852.6 million, and remains very high. This mainly includes projects in Europe, the Middle East and Asia as well as several major projects. At EUR 794.5 million, the **order intake** was just -1.5% below the previous year's value of EUR 806.6 million.

We also recorded a very good order intake in the financial year just past. Even though the markets continued to be very volatile, we were successful in winning several very large orders. Although the order situation in many countries remained insufficient, we still see a good starting position for the current financial year due to the existing order backlog and further opportunities around the globe. In particular, we anticipate further extensive orders in Saudi Arabia in connection with the NEOM project and the construction project "The Line" encompassed therein.

EQUIPMENT SEGMENT

in EUR thousand	2021	2022	Change
Total Group revenues	681,480	747,847	9.7%
Sales revenues	552,189	625,916	13.4%
Order intake	740,423	792,109	7.0%
Order backlog	177,799	222,061	24.9%
EBIT	36,854	39,863	8.2%
Earnings after tax	19,115	19,667	2.9%
Employees (reporting date)	3,045	3,109	2.1%

General conditions

The significant effects of the COVID-19 pandemic and Russia's war against Ukraine on the Equipment segment were already described in the course of business.

2022 was characterized by ongoing and considerable demand worldwide for specialist foundation engineering services. After record sales were achieved in 2021 for construction equipment worldwide, 2022 remained at a very high level, though slightly below the previous year. The sales markets were stable and at a good level in Europe, while in North America a considerable increase was recorded due to the enormous infrastructure expenditure. In Russia, the sales market dropped as the consequence of EU sanctions for European manufacturers. In the Middle East and Latin America, the sales markets also experienced a recovery, albeit starting from a low level. The strict zero-COVID policy in China made sales activities extremely difficult for all foreign companies. In addition, the construction sector was heavily impacted by the Chinese real estate crisis and liquidity bottlenecks among public-sector clients. Consequently, the country recorded a considerable drop in the sale of construction equipment. In the other countries in the Asia-Pacific region, in contrast, the sales markets experienced a recovery.

The raw materials markets, which are important for some of our special product groups, improved again due to the increased raw material and oil prices in 2022, and demand rose accordingly.

Significant events

In the Equipment segment, **total Group revenues** increased significantly by 9.7% from EUR 681.5 million in the previous financial year to EUR 747.8 million. **EBIT** only increased slightly from EUR 36.9 million to EUR 39.9 million, and **earnings after taxes** went from EUR 19.1 million to EUR 19.7 million.

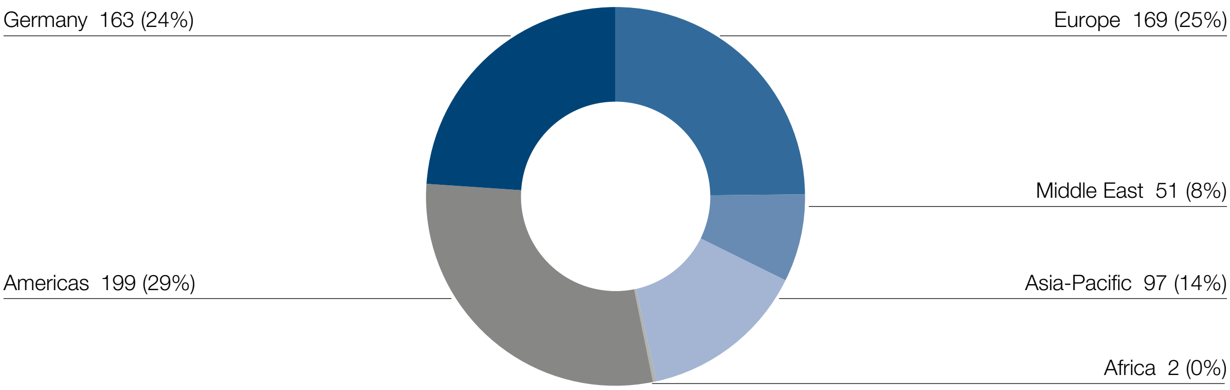
The only slight increase in the earnings figures for 2022 compared with the significant revenue increase is largely explained by two influencing factors. On the one hand, they include a negative contribution to earnings in the amount of EUR 7.6 million due to the unscheduled depreciations described in the course of business with regard to the Russian companies in the Equipment segment. In addition, the sale of Olbersdorfer Guß GmbH, which was sold in connection with the streamlining of the Group’s portfolio described in the course of business, led to a further negative earnings effect of approximately EUR 10.1 million.

In 2022, the Equipment segment recorded a considerable increase in revenue and earnings figures from the operative business compared with the previous year. With the exception of China, there was continuously good demand and sales figures increased in most regions. Utilization of production capacities also improved overall – here as well with the exception of the locations in China.

Geographical breakdown of total Group revenues
Equipment segment

in EUR million (after deduction of Consolidation)

Total 681



Price increases for raw materials and primary products were counteracted by significant price increases for end products, which however were unable to fully compensate for the higher cost of materials. In the second half of 2022, there was a slight easing in the availability of materials and parts for production. Nevertheless, the situation continues to be tense for individual components. Overall, however, we do not expect any significant restrictions for 2023 regarding our ability to deliver equipment.

Overall, the markets in Germany, Europe and the Americas, particularly in the USA, recorded considerable increases in sales figures in some areas. In Russia, the local subsidiaries were significantly reduced and oriented towards purely local entities. Sales figures also increased in the countries of the Middle East, as well as in the other countries of the Asia-Pacific region. In China, sales figures were at a very low level due to the collapse of the sales market there. The local production and sales organization was significantly below planned levels again, and recorded a loss as in the previous year.

The financial year was as follows for the subsidiaries and the individual product groups: Sales of small drilling rigs and anchor drilling rigs were very positive again and recorded an order backlog by the end of the year that will extend far into the ongoing year. Pile driving equipment, mixers, rotary drives and casings again recorded growth compared to the previous year, with good results. Sales figures also increased for the sale of well drilling rigs. Business in spare parts, drilling tools and after-sales services once again had a good impact on total earnings. There was also a considerable increase in the purchase and sale of used machines.

The sales company for specialist foundation engineering equipment in the USA had a positive market environment and was able to achieve very good earnings with an increase in revenue. The rental business with specialist foundation engineering equipment was particularly strong here.

A large project was launched in 2021 to optimize supply chain management and continued in 2022. The goal here is to offer shorter standard delivery times for customers of specialist foundation engineering equipment and to improve the working capital with lower inventories of finished goods. The project is planned for a period of multiple years.

At Bauma in Munich, the world's largest construction equipment exhibition, numerous Bauer equipment innovations were presented to visitors. This included the eBG 33 all electric, a fully electrical drilling rig from Bauer on which all significant main consumers are electrically driven. The RG 19 T hybrid from RTG Rammtechnik GmbH marked the first hybrid model to be presented in the telescoping leader segment.

Order situation

Accordingly, the **order intake** increased significantly by 7.0% to EUR 740.4 million, compared to the previous year's EUR 792.1 million. **Order backlog** was EUR 222.1 million at the end of 2022, representing a significant increase of 24.9% compared to the previous year's EUR 177.8 million.

With the exception of China, the demand for equipment increased considerably again after the customer reticence due to the COVID-19 pandemic. The numerous additional uncertainties for the capital goods market, such as high inflation, rising interest rates and Russia's war against Ukraine, did not have a significant negative impact on demand in the previous year either.

RESOURCES SEGMENT

in EUR thousand	2021	2022	Change
Total Group revenues	272,516	299,160	9.8%
Sales revenues	241,127	271,754	12.7%
Order intake	291,328	328,332	12.7%
Order backlog	341,156	370,328	8.6%
EBIT	9,482	-37,339	n/a
Earnings after tax	11,513	-40,967	n/a
Employees (reporting date)	1,422	1,378	-3.1%

General conditions

The Resources segment is focused on products and services in the business areas of drilling services and water wells, environmental services, constructed wetlands, mining and rehabilitation.

As described in the course of business, the Resources segment only experienced minimal effects of the COVID-19 pandemic and the effects of Russia's war against Ukraine in the 2022 financial year.

The demand for drilling services for water and natural resources in Africa continued at a low level in 2022. In the Middle East, the market remained weak. In the water well construction division, the demand for well construction materials in Germany, France, Poland and South America remained good. In Hungary, demand fluctuated. Overall, due to climate change and increasing droughts, there is growing demand for well drilling services in Europe and for the necessary well construction materials.

In the environmental services division, the market performed well but proved competitive in the financial year gone by. In Germany, there were a sufficient number of projects in the fields of site rehabilitation, groundwater treatment and the disposal of contaminated soils and sludges. Operations and marketing in the area of constructed wetlands are focused on individual large projects in the Middle East and is working on the expansion of the business.

The mining division is primarily active in Germany, where there continues to be a need for special mining services. Apart from activities in repository mining, the focus of execution was in the safeguarding and dismantling of mines, in the rehabilitation of old mining sites and in technical services for mining companies.

The rehabilitation division, with a focus in Germany, experienced a growing market overall in an intensely competitive environment. Overall, a growing demand for rehabilitation services has been observed.

Significant events

At EUR 299.2 million, the **total Group revenues** in the Resources segment rose considerably by 9.8% compared to the previous year's EUR 272.5 million. **EBIT** was significantly in the negative range at EUR 9.5 million compared to the previous year at EUR -37.3 million. The same was true for the **earnings after tax**, which were now EUR -41.0 million, compared to EUR 11.5 million in the previous year.

The earnings figures from the previous year, which reflect the positive performance of the operating business, also included a positive earnings effect after taxes amounting to EUR 4.9 million through the one-time use of losses carried forward due to changes in corporate law.

The considerable decline in the earnings figures for 2022 is largely explained by the following influencing factors: On the one hand, in the first half of 2022 the decision was made to abandon the local presence in South Africa, since the market opportunities had weakened considerably. In addition, the decision to wind up the subsidiary in Jordan, which was resolved in connection with the streamlining of the Group's portfolio described in the course of business, led to a further negative earnings effect of approximately EUR 14.5 million in addition to the company's operative loss. The company returned a significant loss again in 2022 due to underutilization of capacities. Moreover, a devaluation of EUR 25.7 million had to be carried out for the participation in Oman. The background for this is the significant increase in the Weighted Average Cost of Capital (WACC) described in the course of business as well as a modified market assessment for the future sale of CO_2 certificates.

In the drilling services and water well construction division, our drilling companies in Africa, which primarily operate for the raw materials industry and international development companies, recorded stable performance at a low level. At the subsidiary Site Group in Jordan, two anticipated large-scale projects were postponed due to a lack of funding. The revenue performance thus remained significantly below expectations, which led to a significant loss.

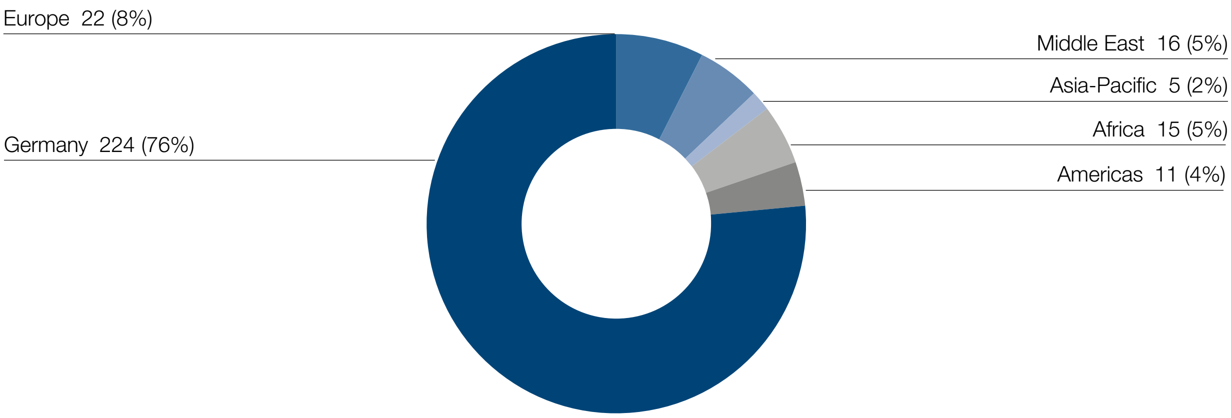
The GWE Group, which manufactures and sells well materials in Germany, France and Eastern Europe as well as in Chile, recorded a good financial year again, yet despite stable revenue the earnings remained below the previous year's values. The subsidiaries in France, Poland, Hungary and Chile also recorded positive results.

The environmental services division performed well again, recording a positive business performance with good earnings in an intensely competitive market environment. As in the previous year, the Zero-COVID policy of the Chinese government prevented a more intensive development of the Chinese markets and the acquisition of initial projects there. Due to the unclear prospects, the development of the market in China is not being pursued initially. Work will continue on developing the market in the USA.

Geographical breakdown of total Group revenues
Resources segment

in EUR million (after deduction of Consolidation)

Total 293



Our participation in Oman had another successful operative financial year in the area of constructed wetlands. A potential order for an additional site in Bahrain was withdrawn by the customer. There is still an opportunity for a second site in Oman. A market entry in the USA in this area could not yet be implemented in the 2022 financial year, but is still being pursued.

Thanks to the continuously very good demand in Germany, the mining division once again made a very positive contribution to revenue and earnings. In Kazakhstan, the ongoing project was suspended at times, which caused earnings to fall slightly into the negative range here in 2022.

The business segment of rehabilitation was newly created in the previous year by merging two companies. This new strategic orientation has already been implemented successfully. At the end of 2022, revenue was significantly below the previous year and earnings were only slightly in the negative range.

Order situation

At EUR 328.3 million, the **order intake** rose significantly in 2022 by 12.7% compared to the previous year's EUR 291.3 million. At EUR 370.3 million, the **order backlog** at the end of the year rose by 8.6%, considerably higher than the previous year's EUR 341.2 million.

The majority of the order backlog is generated by the mining division with a volume of EUR 196.3 million. Compared to the previous year, this area recorded another considerable increase. The constructed wetland in Oman contributes another significant share of the order backlog due to its long operating time. The areas of environmental services and rehabilitation recorded a decrease compared to the previous year.

CORPORATE SERVICES/CONSOLIDATION SEGMENTS

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

In 2022, the **Corporate Services segment** posted EBIT of EUR -78.7 million (previous year: EUR 44.7 million). This includes EUR 13.9 million of dividend payments by Group subsidiaries to the parent company as well as costs for a shareholder contribution in the amount of EUR 87.0 million to BAUER Spezialtiefbau GmbH. Earnings after taxes amounted to EUR -66.4 million (previous year: EUR 41.6 million). The segment revenues are generated mainly by intra-Group charges.

Consolidations were carried out in the **Consolidation segment**. The EBIT of EUR 73.7 million (previous year: EUR -46.4 million) largely matches the aforementioned distribution payments by Group subsidiaries to BAUER AG as well as the shareholder contribution. Earnings after taxes amounted to EUR 73.4 million (previous year: EUR -46.4 million).

III. EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

The earnings position in 2022 was shaped by various considerable influencing factors, including primarily the unscheduled depreciations on the Group companies in Russia, the devaluations on the fixed assets and current assets as well as the decision to sell or wind up other subsidiaries. We refer to the detailed notes in the "Course of business" section concerning the special factors included in the years 2021 and 2022. The most important key figures changed as follows:

Total Group revenues increased significantly by 13.7% from EUR 1,537.6 million in the previous year to EUR 1,748.1 million. **EBIT** decreased considerably from EUR 36.0 million in the previous year to EUR -68.0 million. At EUR -94.0 million, **earnings after taxes** were significantly negative. In the previous year, positive earnings of EUR 4.0 million were reported.

The individual income statement items for 2022 are summarized in the following:

Consolidated revenues rose by 14.1%, from EUR 1,472.4 million in the previous year to EUR 1,680.0 million. This increase is attributable to the considerably better business development in the Equipment and Resources segments compared with the previous year, as well as processing the high order backlog in the Construction segment.

Sales revenues increased accordingly by 13.8% from EUR 1,433.1 million to EUR 1,630.1 million. This increase is attributable to a better business performance as well as to price effects.

Changes in inventories changed considerably from EUR 5.4 million to EUR 16.0 million, which was mainly the result of the inventory expansion in the Equipment segment due to the improved operative business development.

Other own work capitalized fell considerably from EUR 15.1 million to EUR 9.4 million. In the previous year, this item primarily included a large IT project in BAUER AG as well as the equipment technology for offshore foundations in the Equipment segment, which were lower in the 2022 financial year.

Other income increased significantly from EUR 18.8 million to EUR 24.4 million compared to the previous year. This increase is primarily attributable to the rise in revenue, income with non-consolidated subsidiaries, as well as book profits from fixed assets – including the sale of a smaller property in the Equipment segment.

The **cost of materials** rose considerably by 20.2% in the year under review, from EUR 729.7 million to EUR 876.9 million. This was mainly due to the rise in revenue as well as the general increase in procurement prices, which had a significantly greater impact in 2022 compared with the previous year.

Personnel expenses rose by 7.7% from EUR 430.4 million to EUR 463.4 million and therefore increased less than the consolidated revenues. We will continue to strive to improve personnel expenses in relation to consolidated revenues over the next few years.

Other operating expenses increased very significantly by 44.9% from EUR 161.0 million to EUR 233.3 million. This is due in part to the rise in revenue in the segments. Particularly in the Equipment segment, higher distribution costs as well as the considerable price increases led to an increase in this item. Furthermore, in 2022 this item includes expenses for the de-consolidation of companies (EUR 14.4 million).

Impairments and impairment reversals in accordance with IFRS 9 in the amount of EUR 29.8 million were posted for the first time. In the 2022 financial year, this item primarily includes large portions of the devaluations on the current assets described in the course of business (EUR 26.8 million), which particularly concern the Construction segment.

Impairments on shares accounted for using the equity method in the amount of EUR 25.7 million were also posted for the first time. This was mainly the result of the devaluations on the shares in the Resources participation in Oman due to the significant increase in the Weighted Average Cost of Capital (WACC) as well as a modified market assessment for the future sale of CO_2 certificates.

After income of EUR 11.3 million in the previous year, the **income from shares accounted for using the equity method** was slightly lower in 2022 at EUR 9.7 million.

Depreciation of fixed assets rose by 9.2% from EUR 106.3 million to EUR 116.0 million. The increase was primarily owing to other depreciations on equipment in connection with the offshore project in France and on the subsidiaries in Russia in the Equipment segment.

Write-downs of inventories due to use reflect the use of rental equipment made available to our customers. This primarily concerns the business in the USA. The item increased by 12.3% from EUR 11.1 million to EUR 12.5 million in the year under review.

Financial income increased very considerably from EUR 50.8 million to EUR 117.7 million. The currency gains and income from hedging transactions included in this item rose by EUR 24.6 million and the income resulting from changes in the market value of derivatives rose by EUR 36.4 million. In 2022, this item also included a capital gain from the sale of the remaining shares in Wöhr+Bauer GmbH amounting to EUR 5.6 million.

At EUR 99.0 million, **financial expenses** were significantly above the previous year’s level of EUR 65.5 million. Currency losses and losses from hedges rose by EUR 27.3 million.

At EUR 44.7 million, **income tax expense** was significantly higher than the previous year's EUR 17.3 million. In the previous year, it was possible to reduce the tax burden in the Construction segment on the one hand by offsetting the losses from an offshore foundation project, and in the Resources segment on the other hand through the one-time use of losses carried forward due to changes in corporate law. In 2022, there was an increase in actual taxes due to the better operative performance in the Equipment segment, as well as an increase in latent taxes by EUR 16.3 million.

The **earnings after taxes attributable to BAUER AG shareholders** were EUR -95.5 million (previous year: EUR -0.6 million).

At EUR 1.5 million, the **earnings after taxes attributable to non-controlling interests** were considerably lower than in the previous year (previous year: EUR 4.6 million), which was primarily attributable to a larger negative earnings contribution in the Resources segment in Jordan.

GROUP FINANCIAL AND NET ASSET POSITION

Total assets of the Group decreased slightly by -1.2% in 2022, from EUR 1,639.5 million to EUR 1,620.0 million. At 24.8%, the **equity ratio** was significantly below the previous year's level of 29.3% and reduced significantly due to the losses for the Group.

Net debt was EUR 514.6 million in the year under review, representing a slight increase from the previous year's figure of EUR 497.2 million. We will continue to work hard in the coming years to improve net debt relative to total assets and revenues. The level of net debt in the Group is largely dependent on the level of working capital. The working capital of our companies is inevitably relatively high due to the nature of our business model and the special market in which we operate. We have relatively short run-times in the Construction segment and there are only occasional prepayments, so that we very seldom generate a positive cash flow over the duration of the construction site; this is only generated upon completion. This is why the majority of our contracts require financing across the many Group construction sites corresponding to roughly three months of sales in the Construction segment.

The situation in the Equipment segment is similar. The preparation times for our specialist machinery are around 12 months. Since customers usually only order equipment once they have an actual contract to fulfill, and therefore 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.

It was not possible to keep the agreed covenant ratios – net debt to EBITDA and equity ratio – within the agreed thresholds due to the losses for the Group. For this reason, an amendment agreement for the syndicated loan agreement was concluded in March 2023 which suspended the covenants as of December 31, 2022. In addition to the two syndicated loans valued at EUR 390 million (drawdown: EUR 222.3 million) and EUR 53 million (outstanding loan amount: EUR 7.3 million), the Group set covenants for a number of loans, which were valued as per the 2022 year-end at EUR 98.0 million.

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

On the asset side:

- **Property, plant and equipment** decreased from EUR 506.4 million to EUR 481.7 million, which was primarily attributable to the sale of Olbersdorfer Guß GmbH in the Equipment segment and the Construction subsidiary in Russia, as well as devaluations on the Equipment subsidiaries in Russia and the Resources subsidiary in Jordan along with currency changes in Egypt.

- **Investments accounted for using the equity method** decreased significantly from EUR 81.9 million to EUR 58.6 million. This was primarily due to the devaluation of the participation in Oman in the Resources segment.

- **Participations** decreased significantly from EUR 10.8 million to EUR 2.1 million, which was largely attributable to the sale of the remaining shares in Wöhr+Bauer GmbH.

- **Deferred tax assets** fell from EUR 65.4 million to EUR 33.2 million. In the 2022 financial year, the usable deferred tax assets in respect of losses carried forward decreased by EUR 6.1 million.

- **Other non-current financial assets** increased from EUR 23.9 million to EUR 35.7 million, which is largely attributable to an increase in receivables from derivatives.

Development of covenants

	2021	2022
Net Debt/EBITDA	3.15	8.50
Equity ratio in %	29.3	24.8

- **Inventories** increased from EUR 446.7 million to EUR 490.0 million. This was primarily due to the increase in finished goods, work in progress and stock for trade in the Equipment segment, but also due to the slight increase in raw materials and supplies. The background for this was the strategy of having more equipment and production material in the inventory due to the highly unpredictable delivery situation and the price increases for raw materials.

- **Contract assets** decreased significantly from EUR 119.1 million to EUR 96.4 million. This is primarily attributable to valuation allowances on contract assets in the Construction segment.

- **Trade receivables** are divided into a non-current and current share and slightly increased in total from EUR 251.6 million to EUR 263.1 million. This increase is largely attributable to the increase in total Group revenues. This is counteracted by impairments on receivables in the Construction segment.

- **Cash and cash equivalents** increased from EUR 41.3 million to EUR 44.6 million as of the balance sheet date.

- **Non-current assets held for sale** fell from EUR 1.4 million to EUR 0 million. The value of this item concerned a small property held by the Equipment segment in Germany that was sold in the second quarter of 2022.

On the liabilities side:

- **Equity** fell sharply from EUR 481.1 million to EUR 402.3 million, which is primarily attributable to the negative earnings after tax (EUR -94.0 million). In order to offset the necessary effects on the balance sheet, EUR 75.6 million was withdrawn from the capital reserve for BAUER AG and transferred to profit carried forward. The item “Non-controlling interests” increased by EUR 15.4 million, as this included EUR -25.1 million of non-controlling shares which were reclassified in the same amount into the revenue reserves due to the purchase of the remaining shares of the subsidiary in Jordan in the Resources segment. This was opposed by exchange differences on translation of foreign subsidiaries for the non-controlling interests in the amount of EUR -9.6 million.

- The **non-current portion of liabilities to banks** decreased significantly from EUR 229.0 million to EUR 58.4 million. Compared to 2021, a large proportion of liabilities to banks was reclassified from non-current to current liabilities. The covenants for primary loans were exceeded as of the end of 2022. As a result, these loans had to be transferred to current liabilities to banks. In total, the liabilities to banks increased slightly in the past financial year at EUR 26.5 million.

Exchange rate development

1 EUR corresponds to	Average rate 2021	Average rate 2022
USD	1.18296	1.05339
GBP	0.85966	0.85269
RUB	87.16492	71.98418
CNY	7.62990	7.07901

ASSETS

Non-current assets
EUR 637.6 million (39.3%)
(2021: EUR 722.1 million (44.0%))

Current assets
EUR 937.8 million (57.9%)
(2021: EUR 876.1 million (53.5%))

Liquid funds
EUR 44.6 million (2.8%)
(2021: EUR 41.3 million (2.5%))

EUR 1,620.0 million
(2021: EUR 1,639.5 million)

EQUITY AND LIABILITIES

Equity
EUR 402.3 million (24.8%)
(2021: EUR 481.1 million (29.3%))

Non-current debt
EUR 237.9 million (14.7%)
(2021: EUR 474.8 million (29.0%))

Current debt
EUR 979.8 million (60.5%)
(2021: EUR 683.6 million (41.7%))

EUR 1,620.0 million
(2021: EUR 1,639.5 million)

- **Provisions for pensions** fell significantly from EUR 149.1 million to EUR 102.5 million. This is essentially due to the higher discount rate of 3.9% (previous year: 1.3%).
- **Other non-current financial liabilities** decreased significantly from EUR 25.9 million to EUR 11.5 million. The reason for this were the valuations of derivatives.
- The **current portion of liabilities to banks** rose from EUR 204.8 million to EUR 401.8 million. This item was also affected by the aforementioned reclassification of liabilities from non-current liabilities to banks, which became necessary because the covenants were exceeded.
- **Contract liabilities** increased from EUR 78.0 million to EUR 89.1 million, primarily in the Resources segment.
- **Trade payables** rose from EUR 198.0 million to EUR 230.8 million. This was essentially due to the significant increase in total Group revenues.
- **Effective income tax obligations** rose from EUR 22.2 million to EUR 35.3 million.
- **Provisions** are divided into a non-current and current share and slightly increased in total from EUR 38.3 million to EUR 44.0 million, which is primarily attributable to the Construction and Resources segments.

Net cash from operating activities shown in the **consolidated statement of cash flows** was EUR 101.0 million, above the previous year's EUR 82.9 million. The following factors contributed to this change:

- The other non-cash transactions totaled EUR 75.8 million (previous year: EUR 4.5 million). This change is largely attributable to income from changes in the market value of derivatives.
- Impairments and impairment reversals in accordance with IFRS 9 improved the operative cash flow by EUR 29.8 million (previous year: EUR 9.1 million).
- Impairments on shares accounted for using the equity method had a positive effect on operative cash flow of EUR 25.7 million (previous year: EUR 0 million).
- At EUR 9.7 million, income from shares accounted for using the equity method remained at the previous year's level of EUR 11.2 million.
- In addition, the deconsolidation of subsidiaries had a positive influence in the amount of EUR 13.9 million (previous year: EUR -0.1 million) on the operative cash flow.
- The change in trade receivables was EUR -76.7 million compared with the previous year, which is primarily attributable to exchange rate movements as well as the allocation of valuation allowances on trade receivables.
- The change in inventories burdened the operating cash flow on the order of EUR -94.8 million (previous year: EUR -28.4 million). Apart from the operative business, this is also largely attributable to effects from currency translation, impairments of inventories due to use as well as unplanned depreciations on the current assets of the Russian companies and of the subsidiary in Jordan in the Resources segment.
- The change in contract assets improved the operating cash flow by EUR 44.6 million compared with the previous year.
- The change in other current and non-current liabilities improved the operating cash flow on the order of EUR 27.5 million, which means a change of EUR 49.2 million compared with the previous year.
- The income tax paid resulted in a negative impact on the operating cash flow of EUR 15.8 million compared with the previous year.

Cash flow from investment activity totaled EUR -83.7 million and was below the previous year's EUR -94.5 million. The primary reason for this, among other factors, were decreasing investments in property, plant and equipment and intangible assets.

Cash flow from financing activities amounted to EUR 7.3 million. This essentially comprises loan repayments amounting to EUR -213.5 million, as well as new indebtedness to banks on the order of EUR 244.1 million.

INVESTMENTS

Investments in the 2022 financial year were considerably lower than the previous year, yet remained higher than the depreciations. This was largely attributable to project-related investments in equipment. Investments in land and buildings were largely undertaken for production. Our new investment – offices, warehouses and workshops – for the strategic consolidation of all Group activities in the United Arab Emirates were successfully commissioned. In the coming years, further new investments are planned for the expansion and modernization of our production and storage facilities.

A significant reason for the considerable decrease in the property, plant and equipment assets amounting to EUR 34.8 million in 2022 is attributable to a property in the USA, as this was reclassified on the balance sheet from the item assets held for sale back into property, plant and equipment at the end of 2021.

In the **Construction segment**, further investments were made in equipment to meet the market demand for ever more powerful equipment to handle specialist projects and to keep the equipment fleet in state-of-the-art condition overall. Due to our strategy of increasing involvement in large international infrastructure projects with high levels of specialist foundation engineering services, more investments in large equipment are needed – particularly in Saudi Arabia. In addition, comprehensive further investment was made in digitalization, which should also be continued in the following years.

The **Equipment segment** concentrated primarily on investments for the modernization of the equipment pool and the production sites. In the coming years, increasing investments will be made in capacity expansion at the subsidiary, which manufactures small drilling rigs and anchor drilling rigs. To optimize and prepare logistics in the Equipment segment for the future, significant investments will be made in this area in the coming years. Further investments will also be made in the automation and digitalization of equipment and production.

In the **Resources segment**, investments were primarily made in the maintenance and expansion of production facilities and disposal centers.

In the 2022 financial year, the **BAUER Group** invested a total of EUR 138.4 million (previous year: EUR 190.9 million) in intangible assets and property, plant and equipment. Depreciation of fixed assets across the Group totaled EUR 116.0 million (previous year: EUR 106.3 million). Write-downs of inventories due to use totaled EUR 12.5 million across the Group (previous year: EUR 11.1 million).

In the 2022 financial year, additions to the property, plant and equipment assets of **BAUER AG** totaled EUR 6.1 million (previous year: EUR 6.2 million). This is set against depreciation of EUR 2.9 million (previous year: EUR 2.8 million).

IV. FINANCIAL STATEMENTS OF BAUER AKTIENGESELLSCHAFT

The consolidated 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) are therefore explained at this point. The following items in the balance sheet and income statement changed significantly during the 2022 financial year compared with the previous year:

Key changes in the balance sheet:

- **Intangible assets** increased from EUR 5.7 million to EUR 9.5 million, which is largely attributable to capitalized expenses for a large IT conversion project.
- **Financial assets** increased from EUR 288.7 million to EUR 331.7 million, which was largely attributable to increased loans to subsidiaries.
- **Equity** amounted to EUR 129.3 million (previous year: EUR 206.9 million) and decreased largely due to a shareholder contribution to BAUER Spezialtiefbau GmbH in the amount of EUR 87.0 million.
- **Liabilities** rose very significantly from EUR 109.0 million to EUR 239.5 million, with liabilities to banks increasing by EUR 78.4 million. Liabilities to affiliates increased by EUR 52.4 million, which was largely due to liabilities to BAUER Spezialtiefbau GmbH.

Main changes in the income statement:

- **Sales revenues**, primarily created by charging of administrative services and financing costs to subsidiaries, increased slightly by EUR 0.4 million to EUR 46.5 million in line with expectations.
- **Personnel expenses** increased from EUR 23.0 million to EUR 25.8 million, which is largely due to a slightly increased number of employees at BAUER AG as well as the collectively agreed wage rises.
- **Other operating expenses** rose very significantly from EUR 55.0 million to EUR 108.4 million. The shareholder contributions of BAUER AG to subsidiaries, in particular BAUER Spezialtiefbau GmbH, are an essential component of the item.
- At EUR -82.2 million, the **operating result** was therefore again markedly negative (previous year: EUR -42.2 million).
- At EUR 16.5 million, **income from participations** was significantly below the previous year's level of EUR 46.0 million. This item is primarily due to a dividend payment by BAUER Maschinen GmbH to BAUER AG.
- The **net loss** was EUR -77.6 million (previous year: net income of EUR 0.03 million). Accumulated loss was EUR 0.007 million (previous year: accumulated loss of EUR 0.03 million). The net loss was largely offset by a withdrawal from the capital and revenue reserves.

The distribution of profit to shareholders is based on the distributable retained earnings of BAUER AG as the group parent company, taking into account consolidated earnings of the Group. 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 holding company, BAUER AG is dependent on the income of its subsidiaries and additionally provides financing to them.

In 2022, the Group's equity reduced very significantly due to the considerable losses for the Group. Equity was reinforced again by the capital increase concluded in March 2023, yet it is still necessary to continue striking a careful balance between continuity and shareholder participation on the one hand, and safeguarding our equity ratio on the other. Due to the considerable losses for the Group in 2022, the Executive Board will therefore recommend that the Supervisory Board proposes to the Annual General Meeting that no dividends be distributed. In the medium term, the Group continues to maintain its dividend policy, which plans for a dividend ratio of approximately 25 to 30% of reported earnings after taxes.

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 inextricably connected with our entrepreneurship. There can be no entrepreneurial action without risk. Unforeseeable events can create both risks and opportunities. Therefore, at Bauer, risk management means not just reducing hazards but also knowing how to take advantage of opportunities. The goals of risk management include safeguarding our business objectives, initiating measures early on and reducing the costs of risk. Our system of risk management is based on a fundamentally risk-averse approach, meaning that we aim primarily to safeguard against impending risks rather than to exploit opportunities for short-term gain.

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 are routinely conducted to verify its implementation and continuously improve its efficacy. 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 assigned to specific areas of risk. This defines areas of focus. Risk categories defined by the BAUER Group are: strategic risks, market risks, financial market risks, political and legal risks, risks arising from organization and management, risks arising from the value 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 according to their nature and significance by an additional, independent process. The assessment of risks relates to their potential impact on the earnings before tax.

The process of identifying and assessing latent risks is reviewed at least twice annually through interviews with the managers of the relevant Group companies as well as with departmental and central function heads. This process ensures that potential new and familiar risks as well as opportunities are submitted for review at management level. Structured risk identification is followed by risk assessment based on a relevance scale. The project risks are aggregated at the level of the segments.

Relevant risks above a certain threshold value are assessed based on standardized methods. Risks are analyzed both according to their maximum damage as well as according to their expected value. The assessment of risks accounts for the risk-specific measures to limit damages (net perspective). Risks are assessed over a one-year period under review. Where possible and useful, we purchase appropriate insurance policies that cover potential damage and liability risk in order to reduce the risk exposure and minimize or completely avoid potential losses.

Relevance scale for the BAUER Group

Relevance	Extent of losses (in EUR thousand)	Definition
1	up to 8,000	Low risk
2	up to 20,000	Medium risk
3	up to 50,000	Significant risk
4	up to 100,000	Serious risk
5	above 100,000	Critical risk

Responsibility for monitoring the respective risks lies with the risk managers.

The effects of individual risks are aggregated in the context of corporate planning by means of risk simulations. This means that the consolidated income statement for a given financial year is played through several thousand times in independent simulations based on random figures (Monte Carlo simulation). By aggregating all significant risks at Group level, the potential effects on the earnings figures for the risks (confidence level: 99%) are determined. To assess the risk-bearing capacity, the aggregate risks taking into account the project risks are compared with the recognized Group equity.

Yearly reports are submitted to the Executive Board and Supervisory Board. To communicate acute risks, the routine risk analysis is supplemented by immediate reporting.

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 construction is carried out on the customer's premises. Associated risks, such as in relation to the construction soil and resulting from the individual character of each individual project – including contract, schedule and damage risks – can thus accumulate detrimentally in specific cases in such a way that they may significant, if not for the Group as a whole, at least potentially for smaller subsidiary companies. With respect to 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 pursue opportunities. In ongoing projects, the risks are analyzed, meaning they are identified, assessed and backed with measures as part of continuous project controlling and project management.

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 also incorporated in 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. The communication and release process is supported in part by IT with standardized workflows.

Essential features of the internal control and risk management system (ICS & RMS)*

The ICS and RMS of the BAUER Group are based on the values, principles, guidelines and processes introduced by the Executive Board and encompass the management of risks and opportunities with regard to achieving company goals, the propriety and reliability of internal and external accounting as well as compliance with the legal codes and regulations that are authoritative for the Group.

All subsidiaries in the Group are obliged to establish an appropriate and effective ICS. In this context, uniform minimum requirements are defined across the Group for the control systems of companies under Group guidelines, e.g. for accounting, purchasing, IT security, data protection, project management etc. The RMS is implemented in all material subsidiaries. Further details can be found in the paragraph "Risk management system".

