Annual Report 2020

BAUER

PASSION for PROGRESS

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

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

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

The BAUER Group was founded in 1790 and is based in Schrobenhausen, Bavaria. In 2020, it employed some 11,000 people in around 70 countries and achieved total Group revenues of EUR 1.5 billion. BAUER Aktiengesellschaft is listed in the Prime Standard of the German stock market.

The Group at a glance

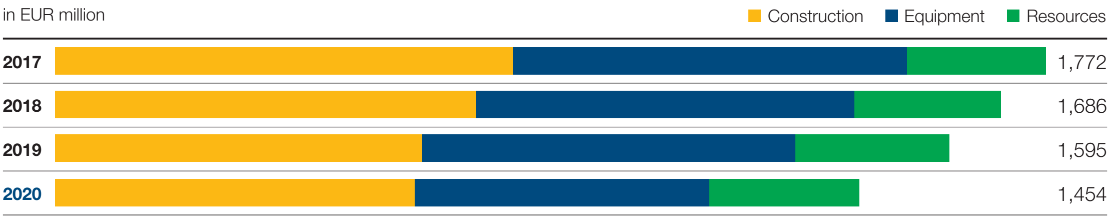
GROUP KEY FIGURES 2017 – 2020

IFRS in EUR million		2017	2018	2019 **	2020	Change 2019/2020
Total Group revenues		1,772.0	1,686.1	1,594.7	1,453.6	-8.8%
of which	Germany	477.8	467.1	518.7	416.9	-19.6%
	International	1,294.2	1,219.0	1,076.0	1,036.7	-3.7%
	International in %	73.0	72.3	67.5	71.3	n/a
of which	Construction	835.0	767.6	628.8	669.0	6.4%
	Equipment	754.5	723.1	713.7	610.7	-14.4%
	Resources	248.2	261.5	314.8	268.8	-14.6%
	Other/Consolidation	-65.7	-66.1	-62.6	-94.9	n/a
Consolidated revenues		1,688.1	1,616.9	1,537.7	1,401.3	-8.9%
Sales revenues		1,667.9	1,589.1	1,470.9	1,343.2	-8.7%
Order intake		1,741.7	1,721.9	1,608.7	1,588.5	-1.3%
Order backlog		977.8	1,013.6	1,027.6	1,162.5	13.1%
EBITDA		182.6	198.6	134.3	165.2	23.1%
EBITDA margin in % (of sales revenues)		11.0	12.5	9.1	12.3	n/a
EBIT		89.6	100.1	33.7	55.5	64.8%
EBIT margin in % (of sales revenues)		5.4	6.3	2.3	4.1	n/a
Earnings after tax		3.7	24.1	-36.6	-8.2	n/a
Capital investment in property, plant and equipment		102.6	103.4	145.8	133.4	-8.5%
Equity		418.7	431.8	386.9	365.5	-5.5%
Equity ratio in %		25.9	26.5	23.8	23.7	n/a
Total assets		1,617.7	1,632.3	1,628.5	1,544.0	-5.2%
Earnings per share		0.16	1.32	-2.17	-0.48	n/a
Distribution		1.71	1.71	0.00	0.00 *	n/a
Dividend per share in EUR		0.10	0.10	0.00	0.00 *	n/a
Return on equity after tax in %		0.8	5.8	-8.5	-2.1	n/a
Employees (reporting date) ***		11,081	12,931	12,701	11,027	-13.2%
of which	Germany	4,000	4,203	4,234	4,061	-4.1%
	International	7,081	8,728	8,467	6,966	-17.7%

* Proposed; subject to the consent of the Annual General Meeting to be held on June 24, 2021
** Previous year adjusted; see p. 70 and 102
*** See explanations on p. 163

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

DEVELOPMENT OF TOTAL GROUP REVENUES BY SEGMENT



CONSTRUCTION SEGMENT KEY FIGURES

in EUR thousand	2019 *	2020	Veränderung
Total Group revenues	628,848	668,964	6.4%
Sales revenues	589,152	610,350	3.6%
Order intake	692,664	813,659	17.5%
Order backlog	611,088	755,783	23.7%
EBIT	-17,356	24,302	n/a
Earnings after tax	-52,845	-4,963	n/a
Employees (reporting date) **	7,744	6,209	-19.8%

* Previous year adjusted; see p. 70 and 102
** See explanations on p. 163

EQUIPMENT SEGMENT KEY FIGURES

in EUR thousand	2019 *	2020	Veränderung
Total Group revenues	713,652	610,735	-14.4%
Sales revenues	610,190	491,462	-19.5%
Order intake	672,062	621,284	-7.6%
Order backlog	108,307	118,856	9.7%
EBIT	58,745	30,060	-48.8%
Earnings after tax	39,496	10,967	-72.2%
Employees (reporting date) **	3,148	3,125	-0.1%

* Previous year adjusted; see p. 70
** See explanations on p. 163

RESOURCES SEGMENT KEY FIGURES

in EUR thousand	2019 *	2020	Veränderung
Total Group revenues	314,809	268,807	-14.6%
Sales revenues	269,992	240,126	-11.1%
Order intake	306,574	248,461	-19.0%
Order backlog	308,243	287,897	-6.6%
EBIT	-5,065	1,869	n/a
Earnings after tax	-13,637	-7,218	n/a
Employees (reporting date) **	1,440	1,289	-10.5%

* Previous year adjusted; see p. 70 and 102
** See explanations on p. 163

BAUER Aktiengesellschaft Annual Report 2020

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Milestones in the Company's History


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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


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7


8

1992 – 2008

> **1992** 6

Takeover of SCHACHTBAU NORDHAUSEN GmbH

> **1994**

Founding of BAUER Aktiengesellschaft

> **2001**

BAUER Maschinen GmbH becomes independent company

> **2002**

Purchase of large machinery manufacturing facility in Aresing

> **2003 – 2005**

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

> **2006**

BAUER AG is listed on the stock market

> **2007**

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

> **2008**

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

2009 – 2020

> **2009**

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

> **2012**

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

> **2017**

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

> **2018** 7

Michael Stomberg succeeds Prof. Thomas Bauer as Chairman of the Management Board; this is the first time ever that an outside leader is at the helm

> **2019**

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

> **2020** 8

Three successful decades of environmental and mixing plant technology; Start of diaphragm wall works for the 2nd core route project in Munich.

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3

3

Pictures of 2020

Historic industrial park to become modern business center 1

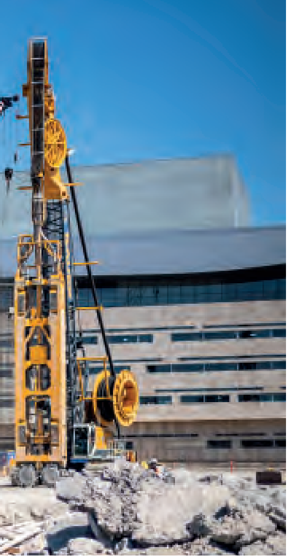
The eastern side of Munich is home to an impressive example of how a contaminated industrial brownfield site can be transformed into a lively office park. There, technology group Rohde & Schwarz is planning to build a cutting-edge building complex around a historic 1920s office building. The "iCampus" integrates seamlessly into the infrastructure of the Bavarian capital as part of the city's Werksviertel district.

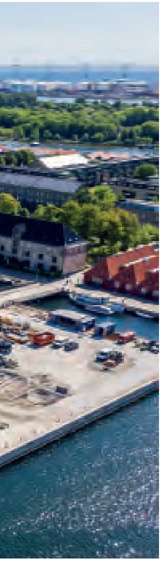
However, before the new district can be transformed into the mixture of living, working and recreational space envisioned by the urban planners, it requires a complete brownfield remediation. Bauer Umwelt was contracted for the demolition of adjacent buildings as well as the remediation work and soil excavation. By mid-2020, a total of 125,000 m³ of soil were excavated at the site and disposed.

Major project: 2nd trunk line in Munich 2

The 2nd trunk line in Munich is a major infrastructure project that is of enormous importance to the entire metropolitan area. Deutsche Bahn awarded the first two tenders for the main construction measures (VE 10 + VE 30) to the companies Wayss & Freytag Ingenieurbau AG, Max Bögl Stiftung & Co. KG, Ed. Züblin AG and BAUER Spezialtiefbau GmbH. These works include the western above-ground section, from Laim to Donnersberger Brücke station, and the Hauptbahnhof, including the tunnel section from Donnersberger Brücke to Marienhof.

After the partial demolition of the old station building at the Hauptbahnhof and the start of execution for the primary supports for the site covering, a new phase of the mega project finally began on April 23, 2020, with the second contract section VE 30 (under the leadership of Wayss & Freytag): construction of a retaining structure for the future underground S-Bahn station München Hauptbahnhof began with diaphragm walls up to a depth of around 65 m.





Diaphragm wall works for "Operaparken" project in Copenhagen 3

The "Operaparken" project is not only intended to create an underground car park in the center of Copenhagen and in the immediate vicinity of the opera house, but the unique building project will also fulfill special quality and design requirements.

BAUER DK A/S, the Danish subsidiary of BAUER Spezialtiefbau GmbH, was commissioned by client A.P. Møller to execute a two-layer anchored diaphragm wall as part of the "Operaparken" project, which will later form the permanent exterior wall of the underground garage. Bauer – as a subcontractor to main contractor Hoffmann – previously worked on the new headquarters of A.P. Møller, creating a secant pile wall as retaining structure. In total, 6,600 m^2 of diaphragm wall will be built for the "Operaparken" project. A BAUER MC 96 equipped with a BC 48 cutter and a BAUER MC 76 equipped with a rope grab are in use. Two anchor drilling rigs will then insert the 189 anchors into the completed diaphragm wall.

As a team through the COVID-19 pandemic 4

The Corona crisis is what it is - a challenge that affects and demands every individual. With enormous speed, it has also affected the economy and thus the BAUER Group. Particularly on construction sites around the world, the effects were devastating: most of them were not running at full productivity and output, and in almost all countries there were obstructions due to output restrictions.

Whether in logistics, customer service, personnel deployment or production, solutions to the challenges posed by the COVID-19 pandemic were worked out at full speed in all areas of the company. For example, it was possible to obtain special permission for a team of six specialists from Germany to enter a construction site in Bangladesh and to charter an aircraft. However, a look inside the company also reveals that digitization has made leaps and bounds. This applies, for example, to working in a home office or exchanges via video conferencing. These are all also improvements that were only possible thanks to an outstanding team and a corporate culture with a strong team spirit.

Mission and Strategy

OUR MISSION

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

BAUER MASCHINEN

RTG RAMMTECHNIK GMBH

KLEMM Bohrtechnik

BAUER MAT Slurry Handling Systems

PRAKLA Bohrtechnik

GEFCO

EURO DRILL

SPANTEC Spann- & Ankertechnik GmbH

TracMec

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

BAUER SPEZIALTIEFBAU

OUR STRATEGY

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

GWE GERMAN WATER and ENERGY GROUP

BMU BAUER UMWELT

BAUER RESOURCES

SBN SCHACHTBAU NORDHAUSEN

SPESA SPEZIALBAU UND SANIERUNG

SITE GROUP

- >>> Target: ~ 20% of total Group revenues
- >>> Innovative products and services in the fields of drilling services and water wells, environmental services, constructed wetlands, mining and remediation.

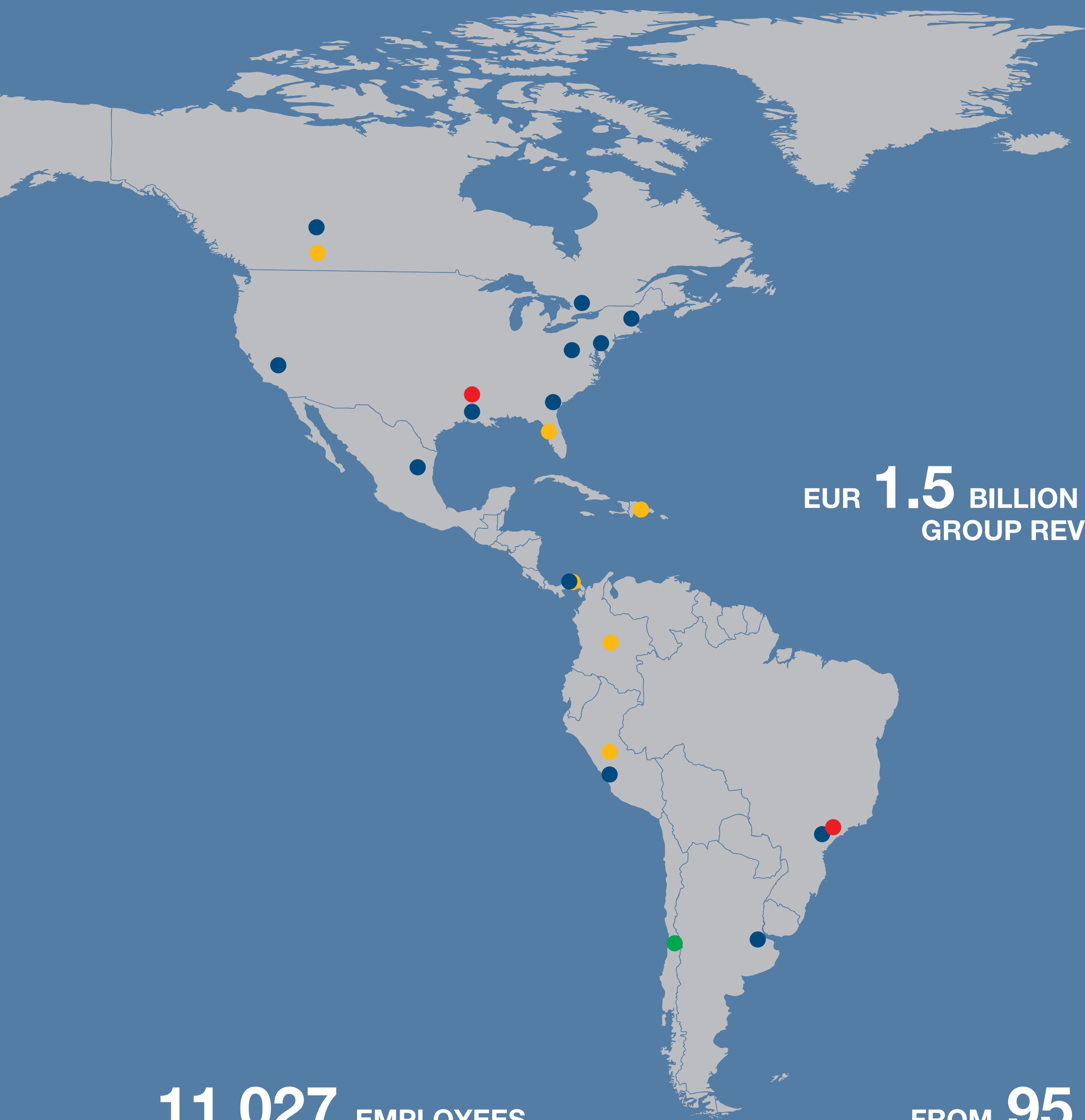
WÖHR + BAUER

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

The World is our Market

OVER **110** GROUP COMPANIES

IN AROUND **70** COUNTRIES



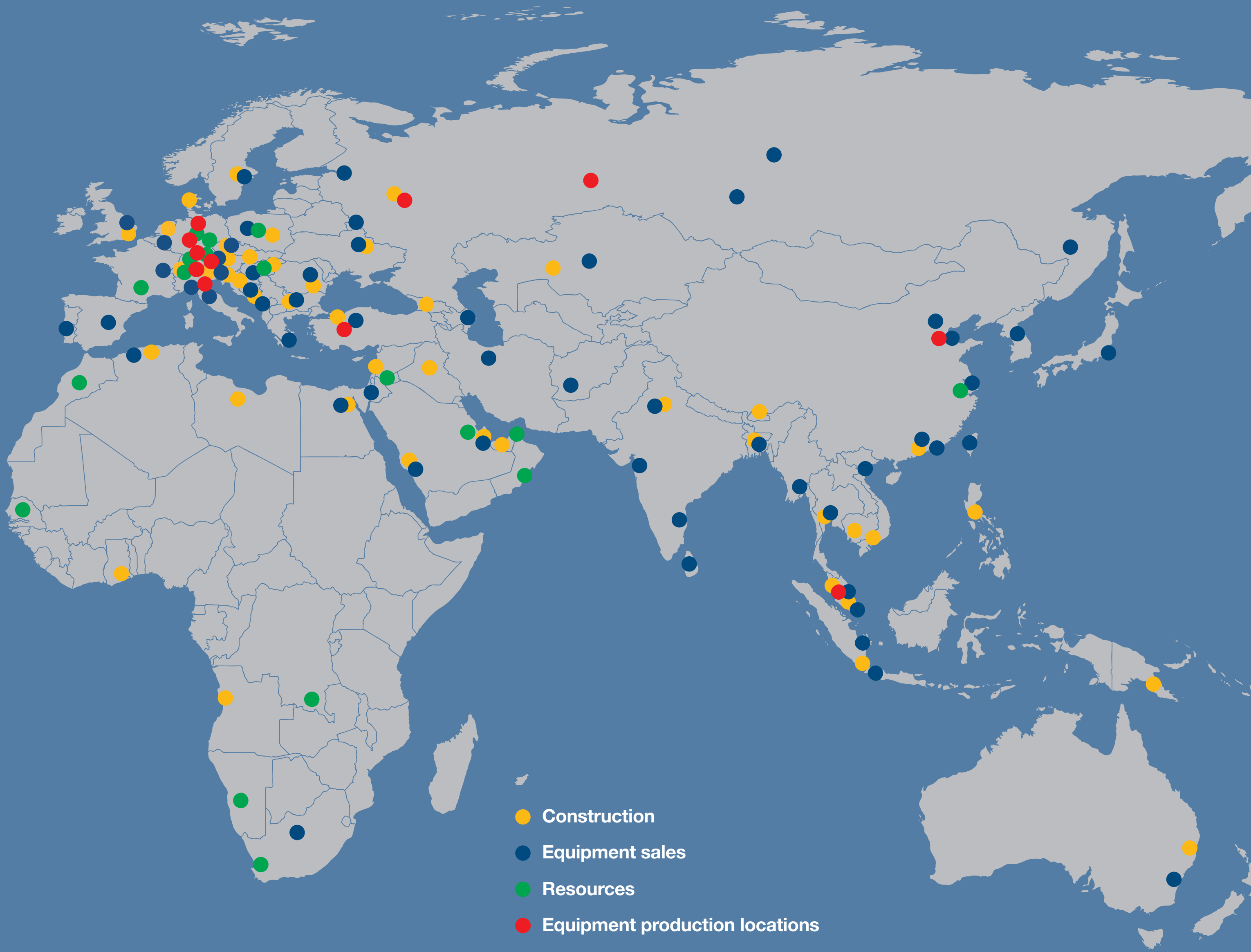
EUR **1.5** BILLION TOTAL GROUP REVENUES

11,027 EMPLOYEES

FROM **95** NATIONS

24 PRODUCTION FACILITIES

and many other service centers and construction yards



Foreword

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

almost exactly one year ago, it was entirely unclear what social and economic consequences COVID-19 would entail. Today we all know how much it has changed our lives. The virus has caused the global economy to drop sharply to an extent not seen in many decades.

Accordingly, our globally networked business in the construction industry was also enormously impacted in 2020. The Construction segment was considerably affected by curfews and travel restrictions, which had a significant negative impact on logistics arrangements for personnel, materials and construction equipment. Since every country has adopted its own legal regulations, we have also experienced very different trends in our various markets. In the Far East, for example Malaysia, Thailand, Vietnam and the Philippines, there were massive lockdowns and a significant reduction in construction activities. On the other hand, the overall performance in Germany, Europe and North America was good. We are proud to say that we were able to effectively carry out our project sites, where possible, despite the often unfavorable circumstances. This was made possible by our expertise and the experience we have gained in numerous complex projects for discerning customers worldwide. As a result, we were able to increase the total Group revenues in the Construction segment overall despite the challenges and once again achieved a markedly positive EBIT.

The Equipment segment was heavily impacted by the customers' reluctance to invest and experienced a significant decline in sales and earnings. Uncertainty is the worst conceivable situation for purchasing capital goods, and for many of our equipment customers it was unclear whether and to what extent they would be able to continue operating themselves. As with the Construction segment, the markets were very weak in the Middle East and Far East as well as in several countries in Europe along with Latin America and South America. Only China was able to quickly recover and perform significantly better due to strict coronavirus measures and state construction activities. Thanks to strong cost reduction measures, in particular short-time work arrangements, we were able to achieve positive earnings despite a significant drop in sales.

Our Resources segment, on the other hand, remained relatively unaffected by the COVID-19 pandemic. The environmental business achieved very good results once again, we experienced profitable growth in the area of well materials, and the area of mining once again made an important contribution to revenue and earnings. In 2020, we were also able to nearly complete the restructuring of the segment. We sold our brewery and beverage technology business and significantly reduced the financial burden on our subsidiary in Jordan, which has recorded losses for a number of years. Although a loss had to be reported in 2020 once again, our position for the future is now significantly better.

Looking back on these exceptional influencing factors that impacted our business, we were ultimately able to weather this difficult period thanks to our consistently implemented measures and the extraordinary commitment of our employees. The total Group revenues of EUR 1.45 billion were 8.8% below the previous year. On the other hand, we were able to exceed our original expectations for earnings and concluded the year with EBIT of EUR 55.5 million. We are also happy to report positive developments in our liquidity as well as our net debt, where we were once again able to achieve an improvement compared to the previous year.

We have used the difficult year of 2020 as an opportunity to continue our consistent work in restructuring and portfolio optimization. In the Construction segment, we adjusted our capacities based on our market expectations, with an initial sizeable reduction in the Far East and expansion in the USA. In the Equipment segment, we terminated the joint venture in deep drilling technology for the oil and gas industry, but also opened up new areas of business such as the business with well drilling rigs under the Gefco brand in the USA. In the Resources segment, we are now concentrating on growth in our core business areas and plan to introduce these, environmental technology in particular, into new markets.