The Executive Board is responsible both for the ICS and for the RMS. The Audit Committee of the Supervisory Board monitors the effectiveness of the ICS and RMS. The appropriateness and effectiveness of the control system is regularly reviewed by the internal auditing department through independent audit activities. The annual audit plan of the internal auditing department is prepared using a risk-based approach and approved by the CEO. The internal auditing department reports to the Audit Committee of the Supervisory Board on a yearly basis.

Notwithstanding this, there are inherent restrictions on every ICS. No control system – even if it has been assessed as appropriate and effective – can guarantee that all relevant control risks are covered and fully and effectively addressed via controls.

Compliance Management System*

The Compliance Management System is referred to as the ethics management system in the BAUER Group and has been implemented by the Executive 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 were developed and implemented for the BAUER Group and are 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 website. It emphasizes the core values of appreciation, innovation, down-to-earth attitude, responsibility and openness, as well as the rules of conduct for specific situations according to selected areas of risk.

Within the ethics management system, particular emphasis is placed 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 health and

* The disclosures in this section are considered as external to the management report. The recommendations of the German Corporate Governance Code (DCGK) in the version that was published in the Federal Gazette (Bundesanzeiger) on June 27, 2022 include disclosures regarding the internal control system and risk and opportunity management system, which go beyond the statutory requirements for the management report and are thus excluded from the auditor's content review of the management report.

environmental hazards resulting from our activities, export restrictions, tax and social insurance liabilities, accounting, data protection and non-discrimination.

In order to implement the ethics management system, ethics officers must be appointed in the organizational units and senior management and executives 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 handled 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 suitability and effectiveness of the ethics management system is reviewed in internal audits by internal auditing, as well as in external audits by 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.

Internal control and risk management system with regard to the accounting procedure
Group Accounting risks include risks with respect to accounting, valuation and reporting. To counteract these risks, 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, Germany. 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, nearly all 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 included are drawn up either based on an accounting guideline applicable throughout the Group or are transitioned from the corresponding accountancy regulations under national law to the regulations of the accounting guideline using adjustment entries. At the major Group companies, the success of each individual department is mapped by means of a cost distribution sheet as a central management instrument. This reveals any non-conformance with annual budgets. At the project level, a monthly reconciliation is carried out to cross-check the actual figures against the cost accounting and site management budgets. Based on our judgment and experience, self-monitoring and establishing dual control principles are effective elements in 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 figures. Any necessary correction of non-conformance to plans 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 codes and auditing 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 submitted regularly, on a monthly basis, to the Executive Board and the Supervisory Board of BAUER AG by Group Accounting.

The IT systems employed in these procedures are protected against unauthorized access and data loss by appropriate security systems.

Risks

In the following, we set forth potential risks that may have a significant impact on our asset, financial and earnings position, the organization and management as well as our reputation and assess the relevance to our business. The breakdown follows the same risk categories as we apply in our risk management system. 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 and the orientation toward the construction market by dividing it internationally into separate Construction, Equipment and Resources segments, thereby pursuing the aim of greater economic independence from the construction sector and regional investment cycles. Our three segments also offer significant synergy effects in addition to risk diversification. For example, the insights we gain while deploying equipment and developing methods in the Construction segment are regularly used to improve equipment. Comprehensive specialist foundation engineering works, including waste disposal or brownfield remediation, are successfully offered through cooperation between the Construction and Resources segments.

The Equipment segment's deep drilling technology and the manufacture of machinery for mining applications will also further reduce its dependence on the overall construction sector. As in the previous year, we classify the risks associated with the structure of our business as medium.

MARKET RISKS

Competitive environment

In the Equipment segment especially, we operate in highly competitive and price-sensitive markets, which primarily concerns the region of Asia and China in particular. To sustainably improve our competitive position in this region, after-sales services have been expanded in the region of Asia as a stabilizing factor in addition to new business. We are also improving the competitive situation in China through localization, for instance in purchasing and production, as well as through our constantly high quality standards. In the rest of the world, we do not see any particular risks arising from the competitive environment.

In the Construction and Resources segments, we use a combination of international experts and local personnel. This allows us to ensure both methodical expertise and quality as well as a competitive cost structure. As in the previous year, the competitive risk is considered to be low.

Market development risks
We classify the global economic and geopolitical conditions as a major uncertainty for the future market development. Particularly Russia's war against Ukraine and the resulting sanctions, reactions and measures continue to harbor risks for the BAUER Group. In addition, China's falling economic growth could have spillover effects on the development of the global economy overall. We classify the influence of the COVID-19 pandemic on the company as well as on the market development as low.

Our strategy of spreading business in each segment across a large number of markets worldwide 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 total earnings. The Resources segment has also already expanded on an international scale.

Overall, we assess the market development risks to be significant for the BAUER Group, as in the previous year.

FINANCIAL MARKET RISKS

Financial stability and liquidity
Compliance with key financial figures has been agreed with banks for multiple long-term loans. These primarily include the ratio between net debt and EBITDA, as well as equity and equity ratio. It was not possible to keep these within the agreed thresholds at the end of 2022 due to the losses for the Group. For this reason, an amendment agreement for the syndicated loan agreement was concluded in March 2023 which suspended the covenants as of December 31, 2022.

In addition to the earnings situation pertaining to the entire Group, increased financing requirements, in particular, may lead to an increased risk of failure to comply with the key financial figures agreed with banks, which may lead to a reduction or termination of lines of credit.

The risk of financial stability and supply bottlenecks on the international financial markets were counteracted by extending the syndicated loan agreement in 2022. In addition, the equity base was increased by the capital increase resolved in March 2023 and the balance sheet situation was further improved.

Detailed disclosures about our financial instruments and their risks are explained in depth in the "Financial instruments" section of the notes to the consolidated financial statements.

Compliance with covenants and liquidity are reviewed regularly and planned up to a time horizon of 16 months into the future.

Currency risks and interest rate risks
Where possible and available, we counter foreign exchange risks by financing our international subsidiaries in the respective local currency. We minimize transaction risks (foreign currency risks from current cash flow) in all business divisions using suitable hedging instruments.

The interest rate risk of the Group is based on financial liabilities with primarily floating interest rates (short and long-term credit lines). We have interest hedge agreements for exchanging floating interest rates for fixed interest rates in place to exclude the risk of increasing market interest rates. Changes in market interest rates have an impact on the financial income and expenses of the Group. We continue to classify the remaining currency risks, which are primarily translation risks, as well as the interest rate uncertainty, as medium risks for our operational business.

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 as well as behaving in an ethically sound way. Legally compliant, ethical and socially sustainable action is the cornerstone of our values management system. Our employees are made aware of our fundamental values as soon as they are hired. Special training sessions are held to deepen this knowledge. A software program ensures that we do not do business with any customers cited on EU or US sanctions lists.

In summary, we are of the opinion that our existing values management system provides us with an efficient and effective means of assessing our compliance risk as a medium (previous year: medium) risk.

Political and legal environment

Both ongoing customs disputes as well as trade restrictions, for example between the USA and China, along with the political tensions between China and Taiwan, negatively impact the global readiness to invest and could have extensive consequences for the global economy. In some countries, there is also a risk that the government will intervene more heavily in company affairs. This can, in turn, be costly and time-consuming. Political changes, such as a change of government, can lead to either recovery or weakening of the local construction markets. Russia’s war against Ukraine causes ongoing uncertainty and could trigger even greater political tensions in Europe and around the world. We classify the risks from our political and legal environment as significant (previous year: 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. Where possible, we use standardized international conventions from the construction sector (e. g. FIDIC). The resultant risks are subject to stringent management procedures and can therefore be rated as low, as in the previous year.

Current legal cases

Litigation arises almost exclusively from our provision of services, especially in the project business. Legal disputes occur with clients, suppliers and business partners and are generally related to compensation, alleged deficiencies in services or delays in the completion of a project. By their very nature, it is impossible to predict 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 and assess this risk as low (previous year: low).

VALUE CREATION RISKS

Research and development risks

Because we see ourselves 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 growth in Asia and the resulting new competitors are sharpening the pressure to innovate, we have so far succeeded in maintaining the necessary edge as a leading technological company.

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 rate the risks in relation to research and development as being medium (previous year: medium).

Acquisition, sales and contract negotiations as well as costing
The risks of miscalculating quotations and of guaranteeing technical characteristics that cannot be fulfilled are minimized by the strict application of the dual-control principle and established costing standards (see "Handling of project risks") and can be regarded as medium (previous year: medium).

Materials management and procurement
Due to delivery bottlenecks, in our Equipment segment there is a risk that production materials to be procured will not be provided in the right quantity or at the right time. Russia's war with Ukraine could additionally heighten the delivery bottlenecks and scarcity of materials as well as the associated costs. The challenges in procurement markets are counteracted with continuous monitoring of key figures and active control measures. Despite the greatest efforts, this risk is assessed as medium (previous year: significant).

Production and order fulfillment
In the course of our project implementation, various influencing factors may result in delays.

Technical failures arising from design errors or miscalculations of statics can result in significant construction project delays. The risks resulting from this represent an inherent component of our Group's project business. That is why general and structural designs are predominantly produced by experienced employees in our own engineering offices.

A further risk in order fulfillment is entailed by the selection and application of drilling methods. Misjudging ground conditions can likewise result in increased risk costs. Disturbances to the project timetable must be identified and communicated at an early stage by the project manager in charge. 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 an opportunity and risk analysis at project level in the Construction and Resources segments (see "Handling of project risks").

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 need to be accepted. As a result of the trend for projects of increasing size and complexity, the resulting risks on production and order fulfillment must be assessed as medium (previous year: medium).

RISKS OF SUPPORTING PROCESSES

Debtor management
An efficient management of receivables counteracts the risk of default. 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 classify default risks as low (previous year: low).

Information technology and data protection

The confidentiality, integrity and availability of information, data and systems is endangered by increasing cybercrime. The regulatory requirements for handling personal data are also increasing. For this reason, we are continually expanding our preventive information security measures to protect against unintentional loss of data, data theft and all forms of cybercrime. In addition, we hold training sessions for employees to raise awareness in the sensitive handling of personal data. Despite extensive measures, however, risks in this environment cannot be entirely excluded. We classify the risk of data loss and cybercrime as medium (previous year: medium).

OVERALL RISK

There are currently no apparent individual or aggregate risks that threaten the existence of the BAUER Group. As a whole, the management sees a slight improvement in the overall risk situation, also in view of future business prospects among other factors. The identified risks are classified as manageable. Apart from the outlined risks, unforeseeable events may occur that can have a negative impact on the earnings, financial and net asset position.

OPPORTUNITY REPORT

The opportunities arising are classified parallel to the detailing of risks. 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 derived synergy effects which shape the Resources segment. These include the environmental business that deals with treating contaminated ground and groundwater and has taken on an increasingly international character. A similar business grew out of the first use of specialist foundation engineering equipment for diamond exploration. Today, a wide range of drilling services are executed. In the water well construction sector, we develop equally high-quality products for expanding wells and for close-to-the-surface geothermal heat applications. In the Resources segment, we are thus addressing some of the most important issues of the 21st century. Moreover, the Resources segment is less dependent on the economic cycles of the construction sector.

In order to bring about the internationalization of the Resources segment, we are also utilizing the experience of our long-standing organizational units in the other two segments as well as the international reputation of the Bauer brand.

New business opportunities are also opening up in the area of renewable energies. For example, some offshore wind turbines require complex underwater drilling, which our Construction segment can carry out using special drilling rigs. The required equipment is manufactured in the Equipment segment.

MARKET OPPORTUNITIES

The ever-increasing trend of urbanization and the rising demand for infrastructure result in increasingly large construction projects, which create many interesting opportunities for the construction sector. The construction sector particularly benefits from an enormous need to catch up with backlogs in emerging economies such as India, but also in the established industrial nations. That is not only true for traffic infrastructure, but also for residential complexes, public buildings, dams or flood protection facilities. Moreover, construction work is performed in increasingly confined urban spaces. This will require increasingly tall buildings, necessitating extensive foundation work. In addition, stationary and flowing traffic must be increasingly transferred below ground, which also leads to growth in specialist foundation engineering.

The strict environmental standards for oil production offer excellent market opportunities for our products and services in the Resources segment, such as constructed wetlands. In addition to this, brownfield remediation in oil-producing countries is also gaining importance.

Due to the ongoing energy crisis in Europe, demand has risen in the area of geothermal heat. In the Resources segment there are numerous opportunities for using the potential of geothermal heat, such as for the production of energy piles for the cooling and heating supply of buildings, thermal activation of concrete construction components for heat storage, or the classic geothermal probe drilling. We are confident that our market opportunities for geothermal drilling can continue to increase.

FINANCIAL MARKET OPPORTUNITIES

Due to the capital increase implemented in March 2023, the Group will further increase the equity base and improve the balance sheet situation. This results in the opportunity of considerably reducing the interest burden. With a stable and equally long-term shareholder structure, the Group solidly fulfils the prerequisites for a long-term and successful future.

VALUE CREATION OPPORTUNITIES

Development and innovation

As always, our goal is not only to endure as a market player in the long term, but also to set standards as a technology leader. Digitalization is therefore one area that the Group will focus on intensively in the coming years. An important driving force for digitalization in construction is Building Information Modeling (BIM). This trend will also continue to grow in the Equipment segment and influence many of the business processes. Digitalization will become an opportunity for Bauer with the help of an overarching strategy that encompasses all parts of the Group.

Project opportunities

Regardless of national and global market cycles, projects often arise in otherwise weak markets that we as a Group are suitably equipped to handle thanks to the mix of our products and services portfolio. Examples of this are methods for the retrofitting of core seals in earthwork dams or for the development and expansion of mining operations.

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 using our many years of experience in handling large-scale projects.

Supplements and claims management

The assertion of requirements and supplements not only entails 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 during execution of the construction project.

OVERALL OPPORTUNITIES

We are seeing a steady improvement in our opportunities on global markets as new innovative products and service are being developed in all three segments. Our strategy of systematically interlinking our mainly small and medium-sized globally operating member companies to create efficient networks is enabling us to generate benefits in terms of speed and cost more and more effectively, based on the associated economies of scale. With a balance sheet structure considerably improved by the capital increase, the Group’s financial situation is improved. In summary, we see an increase in opportunities for the global Group business in 2023.

VI. FORECAST REPORT

For 2023, we anticipate a stable development of the economic environment overall. In total, the construction and equipment markets recorded growth in the year gone by that is expected to continue. Nevertheless there were numerous negative factors, such as Russia’s war against Ukraine, high inflation and interest rate hikes, which have already influenced the economy. From today’s perspective, the further political and economic consequences of these factors cannot be definitively assessed for the ongoing year either.

In the Construction segment, infrastructure projects based on state investments regularly offer interesting opportunities for individual large projects. The current very good order backlog in this segment is generally a sign of positive business performance, but the further effects of high inflation, significant interest rate hikes and the political consequences of Russia’s war against Ukraine will be the decisive factors for the future market development. We also anticipate the development of the equipment markets in line with the construction markets.

In the markets of our Resources segment for environmental services, water extraction and water treatment as well as mining and rehabilitation, we anticipate a good performance for 2023 despite the abovementioned risk factors as these also proved highly robust and stable in the past year.

In principle, further growth of the global economy overall can be expected again in the next years, although a slight slowdown is anticipated for 2023, particularly in the industrialized countries. The reasons for this are the numerous risk factors: Russia’s war against Ukraine, the political tensions between the West and Russia as well as China, high inflation, increased prices for raw materials and energy as well as further increasing interest rates. In addition, it is not possible to predict what other sanctions and consequences could still arise from Russia’s war against Ukraine. As there is not currently any negotiated settlement in sight, the further weaponization of the conflicting parties poses a risk for the entire world that cannot be estimated. The consequences of a potential escalation of the conflict are not possible to calculate. From today’s perspective, we are hardly able to calculate such scenarios into our planning and therefore assume that the most important world markets will record slight growth.

Regardless of the short-term impact factors, however, we see fundamental trends from which we can benefit. Continuing urbanization and population growth continue to create demand for new infrastructure as well as the maintenance and expansion of existing infrastructure. Climate change is a further driver for our markets. Alternative energy sources also require appropriate infrastructure. Increasing digitalization and the focus on sustainability offer opportunities for new business models and the continued development of our own processes and services.

We consider ourselves to be well-positioned for the current year and beyond, thanks to our generally healthy order backlog, investments in the development and enhancement of our technologies as well as our considerable efforts in the area of digitalization. Digitalization projects such as “Digital Construction” let us open up new markets and strengthen our position in specialist foundation engineering. With new technologies, products and methods in the area of renewable energies, such as the foundation for offshore wind parks, we consider ourselves to be well-positioned for the future in the Construction and Equipment segments. Our Equipment segment also benefits from the possibilities of predictive maintenance and assistance systems as well as the growing demand for alternative drive systems. The Resources segment is well-positioned for the future with technologies for the area of mining in a world with raw materials that are becoming scarcer. The innovations in the areas of environmental services, water treatment and rehabilitation address the trend of sustainability as well as climate and environmental protection. With new products and solutions in the area of geothermal heat or CO_2 reduction, we are focusing on future markets.

We are also working on the improvement of our cost structures and the expansion of synergies within the Group. Improvement of our working capital and cost base is being supported with a long-term program of measures. In particular, this is true for the production of our equipment and the development of new products as well as for the more flexible adjustment of our capacities to fluctuations on the global markets.

We have assessed all known risks and opportunities in our plans and anticipated both positive and negative scenarios as thoroughly as possible. However, in specialist foundation engineering and our other business, the composition of the construction soil or ground is essentially always an element that can give rise to unforeseen factors despite extensive preliminary surveys. These factors can impede construction works and in some cases also cause financial losses.

We remain convinced of the basic strategic objective of the Group. The strategic structure comprising the Construction, Equipment and Resources segments will continue to dictate the direction of the Group over the coming years.

FORECAST FOR THE SEGMENTS AND BAUER AG

Construction segment

Overall, we anticipate slight growth for the construction markets worldwide. The very high demand for infrastructure around the world will continue to shape the construction sector.

For Germany we expect a stable market environment, particularly in the area of infrastructure expansion. For real estate development in Germany we anticipate a decreasing market due to the higher interest rates, which would impact our business accordingly. Across Europe, we assume there will be good development in total in the individual markets. The Middle East already experienced growth again last year with the increase in raw material prices. We expect that this will continue, whereby Saudi Arabia in particular represents an exceptional boom with its major projects such as NEOM. Based on our order situation and the market environment in the USA, we are confident of a positive financial year. In the countries of Asia, we have very significantly reduced our structures over the last two years. After the end of the strict COVID-19 measures, the construction markets here recorded growth again in the previous year. We assume that this will continue in the current year.

The focus of our efforts in 2022 was the adjustment of our international position in the Construction segment. To remain profitable in the long term, we only want to maintain our presence with a subsidiary in those countries where we see a sufficiently large market for the coming years. Consequently, we have started to reduce the number of subsidiaries. This will not affect the capacity to execute large projects. In the future, our global and regionally organized position will enable us to offer and manage large projects in countries without a fixed branch office. These measures are already well advanced, but will continue to be felt to a lesser extent in 2023 and cause isolated restructuring expenses.

For 2023, we are rather cautious due to the further insecurities concerning potential impacts resulting from Russia’s war against Ukraine, high inflation and further increasing interest rates, although in principle we anticipate slight growth in most construction markets around the world. Due to the reduction of our subsidiaries that was largely concluded in the previous year, we anticipate a decrease in revenue, which however in our view can be compensated by pending major projects and the market growth.

Based on this, for the Construction segment we expect to see a slight increase in total Group revenues and a significant increase in EBIT in the positive range compared with the previous year.

Equipment segment

In line with the expectations for the construction markets, we also anticipate slight growth for the equipment markets. In the previous year, nearly all regions of the world recorded good growth. In China alone, the strict zero-COVID policy impeded sales activities to a considerable extent. Consequently, the country recorded a significant drop in the sale of construction equipment. For the current year, we expect that China will experience a slight recovery, yet the market will remain difficult.

Our focus continues to be on innovations in the Equipment segment – at Bauma in Munich, we were able to present some new developments again in October 2022. These include the first fully electric drilling rig from Bauer, the first hybrid-powered telescoping leader as well as new digital applications and assistance systems for our customers. We are also working intensively on the optimization of our supply chain management. The goal here is to offer shorter standard delivery times for customers of specialist foundation engineering equipment and to improve the working capital with lower inventories of finished goods. The project is planned for a period of multiple years.

For 2023, in principle we anticipate slight growth in the markets. Nevertheless, uncertainties from the potential further consequences of Russia's war against Ukraine, high inflation and rising interest rates pose a major challenge for sales. This market environment makes it more difficult for customers to make larger investment decisions and may also negatively impact our business as a result. The future development of the market in China, as one of the largest construction equipment markets in the world, contributes additional uncertainty here. However, we anticipate a stable revenue performance in total on a par with last year's solid level and an improved earnings performance again due to the negative isolated effects included in the previous year.

Given these assumptions, we expect for the Equipment segment that the total Group revenues will remain at the previous year's level in 2023 and EBIT will be significantly higher than in the previous year.

Resources segment

The Resources segment was markedly shaped by isolated negative effects on the results in the financial year gone by. In contrast, the purely operational business performance was again solid.

The environmental business continues to have positive prospects and has recorded good demand despite a slight slowdown. As we anticipate a decreasing market for real estate development in Germany due to the higher interest rates, we expect that our business could also be slightly negatively impacted in the area of brownfield remediation. Independently of this, we anticipate positive performance for the other areas such as disposal or geothermal heat.

For the areas of water well construction and mining, we expect positive performance. Here there is a stable to increasing demand for special services as well as for water well construction products. In the area of drilling services, the subsidiary in South Africa was terminated and it was resolved to close the subsidiary in Jordan – both of which led to a significant negative effect on results in 2022. Apart from this, we are anticipating a further market improvement due to the renewed increase in raw material prices.

In the constructed wetlands division, there continue to be good opportunities due to a large planned project in Oman. A potential order for a site in Bahrain was withdrawn by the customer in 2022. In 2023, we would also like to address the markets in Europe and the USA more intensively.

The rehabilitation division newly created in 2021 is recording a good order backlog and a stable market due to the high backlog demand in the infrastructure sector in Germany.

The Resources segment was particularly influenced by negative effects on results in 2022, which are independent of the operative performance of the relevant businesses for the future. The reduction of subsidiaries will lead to a decrease in revenue performance in the coming year.

For the Resources segment in 2023, we therefore expect that the total Group revenues will be considerably below the previous year, but assume a significant increase in EBIT in the positive range compared with the previous year.

BAUER AG

In 2023, BAUER AG expects a slight increase in sales revenues.

TOTAL GROUP FORECAST

The total Group forecast is derived primarily from the overall consideration and aggregation of the expectations described in the previous section for the individual business segments.

The largest uncertainty factors for the Group as well are the further development of Russia's war against Ukraine, potential further consequences arising from this for the global economy, high inflation, further increasing interest rates as well as increased prices for raw materials and energy. In our view, all these issues will continue to be potential major influencing factors throughout the entire year, which may negatively influence our own business and our equipment customers. As all these topics could have a very considerable influence that is scarcely possible to estimate, we are proceeding with caution in our expectations for the current business year. In our forecast, we also assume that the consequences of the COVID-19 pandemic in 2023 will no longer significantly impact the Group business performance.

These assessments as well as the aggregation of the expectations for the individual segments form the basis of our scenarios for the current financial year and we have attempted to take these into account as well as possible for the Group forecast. The range for our performance indicator EBIT is also defined given this background and the associated ongoing difficulty of predicting the further effects in the current financial year.

Based on the information available to us at the time of completing this management report and taking account of the influencing factors mentioned, we anticipate a slight decrease in **total Group revenues** and **EBIT** of between EUR 35 million and EUR 60 million in the 2023 financial year.

In 2022, the Group once again reported a significant loss in earnings after taxes. In order to sustainably further improve the equity ratio, the Executive Board will therefore recommend that the Supervisory Board proposes to the Annual General Meeting that no dividends be distributed. In the medium term, however, we continue to maintain our dividend policy, which plans for a dividend ratio of approximately 25 to 30% of reported earnings after taxes.

Comparison: Actual 2022 / Forecast 2023

in EUR million	Actual 2022	Forecast 2023
Total Group revenues	1.748	slight decrease
EBIT	-68.0	35 - 60

VII. LEGAL DISCLOSURES

STATUTORY DISCLOSURES REGARDING TAKEOVERS

The following disclosures are made pursuant to section 315 a and section 289 a of the German Commercial Code (HGB) as per December 31, 2022.

COMPOSITION OF SUBSCRIBED CAPITAL

The subscribed capital (share capital) of BAUER AG amounts to EUR 111,186,566.76. The subscribed capital is divided into 26,091,781 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 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 44 of the German Securities Trading Act (WpHG). Shares with special rights entailing control powers were not issued. Employees holding a capital share in BAUER AG exercise their rights of control like other shareholders in accordance with the statutory provisions and the Articles of Association.

The members of the Bauer family and the BAUER Stiftung, Schrobenhausen, informed the company that they own a total of 9,399,100 no-nominal-value bearer shares in BAUER AG on the basis of a pool agreement, representing a 36.02% shareholding in the company. The pool agreement provisions include binding voting commitments as well as restrictions on the transferability of pool members' shares. Furthermore, Doblinger Beteiligung GmbH announced that it holds 7,827,533 no-nominal-value bearer shares in BAUER AG on June 24, 2021, representing a 29.999995% shareholding. No other direct or indirect participations in BAUER AG share capital exceeding 10% of the voting rights are known to the company.

AUTHORITY OF THE EXECUTIVE BOARD TO ISSUE OR BUY BACK SHARES

In the Extraordinary General Meeting on November 18, 2022, it was resolved to increase the company’s share capital from its current value of EUR 111,186,566.76, divided into 26,091,781 no-nominal-value bearer shares, by up to EUR 74,124,374.99 against cash contributions by the issue of up to 17,394,520 new no-nominal-value bearer shares in the form of common shares (with voting rights) with a proportion of the share capital amounting to EUR 4.26 (rounded) per share. The shareholders are granted the statutory subscription rights and the Executive Board has been authorized, with the consent of the Supervisory Board, to stipulate the further details of the capital increase, its execution and the conditions for the issue of shares.

Since then, article 4 (4) of the company’s Articles of Association states that the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or more than once up to March 30, 2026, by up to a total of EUR 10 million by issuing new no-nominal-value bearer shares against cash and/or non-cash contributions (2021 authorized capital). To that end, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

a) in the case of capital increases in return for non-cash contributions, particularly for the purpose of purchasing companies, parts of companies, participations in companies and other assets or claims for the purchase of assets, including receivables from companies or their Group companies, or for the purpose of company mergers;

b) in the event of capital increases against cash contributions where the issue amount of the new shares is not materially below the market price of the already quoted shares at the time that the issue price is set definitively and the shares issued excluding shareholders’ subscription rights pursuant to section 186 (3) sentence 4 of the 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 of the 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;

c) to compensate fractional amounts resulting during capital increases in return for cash and/or non-cash contributions due to the subscription ratio;

d) to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as a non-cash contribution to the company in return for the issuance of new shares from the 2021 authorized capital.

By resolution in the Annual General Meeting adopted on June 27, 2019, the company was authorized to purchase treasury stock, over a limited period up to June 26, 2024, representing up to a total of 10% of the company's share capital at the time the resolution was passed. The shares shall be purchased at the discretion of the Executive Board by means of a public tender offer or via the stock market. If the acquisition is effected via the stock market, the acquisition price (excluding ancillary costs) may be no more than 10% above or below the mathematical average of the closing prices per share on the trading day for shares in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange for the three trading days prior to the date of entering the obligation to purchase. 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 below the mathematical 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 publication of the public tender offer. If significant variations of the decisive share price occur after the day of publication of the public tender offer, the purchase price may be adjusted.

The Executive Board shall be authorized to appropriate the shares 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 via 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) on the Frankfurt Stock Exchange. The shares may also be transferred to third parties, provided this is done for the purpose of effecting company mergers or acquiring companies, parts of companies, shareholdings in companies or other assets. They can also be issued to employees and members of management in the company or affiliated companies as part of share option or employee participation programs. The aforementioned shares may be redeemed without the need for a further General Meeting resolution to approve the redemption or its execution. With regard to the use of the bought-back shares, the authorization provides, in specific cases, for subscription rights of shareholders to be excluded. The facility to acquire treasury stock has not been utilized to date.

APPOINTMENT AND TERMINATION OF APPOINTMENT OF EXECUTIVE BOARD MEMBERS, AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The appointment and termination of appointment of members of the Executive Board of BAUER AG is regulated by sections 84 and 85 of the AktG and sections 30 et seq. of the German Employee 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 Executive 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 2022 financial year, the Executive Board comprised three members appointed by the Supervisory Board and a CEO as well as a Labor Director. It is permissible to re-appoint or extend the appointment of an Executive Board member for a further maximum term 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 Executive Board or an appointment as chairman for good cause. The Presidial and Personnel Committee of the Supervisory Board prepares the Supervisory Board decisions on the appointment and termination of appointment of Executive Board members and concerns itself with the long-term planning of successor members for appointment to the Executive Board.

In accordance with section 119 (1) number 6 and section 179 of the AktG, the amendment of the Articles of Association is passed by the 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 that 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 period of authority according to the respective utilization of the authorized capital.

CHANGE OF CONTROL

Together with other Group companies, BAUER AG has concluded a syndicated loan agreement providing a credit line of up to EUR 390 million and a further syndicated loan agreement with a balance of EUR 7.3 million at the end of the year; this contains a provision for the lenders to terminate their loan commitments in the event of a change of control or if control is gained by a third party. A change of control within the meaning of these syndicated agreements occurs if, overall, more than 50% of the capital shares or voting rights in the parent company is held directly or indirectly by one or more persons acting jointly (with the exception of members of the Bauer family).

Furthermore, several long-term loans with balances totaling EUR 100.7 million as of 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 generally 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 rights 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. As a consequence, cross-default or cross-acceleration clauses in other loan agreements could lead to the termination of other credit lines.

Additional short- and long-term loan agreements also exist within the Group that 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 Executive Board or employees regarding provisions for compensation in the event of a takeover offer.

DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289 F OF THE HGB IN CONJUNCTION WITH SECTION 315 D OF THE HGB

With effect from March 22, 2023, the Executive Board of BAUER AG issued a declaration on corporate governance pursuant to section 289 f of the HGB in conjunction with section 315 d of the HGB and made this publicly available on the website https://www.bauer.de/bauer_group/investor_relations/publications/annual_report. It includes the declaration of compliance pursuant to section 161 of the AktG, relevant information about corporate governance practices, a description of the composition and roles of the Executive Board and Supervisory Board as well as the composition and roles of its committees, the target figures for female quota in the Executive Board and the two executive levels below the Executive Board, information about compliance with minimum quotas of women and men in the Supervisory Board and details of the diversity concept.

NON-FINANCIAL GROUP REPORT 2022

At the same time as the annual report, BAUER AG also published a separate non-financial Group report pursuant to sections 315 b, 289 b of the HGB at https://www.bauer.de/bauer_group/investor_relations/publications/annual_report. It outlines environmental, employee and social concerns, respect for human rights as well as anti-corruption and anti-bribery policies as non-financial aspects and disclosures regarding the EU taxonomy.

Schrobenhausen, March 31, 2023
BAUER Aktiengesellschaft

Dipl.-Ing. (FH)
Florian Bauer, MBA

Peter Hingott

Bauer share

Numerous influencing factors burden the global economy
According to figures from the IMF, in 2022 the global economy recorded weaker growth of +3.2% (previous year: +6.0%) after a significant increase in the previous year. Of the industrialized nations (+2.4%), the countries in Europe made particular gains. On the other hand, Germany remained behind in growth at +1.5% (previous year: +2.6%).

The COVID-19 pandemic continued to shape economic development in China. Due to its strict zero-COVID policy, the country experienced a significant decrease in growth at +3.2% (previous year: +8.2%), while most of the other Asian countries reopened and achieved stronger growth as a result. Supply chains, already considerably disrupted in 2021, relaxed somewhat by the end of 2022.

Significant factors with a negative impact on the economy included high raw material prices as well as increasingly ballooning inflation, both of which were major consequences of the war in Ukraine starting with Russia's invasion in February 2022. The consequences of this war had a considerable negative impact on the global economy. Growing tensions between the West and Russia along with China generated an environment marked by significant uncertainties.

After starting the year at around USD 80 per barrel, the price for Brent crude increased to more than USD 120 in the first half of the year as a result of the war. By the end of 2022, the price decreased continuously back to the starting level of around USD 80.

Inflation rates increased drastically worldwide. In the euro zone as well as in Germany, inflation was around 11%. The Federal Reserve in the USA and the ECB reacted in multiple steps by raising key interest rates considerably, with the Federal Reserve rate increasing to between 4.0 and 4.5% and the ECB rate to 2.5% by the end of 2022.

These numerous negative influencing factors led to a markedly negative stock market development overall. Although recovery set in again in the fourth quarter of 2022 overall, the expectations remained rather negative.

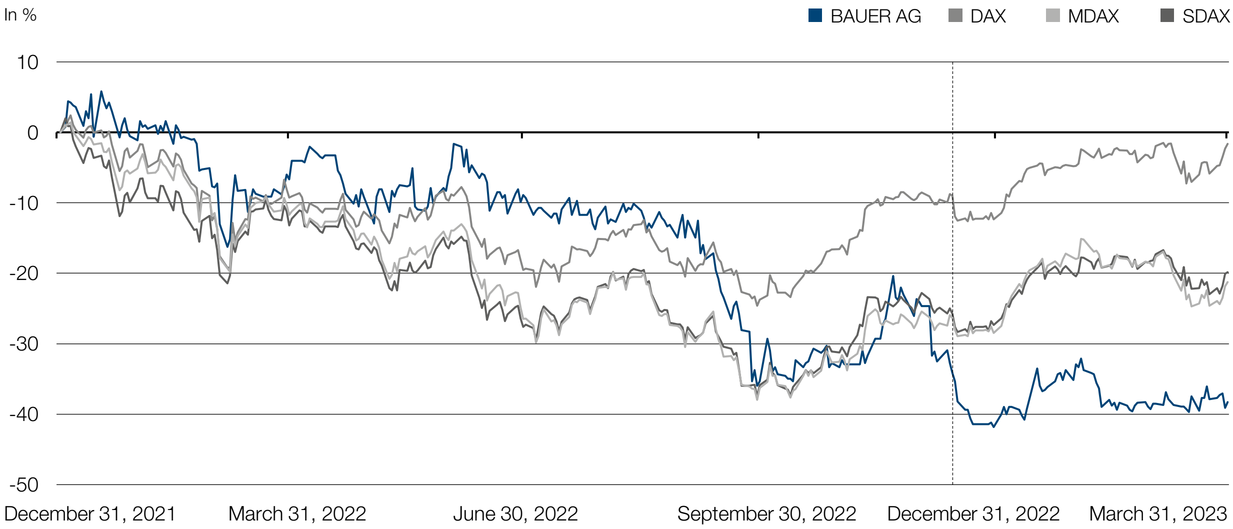
Bauer share records weak stock market year
The 2022 stock market year started with a slight price increase for the Bauer share. Within the first trading days, the yearly high of EUR 10.26 was already reached. Following this, however, the price fell until early March in line with the negative stock market development due to the start of Russia's war against Ukraine.

In the following months, the price recovered again slightly, performed well in the difficult stock market environment and was significantly ahead of the DAX and SDAX benchmark indices at times. The long sideways movement of the share price

Share information

ISIN/WKN	DE0005168108 / 516810
Ticker symbol	B5A
Trading segment	Frankfurt, Prime Standard
Share indices	CDAX, DAXplus Family
Class of share	No-nominal-value bearer shares
Share capital	EUR 183,339,656.28
Number of shares	43,037,478
Shareholder structure	SD Thesaurus GmbH (27.9%), Doblinger Beteiligung GmbH (24.9%), Free Float 47.2%

Performance of the Bauer Share



remained undisrupted until the ad-hoc announcement concerning the forecast adjustment in mid-September. As a consequence, the price fell to below EUR 6.50.

The price was only minimally affected by the announcement regarding the convocation of a General Meeting with a resolution to implement a capital increase. By early December the price recovered to roughly EUR 7.50, until the ad-hoc announcements concerning details of the capital increase, the renewed forecast adjustment and the temporary suspension of the capital increase again brought the share under pressure.

The lowest price for the year, on December 30 at EUR 5.76, was also the closing price. The Bauer share lost 42.3% of its total value during the 2022 stock market year. The DAX (-13.1%) and SDAX (-28.8%) benchmark indices recorded a considerably smaller loss.

In the first weeks of 2023, the share price rose to more than EUR 6.50 in line with the general stock market development. In early February, the price then fell back to a level of roughly EUR 6.00 and scarcely changed in the following weeks. The share closed the first quarter of 2023 at EUR 6.10.

Return to in-person meetings with shareholders

As a result of the COVID-19 pandemic, most meetings with interest groups on the capital market were still held in virtual form during the first half of 2022. Starting from the middle of the year, the Executive Board and Investor Relations team began attending in-person conferences and roadshows again in order to resume personal interaction with analysts or shareholders. Nevertheless, the virtual options have been maintained as a rapid and straightforward form of interaction.

The situation was similar for the General Meetings. While the Annual General Meeting on June 23 was still held virtually, the Extraordinary General Meeting on November 18 was once again held at the company's headquarters, thus enabling direct dialog.

KEY FIGURES

	2019	2020	2021	2022
Earnings per share (in EUR)	-2.17	-0.48	-0.02	-3.66
Dividend per share (in EUR)	0.00	0.00	0.00	0.00*
Dividend total (in EUR thousand)	0	0	0	0*
Year-end price (in EUR)	15.10	10.52	9.90	5.76
Annual high (in EUR)	24.30	16.30	13.68	10.26
Annual low (in EUR)	12.62	8.53	9.54	5.76
Year-end market capitalization (in EUR thousand)	258,678	198,240	258,309	150,289
Average daily trading volume (units)	40,742	22,817	19,104	11,100

* Proposed, subject to the approval of the General Meeting on June 22, 2023

In 2022, four analysts regularly reported on the Bauer share. Two research firms, Montega AG and Quirin Privatbank, began covering BAUER AG in the first half of 2022. As a result, an appropriate number was once again achieved for coverage. At the end of the year, three analysts voted “Hold” and one analyst voted “Buy.” The average target share price was EUR 8.63.

Capital increase 2022/2023

In mid-October, the Executive Board issued an ad-hoc announcement concerning the proposal for a resolution on a capital increase with subscription rights and called an Extraordinary General Meeting on November 18, 2022 for this purpose. This meeting approved the implementation of a regular capital increase against cash contributions.

Due to actions filed concerning the resolution of the Extraordinary General Meeting, the company needed to temporarily suspend the capital increase at the end of the year, which was communicated to the capital market in an ad-hoc announcement on December 19. At the end of January 2023, a court settlement was reached with the claimants and the capital increase was successfully implemented within the first quarter of 2023. The shareholder structure changed as a result, meaning that BAUER AG now has two strong shareholders with SD Thesaurus GmbH (27.9%) and Doblinger Beteiligung GmbH (24.9%).

Dividend policy

The Bauer dividend strategy is fundamentally aimed at providing shareholders with an appropriate and fair participation in the success of the business, maintaining continuity and safeguarding the equity ratio.

Equity was reinforced again by the capital increase concluded in March 2023, yet it is still necessary to continue striking a careful balance between continuity and shareholder participation on the one hand, and safeguarding our equity ratio on the other. Due to the considerable losses for the Group in 2022, the Executive Board will therefore recommend that the Supervisory Board proposes to the Annual General Meeting that no dividends be distributed.

Report of the Supervisory Board 2022

The work of the Supervisory Board in the 2022 financial year, for the third year in a row, was shaped by uncertainties concerning the future course of the effects of the COVID-19 pandemic. This was accompanied by the start of the war in Ukraine and its effects on the global markets both with regard to the supply chains as well as the construction and equipment markets. As a result, the conditions for the global economy and for our company have changed significantly.

The Supervisory Board regularly monitored the work of the Executive Board during the 2022 financial year on the basis of the detailed reports provided by the Executive Board in written and verbal form and provided support in the form of advice. The Executive 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 Executive Board generally 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 Executive Board, in particular with the CEO, gathered information as appropriate relating to the course of business and key transactions and discussed strategic topics as well as risk situations.

Due to a conflict of interests owing to a subscription obligation of SD Thesaurus GmbH in the context of the capital increase resolved by the Extraordinary General Meeting on November 18, 2022, Ms. Sabine Doblinger did not participate in the consultations and resolution concerning the details for execution of the capital increase. Apart from this, there were no indications of conflicts of interest among members of the Executive Board or Supervisory Board requiring immediate notification of the Supervisory Board and disclosure to the General Meeting.

MAIN FOCUS OF CONSULTATIONS IN SUPERVISORY BOARD MEETINGS

In the year under review, there were six plenary Supervisory Board meetings, and two resolutions were adopted by means of a resolution procedure in writing. Current business and earnings performance, order backlog development and developments in the markets in the business segments were discussed at all quarterly Supervisory Board meetings. The Supervisory Board takes into account the reports of the committees.

At the annual financial review meeting in April relating to the annual and consolidated financial statements for the 2021 financial year, also attended and informed by the auditor, a detailed review was undertaken of the respective financial statements along with the combined management report and the proposal of the Executive Board with regard to the appropriation of retained earnings. The key audit points comprised a review of the assessment of shares valued using the equity method, financing, derivative financial instruments, an offshore wind park project, reporting of deferred taxes as well as the 2021 capital increase. After reviewing the audit reports for the annual financial statements, the annual and consolidated financial statements were adopted and approved by the Supervisory Board. The declaration on corporate governance and the non-financial Group report for the 2021 financial year were also confirmed and the remuneration topics concerning the remuneration report were discussed. During this meeting, the Supervisory Board also addressed the extension of Executive Board member Florian Bauer’s term of office, as well as the invitation to the Annual General Meeting. With regard to the current business development, in particular the effects of the war in Ukraine and the government sanctions on the Group were discussed.

In the June session, the Supervisory Board addressed the operative business performance, focusing on major projects in the Construction segment and the development of personnel expenses. The knowledge obtained from an offshore wind park project as well as the determination of targets for the female quota in the Executive Board were addressed separately and the target was defined afterwards in a written resolution.

In the September session, the Supervisory Board focused on the adjustment of the annual forecast, an analysis of material price increases, the business development in the markets as well as the BAUER +4/2024 program along with a program of measures to improve the operative business performance. As additional key points, the composition of the Supervisory Board as well as the competency profile for the entire body were defined.

In October of the year under review, the Supervisory Board met to convene an Extraordinary General Meeting that approved the proposal to increase the company's share capital from its current value of EUR 111,186,566.76, divided into 26,091,781 no-nominal-value bearer shares, by up to EUR 74,124,374.99 against cash contributions by the issue of up to 17,394,520 new no-nominal-value bearer shares in the form of common shares (with voting rights) with a proportion of the share capital amounting to EUR 4.26 (rounded) per share including shareholders' subscription rights. After a corresponding resolution was approved at the Extraordinary General Meeting on November 18, 2022, the further details of the resolved capital increase were determined in a separate video conference in early December.

In early December, the Supervisory Board met to discuss the impairment need based on the weighted average cost of capital (WACC) and the changed assessment of country risks in the valuation of the subsidiaries and their assets as well as portfolio streamlining through the winding-up of subsidiaries. The organizational structure and the program modules for improving business performance were also discussed, and an updated Declaration of Conformity in accordance with the German Corporate Governance Code was resolved along with the annual planning for the 2023 financial year. Furthermore, in the last meeting of the year, the basic salary and target remunerations of members of the Executive Board for the 2023 financial year were determined.

WORK CARRIED OUT BY THE COMMITTEES

There are four committees in the Supervisory Board, though the Mediation Committee was not required to convene. The committee chairpersons submitted regular reports on the main content of the committee meetings to the plenary Supervisory Board meetings.

The Nomination Committee did not meet due to a lack of pending vacancies. Two meetings of the Presidial and Personnel Committee were convened. At those meetings, the remuneration system for members of the Executive Board was addressed and preparations were made for decisions of the Supervisory Board relating to determination of salaries and performance bonuses for members of the Executive Board as well as the performance bonus framework. In addition, the committee addressed the remuneration report pursuant to section 162 of the German Stock Corporation Act (AktG), the Declaration on Corporate Governance as well as the Declaration of Conformity in accordance with the German Corporate Governance Code.

The Audit Committee met seven times in the year under review. The committee reviewed the audit of the non-financial Group report, the quarterly statements, the half-year interim report and, in the presence of the auditors, the audit of the annual financial statements and the consolidated financial statements of the Group. It also scrutinized the Executive Board proposal regarding the appropriation of earnings as well as the selection and appointment of auditors and assessed the quality of the company audit. The Audit Committee obtained the required declaration of independence from the auditor and agreed on the fees for auditing services. The audit focus for key audit points was determined in consultation with the auditor. Furthermore, the committee reviewed the handling of interest and price increases as well as the availability of supplier products, discussed the handling of EU sanctions due to the war in Ukraine, and held a special session to accept the reports concerning risk management, internal auditing and the implementation of the Supply Chain Due Diligence Act ("Lieferkettensorgfaltspflichtengesetz"), to review the earnings performance and the projections for the end of the year and to address the medium-term financial targets. The project development and knowledge obtained from an offshore wind park project as well as the handling of interest and currency hedges were reviewed separately by the committee. In addition, the preparation of a capital increase including shareholders' subscription rights and the creation of a securities prospect in this regard were reviewed, valuation allowances due to the rise in WACC rates as well as increased country risks were discussed, and the risks and opportunities for business development were regularly examined.

ATTENDANCE, ONGOING EDUCATION

As in previous years, in the 2022 financial year there was once again a consistently high participation rate in the Supervisory Board meetings as well as in its committees. The Mediation Committee and Nomination Committee did not need to meet according to their responsibilities. The meetings of the Supervisory Board and its committees are all conducted in hybrid form as a rule, with an in-person and video and/or phone conference, in order to facilitate the participation of all members of the Supervisory Board and achieve high participation rates. Only two Supervisory Board meetings were conducted solely as a video and/or phone conference. In principle, the members of the Supervisory Board are independently responsible for completing the training and ongoing education measures that are required for their activities. On a yearly basis, the members are reminded by the company in writing of their cardinal duties as members of the Supervisory Board.

Session attendance for members of the Supervisory Board

	Supervisory Board meeting	Presidential and Personnel Committee	Audit Committee	Nomination Committee
Number of sessions held	**6**	**2**	**7**	**0**
Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer	6	2		0
Rainer Burg	6			
Sabine Doblinger	6			0
Petra Ehrenfried	6			
Maria Engfer-Kersten	4		7	
Robert Feiger	4			
Reinhard Irrenhauser	6	2		
Klaus Pöllath	6	2		
Wolfgang Rauscher	6			
Dipl.-Ing. (FH) Elisabeth Teschemacher	6			0
Dipl.-Kffr. Andrea Teutenberg	6		7	
Gerardus N.G. Wirken	6		7	

AUDITING OF THE 2022 ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of BAUER AG as at December 31, 2022 and the consolidated financial statements of the Group as well as the Combined Management Report, including Group Accounting, were audited by the auditors elected by the General Meeting and duly appointed by the Supervisory Board, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart branch office, and certified by the auditor with an unqualified opinion. The Audit Committee scrutinized the audit documentation, the non-financial Group report and the reports submitted by auditors then presented its findings to the Supervisory Board. The auditor attended the meeting of the Audit Committee as well as the annual financial review meeting of the plenary Supervisory Board.

The annual and consolidated financial statements along with the combined management report, the non-financial Group report and the auditor's reports were provided in good time to all members of the Supervisory Board, who reviewed these documents. The Supervisory Board duly noted and concurred with the findings of the auditor's review of the documents Following conclusion of the Supervisory Board review, no objections were raised, and publication was approved. The annual financial statements of BAUER AG and the consolidated financial statements of the Group were prepared by the Executive Board and approved by the Supervisory Board in a meeting on April 3, 2023. The annual financial statements of BAUER AG were thus adopted. Following prior consultations in the Audit Committee, the Supervisory Board concurred with the proposal of the Executive Board regarding the appropriation of retained earnings. Given the lack of retained earnings, no proposal can be made to the shareholders regarding the appropriation of retained earnings.

On behalf of the Supervisory Board, I would like to thank the members of the Executive Board, all the Group employees and the employee representatives within all Group companies for their great commitment throughout the past financial year. We would also like to thank Mr. Michael Stomberg, who left the company in March 2023, for his cooperation over the past years.

Schrobenhausen, April 2023
The Supervisory Board

Prof. Thomas Bauer
Chairman of the Supervisory Board

The new BAUER eBG 33 drilling rig reduces daily CO_2 emissions by more than 1,200 kg and lowers noise emissions by up to 50%. A joint venture tested the machine at one of the most renowned European infrastructure projects in England - the new high-speed railway HS2.

Balance Sheet and Income Statement of BAUER Aktiengesellschaft in accordance with the German Commercial Code (HGB)

Income Statement of BAUER Aktiengesellschaft

in EUR thousand	12M/2021	12M/2022
Sales revenues	46,042	46,450
Other own work capitalized	335	1,090
Other operating income	32	12,526
	46,409	60,066
Cost of materials		
Expenses for raw materials and supplies and purchased goods	-400	-393
Expenses for purchased services	-7,609	-5,075
	-8,009	-5,468
Personnel expenses		
Wages and salaries	-19,215	-20,651
Social security contributions and expenses for retirement benefits and welfare support	-3,776	-5,129
	-22,991	-25,780
Amortization of intangible fixed assets and depreciation of property, plant and equipment	-2,616	-2,609
Other operating expenses	-55,043	-108,425
Operating result	**-42,250**	**-82,216**
Income from participations	45,967	16,484
Write-downs of financial assets and marketable securities	0	-5,030
Other interest and similar income	5,697	2,983
Interest and similar expenses	-8,405	-7,025
Financial result	**43,259**	**7,412**
Taxes on income and profit	-978	-2,769
Earnings after tax	**31**	**-77,573**
Net loss (previous year: net profit)	**31**	**-77,573**
Withdrawal of capital reserves	0	75,556
Withdrawal of retained earnings	0	2,043
Losses carried forward	-64	-33
Accumulated loss	**-33**	**-7**

Balance Sheet of BAUER Aktiengesellschaft as at December 31, 2022

ASSETS

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Fixed assets		
Intangible assets	5,651	9,481
Property, plant and equipment	5,636	4,985
Financial assets	288,656	331,653
	299,943	346,119
Current assets		
Inventories (of which Raw materials and supplies)	311 (311)	164 (164)
Receivables and other assets (of which receivables from affiliated companies)	29,992 (28,831)	34,500 (33,731)
Cash at banks	0	0
	30,303	34,664
Prepayments and deferred charges	**4,607**	**4,773**
Deferred tax assets	**5,630**	**2,961**
	340,483	**388,517**

EQUITY AND LIABILITIES

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Equity		
Subscribed capital	111,186	111,186
Capital reserve	93,663	18,108
Revenue reserves	2,055	12
Accumulated loss (of which losses carried forward	-33 (-64)	-7 (-33)
	206,871	**129,299**
Provisions (of which provisions for pensions)	24,606 (16,759)	19,684 (18,199)
Liabilities (of which liabilities payable to affiliated companies)	108,976 (4,582)	239,532 (56,998)
Deferred tax liabilities	**30**	**2**
	340,483	**388,517**

Consolidated financial statements in accordance with IFRS

Consolidated Income Statement

INCOME STATEMENT

in EUR thousand	Notes	12M/2021	12M/2022
Sales revenues	(7)	1,433,073	1,630,136
Changes in inventories		5,430	16,039
Other own work capitalized	(8)	15,089	9,396
Other income	(9)	18,835	24,395
Consolidated revenues		**1,472,427**	**1,679,966**
Cost of materials	(10)	-729,697	-876,949
Personnel expenses	(11)	-430,420	-463,442
Other operating expenses	(12)	-160,995	-233,312
Impairments and Impairment Reversals in accordance to IFRS 9	(13)	-9,115	-29,817
Impairments on shares accounted for using the equity method	(14)	0	-25,669
Income from shares accounted for using the equity method	(15)	11,261	9,739
Earnings before interest, tax, depreciation and amortization (EBITDA)		**153,461**	**60,516**
Depreciations			
a) Depreciation of fixed assets	(16)	-106,300	-116,030
b) Write-downs of inventories due to use	(17)	-11,136	-12,510
Earnings before interest and tax (EBIT)		**36,025**	**-68,024**
Financial income	(18)	50,752	117,690
Financial expenses	(19)	-65,495	-98,976
Earnings before tax (EBT)		**21,282**	**-49,310**
Income tax expense	(20)	-17,291	-44,707
Earnings after tax		**3,991**	**-94,017**
of which attributable to shareholders of BAUER AG		-563	-95,516
of which attributable to non-controlling interests		4,554	1,499

in EUR		12M/2021	12M/2022
Basic earnings per share	(21)	-0.02	-3.66
Diluted earnings per share	(21)	-0.02	-3.66
Average number of shares in circulation (basic)		23,083,153	26,091,781
Average number of shares in circulation (diluted)		23,083,153	26,091,781

Consolidated Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	12M/2021	12M/2022
Earnings after tax	**3,991**	**-94,017**
Income and expenses which will not be subsequently reclassified to profit and loss		
Revaluation of obligations arising from employee benefits after termination of the employment relationship	19,089	46,993
Deferred taxes on that revaluation with no effect on profit and loss	-5,388	-13,015
Market valuation of other participations	8,712	-11,033
Deferred taxes on other participations with no effect on profit and loss	-103	53
Income and expenses which will be subsequently reclassified to profit and loss		
Market valuation of derivative financial instruments (hedging reserve)	491	1,399
Included in income and loss	-470	-38
Market valuation of derivative financial instruments (reserve for hedging costs)	374	90
Included in income and loss	-373	-86
Deferred taxes on financial instruments with no effect on profit and loss	-6	-384
Exchange differences on translation of foreign subsidiaries	15,156	-7,253
Other earnings after tax	**37,482**	**16,726**
Total comprehensive income	**41,473**	**-77,291**
of which attributable to shareholders of BAUER AG	37,785	-69,165
of which attributable to non-controlling interests	3,688	-8,126

Consolidated Statement of Cash Flows

in EUR thousand	12M/2021	12M/2022
Cash flows from operational activity:		
Earnings before tax (EBT)	21,282	-49,310
Depreciation of property plant and equipment and intangible assets	106,300	116,030
Writedowns of inventories due to use	11,136	12,510
Impairment losses and reversals in accordance to IFRS 9	9,115	29,817
Impairment losses on shares accounted for using the equity method	0	25,669
Financial income	-50,752	-117,690
Financial expenses	65,495	98,976
Results of deconsolidations	-773	13,862
Other noncash transactions	4,516	75,761
Dividends received	4,195	3,600
Income from the disposal of property plant and equipment and intangible assets	-4,084	-6,573
Income from shares accounted for using the equity method	11,261	9,739
Change in provisions	-7,227	13,695
Change in trade receivables	10,384	-66,383
Change in contract assets	-26,969	17,581
Change in other assets and in prepayments and deferred charges	-14,768	-39,877
Change in inventories	-28,380	-94,837
Change in trade payables	119	48,393
Change in contract liabilities	15,309	19,816
Change in other current and noncurrent liabilities	-21,784	27,468
Cash and cash equivalents generated from daytoday business operations	**104,375**	**138,247**
Income tax paid	-21,460	-37,258
Net cash from operating activities	**82,915**	**100,989**
Cash flows from investing activity:		
Purchase of property plant and equipment and intangible assets	-138,560	-121,924
Proceeds from the sale of property plant and equipment and intangible assets	44,346	41,324
Proceeds from the sale of subsidiaries	0	69
Purchase of financial assets (participations)	33	-3,123
Change in financial resources resulting from the basis of consolidation	-334	0
Net cash used in investing activities	**-94,515**	**-83,654**
Free Cash flow (Cash flow from operating activities + Cash flow from investing activities)	**-11,600**	**17,335**
Cash flows from financing activity:		
Raising of loans and liabilities to banks	224,699	244,093
Repayment of loans and liabilities to banks	-248,650	-213,495
Repayment of liabilities from lease agreements	-14,269	-19,658
Incoming payments from equity contributions by shareholders of the parent company	64,101	0
Payments for transaction costs related to corporate actions	-568	0
Disbursements for the purchase of additional shares in subsidiaries	-221	-100
Dividends paid	-1,261	-1,561
Interest paid	-24,222	-27,674
Interest received	5,140	11,055
Net cash used in financing activities	**4,749**	**-7,340**
Changes in liquid funds affecting payments	**-6,851**	**9,995**
Influence of exchange rate movements on cash	2,133	-6,685
Total change in liquid funds	**-4,718**	**3,310**
Cash and cash equivalents at beginning of reporting period	**46,015**	**41,297**
Cash and cash equivalents at end of reporting period	**41,297**	**44,607**
Change in cash and cash equivalents	**-4,718**	**3,310**

Consolidated Balance Sheet as at December 31, 2022

ASSETS

in EUR thousand	Notes	Dec. 31, 2021	Dec. 31, 2022
Intangible assets	(22)	15,944	16,837
Property, plant and equipment	(22)	506,381	481,743
Investments accounted for using the equity method	(22)	81,881	58,581
Participations	(22)	10,803	2,106
Deferred tax assets	(23)	65,421	33,218
Trade receivables	(24)	8,540	1,056
Other non-current assets	(25)	9,221	8,292
Other non-current financial assets	(26)	23,920	35,747
Non-current assets		**722,111**	**637,580**
Inventories	(27)	457,489	499,004
Less advances received for inventories	(27)	-10,770	-8,995
Total inventories		446,719	490,009
Contract assets	(28)	119,130	96,384
Trade receivables	(28)	243,033	262,056
Receivables from enterprises in which the company has participating interests	(28)	907	1,845
Prepayments	(28)	9,267	13,931
Other current assets	(28)	37,244	46,946
Other current financial assets	(28)	14,128	22,441
Effective income tax refund claims		4,287	4,156
Cash and cash equivalents	(29)	41,297	44,607
Non-current assets held for sale	(30)	1,370	0
Current Assets		**917,382**	**982,375**
		1,639,493	**1,619,955**

EQUITY AND LIABILITIES

in EUR thousand		Dec. 31, 2021	Dec. 31, 2022
Subscribed capital		111,186	111,186
Capital reserve		91,717	16,304
Other revenue reserves and retained earnings		275,166	256,451
Equity of BAUER AG shareholders		**478,069**	**383,941**
Non-controlling interests		3,007	18,370
Equity	**(31)**	**481,076**	**402,311**
Liabilities to banks	(32)	229,005	58,431
Liabilities from lease agreements	(32)	44,941	45,368
Other provisions	(35)	8,001	0
Provisions for pensions	(33)	149,054	102,461
Other non-current liabilities	(32)	7,523	9,341
Other non-current financial liabilities	(32)	25,914	11,522
Deferred tax liabilities	(23)	18,409	10,729
Non-current debt		**482,847**	**237,852**
Liabilities to banks	(34)	204,780	401,819
Liabilities from lease agreements	(34)	19,854	26,234
Contract liabilities	(34)	77,971	89,112
Trade payables	(34)	198,005	230,836
Liabilities to companies and participations accounted for using the equity method	(34)	26,530	27,660
Other current liabilities	(34)	78,633	105,521
Other current financial liabilities	(34)	14,046	15,806
Effective income tax obligations		22,159	35,314
Other provisions	(35)	30,275	43,976
Provisions for pensions	(33)	3,317	3,514
Current debt		**675,570**	**979,792**
		1,639,493	**1,619,955**

Consolidated Statement of Changes in Equity from January 1, 2021 to December 31, 2022

in EUR thousand			Other revenue reserves and retained earnings							
	Subscribed capital	Capital reserve	Revenue reserves	of foreign subsidiaries	Derivative financial instruments (hedging reserve)	Derivative financial instruments (reserve for hedging costs	Equity instruments	Shares held by shareholders of BAUER AG	Non-controlling interests	Total
As at January 1, 2021	**80,301**	**47,069**	**265,111**	**-27,651**	**-14**	**-3**	**-91**	**364,722**	**801**	**365,523**
Earnings after tax	-	-	-563	-	-	-	-	-563	4,554	3,991
Exchange differences on translation of foreign subsidiaries	-	-	-	16,022	-	-	-	16,022	-866	15,156
Revaluation of obligations arising from employee benefits after termination of the employment relationship	-	-	19,089	-	-	-	-	19,089	0	19,089
Market valuation of other participations	-	-	-	-	-	-	8,712	8,712	0	8,712
Market valuation of derivative financial instruments	-	-	-	-	21	1	-	22	0	22
Deferred taxes with no effect on profit and loss	-	-	-5,388	-	-6	-	-103	-5,497	0	-5,497
Total comprehensive income	-	-	13,138	16,022	15	1	8,609	37,785	3,688	41,473
Changes in basis of consolidation	-	-	29	-	-	-	-	29	0	29
Dividend payments	-	-	0	-	-	-	-	0	-1,261	-1,261
Capital increase	30,885	45,216	0	-	-	-	-	76,101	0	76,101
Costs of capital increase	0	-568	0	-	-	-	-	-568	0	-568
Other changes	0	0	0	0	0	0	0	0	-221	-221
As at Dec. 31, 2021	**111,186**	**91,717**	**278,278**	**-11,629**	**1**	**-2**	**8,518**	**478,069**	**3,007**	**481,076**

in EUR thousand	Subscribed capital	Capital reserve	Other revenue reserves and retained earnings: Revenue reserves	of foreign subsidiaries	Derivative financial instruments (hedging reserve)	Derivative financial instruments (reserve for hedging costs	Equity instruments	Shares held by shareholders of BAUER AG	Non-controlling interests	Total
As at January 1, 2022	**111,186**	**91,717**	**278,278**	**-11,629**	**1**	**-2**	**8,518**	**478,069**	**3,007**	**481,076**
Earnings after tax	-	-	-95,516	-	-	-	-	-95,516	1,499	-94,017
Exchange differences on translation of foreign subsidiaries	-	-	-	2,372	-	-	-	2,372	-9,625	-7,253
Revaluation of obligations arising from employee benefits after termination of the employment relationship	-	-	46,993	-	-	-	-	46,993	0	46,993
Market valuation of other participations	-	-	-	-	-	-	-11,033	-11,033	0	-11,033
Market valuation of derivative financial instruments	-	-	-	-	1,361	4	-	1,365	0	1,365
Deferred taxes with no effect on profit and loss	-	-	-13,015	-	-384	-	53	-13,346	0	-13,346
Total comprehensive income	**-**	**-**	**-61,538**	**2,372**	**977**	**4**	**-10,980**	**-69,165**	**-8,126**	**-77,291**
Changes in basis of consolidation	-	-	0	-	-	-	-	0	0	0
Dividend payments	-	-	0	-	-	-	-	0	-1,561	-1,561
Acquisition of minority interests in fully consolidated subsidiaries	-	-	-25,050	-	-	-	-	-25,050	25,050	0
Offsetting the loss carryforward	-	-75,556	75,556	-	-	-	-	0	0	0
Other changes	0	143	-56	0	0	0	0	87	0	87
As at Dec. 31, 2022	**111,186**	**16,304**	**267,190**	**-9,257**	**978**	**2**	**-2,462**	**383,941**	**18,370**	**402,311**

Notes to the Consolidated Financial Statements

GENERAL NOTES

GENERAL INFORMATION ABOUT THE GROUP

BAUER Aktiengesellschaft, Schrobenhausen, Germany (referred to in the following as BAUER AG) is a stock corporation under German law. Its registered office is at BAUER-Strasse 1 in Schrobenhausen and the company is entered in the Commercial Register of Ingolstadt (HRB 101375). BAUER Aktiengesellschaft is the highest- and lowest-level parent company whose consolidated financial statements include the individual financial statements of BAUER Aktiengesellschaft. The consolidated financial statements of BAUER Aktiengesellschaft, prepared according to the regulations of the International Financial Reporting Standards as adopted in the EU, are published in the German Federal Gazette ("Bundesanzeiger").

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 business activities of the Group are divided into three operating segments: Construction, Equipment and Resources.

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

EFFECTS OF THE COVID-19 PANDEMIC ON ACCOUNTING

In the 2022 financial year, business development of the BAUER Group was impacted to a lesser extent by the effects of the COVID-19 pandemic. Effects of the COVID-19 pandemic varied considerably depending on the segment. In the Construction segment, there were no more restrictions for construction operations in the 2022 financial year in nearly all countries in Europe, the Middle East, the Americas and Africa. In the Asia-Pacific region, which was most significantly affected in the previous years by extensive curfews and an ongoing shutdown of the economy, most countries gradually relaxed the requirements in the first half of 2022. Accordingly, the region is recovering late and slowly, which also applied for the construction markets. Thailand, Singapore, Australia and the Philippines were able to recover faster and to a greater extent than other markets in the region, which has also had positive effects on the local construction demand. As a result, it was possible to increase total Group revenues again. However, EBIT decreased compared to the previous year. This primarily concerned the countries in Asia, where significant losses were reported. In 2022, the Equipment segment recorded a considerable increase in the revenue and earnings figures from the operational business compared to the previous year. Global construction equipment markets were scarcely impacted by the consequences of the COVID-19 pandemic anymore in 2022. Particularly in Europe and North America, solid growth was recorded once again. In the other Asian countries, there was a slight recovery of the demand for construction equipment after the pandemic in line with the construction markets. One exception in 2022 was China, which continued to adhere to its zero-COVID policy, further weakening the market in addition to the local real estate crisis. This resulted in a very low level of construction activity. Consequently, the market for construction equipment also fell considerably, so that sales for the Equipment segment in China were once again at a very low level. As in the previous years, the Resources segment was nearly unaffected by the COVID-19 pandemic. Total Group revenues increased slightly, yet EBIT worsened considerably. Effects of the COVID-19 pandemic and the measures promptly introduced by management to safeguard the earnings and liquidity situation of the BAUER Group are described in detail in the Combined Management Report.

EFFECTS OF THE UKRAINE CRISIS ON ACCOUNTING

In the Construction segment, the sanctions imposed because of the situation in Ukraine meant that construction activities, as well as the mobilization and procurement measures to be carried out in this context, became practically impossible. For these reasons it was resolved to sell a subsidiary in Russia. This sale led to a negative contribution to earnings. In the Equipment segment, the impairment tests which became necessary due to the "triggering event" of the Ukraine crisis were carried out for the Russian companies. The recoverable amounts determined from the medium-term planning also led to a negative contribution to earnings in the Equipment segment. In contrast, the Resources segment was scarcely impacted by the effects of the Ukraine crisis.

MAIN CHANGES IN THE CURRENT REPORTING PERIOD

In accordance with IAS 8.41, significant errors from earlier periods are to be corrected when they are discovered. In accordance with IAS 1.40A in conjunction with IAS 1.10(f), in the event of an error correction, a third balance sheet must be submitted as at the start of the preceding period if the retrospective adjustment has a significant effect on the information in this balance sheet. The errors presented hereinafter, in our opinion, do not have a significant effect on the information in the balance sheet, which means that no error correction is provided in a third column of the balance sheet.

The following errors in accordance with IAS 8.5 resulted in preparing the consolidated financial statements of the BAUER Group compared with the previous year:

- In the previous year, the shares in SPANTEC Spann- & Ankertechnik GmbH, Schrobenhausen, Germany as well as in TERRABAUER S.L., Madrid, Spain were reported as joint ventures. After another review in the ongoing financial year, these shares were no longer reported as joint ventures, but instead as material associated companies. The previous year's figures were adjusted retroactively according to the table below.

in EUR thousand	Dec. 31, 2021 reported	SPANTEC Spann- & Ankertechnik GmbH	TERRABAUER S.L.	Dec. 31, 2021 corrected
Shares in joint ventures accounted for using the equity method	32,548	-11,632	-1,549	19,367
Shares in associated companies accounted for using the equity method	49,333	11,632	1,549	62,514
Total	**81,881**	**0**	**0**	**81,881**

- For the first time, a separate item "Impairments and impairment reversals in accordance with IFRS 9" was reported in the income statement due to materiality (see also section 13 of the explanatory notes to the income statement). In the previous year, this resulted in a decrease in other operating expenses by EUR 9,115 thousand and a corresponding increase in impairments and write-ups in accordance with IFRS 9.

The stated errors were corrected. They should guarantee a higher degree of transparency as well as better comparability and reconciliation of the information stated in the consolidated financial statements.

The following changes resulted compared with the previous year:

In the income statement, the item "Impairments in investments accounted for using the equity method" was added in order to better depict the transactions. In the statement of cash flows, the item "Impairments on shares accounted for using the equity method" was newly added in the cash flow from operating activities and the item "Income from the sale of subsidiaries" was newly added in the cash flow from investments. In addition, the item "Other non-cash transactions and results from deconsolidation" in the operative cash flow was renamed to "Other non-cash transactions", as "Deconsolidation of companies" is now reported as a separate item. As a result, the "Other non-cash transactions and results from deconsolidation" are reduced by EUR -733 thousand in the previous year, with a corresponding amount shown in the item "Deconsolidation of subsidiaries." Furthermore, a separate item for "Impairments and impairment reversals in accordance with IFRS 9" is reported in the cash flow from operating activities. In the previous year, this results in a decrease in "Other non-cash transactions" by EUR 9,115 thousand and a corresponding increase in "Impairments and impairment reversals in accordance with IFRS 9."

In the segment reporting, the items “Creation of valuation allowances on receivables” and “Reversal of receivables” were renamed to “Creation of impairments on receivables” and “Reversal of impairments on receivables.” The background for the change is the recording of impairments and write-ups in accordance with IFRS 9 under this item. As a result, the previous year’s figures changed as follows:

in EUR thousand	Construction		Equipment		Resources		Corporate Services		Group	
	2021 reported	2021 corrected	2021 reported	2021 corrected	2021 reported	2021 corrected	2021 reported	2021 corrected	2021 reported	2021 corrected
Allocation of impairment for receivables	-5,435	-6,721	-1,611	-2,678	-1,098	-2,060	0	-4,430	-8,144	-15,889
Reversal of impairment for receivables	623	629	1,632	1,640	3,536	3,535	0	0	5,791	5,804

In the table regarding the development of net liabilities in section 40. Financial instruments, the cash flows are separated into inflows and outflows for better presentation.

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of BAUER AG were prepared in accordance with section 315e of the HGB in line with the International Financial Reporting Standards (IFRS) as adopted in the EU and the German Commercial Code (HGB). The preparation of the consolidated financial statements was based on the historical acquisition/manufacturing costs, limited by the assessment of financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments). 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 noted, all amounts are stated in thousand euros (EUR thousand).
The income statement was prepared using the nature of expenses method and covers the period from January 1 to December 31 of the respective year.

2. BASIS OF CONSOLIDATION

The basis of consolidation includes the ultimate parent company BAUER AG and all major subsidiaries as part of the full consolidation. Subsidiaries are all companies over which the Group has control in terms of financial and corporate policy. This is routinely accompanied by a share of voting rights of over 50%. When assessing whether control is exerted, the existence and effect of potential voting rights currently exercisable or convertible are considered.
Subsidiaries with suspended or only minor business activities, which are of minor importance both individually and jointly for establishing a view that corresponds to the actual circumstances of the BAUER Group’s net assets financial situation and earnings position as well as cash flows, are non-consolidated and fall under the scope of IFRS 9. A fair value is regularly determined for these companies and the corresponding adjustment is carried out through Other Comprehensive Income without any effect on profit and loss.

In 2022, 112 companies were consolidated into the consolidated financial statements (previous year: 116). In the financial year, 3 (previous year: 4) companies were included in the basis of consolidation for the first time. Since the beginning of 2022, the number of companies removed from the basis of consolidation was 7 (previous year: 1). Consortia were not included in the number of companies which form part of the consolidated financial statements due to the short-term nature of these projects.

The following overview shows the number of subsidiaries separated according to segment (without construction consortia):

	Main business	Place of business	Number of companies with 100% share		Number of companies with a share less than 100%		Number of associated companies		Number of joint ventures		Total	
			Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Segment Construction	Specialist foundation engineering	Global	40	35	3	3	1	1	1	1	45	40
Segment Equipment	Equipment manufacture and sales	Global	32	35	4	5	2	2	0	0	38	42
Segment Resources	Water, environmental services and natural resources	Global	22	20	3	1	1	2	3	3	29	26
Segment Corporate Services	Corporate Services	Global	4	4	0	0	0	0	0	0	4	4
Total			**98**	**94**	**10**	**9**	**4**	**5**	**4**	**4**	**116**	**112**

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 net asset, financial and earnings position, nor must it disregard any other materially relevant trends.

In a small number of cases, companies are fully consolidated into the consolidated financial statements of BAUER AG even though that company holds less than 50% of their share of 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 possibility of control is transferred to the Group. They are deconsolidated at the point when control ends. Companies for 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. As at December 31, 2022, this related to 5 companies (previous year: 4). Joint ventures were likewise consolidated according to the equity method.

In some cases, the BAUER Group holds more than 50% in companies that are considered as joint ventures or associated companies. This evaluation is based on contract design, which is individual to the company and which excludes control from the perspective of the BAUER Group.

The disclosures in accordance with section 313 (2) of the HGB are summarized in a separate list of holdings and included in the notes to the consolidated financial statements.

Subsidiaries with differing balance sheet dates compile interim financial statements as per the Group date for the consolidated financial statements. BAUER Corporate Services Private Limited, BAUER Equipment India Private Limited and BAUER Specialized Foundation Contractor India Private Limited prepared their financial statements as at March 31 due to the local statutory regulations.

Application of section 264 (3) of the HGB

Section 264 (3) of the HGB is applied for the following companies:

BAUER Foralith GmbH
BAUER Maschinen GmbH
BAUER Resources GmbH
BAUER Spezialtiefbau GmbH
BAUER Verwaltungs und Beteiligungs GmbH
EURODRILL GmbH
GWE GmbH
KLEMM Bohrtechnik GmbH
PRAKLA Bohrtechnik GmbH
RTG Rammtechnik GmbH
SCHACHTBAU NORDHAUSEN GmbH
SPESA Spezialbau und Sanierung GmbH

Application of section 291 (1) of the HGB

BAUER Maschinen GmbH, BAUER Spezialtiefbau GmbH, BAUER Resources GmbH and PRAKLA Bohrtechnik GmbH have made use of the exemption option under section 291(1) of the HGB and dispensed with the presentation of consolidated financial statements and a consolidated management report.