Hartmut Beutler Peter Hingott Michael Stomberg Florian Bauer

In addition, we reinforced our equity ratio in the year gone by. In December, we carried out a small capital increase by utilizing the existing authorized capital. Alongside the Bauer family, we have gained another long-term shareholder in the company with Doblinger Beteiligung GmbH. On this basis, we resolved in February of the current year to carry out another capital increase as well, which we would like to conclude in the first half of the year.

Overall, what we have achieved has made us stronger for the future. With the high order backlog in construction exceeding the previous year's figures, new products and ideas in the areas of digitalization and sustainability as well as the development of innovative equipment and the considerable opportunities offered by the Resources segment, we are well positioned. Of course, like the economy as a whole, we will continue to live with and feel the effects of the COVID-19 pandemic during this year as well. Nevertheless, we are convinced that we will grow considerably in 2021 and succeed in improving our earnings. As a result, we anticipate total Group revenues for 2021 of between EUR 1,550 million and EUR 1,650 million and EBIT of between EUR 75 and EUR 85 million. In the coming years, as market conditions normalize, we do not anticipate a continuation to the same extent of this revenue increase expected due to the recovery effects from the pandemic. Instead, we are setting a clear focus on increasing our profitability. To this end, we have identified numerous starting points which we would like to exploit. Over the remaining course of the year, we will work out the details in this context as well as the medium-term goals we are pursuing.

With our three segments, we address major global trends such as water extraction and treatment, increasing environmental awareness, rapidly progressing urbanization and infrastructure expansion. Thanks to the effective interaction between these three segments, we have access to unique synergies. Particularly with a view to the trend of digitalization in the construction sector, I believe we are very well positioned. With our digital solutions we can make Bauer the industry leader for digitalization in specialist foundation engineering: for example, by networking the planning models and visualizations from construction with the digital production data from the equipment. This offers us opportunities which we would like to exploit!

My very special thanks go out to our management team and above all to our employees for their tireless efforts and commitment in these extraordinary times! We would also like to warmly thank you, dear shareholders, financing partners, customers and friends of the company, for your loyalty and hope you will continue to accompany us on our journey in the future.

Yours sincerely,
Michael Stomberg


BAUER BG 46
BAUER BG 46

Combined Management Report

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<<< *For the execution of a turnkey excavation pit for the new exhibition hall 5 in Frankfurt am Main, Bauer Spezialtiefbau was commissioned to install a cut-off wall, micropiles up to a depth of 30 m, and for the construction of large-diameter bored piles up to a depth of 36 m.*


BAUER MC 96

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. With over 110 subsidiaries, Bauer operates a worldwide network on all continents. The operations of the Group are divided into three future-oriented segments with 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 ground 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 Group-wide standards are set.

Bauer is committed to being a world market leader in the Equipment segment, providing a full range of equipment for specialist foundation engineering as well as for the exploration, mining and the exploitation of natural resources. Besides 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.

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 remediation. Our areas of expertise include water extraction and drilling technologies, brownfield remediation and waste management along with water treatment and building remediation.

BAUER Aktiengesellschaft (BAUER AG) is the holding company of the Group and 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, legal and tax affairs, IT, Group accounting and controlling, internal audit and risk management and health, safety and environment (HSE).

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

CORPORATE GOVERNANCE AND CONTROL SYSTEM

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

The development and implementation of a self-managing organizational structure with decentralized business units is the primary characteristic of corporate governance within the BAUER Group. The managing directors and the company management of the various Group companies operate under the corporate guidelines, regulations and overarching strategies of the BAUER Group. These are laid down by the Management Board of the Group and are binding for the various Group companies. The principles of proper conduct, including compliance with our 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 operate under their own responsibility to determine how their business units progress as long as they observe the rules and standards described above.

This self-managing structure is tied to a centralized risk management and control system and to a central Group Accounting function. Internal auditing systems monitor compliance with corporate guidelines, ethics management as

<<< For an underground garage in the center of Copenhagen in the immediate vicinity of the Royal Opera House, BAUER DK A/S, the Danish subsidiary of BAUER Spezialtiefbau GmbH, is constructing 6,000 m² of diaphragm wall in total.

well as laws and other policies across the Group. Strategic management by the Management 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, earnings before interest and taxes (EBIT) and earnings after tax are used as the fundamental and significant key financial performance indicators for the management of the Group. For BAUER AG, the sales revenues and earnings after tax are used instead of the total Group revenues.

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 our Group. The difference between the consolidated revenues and the total Group revenues is derived from the revenues of the associated companies, from our portion of revenues in 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 the Group's performance in the financial year. The performance of total Group revenues and the relevant contributions by the various segments are set out in the Business Report. The Business Report details the calculation and trends in EBIT and earnings after taxes in the Group. At segment level, the total Group revenues and the EBIT are used as key financial performance indicators.

In addition, the Management Board has resolved to no longer use the earnings after tax as a performance indicator for the management of the Group and BAUER AG starting with the 2021 financial year. The background for this decision is that the earnings after tax are dependent on external influencing factors to a relevant extent. These particularly include currency developments in the different countries as well as the market value changes of the derivatives and the tax charge. These factors can have a significant, not conclusively predictable influence on the financial result and thus on the earnings after tax in the respective financial year.

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 and 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 further and continuing education as well as others derived from the field of research and development are also reported.

RESEARCH AND DEVELOPMENT

In the 2020 financial year, despite the COVID-19 pandemic, the BAUER Group once again invested considerable sums to create new and develop existing products and services in the three segments as well as for research purposes. The focus is primarily a wide range of equipment for specialist foundation engineering as well as the appropriate drilling tools and attachment units. This is flanked by the new development and optimization of construction site applications and methods.

Research and development work in the BAUER Group is organized on a decentralized basis. In companies belonging to the Equipment segment, each major product group has its own development unit that concentrates entirely on the corresponding equipment. Within BAUER Maschinen GmbH, the diversified product range is divided into business divisions that constantly develop their equipment families and pursue innovation. The central development department 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 in the Equipment segment focused primarily on the work involved with automation, networking and digitalization of equipment. As part of participation in research projects, the concepts and ideas developed in the past year for the partial automation and digitalization of processes were transferred into initial prototypes. In this context, the development of communication between the desk and the drilling rig was further expanded in 2020. As a result, the first site was successfully established without a printed pile plan, relying instead on a digital model of the site and an associated list of tasks for the equipment operator. This enabled a continuous flow of information from pile design to pile documentation, without requiring manual transfers.

In the area of technologies for offshore foundations, the mechanical and process engineering of the Dive Drill, which was originally developed to carry out relief drilling for the rammed foundations of offshore wind farms, was enhanced to provide a continuous drilling method for universal application under all soil conditions. Thanks to its low-vibration, noise-reduced operation, the DD 40 U Dive Drill is a suitable system for creating foundations for offshore wind farms in sensitive marine ecosystems.

The Construction segment also has its own development capacities. In particular, BAUER Spezialtiefbau GmbH maintains a department for construction technology which develops new methods and conducts fundamental research. In 2020, work focused on ongoing development in process engineering. The goal in this context is to use the available resources more efficiently for the creation of products in specialist foundation engineering and to significantly reduce the flow of material to and from the site, which also contributes to environmental conservation. In the area of the Mixed-in-Place (MIP) ground improvement method, this enables the strategic enlargement of the constructed wall cross-section thanks to an innovative enhancement of the mixing tools. This will make it possible to construct walls with a significantly higher load-bearing capacity in the future. Furthermore, the use of industrially manufactured pre-fabricated elements in the construction of excavation pit walls and diaphragm walls has already been successfully implemented in a site test. The advantage of pre-fabricated elements is their ability to achieve a comparatively high load-bearing capacity with low material use.

The main focus of development in the Resources segment is placed on solutions in the area of the environment, brownfield remediation and dismantling. For example, liquid waste and drilling mud slurry are increasingly difficult to dispose of. To this end, the environment division of BAUER Resources GmbH carried out tests in 2020 for dewatering various liquid mineral wastes or slurries with the aim of ensuring reliable disposal in the future. In addition, a pilot plant using alternative filter materials for PFC immobilization was planned. Per- and polyfluorinated chemicals (PFC) are currently a major environmental problem. Research was also carried out on the application of methods for thermal storage in 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 maintained up to date and new ideas and market requirements can be implemented quickly.

In the Equipment segment there were 195 employees in research and development, plus interns. Research and development activities were routinely reviewed and maintained at a high level to keep pace with the ever-increasing rate of change in market requirements.

In 2020, the Construction segment had 28 employees in the area of research and development, while the Resources segment had 13 employees in this area. We are regularly investing considerable further resources to prepare and design construction sites. In the past, this expenditure has led to a general increase in the expertise base of the segments.

For the BAUER Group in total, there were 237 employees in research and development. In 2020, research and development costs recognized in net income amounted to EUR 25.4 million (previous year: EUR 22.8 million).

At the Schwarze Pumpe industrial park in eastern Germany, BAUER Resources GmbH and BAUER Spezialtiefbau GmbH, together with a partner, are carrying out extensive soil remediation works on behalf of LMBV. More than 286,000 t of contaminated soil will be treated here.

II. BUSINESS REPORT

MACROECONOMIC TREND

In 2020, the global economy was marked by the global COVID-19 pandemic, which led to one of the largest recessions in recent decades. Many sectors of the economy suffered unprecedented losses, for example the aviation, tourism or restaurant industries. On top of this, many other significant challenges still exist. The focus remains unchanged on relations between the Western world and China, continuing sanctions and tension with Russia and the challenges associated with climate change. Further concern is caused by issues which have been overshadowed by the COVID-19 pandemic: the conflict with Iran, the wars in Syria, Yemen and Libya and the tensions on the Sino-Indian border. The worldwide refugee crisis, which is caused by a wide range of factors, also remains unresolved. On the other hand, it remains to be seen whether the increasing trend of protectionism will continue to grow.

Nevertheless, uncertainties and tension have been resolved with the election in the US and the entry into force of Brexit, providing new prospects. In another positive development, agreements were reached to end the sanctions against Qatar. In addition, the new government in the USA has sent initial, considerably more positive signals to the rest of the world such as rejoining the Paris Climate Agreement or the World Health Organization.

Despite considerable losses due to the pandemic, the global economy has so far managed to avert drastic consequences in many areas such as mass unemployment, bankruptcies, stock market crashes and currency losses thanks to enormous state interventions and relief measures in nearly every country around the world. It is likely that we will not experience the actual ramifications of the COVID-19 pandemic until the beginning of the second half of 2021 at the earliest – and many effects will only become evident later on.

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 the information from the individual subsidiaries as well as the appraisals of the regional managers and the top levels of management.

The impact of the COVID-19 pandemic on our markets in 2020 differed considerably depending on the relevant region. Europe, the USA and China were significantly less influenced than the markets in Asia. Overall, the construction industry was less strongly affected by the pandemic than many other industries. The market for construction equipment, however, experienced a considerable decline. All sectors were negatively influenced by the curfews and travel restrictions, which were extensive in some locations and which also had consequences for site logistics concerning personnel and equipment. Recurring lockdowns in individual countries resulted in considerable delays in the awarding of new contracts and in the implementation of ongoing projects, in spite of continuing high demand overall.

The general need for overhauling infrastructures, both in countries with emerging economies and in established industrial nations, was not inhibited by the pandemic in 2020 either. State investments in infrastructure supported the global construction markets. Conversely, reticence could already be felt in industrial construction.

Alongside construction and equipment, which are the most important markets for us, we also see a basically positive trend in environmental technology, water, mining and renewable energies despite the pandemic, which is being spurred on by the generally increasing need for these products and services.

Germany

In Germany, the construction sector was not as markedly affected by the COVID-19 pandemic. Persistently low interest rates, state subsidies and an ongoing high backlog demand in urban areas, particularly in the area of residential construction, were drivers in the construction sector. Public sector construction benefited from an considerable deficit in infrastructure,

Construction statistics Germany – Change 2019 / 2020

in %	Revenues	Order intake	Employees
Residential construction	11.4	7.6	-
Commercial construction	4.5	-4.9	-
Public construction	5.7	2.2	-
Total	6.6	0.4	3.7

Source: Central Federation of the German Construction Industry for which federal funding was available. In part, the poor state of the infrastructure has had a major impact on freight traffic, necessitating enormous expenditure in this area. The ongoing debate about CO_2 consumption and the consequences of climate change make additional investment necessary, which, in some cases, will benefit the construction sector. Due to uncertainty concerning the ramifications of the pandemic and the effects on the public budgets of states and municipalities, there was a general reluctance to invest. The same was true for industrial construction. While tendering activities decreased markedly at first, a recovery was already recorded in the fourth quarter.

Europe

The construction markets in Western Europe showed themselves to be largely robust despite the pandemic. Apart from Germany, an increase in construction services was also recorded in France, England and Switzerland in the past year. Positive developments were also recorded in the markets in Northern Europe as well, such as Denmark, Sweden and Norway. Southern European countries, which were more strongly affected by the pandemic, recorded a weaker development in the demand for construction.

In many countries in Eastern Europe, the construction investments remained at a very low level due to a lack of funding. Russia's construction sector was weak due to lasting sanctions, and the government's counteractive efforts were not sufficient.

Middle East & Central Asia

In the Middle East, the COVID-19 pandemic had a negative effect as well and also worsened existing problems created by ongoing conflicts and the oil price, which was low especially in the first half of the year. A recovery of the oil price and the settlement of the conflict with Qatar were unable to offset the consequences of the pandemic. This was why investment in the construction sector was also very cautious. State budgets remained at a low level, meaning that investment was limited to what was absolutely necessary. Continued overcapacity in the construction sector and a noticeable contraction in the demand for new machinery for this market were a consequence of this development.

There were initial signs of recovery in Saudi Arabia. Among Arab countries, only Egypt had a consistently stable construction sector. In total, the market conditions were and remain difficult for the construction and equipment sectors in this region.

In the markets of South Asia, e.g. India, Bhutan and Bangladesh, the general demand for infrastructure and energy supply was constantly yielding interesting projects for the construction industry as a whole and specialist foundation engineering, in particular. There were regularly good project opportunities, especially in the area of dam stabilization and the setting up of hydroelectric power plants.

Asia-Pacific, Far East and Australia

The markets in Asia were some of the most heavily affected by the pandemic. Prolonged and strict lockdowns such as those in Malaysia, Australia and also the Philippines led to a standstill for months in some countries. Overall, the hope that the generally high continuing demand for large infrastructure projects would have positive effects in the second half of 2020 was not confirmed. However, the medium-term prospects for the construction market in the Far East remain good.

The construction sector in China was able to recover quickly after the collapse in early 2020 and returned to its previous level. Due to strong local competition and government regulations for foreign companies, there are hardly any opportunities to operate there in the local construction projects. In the past year, the sale of construction equipment in China was even higher than in the previous year.

Americas

The persistently high backlog in many infrastructure areas of the country, including flood protection, was not significantly impacted by the pandemic. The US economy performed well overall, and the election year in the USA did not have any negative impacts on the construction sector. This positive trend was also seen in the sale of construction equipment.

In Canada, the construction market was good. In the countries of Central America and South America, the pandemic had significant consequences for the performance of local economies, which also affected the construction and equipment markets. There was a very considerable reduction in activity in this region. Panama was under lockdown for nearly the entire year.

Africa

A revival and slight recovery in the raw materials markets stimulated the investment activity of the raw materials industry in Africa, also with a positive impact on investment in services required for mining. Overall, the economic level of many countries continues to be very low, with a correspondingly low demand in construction in 2020 as well. 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 again. The global COVID-19 pandemic also shifted priorities here. With a wider spread of the pandemic across the continent, future prospects are complicated even further.

Summary of markets

Apart from the fundamental challenges, such as the ongoing volatility of the global markets, with political and economic framework conditions that continue to change at short notice, requiring us to adapt quickly and flexibly as a company again and again, further challenges have evolved by the already noticeable effects of the COVID-19 pandemic as well as its other effects which are still uncertain. For us, this is particularly true for the construction and equipment markets.

At the same time, the pandemic has not yet fundamentally changed the ongoing global demand for construction services and thus for construction equipment – this demand has merely been delayed. Even during and after the pandemic, the ongoing dynamism of individual markets is continuously presenting new potential for short-term market opportunities. In the coming months, however, further negative effects caused by the COVID-19 pandemic are to be expected. But in the medium and long term, we are expecting to see stable construction and raw materials markets and a positive overall development again, which provides us with good opportunities. In the area of combating and managing climate change, new opportunities for growth will be created for our company.

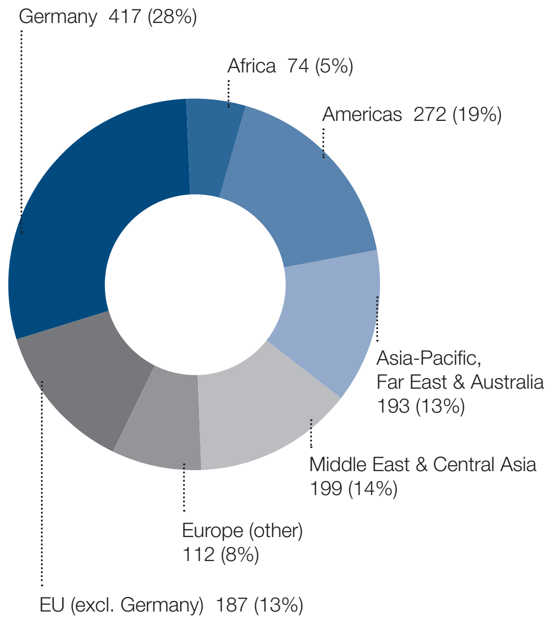
COURSE OF BUSINESS

The BAUER Group achieved **total Group revenues** amounting to EUR 1,453.6 million in the 2020 financial year, 8.8% below the previous year's figure of EUR 1,594.7 million. **EBIT** increased considerably, from EUR 33.7 million to EUR 55.5 million. **Earnings after taxes** were negative at EUR -8.2 million. In the previous year, a significant loss of EUR -36.6 million was reported here.

Geographical breakdown of total Group revenues

in EUR million

Total 1,454



The income from shares accounted for using the equity method was reclassified within the income statement for these annual financial statements based on a recommendation from the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle fur Rechnungslegung, DPR e.V.) and is now part of the EBITDA and EBIT. The previous year’s figures were adjusted accordingly.

The total Group revenues decreased considerably compared to the previous year, particularly due to the Equipment and Resources segments. For 2020, this key figure includes an increasing effect of around EUR 50 million from the deconsolidation of a subsidiary in Hong Kong and a transitional consolidation due to the termination of the joint venture with Schlumberger. A significant increase was achieved in the earnings figures compared to the previous year, although it should be noted that the business figures for 2019 included a considerable valuation allowance of approximately EUR 40 million that had to be made due to a decision in an appeal against an arbitration court decision from 2018. This related to a construction project which was carried out in Hong Kong in 2011 and 2012 and in which we incurred substantial additional costs. In the 2020 financial year gone by, a satisfactory EBIT was achieved despite the decrease in revenues primarily due to numerous positive construction projects, a stable environmental business as well as measures involving short-time work. As a result, the loss in earnings after taxes remained within reasonable bounds.

Interest rate hedging transactions also had a negative impact on the earnings after taxes, as these must be valued in the balance sheet according to the development of market interest rates. As the market interest rates continued to decrease compared with the end of December 2019, a negative effect remained on the earnings after taxes. However, this was reduced from EUR -10.6 million to EUR -5.3 million compared with the previous year.

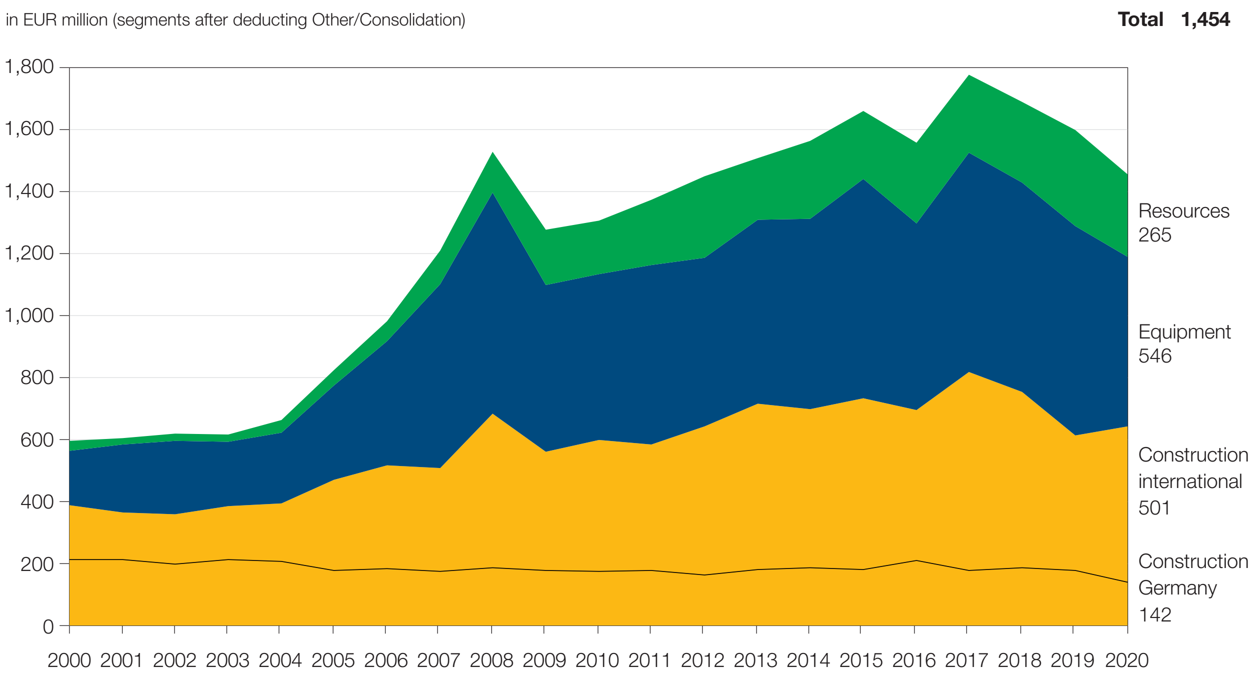
In the 2019 Annual Report, the Group issued a forecast for the 2020 financial year on April 9, 2020. This forecast anticipated a slight increase in the total Group revenues, a significant increase in EBIT and a significant increase in earnings after taxes into the positive range. Due to the COVID-19 pandemic, the Group withdraw this forecast in an ad-hoc announcement made on June 17, as it was impossible to predict the further effects on the Group's business performance at this point.