Changes at subsidiaries

Construction segment

With effect from May 18, 2022, 100% of the shares in OOO BAUER Bulgaria EOOD were sold at a selling price of EUR 200 thousand. The company was therefore deconsolidated and has withdrawn from the basis of consolidation. The deconsolidation did not have a significant impact on the net assets, financial situation and earnings position, because the company itself and the sale of shares are of minor importance. For this reason, disclosures in accordance with IFRS 10 and IAS 7 were not made.

With effect from May 25, 2022, BAUER Spezialtiefbau GmbH increased its holdings from 55.95% to 56.27% through the purchase of additional shares in BAUER Egypt S.A.E. The purchase price for this was EUR 187 thousand. Due to its minor importance, the purchase did not have a significant impact on the net assets, financial situation and earnings position.

With effect from November 16, 2022, 100% of the shares in OOO BAUER Technologie, Moscow were sold at a selling price of EUR 409 thousand. The company was therefore deconsolidated and has withdrawn from the basis of consolidation. The deconsolidation resulted in a loss in the amount of EUR 9,699 thousand, which is listed under other operating expenses.

With effect from December 31, 2022, BAUER Engineering Ghana Ltd. was deconsolidated due to the discontinuation of business operations and has therefore withdrawn from the basis of consolidation. The deconsolidation resulted in income in the amount of EUR 471 thousand, which is listed under other operating income.

Equipment segment

With effect from September 1, 2022, BAUER Resources GmbH sold and transferred all its shares in BAUER Technologies South Africa (Pty.) Ltd. and BAUER Maschinen GmbH, Schrobenhausen internally within the Group. The sale of shares did not have any impact on the net assets, financial situation and earnings position.

With effect from October 13, BAUER Maschinen GmbH sold all its shares in Olbersdorfer Guss GmbH to Callista Asset Management 17 GmbH. The company was therefore deconsolidated and has withdrawn from the basis of consolidation. The deconsolidation resulted in a loss in the amount of EUR 10,088 thousand, which is listed under the results from deconsolidation and the results from uncollectable receivables under other operating expenses.

Resources segment

With effect from January 27, 2022, SCHACHTBAU NORDHAUSEN GmbH sold and transferred the entirety of its shares in MMG Mitteldeutsche MONTAN GmbH to WW Beteiligung GmbH, Schrobenhausen internally within the Group. The sale of shares did not have any impact on the net assets, financial situation and earnings position.

In the second half of the financial year, the companies BAUER Resources South Africa (Pty.) Ltd. and BAUER Technologies RDC LTD SARL, previously consolidated in the subgroup BAUER Technologies South Africa, were spun off. The spin-off did not have any impact on the net assets, financial situation and earnings position.

In addition, SCHACHTBAU NORDHAUSEN Stahlbau GmbH was merged with SCHACHTBAU NORDHAUSEN GmbH with effect from August 1, 2022. The merger did not have any impact on the net assets, financial situation and earnings position.

With effect from September 1, 2022, BAUER Resources GmbH sold and transferred all its shares in BAUER Technologies South Africa (Pty.) Ltd. and BAUER Maschinen GmbH, Schrobenhausen internally within the Group. The sale of shares did not have any impact on the net assets, financial situation and earnings position.

With effect from December 22, 2022, BAUER Resources GmbH/Jordan Ltd. Co. acquired the remaining 16.67% of the shares in Site Group for Services and Well Drilling Ltd. at a purchase price of 1 USD from the Oweis family. This purchase constitutes an equity transaction among shareholders. The non-controlling shares in the amount of EUR -25,050 thousand were set off against the purchase price and reclassified to the other revenue reserves. As at the same date, the previously held 60% of shares in Technical Dimension Co. for Maintenance Services and Projects Operation Ltd. were sold for a purchase price of USD 1. This withdrawal resulted in loss from the deconsolidation in the amount of EUR 755 thousand. This amount is reported in the other operating expenses.

As at December 23, 2022, BAUER Resources GmbH sold 47% of its shares in BAUER Technology (Shanghai) Co. Ltd. to Shanghai Minke Environmental Technology Center (Limited Partnership) for the price of USD 70 thousand. The transitional consolidation resulted in an effect of EUR 17 thousand, which is listed under other operating income. The remaining 3% of its shares were applied at fair value.

Corporate Services segment

With effect from January 27, 2022, SCHACHTBAU NORDHAUSEN GmbH sold and transferred the entirety of its shares in MMG Mitteldeutsche MONTAN GmbH to WW Beteiligung GmbH, Schrobenhausen internally within the Group. The sale of shares did not have any impact on the net assets, financial situation and earnings position. For this reason, MMG Mitteldeutsche MONTAN GmbH is classified in the Corporate Services segment since the first quarter of 2022.

3. CONSOLIDATION POLICIES

The assets and liabilities of the domestic and foreign companies included in the consolidated financial statements are recognized according to the accounting policies that apply uniformly across the BAUER Group. Mutual receivables and liabilities as well as expenses and income between consolidated companies are eliminated. Group inventories and fixed assets are adjusted by existing interim results. 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. With respect to 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 purchase. 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 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 purchase of non-controlling interests and changes to the investment quota 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. DISCRETIONARY DECISIONS, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

When preparing the consolidated financial statements, assumptions and estimates must be made by management that influence the approach, recognition and amounts of assets and liabilities, income and expenses recorded, as well as contingent liabilities. In the process, all information available at the time of the estimates and judgments is applied. The discretionary decisions, estimates and judgments are routinely subject to increased uncertainty. For this reason, the actual amounts may differ from the assessments and estimates made by management and this may have material impacts on the BAUER Group.

Discretionary decisions by management as a basis for the practice of corresponding accounting policies are primarily required in the following circumstances:

- **Sales revenues from contractual obligations that are fulfilled over a specific time period**
  In the Construction and Resources segments, a large share of the reported sales revenues is realized in the context of construction contracts with the cost-to-cost method. The sales revenues based over time that are recorded in the reporting period are particularly dependent on the degree of completion and the expected total revenues. The degree of completion is in turn dependent on the estimate of total costs incurred during the project. Changes to the estimates and judgments can lead to an increase or decrease in sales revenues based over time. For further clarification of construction contracts and sales revenues based over time, we refer to the section “Construction contracts” under 5.2 “Accounting policies” and to section 7 “Sales revenues.”
- **Impairment due to expected credit losses**
  To determine the impairment due to expected credit losses, it is necessary to estimate the probability of default for trade receivables, contract assets and other financial assets. Determining the probability of default is associated with uncertainty

and may differ from actually occurring credit defaults. For further clarification of impairment due to expected credit losses, we refer to the section “Financial instruments” under 5.2 “Accounting policies” and to the section “Risk of default” under 40 “Financial instruments.”

- **Other impairments of assets and cash-generating units**
  When determining a need for impairment of assets and cash-generating units, the current carrying amount is compared with the higher value of the value in use and the fair value less any costs to sell. The expected cash flows for determining the value in use or costs to sell are routinely associated with uncertainty. Developments and events can cause the expected cash flows to differ from the actual cash flows. Further uncertainties in this context exist with the determination of the discount rate to apply (WACC) and the expected growth rates. For further clarification concerning impairments of assets and cash-generating units, we refer to the section of the same name under 5.2 “Accounting policies” as well as the section for the individual categories of assets.
- **Leasing**
  In the evaluation of leasing liabilities and rights of use, various estimates and judgments must be made. Leasing relationships may include termination or extension options as well as residual value guarantees and options to purchase. An option that will be exercised or not exercised with sufficient security has an impact on the estimated contract term and consequently on the amount of the leasing liability and right of use. At the BAUER Group, this largely pertains to various office and warehouse buildings. The possibility of using extension and termination options ensures the necessary flexibility to react to changed market conditions. To determine the duration of the leasing relationship, the BAUER Group takes into account all facts and circumstances that present a significant economic incentive for exercising an extension option, or for not exercising a termination option. For further clarification of leasing at the BAUER Group, we refer to the section of the same name under 5.2 “Accounting policies” and to section 22 “Fixed assets.”
- **Provisions for pensions**
  Provisions for pensions contain critical accounting estimates and judgments. These include, for example, future salary and pension developments or life expectancies. Changes to the estimates and judgments can impact in particular the amount of the reserve and other earnings. For further clarification of provisions for pensions, we refer to the section of the same name under 5.2 “Accounting policies” and to section 33 “Provisions for pensions.”
- **Other provisions**
  The evaluation of other provisions includes numerous estimates and judgments that can impact the approach and evaluation of the provisions. In this context, estimates concerning the probability of occurrence or settlement amount are subject to uncertainties. Here it is possible that the actual outflow of cash and cash equivalents will differ from the original provision amount. For further clarification of other provisions, we refer to the section of the same name under 5.2 “Accounting policies” and to section 35 “Other provisions.”
- **Deferred tax assets**
  The evaluation of deferred tax assets requires estimates and judgments as to whether enough taxable income will be available in the future for corresponding use. These estimates and judgments are made as part of an internal forecast calculation and contain uncertainties with regard to actual future developments. For further clarification of deferred taxes, we refer to the section of the same name under 5.2 “Accounting policies” and to section 23 “Deferred taxes.”

All assumptions and estimates are based on the applicable conditions and assessments. With respect to the expected future business development, the assumptions and estimates concerning the future as at the balance sheet date are determined taking into account the applicable conditions on the date of preparation of the consolidated financial statements as well as a realistic assumption of the future development of the global environment and the specific sectors. Developments in the context of discretionary decisions, assumptions and estimates are regularly accounted for and updated on the basis of economic or country-specific developments. Uncertainty in discretionary decisions, estimates and judgments was heightened in the financial year, particularly by the Ukraine crisis and the COVID-19 pandemic. We refer to the business report of the Combined Management Report for further information.

5. GENERAL ACCOUNTING POLICIES

5.1. Changes in accounting policies

The significant accounting policies applied in the previous year continue to be used, with the following exceptions:

Change to IFRS 3, company mergers: Reference to the framework concept

In the framework concept published by the IASB in March 2018, the previously valid definitions of assets and liabilities were modified. The items in IFRS 3.11, which refer to the 1989 framework concept concerning the recognition of assets acquired and liabilities assumed in the course of a company merger, have not yet been updated. This could have led to conflicts, as liabilities could have been recognized during a company merger that do not fulfil the recognition criteria of IAS 37 or of IFRIC 21, which would mean that the liabilities recorded under the acquisition method would have to be derecognized again immediately after their initial recognition.

For this reason, the IASB has resolved to make the following changes to IFRS 3:

- An update of the reference in IFRS 3 to the revised framework concept of the IFRS (2018)
- An amendment to IFRS 3 including the rule that a purchaser must apply the regulations of IAS 37 or IFRIC 21 instead of the framework concept if assumed obligations are identified which fall under the scope of IAS 37 or IFRIC 21. This regulation excludes contingent liabilities, for which exemption clause in IFRS 3.23 continues to apply.
- An amendment to IFRS 3 including a specific prohibition on recognition for acquired contingent liabilities

The regulation adopting the changes ("endorsement") was published by the EU on July 2, 2021 in the Official Journal of the EU. The changes apply for all company mergers with a date of acquisition in reporting periods that start on or after January 1, 2022.

For the BAUER Group, the change to IFRS 3 did not result in any effects in the 2022 financial year.

Change to IAS 16: Proceeds before the intended use of property, plant and equipment

According to IAS 16, the acquisition or manufacturing costs of property, plant and equipment include all directly attributable costs that are incurred while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. This also includes, for example, costs for test runs that are used to check whether the asset operates properly.

In the past it was unclear whether any proceeds that exceed the costs of testing from the sale of items, for example samples, which were manufactured during the period in which the PPE was brought into its location and operational condition, have the effect of reducing the acquisition or manufacturing costs of the PPE, or are to be recorded in the income statement with an effect on profit and loss. The changes to IAS 16 now clarify that deducting such proceeds (regardless of whether or not they exceed the costs of testing) from the acquisition or manufacturing costs of the PPE is prohibited (change to IAS 16.17(e)). Such proceeds are now to be recorded together with the related costs directly in the income statement. For the assessment of the manufacturing costs of the produced items, IAS 2 "Inventories" is to be applied. Depreciations of the tested property, plant and equipment with which the items were manufactured are not to be included in the assessment, as the PPE is not yet in its intended condition.

Furthermore, IAS 16.17(e) was amended to include a clarification of the definition of “testing costs.” According to the clarification, this means costs that are incurred in order to determine whether an asset is technically and physically capable of fulfilling its intended use. Achieving a particular financial performance is immaterial in this regard. Accordingly, an asset can be considered as “operational” even before achieving the level of economic performance and depreciation can therefore be initiated.

The changes also require that income and expenses which are associated with produced goods that do not fall under the company’s usual business activities must be indicated separately, and the item(s) must be specified in which they are recorded within the statement of comprehensive income.

The regulation adopting the changes (“endorsement”) was published by the EU on July 2, 2021 in the Official Journal of the EU.

The changes to IAS 16 concerning proceeds before the intended use of property, plant and equipment had no significant effects for the BAUER Group.

Annual improvements to IFRS (2018-2020 cycle)
The annual improvements to IFRS (2018-2020 cycle) include the following changes:

Change to IFRS 1: Subsidiaries as a first-time adopter
A subsidiary which becomes a first-time adopter of the IFRS later than its parent company is permitted in accordance with IFRS 1.D16(a) “to recognize its assets and liabilities at the carrying amounts that would have been reported in the consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments had been made to the consolidated financial statements and no adjustments had been made due to the effects of the company merger during which the parent company acquired the subsidiary.” This excludes subsidiaries of an investment company according to IFRS 10 which need to be measured at fair value affecting profit and loss. An analogous option applies for joint ventures and associated companies.

Following the wording of IFRS 1.D16(a), explicit reference is only made to assets and liabilities. Items related to equity are not addressed. For this reason, the subsidiary previously had to apply the regulations of IFRS 1. D12-D13 to cumulative translation differences in associated with foreign business operations. According to these provisions, there is an option to either recognize the translation differences at zero or determine them retrospectively as at the date of transition.

With the resolved change, the subsidiary can now include the cumulative translation differences when using the exemption of IFRS 1.D16(a) according to IFRS 1.D13A in the same way as the assets and liabilities. This means that these can also be further recognized without change with the values entered in the consolidated financial statements of the parent company. In contrast, other equity items remain excluded from the exemption.

In the 2022 financial year, there was no subsidiary as first-time adopted of IFRS at the BAUER Group.

Changes to IFRS 9: 10% test in the event of modifications
If an existing financial liability is exchanged for a different debt instrument with substantially different contract terms, this is to be recorded as repayment (derecognition) of the original financial liability and as the recognition of a new financial liability. The same applies if the contract terms of an existing financial liability or part thereof were substantially changed (modified) (see IFRS 9.3.3.2). According to IFRS 9.B3.3.6, contract terms are considered to be “substantially different” if the present value of

the payment flows under the new contract terms discounted at the original effective interest rate, including any fees paid net of any fees received, deviates by at least 10% from the discounted present value of the remaining payment flows for the original financial liability (known as the 10% test).

Previously it was unclear which fees specifically are to be included in this test. The changes clarify that this test only encompasses costs and fees that are paid by the company to the creditor and vice versa or in their respective names.

If the derecognition test for modified or exchanged financial liabilities leads to repayment, all costs and fees must be recorded in the income statement with an effect on profit and loss. On the other hand, if the modification or exchange does not result in a repayment, the costs and fees must be distributed over the remaining duration of the modified liability by adjusting the carrying amount and the effective interest rate (IFRS 9.B3.3.6A), insofar as they do not represent a compensation for the modification of the liability's payment flows (e. g. fee as compensation for lowering the interest rate). Elements that fall under the latter definition must be recorded with an effect on net income as part of recording a modification in accordance with IFRS 9.5.4.3.

In the 2022 financial year the BAUER Group applied the changes, however there were no significant changes to the net assets, financial and earnings position.

Changes to the explanatory examples for IFRS 16

Explanatory example no. 13 to IFRS 16 "Leasing relationships" includes an example for initial valuation and revaluation of usage right and a leasing liability in the context of a 10-year lease agreement for the floor of a building with the option of extension. The example also included statements regarding payments made by the lessor to the lessee as reimbursement of expenses for leasehold improvements that were not classified as a lease incentive within the meaning of IFRS 16.24(b). As this frequently led to misunderstandings, the IASB now removed the passages regarding reimbursement payment and its recognition from the example.

The changes to the explanatory examples for IFRS 16 had no impact on the net assets, financial and earnings position for the BAUER Group.

The regulation adopting the changes ("endorsement") was published by the EU on July 2, 2021 in the Official Journal of the EU.

Furthermore, the IASB and IFRIC approved additional standards, interpretations and changes listed below, which must be applied starting from the 2023 financial year on or which are not yet acknowledged by the EU:

Standard/Interpretation/Amendment	To be applied as of financial year	Endorsement takes place
IFRS 17 "Insurance contracts"	2023	Yes
Change to IAS 1 and Practice Statement 2: Disclosures about accounting methods	2023	Yes
Changes to IAS 8: Definition of accounting-related estimates	2023	Yes
Changes to IAS 12 concerning the prohibition of recognition for deferred taxes upon first recognizing an asset or liability	2023	Yes
Change to IAS 1: Classification of liabilities as current or non-current	2024	No
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	2024	No
Changes to IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associated company/joint venture	n/a	n/a

As of December 31, 2022, no early application of these standards occurred at the BAUER Group. We plan to adopt these standards as soon as they are recognized and adopted by the EU.
The future application of this standard is not expected to have a significant impact on the net assets, financial situation and earnings position of the BAUER Group.

5.2. 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. Transactions in foreign currencies are recorded in the respective financial statements of the consolidated companies at the applicable exchange rate on the respective dates. Monetary assets and liabilities denominated in foreign currencies are converted at the applicable rate on the balance sheet date. Other assets and liabilities are converted using the applicable rate at the time of the transaction if they are recorded using the acquisition cost principle. If these assets and liabilities are recorded at fair value, the conversion will be carried out using the rate on the respective evaluation date. Foreign currency translation differences that result are recorded through profit and loss in the financial result. The financial statements of the foreign companies belonging to the BAUER Group are translated into euros according to the concept of functional currency. Accordingly, assets and liabilities are translated at the rate applicable on the balance sheet date and the income statement items at the average rate. Equity, with the exception of income and expenses recorded directly in the equity, is recognized at historical rates. 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 conversion:

1 EUR corresponds to		Annual average		Balance sheet date value	
		2021	2022	2021	2022
Egypt	EGP	18.56406	20.17973	17.86300	26.41600
Argentina	ARS	112.49194	137.07766	116.77910	188.99940
Australia	AUD	1.57493	1.51678	1.56150	1.56930
Bulgaria	BGL	1.95580	1.95580	1.95580	1.95580
Chile	CPL	898.57000	917.69398	968.98000	909.41000
China	CNY	7.62990	7.07901	7.19470	7.35820
Georgia	GEL	3.80544	3.07018	3.49560	2.87720
Ghana	GHS	7.00621	9.44367	7.00050	10.88970
Great Britain	GBP	0.85966	0.85269	0.84028	0.88693
Hong Kong	HKD	9.19473	8.24764	8.83330	8.31630
India	INR	87.44996	82.69481	84.22920	88.17100
Indonesia	IDR	16,923.54471	15,626.52902	16,100.42000	16,519.82000
Japan	JPY	129.88319	137.98961	130.38000	140.66000
Jordan	JOD	0.83849	0.74697	0.80520	0.75730
Canada	CAD	1.48275	1.36981	1.439304	1.44400
Qatar	QAR	4.31947	3.84903	4.12160	3.89960
Lebanon	LBP	1,787.96240	1,592.82188	1,711.60000	1,614.40000
Malaysia	MYR	4.90199	4.62780	4.71840	4.69840
Morocco	MAD	10.63162	10.68421	10.51620	11.15700
Mexico	MXP	23.98257	21.19460	23.14380	20.85600
New Zealand	NZD	1.67245	1.65827	1.65790	1.67980
Oman	OMR	0.45530	0.40551	0.43789	0.41059
Panama	PAB	1.18279	1.05337	1.13200	1.06760
Peru	PEN	4.58781	4.03550	4.51750	4.03940
Philippines	PHP	58.30495	57.30999	57.76300	59.32000
Poland	PLN	4.56467	4.68585	4.59690	4.68080
Romania	RON	4.92137	4.93149	4.94900	4.94950
Russia	RUB	87.16492	71.98418	85.30040	77.51830
Saudi Arabia	SAR	4.43583	3.95495	4.26890	4.01020
Sweden	SEK	10.14590	10.62955	10.25030	11.12180
Switzerland	CHF	1.08129	1.00486	1.03310	0.98470
Singapore	SGD	1.58928	1.45150	1.52790	1.43000
South Africa	ZAR	17.47354	17.20650	18.06250	18.09860
Taiwan	TWD	33.07937	31.41226	31.32670	32.72080
Thailand	THB	37.83621	36.85238	37.65300	36.83500
Turkey	TYR	10.49757	17.40149	15.23350	19.96490
Hungary	HUF	358.47697	391.22075	369.19000	400.87000
United Arab Emirates	AED	4.34392	3.86878	4.17810	3.91680
United States of America	USD	1.18296	1.05339	1.13260	1.06660
Vietnam	VND	27,129.72093	24,640.10547	25,872.00000	25,233.00000

Intangible assets

The following table provides an overview of the useful lives of intangible assets:

Asset	Economic useful life
Licenses, software and similar rights and values	3 to 10 years
Goodwill	Unlimited
Capitalized software costs	3 to 10 years
Capitalized development costs	3 to 6 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 costs of the company acquisition exceed the fair value of the Group's shares in the net assets of the acquired entity at the date of acquisition. Goodwill created by company acquisition is recognized under "Intangible assets." Goodwill resulting from the purchase 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 and is recognized at its original acquisition costs less accumulated write-downs. Write-ups are impermissible. Income and losses from the sale of a company comprise the carrying amount of goodwill allocated to the company to be disposed of.
Assets with a limited usage period are tested for impairment if any events or changes of circumstances indicate that the carrying amount may no longer be achievable.

An impairment loss is then recorded if the carrying amount of an asset exceeds the attainable amount. 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.
Costs for research and development are recognized as an expenditure according to IAS 38 in the financial year when they were incurred. 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 must be fulfilled according to IAS 38.57:

- 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 reliably measure the expenditure attributable to the intangible asset during its development.

The manufacturing costs include 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 acquisition or manufacturing costs less cumulative impairment. Depreciation is undertaken according to the straight-line method as from start of production over the intended term of the developed models. The economic life is between 3 and 6 years. Depreciation losses on intangible assets are recognized to the higher amount out of the fair value less cost to sell or the value in use. If the prerequisites 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 the acquisition or manufacturing costs, 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. In accordance with IFRS, initial valuation of property, plant and equipment is based on the acquisition or manufacturing costs. The acquisition costs include the acquisition price plus directly attributable secondary costs of acquisition, such as costs for location preparation, costs of delivery, assembly costs, estimated costs for later demolition and vacating the asset or similar, less acquisition price reductions, including discounts, rebates or early payment reductions. Production costs include direct material or manufacturing costs as well as a reasonable share of the production-related overheads. In the latter, social costs and administrative expenses are only to be included if they can be directly attributed to the production process or serve to put the asset in an operational condition for the planned application. Financing costs are capitalized as part of the acquisition or manufacturing costs if a considerable period of time is required to put the asset in a ready-to-use condition. The following table provides an overview of the useful lives:

Asset	Economic useful 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

Unscheduled depreciations on property, plant and equipment are carried out according to IAS 36 if the carrying amount exceeds its recoverable amount. In this context, the recoverable amount is the higher of the two figures when considering the fair value less costs of sale and the value in use. If the reasons for a depreciation 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 amount of the unscheduled depreciations is explained according to IAS 36 under the non-current assets. The BAUER Group regularly reviews the methods and useful lives as at the balance sheet date, and adjusts them prospectively if required.

Insofar as the rental of equipment is not merely considered a sales-promoting activity, but instead comprises a company’s main purpose of business, the rented equipment is reported under “Property, plant and equipment.”

Impairment of assets or cash-generating units

The BAUER Group reviewed the carrying amounts of the intangible assets at EUR 17,226 thousand (previous year: EUR 16,807 thousand), property, plant and equipment at EUR 512,058 thousand (previous year: EUR 521,183 thousand) and financial assets valued using the equity method at EUR 78,232 thousand (previous year: EUR 81,881 thousand) to determine whether there were any indications of impairments of assets or cash-generating units as at December 31, 2022. The previous year’s disclosure of the audited carrying amount from the impairment test for the financial assets valued using the equity method was adjusted. The background for this was the erroneous carrying forward of a carrying amount valued using the equity method. The review resulted in net impairments in property, plant and equipment of EUR 4,490 thousand (previous year: 245) as well as net investments accounted for using the equity method amounting to EUR 25,669 thousand (previous year: 0) as at the balance sheet date.

For the fundamental analyses regarding impairment of cash-generated units, the BAUER Group determines the recoverable amount as the higher value from the value in use and fair value less any costs to sell and compares this with the corresponding carrying amounts. The cash-generating units correspond to the individual companies in the BAUER Group.

The value in use is determined by discounting the expected future cash flows from continuation of the cash-generating unit using a risk-adjusted interest rate (WACC). The future cash flows are determined on the basis of the business plan that has been approved by management and is applicable at the point in time that the impairment test is carried out. The forecast calculation generally covers a period of five years. It is based on the expected future economic development of the respective segment markets as well as the profitability of the products offered.
When deriving the value in use, a risk assessment is also carried out. In this way, the effects of project- and company-specific risks as well as the effects of the Russia-Ukraine conflict and the interest rate development are depicted via the payment flows in the calculation. On the other hand, country risks are accounted for in the interest rate as cross-company effects. The assumptions used for the forecast calculation are checked for plausibility against both historical developments and external information sources.

As at December 31, 2023, the risk-adjusted interest rate (WACC – Weighted Average Cost of Capital), which is determined specifically for the respective cash-generating unit, was 10.56% (previous year: 8.71%) after tax less the country risk premium. The WACC before taxes as at December 31, 2023 was 10.85% (previous year: 8.83%). This is determined on the basis of the Capital Asset Pricing Model (CAPM) taking into consideration the current market expectations. Calculation of the interest rate uses specific peer group information for beta factors, capital structure data and the borrowing costs. Payment flows for the individual companies were determined using the respective tax rates of the companies in Germany of 28.08% to 32.14% (previous year: 28.08% to 32.14%) and internationally from 0% to 35% (previous year: 0% to 38%). For periods after the detailed planning phase, the cash flows of the previous planning period are extrapolated under consideration of the growth rates based on long-term inflation expectations. The growth rates used for the calculation are generally between 1% in the Construction segment (previous year: 0% to 1%), while in the Resources segment the growth rates used are between 0% and 2% (previous year 0% to 1%). For the Equipment segment the growth rates used are between 2% and 5% (previous year: 5%). Corporate planning is based on past experience and also takes current forecasts into account. In the Construction and Resources segments, planning is based on projects already in the order backlog as well as client enquiries. For 2023, an improvement of the economic environment is expected overall. The Russia-Ukraine war, high inflation and further increasing interest rates will continue to be a potentially large influencing factor and may influence our business. In the Equipment segment, key planning assumptions for sales planning are industry forecasts for the global construction machinery market, specific customer commitments for individual projects as well as company-specific adjustments that also include planned product innovations and cost savings. For 2023, further growth is expected in most regions in the Equipment segment. However, the interest rate development and Russia's war with Ukraine are uncertainty factories for the ongoing year. Another uncertainty factor is the development of the market in China as one of the largest construction equipment markets in the world. This was accounted for in the planning for the relevant companies. In the previous year, scenarios were calculated for the companies in the Construction and Resources segments (worst case with target earnings discounts amounting to 20%, middle case with target earnings discounts amounting to 10%, realistic case) and sensitivity analyses are carried out for the companies in the Equipment segment (alternative growth discount 0.00%). These showed that there would be no further need for impairment even in a worst case scenario and taking into account sensitivity. As a result of the increased capital costs, scenarios were carried out in 2022 with a WACC amounting to 11.56% after taxes. The sensitive analysis indicates that with an increase of the WACC by 100 base points, an additional need for devaluation would result in the Construction segment in the amount of EUR -1,050 thousand, in the Equipment segment in the amount of EUR -173 thousand and in the Resources segment in the amount of EUR 1,922 thousand.

Leasing

The BAUER Group acts as both a lessee and a lessor.

a) Accounting for lessee transactions

A leasing agreement is a contract which transfers the right to control the use of an identified asset for a defined period of time in return for the payment of a fee.
In principle, a lessee must capitalize a right of use and recognize a leasing liability for all leasing relationships.
During the initial application, the leasing liability is recorded in the amount of the present value of the leasing payments not yet made at the point in time of provision and which will become due during the term of the leasing relationship.
The leasing liability includes the present value of the following leasing payments:

- Fixed payments (including the de facto fixed payments, less any lease incentives to be received.
- Variable leasing payments which are tied to an index or interest rate, initially evaluated with the index or interest rate to the provision date,
- Expected Group payments from the use of residual value guarantees,
- The exercise price of a purchase option, of which the exercise by the BAUER Group is reasonably certain,
- Fines in connection with the termination of a leasing relationship insofar as the term provides for the respective termination option being exercised by the BAUER Group,
- Furthermore, in the evaluation of the leasing liabilities, leasing payments are also taken into consideration on the basis of the reasonably certain use of extension options.

The discounting took place using the incremental borrowing rate. The average incremental borrowing rate was 5.13% (previous year: 5.00%).
However, in the event that an implied interest rate is identifiable, the leasing payments are discounted by the interest rate upon which the leasing relationship is based.
The lease installments are divided into principal and interest payments. The interest part is recognized in the income statement throughout the term of the leasing relationship so that a constant periodic interest rate on the remaining amount of the liability results for each period.

Rights of use are evaluated at acquisition costs, which are comprised as follows:

- the amount of the initial valuation of the leasing liability,
- all leasing payments made at or before the provision, less any leasing incentives which have been received,
- all initial direct costs incurred by the lessee and estimated costs which are incurred by the lessee in the event of the demolition or removal of the underlying asset, in the event of the reconstruction of the location at which the asset is based or in the event of the transition of the underlying asset to the condition required under the leasing agreement.

In the subsequent measurement, the right of use will be recorded less cumulative depreciation and, if relevant, taking into consideration impairments adjusted by each new evaluation of the leasing liability set out in paragraph 16.36 (c).

The rights of use set on the balance sheet are highlighted in those balance sheet positions in which the assets that form the basis of the leasing contract would have been if they were the property of the BAUER Group. Therefore, the rights of use are primarily designated to property, plant and equipment on the cutoff date under the item of non-current assets.

Rights of use are amortized using the straight-line method over the shorter of both periods of time out of the usage period and the term of the leasing contract. If the exercise of a purchase option is reasonably certain from the perspective of the BAUER Group, the depreciation takes place over the usage period of the underlying asset.

On the balance sheet date, the necessary adjustments to the right of use and liabilities are also to be checked within the framework of the subsequent evaluations. Adjustments resulting from reassessment of the assumptions which have been made or a change in the contract are necessary, and may also lead to changes to the contract.
The reassessment of the assumptions which have been made relates to adjustments to payment expectations, the discounting rate to be applied relating to the remaining term if the changes are based on a change to the term or the assessment of the probability of a purchase option being exercised, as well as the changed expectation relating to the exercise of an extension or termination option.
The originally applied interest rate must be retained, in contrast, if for example the expected payments change.
The leasing liability is reassessed with the changed parameters and accounted for on the balance sheet with this amount. The adjustment amount on the leasing liability incurred in this manner is recognized in full against the right of use. This means that, in principle, this is purely a balance sheet recording with no effect on profit and loss. The assessment of the adjustment with an effect on profit and loss only takes place for the first time in subsequent years via reduced or increased depreciations on the value in use.

For short-time lease relationships of minor value, simplified applications exist according to IFRS 16.60. These are used by the BAUER Group and there is therefore no application of a right of use or liability for such leasing relationships. The lease payments in this regard are recorded as expenditure on the income statement without any changes. Leasing contracts with a term of up to 12 months are deemed short-term leasing relationships. Low-value assets include for example IT equipment and small office furniture with a new item price of less than EUR 5 thousand.

The BAUER Group rents various office and warehouse buildings, as well as technical equipment and vehicles.
Contracts may include both leasing and non-leasing components.
With the exception of property leasing relationships, the BAUER Group exercises its voting rights to collate leasing and non-leasing relationships and record these in a uniform manner on the balance sheet as leasing relationships. In addition, the accounting regulations of IFRS 16 are not applied to the lease relationships concerning intangible assets. In principle, IAS 38 is still applied to leasing relationships for intangible assets. The sale-and-lease-back transactions are primarily short-term in nature and are not significant for the BAUER Group.

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.
These leasing relationships are either accounted for as financing leasing relationships or as operating leasing relationships. If the terms of the leasing relationship essentially transfer all the risks and opportunities associated with the ownership to the lessee, the contract is classified as a financing leasing contract. If this is not the case, it is classified as an operating leasing relationship. Sales revenues arising from operating leasing relationships are recorded using the straight-line method over the term of the leasing relationship. In the BAUER Group, these leasing relationships are generally very short term in nature and involve a period of just a few months. These are recognized under sales revenues based over time.

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).

Business combinations

Accounting of acquired subsidiaries is carried out pursuant to IFRS 3 according to the acquisition method. The acquisition costs of the purchase correspond 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 date of acquisition. The amount by which the acquisition costs of the purchase exceed 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 the acquisition costs (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 costs are 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 company 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 date of acquisition. For contract relationships existing at acquired companies on the date of acquisition, excluding the factual circumstances of IFRS 16, an analysis is carried out as well as reclassification if necessary.

Borrowing costs

Borrowing costs linked directly to the purchase, construction or production of qualifying assets in accordance with IAS 23 are included in the acquisition or manufacturing costs of the asset in question for the period until commissioning 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 equipment. If these 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 Group has significant influence, though not control. This routinely means a share of voting rights of between 20% and 50%.

Participations in associated companies are valued at-equity and recognized initially at their acquisition costs. The Group's shares in associated companies include the goodwill created by the purchase (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 purchase. 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 purchase 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 receivables, the Group recognizes no additional losses, unless it has entered into obligations or made payments on behalf of the associated company.

Non-realized income from transactions between Group companies and associated companies are eliminated according to the Group share in the associated company. Non-realized losses are likewise eliminated, unless the transaction implies an impairment of the transferred asset.

The entire equity carrying amount is subjected to an impairment test according to IAS 36 if indicators are present which suggest a potential impairment. If the achievable amount drops below the carrying amount of a financial asset accounted for using the equity method, 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. Consortia accounted for using the equity method include joint ventures along with the typical German consortia ("ARGE") in the form of provision consortia.

For provision consortia, assets are made available and invoiced in the form of the consortium's personnel, material or equipment. The results achieved by the consortium are accounted for using the equity method according to IAS 28. They are recognized in the balance sheet as investments accounted for using the equity method and as income from shares accounted for using the equity method in the income statement.

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 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.

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 or revenue from the joint operation,
- its share in income from the sale of products or revenue from 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, income 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

Financial instruments are contracts resulting in a financial asset for one company and a financial liability (or equity instrument) for another.
According to IFRS 9, when classifying and valuing financial assets a differentiation is made between debt instruments, equity instruments according to IAS 32 and derivatives.

a) Primary financial instruments

In the BAUER Group, primary financial instruments are assigned as financial assets to the following categories:
- “Evaluated at continued acquisition costs” or Amortized cost (AC)
- Fair value through profit or loss (FVTPL)
- Debt instruments measured at fair value through other comprehensive income (FVOCI), whereby the cumulative gains and losses are reclassified to the income statement when the financial asset is disposed of (so-called recycling)
- Equity instruments measured at fair value through other comprehensive income (FVOCI), whereby gains and losses remain in other comprehensive income (without recycling).

As a general rule, the first accounting takes place when the BAUER Group becomes a contractual party. When accounting for regular sales or purchases for the first time, the settlement date is relevant, i.e. the date on which the asset or liability is transferred to or by the BAUER Group. Financial assets and liabilities are initially recognized at fair value. The revaluation of financial assets depends on the allocation to the categories according to the regulations of IFRS 9 and occurs either at continued acquisition costs or at the fair value. Financial liabilities, with the exception of derivatives, generally fall into the category of amortized costs.

Financial assets representing debt instruments within the meaning of IAS 32 are classified into the measurement categories of amortized cost (AC), fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) (with recycling) based on the underlying business model and the cash flow conditions of the financial asset being assessed. Financial assets are measured at amortized cost if they are held to collect contractual cash flows and these contractual cash flows are only the payments of interest and principal on the outstanding capital amount. Debt instruments that meet the cash flow conditions but are held within a business model that provides for both the collection of contractual payment flows and the disposal of financial assets are measured at fair value through other comprehensive income.

Financial assets and financial liabilities measured at amortized cost are initially recognized at fair value, including transaction costs directly attributable to the purchase of the financial asset or issue of the financial liability, and subsequently measured at continued acquisition costs using the effective interest method. The continued acquisition costs 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 amortization of any difference between the original amount and the amount repayable at the final due date, and also less impairment or plus value recovery adjustment.

For financial assets classified as “fair value through other comprehensive income,” (with recycling) the transaction costs directly attributable to the purchase are also recognized. However, changes in the carrying amount are recognized in other comprehensive income, with the exception of impairment gains or expenses recognized in profit or loss. The cumulative gains and losses previously recognized in equity are not reclassified at fair value in the income statement until the financial assets are disposed of. No financial assets measured at FVOCI, which are also debt instruments, were recognized in the past financial year.

Financial assets (debt instruments) that do not meet the criteria of amortized cost or fair value through other comprehensive income are classified as fair value through profit or loss. Income or losses on a debt instrument subsequently measured at FVTPL are recognized in profit or loss in the period in which they arise. The FVTPL option is not applied for the financial assets nor for the financial liabilities.

Cash and cash equivalents include bank balances and cash in hand and are measured at amortized cost because they are held within the business model with the aim of collecting the contractual cash flows and these contractual cash flows are only the payments of interest and principal. Cash and cash equivalents are also subject to the impairment regulations of IFRS 9. However, for reasons of immateriality, no valuation allowances are recorded.

Trade receivables are recorded at the transaction price upon initial recognition. If they contain significant financing components, they are recognized at fair value. The BAUER Group holds trade receivables in order to collect contractual cash flows exclusively comprising payments of interest and principal on the outstanding capital amount, and subsequently measures them at amortized cost less valuation allowances. For receivables designated for a sale, the criteria for the business model “Sale” are present due to the factoring agreements and they are therefore to be assigned to the measurement category FVTPL. No impairments are to be recorded for these receivables as per IFRS 9. In the financial year, no factoring agreements existed.

As a rule, financial assets that constitute equity instruments according to IAS 32 must be classified as “Fair Value through Profit or Loss” and recognized with an effect on profit or loss. At the same time, when equity instruments held are initially categorized, there is an irrevocable option to recognize changes to the fair value in other income with no effect on profit or loss. The BAUER Group exercises this option for participations affected by this because the recognition of income and losses from fair value changes in the income statement has no significance in terms of the development of the participations. Once the participation is derecognized, the amounts recognized in other comprehensive income are not subsequently reclassified in the income statement. Dividends continue to be recognized in profit or loss unless the dividend is clearly a repayment of part of the cost of the equity instrument.

Impairments are recognized based on losses incurred as well as estimates of expected credit losses (expected loss model). In this context, impairments for expected credit losses according to IFRS 9 are recorded for all financial assets valued at amortized cost as well as debt instruments valued at fair value through other comprehensive income. In order to determine the scope of the risk provision strategy, a three-stage model is envisaged as a general rule. Risk provision is either formed on the basis of expected 12-month credit losses (stage 1) or on the basis of credit losses expected over the contract period if the credit risk has worsened considerably since the initial statement (stage 2) or if impaired creditworthiness is established (stage 3). For trade receivables as well as the contract assets recorded according to IFRS 15, the simplified approach is applied, according to which the credit losses expected over the entire duration are accounted for as an impairment.

To determine the expected credit losses and individual valuation allowances for financial assets with impaired creditworthiness, the BAUER Group uses internal credit assessments and external ratings. In the event of relevant circumstances specific to a certain case, individual and macroeconomic factors are also considered when determining the extent of the valuation allowances. A significant credit risk deterioration of the counterparty is assumed when its rating has fallen by a set number of grades. 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 customers. Application of the arrears assumption of 30 days has no bearing in the industry due to, among other things, limitations in acknowledgment of performance.

The expected credit losses in relation to trade receivables and contract assets are measured using a "Provision Matrix," which is based on historic defaults and future estimates. In light of the fact that the BAUER Group's business activities are categorized into three different segments, Construction, Equipment and Resources, and the customer structure is therefore so diverse, trade receivables are summarized per segment and expected credit losses are calculated per portfolio for each segment.

An individual valuation allowance for financial assets with impaired creditworthiness is recognized when there are objective signs, such as missed payments or insolvencies. Default of a financial asset is determined based on an individual assessment according to which it cannot be reasonably assumed that the receivable is realizable in full or in part. If repayment cannot be reasonably expected, the financial asset is depreciated. With the depreciation of financial assets, the BAUER Group continues to take enforcement measures in an attempt to recover the overdue receivables.

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.

Financial assets and liabilities are not offset unless the amounts can be legally settled at the current point in time and there is an intention to actually offset the assets.

b) Derivative financial instruments

A derivative is a financial instrument or contract in the scope of IFRS 9 that fulfils the following three criteria cumulatively:

- which varies in value based on changes in a specific interest rate, price of a financial instrument, raw material 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, derivative financial instruments (interest rate swaps, foreign exchange forward contracts, foreign exchange swaps and foreign exchange options) are entered into solely to hedge against interest rate and currency risks. No deals are made without an underlying transaction. In the BAUER Group, free-standing derivative financial instruments are assigned as financial assets to the following category:

- Fair value through profit or loss (FVTPL)

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

- Fair value through profit or loss (FVTPL)

In the case of financial assets or liabilities recognized at fair value through profit or loss, the initial fair-value valuation excludes the transaction costs, which must be recognized as expenditure in the income statement immediately. The first accounting takes place on the trading date. Value changes of derivatives that are not part of a cash flow hedge are considered with no impact on profit or loss under financial expense or earnings.
The free-standing derivative financial instruments in the "fair value through profit or loss" category include interest rate swaps, foreign exchange forward contracts, foreign exchange swaps and foreign exchange options.

In the case of derivatives which are designated as hedging instruments in hedge accounting, when hedging the risk of fluctuations in future cash flows (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. With regard to foreign exchange risk hedging, the BAUER Group designates only the cash component of the change of the fair value of the hedging transaction as a component of the cash flow hedge. The changes to the fair value occurring on the forward component and cross-currency basis spread (CCBS) component are included under other income in the reserve for hedging costs. The ineffective portion of the hedging transaction is recognized in the income statement immediately. The derivative financial instruments are stated at their market values as assets or liabilities. In the 2022 financial year, hedge accounting was applied for hedging of payment flow risks (cash flow hedges). In addition to the foreign currency edges, in the financial year there were a total of two (previous year: none) interest rate hedges to safeguard variable payments from interest rate swaps and promissory notes.

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 market values of the foreign exchange forward contracts are defined on the basis of future anticipated payment flows taking into account current reference rates and forward premiums and discounts. The market 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 as well as stock for trade and raw materials and supplies, are measured at acquisition costs or manufacturing costs 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. All 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 rented out for a short period as a secondary sales promotion measure, the following factors are considered in determining their net realizable values:

- Rental 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 costs include all direct costs of the manufacturing process. The amount of the unscheduled depreciations for the impairment of inventories is explained according to IAS 2 under the inventories.

Construction contracts

Customer-specific construction contracts are recognized according to the percentage of completion. The work performed, including the pro-rata share of income, is mainly shown under revenue on a period-by-period basis and according to the percentage of completion. The method that most reliably measures the services provided is used to determine the progress of a project. Both input- and output-based methods can be consistently applied to similar contractual obligations and similar circumstances. The BAUER Group mainly uses input-based methods (for example, cost-to-cost method of profit recognition according to the stage of completion), in particular for the determination of revenues from construction contracts. Proceeds and contract modifications (contract changes and subsequent orders) are recognized in accordance with IFRS 15 if it is highly probably that these contract modifications will not result in a significant cancellation. Tender costs are capitalized if it is probable that they can be settled and they would not have been incurred if the order had not been received. Contract performance costs that are incurred before the start of the contract are capitalized if a settlement is expected and amortized over the contract term. BAUER AG has no contracts for which the period until transfer of the work owed to the customer constitutes a financing component. Accordingly, no transaction price will be adjusted by the fair value of the money. The contracts are reported under contract assets or contract liabilities. Construction contracts are recognized as assets under contract assets if the cumulative work performed (order costs and contract profit/loss) exceeds the advance payments in certain cases. If the total anticipated costs for the fulfillment of the contract obligation exceed the total anticipated sales revenues, provisions for impending losses are formed. In general, building contracts and service contracts include warranty periods and periods for the notification of defects following the completion of the project. These obligations are not considered as separate service obligations and are therefore included as estimates in the total contract costs. If necessary, amounts are recorded under the provisions in line with IAS 37.
These sales revenues can also include out-of-period sales resulting from final invoice agreements and sales corrections in the Construction segment.

Cash and cash equivalents

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

Deferred taxes

In accordance with IAS 12, deferred taxes are taken into account in respect of deviations 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 participations 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 claims and deferred tax liabilities must be balanced when an enforceable right exists for the offsetting of actual tax reimbursement claims against actual tax liabilities. 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 obligations 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: 28.08% und 32.14%). Outside Germany, income tax rates of between 0.00% and 35.00% are applied (previous year: 0.00% und 38.00%).

When reporting any uncertainties concerning income tax in the balance sheet, the individual income tax treatment is generally applied. Insofar as it is not probable that an income tax treatment will be accepted by the local tax authorities, the BAUER Group uses the amount with the highest probability when determining the taxable profits as well as the tax base.
The tax returns of the companies in the BAUER Group are regularly audited by German and foreign tax authorities. Taking into account a variety of factors, including the interpretation, commentaries and case-law concerning the respective tax legislation, as well as the experiences from the past, provisions are formed for potential future tax obligations to the appropriate extent, insofar as this is apparent and probable.

Share-based remuneration with settlement in shares
Share-based remuneration is accounted for according to IFRS 2. Here, the work performance allocable to share-based remuneration is evaluated at the fair value of the shares on issue and recorded in personnel expenses. The offsetting transaction is booked in equity. The fair value on issue is determined assuming full achievement of previously specified targets. As the targets are not based on the market price of the shares, these assumptions are regularly reviewed for significant deviations in the anticipated target achievement and the personnel expenses are adjusted to that effect.

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 payments 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 provisions for pensions on the balance sheet corresponds to the present 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 present 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 personnel expenses 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 that are stated in the personnel expenses.

b) Tax provisions

Tax provisions include obligations 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 formed according to IAS 37 insofar as a past event results in a present obligation, the amount of the claim is more probable than improbable and this can be reliably estimated. The provisions are stated at their expected 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. The evaluation is based on best estimates and takes into account expected future cost increases.

Sales revenues

Sales revenues from contracts with customers are realized after deducting value-added tax and other taxes, reduced by anticipated losses in income. Sales revenues are recorded as soon as control of the asset has been transferred to the customer. In the BAUER Group, sales revenues can be based on a point in time or based on a period of time. Revenues based on a period of time are realized when one of the following prerequisites is met:

- The customer receives the benefits of the service and makes use of the service at the same time that it is being performed,
- an asset is created and control of the asset passes over to the customer while the asset is still being created or
- an asset is created that has no other possible use for the BAUER Group.

In addition, the progress of performance must be measurable.

For clarification on the accounting of sales revenues from construction contracts, we refer to the section of the same name. Sales revenues from the rental of used machines relate to operating lease relationships with customers. The accounting of rental revenues is clarified in the “Leasing” section under “Accounting for lessor transactions.”

If none of the above prerequisites applies, the BAUER Group records its sales revenues based on the point in time. This routinely includes sales revenues from the sale of machines and equipment, as well as corresponding accessories.

The transaction price corresponds to the consideration that we expect to obtain for the transfer of promised goods or services. Variable considerations are components of the transaction price that were not yet fixed at the time the contract was concluded. For example, these include discounts, reductions, credits or penalty payments. Variable components are estimated at the expected value or the most probable amount.
Specific payment conditions may apply for individual countries concerning the time of measuring the transaction price. These are usually 30 days in Germany. Warranty provisions are formed for anticipated warranty obligations. In the BAUER Group there are no significant repurchase, reimbursement or other obligations that impact revenue recognition.

Other income and expenses

Dividend income is recognized at the date on which the right to receipt of payment is created. Dividends received from companies over which we do not exercise control, and where neither joint control nor decisive influence are involved, are recognized as income from operating participations under “Financial income”.

Operating expenses, financial income and expenses are recognized as affecting net income when the supply or service is claimed or at the time they are caused, as appropriate.

6. GROUP SEGMENT REPORTING

The internal organizational and management structure and the internal system of reporting to the Executive Board and Supervisory Board form the basis for the segmentation employed by the BAUER Group.

The BAUER Group comprises the Construction, Equipment, Resources and Corporate Services segments. Transactions between the segments are conducted at market prices.
SCHACHTBAU NORDHAUSEN GmbH operates in both the Equipment and Resources segments. The assets and liabilities and income statement items of SCHACHTBAU NORDHAUSEN GmbH were assigned to the relevant segments.

Construction

The **Construction segment** applies all the established methods and techniques of specialist foundation engineering all over the world. These include executing complex excavation pits and foundations for large-scale infrastructure projects and buildings, as well as cut-off walls and soil improvements.
On the one hand, the construction markets are handled by local subsidiaries that support one another in networks, and on the other hand, large projects in countries without a local company are carried out by pooling capacities from all over the world. From Germany, support services are provided by means of central service functions and standards are set for the subsidiaries of each segment.

Equipment

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

Resources

The **Resources segment** focuses on the development, production and execution of innovative products and services and acts as a service provider with several business divisions and subsidiaries in the areas of drilling services and water wells, environmental services, constructed wetlands, mining and rehabilitation. Our areas of expertise include water extraction and drilling technologies, brownfield remediation and waste management along with water treatment and building rehabilitation.

Corporate Services

The **Corporate Services segment** encompasses services (accounting, personnel, IT, etc.) provided by BAUER AG for the Group companies. This also comprises the other units not assignable to the separately listed segments, which provide services such as in-house and external education and training as well as centralized research and development. In the 2022 financial year, EUR 13,900 thousand (previous year: 45,679) were included in this segment for distribution payments by Group subsidiaries to the parent company.

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 business area. The distribution payments stated in the Corporate Services segment are included in the offsetting of the interim results.
The segment earnings after tax reflect the financial income and expenses as well as the income tax expense. The assets and liabilities of the segment incorporate all the assets and liabilities of the Group. The non-current assets stated in the segment report by region comprise intangible assets and property, plant and equipment.

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 and joint ventures, from our subcontractor shares in consortia 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 single 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 report by region

In the 2021 financial year, a new breakdown of regions was determined between the Executive Board and management of the segments that is primarily based on the operative business activities. The classification of the sales and fixed assets of the subsidiaries that are active or positioned in the respective segments is facilitated and adjusted to the internal reporting system as a result.

Group segment reporting

SEGMENT REPORT BY BUSINESS SEGMENT

in EUR thousand	Construction		Equipment		Resources	
	2021	2022	2021	2022	2021	2022
Total Group revenues	**682,437**	**787,405**	**681,480**	**747,847**	**272,516**	**299,160**
Sales revenues with third parties	640,343	731,288	552,189	625,916	241,127	271,754
Sales revenues between the segments	14,688	15,337	62,433	73,149	9	2,087
Changes in inventories	0	0	4,988	17,625	442	-397
Other own work capitalized	573	224	4,031	3,813	1,637	180
Other income	8,851	15,023	7,982	9,211	2,622	2,025
Consolidated revenues	**664,455**	**761,872**	**631,623**	**729,714**	**245,837**	**275,649**
Impairment losses on investments accounted for using the equity method	0	0	0	0	0	-25,669
Income from shares accounted for using the equity method	2,019	2,271	2,066	2,043	7,176	5,425
Earnings before interest, tax, depreciation and amortization (EBITDA)	**52,725**	**3,799**	**81,603**	**83,841**	**19,603**	**-23,384**
Depreciation of fixed assets	-61,348	-69,327	-33,613	-31,468	-10,121	-13,955
Write-downs of inventories due to use	0	0	-11,136	-12,510	0	0
Earnings before interest and tax (EBIT)	**-8,623**	**-65,528**	**36,854**	**39,863**	**9,482**	**-37,339**
Financial income	20,752	36,522	20,805	48,394	3,276	9,269
Financial expenses	-24,072	-33,198	-27,993	-51,641	-5,697	-7,375
Income tax expense	-9,921	-17,472	-10,551	-16,949	4,452	-5,522
Earnings after tax	**-21,864**	**-79,676**	**19,115**	**19,667**	**11,513**	**-40,967**
ADDITIONAL INFORMATION ON THE INCOME STATEMENT						
Sales revenues with third parties based at a point in time	0	0	552,189	625,916	60,914	75,763
Sales revenues with third parties based over time	640,343	731,288	0	0	180,213	195,991
Unscheduled depreciation of fixed assets	-260	-2,159	-5,526	-5,269	0	-3,796
Major non-cash segment items						
Depreciation losses on financial assets	0	0	0	-1,129	0	-20
Depreciation losses for impairment on inventories	-285	-185	-7,380	-10,658	-2,421	-9,869
Allocation of impairment for receivables	-6,721	-31,111	-2,678	-12,425	-2,060	-5,983
Reversal of impairment for receivables	629	4,062	1,640	2,492	3,535	374
ADDITIONAL INFORMATION ON THE BALANCE SHEET						
SEGMENT ASSETS DECEMBER 31	**644,790**	**664,444**	**793,683**	**816,545**	**228,246**	**220,260**
of which shares in companies accounted for using the equity method	5,439	5,151	12,580	12,005	63,862	41,425
of which capital investments in fixed assets	103,035	79,915	68,625	36,814	12,779	13,491
SEGMENT LIABILITIES DECEMBER 31	**487,533**	**504,315**	**428,257**	**495,574**	**149,025**	**144,116**

Corporate Services		Total of the segments		Consolidation		Group	
2021	2022	2021	2022	2021	2022	2021	2022
100,525	**65,323**	**1,736,958**	**1,899,735**	**-199,357**	**-151,640**	**1,537,601**	**1,748,095**
1,185	1,178	1,434,844	1,630,136	-1,771	0	1,433,073	1,630,136
47,175	47,668	124,305	138,241	-124,305	-138,241	0	0
0	0	5,430	17,228	0	-1,189	5,430	16,039
2,816	1,090	9,057	5,307	6,032	4,089	15,089	9,396
45,216	13,923	64,671	40,182	-45,836	-15,787	18,835	24,395
96,392	**63,859**	**1,638,307**	**1,831,094**	**-165,880**	**-151,128**	**1,472,427**	**1,679,966**
0	0	0	-25,669	0	0	0	-25,669
0	0	11,261	9,739	0	0	11,261	9,739
47,701	**-75,616**	**201,632**	**-11,360**	**-48,171**	**71,876**	**153,461**	**60,516**
-2,999	-3,125	-108,081	-117,875	1,781	1,845	-106,300	-116,030
0	0	-11,136	-12,510	0	0	-11,136	-12,510
44,702	**-78,741**	**82,415**	**-141,745**	**-46,390**	**73,721**	**36,025**	**-68,024**
9,406	46,321	54,239	140,506	-3,487	-22,816	50,752	117,690
-11,220	-29,578	-68,982	-121,792	3,487	22,816	-65,495	-98,976
-1,276	-4,431	-17,296	-44,374	5	-333	-17,291	-44,707
41,612	**-66,429**	**50,376**	**-167,405**	**-46,385**	**73,388**	**3,991**	**-94,017**
1,185	1,178	614,288	702,857	0	0	614,288	702,857
0	0	820,556	927,279	-1,771	0	818,785	927,279
0	0	-5,786	-11,224	0	0	-5,786	-11,224
-1	0	-1	-1,149	0	0	-1	-1,149
0	0	-10,086	-20,712	0	0	-10,086	-20,712
-4,430	0	-15,889	-49,519	0	0	-15,889	-49,519
0	0	5,804	6,928	0	0	5,804	6,928
388,768	**438,467**	**2,055,487**	**2,139,716**	**-415,994**	**-519,761**	**1,639,493**	**1,619,955**
0	0	81,881	58,581	0	0	81,881	58,581
7,035	5,918	191,474	136,138	-541	2,238	190,933	138,376
182,696	**299,971**	**1,247,511**	**1,443,976**	**-89,094**	**-226,332**	**1,158,417**	**1,217,644**

SEGMENT REPORT BY REGION

in EUR thousand	Germany		Europe		Middle East	
	2021	2022	2021	2022	2021	2022
Total Group revenues	**463,219**	**536,457**	**313,434**	**355,835**	**170,149**	**228,696**
Sales revenues with third parties	399,680	445,872	307,853	349,740	152,007	217,904
Intangible assets, property, plant and equipment, December 31	209,839	206,117	70,343	65,672	40,482	38,211

Asia-Pacific		Americas		Africa		Group	
2021	2022	2021	2022	2021	2022	2021	2022
224,148	**205,162**	**280,094**	**328,095**	**86,557**	**93,850**	**1,537,601**	**1,748,095**
202,842	197,128	274,973	295,618	95,718	123,874	1,433,073	1,630,136
115,336	100,062	66,213	75,197	20,112	13,321	522,325	498,580

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

7. SALES REVENUES

The sales revenues generated in the amount of EUR 1,630,136 thousand (previous year: 1,433,073) include revenues based over time, goods and services delivered to consortia as well as sales revenues from the sale and rental of equipment and accessories.

Sales revenue from leased equipment and accessories amounted to EUR 26,023 thousand in the financial year (previous year: 25,205). With regard to the presentation and breakdown of sales revenues by operating segment and region as well as the categorization according to revenues based on time period and those based on point in time, 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 thousand	2021	2022
Sales revenues	1,433,073	1,630,136
Changes in inventories	5,430	16,039
Other own work capitalized	15,089	9,396
Other income	18,835	24,395
Consolidated Revenues	**1,472,427**	**1,679,966**
Subcontractor share in consortia	14,660	16,174
Revenues of associated companies and joint ventures	38,557	31,294
Revenues of non-consolidated companies	23,309	32,041
Intra-group revenues	-11,352	-11,380
Total Group revenues	**1,537,601**	**1,748,095**

Sales revenues included EUR 7,764 thousand in net out-of-period sales (previous year: 5,172) resulting from final invoice agreements and sales corrections in the Construction segment. The revenue correction in the previous year involved variable transaction components that were recognized in the past. A potential reversal of sales was not assumed as part of project management. The matter concerned a change in the transaction price in accordance with IFRS 15.88. In the Construction segment, final invoices, for example, may include supplementary items that have not yet been finally negotiated with the client 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 sales revenue will be realized.

The following table shows current contractual obligations that have been initiated but not yet fully met as well as the expected revenue to be realized:

in EUR thousand	2021	2022
Unfulfilled contractual obligations	**531,222**	**944,499**
Expected realization within 1 year	409,940	500,089
Expected realization in 1 to 5 years	121,282	324,338
Expected realization after 5 years	0	120,072

8. OTHER OWN WORK CAPITALIZED

in EUR thousand	2021	2022
Income from other own work capitalized	15,089	9,396

9. OTHER INCOME

in EUR thousand	2021	2022
Income from disposal of property, plant and equipment	6,010	8,377
Income from insurance refunds	2,493	1,363
Other income from rentals	803	1,248
Income with non-consolidated subsidiaries	149	2,863
Effects from de-consolidation and transitional consolidations	773	488
Other operating income	8,607	10,056
Total	**18,835**	**24,395**

Additionally, the other operating income mainly comprises income from other reimbursements of expenditure as well as other income spread across the companies in the basis of consolidation which is of minor importance in the individual instances. The previous year included the write-ups of TERRABAUER S.L. amounting to EUR 1,550 thousand.

10. COST OF MATERIALS

in EUR thousand	2021	2022
Expenses for raw materials and supplies and purchased goods	475,243	589,215
Expenses for purchased services	254,454	287,734
Total	**729,697**	**876,949**

The expenses for purchased services included short-term external device rentals in the amount of EUR 38,385 thousand (previous year: 27,134). This relates to large devices for short-term building site activities with a significant term of 3 to 6 months.

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”. Allocations to anniversary provisions are also reported without the interest portion under Wages and salaries.

in EUR thousand	2021	2022
Wages and salaries	360,257	388,840
Social security contributions	60,793	64,946
Expenses for retirement benefits	9,370	9,656
Total	**430,420**	**463,442**

The employer’s pension contributions in the financial year totaled EUR 24,088 thousand (previous year: 22,643). These are contribution-based schemes, as explained under 5.2 “Significant accounting policies in the Group.” Of that total, EUR 14,410 thousand (previous year: 18,816) relate to Germany and EUR 9,678 thousand (previous year: 3,827) relate to other countries. The wages and salaries include severance expenses in the amount of EUR 3,906 thousand (previous year: 1,631).

12. OTHER OPERATING EXPENSES

in EUR thousand	2021	2022
Losses from disposal of property, plant and equipment	1,926	1,804
Leasing expenses	14,216	18,100
Energy, heating, water	3,978	3,012
Vehicle costs	2,675	3,722
Property, motor vehicle and transport insurance	12,924	13,370
Other operating expenses	10,303	13,256
Administrative expenses	43,486	52,237
Distribution costs	33,700	54,131
Other employee-related expenses	18,143	21,565
Result from irrecoverable receivables	970	12,775
Bank charges	2,914	4,492
Duties	4,287	3,600
Accrued expenses	823	381
Other taxes	4,914	5,760
Effects from de-consolidation and transitional consolidations	0	14,352
Additional other operating expenses	5,736	10,755
Total	**160,995**	**233,312**

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 companies in the basis of consolidation which are of minor importance in the individual instances. The disproportionately large increase in distribution costs is exclusively attributable to the operational business of the Equipment segment. 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 12,215 thousand (previous year: 16,693) resulting from the reversal of provisions, derecognition of liabilities and written off receivables. We refer to section 40 for further disclosures regarding the valuation allowances.
The leasing expenses include the expenses arising from short-term leasing relationships in the amount of EUR 16,817 thousand (previous year: 13,249) and low-value leasing expenses in the amount of EUR 1,284 thousand (previous year: 967). This does not include variable leasing payments that are not contained in the evaluation of the leasing liability.

13. IMPAIRMENTS AND IMPAIRMENT REVERSALS IN ACCORDANCE TO IFRS 9

The reported impairments and write-ups in the amount of EUR 29,817 thousand (previous year: 9,115) represent the credit losses expected in accordance with IFRS 9 and relate primarily to trade receivables (including receivables from issued partial invoices and not yet invoiced services). This includes income from the reversal of valuation allowances on receivables in the amount of EUR 3,374 thousand (previous year: 5,797). We refer to section 40 for further disclosures.

14. IMPAIRMENTS ON SHARES ACCOUNTED FOR USING THE EQUITY METHOD

In the financial year, a devaluation in the amount of EUR 25,669 thousand was carried out on the recoverable amount at BAUER Nimr LLC (Resources segment) as the result of an impairment test (previous year: 0).

15. INCOME FROM SHARES ACCOUNTED FOR USING THE EQUITY METHOD

The income from shares accounted for using the equity method in the fiscal year is EUR 9,739 thousand (previous year: 11,261) and includes the income and loss shares of associated companies and joint ventures that were evaluated in accordance with the equity method.

in EUR thousand	2021	2022
Income from equity participations	7,809	6,554
Expenses from equity participations	-336	-1,096
Income from consortia	3,999	4,335
Losses from consortia	-211	-54
Total	**11,261**	**9,739**

16. DEPRECIATION AND AMORTIZATION

Depreciation is as follows:

in EUR thousand	2021	2022
Depreciation of intangible assets	10,840	4,152
Depreciation of property, plant and equipment	95,460	111,878
Total	**106,300**	**116,030**

Impairments of fixed assets are explained under item 22.2, “Property, plant and equipment.”

17. WRITE-DOWNS OF INVENTORIES DUE TO USE

Write-downs of inventories due to use in the financial year totaled EUR 12,510 thousand (previous year: 11,136). This related to depreciation of used machinery temporarily rented out to customers as sales promotion measures. Use-related depreciation of used machinery disposed of in the 2022 financial year is included in these figures.

FINANCIAL RESULT

18. FINANCIAL INCOME

The financial income is broken down as follows:

in EUR thousand	2021	2022
Income from operating participations	914	2,667
Other interest and similar income	4,246	8,413
Income from changes in fair values of interest rate swaps	15,762	52,170
Income from foreign currency translation from financing activities	29,830	54,440
Total	**50,752**	**117,690**

Other interest and similar income included EUR 5,599 thousand (previous year: 0) from the sale of the shares in Wöhr und Bauer GmbH.

19. FINANCIAL EXPENSES

The financial expenses are broken down as follows:

in EUR thousand	2021	2022
Interest and similar expenses	27,761	31,489
Effects from transition consolidation	1	1,149
Losses from changes in fair values of interest rate swaps	11,000	11,727
Interest portions of allocations to provisions for pensions and similar obligations	1,554	2,124
Losses from foreign currency translation from financing activities	25,179	52,487
Total	**65,495**	**98,976**

The interest from lease transactions included under “Interest and similar expenses” in the financial year totaled EUR 2,787 thousand (previous year: 2,430). The financial result includes interest income from financial assets in an amount of EUR 8,388 thousand (previous year: 4,226) and interest expenses from financial liabilities in an amount of EUR 29,850 thousand (previous year: 25,326) which were not measured at fair value affecting profit and loss.

20. INCOME TAX EXPENSE

The income tax expense is broken down as follows:

in EUR thousand	2021	2022
Actual taxes	22,574	33,683
Deferred taxes	-5,283	11,024
Total	**17,291**	**44,707**

The theoretical tax rate is 28.08% (previous year: 28.08%). The actual taxes include recorded adjustments for out-of-period actual income tax in the amount of EUR -1,860 thousand (previous year: -463).

Reconciliation from expected to actual income tax expense

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 thousand	2021	2022
Earnings before tax (EBT)	21,282	-49,310
Theoretical tax expenditure 28.08% (previous year: 28.08%)	5,976	-13,846
Reconciliation		
Differences in tax rate	2,058	7,828
Taxation effects of non-deductible expenses and tax-free income	1,193	18,724
Effects of deviations in the tax calculation base	5,929	3,960
Valuation of associated companies using the equity accounting method	-3,162	5,767
Current and deferred tax effects relating to other periods	52	-1,548
Effects of deferred tax assets in respect of losses carried forward and temporary differences	5,265	23,671
Other	-20	151
Taxes on income and profit	**17,291**	**44,707**

The tax effects of the effects from transitional and de-consolidations contained in non-deductible expenses and tax-free earnings amounted to EUR 2,910 thousand in the financial year (previous year: not significant). Internal disbursements result in taxation effects after December 31, 2022 totaling EUR 110 thousand (previous year: 358).

21. 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:

	2021	2022
Earnings after tax attributable to the shareholders of BAUER AG, in EUR thousand	**-563**	**-95,516**
Weighted average number of shares in circulation in financial year (basic)	23,083,153	26,091,781
Weighted average number of shares in circulation in financial year (diluted)	23,083,153	26,091,781
Basic earnings per share in EUR	**-0.02**	**-3.66**
Diluted earnings per share in EUR	**-0.02**	**-3.66**

EXPLANATORY NOTES TO THE CONSOLIDATED 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

22. FIXED ASSETS

22.1. Intangible assets

in EUR thousand			Internally generated intangible assets		
Acquisition and/or manufacturing costs	**Licenses, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
January 1, 2021	**36,254**	**2,186**	**0**	**34,206**	**72,646**
Change in basis of consolidation	0	-1,255	0	0	-1,255
Additions	2,194	0	68	8,987	11,249
Disposals and reclassifications pursuant to IFRS 5	595	0	0	155	750
Transfers	0	0	0	0	0
Currency adjustment	245	0	0	0	245
December 31, 2021	**38,098**	**931**	**68**	**43,038**	**82,135**

in EUR thousand			Internally generated intangible assets		
Accumulated depreciation	**Licenses, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
January 1, 2021	**33,647**	**2,186**	**0**	**22,215**	**58,048**
Change in basis of consolidation	0	-1,255	0	0	-1,255
Additions	1,217	0	4	4,093	5,314
Disposals and reclassifications pursuant to IFRS 5	470	0	0	1,218	1,688
Impairment expenses	0	0	0	5,526	5,526
Transfers	0	0	0	0	0
Currency adjustment	246	0	0	0	246
December 31, 2021	**34,640**	**931**	**4**	**30,616**	**66,191**
Carrying amount December 31, 2021	**3,458**	**0**	**64**	**12,422**	**15,944**

in EUR thousand			Internally generated intangible assets		
Acquisition and/or manufacturing costs	**Licenses, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
January 1, 2022	**38,098**	**931**	**68**	**43,038**	**82,135**
Change in basis of consolidation	-202	0	0	0	-202
Additions	1,231	0	0	4,124	5,355
Disposals and reclassifications pursuant to IFRS 5	-8	0	0	4	-4
Transfers	0	0	0	0	0
Currency adjustment	216	0	0	0	216
December 31, 2022	**39,351**	**931**	**68**	**47,158**	**87,508**

in EUR thousand			Internally generated intangible assets		
Accumulated depreciation	**Licenses, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
January 1, 2022	**34,640**	**931**	**4**	**30,616**	**66,191**
Change in basis of consolidation	-85	0	0	0	-85
Additions	1,404	0	17	2,584	4,005
Disposals and reclassifications pursuant to IFRS 5	14	0	0	0	14
Impairment expenses	0	0	0	147	147
Transfers	0	0	0	0	0
Currency adjustment	216	0	1	210	427
December 31, 2022	**36,161**	**931**	**22**	**33,557**	**70,671**
Carrying amount December 31, 2022	**3,190**	**0**	**46**	**13,601**	**16,837**

The changes to the basis of consolidation in the area of intangible assets come from the deconsolidation of the companies BAUER BULGARIA EOOD and Olbersdorfer Guß GmbH.

Of the total research and development costs and patent costs incurred in 2022, EUR 4,438 thousand (previous year: 2,846) met the capitalization criteria in accordance with IFRS. The following amounts were recognized in net income:

in EUR thousand	2021	2022
Research costs and non-capitalized development costs	27,424	25,275
Depreciation of development costs and patents	10,071	3,563
Research and development costs recognized in net income	**37,495**	**28,838**

22.2. Property, plant and equipment

in EUR thousand

Acquisition and/or manufacturing costs	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and equipment in construction	Total
January 1, 2021	**344,389**	**608,181**	**98,219**	**27,157**	**1,077,946**
Change in basis of consolidation	12	1,577	6	0	1,595
Additions	39,724	110,972	10,641	18,347	179,684
Disposals and reclassifications pursuant to IFRS 5	3,852	67,821	6,351	10,882	88,906
Transfers	2,974	6,855	-68	-9,761	0
Currency adjustment	4,869	24,903	2,175	787	32,734
December 31, 2021	**388,116**	**684,667**	**104,622**	**25,648**	**1,203,053**

in EUR thousand

Accumulated depreciation	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and equipment in construction	Total
January 1, 2021	**148,401**	**407,883**	**68,648**	**527**	**625,459**
Change in basis of consolidation	2	114	1	0	117
Additions	15,899	67,815	11,486	0	95,200
Disposals and reclassifications pursuant to IFRS 5	2,932	39,760	5,035	-20	47,707
Impairment expenses	0	254	6	0	260
Transfers	0	38	-38	0	0
Currency adjustment	1,409	20,087	1,847	0	23,343
December 31, 2021	**162,779**	**456,431**	**76,915**	**547**	**696,672**
Carrying amount December 31, 2021	**225,337**	**228,236**	**27,707**	**25,101**	**506,381**
of which carrying amount of the rights of use as at December 31, 2021	**22,574**	**35,996**	**7,427**	**0**	**65,997**

in EUR thousand

Acquisition and/or manufacturing costs	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and equipment in construction	Total
January 1, 2022	**388,116**	**684,667**	**104,622**	**25,648**	**1,203,053**
Change in basis of consolidation	-6,464	-26,005	-1,490	-38	-33,997
Correction carried forward*	-10,784	0	0	0	-10,784
Additions	5,702	91,400	11,473	24,446	133,021
Disposals and reclassifications pursuant to IFRS 5	5,257	85,239	10,741	1,162	102,399
Transfers	11,116	3,059	380	-14,555	0
Currency adjustment	2,491	265	-132	171	2,795
December 31, 2022	**384,920**	**668,147**	**104,112**	**34,510**	**1,191,689**

* In the course of the system audit for BAUER Manufacturing LLC, changes resulted to the amounts carried forward.

The additions of right of use for the financial year 2022 amount to EUR 27,999 thousand (previous year: 18,958). The depreciations from rights of use in the financial year amounted to EUR 6,400 thousand for land and buildings (previous year: 6,016), for technical equipment and machinery, it amounted to EUR 11,008 thousand (previous year: 12,024), and for other equipment, factory and office equipment it amounted to EUR 3,326 thousand (previous year: 3,478).

in EUR thousand

Accumulated depreciation	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and equipment in construction	Total
January 1, 2022	**162,779**	**456,431**	**76,915**	**547**	**696,672**
Change in basis of consolidation	-2,262	-18,150	-1,208	0	-21,620
Correction carried forward*	-10,784	0	0	0	-10,784
Additions	16,367	72,916	11,518	0	100,801
Disposals and reclassifications pursuant to IFRS 5	4,135	54,163	9,702	-259	67,741
Impairment expenses	7,287	3,727	63	0	11,077
Transfers	0	-56	56	0	0
Currency adjustment	-192	1,874	-141	0	1,541
December 31, 2022	**169,060**	**462,579**	**77,501**	**806**	**709,946**
Carrying amount December 31, 2022	**215,860**	**205,568**	**26,611**	**33,704**	**481,743**
of which carrying amount of the rights of use as at December 31, 2022	**18,943**	**44,086**	**6,009**	**0**	**69,038**

* In the course of the system audit for BAUER Manufacturing LLC, changes resulted to the amounts carried forward.