On November 3, the Group published its new forecast for the 2020 financial year in an ad-hoc announcement: total Group revenues of around EUR 1.5 billion, EBIT at approximately the same level as in the previous year and negative earnings after taxes that were anticipated to be significantly better than in the previous year and better than EUR -20 million. The Group significantly outperformed the last issued forecast with respect to the earnings figures, in particular regarding EBIT, which was communicated to the capital market in an ad-hoc announcement on March 1, 2021. This was primarily owing to the fact that the earnings performance in the Equipment segment was better than anticipated at the end of the year. It was not possible to achieve the latest forecast total Group revenues due to weaker revenues in the Construction and Resources segments at the end of the year.

At EUR 1,162.5 million, the Group's **order backlog** at the end of 2020 was up 13.1%, significantly more than the previous year's already high figure of EUR 1,027.6 million. Even though the markets were very volatile due to the COVID-19 pandemic and showed themselves to be far more difficult than in 2019, the Construction segment managed to win several very large orders and significantly increase the order backlog. The order backlog in the Equipment segment was noticeably below the previous year. In the Resources segment, the order backlog also decreased compared with the previous year. **Order intake** decreased by 1.3% to EUR 1,588.5 million, compared to EUR 1,608.7 million in the previous year.

Development of total Group revenues by segment

in EUR million (segments after deducting Other/Consolidation)



Forecast/actual comparison 2020

in EUR million	Forecasts			Actual 2020
	April 9, 2020	June 17, 2020	November 3, 2020	
Total Group revenues	slight increase	*withdrawn*	~ 1,500	1,454
EBIT	significant increase	*withdrawn*	about previous year's level	55.5
Earnings after tax	significant increase in the positive area	*withdrawn*	significant increase and better than EUR -20 million	-8.2

Effects of the COVID-19 pandemic

Looking back on the impact on the markets in the Construction segment, it was possible to continue construction projects in most countries in Europe, the Middle East, the Americas and Africa, after interruptions in some locations. However, in some countries, primarily in the Far East, there were extensive curfews and complete business shutdowns that lasted for months in places, as was the case for Malaysia, Thailand, the Philippines or Panama. But even in countries in which construction operations were scarcely interrupted, site logistics were complicated primarily by travel restrictions. The required equipment or expert teams had difficulty accessing the construction sites and experienced significantly longer journeys to their destination or quarantine-related delays. This posed considerable challenges particularly for construction companies operating internationally in order to continue handling projects as planned. In many countries, there were significant decreases in tenders, and ongoing contracts were cancelled or delayed.

The Equipment segment was the segment most significantly affected by the customers' reluctance to invest. Global construction equipment markets were very significantly impacted by the consequences of the COVID-19 pandemic. Above all, the impossibility of predicting the future course of the COVID-19 pandemic reinforced uncertainties among equipment customers over months, who were markedly more reluctant to invest in new equipment. This resulted in strong decreases in sales figures in nearly all regions of the world. One exception was China, where the economy recovered quickly after a relatively short phase of strict lockdown and achieved a considerable increase in growth by the end of the year compared to the previous year. Germany also remained relatively stable, while other regions experienced significant decreases. Growth was recorded in Russia, which is based on a very low starting level. On the other hand, the equipment market was more robust in North America, while strong decreases were recorded in the countries of Latin America and South America. The markets in the Middle East were also at an extremely low level, where equipment sales dropped sharply due to the COVID-19 pandemic and the persistently low oil price as well as prevailing political uncertainties. Africa was also weak. In the rest of Asian countries apart from China, the markets were negatively impacted by the consequences of the pandemic, which meant that demand was significantly lower.

On the other hand, the Resources segment only experienced minimal effects of the COVID-19 pandemic in the first nine months of the 2020 financial year gone by, before recording a slight slowdown of the market due to reduced awarding of contracts, particularly in the environmental business.

Summary of course of business

Due to the impacts of the COVID-19 pandemic, 2020 was a very changeable 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 and in particular the Far East were hugely impacted by curfews and travel restrictions. After a good start to the year, the effects of the pandemic were also noticeable in the Equipment segment starting from the second quarter. Customers reacted to the uncertainty concerning the future development with a marked reluctance to invest. This was sustained for the rest of the year. The reorganization measures in the Resources segment were concluded to a very large extent, so that this business segment is now considerably better positioned for the coming years and offers numerous opportunities. Overall, thanks to our rapid and stringent implementation of measures, it was possible to bring the Group through this difficult year in good and stable condition and, in our opinion, also to ensure that is better positioned for the future.

CONSTRUCTION SEGMENT

in EUR thousand	2019 *	2020	Change
Total Group revenues	628,848	668,964	6.4%
Sales revenues	589,152	610,350	3.6%
Order intake	692,664	813,659	17.5%
Order backlog	611,088	755,783	23.7%
EBIT	-17,356	24,302	n/a
Earnings after tax	-52,845	-4,963	n/a
Employees (reporting date) **	7,744	6,209	-19.8%

* Previous year adjusted; see p. 70 and 102
** See explanations on p. 163

General conditions
The significant effects of the COVID-19 pandemic on the Construction segment were already described in the course of business.

The construction market in Germany performed well overall in the past year, but there was also a decrease in new tenders here – primarily in public construction and new commercial buildings. In Western Europe, the performance of the construction markets was approximately comparable to the previous year, while the markets were rather weak particularly in Southeast Europe and Russia. In North America, the markets in Canada and the USA showed a positive development. The countries of Central America reported a weak market situation. 2020 was a difficult year particularly in the Far East and Australia. Due to political uncertainties and the low oil price, markets in the Middle East were weak but stable. The markets in Africa continued to be weak.

The global demand for infrastructure, such as roads, bridges, dams or energy supply, together with the increasing urbanization, continues to be strong despite the COVID-19 pandemic. Due to urbanization, in particular, construction is having to take place under increasingly complex and difficult conditions. As a result, it is anticipated that more specialist foundation engineering work will be needed, and specialist foundation engineering continues to be a promising market for the future.

Significant events
The Construction segment achieved **total Group revenues** of EUR 669.0 million in the 2020 financial year, representing an increase of 6.4% from the previous year's EUR 628.8 million. **EBIT** returned to markedly positive figures at EUR 24.3 million (previous year: EUR -17.4 million). **Earnings after taxes** were EUR -5.0 million – in 2019, strongly negative earnings of EUR -52.8 million were reported.

In the previous year, the decision on appeal against an arbitration court decision from 2018 resulted in a considerable valuation allowance in the balance sheet of approximately EUR 40 million. This had a negative impact of corresponding magnitude on total Group revenues and the earnings figures for the Construction segment. In the first half of the 2020 financial year, the subsidiary in Hong Kong was subsequently deconsolidated, which led to a positive contribution to earnings of approximately EUR 8 million, which is included in the 2020 earnings figures.

The reclassification of SPESA Spezialbau und Sanierung GmbH and SCHACHTBAU NORDHAUSEN Bau GmbH into the Resources segment carried out during the year gone by reduced the total Group revenues for 2020 as a whole by EUR 31.6 million (previous year: EUR 39.9 million). The effects on the earnings figures were not significant.

The revenue and earnings figures for 2020 were particularly influenced by the consequences of the COVID-19 pandemic. This primarily concerned the countries in the Far East. Our subsidiaries in Malaysia, Thailand and the Philippines recorded considerable losses due to the strict local lockdowns, as it was hardly possible to implement any projects in those countries. The measures to curb the COVID-19 pandemic, particularly in these countries, accordingly impeded us from achieving positive earnings after taxes. Nevertheless, we can be satisfied with the results overall, as we have achieved good earnings and carried out our projects successfully in many countries despite the unfavorable conditions and the additional costs required for planning and logistics due to the travel restrictions.

Based on the general conditions, the individual construction markets showed themselves to be very different for us as well. In Germany, revenue decreased compared to the previous year. Nevertheless, very good earnings were achieved once again. In Europe, 2020 was a very good financial year particularly in the Netherlands, Hungary and Scandinavia. In Austria, Great Britain and the other countries in Eastern Europe, the capacity utilization was somewhat too low overall.

The markets in the Middle East continued to be negatively impacted by low oil prices and conflicts. However, we were satisfied with the development overall. Our subsidiary in the United Arab Emirates was able to achieve good earnings, thanks to the execution of large orders, including a major project in Jordan by the Dead Sea. The order in Jordan was significantly expanded once again in 2020. We had to report losses in Qatar.

It was pleasing to note the revenue of our subsidiary in Egypt once again, which was able to deliver a very good contribution to earnings thanks to several good projects. Elsewhere in Africa, contributions to earnings from our activities were only very low.

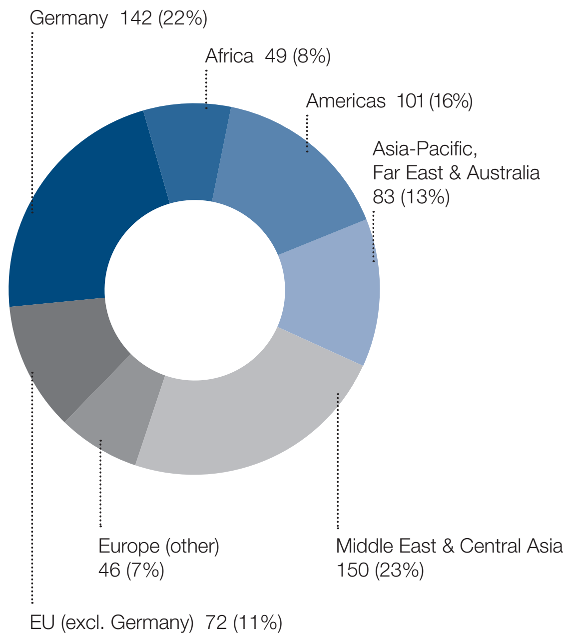
Our large projects in Bangladesh and Bhutan achieved good results. In India, we started expanding our activities. Here we were able to obtain the first large orders.

In 2020, the most difficult market conditions for us were in the Far East. The extensive coronavirus measures, such as complete curfews, had a very significant impact on construction. In some places, the restrictions lasted for months, so that it was nearly impossible to work. Planned restructuring measures could not be implemented either due to local requirements. Consequently, our subsidiaries in Malaysia, Thailand and the Philippines recorded considerable losses. In Australia and Vietnam, there were also too few orders, and losses were recorded as a result. We will significantly reduce our capacities in Malaysia. This has already been concluded in Australia. The cost structures in our subsidiaries in Thailand and the Philippines will also be reduced.

Geographical breakdown of total Group revenues Construction segment

in EUR million (after deduction of Consolidation)

Total 643



After considerable restructuring and good order intake in the previous year, our subsidiary in the USA performed significantly better. It was possible to carry out most projects with only minor restrictions, including extensive specialist foundation engineering works for three sections of the Herbert Hoover Dike in Florida. But other projects in the area of dam remediation for flood protection were also carried out successfully. Overall, very positive results were achieved in the USA. In Canada, development was better compared to the previous year. The markets in Central America, especially in Panama, were weak.

We are still working continually on the 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.

Order situation

Order backlog grew significantly by 23.7% from EUR 611.1 million in the previous year to EUR 755.8 million. This was primarily due to very large orders received in Europe in the first half of 2020. Accordingly, the **order intake** rose by 17.5% to EUR 813.7 million, compared to EUR 692.7 million in the previous year.

We also recorded a very good order intake in the financial year just gone. Even though the markets were very volatile due to the COVID-19 pandemic, we were successful in winning several very large orders, in Europe in particular. Nevertheless, there are regional differences, and the order situation particularly in the countries of the Middle East and Far East is not yet sufficient for the entire financial year. Due to the existing order backlog and further opportunities around the globe, we still see a good starting position for the current financial year.

In the estuary of the Vistula river, our long-established equipment customer Soiltech is securing a dike for an artificial island. For the execution of a sheet pile wall, an RG 19 T with MR 125 V Silent Vibro operates from a pontoon.

EQUIPMENT SEGMENT

in EUR thousand	2019 *	2020	Change
Total Group revenues	713,652	610,735	-14.4%
Sales revenues	610,190	491,462	-19.5%
Order intake	672,062	621,284	-7.6%
Order backlog	108,307	118,856	9.7%
EBIT	58,745	30,060	-48.8%
Earnings after tax	39,496	10,967	-72.2%
Employees (reporting date) **	3,148	3,125	-0.1%

* Previous year adjusted; see p. 70
** See explanations on p. 163

General conditions

The significant effects of the COVID-19 pandemic on the Equipment segment were already described in the course of business.

At the same time, based on our assessment, there continued to be a significant need for specialist foundation engineering services worldwide. Even though the construction markets weakened overall in 2020, work was still able to continue in many regions. Accordingly, the demand for large-scale specialist foundation engineering equipment is undiminished, even though a dip has resulted due to coronavirus.

The raw materials markets, which are important for some of our special product groups, tended to be weak due to relatively low raw material and oil prices. Here as well, the COVID-19 pandemic had an additional negative impact and caused order delays.

Significant events

In the Equipment segment, **total Group revenues** fell significantly by 14.4% from EUR 713.7 million in the previous financial year to EUR 610.7 million. Accordingly, **EBIT** decreased from EUR 58.7 million to EUR 30.1 million. **Earnings after taxes** fell sharply from EUR 39.5 million to EUR 11.0 million.

In 2020, the Equipment segment was the segment most significantly affected by the customers' reluctance to invest, resulting from the uncertainty caused by the COVID-19 pandemic. While the impact was still small in the first quarter, sales and order intake decreased significantly in the second quarter. The order situation did not experience a significant recovery in the second half of the year, though the earnings in the last quarter were better than anticipated. At the main site in Schrobenhausen, Germany, production was reduced starting in April 2020, and a short-time working arrangement was introduced in response.

Under these conditions, total Group revenues and sales fell significantly. Thanks to the numerous measures we adopted, earnings after taxes were still in the positive range. The markets in Germany, the USA and China proved to be the most robust. In Russia, sales could be increased significantly, but they were still below the level of before the Crimea crisis. In the other countries in Europe, the sales figures declined. The same was true for the countries in the Middle East as well as the other Asian countries and Africa.

The financial year was as follows for the subsidiaries and the individual product groups: sales of anchor drilling rigs were very positive and nearly unaffected. Pile driving equipment, mixers, rotary drives and casings recorded a decline compared to the previous year with weaker results. In the business with water well drilling rigs, the production location in Peine, Germany, was closed in the 2020 financial year. The production and sales organization in the Far East was not able to recover from the deficit incurred during the lockdown in spring 2020. Although the China business increased, sales were lacking in the other Asian countries. Overall, revenue and earnings decreased, though earnings were positive. Business in spare parts, drilling tools and other after-sales services once again had a good impact on total income, although sales fell markedly here.

The sales company for specialist foundation engineering equipment in the USA had a positive market environment and was able to achieve good earnings with an increase in revenue. In the third quarter of 2020, the joint venture launched together with Schlumberger in 2015 to develop and build large-scale land-based deep drilling rigs for the oil and gas industry was terminated. An at-equity assessment has not been carried out since that time, since the companies concerned are now fully consolidated. The effects are described in more detail under “Earnings, financial and net asset position”.

Overall, all activities in deep drilling technology were brought together under the Water, Energy & Mining business division of BAUER Maschinen GmbH. In the future, the plan is to develop customer-fit solutions for customers and implement projects together, for instance in the field of deep geothermal energy. The focus is on European and Asian markets.

Another strategic step was taken with the expansion of the well drilling business in the USA. The American subsidiary, BAUER Equipment America Inc., concluded an asset deal in October 2020 to take over the water well drilling rig business, established in the USA under the GEFCO brand, in order to ensure a successful market entry. The production and sale of equipment in the USA will continue.

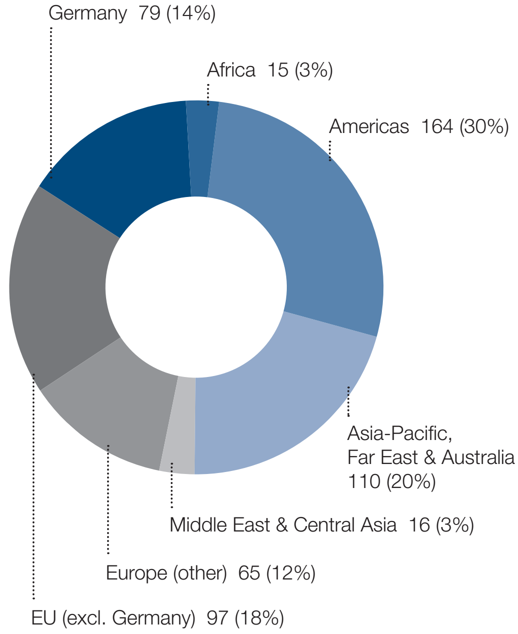
Order situation

Order intake developed significantly weaker than in the previous year. Overall, it fell by 7.6% from EUR 672.1 million in the previous year to EUR 621.3 million. At EUR 118.9 million, **order backlog** at the end of 2020 was above the previous year's level of EUR 108.3 million.

Geographical breakdown of total Group revenues Equipment segment

in EUR million (after deduction of Consolidation)

Total 546



The uncertainties due to the COVID-19 pandemic led to markedly hesitant order behavior among equipment customers and to a corresponding reduction in order intake. Customers continued to order their specialist foundation engineering equipment at relatively short notice. Only occasional orders for special projects or special equipment are placed somewhat longer ahead of time.

RESOURCES SEGMENT

in EUR thousand	2019 *	2020	Change
Total Group revenues	314,809	268,807	-14.6%
Sales revenues	269,992	240,126	-11.1%
Order intake	306,574	248,461	-19.0%
Order backlog	308,243	287,897	-6.6%
EBIT	-5,065	1,869	n/a
Earnings after tax	-13,637	-7,218	n/a
Employees (reporting date) **	1,440	1,289	-10.5%

* Previous year adjusted; see p. 70 and 102
** See explanations on p. 163

General conditions

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

A slight improvement was observed in the demand for drilling services for water and natural resources. In Africa, there were individual projects for deep wells and drillings for the mining industry. In the Middle East, the market was rather weak. In the area of water wells, the demand for well construction materials in Germany was good due to increasing droughts. This demand was sufficient in the markets of Eastern Europe.

In the environmental services business, the market performed well in the financial year gone by. Germany continued to offer many projects in the fields of site rehabilitation, groundwater treatment and the disposal of contaminated soils and sludges. In China as well, a market with great potential in our opinion, the growing demand for environmental services was seen to be undiminished, though we have not yet been able to address this demand due to the entry restrictions as a result of COVID-19. Marketing in the area of constructed wetlands is focused on individual large projects in the Middle East and is working on the regional expansion of the business.

The mining division is primarily active in Germany. Apart from ongoing activities in repository mining, the focus of execution in 2020 was in the safeguarding and dismantling of mines, in the remediation of old mining sites and in technical services for mining companies that extract raw materials or provide residue disposal. The area of remediation with a focus in Germany experienced a good market in an intensely competitive environment.

Significant events

Total Group revenues in the Resources segment decreased by 14.6%, from EUR 314.8 million in the previous year to EUR 268.8 million. **EBIT** improved from EUR -5.1 million to EUR 1.9 million, and **earnings after taxes** were up from EUR -13.6 million in the previous year to EUR -7.2 million.

Overall, 2020 was once again shaped by the restructuring measures initiated in the previous years. The sale of ESAU & HUEBER GmbH, which specialized in brewery and beverage technology, was finalized by the end of the third quarter. The negative effects on the earnings figures due to the sale amounted to approximately EUR -1.7 million. The company recorded losses in both of the past two years. The subsidiary in Jordan, which recorded considerable losses in recent years primarily due to overcapacities, was better equipped financially in order to have a reasonably good starting situation for 2021. In 2020, the valuation allowances for receivables in the segment amounted to EUR 4.4 million, considerably lower than the previous year's figure of EUR 9.4 million, which led to improved earnings figures in comparison.

The Resources segment also strategically reoriented itself at the end of the restructuring phase. The former divisions of Water, Environment and Natural Resources were replaced by the new division names of Drilling Services and Water Wells, Environmental Services, Constructed Wetlands, Mining and Remediation.

The environmental services business was again very healthy and was able to handle a market environment with good demand in 2020 as well. The slowdown in the second half of the year led to a slight decrease in revenue with good earnings. In the second half of the year, BAUER Resources GmbH handed over the completion of the major project – the remediation of perimeter 1/3-NW at Kesslergrube – to Roche Pharma AG. It is planned to discontinue the businesses in Saudi Arabia and Morocco over the course of the year. A new major project opportunity in brownfield remediation has developed in Kuwait, which is to be tendered over the course of 2021. In China, the COVID-19 pandemic impeded a more intensive development of the market and the acquisition of initial projects.

In the division of Drilling Services and Water Wells, our drilling companies in Africa, which primarily operate for the raw materials industry, recorded stable performance. The subsidiary in Jordan struggled with a decline in contracts as well as delays due to lockdowns. The company's existing overcapacity continued to result in a heavy financial burden here, with the result that a considerable loss ultimately had to be recorded again. Through corresponding financial measures, it should be possible to significantly improve the earnings situation for the ongoing year.

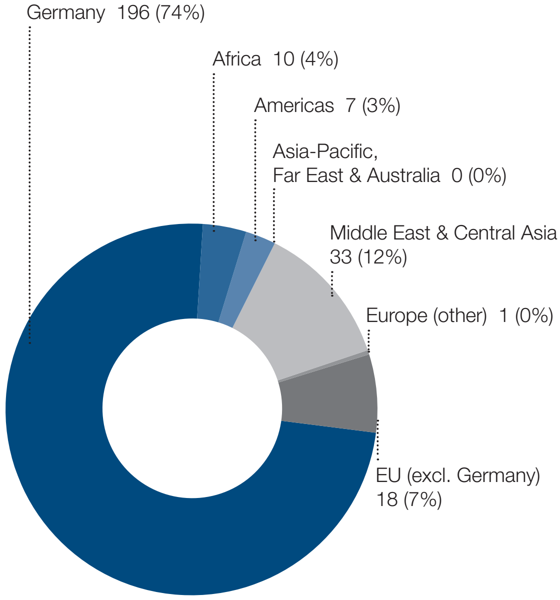
The GWE Group, which manufactures well materials in Germany and Eastern Europe as well as in Chile, successfully underwent significant restructuring in the past years, and it was possible to achieve positive earnings. This was primarily due to a positive German market, although there was a slight decrease in large projects and international business. While the subsidiaries in Poland and Hungary operated according to plan, there was a slight decrease in Chile due to the coronavirus, yet earnings were still positive.

Our participation in Oman had another successful financial year in the area of constructed wetlands. Apart from the operation of the facilities, the sale of CO_2 certificates generated from the project now provides an additional constant contribution to earnings (at equity). For 2021, there is an opportunity for additional contracts for constructed wetlands in the Middle East, specifically in Bahrain the negotiations for a new project have progressed considerably.

Geographical breakdown of total Group revenues Resources segment

in EUR million (after deduction of Consolidation)

Total 265



Thanks to the continuously good market in Germany and the strong performance of our company in Kazakhstan, the mining division once again made a very positive contribution to revenue and earnings.

The reclassification of SPESA Spezialbau und Sanierung GmbH and SCHACHTBAU NORDHAUSEN Bau GmbH into the segment increased the total Group revenues for 2020 as a whole by EUR 31.6 million (previous year: EUR 39.9 million). The effects on the earnings figures were not significant. The reclassification was carried out because the remediation business area will be bundled in the segment in the future, aiming to use the increased potential for synergies with other business areas for further development.

Order situation

The **order intake** was EUR 248.5 million in 2020, representing a significant decrease of 19.0% from the previous year's value of EUR 306.6 million. At EUR 287.9 million, the **order backlog** at the end of the year was down 6.6% from the previous year's EUR 308.2 million.

This decrease can also be attributed to the fact that the remaining works for the large Kesslergrube project are no longer included. Due to the coronavirus pandemic, the environmental business also recorded a decline in contracts received; this also was true for the drilling services division. In contrast, the order backlog increased markedly in mining, in part due to larger projects, and offers a comfortable base workload for the coming years in our opinion.

OTHER / CONSOLIDATION SEGMENTS

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

In 2020, the **Other segment** posted EBIT of EUR 21.4 million (previous year: EUR 25.0 million). This includes EUR 20.0 million of dividend payments by Group subsidiaries to the parent company. Earnings after taxes amounted to EUR 15.1 million (previous year: EUR 18.2 million). The segment's revenues are generated mainly by intra-group charges.

Consolidations were carried out in the **Consolidation segment**. The negative EBIT of EUR -22.1 million (previous year: EUR -27.6 million) largely matches the aforementioned distribution payments by Group subsidiaries to BAUER AG. Earnings after taxes amounted to EUR -22.1 million (previous year: EUR -27.8 million).

In order to reach a drilling depth of 44 m with the duty-cycle crane MC 128, we designed a special boom in collaboration with the company Berminghammer. After just two months, the MC 128 was used in Hawaii for the first time.

III. EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

The earnings position in 2020 was shaped by the considerable impact of the COVID-19 pandemic. We refer to the notes in the “Course of business” section concerning the special factors included in the years 2019 and 2020. The most important key figures changed as follows:

Total Group revenues fell significantly by 8.8% from EUR 1,594.7 million in the previous year to EUR 1,453.6 million. **EBIT** rose considerably from EUR 33.7 million in the previous year to EUR 55.5 million. At EUR -8.2 million, **earnings after taxes** were slightly negative (previous year: EUR -36.6 million).

The income from shares accounted for using the equity method was reclassified within the income statement for these annual financial statements based on a recommendation from the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle fur Rechnungslegung, DPR e.V.) and is now part of the EBITDA and EBIT. The previous year’s figures were adjusted accordingly.

The individual income statement items for 2020 are summarized in the following:

Consolidated revenues fell by 8.9%, from EUR 1,537.7 million in the previous year to EUR 1,401.3 million. This includes around EUR 50 million from the deconsolidation of a subsidiary in Hong Kong in the Construction segment and a transitional consolidation due to the termination of the joint venture with Schlumberger in the Equipment segment, which is detailed under the Other income item.

Sales revenues decreased by 8.7% from EUR 1,470.9 million to EUR 1,343.2 million. This decrease was attributed primarily to the Equipment and Resources segments.

Changes in inventories changed considerably from EUR 32.4 million to EUR -16.8 million, which was mainly the result of the inventory reduction in the Equipment segment.

Other own work capitalized decreased slightly from EUR 9.5 million to EUR 8.1 million.

Other income rose considerably from EUR 24.9 million to EUR 66.8 million in the previous year, which was largely due to the purchase and associated revaluation of the remaining 49% of the shares in BAUER Manufacturing LLC and BAUER Deep Drilling GmbH. The background for this is the termination of the joint venture in deep drilling technology with Schlumberger. The acquisition of the remaining 51% of the shares led to a negative difference amount of EUR 41.9 million which is included in the other income. In addition, in the Construction segment, the subsidiary in Hong Kong was deconsolidated in the first half of the 2020 financial year, which led to a positive contribution to earnings of approximately EUR 8 million.

The **cost of materials** fell considerably by 20.1% in the year under review, from EUR 783.1 million to EUR 626.1 million. This was mainly due to changes in the order structure of the Construction segment, where a significant decrease in the use of materials was evident in some projects along with the product mix in the Equipment segment.

Personnel expenses fell by 5.7% from EUR 418.8 million to EUR 394.9 million, a somewhat lower decrease than the one seen in the consolidated revenues. This is in part caused by the decrease in employees in international business for the Construction segment, but also due to the short-time working arrangements. We will continue to strive to improve personnel expenses in relation to consolidated revenues over the next few years.

Other operating expenses rose by 5.7% from EUR 212.7 million to EUR 224.8 million. This item includes the effect from the termination of the joint venture with Schlumberger in the amount of EUR 41.4 million that is described under the other income. Without this effect, the item would have decreased, which was primarily due to reductions in distribution costs – primarily travel costs – as well as administrative expenses and leasing expenses.

The **income from shares accounted for using the equity method** decreased from EUR 11.2 million to EUR 9.8 million. The main elements of this item are positive earnings from consortia as well as from the Resources participation in Oman.

Depreciation of fixed assets rose by 9.9% from EUR 84.8 million to EUR 93.2 million. This primarily resulted from investments in technical equipment and machinery due to large orders, long-term planned investments in property and buildings.

Write-downs of inventories due to use reflect the use of rental equipment made available to our customers. The item increased by 4.6% from EUR 15.8 million to EUR 16.5 million in the year under review.

Financial income fell slightly from EUR 33.7 million to EUR 33.0 million. The currency gains and income from hedging transactions included in this item rose by EUR 3.5 million.

At EUR 72.3 million, **financial expenses** were below the previous year's level of EUR 78.8 million. Currency losses increased from EUR 22.5 million to EUR 33.7 million. Adjusted for this effect, the item decreased by EUR 17.7 million, which was essentially due to the income resulting from changes in the market value of derivatives, which arose because of a renewed increase in interest rates and from a decrease in interest expenses.

At EUR 24.6 million, **income tax expense** was down slightly from the previous year's EUR 25.2 million.

The **earnings after taxes attributable to BAUER AG shareholders** were EUR -8.4 million (previous year: EUR -37.1 million).

At EUR 0.2 million, the **earnings after taxes attributable to non-controlling interests** were lower than in the previous year (EUR 0.6 million).

GROUP FINANCIAL AND NET ASSET POSITION

Total assets of the Group fell by 5.2% in 2020, from EUR 1,628.5 million to EUR 1,544.0 million. The significant decline in inventories (EUR -33.7 million) and trade receivables (EUR -22.3 million) were the primary factors with a negative impact on the asset side. On the liabilities side, the primary factors contributing to the decrease in total assets were the provision for currency translation losses in the equity (EUR -21.2 million), the liabilities to banks (EUR -53.9 million), the contract liabilities (EUR -15.7 million) and the trade payables (EUR -40.8 million). The factors with a positive impact on the liabilities side were the capital increase (EUR +16.0 million) and the liabilities from subordinate loans (EUR +12.0 million). On the asset side, the transitional consolidation due to the termination of the joint venture with Schlumberger primarily led to a decrease in the shares accounted for using the equity method (EUR -42.0 million) and to an increase of the item "Non-current assets held for sale" (EUR +34.8 million) which was included for the first time.

At 23.7%, the **equity ratio** remained at the same level as the previous year's value of 23.8%. An equity ratio of over 30% remains a target.

Net debt was EUR 528.8 million in the year under review, representing a significant decrease from the previous year's figure of EUR 563.7 million. This was primarily due to the decline in inventories and trade receivables. Liabilities to banks saw further reductions, which demonstrates that our numerous measures are taking effect. Nevertheless, 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 only have relatively short periods in the Construction segment, 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 Group's many construction sites corresponding to roughly three months' sales in the Construction segment.

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

The agreed covenant ratios – net debt to EBITDA, EBITDA to net interest coverage and equity ratio – were maintained within the agreed thresholds. In addition to the two syndicated loans valued at EUR 430 million (drawdown: EUR 200.3 million) and EUR 53 million (outstanding loan amount: EUR 33.7 million), the Group set covenants for a number of long-term loans, which were valued as per the 2020 year-end at EUR 125.5 million. At the end of 2020, the syndicated loan agreements were extended until June 2022.

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

On the asset side:

- **Property, plant and equipment** fell back from EUR 460.5 million to EUR 452.5 million, which was due essentially to the sale of machinery and equipment in the Resources segment after handing over the Kesslergrube project to the customer.

- **Investments accounted for using the equity method** decreased significantly from EUR 118.2 million to EUR 76.2 million. In the third quarter of 2020, the joint venture with Schlumberger in deep drilling technology was terminated, and the shares in BAUER Manufacturing LLC and BAUER Deep Drilling GmbH held by Schlumberger (49% each) were reacquired, with the result that these shares are no longer included in this item.

- **Deferred tax assets** decreased slightly from EUR 67.3 million to EUR 66.9 million, mainly due to valuation differences in provisions for pensions and the significant decrease in deferred tax assets in respect of losses carried forward.

Exchange rate trend

1 EUR corresponds to	Average rate 2019	Average rate 2020
USD	1.11948	1.14220
GBP	0.87783	0.88970
RUB	72.45296	82.72480
CNY	7.73588	7.87470

Covenants trend

	2019	2020
Net Debt / EBITDA	4.58	3.20
EBITDA / Net Interest Coverage	2.72	4.08
Equity ratio in %	23.8	23.7

- **Inventories** decreased from EUR 458.3 million to EUR 424.6 million. The main reason was the inventory reduction in finished machinery in the Equipment segment. Advances received for inventories increased from EUR 8.9 million to EUR 10.3 million.

- **Contract assets** dropped significantly from EUR 108.1 million to EUR 88.0 million. This is due to the decrease in revenues in the Resources segment as well as the Construction segment.

- **Trade receivables** fell from EUR 271.3 million to EUR 249.0 million. It was possible to reduce the level of trade receivables very significantly due to the decrease in sales revenues, particularly in the Equipment and Resources segments.

- **Cash and cash equivalents** increased from EUR 37.6 million to EUR 46.0 million as of the balance sheet date.

- **Non-current assets held for sale** amounted to EUR 34.8 million for the first time. This item essentially comprises a property in the USA that was previously used for the joint venture in deep drilling technology with Schlumberger and which is now held for sale due to the termination of the joint venture.

On the liabilities side:

- **Equity** decreased from EUR 386.9 million to EUR 365.5 million. Earnings after taxes (EUR -8.2 million) had a negative impact on this change. Actuarial valuations for pensions (EUR -7.1 million) and changes in the exchange rate compensation item (EUR -23.1 million) also had a negative impact. Factors with a positive impact included the market valuation of other participations (EUR 1.2 million) as well as the market valuation of the derivative financial instruments and deferred taxes offset directly in equity. In addition, the subscribed capital rose from EUR 73.0 million to EUR 80.3 million and the capital reserves from EUR 38.4 million to EUR 47.1 million as a result of the capital increase from authorized capital carried out in December 2020.

- The **non-current portion of liabilities to banks** increased from EUR 73.7 million to EUR 234.0 million. Compared to the 2019 consolidated financial statements, a large proportion of liabilities to banks was shifted from current to non-current liabilities. The covenants for primary loans were exceeded as of the end of 2019. As a result, these loans had to be transferred to current liabilities to banks. Overall, our liabilities to banks decreased significantly once again during the past financial year, in particular because of the reduction in inventories and receivables on the asset side.

- **Liabilities from subordinated loans** amounted to EUR 12.0 million in 2020 for the first time. This item concerned a loan from the Bauer family to BAUER AG.

- **Provisions for pensions** grew from EUR 158.6 million to EUR 167.5 million. The increase is essentially due to the lower discount rate of 0.75% (previous year: 1.05%). The differences in valuations for provisions for pensions increased by EUR 9.0 million net.

- **Other non-current financial liabilities** increased sharply from EUR 23.7 million to EUR 34.5 million. The reason for this were the valuations of derivatives and interest rate swaps.

- The **current portion of liabilities to banks** decreased from EUR 431.6 million to EUR 217.4 million. This item was also affected by the aforementioned reclassification of liabilities into non-current liabilities to banks, which became necessary because the covenants were exceeded.

- **Contract liabilities** decreased from EUR 76.8 million to EUR 61.1 million, primarily in the Construction segment.

- **Trade payables** fell significantly from EUR 220.3 million to EUR 179.6 million. This was primarily due to lower material consumption in the Construction segment as a result of delays on sites, and in the Equipment segment due to the decrease in sales revenues.

- Effective **income tax obligations** rose from EUR 19.6 million to EUR 26.0 million.

ASSETS

Non-current assets
EUR 641.5 million (41.5%)
(2019: EUR 692.8 million (42.5%))

Current assets
EUR 856.4 million (55.5%)
(2019: EUR 898.2 million (55.2%))

Liquid funds
EUR 46.0 million (3.0%)
(2019: EUR 37.5 million (2.3%))

EQUITY AND LIABILITIES

Equity
EUR 365.5 million (23.7%)
(2019: EUR 386.9 million (23.8%))

Non-current debt
EUR 512.0 million (33.2%)
(2019: EUR 327.1 million (20.1%))

Current debt
EUR 666.4 million (43.1%)
(2019: EUR 914.5 million (56.1%))

EUR 1,544.0 million
(2019: EUR 1,628.5 million)

EUR 1,544.0 million
(2019: EUR 1,628.5 million)

Net cash from operating activities shown in the **consolidated statement of cash flows** was EUR 168.1 million, at the same level of the previous year's EUR 168.9 million. The following factors contributed to this change:

- The other non-cash transactions totaled EUR 39.4 million (previous year: EUR 16.4 million). The change is due in part to effects from the currency conversions as well as the transitional consolidation of BAUER Deep Drilling GmbH and BAUER Manufacturing LLC.

- Trade receivables changed by EUR 80.5 million compared with the previous year.

- Changes in receivables from contract assets amounted to EUR 13.9 million (previous year: EUR 40.6 million).

- The change in inventories negatively impacted the operating cash flow to the tune of EUR 9.9 million (previous year: EUR 72.2 million).

- Other current and non-current liabilities increased the operating cash flow by EUR 23.4 million. One significant reason for this was the increase in current and non-current liabilities to financing companies that have a positive effect on the operating cash flow.

- The income tax paid resulted in a positive impact on the operating cash flow of EUR 29.0 million compared with the previous year.

Cash flow from investment activity totaled EUR -96.5 million and was EUR 21.3 million higher than in the previous year, which was mainly due to the purchase of consolidated companies less their acquired net cash.

Cash flow from financing activities amounted to EUR -61.2 million. The main factors influencing this were loan repayments amounting to EUR 229.6 million, incoming payments from equity contributions of EUR 16.0 million, incoming payments from subordinate loans of EUR 12.0 million as well as new indebtedness to banks in the order of EUR 188.5 million.

INVESTMENTS

Irrespective of the COVID-19 pandemic, new investments were above the depreciations in the 2020 financial year as a result of investments already resolved and initiated in previous years as well as investments in larger orders. In some areas, new investment decisions were postponed far into the future due to the COVID-19 pandemic. This primarily concerns investments in new buildings, such as production halls or office spaces. Nevertheless, the very high order backlog particularly in the Construction segment requires further project-related investments. This also applies to various measures in the area of digitalization, where investments are higher than in previous years. We view this as an important field for the future.

In the **Construction segment**, further investments were made in equipment to meet the market demand for ever more powerful equipment to handle specialist projects. Additional investments were used to expand and renew storage locations and workshops. These are required to enable an even better supply to construction sites. For years now, we have seen a trend toward increasingly large-scale international infrastructure projects which foster growing demand for specialist foundation engineering works that can only be carried out by ever-larger machinery. This demands higher individual investments, but this also means we anticipate new market opportunities. In the next few years, we will also have to invest in the modernization of our equipment. In addition, comprehensive further investment was made in the digitalization of our construction sites, which should also be continued in the following years.

In the **Equipment segment** – apart from investments in modernizing the equipment pool and the production sites – an investment was made in the expansion of the product portfolio with the purchase of the GEFCO brand in the USA. Investments in improved logistics and automation were initiated in 2020 but postponed for the future due to the COVID-19 pandemic.

In the **Resources segment**, investments were primarily made in the maintenance and expansion of production facilities and disposal centers. A considerable divestment occurred with the termination of a large project for which the customer took over the equipment and machinery.

In the 2020 financial year, the **BAUER Group** invested a total of EUR 138.4 million (previous year: EUR 151.0 million) in intangible assets and property, plant and equipment. Depreciation of fixed assets across the Group totaled EUR 93.2 million (previous year: EUR 84.8 million). Write-downs of inventories due to use totaled EUR 16.5 million across the Group (previous year: EUR 15.8 million).

In the 2020 financial year, additions to the property, plant and equipment assets of **BAUER AG** totaled EUR 2.2 million (previous year: EUR 3.8 million). This is set against depreciation of EUR 3.1 million (previous year: EUR 3.7 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) will thus be explained at this point.

In 2020, BAUER AG reported an **net loss** of EUR 0.01 million (previous year: net loss of EUR 0.05 million), thus falling short of expectations. In the previous year, BAUER AG made EUR 58.0 million in shareholder contributions to subsidiaries. Measures of the same kind totaling EUR 59.5 million were carried out in 2020.

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

Key changes in the balance sheet:

- **Financial assets** increased from EUR 180.4 million to EUR 285.0 million, mainly due to shareholder contributions to BAUER Spezialtiefbau GmbH and BAUER Maschinen GmbH.

- **Receivables and other assets** fell from EUR 87.7 million to EUR 35.8 million. This was largely due to the decrease of EUR 52.0 million in receivables from affiliated companies. The offsetting item can be found in liabilities.

- **Equity** amounted to EUR 130.7 million (previous year: EUR 114.8 million) and grew mainly as a result of the capital increase from authorized capital carried out in December 2020, which caused an increase in the subscribed capital from EUR 73.0 million to EUR 80.3 million and in the capital reserves from EUR 39.8 million to EUR 48.4 million.

- **Liabilities** rose sharply from EUR 147.0 million to EUR 180.2 million, with liabilities to banks increasing by EUR 47.6 million. Financing was increasingly handled by BAUER AG itself rather than the holding companies of the segments. As an offsetting item, liabilities to affiliated companies decreased by EUR 25.3 million.

Main changes in the income statement:

- **Sales revenues**, primarily created by charging of administrative services and financing costs to subsidiaries, increased slightly by EUR 1.6 million to EUR 43.6 million in line with expectations.

- **Personnel expenses** decreased from EUR 21.9 million to EUR 20.0 million, in part due to the short-time working arrangements.

- **Other operating expenses** fell significantly from EUR 46.7 million to EUR 27.2 million. The shareholder contributions of BAUER AG to subsidiaries are an essential component of the item.

- At EUR -13.1 million, the **operating result** was therefore again markedly negative (previous year: EUR -38.9 million).