The item “Technical equipment and machinery” includes machines for which the primary purpose is rental to customers. The carrying amount of these machines totaled EUR 12,834 thousand (previous year: 14,621).

Future payment obligations from orders that were not yet recognized on the balance sheet (purchase commitments) were EUR 14,660 thousand (previous year: 1,866) as at December 31, 2022. This value results primarily from the outstanding obligations for the GEFCO building at the subsidiary BAUER Equipment America Inc. in the amount of EUR 5,899 thousand, which is planned to be completed in 2023. In addition, the companies BAUER Maschinen GmbH (EUR 2,876 thousand), BAUER Spezialtiefbau GmbH (EUR 1,406 thousand) and SCHACHTBAU Nordhausen GmbH (EUR 4,370 thousand) have various open orders for the area of technical equipment and machines.

The changes to the basis of consolidation in the area of the fixed assets primarily resulted in the current financial year from the deconsolidation of the companies BAUER BULGARIA EOOD, Olbersdorfer Guß GmbH, OOO BAUER Technologie and BAUER Engineering India Ghana Ltd.

Items of property, plant and equipment have a carrying amount of EUR 84,712 thousand (previous year: 91,764) and are subject to encumbrances such as mortgages and chattel mortgages.
There are also standard restraints on disposal of leased assets, which are attributable to the Group in accordance with IFRS 16 and amount to EUR 69,038 thousand (previous year: 65,997).
No borrowing costs were capitalized in the financial year (previous year: EUR 0 thousand). Fixed assets were impaired by a total of EUR 11,224 thousand in the financial year (previous year: 5,786) on an unscheduled basis. These depreciations are attributable in the amount of EUR 2,159 thousand (previous year: 260) to the Construction segment, in the amount of EUR 5,269 thousand (previous year: 5,526) to the Equipment segment and in the amount of EUR 3,796 thousand

(previous year: 0) to the Resources segment. The unplanned depreciation relates to intangible assets in the amount of EUR 147 thousand (previous year: 5,526) and to property, plant and equipment in the amount of EUR 11,077 thousand (previous year: 260). Of that total, EUR 7,287 thousand (previous year: 0) relates to constructed land and buildings, EUR 3,727 thousand (previous year: 0) to technical equipment and machinery and EUR 63 thousand (previous year: 6) to other equipment, operating and office equipment. The impairment loss for the land and buildings includes a total of EUR 4,490 thousand (previous year: 0) from the devaluation of the two cash-generating units OOO BAUER Maschinen Russland and OOO BAUER Maschinen – Kurgan. The impairment is primarily due to the effects of the Russia-Ukraine conflict, which negatively affected the impairment tests. The recoverable amount of the two cash-generating units amounted to EUR 129 thousand (previous year: 10,085). In addition, at the company Thai BAUER Co. Ltd., an unscheduled devaluation was carried out on a property in the amount of EUR 2,159 thousand, as the opportunities for use have changed and the property is thus no longer usable as a storage space as planned. In the area of technical equipment and machines, unscheduled depreciations were carried out at Site Group for Services and Well Drilling Ltd. Co. in the amount of EUR 3,409 thousand, as the equipment concerned can no longer be used in other projects in the future and the company is in the process of liquidation. In addition, unscheduled devaluations were carried out on the technical equipment and machines of BAUER Resources Senegal SARL in the amount of EUR 534 thousand due to above-average wear in one project. The impairments were applied on the basis of the recoverable amount. These were determined using a discount rate of 10.56% (previous year: 8.71%). For the capitalized development costs, the recoverable amount corresponded to the value in use and was EUR 0 thousand. Effects on other non-financial assets were of minor importance in the financial year.

22.3. Investments recognized using the equity method

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

in EUR thousand	2021	2022
Shares in joint ventures accounted for using the equity method	19,367	20,654
Shares in associated companies accounted for using the equity method	62,514	37,927
Total	**81,881**	**58,581**

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

in EUR thousand	Associated companies		Joint ventures	
Acquisition and/or manufacturing costs	**2021**	**2022**	**2021**	**2022**
January 1	**61,833**	**64,653**	**16,495**	**19,367**
Additions	22	0	1,917	35
Disposals	0	10	1,764	2,575
Profit/loss attributable	7,677	5,601	3,584	3,842
Dividend payments	-4,879	-3,600	-865	0
Change in basis of consolidation	0	-898	0	-4
Currency adjustment	0	0	0	-11
December 31	**64,653**	**65,746**	**19,367**	**20,654**

in EUR thousand	Associated companies		Joint ventures	
Accumulated depreciation	2021	2022	2021	2022
January 1	**2,139**	**2,139**	**0**	**0**
Additions	0	25,680	0	0
Disposals	0	0	0	0
Change in basis of consolidation	0	0	0	0
Currency adjustment	0	0	0	0
December 31	**2,139**	**27,819**	**0**	**0**
Carrying amount December 31	**62,514**	**37,927**	**19,367**	**20,654**

The amounts listed under the item “Change in basis of consolidation” only include values up until the date of full consolidation.

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. The reporting is 100.00% in each case.

These are the material joint ventures:

Financial year 2021:

Name	Company's activities	Capital share	Accounting policies
Consortium emplacement drift Konrad shaft	Construction consortia	50.00%	Equity method
Steel construction consortium Müngsten Bridge	Construction consortia	50.00%	Equity method
CEFAM University Hospital Cologne	Construction consortia	50.00%	Equity method
VE10 above-ground western section	Construction consortia	10.00%	Equity method
VE30 above-ground western section	Construction consortia	10.00%	Equity method

Financial year 2022:

Name	Company's activities	Capital share	Accounting policies
VE30 above-ground western section	Construction consortia	10.00%	Equity method
Consortium emplacement drift Konrad shaft	Construction consortia	50.00%	Equity method
VE10 above-ground western section	Construction consortia	10.00%	Equity method
CEFAM University Hospital Cologne	Construction consortia	50.00%	Equity method
Construction consortia Babelsberger street	Construction consortia	50.00%	Equity method

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

in EUR thousand	2021					
	Sales revenues	Non-current assets	Current assets	of which cash and cash equivalents	Non-current debt	Current debt
Consortium emplacement drift Konrad shaft	11,216	1,160	38,132	7,427	0	17,425
Steel construction consortium Müngsten Bridge	919	0	8,752	37	0	8,570
CEFAM University Hospital Cologne	12,206	0	13,743	1,537	0	13,311
VE10 above-ground western section	33,146	2,591	22,372	22,184	0	15,206
VE30 above-ground western section	46,285	17,302	191,580	57,945	0	19,374

in EUR thousand	2022					
	Sales revenues	Non-current assets	Current assets	of which cash and cash equivalents	Non-current debt	Current debt
VE30 above-ground western section	38,804	14,715	243,041	71,101	0	242,471
Consortium emplacement drift Konrad shaft	20,398	1,035	47,666	14,887	0	22,882
VE10 above-ground western section	20,299	1,941	40,402	25,782	0	30,062
CEFAM University Hospital Cologne	10,884	0	0	0	0	0
Construction consortia Babelsberger street	3,565	0	14,788	17	0	14,443

In the 2022 financial year, the item “Share of the profit or loss from participations accounted for using the equity method” includes earnings from the aforementioned consortia under “Share of profit or loss from companies accounted for using the equity method” in the amount of EUR 2,764 thousand (previous year: 1,846).

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

BALANCE SHEET

in EUR thousand	Immaterial joint ventures	
	Dec. 31, 2021	Dec. 31, 2022
Non-current assets	3,181	4,675
Current assets	42,448	23,508
(of which cash and cash equivalents)	4,342	2,762
Total assets	**45,629**	**28,183**
Non-current debt	0	0
(of which non-current financial liabilities)	0	0
Current debt	34,313	18,775
(of which current financial liabilities)	311	777
Total debt	**34,313**	**18,775**

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

INCOME STATEMENT

in EUR thousand	Immaterial joint ventures	
	Dec. 31, 2021	Dec. 31, 2022
Sales revenues	32,842	23,473
Scheduled depreciation and amortization	-1,966	-1,446
Earnings before interest and tax	**6,745**	**2,360**
Interest income	538	710
Interest expense	-838	-1,107
Income tax expense	-1,044	255
Earnings after tax	**5,401**	**2,218**
Other comprehensive income	0	0
Total comprehensive income	**5,401**	**2,218**
Dividends distributed to the BAUER Group	865	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 2021:

in EUR thousand	Material joint ventures	Immaterial joint ventures
Net assets of joint ventures	43,746	11,316
Share in joint ventures according to investment quota	13,367	6,000
Goodwill and other adjustments	0	0
Carrying amount reported in the balance sheet	**13,367**	**6,000**

Financial year 2022:

in EUR thousand	Material joint ventures	Immaterial joint ventures
Net assets of joint ventures	53,730	9,408
Share in joint ventures according to investment quota	15,840	4,571
Goodwill and other adjustments	0	243
Carrying amount reported in the balance sheet	**15,840**	**4,814**

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

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. The reporting is 100.00% in each case.

After a review in the current financial year, SPANTEC Spann- & Ankertechnik GmbH was no longer reported as a joint venture, but instead as a material associated company.

These are the material associated companies:

Financial year 2021:

Name	Company's activities	Place of business	Capital share	Accounting policies
BAUER Nimr LLC	Water treatment and environmental technology	Muscat, Al Mina, Sultanate of Oman	52.50%	Equity method
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40.00%	Equity method

Financial year 2022:

Name	Company's activities	Place of business	Capital share	Accounting policies
BAUER Nimr LLC	Water treatment and environmental technology	Muscat, Al Mina, Sultanate of Oman	52.50%	Equity method
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40.00%	Equity method

BAUER Nimr LLC is classified as an associated company despite a majority of voting rights because no control can be asserted over business and financial policy under the partnership agreement.

Summarized financial information for BAUER Nimr LLC as well as SPANTEC Spann- & Ankertechnik GmbH is provided in the tables below. The amounts in the following table are presented before consolidation.

BALANCE SHEET

in EUR thousand	BAUER Nimr LLC		SPANTEC Spann- & Ankertechnik GmbH	
	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Non-current assets	68,086	69,599	6,005	6,186
Current assets	23,090	23,433	10,032	11,640
(of which cash and cash equivalents)	13,622	13,710	31	159
Total assets	**91,176**	**93,032**	**16,037**	**17,826**
Non-current debt	39,537	23,286	510	481
(of which non-current financial liabilities)	25,511	22,666	0	0
Current debt	11,832	23,264	1,218	2,178
(of which current financial liabilities)	5,098	19,389	0	0
Total debt	**51,369**	**46,550**	**1,728**	**2,659**

INCOME STATEMENT

in EUR thousand	BAUER Nimr LLC		SPANTEC Spann- & Ankertechnik GmbH	
	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Sales revenues	13,711	13,035	31,526	35,387
Scheduled depreciation and amortization	-508	-463	-206	-248
Earnings before interest and tax	**8,552**	**6,680**	**6,983**	**6,963**
Interest income	5,292	5,748	82	130
Interest expense	-3,524	-3,304	-53	-57
Income tax expense	-1,498	-1,346	-1,923	-1,920
Earnings after tax	**8,822**	**7,778**	**5,089**	**5,116**
Other comprehensive income	0	0	68	0
Total comprehensive income	**8,822**	**7,778**	**5,157**	**5,116**
Dividends distributed to the BAUER Group	3,439	1,849	1,440	1,720

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

BALANCE SHEET

in EUR thousand	Immaterial associated companies	
	Dec. 31, 2021	Dec. 31, 2022
Non-current assets	952	938
Current assets	8,985	8,981
(of which cash and cash equivalents)	216	114
Total assets	**9,937**	**9,919**
Non-current debt	739	110
(of which non-current financial liabilities)	694	33
Current debt	3,799	4,442
(of which current financial liabilities)	23	692
Total debt	**4,538**	**4,552**

INCOME STATEMENT

in EUR thousand	Immaterial associated companies	
	Dec. 31, 2021	Dec. 31, 2022
Sales revenues	1,030	1,876
Scheduled depreciation and amortization	-37	-22
Earnings before interest and tax	**-400**	**60**
Interest income	2	13
Interest expense	-93	-66
Income tax expense	-14	1
Earnings after tax	**-505**	**8**
Other comprehensive income	0	0
Total comprehensive income	**-505**	**8**
Dividends distributed to the BAUER Group	0	31

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 2021:

in EUR thousand	BAUER Nimr LLC	SPANTEC Spann- & Ankertechnik GmbH	Immaterial associated companies
Net assets of joint ventures	39,807	14,309	5,399
Share in joint ventures according to investment quota	20,899	5,724	2,497
Goodwill and other adjustments	22,606	5,908	0
Present value of concession arrangement	4,880	0	0
Carrying amount reported in the balance sheet	**48,385**	**11,632**	**2,497**

Financial year 2022:

in EUR thousand	BAUER Nimr LLC	SPANTEC Spann- & Ankertechnik GmbH	Immaterial associated companies
Net assets of joint ventures	46,482	15,167	5,367
Share in joint ventures according to investment quota	24,403	6,067	1,472
Goodwill and other adjustments	0	5,891	94
Present value of concession arrangement	0	0	0
Carrying amount reported in the balance sheet	**24,403**	**11,958**	**1,566**

The other adjustments mainly include currency adjustments. There were no obligations and material restrictions or risks with regard to the shares in associated companies on the balance sheet date.

In the financial year, an unscheduled depreciation was carried out on the recoverable amount at BAUER Nimr LLC. The recoverable amount is the higher amount out of the fair value less cost to sell or the value in use. This method is part of level 3 of the fair value hierarchy stated in IFRS 13. As at December 31, 2022, the fair value for BAUER Nimr LLC was EUR 24,403 thousand (previous year: 49,007). The background for this is the significant increase in the Weighted Average Cost of Capital (WACC) described in the course of business as well as a modified market assessment for the future sale of CO_2 certificates. Regarding the amount of the impairment loss recorded, we refer to section 14 “Impairments in investments accounted for using the equity method.” As at December 31, 2022, the fair value of SPANTEC Spann- & Ankertechnik GmbH was EUR 67,784 thousand (previous year: 62,098).

22.4. Participations

Additional financial information for participations

Financial year 2021:

in EUR thousand	Wöhr + Bauer GmbH	Deusa International GmbH	Immaterial participations
Fair value	8,500	2,067	194
Dividends recorded during the period	289	191	0

Financial year 2022:

in EUR thousand	Wöhr + Bauer GmbH	Deusa International GmbH	Immaterial participations
Fair value	0	1,867	0
Dividends recorded during the period	2,584	83	0

In the reporting period, the remaining shares in Wöhr + Bauer GmbH were sold. Furthermore, in the financial year, no financial investments in equity instruments were derecognized that were valued at fair value with no effect on profit and loss. As at December 31, 2022, an adjustment of the balance sheet to the new fair values was carried out at Deusa International GmbH.

23. DEFERRED TAXES

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

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	222	281	8,540	9,151
Property plant and equipment	1,078	1,293	4,609	5,073
Rights of use	316	0	5,109	3,110
Inventories	3,910	5,273	1,534	1,788
Contract assets	0	0	3,537	4,920
Other receivables and other assets	1,678	2,444	5,485	15,328
Provisions for pensions	28,287	12,644	2,316	0
Liabilities from lease agreements	5,648	4,967	382	28
Contract liabilities	309	987	48	0
Other provisions	535	1,202	0	67
Other liabilities	8,385	8,170	1,366	1,068
Losses carried forward	26,355	20,209	0	0
Consolidation	12,825	14,501	9,610	8,949
Offsetting	-24,127	-38,753	-24,127	-38,753
Net amount	**65,421**	**33,218**	**18,409**	**10,729**

In the table above, deferred tax assets to the amount of EUR 403 thousand (previous year: 24) and deferred tax liabilities in the amount of EUR 20 thousand (previous year: 25) are included in other liabilities, which is part of hedge accounting. In addition, in the provisions for pensions position, deferred tax assets in the amount of EUR 9,233 thousand (previous year: 22,237) and deferred tax liabilities in the amount of EUR 0 thousand (previous year: 0) are included for the actuarial income and losses recognized in equity. The deferred tax assets and deferred tax liabilities, which were generated as a result of hedge reserves and actuarial income and losses, were recognized under equity.

The share of current deferred tax assets without losses carried forward amounts to EUR 7,170 thousand (previous year: 11,859) and the share of deferred tax liabilities to EUR 12,951 thousand (previous year: 10,990).

The decrease in deferred tax assets in respect of losses carried forward from EUR 26,355 thousand to EUR 20,209 thousand is primarily attributable to BAUER Aktiengesellschaft (EUR -1,230 thousand), BAUER Spezialtiefbau GmbH (EUR -2,264 thousand) and BAUER Verwaltungs- und Beteiligungs GmbH (EUR 1,451 thousand). No losses carried forward could be applied here due to the negative earnings performance. For BAUER Foralith GmbH (decrease of EUR 1,149 thousand) and BAUER Resources GmbH (decrease of EUR 1,140 thousand), the applied deferred tax assets in respect of losses carried forward also reduced by the stated values.

Deferred tax assets were capitalized for companies in the reporting period in the amount of EUR 16,923 thousand (previous year: 43,144), which can be realized in the future on the basis of the tax forecast calculation. Deferred tax assets are included in the amount of EUR 6,667 thousand (previous year: 26,901) from companies that recorded losses in the previous period or the current period.

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

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Domestic losses (corporation tax)	103,547	69,510
Foreign losses	213,817	296,306
Total	**317,364**	**365,816**
Of which losses carried forward deductible for limited periods	101,179	111,554

No deferred taxes were recognized for unusable losses carried forward in the amount of EUR 286,549 thousand (previous year: 218,995) due to the medium-term income tax target. The statement regarding losses carried forward relates to temporary tax projections as of the reporting date. The definitively ascertained losses carried forward were recorded subsequently. The changes amounted to EUR 1,441 thousand for the domestic losses carried forward (corporation tax), EUR 22,731 thousand for the foreign losses carried forward and thus a total of EUR 24,172 thousand for the unusable losses carried forward.
The share of current deferred tax assets in respect of losses carried forward amounted to EUR 4,951 thousand (previous year: 6,268).

Deferred tax liabilities arising from temporary differences in connection with participations 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, deferred taxes in the amount of EUR 2,460 thousand (previous year: 1,563) were not recognized for temporary differences.

24. NON-CURRENT TRADE RECEIVABLES

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Non-current trade receivables	8,540	1,056

The non-current trade receivables include cumulative valuation allowances totaling EUR 4,111 thousand (previous year: 5,428).

25. OTHER NON-CURRENT ASSETS

The other non-current assets comprise the following items:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Claims from backup insurance	5,825	6,113
Sundry other non-current assets	3,396	2,179
Total	**9,221**	**8,292**

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.

26. OTHER NON-CURRENT FINANCIAL ASSETS

The other non-current financial assets comprise the following in the financial year:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Sundry other non-current financial assets	10,312	380
Receivables from derivatives	0	31,337
Shares in non-consolidated subsidiaries	13,608	4,030
Total	**23,920**	**35,747**

The additional other non-current assets contain receivables from derivatives and other non-current financial assets. The derivatives are presented in item 40 under “Other disclosures.” The loan receivable recorded under this item in the previous year from BAUER Nimr LLC in the amount of EUR 10,146 thousand was due within one year as of the reporting date and is recorded under the other current financial assets. Non-consolidated subsidiaries do include non-listed companies for which there is no active market. In the financial year, depreciations of EUR 7,013 thousand (previous year: 457) were carried out for non-consolidated subsidiaries.

CURRENT ASSETS

27. INVENTORIES

The inventories comprise the following items:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Raw materials and supplies	183,917	192,880
Finished goods and work in progress and stock for trade	229,105	254,723
Rental equipment	44,467	51,401
	457,489	499,004
Less advances received for inventories	-10,770	-8,995
Total	**446,719**	**490,009**

Of the inventories, EUR 116,975 thousand (previous year: 130,210) is stated at net realizable value. The impairment losses on inventories against the net realizable value affecting net expenditure in the financial year totaled EUR 21,222 thousand (previous year: 32,388).

They are broken down as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Write-downs of inventories due to use	11,136	12,510
Depreciation losses for impairment on inventories	10,086	20,712
Total	**21,222**	**33,222**

In the financial year, the rental rate was at a similar level as the previous year. Depreciation of used machinery due to use increased from EUR 11,136 thousand to EUR 12,510 thousand.

The depreciation 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 depreciation losses relate to the machinery which was not rented out, and are attributable to the Equipment segment. The unscheduled depreciation were applied on the basis of the recoverable amount from procurement or manufacturing costs and net realizable value. This regularly corresponded to the fair value less cost to sell. This method is part of levels 2 and 3 of the fair value hierarchy stated in IFRS 13.

Finished goods and stock for trade include machinery and accessories produced internally by the Equipment segment and intended primarily for sale. Equipment is rented out as part of sales-promoting activities. These proceeds are recorded as revenue from rentals.

The BAUER Group differentiates essentially between two forms of equipment and accessories (hereinafter: “Equipment”):

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 costs 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 rented 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 rented out.

When equipment is rented out, the net realizable value is determined from the manufacturing cost less depreciation 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 impairment against the net realizable value is recognized by means of a depreciation loss.

The sale and rental 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 thousand	Dec. 31, 2021	Dec. 31, 2022
Carrying amount of used machines	44,467	51,401
of which rented out	25,335	27,507
of which not rented out	19,132	23,894

Inventories were not listed as loan securities this year or last year.

28. RECEIVABLES AND OTHER ASSETS

Contract assets and contract liabilities

Contract assets and contract liabilities developed as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Order costs incurred (plus income, less losses) for projects not yet completed	740,323	769,291
less down-payments	718,842	784,352
Balance	**21,481**	**-15,061**
of which: Contract assets	119,130	96,384
of which: Contract liabilities	77,971	89,112
of which: Provisions for impending losses for construction contracts	19,678	22,333

In the financial year, EUR 1,743 thousand (previous year: 1,253) in contract assets were impaired. These valuation allowances were applied to take expected credit losses into account.

Revenue from contracts with customers

The following table shows the share of revenue from contract liabilities recognized in the reporting period in the previous year and revenue from contractual obligations that were met in previous years:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Revenue from contractual obligations included in contract liabilities at the beginning of the period	46,370	53,608
Revenue from contractual obligations that were fulfilled in previous periods	5,954	7,764

Development of receivables and other assets

The receivables and other assets comprise the following:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Contract assets	119,130	96,384
Trade receivables	243,033	262,056
Receivables from enterprises in which the company has participating interests	907	1,845
Prepayments	9,267	13,931
Other current assets	37,244	46,946
Other current financial assets	14,128	22,441
Total	**423,709**	**443,603**

The trade receivables also include receivables from joint ventures.
Other current assets mainly comprise miscellaneous tax refund claims and receivables from employees and against welfare benefit funds as well as accrued interest and insurance premiums and other prepayments and deferred charges. For the first time, the other current financial assets contain a loan receivable, which is due at maturity and unsecured, from BAUER Nimr LLC in the amount of EUR 10,774 thousand. The interest on the loan is a fixed rate at 8%. No subordination has been agreed on the loan. In the previous year, this was still reported under the other non-current financial assets with an amount of EUR 10,146 thousand.

For changes in valuation allowances in the financial year and in the previous year as stipulated in IFRS 9, please refer to section 40 “Financial instruments.”

The valuation allowances to reflect expected credit losses from trade receivables amounting to EUR 62,055 thousand (previous year: 44,146) were calculated taking individual risks into account and on the basis of historic payment defaults. Here, receivables were impaired individually (in the event of objective indications) and based on expected credit losses. The determination of valuation allowances for receivables is primarily based 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. The already included share of valuation allowances on non-current trade receivables was EUR 4,111 thousand (previous year: 5,428).

In the financial year, other financial assets were impaired as a result of expected credit losses in the amount of EUR 184 thousand (previous year: 214).

Other current assets were neither impaired nor overdue in the year under review.

In total in the financial year, EUR 0 thousand (previous year: 11,942) in monetary assets were deposited as collateral for potential future warranties for construction services. The current portion of the receivables from foreign exchange contracts included in the current financial assets in the financial year totaled EUR 4,192 thousand (previous year: 557).

29. CASH AND CASH EQUIVALENTS

The cash and cash equivalents totaling EUR 44,607 thousand (previous year: 41,297) include credit balances at banks and petty cash stocks. As at December 31, 2022, there were EUR 3,074 thousand in restrictions on disposal of cash or cash equivalents (previous year: none) for the Russian subsidiaries.

30. NON-CURRENT ASSETS HELD FOR SALE

In the financial year, no non-current assets held for sale were reported. The non-current assets held for sale in the previous year comprise a property held by PRAKLA Bohrtechnik GmbH in the amount of EUR 1,370 thousand. The property was offered for sale due to the suspension of business activities by PRAKLA Bohrtechnik GmbH and a corresponding buyer was found. The property was sold in the first quarter of 2022. The book profit from the sale in the amount of EUR 1,086 thousand is listed under other operating income.

31. EQUITY

The shareholder structure of BAUER AG is as follows:

in EUR thousand	December 31, 2021		December 31, 2022	
	%	EUR thousand	%	EUR thousand
Bauer family	36.02	40,053	36.02	40,053
Doblinger Beteiligung GmbH	30.00	33,356	30.00	33,356
Free float	33.98	37,777	33.98	37,777
Total	**100.00**	**111,186**	**100.00**	**111,186**

Please refer to the List of Holdings of BAUER AG pursuant to section 40 of the German Securities Trading Act (Gawp) on December 31, 2022 for reports on participations in BAUER AG.

Composition of subscribed capital

The subscribed capital (share capital) of BAUER AG is divided into 26,091,781 no-nominal-value bearer shares, representing a pro rata amount of approximately EUR 4.26 per share of the total share capital. As at December 31, 2022, the subscribed capital amounts to EUR 111,186,566.76. The shares have no nominal value. Each share entails equal rights and entitles the holder to one vote at the 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).

The members of the Bauer family and a charitable foundation owned a total of 36.02 % (9,400,037 voting rights) of the company on the basis of a pool agreement. BAUER AG was also informed that Mr. Alfons Doblinger exceeded voting rights thresholds on June 24, 2021 and holds a share of voting rights of 29.999995017% (7,827,533 voting rights) pursuant to sections 33 and 34 of the WpHG. 29.999995017% (7,827,533 voting rights) of the voting rights are assigned to him via DIB Industriebeteiligung GmbH & Co. Holding KG, DIB Industriebeteiligung GmbH and Doblinger Beteiligung GmbH pursuant to section 34 of the WpHG. No other direct or indirect participations in 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 Executive Board to issue or buy back shares

In the Extraordinary General Meeting on November 18, 2022, it was resolved to increase the company's share capital from its current value of EUR 111,186,566.76, divided into 26,091,781 no-nominal-value bearer shares, by up to EUR 74,124,374.99 against cash contributions by the issue of up to 17,394,520 new no-nominal-value bearer shares in the form of common shares (with voting rights) with a proportion of the share capital amounting to EUR 4.26 (rounded) per share. The shareholders are granted the statutory subscription rights and the Executive Board was authorized, with the consent of the Supervisory Board, to stipulate the further details of the capital increase, its execution and the conditions for the issue of shares.

By resolution of the General Meeting of BAUER Aktiengesellschaft on March 31, 2021, an amendment to the Articles of Association was adopted authorizing the Executive Board of the company, with the consent of the Supervisory Board, to increase the company's share capital once or more than once up to March 30, 2026 by up to a total of EUR 10,000,000.00 by the issue of no-nominal-value bearer shares against cash and/or non-cash contributions (2021 authorized capital). To that end, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

a) in the case of capital increases in return for non-cash contributions, particularly for the purpose of purchasing companies, parts of companies, participations in companies and other assets or claims for the purchase of assets, including receivables from companies or their Group companies, or for the purpose of company mergers;

b) in the event of capital increases against cash contributions where the issue amount of the new shares is not materially below the market price of the already quoted shares at the time that the issue price is set definitively and the shares issued excluding shareholders' subscription rights pursuant to section 186 (3) sentence 4 of the 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 of the 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;

c) to compensate fractional amounts resulting during capital increases in return for cash and/or non-cash contributions due to the subscription ratio;

d) to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as a non-cash contribution to the company in return for the issuance of new shares from the 2021 authorized capital.

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.

By resolution in the Annual General Meeting adopted on June 27, 2019, the company was authorized to purchase treasury stock, over a limited period up to June 26, 2024, representing up to a total of 10% of the company's share capital at the time the resolution was passed. The shares shall be purchased at the discretion of the Executive Board by means of a public tender offer or via the stock market. If the acquisition is effected via the stock market, the acquisition price per share (excluding ancillary costs) may be no more than 10% above or below the mathematical average of the closing prices per share on the trading day for shares in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange for the three trading days prior to the date of entering the obligation to purchase. 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 below the mathematical 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 publication of the public tender offer. If significant deviations of the decisive share price occur after the day of issue of the public tender offer, the purchase price may be adjusted.
The Executive 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) on the Frankfurt Stock Exchange. The shares may also be transferred to third parties, provided this is done for the purpose of acquiring companies, parts in companies or participations in companies or other assets or effecting company mergers. They can also be issued to employees and members of management in the company and affiliated companies as part of employee participation programs. The aforementioned shares may be withdrawn without need of a further resolution by the General Meeting.
With regard to the 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 thousand	Dec. 31, 2021	Dec. 31, 2022
I. Capital reserve	91,717	16,304
II. Other revenue reserves and retained earnings	275,166	256,451
	366,883	272,755
III. Non-controlling interests	3,007	18,370
Total	**369,890**	**291,125**

In the financial year as well as the previous year, no dividends were 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. In the financial year, due to a resolution of the Executive Board, EUR 75,556 thousand were withdrawn from the capital reserves of BAUER Aktiengesellschaft and added to the result carried forward.

Other revenue reserves and retained earnings
Other revenue reserves and retained earnings include past earnings of the companies included in the consolidated financial statements, insofar as they were not distributed.

The revenue reserves include revaluation of obligations arising from employee benefits after termination of the employment relationship as well as related taxes with no effect on profit and loss. In the financial year, the gross cumulative revaluation amounts to EUR -32,103 thousand (previous year: -79,096). Deferred taxes were recognized in the amount of EUR 9,221 thousand (previous year: 22,237). In addition, the IFRS settlement item is included here, which contains the cumulative effects from the initial date of application of the IFRS. On the reporting date, the cumulative earnings amounted to EUR 10,387 thousand (previous year: 10,387). In the financial year, BAUER Resources GmbH acquired the remaining 16.67% of the shares in Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan for USD 1. The non-controlling shares in the amount of EUR -25,050 thousand were set off against the purchase price due to the equity transaction among shareholders and reclassified to the other revenue reserves.

Currency differences from the conversion of a controlled foreign business are recorded in the other income and accumulated in a separate reserve in equity. The cumulative amount is reclassified into the income or loss as soon as the net investment is sold. The cumulative difference from the currency conversions amounts to EUR -9,257 thousand (previous year: -11,629).

This also includes the reserve for financial assets valued at fair value with no effect on profit and loss. These changes are aggregated in the "Fair value through OCI" reserve in equity. The cumulative effect amounts to EUR -2,412 thousand (previous year: 8,621) and is transferred from this reserve into the revenue reserves when the corresponding equity instruments are derecognized. The deferred taxes for this amount to EUR 53 thousand (previous year: -103).

The hedging reserve and reserve for hedging costs include the cash flow hedge reserve and the costs of the hedge reserve. The cash flow hedge reserve is used to record the effective portion of the income or loss from derivatives that are designated as cash flow hedges. The amounts are subsequently reclassified into the income or loss. The cumulative earnings amount to EUR 2 thousand (previous year: -2).

31.1. Non-controlling interests

Details on not wholly owned subsidiaries in which material non-controlling interests are held

These are the material non-controlling interests of BAUER Group:

in EUR thousand		Dec. 31, 2021			Dec. 31, 2022		
Group company	**Non-controlling interests**	**Share in the equity in %**	**Share in the equity in EUR thousand**	**Profit/Loss attributable in EUR thousand**	**Share in the equity in %**	**Share in the equity in EUR thousand**	**Profit/Loss attributable in EUR thousand**
BAUER EGYPT S.A.E., Cairo, Egypt	Various natural persons	44.05%	21,320	5,160	43.73%	16,673	4,496
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	Emiroglu Makina	40.00%	1,371	655	40.00%	1,726	943
Thai BAUER Co. Ltd., Bangkok, Thailand		25.81%	-1,695	-990	25.81%	-1,635	49
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	Oweis Family	16.67%	-19,333	-637	0.00%	0	-4,138
Individual immaterial subsidiaries with non-controlling interests			1,344	366		1,606	149
Total			**3,007**	**4,554**		**18,370**	**1,499**

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 thousand	Bauer Casings		BAUER EGYPT S.A.E		Site Group*		Thai BAUER Co. Ltd.	
	Dec. 31, 2021	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2022***	**Dec. 31, 2021**	**Dec. 31, 2022**
Non-current assets	589	539	16,753	10,070	5,449	0	21,577	20,456
Current assets	5,092	6,306	51,490	46,023	15,387	0	14,977	22,638
Non-current debt	445	406	625	338	0	0	1,976	4,596
Current debt	2,062	2,381	19,047	18,038	5,202	0	32,571	36,256

* In the financial year, the remaining 16.67% of the shares in Site Group were acquired.

INCOME STATEMENT

in EUR thousand	Bauer Casings		BAUER EGYPT S.A.E		Site Group		Thai BAUER Co. Ltd.	
	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Sales revenues	8,249	13,923	58,960	69,559	8,919	5,736	13,391	16,942
Earnings before interest and tax	1,926	3,177	15,336	14,438	-3,669	-24,081	-2,326	1,778
Earnings before tax	2,160	2,929	15,509	15,116	-4,164	-24,319	-3,839	191
Earnings after tax	1,639	2,358	11,713	10,281	-4,241	-26,360	-3,839	191
Profit/loss attributable to noncontrolling interests	655	943	5,160	4,496	-637	-4,138	-991	49
Profit/loss attributable to shareholders of BAUER AG	984	1,415	6,553	5,785	-3,604	-22,222	-2,848	142
Dividends distributed to noncontrolling interests	-232	-156	-930	-1,313	-25	-64	0	0

STATEMENT OF CASH FLOWS

in EUR thousand	Bauer Casings		BAUER EGYPT S.A.E		Site Group		Thai BAUER Co. Ltd.	
	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Cash flow from operating activities	704	818	14,174	4,269	1,975	670	2,931	7,101
Cash flow from investing activities	-28	-98	-10,195	-2,752	-1,438	-14	-544	-1,107
Cash flow from financing activities	-716	-460	-1,680	-2,611	-530	-446	-2,538	-5,870
Influence of exchange rate movements on cash	49	28	1,134	-5,274	-3	-4	-9	6
Changes in cash and cash equivalents with an effect on liquidity	9	288	3,433	-6,368	4	206	-160	130

31.2. Additional disclosures regarding capital management

The object of BAUER Group 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 figures such as the equity ratio, net debt and earnings after tax for the period for the period.

The key figures are presented below:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Equity	481,076	402,311
Equity ratio	29.34%	24.83%
Earnings after tax	3,991	-94,017
Net debt	497,243	514,573
Financial indebtedness	524,651	559,180
Liquid funds	41,297	44,607
Net debt / EBITDA	3.15	8.50
EBITDA / net interest coverage	9.80	-3.77

Financial liabilities include long-term and short-term liabilities to banks, liabilities from lease agreements and other financial liabilities. Net interest coverage includes the financial result, adjusted for income from operating participations.

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.

32. NON-CURRENT DEBT

The non-current portions of the liabilities comprise the following:

in EUR thousand	Remaining term December 31, 2021		Remaining term December 31, 2022	
	1 to 5 years	over 5 years	1 to 5 years	over 5 years
Liabilities to banks	202,202	26,803	50,622	7,809
Liabilities from lease agreements	36,158	8,783	40,937	4,431
Other noncurrent liabilities	7,523	0	4,804	4,537
Other noncurrent financial liabilities	23,792	2,122	11,522	0
Total	**269,675**	**37,708**	**107,885**	**16,777**

in EUR thousand	Fair Value		Interest rate margin	
	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Liabilities to banks	231,695	51,637	0.40% - 11.00%	0.21% - 6.20%
Liabilities from lease agreements	45,933	40,887	0.05% - 6.12%	0.19% - 9.03%
Other noncurrent financial liabilities	26,094	11,072	0.54% - 4.50%	0.61% - 5.15%
Total	**303,722**	**103,596**		

The other non-current debt primarily includes non-current portions of liabilities from obligations in respect of service anniversary payments as well as non-current portions of provisions for personnel.
Other non-current financial liabilities include the market value of the derivatives as well as other liabilities to financing companies (see notes to the financial instruments in section 40). The other non-current financial liabilities include other non-current financial debt.

33. 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 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): The pension payable amounts to 0.3% of the employee's pensionable earnings for each pensionable year of service, 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 pensionable 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 rate and, to a lesser extent, inflation trends as well as longevity.

The calculations are based on the following actuarial assumptions:

In %	Dec. 31, 2021				Dec. 31, 2022			
	Germany	Indonesia	Philippines	India*	Germany	Indonesia	Philippines	India*
Interest rate	1.30	7.25	5.09	-	3.90	7.25	7.21	-
Future salary increases	3.00	3.00	5.00	-	3.00	3.00	5.00	-
Future pension increases	2.00	-	-	-	2.00	-	-	-

* No information was available for companies with a different financial year.

Provisions for pensions in Germany are calculated biometrically applying the 2018 G guideline tables compiled by Klaus 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 thousand	Dec. 31, 2021	Dec. 31, 2022
Present value of obligations financed by a fund	328	393
Fair value of plan assets	-328	-393
Plan deficit	**0**	**0**
Present value of obligations not financed by a fund	152,371	105,975
Total deficit of defined benefit plan obligations	**152,371**	**105,975**
Effect of asset ceiling	0	0
Recognized provision	**152,371**	**105,975**

The defined benefit obligations and the plan assets developed as follows in the previous year:

in EUR thousand	Present Value of Obligation	Fair value of plan assets	Total	Effect of asset ceiling	Total
Date: January 1, 2021	**170,943**	**-287**	**170,656**	**0**	**170,656**
Current service costs	3,105	0	3,105	0	3,105
Interest expense/income	1,554	-20	1,534	0	1,534
Post-employment expenditure, income and losses from payment in lieu	-58	0	-58	0	-58
Total	**175,544**	**-307**	**175,237**	**0**	**175,237**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	0	17	17	0	17
Actuarial income and losses arising from adjustments to demographic assumptions	-12	0	-12	0	-12
Actuarial income and losses arising from adjustments to financial assumptions	-16,677	0	-16,677	0	-16,677
Empirical value-based adjustments	-2,315	0	-2,315	0	-2,315
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	0	0	0	0	0
Total	**-19,004**	**17**	**-18,987**	**0**	**-18,987**
Exchange rate movements	134	35	169	0	169
Contributions:			0	0	0
Employer		-73	-73		-73
Beneficiary employee	0	0	0	0	0
Payments from the plan:					
Ongoing payments	0	0	0	0	0
Retirement benefits (not fund-financed)	-3,908	0	-3,908	0	-3,908
Other effects	-67	0	-67	0	-67
Date: December 31, 2021	**152,699**	**-328**	**152,371**	**0**	**152,371**

The defined benefit obligations and the plan assets developed as follows during the financial year:

in EUR thousand	Present Value of Obligation	Fair value of plan assets	Total	Effect of asset ceiling	Total
Date: January 1, 2022	**152,699**	**-328**	**152,371**	**0**	**152,371**
Current service costs	2,705	0	2,705	0	2,705
Interest expense/income	2,124	-24	2,100	0	2,100
Post-employment expenditure, income and losses from payment in lieu	-38	0	-38	0	-38
Total	**157,490**	**-352**	**157,138**	**0**	**157,138**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	0	30	30	0	30
Actuarial income and losses arising from adjustments to demographic assumptions	0	0	0	0	0
Actuarial income and losses arising from adjustments to financial assumptions	-48,871	0	-48,871	0	-48,871
Empirical value-based adjustments	1,722	0	1,722	0	1,722
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	0	0	0	0	0
Total	**-47,149**	**30**	**-47,119**	**0**	**-47,119**
Exchange rate movements	105	0	105	0	105
Contributions:					
Employer	0	-71	-71	0	-71
Beneficiary employee	0	0	0	0	0
Payments from the plan:					
Ongoing payments	0	0	0	0	0
Retirement benefits (not fund-financed)	-4,078	0	-4,078	0	-4,078
Other effects	0	0	0	0	0
Date: December 31, 2022	**106,368**	**-393**	**105,975**	**0**	**105,975**

The fair value of the plan assets can be allocated to the following categories:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Qualifying insurance contracts	0	0
Money market fund and pension fund	328	393
Cash and cash equivalents	0	0
Total	**328**	**393**

No market price quotations exist for the qualifying insurance contracts.

The key actuarial assumptions applied in determining the defined benefit plan obligation are the discount rate, expected salary increases, expected pension increases as well as the life expectancy.

The sensitivity of the overall pension commitment to variations in the weighted primary assumptions is:

in EUR thousand	Effect on Obligation		
	Variation in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 0.5%	98,969	114,275
Future salary increases	+/- 0.5%	107,993	104,478
Future pension increase	+/- 0.5%	112,467	100,763
		Increase in assumption by 1 year	Decrease in assumptin by 1 year
Probability of death		110,673	101,895

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 obligation 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 obligations 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 obligations and plan assets by country are as follows:

in EUR thousand	Dec. 31, 2021				
	Germany	Indonesia	Philippines	India	Total
Present value of obligations	150,273	1,545	840	41	152,699
Fair value of plan assets	0	-328	0	0	-328
Total	**150,273**	**1,217**	**840**	**41**	**152,371**
Effect of asset ceiling	0	0	0	0	0
Total	**150,273**	**1,217**	**840**	**41**	**152,371**

in EUR thousand	Dec. 31, 2022				
	Germany	Indonesia	Philippines	India	Total
Present value of obligations	103,947	1,684	681	56	106,368
Fair value of plan assets	0	-393	0	0	-393
Total	**103,947**	**1,291**	**681**	**56**	**105,975**
Effect of asset ceiling	0	0	0	0	0
Total	**103,947**	**1,291**	**681**	**56**	**105,975**

The present value of the defined benefit plan obligation is distributed as follows among the plan members:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Active scheme members	83,680	48,341
Deferred beneficiary employees	7,304	4,498
Retired employees	61,715	53,529
Total	**152,699**	**106,368**

The weighted average term of the provisions for pensions is 14.81 years (previous year: 18.59 years).

Pension payments in financial year 2023 are expected to amount to EUR 4,002 thousand (previous year: 3,724). Of that total, EUR 4,002 thousand (previous year: 3,724) is projected to be contributed by the employer. Contributions to the external plan assets totaling EUR 71 thousand are expected (previous year: 73) for 2023.

The following table provides an overview of the due dates of the non-discounted pension payments:

in EUR thousand	up to 1 year	1 to 5 years	6 to 10 years	Dec. 31, 2022
Pension payments	4,002	18,603	28,347	50,952

34. CURRENT DEBT

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Liabilities to banks	204,780	401,819
Liabilities from lease agreements	19,854	26,234
Contract liabilities	77,971	89,112
Trade payables	198,005	230,836
Liabilities to companies and participations accounted for using the equity method	26,530	27,660
Other current liabilities	78,633	105,521
Other current financial liabilities	14,046	15,806
Total	**619,819**	**896,988**

The “Trade payables” balance sheet item includes long-term payables totaling EUR 572 thousand (previous year: 640). The “Liabilities to companies and participations accounted for using the equity method” balance sheet item includes liabilities to consortia totaling EUR 27,234 thousand (previous year: 26,080).

The other current debt mainly comprises obligations in respect of 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 finance companies. The market values almost match the carrying amounts. The interest rate margin on current debt to banks is 0.21% to 13.00% (previous year: 0.06% to 11.04%).

35. OTHER PROVISIONS

The other provisions developed as follows in the financial year:

in EUR thousand	2021					
	Contract processing	Warranty	Litigation	Impending losses	Restructuring	Total
Date: January 1	**6,034**	**14,751**	**1,431**	**10,334**	**340**	**32,890**
Change in basis of consolidation	0	0	0	0	0	0
Currency adjustment	45	96	74	0	0	215
Allocation	304	10,601	966	10,907	0	22,778
Reversal	2,258	5,774	238	1,563	0	9,833
Consumption	19	7,392	23	0	340	7,774
Date: December 31	**4,106**	**12,282**	**2,210**	**19,678**	**0**	**38,276**

in EUR thousand	2022					
	Contract processing	Warranty	Litigation	Impending losses	Restructuring	Total
Date: January 1	**4,106**	**12,282**	**2,210**	**19,678**	**0**	**38,276**
Change in basis of consolidation	-1	-5	-8	0	0	-14
Currency adjustment	-113	-25	30	0	0	-108
Allocation	983	8,667	135	25,838	0	35,623
Reversal	507	2,241	1,364	225	0	4,337
Consumption	19	5,260	507	19,678	0	25,464
Date: December 31	**4,449**	**13,418**	**496**	**25,613**	**0**	**43,976**

The provisions for risk from contract processing and warranties include some 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 impending losses result primarily from losses on a construction project through application of a new drilling technology.

The other provisions are expected to be consumed in 2023. On the balance sheet date, there were no other provisions that are expected to be consumed within a time period of 1 – 5 years according to the planning (previous year: 8,001). The provisions for litigation relate for the most part to provisions for legal disputes on receivables.

36. 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 thousand	Dec. 31, 2021	Dec. 31, 2022
Liabilities from guarantees	176,253	282,953

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 consortia in which we participate. Maturities of payments for liabilities are not expected.

Future payment obligations from orders that were not yet recognized on the balance sheet (purchase commitments) were EUR 14,660 thousand (previous year: 1,866) as at December 31, 2022. This value results primarily from the outstanding obligations for the GEFCO building at the subsidiary BAUER Equipment America Inc. in the amount of EUR 5,899 thousand, which is planned to be completed in 2023. In addition, the companies BAUER Maschinen GmbH (EUR 2,876 thousand), BAUER Spezialtiefbau GmbH (EUR 1,406 thousand) and SCHACHTBAU Nordhausen GmbH (EUR 4,370 thousand) have various open orders for the area of technical equipment and machines.

37. DISCONTINUED OPERATIONS

There are no plans to discontinue business operations under the terms of IFRS 5.

38. EVENTS AFTER THE BALANCE SHEET DATE

Changes to the syndicated loan

As at December 31, 2022, BAUER AG did not fulfil the agreed ratio of net debt/EBITDA and equity ratio for major loan agreements, as an amendment agreement had not yet been obtained on December 31, 2022, and the condition for borrowing at that time was for the amounts to be immediately repayable. The consequence of this is that some liability items could have become payable in accordance with the agreement, so that they are stated under current liabilities to banks regardless of the original term. The reassignments amount to EUR 222,026 thousand at the balance sheet date. With the amendment agreement on March 6, 2023, BAUER AG and the lenders of the syndicated loan agreement made an adjustment to the key financial figure of the debt ratio. Accordingly, the debt ratio must amount to at least 3.75 as of March 31, 2022, June 30, 2022, and September 30, 2022; at least 3.50 as of December 31, 2023; starting in 2024 at least 3.75 as of March 31, 2024, June 30, 2024 and September 30, 2024; and at least 3.25 as of December 31, 2024. Moreover, a minimum EBITDA and minimum actual liquidity were added as key financial figures. The minimum EBITDA must amount to EUR 19,000 thousand for the period ending on March 31, 2023, to EUR 45,000 as of June 30, 2023, and to EUR 93,000 thousand for the period ending on September 30, 2023. The minimum actual liquidity must amount to EUR 230,000 thousand as of March 31, 2023, and to EUR 180,000 thousand for the periods ending on June 30, 2023 and September 30. For the period from October 1, 2022 up to and including September 30, 2023, a covenant holiday was agreed in which it is not necessary to meet the key figures described above, but rather merely to report them to the lenders for informational purposes. In return, the credit margin was increased by 75 base points for the period from January 1, 2023 to December 31, 2023 and the margin grid stipulated in the principal contract was suspended with reference to the debt ratio. Based on the modified terms in the amendment contract, it was reviewed whether an exchange of debt instruments would result and thus a derecognition of the previous liabilities to banks. This is regularly the case if the present value of new payment flows including any fees deviates from the original present value by at least ten percent. This was not the case in the circumstances mentioned above.

Changes to the Executive Board

Through a withdrawal agreement, CEO Michael Stomberg withdrew from his position as Member of the Executive Board and as CEO at the end of March 11, 2023. The financial impacts of this withdrawal agreement are not significant for the income, finance and asset situation.

Capital increase 2022/2023

In mid-October, the Executive Board issued an ad-hoc announcement concerning the proposal for a resolution on a capital increase with subscription rights and called an Extraordinary General Meeting on November 18, 2022 for this purpose. This meeting approved the implementation of a regular capital increase against cash contributions with the issue of up to 17,394,520 new shares.

Due to actions filed concerning the resolution of the Extraordinary General Meeting, the company needed to temporarily suspend the capital increase at the end of the year, which was communicated to the capital market in an ad-hoc announcement on December 19. At the end of January 2023, a court settlement was reached with the claimants and the capital increase was successfully implemented within the first quarter of 2023 with gross issue income of EUR 101,674 thousand.

The estimates and assumptions for the financial year of which the BAUER Group is aware have been taken into consideration and described in the forecast report. Furthermore, at the current time, no other major charges are known or foreseeable. Furthermore, no events subject to mandatory reporting in accordance with IAS 10 occurred after December 31, 2022.

OTHER DISCLOSURES

39. STATEMENT OF CASH FLOWS

The funds shown in the statement of cash flows comprise only the cash and cash equivalents stated on the balance sheet. The consolidated statement of cash flows details payment flows, broken down by inflow and outflow of funds from operating activities and from investment and financing activities.
The cash flow from operating activities is derived indirectly from the earnings before tax. The earnings before tax are adjusted by non-cash transactions. The cash flow from operating activities is produced taking account of the changes in working capital.
Investment activities include additions to property, plant and equipment and to financial assets and intangible assets, as well as income from the sale of fixed 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 statement of cash flows 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 valuation allowances on trade receivables and provisions, do not affect payments and are stripped out. The other non-cash transactions include non-cash income and expenses, such as allocations to and reversals of provisions, non-cash effects from foreign currency translation and impairments and recoveries of current assets. The changes compared to the previous year in this item are primarily attributable to the market value change of derivatives.

40. 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. 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. The exchange rates between functional and non-functional currencies in which the BAUER Group enters into financial instruments are classed as relevant risk variables.
The existing foreign exchange contracts safeguard the currency hedging strategy. Within the BAUER Group, the primary monetary financial instruments are either denominated directly in functional currency or the fluctuations resulting from the exchange rate risk are largely eliminated 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 thousand **as at Dec. 31, 2021**	**USD/EUR**	**GBP/EUR**	**AUD/EUR**	**CHF/EUR**	**ZAR/EUR**	**other currencies/ EUR**
Overall effect of +10% on OCI	16	0	326	0	0	-129
Overall effect of -10% on OCI	-20	0	-398	0	0	157
Overall effect of +10% on income statement	-1,407	-88	-326	-1	-3	-147
Overall effect of -10% on income statement	1,603	108	398	1	4	171

in EUR thousand **as at Dec. 31, 2022**	**USD/EUR**	**GBP/EUR**	**AUD/EUR**	**CHF/EUR**	**ZAR/EUR**	**other currencies/ EUR**
Overall effect of +10% on OCI	755	0	319	0	0	0
Overall effect of -10% on OCI	-922	0	-390	0	0	0
Overall effect of +10% on income statement	8,616	-1,092	0	-185	0	505
Overall effect of -10% on income statement	-10,284	1,335	0	226	0	-617

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 used). 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 reduce 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) which are not embedded in a hedging relationship pursuant to IFRS 9 have effects on financial income and financial expenses (net valuation based on adjustment of financial assets and financial liabilities 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 thousand	**Dec. 31, 2021**	**Dec. 31, 2022**
Overall effect of +100 base points on OCI	0	814
Overall effect of -100 base points on OCI	0	-820
Overall effect of +100 base points on income statement	12,652	16,488
Overall effect of -100 base points on income statement	-13,100	-18,042

In the BAUER Group, as at December 31, 2022 there are interest rate hedging instruments and loan agreements subject to variable interest rates that reference the USD Libor. The nominal value of the interest rate hedging instrument is USD

10,000,000; the fair value as at the reporting date is EUR 84 thousand. The nominal value of the loan agreements with reference to the USD Libor is USD 44,250,000 USD as at the reporting date (previous year: USD 48,050,000); the utilization as at the reporting date is EUR 24,302 thousand (previous year: EUR 17,286 thousand). As soon as the USD Libor is replaced by the SONIA, contracts with reference to the USD Libor in the BAUER Group will be converted to the new reference interest rate via a fallback agreement. Significant impacts on the asset, financial and earnings position are not expected as a result.

Raw material price risk

Raw material price 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 price risk relates mainly to steel. Due to the fixed pricing agreements, no sensitivity is stated.

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 investing activities and from other financial measures is determined in the form of a banking report and a liquidity plan.

Liquidity is guaranteed by means of a liquidity forecast focused on a fixed planning horizon and by unused lines of credit and guarantee facilities available in the BAUER Group.

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 thousand	Carrying amount Dec. 31, 2021	Cash flow 2022	Cash flow 2023 to 2026	Cash flow 2027 et seq.
Liabilities to banks	433,785	211,775	212,212	28,568
Liabilities from subordinate loans	0	0	0	0
Liabilities from lease agreements	64,795	21,118	42,154	7,047
Other financial liabilities (excluding derivatives)	23,859	11,838	12,851	0
Trade payables	198,005	197,365	640	0
Liabilities to companies and participations accounted for using the equity method	26,530	26,624	0	0

in EUR thousand	Carrying amount Dec. 31, 2022	Cash flow 2023	Cash flow 2024 to 2027	Cash flow 2028 et seq.
Liabilities to banks	460,250	433,473	48,565	13,282
Liabilities from subordinate loans	0	0	0	0
Liabilities from lease agreements	71,602	27,310	43,499	5,583
Other financial liabilities (excluding derivatives)	26,868	16,994	10,676	257
Trade payables	230,836	224,195	5,849	792
Liabilities to companies and participations accounted for using the equity method	27,660	27,597	8	55

There were no instances of defaulting on interest payments or capital repayments in the period under review. As at December 31, 2022, BAUER AG did not fulfil the agreed ratio of net debt/EBITDA and equity ratio for major loan agreements, as the amendment agreement had not yet been obtained on December 31, 2022, and the condition for borrowing at that time was for the amounts to be immediately repayable. For further information concerning the breach of covenant, we refer to section 38 "Events after the balance sheet date." 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 thousand	Carrying amount Dec. 31, 2021	2022	2023 to 2026	From 2027
Liabilities from foreign exchange forward contracts	**2,212**	**-2,397**	**0**	**0**
Outflow of cash and cash equivalents	-	-74,936	0	0
Inflow of cash and cash equivalents	-	72,539	0	0
Liabilities from interest rate swaps	**13,889**	**-4,608**	**13,025**	**-1,674**
Outflow of cash and cash equivalents	-	-4,630	-13,054	-1,737
Inflow of cash and cash equivalents	-	22	29	63

in EUR thousand	Carrying amount Dec. 31, 2022	2023	2024 to 2027	From 2028
Liabilities from foreign exchange forward contracts	**460**	**-522**	**0**	**0**
Outflow of cash and cash equivalents	-	-45,424	0	0
Inflow of cash and cash equivalents	-	44,902	0	0
Liabilities from interest rate swaps	**0**	**0**	**0**	**0**
Outflow of cash and cash equivalents	0	0	0	0
Inflow of cash and cash equivalents	0	0	0	0

To calculate the cash inflows from interest rate swaps the conditions as per December 31, 2022 were applied. The foreign exchange forward contracts represent a gross settlement while the interest rate swaps represent a net settlement.

In the reporting period, there were free credit lines for short-term loans and current account overdrafts in the amount of EUR 229,173 thousand (previous year: 306,813) and for guarantees in the amount of EUR 223,630 thousand (previous year: 223,339).

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, as well as trade receivables, receivables from enterprises in which the company has participating interests, other financial assets and contract assets. 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 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 163. 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 for completed derivative financial instruments is negligible. No concentrations of risk exist.

The valuation allowance for trade receivables and contractual assets as at December 31, 2021 is transferred to the closing balance of the valuation allowance as at December 31, 2022 as follows:

in EUR thousand	Trade receivables		
	Stage 2 (simplified approach)	Stage 3 (creditworthiness-impaired)	Contract Assets
Valuation allowance on January 1, 2021	**4,489**	**33,005**	**513**
Change in basis of consolidation	0	0	0
Foreign currency translation differences	0	1,895	0
Allocation	2,085	11,597	740
Reversal	0	5,784	0
Consumption	0	3,141	0
Valuation allowance on December 31, 2021	**6,574**	**37,572**	**1,253**
Valuation allowance on January 1, 2022	**6,574**	**37,572**	**1,253**
Change in basis of consolidation	0	-187	0
Foreign currency translation differences	0	-89	0
Allocation	3,296	29,436	490
Reversal	0	3,374	0
Consumption	0	11,173	0
Valuation allowance on December 31, 2022	**9,870**	**52,185**	**1,743**

The allocations and reversals include the results from valuation allowances on receivables less the impairments on uncollectable receivables in the amount of EUR 5,920 thousand (previous year: 970) and other effects in the amount of EUR 0 thousand (previous year: 461).

The following tables display the gross carrying amounts and the risk of default for trade receivables and contract assets:

in EUR thousand	Valuation allowance matrix for risk of default				
	Credit default rate	Gross carrying amount		Total term ECL	Gross carrying amount of creditworthiness-impaired trade receivables
		Trade receivables	Contract Assets		
Valuation allowance matrix on December 31,2021		**0**	**0**	**0**	**0**
not overdue	1.20%	138,925	120,383	3,124	0
overdue up to 30 days	2.81%	27,744	0	780	0
overdue up to 60 days	5.67%	16,901	0	959	0
overdue up to 90 days	5.36%	7,348	0	394	0
overdue more than 90 days	3.85%	66,734	0	2,570	0
Total		**257,652**	**120,383**	**7,827**	**38,068**
Valuation allowance matrix on December 31,2022					
not overdue	1.80%	158,120	98,127	4,609	0
overdue up to 30 days	3.84%	43,537	0	1,672	0
overdue up to 60 days	6.08%	26,765	0	1,627	0
overdue up to 90 days	8.09%	9,979	0	808	0
overdue more than 90 days	8.86%	29,650	0	2,627	0
Total		**268,051**	**98,127**	**11,342**	**57,115**

The overdue payments arise, on the one hand, from limitations in acknowledgment of performance, and on the other hand because construction is very often carried out for public-sector clients whose processes for internal payment approval are lengthy but generally result in full payment.

The following table displays the gross carrying amounts of financial assets as per ECL stages on December 31:

in EUR thousand **as at Dec. 31, 2021**	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 3 Total term ECL (creditworthiness-impaired)	Total
Other financial assets	22,571	0	0	22,571

in EUR thousand **as at Dec. 31, 2022**	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 3 Total term ECL (creditworthiness-impaired)	Total
Other financial assets	18,727	0	0	18,727

The other financial assets evaluated at amortized cost are seen as “subject to a low risk of default,” which is why the valuation allowance recorded in the period was limited to the expected 12-month credit losses. Debt instruments are classified as having a “low risk of default” if the risk of default is low and the debtor is always in a position to fulfill its contractual payment obligations at short notice. Financial assets are classified as stage 2 if the risk of default has increased significantly since being first recognized, but default has not yet occurred. Accordingly, all financial assets reduced by way of individual valuation allowance can be found in stage 3. At the BAUER Group, other financial assets mainly comprise lending and short-term loans to related parties, surety receivables and other receivables. The loan receivable from BAUER Nimr LLC in the amount of EUR 10,774 thousand (previous year: 10,146) represents the largest individual item within financial assets. The risk of default of BAUER Nimr LLC is assessed as being very low given its positive earnings forecasts from planning. The rating of other debtors is also known, thereby allowing continuous monitoring.

The valuation allowance for other financial assets valued at amortized cost is transferred to the closing balance of the allowance as follows:

in EUR thousand	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 2 Total term ECL (creditworthiness-impaired)	Total
Valuation allowance on December 31, 2020	**198**	**0**	**0**	**198**
Change in basis of consolidation	0	0	0	0
Foreign currency translation differences	0	0	0	0
Allocation	16	0	0	16
Reversal	0	0	0	0
Consumption	0	0	0	0
Valuation allowance on December 31, 2021	**214**	**0**	**0**	**214**

in EUR thousand	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 2 Total term ECL (creditworthiness-impaired)	Total
Valuation allowance on December 31, 2021	**214**	**0**	**0**	**214**
Change in basis of consolidation	0	0	0	0
Foreign currency translation differences	0	0	0	0
Allocation	0	0	0	0
Reversal	31	0	0	31
Consumption	0	0	0	0
Valuation allowance on December 31, 2022	**183**	**0**	**0**	**183**

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 IFRS 9:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Financial Assets measured at Amortised Cost	3,596	-61
Financial Liabilities measured at Amortised Cost	-29,489	-35,641
Financial Assets at Fair Value through OCI ohne Recycling	914	2,667
Financial Assets and Liabilities at Fair Value through Profit or Loss	-42	42,651
Total	**-25,021**	**9,616**

The net result of the “financial assets measured at amortized cost” category includes results from the creation and reversal of valuation allowances in respect of trade receivables, impairments and write-ups of uncollected receivables, effects from currency translation as well as interest income. The significant change from the previous year resulted primarily from exchange rate effects. The net result of the “financial liabilities measured at amortized cost” category includes the result from interest expenses to third parties, for current and non-current loans and results from bank fees.

The net result of the “financial assets at fair value through OCI without recycling” category includes dividend income from other participations.

The net result of the “financial assets and liabilities at fair value through profit or loss” 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 contrast to the reconciliation statement for valuation allowances, the impairments for financial assets measured at amortized cost also include the results from uncollectable receivables in the amount of EUR 5,919 thousand (previous year: 970).

In the table below the included impairments are evident:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Impairments for financial assets measured at amortized cost	-10,085	-5,882

The total interest income and expense from financial instruments valued at amortized cost is represented as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2022
Interest income	4,226	8,388
Interest expense	-26,575	-32,299
Total	**-22,349**	**-23,911**

Carrying amounts and fair values

The fair value of a financial instrument is the amount for which an asset might be exchanged, or a liability 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 tables on page 166 and onward provide a comparison of the carrying amounts and fair values of financial instruments and reconcile these according to the categories of IFRS 9.

For derivative financial instruments without option component, including foreign exchange forward contracts and interest rate swaps, future payment flows are determined based on term curves. The fair value of these instruments corresponds to the sum of discounted payment flows. Currency pair options are valued on the basis of customary market option price models.

Currency pair options are valued on the basis of customary market option price models. 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 present 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 input parameters 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 the measurement of the asset and liability (non-observable input data)

The following table represents the balance sheet items measured at the fair value of stage 3:

in EUR thousand	January 1, 2021	Additions	Disposals	Changes without any effect on profit or loss	Changes recognized in the income statement	Dec. 31, 2021
Participations	10,761	42	0	0	0	10,803
Shares of non-consolidated companies	3,882	3,213	2,201	8,714	0	13,608
Total	**14,643**	**3,255**	**2,201**	**8,714**	**0**	**24,411**

in EUR thousand	January 1, 2022	Additions	Disposals	Changes without any effect on profit or loss	Changes recognized in the income statement	Dec. 31, 2022
Participations	10,803	3	8,500	-200	0	2,106
Shares of non-consolidated companies	13,608	1,290	25	-10,843	0	4,030
Total	**24,411**	**1,293**	**8,525**	**-11,043**	**0**	**6,136**

These are participations valued at fair value through OCI as well as shares in non-consolidated companies.
In the financial year, there was a need to write down shares in non-consolidated companies to the amount of EUR 7,013 thousand (previous year: 457), which was reported with no effect on profit and loss in “Other comprehensive income.”
The assumptions regarding company planning, the growth rate for the estimation of cash flows after the end of the planning period and the discount rate are included in the valuation as non-observable input parameters. Based on information that is currently available, a significant change to corporate planning is estimated as being improbable. For this reason, the used cash flow forecasts are considered as a suitable foundation for determining the fair value. If the cost of capital rate calculated on the after-tax basis varied by +/- 0.5 percentage points, the equity would be EUR 161 thousand (previous year: 1,173) lower or EUR 190 thousand higher (previous year: 1,516). There are no significant relationships between the significant, non-observable entry parameters.

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

Within the scope of intra-Group lending, the BAUER Group is exposed to foreign currency risks, the majority of which are hedged by cash flow hedges using forward exchange contracts. The main contractual features of the forward foreign exchange contracts are in accordance with the contractual components of the underlying transaction. Gains and losses on inter-company loans in foreign currency as at December 31, 2022 included in the hedge reserve in the OCI are recognized in the income statement in the period in which the hedged transaction impacts on the income statement. The likely effectiveness and economic relationship are determined using the critical term match method. Any ineffectiveness is determined using the dollar offset method based on the hypothetical derivatives method. When hedging foreign currency transactions, inefficiencies are likely to arise when the creditworthiness of the Group or counterparty of the derivative changes. No inefficiencies emerged during the reporting period.

Moreover, the interest-rate-related cash flow risk of variable-interest promissory notes were hedged by means of interest rate swaps and the promissory notes thus converted into fixed-interest financial liabilities. The main contractual features of the interest rate swaps are in accordance with the contractual components of the underlying transaction. The promissory notes and interest rate swap are designated as a hedging relationship. No inefficiencies to be recognized arose in the financial year.

The following table provides an overview of the nominal volumes and market values of derivative financial instruments used in the Group:

in EUR thousand	Nominal volumne		Market value			
	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021		Dec. 31, 2022	
			Positive	Negative	Positive	Negative
Interest rate swaps (including accrued interest)						
of which in hedge accounting	0	30,000	0	0	1,190	0
of which not in hedge accounting	297,829	268,376	0	-13,889	30,231	0
Foreign exchange forward contracts						
of which in hedge accounting	5,197	12,288	0	-81	13	0
of which not in hedge accounting	105,796	147,551	557	-2,130	4,091	-479
Foreign exchange options						
of which in hedge accounting	0	0	0	0	0	0
of which not in hedge accounting	137,500	0	609	0	0	0

Amount, timing and uncertainty of future cash payment flows

The following table presents quantitative information per risk category. This includes the time profile for the notional amount of the hedging instrument and the average rate of the hedging instrument:

Dec. 31, 2021	Hedging of currency and interest risk		
	2022	2023	> 2024
Foreign exchange risk Nominal volume (in EUR thousand)			
of which USD/EUR	177	0	0
of which AUD/EUR	3,586	0	0
of which RUB/EUR	821	0	0
of which YEN/EUR	614	0	0
Average hedging rate			
Average price USD/EUR	1.2264	-	-
Average price GBP/EUR	0	-	-
Average price ZAR/EUR	0	-	-
Average price AUD/EUR	1.5901	-	-
Average price CAD/EUR	0	-	-
Average price RUB/EUR	85.8458	-	-
Average price YEN/EUR	128.4742	-	-
Interest rate risks Nominal volume (in EUR thousand)	**0**	**0**	**0**
Average interest hedging rate	**-**	**-**	**-**

Dec. 31, 2022	Hedging of currency and interest risk		
	2023	2024	> 2025
Foreign exchange risk Nominal volume (in EUR thousand)			
of which USD/EUR	8,720	0	0
of which GBP/EUR	0	0	0
of which ZAR/EUR	0	0	0
of which AUD/EUR	3,569	0	0
of which CAD/EUR	0	0	0
Average hedging rate			
Average price USD/EUR	1.1155	-	-
Average price GBP/EUR	0	-	-
Average price ZAR/EUR	0	-	-
Average price AUD/EUR	1.5718	-	-
Average price CAD/EUR	0	-	-
Interest rate risks Nominal volume (in EUR thousand)	**30,000**	**0**	**0**
Average interest hedging rate	**1.7370%**	**-**	**-**

Effects of hedge accounting on the net asset, financial and earnings position

The following table shows the carrying amounts of the hedging instruments (financial assets and liabilities shown separately) and the balance sheet items of the hedging instruments:

in EUR thousand	Information about hedging instruments				
as at December 31, 2021	Nominal	Carrying amounts of hedging instruments		Cumulative value change of hedging instruments for determining inefficiencies	Balance sheet items
		Assets	Liabilities		
Cash flow hedges					
Foreign exchange risks	5,197	0	-81	474	Other financial assets or other financial liabilities
Interest rate risks	0	0	0	17	-

in EUR thousand	Information about hedging instruments				
as at December 31, 2022	Nominal	Carrying amounts of hedging instruments		Cumulative value change of hedging instruments for determining inefficiencies	Balance sheet items
		Assets	Liabilities		
Cash flow hedges					
Foreign exchange risks	12,288	35	-21	38	Other financial assets or other financial liabilities
Interest rate risks	30,000		0	1,361	Other financial liabilities

The following table shows the carrying amounts of the hedged items and the balances of the cash flow hedge reserve:

in EUR thousand	Informations on underlying transaction of cash flow hedges				
as at December 31, 2021	Carrying amount of hedged items		Cumulative value change of hedged items for determining inefficiencies	Balance of the cash flow hedge reserve	
	Assets	Liabilities		Active hedges	Ended hedges
Cash flow hedges					
Foreign exchange risks	3,763	1,434	-474	0	0
Interest rate risks	0	0	-17	0	0

in EUR thousand	Informations on underlying transaction of cash flow hedges				
as at December 31, 2022	Carrying amount of hedged items		Cumulative value change of hedged items for determining inefficiencies	Balance of the cash flow hedge reserve	
	Assets	Liabilities		Active hedges	Ended hedges
Cash flow hedges					
Foreign exchange risks	12,288	0	-38	0	0
Interest rate risks	0	29,908	-1,361	979	0

in EUR thousand	Reconciliation statement for cash flow hedge reserve					
			Amounts reclassified to the income statement			
	January 1, 2021	Changes in market value	due to non occurrence of expected cash payment flows	due realization of underlying transaction in income statement	Tax effect of change in reserves	Dec. 31, 2021
Hedging reserve						
Foreign exchange risks	0	474	0	-474	0	0
Interest rate risks	-15	17	0	4	-6	0
Reserve for hedging costs						
Foreign exchange risks	-2	374	0	-374	0	-2

in EUR thousand	Reconciliation statement for cash flow hedge reserve					
			Amounts reclassified to the income statement			
	January 1, 2022	Changes in market value	due to non occurrence of expected cash payment flows	due realization of underlying transaction in income statement	Tax effect of change in reserves	Dec. 31, 2022
Hedging reserve						
Foreign exchange risks	0	38	0	-38	0	0
Interest rate risks	0	1,361	0	0	-384	984
Reserve for hedging costs						
Foreign exchange risks	-2	840	0	-840	0	2

Reassignment for recognition in the income statement was carried out using the financial income and financial expenses items in the financial year. No inefficiencies emerged during the reporting period.

Offsetting financial assets and financial liabilities

a) Financial assets

The following financial assets are subject to potential offsetting, enforceable master-netting arrangements or similar arrangements. The gross amount of recognized financial assets corresponds to the net amount because no offsetting was performed in the balance sheet.

in EUR thousand				Related amounts, which are not offset in the balance sheet		
	Gross amount of financial assets recognized	Gross amount of financial liabilities offset on the balance sheet	Net amount of financial assets recognized on the balance sheet	Financial instruments	Cash securities paid	Net amount
Date: December 31, 2021						
Derivative financial assets	1,166	0	1,166	-519	0	647
Cash and cash equivalents	41,297	0	41,297	-8,130	0	33,167
Total	**42,463**	**0**	**42,463**	**-8,649**	**0**	**33,814**

in EUR thousand				Related amounts, which are not offset in the balance sheet		
	Gross amount of financial assets recognized	Gross amount of financial liabilities offset on the balance sheet	Net amount of financial assets recognized on the balance sheet	Financial instruments	Cash securities paid	Net amount
Date: December 31, 2022						
Derivative financial assets	35,613	0	35,613	-342	0	35,271
Cash and cash equivalents	44,607	0	44,607	-4,989	0	39,618
Total	**80,220**	**0**	**80,220**	**-5,331**	**0**	**74,889**

b) Financial liabilities

The following financial liabilities are subject to potential offsetting, enforceable master-netting arrangements or similar arrangements. The gross amount of recognized financial liabilities corresponds to the net amount because no offsetting was performed in the balance sheet.

in EUR thousand				Related amounts, which are not offset in the balance sheet		
	Gross amount of financial liabilities recognized	Gross amount of financial assets offsets on the balance sheet	Net amount of financial liabilities recognized on the balance sheet	Financial instruments	Cash securities paid	Net amount
Date: December 31, 2021						
Derivative financial liabilities	16,101	0	16,101	-519	0	15,582
Current-account overdrafts	436,252	0	436,252	-8,130	0	428,122
Total	**452,353**	**0**	**452,353**	**-8,649**	**0**	**443,704**

in EUR thousand				Related amounts, which are not offset in the balance sheet		
	Gross amount of financial liabilities recognized	Gross amount of financial assets offsets on the balance sheet	Net amount of financial liabilities recognized on the balance sheet	Financial instruments	Cash securities paid	Net amount
Date: December 31, 2022						
Derivative financial liabilities	460	0	460	-342	0	118
Current-account overdrafts	470,961	0	470,961	-4,989	0	465,972
Total	**471,421**	**0**	**471,421**	**-5,331**	**0**	**466,090**

The “Financial instruments” column lists the amounts which are subject to master-netting arrangements but are not netted on the balance sheet because the prerequisites 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.