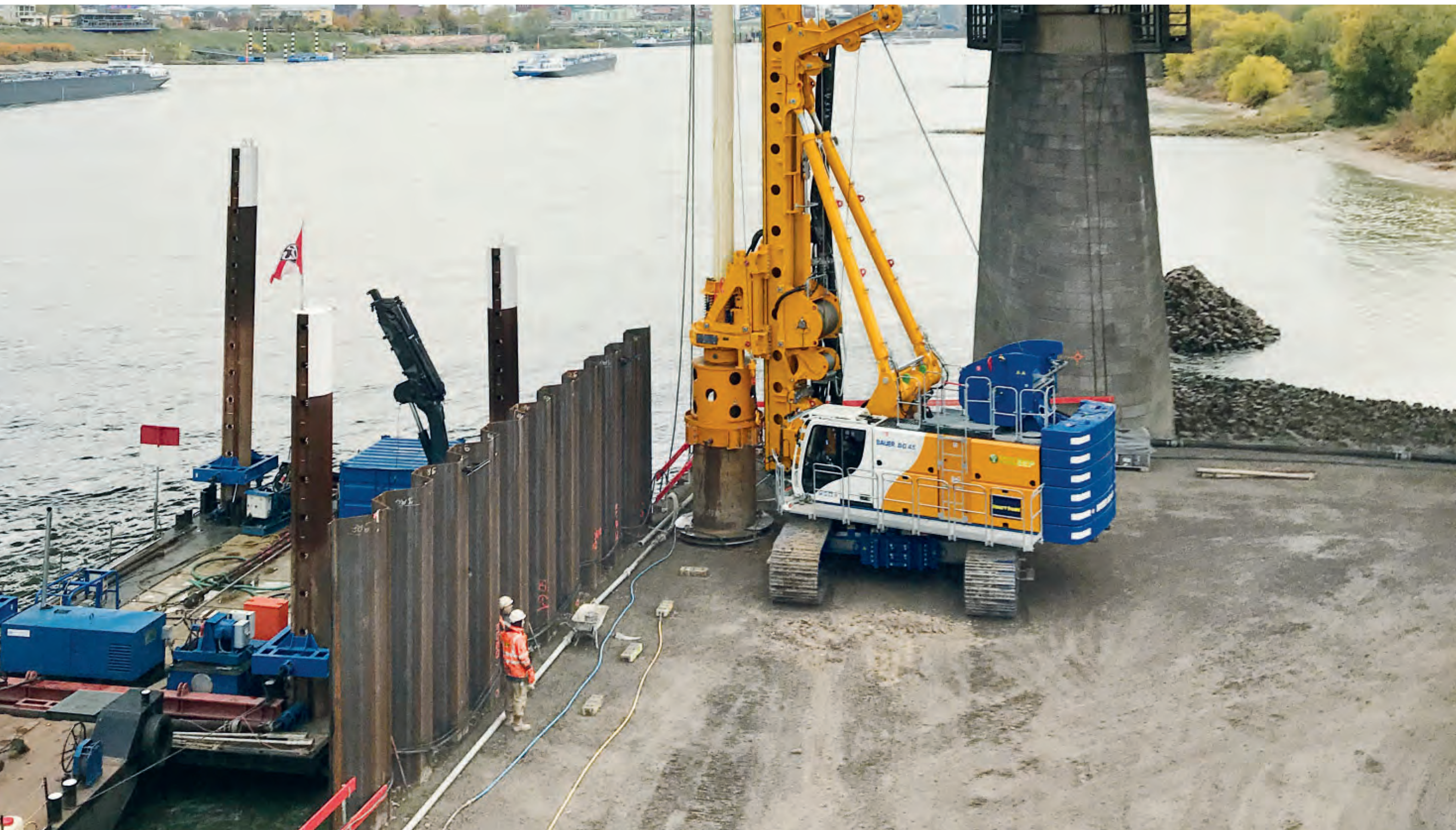
- At EUR 20.0 million, **income from participations** was below the previous year’s level of EUR 43.3 million. This decrease is primarily due to a reduced dividend payment by BAUER Maschinen GmbH to BAUER AG.

- The **net loss** was EUR 0.01 million (previous year: net loss of EUR 0.05 million). At EUR 0.06 million, **accumulated loss** remained unchanged (previous year: accumulated loss of EUR 0.05 million).

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

In 2020, the equity of the Group decreased in light of the negative earnings after taxes primarily due to the effects of the COVID-19 pandemic and due to considerable currency impacts. In order to sustainable improve the equity ratio once again, the Management Board will therefore recommend that the Supervisory Board proposes to the ordinary 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.

For the foundation of the new bridge across the Rhein river in Leverkusen, piles were installed using the Kelly drilling method with a diameter of 1.5 m and up to a depth of 37 m. A BAUER BG 45 was used.



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, which assesses both risks and opportunities, 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 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. Risk reporting and assessment are used to quantify risks with regard to their damage potential and their probability of occurrence, after taking into account measures that have already been adopted. The risks are classified into the risk categories listed below with the maximum extent of damage.

The process of identifying and assessing latent risks is reviewed at least twice a year 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 and opportunities are submitted for review at management level. Structured risk identification is followed by risk assessment based on a relevance scale that remained unchanged from the previous year.

Relevant risks above a certain threshold value are assessed based on scenarios. Planning risks are estimated by applying standard deviations. Risks from within the subgroups are aggregated at the Group level.

Following assessment, risk-specific measures to limit damage are defined. Where possible and useful, we purchase appropriate insurance policies that cover potential damage and liability risk in order to reduce our risk exposure and minimize or completely avoid potential losses. Responsibility for monitoring the respective risks lies with the risk managers from the operative areas.

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

Relevance scale of the BAUER Group

Relevance	Extent of losses (in EUR thousand)	Definition
1	up to 8,000	Insignificant to 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

financial year is played through several thousand times in independent simulations based on random figures (Monte Carlo simulation).

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

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 threaten the existence, if not of the Group as a whole, at least potentially of 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.

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, 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 to 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 requirements 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 Management 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.

Compared to the previous year, the risk from “Participations, acquisitions, financial assets” is no longer reported. This risk has been eliminated due to the termination of the joint venture with Schlumberger. In the year under review, the risk from “Information technology and data protection” was included and assessed for the first time.

STRATEGIC RISKS

Segmental structure

We counter the strategic risks arising from the segmental structure of the Group and the orientation on 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.

Strategic partnerships, cooperation partners

Particularly in the Equipment segment, we are supported by certified sales partners in selected regions. A failure or mismanagement by our partner could result in a decline in sales. Conducting a regular sales partner audit and analyzing financial data of major sales partners aim to reduce the risk of partnerships at an early stage. In this way, we can counteract risks with the help of our own sales force or alternative dealers. As in the previous year, we rate this risk as low.

Brand, image, PR

The Bauer brand carries a cachet for purchasers, especially in the Equipment segment, because it is known for high quality. Negative influences on our image, whether due to publications about accidents at work or quality and service defects for example, can result in falling demand for our equipment. In some countries, there is also a risk of counterfeit products that can affect the high-quality image of the Bauer brand. Among other methods, we minimize the risk with our sophisticated quality and HSE management system. As in the previous year, we view the risk of image loss as low.

MARKET RISKS

Sales market risks

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

Competitive environment

In the Equipment segment especially, we operate in highly competitive and price-sensitive markets. To sustainably improve our competitive position in China, after-sales services have been expanded in all markets as a stabilizing factor in addition to new business. We are also improving the competitive situation using localization.

Despite the current coronavirus situation and associated pressure on margins in the country, we have been able to maintain our market position based on the recognized high quality and the clear technological edge of our equipment. 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

Our assessment of the macroeconomic situation is impacted by the trade dispute between the USA and China, public debt in the USA and some EU countries, China's declining economic growth as well as uncertainty regarding developments in the Middle East and the resulting consequential damage.

The COVID-19 pandemic also continues to generate major challenges for the company, which predominantly affect the Construction and Equipment segments. The customers' reluctance to invest in the Equipment segment leads to a market development risk in some regions due to the prevailing uncertainty caused by the COVID-19 pandemic. The Group's Management Board and the managing directors of the three operating segments routinely consider projections based on specific scenarios to estimate the impact of any given market development risks on the Group company in question and on the Group as a whole. Any necessary and relevant measures are derived from these analyses and implemented in full. Market development risks are currently assessed to be significant (previous year: medium).

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, the ratio between EBITDA and net interest coverage as well as equity and equity ratio.

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 extension of our syndicated loan agreement has ensured the liquidity supply of the Group and improved the financial stability of the BAUER Group. In addition, the equity base was reinforced by the cash capital increase in December 2020.

As in the previous year, the risk in the area of financial stability and liquidity is classified as a medium risk.

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 classify the remaining currency risks, which are primarily translation risks, as well as the interest rate uncertainty, as medium risks (previous year: low) 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 risk (previous year: low).

Political and legal environment

Ongoing political unrest in the Middle East is impeding willingness to invest in the countries immediately affected, and often beyond. Falling sales volumes in the Equipment segment and a decline in revenues in the Construction and Resources segments are the consequences. In some countries, there is also a risk that the government will intervene more heavily in company affairs. This 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. As in the previous year, we classify the risks from our political and legal environment as medium.

Contract risks

Our Construction and Resources segments primarily provide construction, drilling and environmental services. The underlying projects are almost always prototypes executed in each case on the basis of customized contracts. Where possible, we use standardized international conventions from the construction sector (e.g. FIDIC). The resultant risks are subject to stringent management procedures and so can be rated as low (previous year: low).

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

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 the Far East and the resulting new competitors are sharpening the pressure to innovate, we have to date 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 which cannot be fulfilled are minimized by the strict application of the dual-control principle and established costing standards (see project risks) and can be regarded as medium (previous year: medium).

Materials management and procurement

Thanks to our long-standing and successful policy in the Equipment segment of planning well ahead to safeguard supplies of components that may be subject to bottlenecks as well as our ability to have time-critical components made within the Group in the event of a bottleneck, the risks in terms of procurement currently remain classed as low. We also estimate the dependence on subcontractors or individual suppliers in our segments as a medium risk (previous year: low).

Production and order fulfillment

The ongoing COVID-19 pandemic has resulted in differing curfews and travel restrictions around the world that complicate site logistics and consequently cause delays in project implementation.

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 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 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 a medium risk.

OVERALL RISK

There are currently no apparent individual or aggregate risks that threaten the existence of the BAUER Group. The balance sheet risk profile of the Group improved in the past year, primarily also due to the termination of the joint venture with Schlumberger. Nevertheless, the market development risk increased due to the COVID-19 pandemic. As a whole, the management sees a slight improvement in the overall risk situation, also in view of future business prospects among other factors.

An RTG RG 19 T was used during work on the QH Track project in Berlin. The excavation pit was horizontally sealed, using an environmentally compatible and sustainable LWS silicate gel base.

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 today shape the Resources segment. These include the environmental services business that deals with treating contaminated ground and groundwater and has taken on an increasingly international character since its beginnings more than 25 years ago. A similar business grew out of the first use of specialist foundation engineering equipment for diamond exploration. Today, the company drills for a wide range of natural resources. In the water sector, we also develop high-quality products for expanding wells and for close-to-the-surface geothermal energy applications, as well as for treating and purifying drinking water and process water. By merging these three areas into the Resources segment, we are 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 or tidal power plants 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. This industry benefits particularly from an enormous need to catch up with backlogs in emerging economies, 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.

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 our Resources segment becomes increasingly well established and new innovative products are being developed. 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.
In summary, we see an increase in opportunities for our Group's global business in 2021.

To protect against storm surges and flooding, Bauer has been carrying out various partial contracts on the Herbert Hoover Dike in Florida for some years now. For the current Task Orders 1 and 3, approx. 309,000 m² of cut-off wall will be created to a depth of approx. 20 m.

VI. FORECAST REPORT

For 2021, we are assuming a challenging environment in the first half of the year due to the current development of the pandemic, particularly for the construction equipment market. It is currently very difficult to make forecasts about the development in the second half of the year. As a result, it is not yet possible to conclusively predict the extent to which the future development of the pandemic, and thus of the economic environment, will influence the current sustained reluctance to invest among equipment customers.

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 the pandemic and in particular the measures concerning travel restrictions and curfews adopted in the individual countries will be the decisive factors for the implementation of construction projects.

In the markets of our Resources segment for environmental services, water treatment and mining, we anticipate positive performance for 2021 despite the pandemic, as these also proved highly robust and stable in the past year.

However, a slower growth of the global economy can be expected overall in the next years.

Independently of the economic impact, 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 offers opportunities for new business models and the continued development of our own processes and services. We can benefit from this. The rapid rate of change and continuing volatility in the markets require quick action and decision making in order to react flexibly to shifts in the market focus.

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. This also benefits our Equipment segment, in particular from the possibilities of predictive maintenance and assistance 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 and water treatment address the trend of sustainability as well as climate and environmental protection.

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.

In view of these general conditions, it is our opinion that our business model will prove robust in 2021. 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 remained convinced of the Group's basic strategic objective. The strategic structure comprising the Construction, Equipment and Resources segments will continue to dictate the direction of the Group over the coming years. We are not currently planning any larger acquisitions, as we want to continue to strengthen our capital base.

In order to reinforce the equity base, the Management Board and Supervisory Board resolved to call an Extraordinary General Meeting and to propose a resolution regarding a regular capital increase to the General Meeting. This took place on March 31, 2021 and the shareholders approved the agenda items up for resolution by the required majority. As part of the proposed capital increase, the company's share capital will be increased from its current value of EUR 80,301,417.61, divided into 18,844,066 no-nominal-value bearer shares, by up to EUR 30,885,149.15 through a uniform mixed cash and/or non-cash capital increase by the issue of up to 7,247,715 new no-nominal-value bearer shares in the form of common shares (with voting rights). The shareholders are to be granted the statutory subscription rights in this context.

TOTAL GROUP FORECAST

The COVID-19 pandemic will have a significant impact on the general economic situation in 2021 as well. In the Construction segment, the various measures adopted in different countries will continue to impact site logistics and execution. In the Equipment segment, we anticipate a recover of demand in the second half of 2021, although the COVID-19 pandemic still remains a factor of uncertainty. Based on our assessment, the Resources segment should not be noticeably impacted by the effects of the pandemic in 2021 either. These assessments form the basis of our scenarios for the current financial year. The ranges for our performance indicators are also defined given the background of the ongoing pandemic and the 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 **total Group revenues** of between EUR 1,550 million and EUR 1,650 million and **EBIT** of between EUR 75 and EUR 85 million in the financial year 2021.

Comparison: 2020 actual / 2021 forecast

in EUR million	Actual 2020	Forecast 2021
Total Group revenues	1,454	1,550 - 1,650
EBIT	55.5	75 - 85

This forecast is based on the assumption that the high order backlog in the Construction segment can be processed and additional order opportunities can be exploited due to stimulus programs. In the Equipment segment, we expect a positive surge in demand worldwide in the second half of 2021. For the years following 2021, however, we do not expect a continuation of this anticipated growth in total Group revenues due to the recovery effects from the pandemic. In the next few years, we are setting a clear focus on increasing our profitability. To this end, we have identified numerous starting points which we would like to exploit. Over the remaining course of the year, we will work out the details in this context as well as the medium-term goals we are pursuing.

In 2020, the equity of the Group decreased in light of the negative earnings after taxes primarily due to the effects of the COVID-19 pandemic and due to considerable currency impacts. In order to sustainable improve the equity ratio once again, the Management Board will therefore recommend that the Supervisory Board proposes to the Ordinary 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.

FORECAST FOR BUSINESS SEGMENTS & BAUER AG

Construction segment

Although the very high demand for infrastructure around the world will continue to shape the construction sector, the COVID-19 pandemic and the accompanying legal measures and regulations in the individual countries will also influence construction in 2021. It will still be necessary to make considerable efforts for site logistics and implementation. However, we have already prepared ourselves in this context over the past year.

In Germany, we expect a slight slowdown compared to the good previous year, yet a stable construction market once again. Across Europe, we assume there will be varied development in the individual markets, but as a whole expect it to be positive. Our large projects will support this. In the Middle East, the political environment is expected to continue to contribute to general uncertainty in 2021. From today's perspective, however, we can handle this well with order backlogs in the region. Based on our order situation in the USA, we are confident to see another good financial year. The markets in Central America will remain challenging. In the countries of the Far East, we except a recovery effect and better capacity utilization as a result. However, we would like to conclude our ongoing capacity adjustments by the end of 2021.

Based on this and due to the high order backlog, we expect to see a significant increase again in total Group revenues and EBIT in the Construction segment in 2021 compared with the previous year.

Equipment segment

2020 was shaped by the COVID-19 pandemic and the resulting uncertainties on the markets, which lead to fewer equipment orders. With the exception of China, nearly all regions recorded decreases in equipment sales. For 2021, we expect a recovery of investments starting from the middle of the year compared to the previous year, yet the further development of the COVID-19 pandemic which differs in the individual regions will remain a factor of uncertainty. We are therefore expecting that it will take the markets the next two or three years to fully recover once again.

Independently of this, we have introduced many measures for the future, such as the termination of the joint venture in deep drilling technology, the restructuring of the business in the USA and the expansion of the business with water well drilling rigs there. These measures also include numerous innovations in the Equipment segment – whether electric drives, energy savings in equipment operations or digital applications. We are also working intensively on the optimization of our supply chain management in order to offer our customers even faster delivery times and to further improve the working capital. As a result, we consider ourselves to be well-equipped for the coming years in the Equipment segment.

Assuming a recovery of willingness to invest in the second half of the ongoing year, we expect the segment's total Group revenues to be significantly higher and EBIT to be slightly to significantly higher in 2021 than in the previous year.

Resources segment

The Resources segment was once again shaped by restructuring measures in the financial year gone by. With the significant measures carried out in 2020, the sale of the subsidiary specializing in brewery and beverage technology as well as the financial restructuring of the subsidiary in Jordan, we believe the foundation has been laid to ensure a future-oriented segment for the coming years.

The environmental business continues to have positive prospects and has recorded good demand despite a slight slowdown. Another opportunity is presented by potential additional projects in the Middle East for our constructed wetlands and a large project in the area of brownfields. These projects, for which we expect good opportunities, are currently still in the tendering phase or decision phase. Tenders are expected to be awarded in 2021.

The COVID-19 pandemic and the corresponding measures and restrictions will still remain a factor of uncertainty in 2021 as well. Nevertheless, we do not anticipate that the segment will be affected to a large extent. This was not the case in the financial year gone by either.

In 2021, we therefore expect a slight increase of total Group revenues and a significant rise in EBIT in the segment compared to the previous year.

BAUER AG

In 2021, BAUER AG expects a slight increase in sales revenues.

VII. LEGAL DISCLOSURES

REMUNERATION REPORT

The Remuneration Report presents the remuneration system and total benefits for the Management Board and outlines the principles and the remuneration of the Supervisory Board.

REMUNERATION OF THE MANAGEMENT BOARD

During the 2020 reporting period, the Management Board of BAUER AG comprised four members. The Supervisory Board sets the overall levels of remuneration paid to the individual members of the Management Board, based on proposals submitted by the Presidial and Personnel Committee. The Supervisory Board meeting approves the remuneration system for the members of the Management Board following prior consultations in the Presidial and Personnel Committee.

The system of remuneration paid to the members of the Management Board in the year under review did not change from the previous year. Given the background of the new recommendations of the German Corporate Governance Code and the regulations of the German Act on the Implementation of the Second Shareholder Rights Directive (ARUG II), the Supervisory Board nevertheless fundamentally addressed the remuneration system for the Management Board in the year under review, with the result that a revised remuneration system for the Management Board will be proposed for the adoption of a resolution by the next ordinary Annual General Meeting.

The overall levels of remuneration paid to the individual members of the Management Board according to the old remuneration system are set on the basis of a performance assessment. This process assures that the overall remuneration is appropriate to the duties and performance of the Management Board member concerned and to the situation of the company. The remuneration paid to each member of the Management Board is composed of non-performance-related components, chiefly a fixed basic salary paid in equal monthly installments, and a performance-related component in the form of a variable bonus. The latter is set at the discretion of the Supervisory Board on the basis of short and long-term evaluation criteria, with the short-term evaluation criteria being equally weighted with the long-term ones when setting the variable remuneration.

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

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

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

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

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

The remuneration is also set to remain competitive with the remuneration generally paid to highly qualified management staff on the market.

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

The total remuneration paid to current members of the Management Board for their activities on the Management Board in the year under review, excluding allocations to provisions for pensions, was EUR 1,721 thousand (previous year: EUR 1,549 thousand). Of this total, EUR 1,319 thousand (previous year: EUR 1,344 thousand) were not performance-related and EUR 402 thousand (previous year: EUR 205 thousand) were 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 Management Board, as well as group accident insurance premiums and employer's liability insurance association contributions.

Some contracts with members of the Management 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 Management Board members incurred pension service costs totaling EUR 74 thousand (previous year: EUR 61 thousand). The baseline salary defined for calculating retirement benefits is significantly lower in all contracts than the basic salary. Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Management Board serving at the end of the year was EUR 1,902 thousand (previous year: EUR 1,660 thousand). The total benefits of former members of the Management Board amounted to EUR 233 thousand (previous year: EUR 289 thousand).

The contracts of Management Board members include individual severance clauses regulating the specific terms of premature termination, with settlements oriented to the length of service of the Management Board member concerned and gauged so as not to exceed the sum of two years' remuneration for any one Management Board member. No provisions for compensation in the event of a takeover offer being made have been agreed with the members of the Management Board. In the event of incapacity to work, members of the Management Board will receive continued payment of the fixed remuneration components for up to three months, and afterwards a grant for benefits replacing employment income until the termination of the Management Board contract, though no later than the start of their entitlement to retirement benefits. If a member of the Management Board leaves the active service of the company due to death or permanent incapacity to work, the fixed remuneration shall continue to be paid for the month of departure and for a period of three months after that.

Remuneration of the Supervisory Board

The Supervisory Board of BAUER AG comprises 12 members. Calculation of the remuneration paid to the members of the Supervisory Board is specified in detail in the Articles of Association of BAUER AG. Under the remuneration provisions in the Articles of Association, each member of the Supervisory Board receives an annual fixed basic remuneration of EUR 25 thousand. The chairman receives twice that amount, and the deputy chairman 1.5 times the basic remuneration. For each membership in a committee of the Supervisory Board, each member receives an additional fee of 10% of the basic remuneration. This requires that the respective committee has met at least once during the financial year (meeting or telephone conference). Insofar as a member of the committee attended more than two meetings or telephone conferences of a committee of the Supervisory Board in the financial year, the respective member additionally receives an attendance fee of EUR 500 per meeting or telephone conference.

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

in EUR thousand	2019	2020
Chairman		
Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer	52.5	55.0
Deputy Chairman		
Robert Feiger	37.5	37.5
Shareholder representatives		
Dr.-Ing. Johannes Bauer	27.5	27.5
Dipl.-Ing. (FH) Elisabeth Teschemacher	25.0	27.5
Gerardus N. G. Wirken	29.5	29.0
Prof. Dr. Manfred Nußbaumer	25.0	27.5
Dipl.-Kffr. Andrea Teutenberg	29.5	29.0
Employee representatives		
Dipl.-Kfm. (FH) Stefan Reindl	25.0	25.0
Regina Andel	25.0	25.0
Reinhard Irrenhauser	27.5	27.5
Rainer Burg	25.0	25.0
Maria Engfer-Kersten	29.0	29.0
Total	**358.0**	**364.5**

No supplementary remuneration is paid for membership in the Mediation Committee. Changes to the Supervisory Board and/or its committees are taken into account proportionate to the time in office and rounded up or down to full months based on the standard commercial rule. In addition, the company reimburses members of the Supervisory Board for expenses incurred while performing their duties and for value added tax applied to the remuneration and reimbursement of expenses. The members of the Supervisory Board do not receive any performance-based remuneration.

The remuneration paid to all the members of the Supervisory Board in the 2020 financial year totaled EUR 365 thousand (previous year: EUR 358 thousand).

OTHER

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

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


BAUER
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CASE

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, 2020.

COMPOSITION OF SUBSCRIBED CAPITAL

The subscribed capital (share capital) of BAUER AG was increased on December 9, 2020 by EUR 7,299,997.16 and amounts to EUR 80,301,417.61. The subscribed capital is divided into 18,844,066 no-nominal-value bearer shares, representing a pro rata amount of approximately EUR 4.26 per share of the total share capital. The company does not hold its own shares. Each share entails equal rights and entitles the holder to one vote at the Annual General Meeting, with the exception of share categories precluded from voting by law pursuant to section 136 of the German Stock Corporation Act (AktG) and section 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 8,256,246 no-nominal-value bearer shares in BAUER AG on the basis of a pool agreement, representing a 43.81% 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 on December 14, 2020 that it holds 3,738,004 no-nominal-value shares in BAUER AG, representing a 19.84% 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 MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES

Article 4, paragraph 4 of the company’s Articles of Association stated that the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or more than once up to June 24, 2025, by up to a total of EUR 7.3 million by issuing new no-nominal-value bearer shares against cash and/or non-cash contributions (2020 authorized capital). With nearly full utilization of the existing 2020 authorized capital, the share capital of BAUER Aktiengesellschaft was increased on December 9, 2020 by a nominal amount of EUR 7,299,997.16 to EUR 80,301,417.61. The increase was carried out against cash contributions by the issue of 1,713,066 new no-nominal-value bearer shares, with the result that the 2020 authorized capital subsequently only amounts to EUR 2.84. The Management Board is authorized, within the scope of the 2020 authorized capital and with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

- in the case of capital increases in return for non-cash contributions, particularly for the purpose of purchasing companies, parts of companies, participations in companies and other assets or claims for the purchase of assets, including receivables from the companies or their Group companies, or for the purpose of company mergers;
- in the event of capital increases against cash contributions where the issue amount of the new shares 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;
- to compensate fractional amounts resulting during capital increases in return for cash and/or non-cash contributions due to the subscription ratio;
- to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement

<<< In Aschaffenburg, a storm drain basin and a new waste water pumping station are being constructed on the banks of the Main river. The works carried out by BAUER Spezialtiefbau GmbH for this project include a retaining structure as well as a low-lying jet grouting cut-off base.

(in full or part thereof) as a non-cash contribution to the company in return for the issuance of new shares from the 2020 authorized capital.

By resolution in the ordinary 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 Management 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 Management 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 Annual 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 MANAGEMENT BOARD MEMBERS, AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The appointment and termination of appointment of members of the Management Board of BAUER AG is regulated by sections 84 and 85 of the 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 Management Board comprises at least two persons, who are appointed by the Supervisory Board for a maximum term of office of five years. At the end of the 2020 financial year, the Management Board comprised four members appointed by the Supervisory Board and a Chairman of the Management Board as well as a Labor Director. It is permissible to re-appoint or extend the appointment of a member of the Management Board 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 Management Board or an appointment as chairman for good cause. The Presidial and Personnel Committee of the Supervisory Board prepares the Supervisory Board's decisions on the appointment and termination of appointment of Management Board members and concerns itself with the long-term planning of successor members for appointment to the Management Board.

In accordance with section 119 (1) no. 6 and section 179 of the AktG, the amendment of the Articles of Association is passed by the Annual General Meeting with a majority of at least three quarters of the share capital represented at the vote. Pursuant to article 12 of the Articles of Association, the Supervisory Board is authorized to pass amendments to the Articles of Association 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 430 million and a further syndicated loan agreement currently totaling EUR 33.7 million; 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. As defined by these syndicated loan agreements, a change of control is defined as a situation in which the total shareholding held by the pooled members of the Bauer family directly amounts to less than 40% of the capital shares or voting rights in BAUER AG. A third party gains control if, overall, more than 50% of the capital shares or voting rights in BAUER AG is held directly or indirectly by one or more persons acting jointly (with the exception of the pooled members of the Bauer family).

Furthermore, several long-term loans with balances totaling EUR 111.4 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 Management 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 25, 2021, the Management Board of BAUER AG issued a declaration regarding 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 Management Board and Supervisory Board as well as the composition and roles of its committees, the target figures for female quota in the Management Board and the two executive levels below the Management 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 2020

At the same time as the annual report, BAUER AG also published a separate non-financial Group report pursuant to section 315 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.

Schrobenhausen. March 31, 2021

BAUER Aktiengesellschaft

Dipl.-Phys. Michael Stomberg Chairman of the Management Board	Dipl.-Ing. (FH) Florian Bauer. MBA	Dipl.-Betriebswirt (FH) Hartmut Beutler	Peter Hingott

Bauer share

Global economy impacted by the COVID-19 pandemic
According to figures from the IMF, the global economy suffered a sharp decrease of -3.3% (previous year: +2.9%) due to the COVID-19 pandemic. Industrialized nations (-4.7%) were significantly affected: as an export-oriented country, Germany recorded a decrease of -4.9% (previous year: +0.5%). Many countries in southern Europe, Latin America and Southeast Asia as well as the USA and India also suffered heavy losses. Only China recovered relatively quickly due to stricter measures and even generated growth of +2.3% (previous year: +6.1%).

Many issues were overshadowed by the COVID-19 pandemic. In the year of the 2020 elections, the USA proved to be a deeply divided country. After Joe Biden's victory, many hope for reconciliation and more reliable policies that will address the country's problems and return the USA to the world stage with normal diplomatic customs.

For a long time, the Middle East continued to be affected by conflicts. The end of the blockade against Qatar was a positive sign. Low oil prices continue to impact development in the region. After starting the year at nearly EUR 70 per barrel, the price of Brent crude fell to less than EUR 20 at times due to the outbreak of the pandemic. By the end of the year, the price climbed to just above EUR 50, in part because OPEC reached an agreement to reduce production.

Due to the COVID-19 pandemic, most countries announced massive relief packages to support the economy. The low interest rate environment was maintained as a result. For example, the Federal Reserve in the USA quickly lowered the key interest rate from 1.5 to 1.75% at the start of the year to 0 to 0.25%. The ECB maintained the key interest rate at its previous value of 0%.

As a result of this persisting cheap money environment and the hopes associated with the start of vaccination programs, stock markets have only experienced relatively brief losses. By the end of 2020, it seemed as if stock exchanges had already recovered from the COVID-19 pandemic, though the negative effects will persist for many companies and sectors.

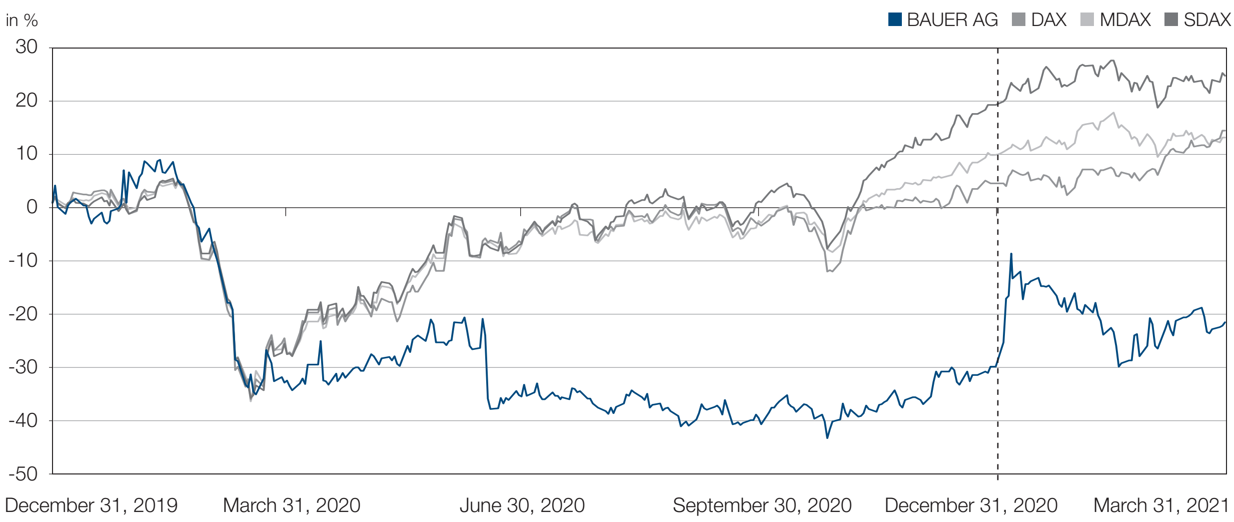
Weak stock market year for Bauer share
For the Bauer share, the 2020 stock market year was primarily characterized by the effects of the COVID-19 pandemic. In mid-February, the indices dropped sharply: DAX and SDAX lost roughly 40% by mid-March. The same was true for the Bauer share, which started the stock market year at EUR 10.08 and reached its peak for the year on February 12 at EUR 16.30 before falling to EUR 9.76 in mid-March.

Due to the ad-hoc announcement of an individual valuation allowance resulting from a legal dispute that caused considerable losses for the Group in 2019, the Bauer share experienced a much slower recovery than the overall market, reaching EUR 11.90 by the start of June.

On June 16, BAUER AG had to withdraw its forecast for 2020 due to uncertainties surrounding the COVID-19 pandemic. As a result, the share price fell to EUR 9.35.

This was followed by a long period of sideways movement, with a slightly negative trend throughout the summer months with a low sales volume until reaching the annual low of EUR 8.53 on

Performance of the Bauer Share



October 28. After this date, however, the Bauer share performed better until the end of the year and was able to record some growth. This was also supported by the ad-hoc announcement made on November 3 concerning the new earnings forecast and the ad-hoc announcement on December 7 concerning the capital increase using authorized capital.

Nevertheless, the Bauer share lost 32.5% of its total value during the 2020 stock market year to the year-end price of EUR 10.52. In contrast, the benchmark indices DAX (+2.5%) and SDAX (+16.8%) recorded significant growth after their heavy losses during the first quarter.

In the first quarter, the share rose very quickly to EUR 13.68 on January 7. Subsequently, the share price fell again to EUR 10.52 in mid-February, which was also due to the announcement of a capital increase. The market responded positively to the announcement of the preliminary figures for 2020 on March 1. The share closed the first quarter of 2021 at EUR 11.76.

First virtual Annual General Meeting

As a result of the COVID-19 pandemic, BAUER AG, as well, held its first entirely virtual Annual General Meeting on June 25. In an online broadcast, Chairman of the Management Board Michael Stomberg, informed the connected shareholders and guests about the previous and current financial years.

Capital market conferences and roadshows are essential platforms for the Management Board and the Investor Relations department to openly provide information for the capital market and shareholders on a regular basis. Starting in February 2020, almost all of these events were also held virtually.

In 2020, five analysts regularly reported on the Bauer share. Bankhaus Lampe and Bayern LB discontinued their coverage over the course of the year. At the end of the year, three analysts voted “Hold”. The average target share price quoted was EUR 10.83.

Share information

ISIN / WKN	DE0005168108 / 516810
Ticker symbol	B5A
Trading segment	Frankfurt, Prime Standard
Share indices	CDAX
Class of share	No-nominal-value bearer shares
Share capital	EUR 80,301,417.61
Number of shares	18,844,066
Shareholder structure	Bauer family 43.81%, Doblinger Beteiligung GmbH 19.84%, free float 36.35%

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.

In 2020, the equity of the Group decreased in light of the negative earnings after taxes primarily due to the effects of the COVID-19 pandemic and due to considerable currency impacts. That is why it is necessary to continue to strike a careful balance between continuity and shareholder participation on the one hand, and safeguarding our equity ratio on the other.

In order to sustainable improve the equity ratio once again, the Management Board will therefore recommend that the Supervisory Board proposes to the Ordinary Annual General Meeting that no dividends be distributed.

More information:

http://ir.bauer.de

KEY FIGURES	2017	2018	2019	2020
Earnings per share (in EUR)	0.16	1.32	-2.17	-0.48
Dividend per share (in EUR)	0.10	0.10	0.00	0.00 *
Dividend total (in EUR thousand)	1,713	1,713	0	0 *
Year-end price (in EUR)	30.00	12.16	15.10	10.52
Annual high (in EUR)	30.96	31.25	24.30	16.30
Annual low (in EUR)	11.73	12.08	12.62	8.53
Year-end market capitalization (in EUR thousand)	513,930	208,313	258,678	198,240
Average daily trading volume (units)	55,439	62,434	40,742	22,817

* Proposed, subject to the approval of the Annual General Meeting on June 24, 2021


BAUER BG 33 H
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Report of the Supervisory Board 2020

The Supervisory Board regularly monitored the work of the Management Board during the 2020 financial year on the basis of the detailed reports provided by the Management Board in written and verbal form and provided support in the form of advice. The Management Board discharged its duties to provide the Supervisory Board with regular, prompt and comprehensive information about all questions of strategy, planning, company development, risk development and compliance that are relevant to the company and the Group. Between the meetings, the Management Board 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 Management Board, in particular with the Chairman of the Management Board, gathered information as appropriate relating to the course of business and key transactions and discussed strategic topics and risk situations.

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

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 Construction, Equipment and Resources 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 parent company and consolidated financial statements for the 2019 financial year, also attended and informed by the auditor, a detailed review was undertaken of the respective financial statements and associated management and audit reports, taking into consideration the report from the Audit Committee and the proposal of the Management Board with regard to the appropriation of retained earnings. The content of the auditor's opinions accompanying the audit reports was thoroughly discussed with the auditors given the background of non-compliance with key financial figures at the end of the year. The declaration on corporate governance and the non-financial Group report for the 2019 financial year were also confirmed. During this meeting, the Supervisory Board addressed the selection of the auditor, the remuneration system, the remuneration of the Management Board and the invitation to the Annual General Meeting. The effects of the coronavirus pandemic on the company's performance were also discussed during the meeting. In May, the Supervisory Board held another separate meeting for consultations concerning the coronavirus pandemic and received information from the Management Board in this context concerning the effects on the company's performance and financial figures as well as the status of liquidity and financing. By means of a resolution procedure in writing, the Supervisory Board agreed to call the ordinary Annual General Meeting as a virtual event.

In June, the Supervisory Board discussed the reinforcement of management in the Resources segment, and the reporting concerning the business performance of the segments particularly addressed the effects of the coronavirus pandemic and cost-saving measures. The financing situation and the availability of guarantee facilities were also addressed, and the termination of the joint venture with the Schlumberger Group for the manufacture of deep drilling rigs was approved. The Supervisory Board also received reports from the responsible management concerning the handling of underutilized project capacities in the Construction segment and the options for shifting capacities across country borders.

At the September meeting, measures for handling the effects of the coronavirus pandemic were thoroughly discussed once more and the Management Board reported on changes in the company's performance. Another focus was medium-term consolidated balance sheet planning along with the recruitment and development of specialists and executives.

<<< ***Our customer Urban Foundation used its BG 33 H and BG 28 H on a site in New York for the pile foundation of a 25-story residential and office building.***

In early December, the Supervisory Board met to resolve on the utilization of the authorized capital and the issue of shares excluding subscription rights. At the regularly Supervisory Board meeting in December of the year under review, the business performance in the individual divisions was discussed along with the remuneration paid to members of the Management Board, a new remuneration system for the Management Board was approved for submission at the next ordinary Annual General Meeting, an updated declaration of compliance was adopted in accordance with the German Corporate Governance Code and the annual planning for the financial year 2021 was approved. Furthermore, the efficacy review was carried out and the term of office and employment contract for Peter Hingott, member of the Management Board, were extended by another five years.

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.

Two meetings of the Presidial and Personnel Committee were convened. At those meetings, preparations were made for the decisions of the Supervisory Board relating to the determination of the salaries and performance bonuses of the members of the Management Board and a new version of the remuneration system for the Management Board as well as the performance bonus framework. The committee also addressed the declaration on corporate governance for the 2019 financial year. The declaration of compliance according to the German Corporate Governance Code was also discussed along with the efficacy review of the Supervisory Board, and the extension of the Management Board contract with Mr. Peter Hingott was approved.

The Audit Committee met five 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 as well as the additional auditor's report. It also scrutinized the Management Board's proposal regarding the appropriation of retained earnings as well as the selection and appointment of the auditor 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. Audit content for key audit points was determined in consultation with the auditor. The Committee also held a special session to accept the risk management and internal auditing reports and review the projections for the end of the year. In addition, the refinancing of the syndicated loan was reviewed, and the risks and opportunities for business development were regularly examined.

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**	**5**	**1**
Regina Andel	6			
Dr.-Ing. Johannes Bauer	6	2		
Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer	6	2		1
Rainer Burg	6			
Maria Engfer-Kersten	6		5	
Robert Feiger	6			
Reinhard Irrenhauser	6	2		
Prof. Dr. Manfred Nußbaumer	6			1
Dipl.-Kfm. (FH) Stefan Reindl	6			
Dipl.-Ing. (FH) Elisabeth Teschemacher	6			1
Dipl.-Kffr. Andrea Teutenberg	6		5	
Gerardus N.G. Wirken	6		5	

The Nomination Committee met once to address the candidates proposed for the Supervisory Board elections in 2021.

ATTENDANCE

As in previous years, in the 2020 financial year there was once again a consistently high participation rate in the Supervisory Board meetings as well as in its committees. In the 2020 financial year, all members of the Supervisory Board and its committees participated in all of the Supervisory Board meetings and its committees, with the result that all consultations had full attendance by the members.

AUDITING OF THE 2020 ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of BAUER AG as at December 31, 2020 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 Annual 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. The committee reported on its review 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 audit documentation along with the non-financial Group report and the auditors' reports were provided to all members of the Supervisory Board in good time for scrutiny, who reviewed these documents. The Supervisory Board duly noted and concurred with the findings of the auditors' review of the parent company's and the Group's consolidated annual financial statements as well as the Combined Management Report. On conclusion of the Supervisory Board's review, no objections were raised, and the publication of the non-financial Group report was approved. The annual financial statements of BAUER AG and the consolidated financial statements of the Group were discussed at its financial review meeting on April 8, 2021 and approved by subsequent resolution of the Supervisory Board. 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 Management 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. The accumulated loss will be carried forward to new account.

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

Schrobenhausen, April 2021
The Supervisory Board

Prof. Thomas Bauer
Chairman of the Supervisory Board

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

66 Income Statement of BAUER Aktiengesellschaft

67 Balance Sheet of BAUER Aktiengesellschaft as at December 31, 2020

<<< To strengthen large earth basins to extract potash, 112,000 m² of cut-off wall were constructed right next to the Dead Sea along a length of 4.2 km and up to a depth of 30 m. The major challenge: the soil that predominantly consists of salt.