At the Group, financial instruments are assigned to balance sheet items as per the classification rules of IFRS 9. No fair value was stated for current financial instruments recognized at amortized cost in accordance with IFRS 7.29a. The following table presents a progression of the classes to the categories of IFRS 9 and the respective market values:

in EUR thousand				Balance sheet valuation under IAS 9					
	Measurement benchmark	Carrying amount		Amortized cost		Fair Value through OCI (without recycling)		Fair Value through profit or loss	
		Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Non-current assets									
Participations		10,803	2,106						
	at cost	0	0	0	0	-	-	-	-
	at fair value	10,803	2,106	-	-	10,803	2,106	0	0
Trade receivables	at amortized cost	8,540	1,056	8,540	1,056	-	-	-	-
Other non-current financial assets		23,920	35,747						
	at fair value	13,608	35,368	-	-	13,608	4,030	0	30,147
	at amortized cost	10,312	379	10,312	379	-	-	-	-
	at cost	0	0	0	0	-	-	-	-
	n/a	0	0	-	-	-	-	-	-
Current Assets									
Trade receivables		243,033	262,056						
	at amortized cost	243,033	262,056	243,033	262,056	-	-	-	-
	at fair value	0	0	-	-	0	0	0	0
Receivables from enterprises in which the company has participating interests	at amortized cost	907	1,845	907	1,845	-	-	-	-
Other current financial assets		14,128	22,441						
	at fair value	1,166	4,277	-	-	0	0	1,166	4,242
	at amortized cost	12,962	18,164	12,962	18,164	-	-	-	-
Cash and cash equivalents	at amortized cost	41,297	44,607	41,297	44,607	-	-	-	-
Total financial assets		**342,628**	**369,858**	**317,051**	**328,107**	**24,411**	**6,136**	**1,166**	**34,389**

	Derivatives in hedge accounting		Not assigned to IFRS 9 category		Fair value according to IFRS 7 and IFRS 13		Measurement level under IFRS 13
	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	
	-	-	-	-	n/a	n/a	n/a
	-	-	-	-	10,803	2,106	3
	-	-	-	-	8,233	935	3
	0	1,191	-	-	13,608	35,367	3
	-	-	-	-	12,138	374	3
	-	-	-	-	n/a	n/a	n/a
	-	-	-	-	n/a	n/a	n/a
	-	-	-	-	n/a	n/a	n/a
	0	0	-	-	0	0	3
	-	-	-	-	n/a	n/a	t.
	0	35	-	-	1,166	4,277	2
	-	-	-	-	n/a	n/a	n/a
	-	-	-	-	n/a	n/a	n/a
	0	**1,226**	**0**	**0**	**45,948**	**43,059**	

in EUR thousand				Balance sheet valuation under IAS 9					
	Measurement benchmark	Carrying amount		Amortized cost		Fair Value through OCI (without recycling)		Fair Value through profit or loss	
		Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Non-current debt									
Liabilities to banks	at amortized cost	229,005	58,431	229,005	58,431	-	-	-	-
Liabilities from subordinate loans	at amortized cost	0	0	0	0	-	-	-	-
Liabilities from lease agreements	n/a	44,941	45,368	-	-	-	-	-	-
Other non-current financial liabilities		25,914	11,522						
	at fair value	13,889	0	-	-	0	0	13,889	0
	at amortized cost	12,025	11,522	12,025	11,522	-	-	-	-
Current debt									
Liabilities to banks	at amortized cost	204,780	401,819	204,780	401,819	-	-	-	-
Liabilities from lease agreements	n/a	19,854	26,234	-	-	-	-	-	-
Trade payables	at amortized cost	198,005	230,836	198,005	230,836	-	-	-	-
Liabilities to companies accounted for using the equity method using the equity method	at amortized cost	26,530	27,660	26,530	27,660	-	-	-	-
Other current financial liabilities		14,046	15,806						
	at fair value	2,212	460	-	-	0	0	2,131	215
	at amortized cost	11,834	15,346	11,834	15,346	-	-	-	-
Total financial liabilities		**763,074**	**817,676**	**682,178**	**745,614**	**0**	**0**	**16,020**	**215**

With regard to the fundamental classification of the different accounting categories and standards, we refer to section 5.2 “Accounting policies.”

Derivatives in hedge accounting		Not assigned to IFRS 9 category		Fair value according to IFRS 7 and IFRS 13		Measurement level under IFRS 13
Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	
-	-	-	-	231,695	51,637	2
-	-	-	-	0	0	2
-	-	44,941	45,368	45,933	40,887	2
0	0	-	-	13,889	0	2
-	-	-	-	12,205	11,072	2
-	-	-	-	n/a	n/a	n/a
-	-	19,854	26,234	n/a	n/a	n/a
-	-	-	-	n/a	n/a	n/a
-	-	-	-	n/a	n/a	n/a
81	245	-	-	2,212	460	2
-	-	-	-	n/a	n/a	n/a
81	**245**	**64,795**	**71,602**	**305,934**	**104,056**	

Net liabilities

The development of the net liabilities is represented in the following table:

in EUR thousand	Borrowings	Leasing relationships	Total
Net liabilities as of January 1, 2021	**463,462**	**58,982**	**522,444**
Raising of loans and liabilities to banks	224,699	0	224,699
Purchases – Leasing relationships	0	18,958	18,958
Amortization	-248,650	-14,269	-262,919
Other changes	-5,726	1,123	-4,603
Net liabilities as of December 31, 2021	**433,785**	**64,794**	**498,579**

in EUR thousand	Borrowings	Leasing relationships	Total
Net liabilities as of January 1, 2022	**433,785**	**64,794**	**498,579**
Raising of loans and liabilities to banks	244,093	0	244,093
Purchases – Leasing relationships	0	27,999	27,999
Amortization	-213,495	-19,658	-233,153
Other changes	-4,134	-1,533	-5,667
Net liabilities as of December 31, 2022	**460,249**	**71,602**	**531,851**

Other changes mainly include the effects of currency translation in the Liabilities to banks and Liabilities from lease agreements. Furthermore, the other changes to banks include the conversion of the subordinate loan into equity.

41. EXECUTIVE BODIES

In the year under review the Supervisory Board comprised the following members:

Shareholder representatives

- Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer, Schrobenhausen, Chairman
  Freelance management consultant
  Supervisory Board, BAUER Egypt S.A.E., Cairo, Egypt, Chairman
  Administrative Board, Maurer SE, Munich, member
  Supervisory Board, DEUSA International GmbH, Bleicherode, Chairman
- Sabine Doblinger, Munich
  Personnel Director of DIBAG Industrie AG, Munich
  Supervisory Board Bayerische Gewerbebau AG, Member
- Dipl.-Ing. Klaus Pöllath, Stuttgart
  Retired civil engineer
- Dipl.-Ing. (FH) Elisabeth Teschemacher, née Bauer, Schrobenhausen
  Self-employed in the area of real estate management, building renovation and construction consulting
- Dipl.-Kffr. Andrea Teutenberg, Kaarst
  Administrative Board KSB Management SE, Frankenthal (Palatinate), Member
  Advisory Board EJOT Holding GmbH & Co. KG, Bad Berleburg, Member
  Advisory Board Talbot Holding GmbH, Aachen, Member

- Gerardus N. G. Wirken, Breda, Netherlands
  Freelance consultant in the area of strategy, managerial accounting and accounting
  Supervisory Board, Winters Bouw- en Ontwikkeling B.V., Breda, Netherlands, Chairman

Employee representatives

- Rainer Burg, Gerolsbach
  Technical Marketing Manager at BAUER Spezialtiefbau GmbH, Schrobenhausen
- Dipl.-Ing. (FH) Petra Ehrenfried, Langenmosen
  Chairwoman of the Works Council BAUER Resources GmbH, Schrobenhausen
- Maria Engfer-Kersten, Langenhagen
  Union secretary of IG BCE Industriegewerkschaft Bergbau, Chemie, Energie, Hanover
- Robert Feiger, Neusäß, Deputy Chairman
  Federal Chairman of the Industriegewerkschaft Bauen-Agrar-Umwelt industrial trade union, Frankfurt am Main
  Supervisory Board, Zusatzversorgungskasse des Baugewerbes AG, Wiesbaden, member
  Supervisory Board Zusatzversorgungskasse des Dachdeckerhandwerks WaG, Wiesbaden, Chairman
- Reinhard Irrenhauser, Schrobenhausen
  Works Council Chairman at BAUER Maschinen GmbH, Schrobenhausen
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Member
- Dipl.-Ing. Wolfgang Rauscher, Gachenbach
  Head of Production at BAUER Maschinen GmbH, Schrobenhausen

Executive Board

- Dipl.-Ing. (FH), Florian Bauer, MBA, Schrobenhausen
  Functions: Digitalization, Development Coordination, Training, Corporate Culture, Personnel, Labor Director
- Peter Hingott, Schrobenhausen
  Functions: Participations, Accounting, Finance, Legal Department
  Supervisory Board BAUER Spezialtiefbau GmbH, Schrobenhausen, Deputy Chairman
  Supervisory Board BAUER Maschinen GmbH, Schrobenhausen, Deputy Chairman
  Supervisory Board BAUER Resources GmbH, Schrobenhausen, Chairman
  Supervisory Board BAUER Nimr LLC, Muscat, Oman, Chairman
  Administrative Board Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan, Chairman (until February 1, 2023)
- Dipl.-Phys. Michael Stomberg, Strasslach-Dingharting, Chairman (until March 11, 2023)
  Functions: Participations, IT, Corporate Communications, Group Process Management, HSE, Quality Management, Facility Management, Group Purchasing, Insurance Department
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, Chairman
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Chairman
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, Deputy Chairman
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Chairman

42. SHARE-BASED REMUNERATION

For members of the Executive Board, there was a long-term share-based incentive plan in the financial year (“LTI Shares”). This is a long-term variable share-based remuneration over an assessment period of four years in total, which includes the financial year and the three preceding financial years.
After each financial year has elapsed, a net amount is paid out in the following year after approval of the annual financial statements based on previously defined targets.

As target values, both qualitative and quantitative goals were agreed.
Apart from taking into account the total Group revenues and earnings after tax, performance criteria from the areas of Market, Employees, Corporate Culture, Finance, Earnings Performance, Balance Sheet, Organization, Processes, Strategy, IT, Accounting, Stakeholders as well as ecological and social aspects are included in the assessment. Additional individual prescribed goals are also possible.
The "Target LTI Shares" corresponds to 25.05% of a previously defined variable target remuneration. The specific amount to be invested in the form of shares is obtained by multiplying the target value by a percentage achievement factor depending on target achievement.
The members of the Executive Board commit to investing the amount paid to them in the form of shares in BAUER Aktiengesellschaft. In the process, an irrevocable purchase order will be issued to BAUER Aktiengesellschaft and the selected custodian bank in accordance with a separate agreement, which will be executed for all Executive Board members immediately after the receipt of the amount at the uniform average market price.
The holding period for the shares booked to the custodial account is four years starting with the end of the reference year; the shares may not be disposed of during this period. After the holding period has elapsed, the Executive Board member is entitled to dispose of the shares in accordance with the legal regulations. The item "LTI Shares" is accounted for in accordance with IFRS 2 as share-based remuneration with settlement in shares. Personnel expenses of EUR 225 thousand were recorded (previous year: 83). The personnel expenses here refer to the entire performance period of four years and is distributed on a pro rata basis, which means it proportionally accounts for the "LTI shares" for the financial years 2022 to 2025. Here, a "Target LTI Shares" is assumed of EUR 150 thousand per financial year for all members of the Executive Board together; in total, EUR 600 thousand.

43. RELATED PARTY DISCLOSURES

Total remuneration pursuant to section 314 (1) no. 6 of the HGB

Members of the Executive Board of BAUER AG are members of Supervisory Boards and Executive Boards of other companies with which BAUER AG maintains relations in the course of its ordinary business operations.
The total remuneration paid to members of the Executive Board pursuant to section 314 (1) no. 6 of the HGB for their activities on the Executive Board in the year under review, excluding allocations to pension provisions, was EUR 1,780 thousand (previous year: 2,054). Of that total, EUR 1,130 thousand (previous year: 1,433) was not performance-related and EUR 650 thousand (previous year: 621) was performance-related. 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 Executive Board, as well as group accident insurance premiums and employer's liability insurance association contributions.
Old contracts with members of the Executive Board include pension commitments and a survivor's pension as part of the company pension scheme. A retirement pension is also offered through a direct pension plan with a deferred compensation option. The company pension scheme for members of the Executive Board incurred pension service costs totaling EUR 12 thousand (previous year: 31). The baseline salary defined for calculating retirement benefits is significantly lower in all contracts than the basic salary. The total remuneration of the former members of the Executive Board amounted to EUR 300 thousand for the 2022 financial year (previous year: 235). The contracts of Executive Board members include individual severance clauses regulating the specific terms of premature termination, with settlements oriented to the length of service of the member of the Executive Board concerned and gauged so as not to exceed the amount of two years' remuneration for any one Executive Board member. No provisions for compensation in the event of a takeover offer being made have been agreed with the members of the Executive Board. For departed members of the Executive Board, provisions for pensions amounting to EUR 6,040 thousand are recognized as a liability on the reporting date (previous year: 5,980) was recognized.

The remuneration paid to the Supervisory Board for the 2022 financial year totaled EUR 378 thousand (previous year: 366).

Related party disclosures pursuant to IAS 24

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.

For members of the Executive Board in the financial year, along with fixed remuneration components there were also agreements concerning variable remuneration components with one-year and multiple-year assessment periods.

The variable remuneration components include short term incentives (“STI”), long term incentives with cash settlement (“LTI Cash”) and long term share-based incentives (“LTI Share”).

At the start of the reference year, the Supervisory Board specifies performance targets for “STI” and “LTI Cash” using financial and non-financial performance criteria. After each financial year has elapsed, payment is made in the following year after approval of the annual financial statements based on the achievement of the previously defined targets.

As target values, both qualitative and quantitative goals were agreed.

Apart from taking into account the total Group revenues and earnings after tax, performance criteria from the areas of Market, Employees, Corporate Culture, Finance, Earnings Performance, Balance Sheet, Organization, Processes, Strategy, IT, Accounting, Stakeholders as well as ecological and social aspects are included in the assessment. Additional individual prescribed goals are also possible.

The specific payment amount of the “STI” depends on achievement of the targets for the financial year.

The “LTI Cash” extends to the current and three preceding financial years with the assessment period for target achievement.

For the description of “LTI Shares”, we refer to section 42 “Share-based remuneration” of the notes.

Additional detailed statements concerning the variable remuneration components can be found in the remuneration report.

For existing lease contracts with close relatives, a right of use of EUR 1,350 thousand was capitalized according to IFRS 16 on December 31, 2022 (previous year: 1,653) and a liability of EUR 1,398 thousand (previous year: 1,681) was recognized.

Liabilities to the BAUER Foundation arising from a mortgage-backed amortizing loan existed totaling EUR 1,500 thousand as at December 31, 2022 (previous year: 1,500), for which set interest in the amount of EUR 83 thousand (previous year: 83) was paid. The BAUER Foundation is classified under other related parties. Regarding the loan from the associated company BAUER Nimr LLC, Muscat, Sultanate of Oman, we refer to the statements in section 28 “Receivables and other assets”.

The remuneration of members of the Executive Board and Supervisory Board can be found in the following table.

in EUR thousand	2021*	2022
Short-term benefits	2,141	1,618
Benefits after termination of the employment relationship	31	12
Other long-term benefits	196	315
Benefits due to the termination of the employment relationship	0	0
Share-based remuneration (LTI Shares)	83	232
Total	**2,451**	**2,177**

* Previous year adjusted: The LTI Cash were reclassified from the short-term into the other long-term benefits. The reclassification amount is EUR 196 thousand.

The outstanding balances as at the balance sheet date for variable non-share-based remuneration components was EUR 425 thousand (previous year: 303).

For exercising their function as employees, members of the Supervisory Board received a total of EUR 568 thousand (previous year: 598). Remuneration paid for employment and service contracts with close relatives in the financial year was EUR 459 thousand (previous year: 561).

Pension benefits for family members amounted to EUR 135 thousand (previous year: 124). The pension payments to retired members of the Executive Board amounted to EUR 300 thousand in total (previous year: 235). Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Executive Board serving at the end of the financial year was EUR 139 thousand (previous year: 1,882).

The key relationships between fully consolidated Group companies and related parties are set out in the following table:

in EUR thousand	Associated companies		Non-consolidated companies		Joint ventures	
	2021	2022	2021	2022	2021	2022
Income	3,867	371	10,183	8,563	1,292	807
Purchased services	2,652	2,810	6,487	6,776	1,136	0
Receivables and other assets (December 31)	9,467	10,906	21,894	20,565	7,163	3,884
Liabilities (December 31)	3,810	324	3,567	1,943	25,624	27,234
Valuation allowance of receivables	0	0	6,652	9,116	9,962	2,921
Expenditure for uncollectable and uncertain receivables	0	0	3,530	8,089	0	0

The purchased services essentially comprise all expenses incurred with related parties during the financial year. Dividends from associated companies to the amount of EUR 3,600 thousand (previous year: 4,879) and from joint ventures in the amount of EUR 0 thousand (previous year: 865) were included.
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.

44. JOINT OPERATIONS

The material joint ventures are listed below:

Financial year 2021:

Project	Company's activities	Place of business	Investment quota
Piling Contractors Bauer Australia – Crown Resort Hotel	Specialist foundation engineering	Sydney, Australia	50.00%
Gleisgründungszug" Consortium RTG Rammtechnik GmbH – Kirow Ardelt GmbH	Equipment manufacturing	Leipzig, Germany	29.23%

Financial year 2022:

Project	Company's activities	Place of business	Investment quota
Gleisgründungszug" Consortium RTG Rammtechnik GmbH – Kirow Ardelt GmbH	Equipment manufacturing	Leipzig, Germany	29.23%

45. FEES AND SERVICES OF THE AUDITORS

The fee paid to the auditor of the consolidated financial statements and recorded as expenditure in the financial year is broken down as follows:

PricewaterhouseCoopers:

in EUR thousand	2021	2022
Auditing services	1,228	1,108
(of which PricewaterhouseCoopers network)	102	71
Other certification	286	61
(of which PricewaterhouseCoopers network)	0	0
Tax advice	123	6
(of which PricewaterhouseCoopers network)	0	6
Other services	116	31
(of which PricewaterhouseCoopers network)	1	21
Total	**1,753**	**1,206**
(of which PricewaterhouseCoopers network)	103	98

The fees for other services and for other confirmation services include near-audit consulting services, audits concerning the use of information technology over the course of the project and services as part of disclosure obligations.

46. DECLARATION OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE

The Executive Board and Supervisory Board of BAUER AG issued the Declaration of conformity prescribed by Paragraph 161 AktG on December 8, 2022 and made it permanently available for shareholders at www.bauer.de.

47. RELEASE FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Executive Board has submitted the consolidated financial statements to the Supervisory Board for authorization for issue (the Supervisory Board meeting is scheduled for April 3, 2023).

48. NUMBER OF EMPLOYEES

	Average		Reporting Date	
	2021	2022	2021	2022
Employees	**3,588**	**3,595**	**3,579**	**3,508**
Germany	1,962	1,984	1,969	1,992
International	1,626	1,611	1,610	1,516
Industrial & trade employees	**7,900**	**8,075**	**8,117**	**8,101**
Germany	1,792	1,797	1,767	1,796
International	6,108	6,278	6,350	6,305
Apprentices	**246**	**242**	**270**	**283**
Germany	241	228	265	257
International	5	14	5	26
Total number of employees	**11,734**	**11,912**	**11,966**	**11,892**

49. PROPOSAL ON THE USE OF RETAINED EARNINGS

The adopted annual financial statements of BAUER Aktiengesellschaft as of December 31, 2022 show an accumulated loss. Therefore, the General Meeting will not be presented with any suggestions relating to the use of the retained earnings.

50. LIST OF HOLDINGS

Name and place of business 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
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
BAUER Verwaltungs und Beteiligungs GmbH, Schrobenhausen, Germany	EUR	100.00
rig.plus GmbH, Schrobenhausen, Germany	EUR	100.00
B. EU (excluding Germany)		
GWE Budafilter Kft., Mezöfalva, Hungary	HUF	100.00
BAUER SPEZIALTIEFBAU Gesellschaft m.b.H., Vienna, Austria	EUR	100.00
BAUER DK A/S, Søborg, Denmark	DKK	100.00
BAUER Fondations SAS, Paris, France	EUR	100.00
BAUER Magyarorszàg Speciális Mélyépitö Kft., Budapest, Hungary	HUF	100.00
BAUER Funderingstechniek B.V., Mijdrecht, Netherlands	EUR	100.00
BAUER Maszyny Polska Sp.z.o.o., Warsaw, Poland	PLN	100.00
GWE France S.A.S., Aspiran, France	EUR	100.00
BAUER Machines SAS, Strasbourg, 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
C. Europe (other)		
BAUER Resources UK Ltd., East Yorkshire, Great Britain	GBP	100.00
BAUER Technologies Limited, Bishops Stortford, Great Britain	GBP	100.00
BAUER RENEWABLES LIMITED, Dundee, Great Britain	GBP	100.00
BAUER EQUIPMENT UK LIMITED, Rotherham, Great Britain	GBP	100.00
BAUER Foundations (IRL) Ltd., Dublin, Great Britain	EUR	100.00
BAUER Spezialtiefbau Schweiz AG, Baden-Dättwil, Switzerland	CHF	100.00
OOO BAUER Maschinen – Kurgan, Kurgan, Russian Federation	RUB	90.00

Name and place of business of company	Currency	Capital share in %
C. Continued: Europe (other)		
OOO BG-TOOLS-MSI, Lyubertsy, Russian Federation	RUB	55.00
OOO BAUER Maschinen Russland, 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. - (subsidiary consolidated financial statements), Amman, Jordan	USD	100.00
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	USD	100.00
Site Drilling Ltd. Co., Limassol, Cyprus	USD	100.00
Water Well Equipment Limited, Dubai, United Arab Emirates	AED	100.00
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	49.00*
BAUER Specialized Foundation Contractor India Pvt. Ltd., Gurgaon (Haryana), India	INR	100.00
BAUER Equipment India Private Limited, Delhi, India	INR	100.00
BAUER Engineering India Private Limited, Gurgaon (Haryana), India	INR	100.00
BAUER Resources Saudi LLC, Al Khobar, Saudi Arabia	SAR	100.00
BAUER Environment Bahrain W.L.L., Al Seef District, Bahrain	BHD	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 Vietnam Ltd., Ho Chi Minh City, Vietnam	VND	100.00
BAUER Foundations Philippines, Inc., Quezon City, Philippines	PHP	40.00*
BAUER Piling Inc., Quezon City, Philippines	PHP	100.00
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
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

Name and place of business of company	Currency	Capital share in %
Continued: E. Asia-Pacific, Far East & Australia		
BAUER Technologies Thailand Co., Ltd., Bangkok, Thailand	THB	100.00
P.T. BAUER Equipment Indonesia, Jakarta, Indonesia	IDR	100.00
NIPPON BAUER Y.K., Tokyo, Japan	JPY	100.00
BAUER (Shanghai) Resources Environmental Engineering Technology Co. Ltd., Shanghai, People's Republic of China	CNY	100.00
Inner City (Thailand) Company Limited, Bangkok, Thailand	THB	49.39*
Thai BAUER Co. Ltd., Bangkok, Thailand	THB	74.19
BAUER Equipment Australia Pty. Ltd., Baulkham Hills, Australia	AUD	100.00
F. Americas		
BAUER FUNDACIONES PANAMÀ S.A., Panama City, Panama	USD	100.00
BAUER FUNDACIONES DOMINICANA, S. R. L., Santo Domingo, Dominican Republic	DOP	100.00
BAUER Foundations Canada Inc., Calgary, Canada	CAD	100.00
BAUER FOUNDATION CORP., Odessa, 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 Equipment America Inc., Conroe, United States of America	USD	100.00
BAUER Financial Services Inc., Wilmington, United States of America	USD	100.00
BAUER Manufacturing LLC, Conroe, United States of America	USD	100.00
BAUER Resources Canada Ltd., Edmonton, Canada	CAD	100.00
G. Africa		
BAUER EGYPT S.A.E Specialised Foundation Contractors, Cairo, Egypt	EGP	56.27
BAUER Technologies South Africa (PTY) Ltd., Cape Town, South Africa	ZAR	100.00
MINERAL BULK SAMPLING NAMIBIA (PTY) LTD, Windhoek, Namibia	NAD	100.00
BAUER RESOURCES SOUTH AFRICA (PTY) LTD, Cape Town, South Africa	ZAR	100.00
BAUER TECHNOLOGIES RDC LTD SARL, Lubumbashi/Haut-Katanga, Republic of the Congo	USD	49.00*
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
pumpenboese Beteiligungs- und Verwaltungs GmbH, Peine, Germany	EUR	100.00
fielddata.io GmbH, Munich, Germany	EUR	100.00
Obermann MAT GmbH, Michelstadt, Germany	EUR	100.00
BAUER Offshore Technologies GmbH, Schrobenhausen, Germany	EUR	100.00
B. International		
BAUER Angola Lda., Luanda, Angola	AOA	100.00
BAUER Fondations Spéciales EURL, Algiers, Algeria	DZD	100.00
BAUER Cimentaciones Costa Rica S. A., Alajuela, Costa Rica	CRC	100.00
BAUER Lybian Egyptian Specialized Corporate for Technical Engineering Works, Tripoli, Libya	LYD	36.57
TOO BAUER KASACHSTAN, Almaty, Kazakhstan	KZT	100.00

Name and place of business of company	Currency	Capital share in %
Continued: B. International		
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 Geoteknoloji Insaat Anonim Sirketi, Istanbul, Turkey	EUR	100.00
Sverige BAUER GL AB, Stockholm, Sweden	SEK	100.00
BAUER Special Foundations Cambodia Co., Ltd., Daun Penh, Cambodia	USD	100.00
EURODRILL ASIA PTE. LTD., Singapore	EUR	100.00
BAUER Maschinen Ukraine TOV, Kiev, Ukraine	UAH	100.00
BRASBAUER Equipamentos de Perfuracào Ltda., Sao Paulo, Brazil	BRL	60.00
BAUER Servicos de Apoio Administrativo Ltda., Sao Paulo, Brazil	BRL	100.00
BAUER Fundaciones America Latina, S. A., Panama Pacifico – Panama City, Panama	PAB	100.00
BAUER Maschinen Canada Ltd., Calgary, 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 Maschinen Pars LLC, Tehran, Iran	IRR	100.00
OOO TRAKMECHANIKA, Yaroslavl, Russian Federation	RUB	100.00
BAUER Bhutan Pvt. Ltd., Thimphu-Khangkhulu, Bhutan	BTN	74.00
BAUER ENGINEERING PNG LIMITED, Port Moresby – National Capital District, Papua New Guinea	PGK	100.00
BAUER Equipment Gulf LLC, Abu Dhabi, United Arab Emirates	AED	49.00*
BAUER Hong Kong Limited, Hong Kong, People’s Republic of China	HKD	100.00
BAUER Latvia SIA, Riga, Latvia	EUR	100.00
BAUER Engineering Ghana Ltd., Accra, Ghana	GHS	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
SMS Seabed Mineral Services GmbH, Schrobenhausen, Germany	EUR	50.00
Schacht- und Bergbau Spezialgesellschaft mbH, Mülheim an der Ruhr, Germany	EUR	50.00
Consortium Excavation Potsdam Babelsberg Street, Berlin, Germany	EUR	50.00
Consortium VE 10 Above Ground East, Munich, Germany	EUR	10.00
Consortium VE 30 Tunnel Central Station, Munich, Germany	EUR	10.00
Consortium Backfilling Pit Obermantelkirchen, Neuötting, Germany	EUR	40.00
Consortium Waste Disposal Mineral Black Pump, Iserlohn, Germany	EUR	33.33
Consortium „ETS" Konrad shaft, Nordhausen, Germany	EUR	50.00
Steel Construction Consortium Müngsten Bridge, Duisburg, Germany	EUR	50.00
Consortium WBA Helmsdorf, Nordhausen, Germany	EUR	50.00
Consortium „Track Foundation Train" RTG Rammtechnik GmbH - Kirow Ardelt GmbH, Leipzig, Germany	EUR	29.23

Name and place of business of company	Currency	Capital share in %
B. International		
TERRABAUER S. L., Madrid, Spain	EUR	30.00
Bauer + Moosleitner Entsorgungstechnik GmbH, Nußdorf am Haunsberg, Austria	EUR	50.00
BAUER Nimr LLC, Maskat – Al Mina, Sultanate of Oman	OMR	52.50
BAUER Resources Bahrain W.L.L., Diplomatic Area, Bahrain	BHD	52.50
TOO SCHACHTBAU Kasachstan, Almaty, Kazakhstan	KZT	50.00
4. Enterprises in which the company has participating interests		
A. Germany		
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
Digitales Gründerzentrum der Region Ingolstadt GmbH, Ingolstadt, Germany	EUR	2.00
B. International		
BAUER Technology (Shanghai) Co. Ltd., Shanghai, People's Republic of China	CNY	3.00
AO Mostostrojindustria, Moscow, Russian Federation	RUB	20.70

* Companies are fully consolidated despite capital share < 50%. This may be owing to contractual agreements that enable the BAUER Group to exercise control in this regard under the terms of IFRS 10.

Schrobenhausen, March 31, 2023

The Executive Board

Dipl.-Ing. (FH)
Florian Bauer, MBA

Peter Hingott

Audit Opinion

„The following copy of the auditor‘s report also includes a „Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB“ („Separate report on ESEF conformity „). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.“
„BESTÄTIGUNGSVERMERK DES UNABHÄNGIGEN ABSCHLUSSPRÜFERS

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 31 December 2022, 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 1 January to 31 December 2022, 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 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the sections "Key Features of the Internal Control System and the Risk Management System (ICS & RMS)" and "Compliance Management System" of the group management report.

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 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, 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 the sections of the group management report referred to above.

Pursuant to § 322 Abs. 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") 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 Consolidated 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 1 January to 31 December 2022. 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 Recognition of revenue from contracts with customers
❷ Accounting treatment of deferred taxes
❸ Recoverability of intangible assets and property, plant and equipment

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 Recognition of revenue from contracts with customers

① The BAUER Group is involved in certain major and complex construction projects for which revenue is recognized over a period of time. When recognizing revenue over time, the revenue is recognized on the basis of the stage of completion, which is calculated as the ratio of the actual contract costs incurred to estimated total contract costs. Revenue from customer-specific contracts amounting to EUR 927.3 million was recognized in the consolidated income statement as of December 31, 2022. EUR 96.4 million in contract assets and EUR 89.1 million in contract liabilities were recognized in the balance sheet as of December 31, 2022. Revenue from contracts with customers is recognized over time if an asset is created that has no alternative use for the BAUER Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognized over time even if an asset is created or enhanced and the customer has since obtained control over that asset. With respect to the complex production processes, the recognition of revenue over time requires in particular an effective internal budgeting and reporting system, including concurrent project costing, as well as a functioning internal control system.

The amount of the income and profits recognized for projects in a single year depends *inter alia* on the costs actually incurred, the extent to which the projects have been completed and the projected revenue and costs for each project. In addition, the amount of revenue and profit is affected by the measurement of subsequent orders and claims for damages.

Given the complexity of the projects, the uncertainty regarding the costs of completion in light of the uncertainty of the outcome of negotiations with customers concerning change orders and claims, this often involves a high degree of judgment.

Against this background, the proper application of the accounting standards is considered to be complex and to a certain extent based on estimates and assumptions made by management. This matter was therefore of particular significance for our audit.

② As part of our audit, we assessed, among other things, the appropriateness of the internal control system established by the BAUER Group and the effectiveness of the relevant controls as well as whether the degree of completion of construction projects was determined based on supporting documents for compliance with BAUER's accounting policies. We also assessed the appropriateness of BAUER's accounting policies and its interpretation of the relevant accounting standards and in particular evaluated the provisions of the accounting policies with regard to the conditions that must be met in order to recognize a receivable and subsequent orders as part of contract revenue.

Our specific audit approach included testing of the controls and substantive audit procedures. In particular, we assessed the cost accounting system and other relevant systems supporting the accounting for construction contracts. Furthermore, we assessed on a test basis the proper recognition and attribution of direct costs, the amount and attribution of overheads, the project costings underlying the construction projects, and the determination of the degree of completion of individual projects. In this context, we also assessed the statements provided to us by external parties such as attorneys and experts regarding the accounting treatment of subsequent orders and claims for damages, and reconciled the assessments of the executive directors regarding the enforcement of subsequent orders and claims for damages with past experience.

For contracts, we also compared the items recognized in the consolidated financial statements against the prior year to assess the consistency of the valuation and performed back-testing on this estimate. In this context, we also assessed the design of the processes set up to map the transactions in accordance with IFRS 15.

We were able to satisfy ourselves that the systems, processes, and controls in place are appropriate overall and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure that revenue from contracts with customers is appropriately recognized.

③ The Company's disclosures on recognition of revenue from contracts with customers are contained in sections 5.2 "Accounting policies" and 28 "Receivables and other assets" of the notes to the consolidated financial statements.

❷ Accounting treatment of deferred taxes

① In the consolidated financial statements of the Company deferred tax assets amounting to EUR 72.0 million are reported as of December 31, 2022. An excess of deferred tax assets amounting to approximately EUR 33.2 million remained after netting with matching deferred tax liabilities. The deferred tax assets were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax losses to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan. No deferred tax assets were recognized in respect of unused tax losses amounting in total to EUR 286.5 million since it is not probable that they will be utilized for tax purposes by means of offset against future profits.

From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

② As part of our audit, we assessed, among other things, the internal processes and controls for recording tax matters as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses on the basis of the Company's internal forecasts of its future earnings situation, and the appropriateness of the underlying estimates and assumptions.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented on the whole.

③ The Company's disclosures pertaining to deferred taxes are contained in sections 5.2 "Accounting policies", and 23 "Deferred taxes" of the notes to the consolidated financial statements.

❸ Recoverability of intangible assets and property, plant and equipment

① In the consolidated financial statements of the Company a total amount of € 499.0 million is reported under the "Intangible assets" and "Property, plant and equipment" balance sheet items. The intangible assets and property, plant and equipment are tested for impairment by the Company whenever there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the respective cash-generating units in accordance with IAS 36. The carrying amount of the relevant cash-generating unit is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined based on the value in use. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. The calculation is based on the Group's five-year operating plan prepared by the executive directors and acknowledged by the supervisory board, which is extrapolated on the basis of assumptions about, for example, long-term growth rates in order to portray a sustainable condition over the long term ("perpetual annuity"). The discount rate used is the weighted cost of capital for the respective cash-generating unit. If impairment testing based on the value in use determines that a cash-generating unit is impaired, the fair value less costs of disposal for the individual assets is then also taken into account. To evidence this, the Company provided supplementary documents demonstrating the recoverability of the individual assets (including land and buildings, machinery and equipment). On the basis of the values determined and supplementary documentation, write-downs amounting to EUR 4.5 million on intangible assets and items of property, plant and equipment were required for financial year 2022.

The result of this measurement depends to a large extent on the estimate by the Company's executive directors of the future cash inflows and outflows of the respective cash-generating unit and the discount rate used, and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the methodological requirements for the impairment tests, this matter was of particular significance in the context of our audit.

② As part of our audit and with the involvement of our internal valuation specialists, we assessed the methodology used for the purposes of performing the impairment tests, among other things. In application of the value in use, we evaluated the appropriateness of the future cash inflows and outflows used in the measurement, among other things by comparing this data with the current budgets in the five-year plan prepared by the executive directors and acknowledged by the supervisory board. We also assessed the calculation of the weighted cost of capital. In the knowledge that even relatively small changes in the discount rate applied can have material effects on the value of the entity calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, including the weighted cost of capital, and evaluated the calculation model. Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures relating to intangible assets and property, plant and equipment are contained in the sections 5.2 "Accounting policies" and 22 "Fixed Assets" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the sections "Key Features of the Internal Control System and the Risk Management System (ICS & RMS) and "Compliance Management System" of the management report as unaudited parts of the group management report.

The other information comprises further

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial group report to comply with §§ 315b to 315c HGB
- all 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 mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with 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. 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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. 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, actions taken to eliminate threats or safeguards applied.

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

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Bauer_AG_KA_LB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 23 June 2022. We were engaged by the supervisory board on 23 June 2022. We have been the group auditor of the 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).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stefanie Fink.

Stuttgart, 3. April 2023

PricewaterhouseCoopers GmbH

Accountancy firm

Jürgen Schwehr	Stefanie Fink
Auditor	Auditor

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 position of the Group 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 31, 2023

The Executive Board

Dipl.-Ing. (FH)
Florian Bauer, MBA

Peter Hingott

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