Income Statement of BAUER Aktiengesellschaft

in EUR thousand	12M/2019	12M/2020
Sales revenues	41,916	43,565
Other operating income	544	1,915
	42,460	**45,480**
Cost of material / services		
Cost of material	-404	-421
Cost of service	-8,780	-8,167
	-9,184	**-8,588**
Personnel expenses		
Wages and salaries	-18,443	-16,671
Social security contributions and expenditure for retirement benefits and support payments	-3,484	-3,283
	-21,927	**-19,954**
Amortization of intangible fixed assets and depreciation of tangible fixed assets	-3,537	-2,860
Other operating expenses	-46,758	-27,185
Operating result	**-38,946**	**-13,107**
Income from participations	43,250	20,000
Other interest and similar income	4,977	1,082
Interest and similar expenses	-11,987	-9,271
Financial result	**36,240**	**11,811**
Income tax expenses	2,656	1,282
Earnings after tax	**-50**	**-14**
Loss for the year	**-50**	**-14**
Profit carried forward	0	-50
Accumulated loss	**-50**	**-64**

Balance Sheet of BAUER Aktiengesellschaft as at December 31, 2020

ASSETS

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Fixed assets		
Intangible assets	2,036	2,020
Property, plant and equipment	6,854	5,950
Financial assets	180,434	285,006
	189,324	**292,976**
Current assets		
Inventories Raw materials and supplies	118	99
Receivables and other assets (of which receivables from affiliated companies)	87,711 (86,429)	35,763 (34,441)
Cash at banks	892	100
	88,721	**35,962**
Prepayments and deferred charges	**2,130**	**2,641**
Deferred tax assets	**5,278**	**6,517**
	285,453	**338,096**

EQUITY AND LIABILITIES

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Equity		
Subscribed capital	73,001	80,301
Capital reserve	39,781	48,447
Revenue reserves	2,055	2,055
Accumulated loss (of which profit carried forward)	-50 (1,713)	-64 (-50)
	114,787	**130,739**
Provisions (of which provisions for pensions)	**23,679** (13,809)	**27,114** (15,255)
Liabilities (of which liabilities payable to affiliated companies)	**146,987** (48,587)	**180,243** (23,324)
	285,453	**338,096**


BAUER BG 36

Consolidated Financial Statements in accordance with IFRS

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<<< *For the construction of a 6 m deep and 22 m wide water retention reservoir in the city of Riedisheim, Alsace, a French construction company relied on a BG 36 to install 96 piles with a diameter of 880 and 900 mm.*

Consolidated Income Statement and Statement of Comprehensive Income

INCOME STATEMENT

in EUR thousand	Notes	12M/2019 *	12M/2020
Sales revenues	(7)	1,470,922	1,343,241
Changes in inventories		32,378	-16,789
Other own work capitalized	(8)	9,523	8,052
Other income	(9)	24,868	66,779
Consolidated revenues		**1,537,691**	**1,401,283**
Cost of materials	(10)	-783,126	-626,112
Personnel expenses	(11)	-418,805	-394,898
Other operating expenses	(12)	-212,713	-224,822
Income from shares accounted for using the equity method	(13)	11,225	9,796
Earnings before interest, tax, depreciation and amortization (EBITDA)		**134,272**	**165,247**
Depreciation and amortization a) Depreciation of fixed assets	(14)	-84,760	-93,176
b) Write-downs of inventories due to use	(15)	-15,806	-16,534
Earnings before interest and tax (EBIT)		**33,706**	**55,537**
Financial income	(16)	33,742	33,047
Financial expenses	(17)	-78,766	-72,256
Earnings before tax (EBT)		**-11,318**	**16,328**
Income tax expense	(18)	-25,232	-24,550
Earnings after tax		**-36,550**	**-8,222**
of which attributable to shareholders of BAUER AG		-37,146	-8,397
of which attributable to non-controlling interests		596	175

in EUR		12M/2019	12M/2020
Basic earnings per share	(19)	-2.17	-0.48
Diluted earnings per share	(19)	-2.17	-0.48
Average number of shares in circulation (basic)		17,131,000	17,273,756
Average number of shares in circulation (diluted)		17,131,000	17,273,756

STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	12M/2019	12M/2020
Earnings after tax	**-36,550**	**-8,222**
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	-21,963	-7,112
Deferred taxes on that revaluation with no effect on profit and loss	6,130	2,113
Market valuation of other participations	422	1,150
Income and expenses which will be subsequently reclassified to profit and loss		
Market valuation of derivative financial instruments (hedging reserve)	-3,568	1,837
Included in income and loss	3,468	-1,478
Market valuation of derivative financial instruments (reserve for hedging costs)	-1,889	445
Included in income and loss	2,026	-385
Deferred taxes on financial instruments with no effect on profit and loss	-10	-117
Exchange differences on translation of foreign subsidiaries	9,087	-23,136
Other earnings after tax	**-6,297**	**-26,683**
Total comprehensive income	**-42,847**	**-34,905**
of which attributable to shareholders of BAUER AG	-45,714	-33,124
of which attributable to non-controlling interests	2,867	-1,781

* Previous year's figure adjusted; the income from shares accounted for using the equity method will in future be reported as part of EBITDA under the other operating expenses.

Consolidated Statement of Cash Flows

in EUR thousand	12M/2019	12M/2020
Cash flows from operational activity:		
Earnings before tax (EBT)	-11,318	16,328
Depreciation of property, plant and equipment and intangible assets	84,760	93,176
Write-downs of inventories due to use	15,806	16,534
Financial income	-33,742	-33,047
Financial expenses	78,766	68,940
Other non-cash transactions and results of de-consolidations	16,353	39,392
Dividends received	1,859	7,507
Income from the disposal of property, plant and equipment and intangible assets	-1,551	-4,137
Income from shares accounted for using the equity method	11,225	9,796
Change in provisions	-2,455	-307
Change in trade receivables	53,886	-26,622
Change in contract assets	40,567	13,929
Change in other assets and in prepayments and deferred charges	-4,872	-5,720
Change in inventories	-72,206	-9,849
Change in trade payables	6,892	-13,535
Change in contract liabilities	23,402	-12,952
Change in other current and non-current liabilities	5,291	23,449
Cash and cash equivalents generated from day-to-day business operations	**212,663**	**182,882**
Income tax paid	-43,781	-14,734
Net cash from operating activities	**168,882**	**168,148**
Cash flows from investing activity:		
Purchase of entities included in the consolidated financial statements less net cash	0	-17,649
Purchase of property, plant and equipment and intangible assets	-101,765	-113,254
Proceeds from the sale of property, plant and equipment and intangible assets	26,858	34,845
Purchase of financial assets (participations)	0	-43
Change in financial resources resulting from the basis of consolidation	-306	-434
Net cash used in investing activities	**-75,213**	**-96,535**
Cash flows from financing activity:		
Raising of loans and liabilities to banks	309,881	188,524
Repayment of loans and liabilities to banks	-373,730	-229,549
Incoming payments from subordinated loans of shareholders	0	12,000
Repayment of liabilities from lease agreements	-22,047	-23,066
Incoming payments from equity contributions by shareholders of the parent company	0	15,965
Disbursements for the purchase of additional shares in subsidiaries	0	-200
Dividends paid	-2,972	-2,190
Interest paid	-34,519	-28,127
Interest received	3,048	5,430
Net cash used in financing activities	**-120,339**	**-61,213**
Changes in liquid funds affecting payments	**-26,670**	**10,400**
Influence of exchange rate movements on cash	1,658	-1,960
Total change in liquid funds	**-25,012**	**8,440**
Cash and cash equivalents at beginning of reporting period	**62,587**	**37,575**
Cash and cash equivalents at end of reporting period	**37,575**	**46,015**
Change in cash and cash equivalents	**-25,012**	**8,440**

Consolidated Balance Sheet as at December 31, 2020

ASSETS

in EUR thousand	Notes	Dec. 31, 2019	Dec. 31, 2020
Intangible assets	(20)	16,946	14,598
Property, plant and equipment	(20)	460,470	452,487
Investments accounted for using the equity method	(20)	118,185	76,189
Participations	(20)	8,806	10,761
Deferred tax assets	(21)	67,273	66,916
Other non-current assets	(22)	7,175	7,425
Other non-current financial assets	(23)	13,923	13,165
Non-current assets		**692,778**	**641,541**
Inventories	(24)	405,401	387,498
Rental equipment	(24)	61,838	47,468
Less advances received for inventories	(24)	-8,921	-10,340
		458,318	424,626
Contract assets	(25)	108,122	87,983
Trade receivables	(25)	271,300	248,957
Receivables from enterprises in which the company has participating interests	(25)	1,912	847
Prepayments	(25)	5,904	6,240
Other current assets	(25)	35,844	36,594
Other current financial assets	(25)	11,526	14,040
Effective income tax refund claims		5,270	2,356
Cash and cash equivalents	(26)	37,575	46,015
Non-current assets held for sale	(27)	0	34,786
Current assets		**935,771**	**902,444**
		1,628,549	**1,543,985**

EQUITY AND LIABILITIES

in EUR thousand	Notes	Dec. 31, 2019 *	Dec. 31, 2020
Subscribed capital		73,001	80,301
Capital reserve		38,404	47,069
Other revenue reserves and retained earnings		270,399	237,352
Equity of BAUER AG shareholders		**381,804**	**364,722**
Non-controlling interests		5,112	801
Equity	(28)	**386,916**	**365,523**
Liabilities to banks	(29)	73,743	234,043
Liabilities from subordinate loans	(29)	0	12,000
Liabilities from lease agreements	(29)	37,892	37,444
Provisions for pensions	(30)	158,641	167,457
Other non-current liabilities	(29)	6,028	6,027
Other non-current financial liabilities	(29)	23,665	34,452
Deferred tax liabilities	(21)	27,149	20,599
Non-current debt		**327,118**	**512,022**
Liabilities to banks	(31)	431,645	217,419
Liabilities from lease agreements	(31)	20,745	21,538
Contract liabilities	(31)	76,829	61,084
Trade payables	(31)	220,330	179,562
Liabilities to companies and participations accounted for using the equity method	(31)	21,649	24,066
Other current liabilities	(31)	83,510	82,760
Other current financial liabilities	(31)	13,563	17,924
Effective income tax obligations		19,566	25,997
Provisions	(32)	23,677	32,890
Provisions for pensions	(30)	3,001	3,200
Current debt		**914,515**	**666,440**
		1,628,549	**1,543,985**

* Previous year's figure adjusted; the liabilities to consortia were retroactively reclassified from trade payables into liabilities to companies and participations accounted for using the equity method.

Consolidated Statement of Changes in Equity from January 1, 2019 to December 31, 2020

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	Non-controlling interests	Total
As at January 1, 2019	**73,001**	**38,404**	**332,201**	**-13,285**	**-201**	**-145**	**-1,663**	**3,504**	**431,816**
Earnings after tax	0	0	-37,146	0	0	0	0	596	**-36,550**
Exchange differences on translation of foreign subsidiaries	0	0	0	6,814	0	0	0	2,273	**9,087**
Revaluation of obligations arising from employee benefits after termination of the employment relationship	0	0	-21,960	0	0	0	0	-3	**-21,963**
Market valuation of other participations	0	0	0	0	0	0	422	0	**422**
Market valuation of derivative financial instruments	0	0	0	0	-100	137	0	0	**37**
Deferred taxes with no effect on profit and loss	0	0	6,129	0	28	-38	0	1	**6,120**
Total comprehensive income	**0**	**0**	**-52,977**	**6,814**	**-72**	**99**	**422**	**2,867**	**-42,847**
Changes in basis of consolidation	0	0	919	0	0	0	0	0	**919**
Dividend payments	0	0	-1,713	0	0	0	0	-1,259	**-2,972**
Other changes	0	0	0	0	0	0	0	0	**0**
As at Dec. 31, 2019	**73,001**	**38,404**	**278,430**	**-6,471**	**-273**	**-46**	**-1,241**	**5,112**	**386,916**
As at January 1, 2020	**73,001**	**38,404**	**278,430**	**-6,471**	**-273**	**-46**	**-1,241**	**5,112**	**386,916**
Earnings after tax	0	0	-8,397	0	0	0	0	175	**-8,222**
Exchange differences on translation of foreign subsidiaries	0	0	0	-21,180	0	0	0	-1,956	**-23,136**
Revaluation of obligations arising from employee benefits after termination of the employment relationship	0	0	-7,112	0	0	0	0	0	**-7,112**
Market valuation of other participations	0	0	0	0	0	0	1,150	0	**1,150**
Market valuation of derivative financial instruments	0	0	0	0	359	60	0	0	**419**
Deferred taxes with no effect on profit and loss	0	0	2,113	0	-100	-17	0	0	**1,996**
Total comprehensive income	**0**	**0**	**-13,396**	**-21,180**	**259**	**43**	**1,150**	**-1,781**	**-34,905**
Changes in basis of consolidation	0	0	-63	0	0	0	0	0	**-63**
Dividend payments	0	0	0	0	0	0	0	-2,190	**-2,190**
Capital increase	7,300	8,665	0	0	0	0	0	0	**15,965**
Other changes	0	0	140	0	0	0	0	-340	**-200**
As at Dec. 31, 2020	**80,301**	**47,069**	**265,111**	**-27,651**	**-14**	**-3**	**-91**	**801**	**365,523**

Other information concerning the equity development can be found in section 28.

Notes to the Consolidated Financial Statements

GENERAL NOTES

GENERAL INFORMATION ABOUT THE GROUP

BAUER Aktiengesellschaft, Schrobenhausen (referred to in the following as BAUER AG) is a stock corporation under German law. Its registered office is at BAUER-Strasse 1 in Schrobenhausen, Germany and the company is entered in the Commercial Register of Ingolstadt (HRB 101375).

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

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

EFFECTS OF THE COVID-19 PANDEMIC ON ACCOUNTING

In the 2020 financial year, business development of the BAUER Group was significantly impacted by the effects of the COVID-19 pandemic. Moderating effects resulted from measures introduced by governments worldwide as well as measures initiated by management within the company. Effects of the COVID-19 pandemic varied considerably depending on the segment. In the Construction segment, despite the difficult overall economic situation an increase was achieved in both total Group revenues and EBIT compared to the previous year. On the other hand, the Equipment segment recorded a considerable decline in total Group revenues and a significant worsening of EBIT.

In the Resources segment, there was an improvement in EBIT despite a considerable decline in total Group revenues. 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. Developments associated with the COVID-19 pandemic made it necessary to carry out a review within the financial year concerning the assumptions and estimates used for assessment of the assets and liabilities as well as the earnings and expenses. In this context, an impairment review for assets was of particular relevance for the BAUER Group.

The considerable drop in sales in the first half of 2020 and the significantly reduced growth expectations due to the COVID-19 pandemic made it necessary to conduct an impairment review of the reported carrying amounts as at June 30, 2020. For this purpose, the last corporate planning approved by the Supervisory Board, which was used as the basis for evaluation on December 31, 2019, was adjusted according to the data available on this date as well as management expectations.
Taking the updated assumptions and estimates into account, no significant impairments resulted overall as at June 30, 2020 for the intangible assets and property, plant and equipment, participations accounted for using the equity method, financial assets or other assets. Due to the ongoing pandemic situation, another impairment test was carried out as at December 31, 2020. This review also found no significant impairments for the intangible assets and property, plant and equipment, participations accounted for using the equity method, financial assets or other assets.

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 German Commercial Code (HGB) and International Financial Reporting Standards (IFRS), as adopted by the EU, the German Commercial Code (HGB) and the German Corporate Governance Code (DCGK). The consolidated financial statements were prepared on the basis of historical costs for procurement and manufacturing costs, limited by the fair value valuation of financial assets and liabilities (including derivative financial instruments) affecting net income. The previous year’s figures have been determined according to the same principles.
The BAUER Group’s financial year is the calendar year.
The consolidated financial statements were prepared in euros. Unless otherwise specified, all amounts are quoted in thousands of euros (in 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 are not consolidated and do not fall within the scope of IFRS 9 if their business operations are dormant or minor and they are, individually and as a whole, of minor importance for conveying a picture of the true and fair view of the net assets, financial and earnings position as well as the cash flows of the BAUER Group. 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 2020, 113 companies were consolidated into the consolidated financial statements (previous year: 114). In the financial year, 3 (previous year: 3) companies were included in the basis of consolidation for the first time. Since the beginning of 2020, the number of companies de-consolidated due to merger, sale and discontinuation of operations was 4 (previous year: 2). 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 by segment (without construction joint ventures):

	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 2019	Dec. 31 2020	Dec. 31 2019	Dec. 31 2020	Dec. 31 2019	Dec. 31 2020	Dec. 31 2019	Dec. 31 2020	Dec. 31 2019	Dec. 31 2020
Construction segment	Special civil engineering	Global	39	38	3	3	1	1	1	1	44	43
Segment Equipment	Equipment manufacture and sales	Global	28	30	4	3	3	1	2	2	37	36
Resources segment	Water, environmental services and natural resources	Global	22	23	4	3	1	1	2	3	29	30
Other segment	Central services	Global	4	4	0	0	0	0	0	0	4	4
Total			**93**	**95**	**11**	**9**	**5**	**3**	**5**	**6**	**114**	**113**

If the quality assessment of a new subsidiary finds that the company is immaterial in terms of the operative segment or Group, it may not be included in the consolidated financial statements.
Consequently, the non-inclusion of any one company must not result in material changes to the Group's net asset, financial and earnings position, nor must it 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 de-consolidated at the point when control ends. Companies of which BAUER AG is able, directly or indirectly, to exercise a significant influence on the said companies' financial and operating policy decisions (associated companies) are consolidated according to the equity method . As at December 31, 2020, this related to 3 companies (previous year: 5). Joint ventures were likewise consolidated according to the equity method.
The BAUER Group sometimes holds a share of more than 50 percent in companies which are considered to be 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 main subgroups and companies included in the consolidated financial statements are listed in the Major Participations section. The disclosures in accordance with section 313 (2) of the HGB are grouped in a separate list of holdings. This will be published as part of the Notes to the financial statements of BAUER Aktiengesellschaft in the electronic version of the official Gazette Bundesanzeiger of the Federal Republic of Germany. Subsidiaries with differing balance sheet dates compile interim financial statements as per the Group date for the consolidated financial statements. BAUER Corporate Services Private Limited, BAUER Equipment India Private Limited and BAUER Specialized Foundation Contractor India Private Limited prepare their annual financial statements for March 31 due to local statutory requirements.

Application of section 264 (3) of the HGB

Section 264 (3) of the HGB has been exercised for the following companies:
BAUER Foralith GmbH
BAUER Deep Drilling GmbH
BAUER Maschinen GmbH
BAUER Resources GmbH
BAUER Spezialtiefbau GmbH
EURODRILL GmbH
GWE pumpenboese GmbH
KLEMM Bohrtechnik GmbH
PRAKLA Bohrtechnik GmbH
RTG Rammtechnik GmbH
SCHACHTBAU NORDHAUSEN Bau GmbH
SCHACHTBAU NORDHAUSEN Stahlbau 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 utilized the exemption option under section 291 (1) of the HGB and have not prepared consolidated financial statements or a management report.

Changes at subsidiaries

Construction segment

In the first half of the 2020 financial year, BAUER Hong Kong Limited was deconsolidated due to the suspension of business activities. The deconsolidation had an impact on earnings of EUR 8,046 thousand, which is listed under other income.
In the fourth quarter of the 2020 financial year, First Asian Ltd. was deconsolidated due to the suspension of business activities. In addition, BAUER DK A/S and BAUER Fondations SAS were included in the basis of consolidation for the first time. The deconsolidations and first-time consolidations of these three companies did not have a significant impact on the The BAUER Group's net assets, financial position and results of operations. Further information was therefore omitted.

Equipment segment

In the first half of the 2020 financial year, ESAU & HUEBER Verwaltungs GmbH merged with BAUER Foralith GmbH and continued operations as BAUER Foralith GmbH. Furthermore, the remaining 15% of the shares in Olbersdorfer Guß GmbH were acquired at a purchase price of EUR 200 thousand. This change in the investment quota was reported as an equity transaction.

Business combinations

With effect from July 31, 2020, BAUER Equipment America, Inc. acquired the remaining 49% of the shares in BAUER Manufacturing LLC and BAUER Maschinen GmbH acquired the remaining 49% of the shares in BAUER Deep Drilling GmbH (both Equipment segments) from Schlumberger GmbH and Schlumberger Technologies Corp. at a total purchase price of EUR 20,425 thousand (USD 24,200 thousand). The background to this share purchase is a strategic change in the BAUER Group and the Schlumberger Group on the basis of the development of the oil market. This means that these companies are fully-owned subsidiaries of the BAUER Group again.
As a result of the transfer of the shares, the subsidiaries, which were previously accounted for using the equity method, are fully consolidated again.

The assets and liabilities acquired with effect from July 31, 2020 are to be valued at their fair value on the date of acquisition in terms of a purchase price allocation. The purchase of shares is recorded in aggregated form as a transaction in the following, since this transaction could only take place under the condition of purchasing the shares in both companies.

The effects of this derecognition and revaluation, based on the finalized purchase price allocation, are presented in greater detail below:

in EUR thousand	
Purchase price for the acquired shares:	20,425
Revaluation of the old shares (51%)	1,933
Total	**22,358**

in EUR thousand	Fair value
Intangible assets	7,120
Property, plant and equipment	31,516
Deferred tax assets	1,525
Non-current assets	**40,161**
Inventories	3,209
Receivables and other assets	23,875
Cash and cash equivalents	2,776
Current assets	**29,860**
Total assets	**70,021**
Liabilities from lease agreements	75
Provisions for pensions	209
Deferred tax liabilities	597
Current debt	**881**
Liabilities from lease agreements	52
Trade payables	889
Other current liabilities	679
Other current financial liabilities	2,986
Provisions	248
Non-current debt	**4,854**
Total debt	**5,735**
Total acquired assets and debt	**64,286**

in EUR thousand	Fair value
Negative difference amount	41,928
Effect from the derecognition of shares valued using the equity method	-41,373
Effect from the revaluation of the old shares	1,933
Total effect from the purchase	2,488

The negative difference amount will be shown in other operating income.
The effect of the derecognition and revaluation of the shares valued using the equity method is shown in other operating expenses. The revaluation of the old shares was made necessary by the restructuring of the business and the strategic change in the 2nd quarter. The fair value determination of already held shares is based on the net purchase price (agreed purchase price less compensation payment). This resulted in a new enterprise value lower than that which was reported in the 2019 Annual Report. This process had no effect on the recoverability of the at-equity shares as at December 31, 2019. BAUER Deep Drilling GmbH ceased the operating business. BAUER Manufacturing LLC plans to continue operating business

Resources segment

In the third quarter of the 2020 financial year, hydesco24 GmbH was deconsolidated as a result of the discontinuation of business operations. The deconsolidation did not have a significant impact on the net assets, financial situation and earnings position of the BAUER Group. As a result, disclosures in accordance IFRS 10 and IAS 7 were not made.

Sales

With the contract dated September 9, 2020, BAUER Resources GmbH sold 100% of the shares in ESAU & HUEBER GmbH to Schulz Unternehmensfamilie e.K. with effect from September 30, 2020, and thereby deconsolidated the company. The effects of the sale are presented in greater detail below:

a) Consideration received

in EUR thousand	Sept. 30, 2020
Consideration received	0

b) Assets and liabilities disposed of as a result of the loss of control

in EUR thousand	Sept. 30, 2020
Non-current assets	**420**
Intangible assets	131
Property, plant and equipment	288
Other non-current assets	1
Other non-current financial assets	0
Current assets	**2,340**
Inventories	15
Receivables and other assets	1,976
Cash and cash equivalents	349
Non-current debt	**167**
Liabilities from lease agreements	97
Deferred tax liabilities	70
Current debt	**805**
Trade payables	337
Other current liabilities	468
Effective income tax obligations	0
Net assets sold	**1,788**

c) Total effect of the sale of ESAU & HUEBER GmbH

in EUR thousand	Sept. 30, 2020
Consideration received	0
Net assets disposed of	1,788
Total effect from the partial sale	**-1,788**

The total effect is included in the other income and separately listed under no. 9 as an effect from de-consolidation and transitional consolidations.

d) Net cash outflow from the sale of ESAU & HUEBER GmbH

in EUR thousand	Sept. 30, 2020
Sale price settled by cash and cash equivalents	0
Less: cash and cash equivalents disposed of with the sale	-349
Net cash outflow from the sale	**-349**

Other segment

In the fiscal year of 2020, there were no changes in the “Other” segment.
Effects arising from initial consolidation and deconsolidation are subsumed in the following disclosures under Changes in the basis of consolidation.

3. CONSOLIDATION POLICIES

The assets and liabilities of the German and foreign companies included in the consolidated financial statements are stated according to the uniform accounting policies applicable throughout the BAUER Group. Mutual receivables and liabilities as well as expenses and income between consolidated companies are eliminated. 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. In respect of subsidiaries consolidated for the first time, the identifiable assets, liabilities and contingent liabilities of the acquired companies were recorded at their applicable fair values at the time of 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 equal to or greater than the carrying amount of the participating interest, no further losses are recognized, unless a consolidated Group company has entered into obligations or made payments on behalf of the associated company.

Non-controlling interests are a part of earnings and net assets which is not allocable to the Group. Earnings pertaining to these interests are therefore recognized separately from the share in earnings allocable to the shareholders of the parent company in the income statement. In the balance sheet, these earnings are recognized in equity, separately from the equity allocable to the shareholders of the parent company. The 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

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

For the Construction and Resources segments:

- Determining the percentage of completion,
- Estimating the total order costs,
- Estimating the total contract revenues; this also includes only recording the earnings from contract extensions and change orders if it is highly probable that there will not be a material cancellation equal to the recorded amount in the future,
- Estimating the extent of the customer's willingness to accept contractual amendments and change orders,
- Estimating the date of project completion,
- Estimating the productivity in project execution.

For all segments:

- Estimating the valuation allowance for expected credit losses on financial assets,
- Determining whether leasing relationships exist,
- Examining whether there is a transfer of the significant opportunities and risks associated with ownership to the lessee as part of leasing transactions,
- Financial assets can be reported at fair value in the profit and loss regardless of the measurement category,
- Application of the risk management strategy in hedging transactions,
- Assets that are to be sold must be examined to determine whether they can be sold immediately as well as to determine whether the sale is highly likely. If this is the case, the assets and, if applicable, any debts that will be transferred with them in the same transaction, should be reported as “Assets held for sale” and, if applicable, “Debts associated with assets held for sale” and valued appropriately.

In the consolidated financial statements, assumptions and estimates must be made by management which influence the amounts and recognition of assets and liabilities, income and expenses recorded, as well as contingent liabilities.

The assumptions and estimates relate primarily to:

- determination of the useful economic life of intangible assets and property, plant and equipment,
- determination of discounted cash flows as part of the impairment test,
- estimation of residual value guarantees and purchase options for leasing liabilities,
- estimation of lease renewal options,
- assessment of projects until their completion, in particular with regard to the accounting for contract modifications as well as the timing and level of profit recognition,
- measurement of expected credit losses,
- accounting and evaluation of provisions,
- assessment of the recognition of deferred taxes taking into consideration the expected future business development in accordance with the corporate strategy, and
- the extent of control over the subsidiary.

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. The actual amounts may deviate from the estimated values as a result of developments in these framework conditions which deviate from the assumptions and which fall outside the management's sphere of influence. Estimates and underlying assumptions are continuously reviewed and adjusted prospectively.

Due to the consequences of the COVID-19 pandemic, which remain difficult to forecast, discretionary decisions, assumptions and estimates are subject to a heightened degree of uncertainty. The management has considered all the available information within the scope of potential economic developments when undertaking discretionary decisions and estimates. This information was also used when assessing the potential effects on assets, liabilities, income and expenditure items as well as cash flows. Discretionary decisions, assumptions and estimates are regularly updated on the basis of economic or country-specific developments. All available information is also included as part of the assessment of recoverability of assets as well as the valuation of liabilities. Despite this, the actual amounts may differ from the assessments and estimates made by management and this may have a material impact on the BAUER Group. We refer to the business report of the Combined Management Report for further information.

5. PRINCIPLE 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:

The income from shares accounted for using the equity method will in future be reported as part of EBITDA under the other operating expenses. The background for this change is the inclusion of construction consortia and other companies accounted for using the equity method, for which their operative character is now paramount. The reassignments amount to EUR 9,769 thousand in the 2020 financial year (previous year: 11,225).
In the financial year, the liabilities to consortia were reclassified from within the balance sheet item “Trade payables” into the balance sheet item “Liabilities to companies and participations accounted for using the equity method,” as these are not trade payables. The reassignments amount to EUR 23,710 thousand in the financial year (previous year: 19,950). On January 1, 2019, the reassignments amounted to EUR 9,960 thousand.

Amendments to IFRS 3, “Business Combinations” – Definition of business activities

In order to be considered as a business activity, a purchase must involve resources (inputs) and a substantive process that jointly make a significant contribution to the ability of producing results (outputs). The new regulations provide a framework for the assessment of when a substantive process is present. For example in the case of startups that have not yet generated any sales, the acquisition of an organized workforce is required in order to meet the definition of a business activity.
The definition of the term “outputs” has been redefined more narrowly and now only refers to goods and services for customers, the generation of capital income and other income; as a result, returns in the form of cost savings and other economic benefits will in the future be excluded.
Furthermore, an assessment of whether market participants are in a position to replace acquired inputs and processes or integrate the acquired activities and activities is no longer required.
Companies have the option of carrying out a “concentration test.” This test assesses whether the total fair value of the acquired gross assets is primarily concentrated in a single asset or a group of similar assets. If this is the case, it is concluded that no business activity was acquired. No further review is then required.
The directive on adoption of the amendments by the EU (endorsement) was published in the Official Journal of the EU on April 22, 2020.
The changes to this standard had no impact on the consolidated financial statements for the BAUER Group in the 2020 financial year.

Changes to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of “material”

These changes standardize the definition of materiality in all IFRS documents as well as the framework concept of the IFRS. The new definition is worded as follows: “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

These changes clarify that the reference to obscuring information relates to situations in which the effects are comparable to the effects of omitting or misstating the information. This also means that a company must assess materiality in connection with the financial statement as a whole.

In addition, the meaning of "primary users of general purpose financial statements" is clarified by defining them as "current and potential investors, lenders and other creditors," the majority of whom need to consult the information provided in the financial statements with respect to the financial information they require.

The directive on adoption of the amendments by the EU (endorsement) was published in the Official Journal of the EU on December 10, 2019.
The changes to this standard had no impact on the consolidated financial statements for the BAUER Group in the 2020 financial year.

Changes to IFRS 7, IFRS 9 and IAS 39 – Reform of reference interest rates (IBOR reform)
The changes to IFRS 7, IFRS 9 and IAS 39 provide certain simplifications in connection with the reform of reference interest rates.

These simplifications relate to the accounting of hedge relationships and means that the reform does not always lead to the necessity of hedge accounting termination. However, any ineffectiveness must still be recorded in the income or loss. In view of the widespread use of hedge relationships with IBOR-based contracts, these simplifications relate to companies in all sectors.

In detail, the following significant changes result:
- "highly probable requirement": Both IFRS 9 and IAS 39 require that the hedged future payment flows be "highly probable." The simplification granted by the changes requires a company to assume that the interest rate on which the hedged cash flow is based will not change as a result of the reform. If the hedged cash flows change as a result of the IBOR reform, this does not lead to a breach of the "highly probable requirement" insofar as the simplifications apply.
- Prospective assessments (economic relationship and highly effective hedges): Both IAS 39 and IFRS 9 require a future-oriented prospective assessment in order to be able to apply hedge accounting. IAS 39 requires that the hedge must be expected to be highly effective, while IFRS 9 requires an economic relationship between the underlying hedged item and the hedging instrument. In accordance with the requirements of IFRS 9 and IAS 39, a company must assume that the reference interest rate on which the cash flow of the underlying item, hedging instrument or hedged risk is based will not change as a result of the IBOR reform.
- Exception from retrospective effectiveness test pursuant to IAS 39: The existing uncertainties could also have affected the requirement of retrospective effectiveness pursuant to IAS 39. In particular, the IBOR reform could have resulted in a hedge relationship falling outside the required range of 80-125%. IAS 39 was changed as a result and now includes an exception from the retrospective effectiveness test to the effect that a hedge relationship only needs to be ended during the period of IBOR-related uncertainty if the retrospective effectiveness falls outside the required range of 80-125%.
- Risk components: For some hedge relationships, the underlying hedged item or hedged risk is an IBOR risk component that is not contractually specified. For the application of hedge accounting, both IFRS 9 and IAS 39 require that the designated risk components can be separately identified and reliably assessed. According to the changes to IFRS 9 and IAS 39, the risk components only need to be separately identifiable at the time of the initial designation of the hedge relationship and not on an ongoing basis. In the context of a macro hedge for which a company regularly resets a hedge relationship, the simplification applies from the point in time when an underlying hedged item was first designated as part of this hedge relationship.
- Disclosures: The changes to IFRS 7 require disclosure of the nominal amount of the hedge instrument to which the simplifications are applied, all significant assumptions or assessments that were reached when applying the simplifications, as well as qualitative information concerning how the IBOR reform is affecting the company and how the company is managing the transition process.

The directive on adoption of the amendments by the EU (endorsement) was published in the Official Journal of the EU on January 16, 2020.
The BAUER Group has already been using the simplification in advance since the 2019 financial year. We refer to the “Interest rate risks” section with regard to further disclosures.

Revised IFRS conceptual framework
The IASB has published a revision of its conceptual framework for accounting that is directly applied when creating new standards and interpretations. The material changes are:

- Increase in the significance of accountability or responsibility of the management (stewardship) for the goals of financial reporting (provision of information about distributing resources that is useful for making decisions),
- Emphasizing the principle of prudence, which is defined as exercising caution when making judgements under uncertain conditions as a way of supporting neutrality,
- The definition of an entity that is subject to reporting obligations; this can be a legal entity or part of a legal entity,
- Revision of the definition of an asset as a present economic resource controlled by the entity as a result of past events,
- Revision of the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events,
- Removal of the probability thresholds when formulating and adopting additional guidelines for the disposal of assets and liabilities,
- Inclusion of additional clarifications on the different assessment concepts and factors to be considered when selecting them,
- Identification of profit or loss as primary performance indicators and statement that income and expenses recorded in other comprehensive income must be reclassified into profit or loss (recycling) provided that this results in a more relevant and faithful representation of information in the financial statement.

No existing IFRS are changed by the revision of the conceptual framework. Nevertheless, companies that develop their own accounting principles with respect to the conceptual framework in case of missing IFRS regulations are, from January 1, 2020, required to use the modified conceptual framework as a basis and consider whether their previous accounting principles are still applicable.
The directive on adoption of the amendments by the EU (endorsement) was published in the Official Journal of the EU on December 6, 2019.
The changes had no impact on the consolidated financial statements for the BAUER Group.

The following changes must be applied no later than June 1, 2020 for financial years beginning on or after January 1, 2020:

Changes to IFRS 16: Rent concessions related to COVID-19
As a result of the COVID-19 pandemic, lessees were granted rent concessions in various forms (e.g. payment waivers or suspension of lease payments). In May 2020, the IASB published a modification of the IFRS 16 which contains an optional simplification for lessees allowing them an exemption from assessing whether a COVID-19-related rent concession is a lease modification pursuant to IFRS 16. Instead, lessees can treat such rent concessions as if they were not a lease modification. In many cases, this could result in rent concessions being accounted for as variable lease payments in the periods in which the event or condition occurs which triggers the lower payment.

Companies that make use of this simplification rule must indicate this fact as well as whether the simplification was applied to all eligible lease contracts, and if not, not, the nature of the contracts to which they have applied. Furthermore, the amount recorded in the profit or loss from rent concessions must be disclosed.

No comparable simplification exists for lessors.
The directive on adoption of the amendments by the EU (endorsement) was published in the Official Journal of the EU on October 12, 2020.

The BAUER Group did not make use of this option in the 2020 financial year.
Moreover, the IASB and the IFRIC have adopted further standards, interpretations and amendments, as listed below, some of which will only become binding from the financial year 2021 or have not yet been recognized by the EU.

Standard/Interpretation/Amendment	To be applied as of financial year	Endorsement takes place
Changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reform of reference interest rates (IBOR reform) Phase 2	2021	Yes
Amendments to IFRS 3, Business Combinations: Reference to the conceptual framework (change in previously applicable definitions of assets and liabilities)	2022	No; planned 2nd half of 2021
Changes to IAS 16: Proceeds before the intended use of property, plant or equipment	2022	No; planned 2nd half of 2021
Changes to IAS 37: Onerous contracts – Cost of fulfilling a contract	2022	No; planned 2nd half of 2021
Annual improvements to IFRS (Cycle 2018 - 2020): • Changes to IFRS 1: Subsidiary as first-time operator • Changes to IFRS 9: 10% test for modifications • Changes to the explanatory examples for IFRS 16 • Changes to IAS 41 – Consideration of taxes	2022	No; planned 2nd half of 2021
IFRS 17 “Insurance contracts”	2023	No
Change to IAS 1: Classification of liabilities as current or non-current	2023	No
Changes to IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate/joint venture	n/a	n/a

The BAUER Group had not implemented early application of these standards by December 31, 2020. 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 functional currency concept. Accordingly, assets and liabilities are translated at the rate applying on the balance sheet date, the income statement items at the average rate and the equity items at the historical exchange rate. The resulting differences from the currency translation are recorded as other income and recognized cumulatively in the provision for currency translation losses stated under equity until the foreign operations are sold.

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

1 EUR corresponds to		Annual average		Balance sheet date value	
		2019	2020	2019	2020
Egypt	EGP	18.82985	18.06133	18.01000	19.25600
Argentina	ARS	53.92740	81.04471	67.19490	102.90230
Australia	AUD	1.61091	1.65492	1.59950	1.58960
Bulgaria	BGL	1.95580	1.95580	1.95580	1.95580
Chile	CLP	787.10502	902.46420	843.91000	869.65000
China	CNY	7.73588	7.87470	7.82050	8.02250
Georgia	GEL	3.15553	3.54908	3.21120	4.03230
Ghana	GHS	5.99909	6.54834	6.29880	7.20540
Great Britain	GBP	0.87783	0.88970	0.85080	0.89903
Hong Kong	HKD	8.77145	8.85870	8.74730	9.51420
India	INR	78.83808	84.63916	80.18700	89.66050
Indonesia	IDR	15,834.37327	16,627.36872	15,595.60000	17,240.76000
Japan	JPY	122.00221	121.84576	121.94000	126.49000
Jordan	JOD	0.79363	0.80977	0.79610	0.86730
Canada	CAD	1.48538	1.52999	1.45980	1.56330
Qatar	QAR	4.07674	4.16006	4.08800	4.46930
Lebanon	LBP	1,691.61294	1,726.66992	1,697.90000	1,856.00000
Malaysia	MYR	4.63738	4.79590	4.59530	4.93400
Morocco	MAD	10.76664	10.82413	10.73960	10.90400
Mexico	MXP	21.22020	24.51935	21.55699	24.41600
New Zealand	NZD	1.69982	1.75610	1.66530	1.69840
Oman	OMR	0.43096	0.43969	0.43201	0.47095
Panama	PAB	1.11958	1.14190	1.12280	1.22750
Peru	PEN	3.73670	3.99206	3.72370	4.44610
Philippines	PHP	57.98312	56.61495	56.90000	59.12500
Poland	PLN	4.29763	4.44305	4.25680	4.55970
Romania	RON	4.74528	4.83828	4.78300	4.86830
Russia	RUB	72.45296	82.72480	69.95630	91.46710
Saudi Arabia	SAR	4.19831	4.28547	4.21010	4.59200
Sweden	SEK	10.58826	10.48475	10.44680	10.03430
Switzerland	CHF	1.11234	1.07052	1.08540	1.08020
Singapore	SGD	1.52729	1.57424	1.51110	1.62180
South Africa	ZAR	16.17619	18.76548	15.77730	18.02190
Taiwan	TWD	34.60970	33.59438	33.57970	34.48770
Thailand	THB	34.75352	35.70806	33.41500	36.72700
Turkey	TRY	6.35534	8.05472	6.68430	9.11310
Hungary	HUF	325.30448	351.24938	330.53000	363.89000
United Arab Emirates	AED	4.11170	4.19490	4.12460	4.49340
United States of America	USD	1.11948	1.14220	1.12340	1.22710
Vietnam	VND	26,005.41177	26,528.36328	26,018.00000	28,331.00000

Intangible assets

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

Assets which have an indefinite useful life, such as goodwill, are not subjected to scheduled amortization but are impairment tested each year, or when relevant indications arise. The goodwill is the amount by which the acquisition 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 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.

Research and development costs are generally charged as expenditure in the financial year in which they occurred, in accordance with IAS 38. Exceptions to this are certain development costs which are capitalized where it is probable that a future economic benefit will be drawn from the development project and the costs incurred can be measured reliably. In addition, the following criteria in accordance with IAS 38.57 must be met:

- technical feasibility of completion of the intangible asset so that it will be available for use or sale,
- intention to complete the intangible asset and to use or sell it,
- ability to use or sell the intangible asset,
- evidence of how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- the ability to 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 value in use or net realizable value. 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 price of acquisition plus any directly attributable incidental acquisition costs, such as site preparation costs, delivery costs, assembly costs, estimated costs for subsequent demolition and clearance of the asset or similar costs, minus any purchase price reductions such as rebates, bonuses, discounts or similar 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

Depreciation losses on property, plant and equipment are recognized in accordance with IAS 36 where the carrying amount exceeds the 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 level of depreciation losses is explained in accordance with IAS 36 under “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.

Impairment of assets or cash-generating units

The BAUER Group reviewed the carrying amounts of the intangible assets at EUR 15,889 thousand (previous year: EUR 16,946 thousand), property, plant and equipment at EUR 458,892 thousand (previous year: EUR 474,392 thousand) and financial assets valued using the equity method at EUR 21,964 thousand (previous year: EUR 57,487 thousand) to determine whether there was any indication of impairment of assets or cash-generating units as at June 30, 2020 and December 31, 2020. The review did not result in any impairments as at the balance sheet date.

In the fundamental impairment analyses of cash-generating units, the BAUER Group determines the recoverable amount as the higher value of the value in use and the fair value less any costs to sell, and compares this with the corresponding carrying amount. 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. For example, project risks and individual company risks as well as risks associated with the COVID-19 pandemic are represented in the calculation through the payment flows. 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, 2020, the risk-adjusted interest rate (WACC – Weighted Average Cost of Capital), which is determined specifically for the respective cash-generating unit, was 8.04% after tax less the country risk premium. 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, from 28.08% to 32.14% in Germany and from 0% to 38% internationally. 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 1%. 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. Due to the overall stable order backlog, an increase in total revenues is anticipated for 2021. Nevertheless, the COVID-19 pandemic and associated measures will continue to impact the business in 2021. 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 2021, a recovery of investments in the Equipment segment compared to the previous year is expected starting from the middle of the year, but further development of the COVID-19 pandemic that differs in the individual regions will remain a factor of uncertainty. We are therefore expecting that it will take the markets the next two or three years to fully recover once again. In addition, scenarios are 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 for the companies in the Equipment segment (alternative growth discount 0.00%). These show that there is no need for impairment even in a worst case scenario and taking into account sensitivity.

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 de facto fixed payments, less any leasing incentives which are due,
- 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 5.00%. 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.
However, the original interest which was applied is retained if, for example, expected payments are changed.
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.

Application simplifications exist for short-term and low value leasing relationships in accordance with 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 items of office furniture, where the price for the new item is 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.
Furthermore, the accounting provisions set out in IFRS 16 are not applied to leasing relationships which relate to intangible assets. In principle, IAS 38 is still applied to leasing relationships for intangible assets. The sale-and-lease-back transactions are primarily of a short-term nature and are not of key importance 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 on point in 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) or, on determining the carrying amount of the asset, are deducted from the Assets side (Investment subsidy).

Business combinations

Accounting for acquisitions of subsidiaries is carried out in accordance with IFRS 3 based on 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. Existing contracts with the acquired entity at the date of acquisition, except those under the terms of IFRS 16, are analyzed and reclassified where appropriate.

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 the said materiality limits are exceeded, borrowing costs for qualified assets are capitalized. Other financing costs are recognized as ongoing expenditure under "Financial expenses."

Investments accounted for using the equity method

Associated companies

According to IAS 28, an associated company is any entity over which the 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's share in the associated company. Non-realized losses are likewise eliminated, unless the transaction implies an impairment of the transferred asset.

In the event of indicators that would suggest a potential impairment, an impairment test in accordance with IAS 36 is carried out on the total equity carrying amount. 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. Joint arrangements recognized using the equity method include joint ventures as well as the Arbeitsgemeinschaften ("ARGE") consortia specific to Germany, with there being a difference between provision consortia and umbrella consortia. Both consortia are subject to the regulations of IFRS 11.

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

An umbrella consortium, on the other hand, is always recognized without any effect on profit and loss. The compensation claims between umbrella consortium and client are identical to the compensation claims between the individual consortia and the umbrella consortium. The umbrella consortium transfers all payments received from the client in full to the individual consortia. Bauer as a partner in an umbrella consortium accounts for the assets at its disposal and the liabilities it itself incurs, as well as its own expenses, and recognizes the income from such activities on a pro-rata basis in its sales revenues.

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

Joint operations

Joint operations are joint arrangements in which the parties assume joint control and hold rights in the assets as well as obligations with regard to the liabilities of the arrangement. The contractually agreed joint control of the arrangement jointly 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.
Under IFRS 9, financial assets are classified and measured as debt instruments, equity instruments in the sense of 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)

The fair value option for financial assets or financial liabilities under IFRS 9 was not exercised.

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 subsequent measurement of financial assets depends on the classification on the categories in accordance with the requirements of the IFRS 9 and takes place either under amortized 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.

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 provisions of IFRS 9. However, for reasons of immateriality, no valuation allowances are recorded.

At initial recognition, trade receivables are recorded at the transaction price. 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.

As a general rule, financial assets representing equity instruments as per IAS 32 are generally to be classified as fair value through profit or loss and recognized in net income. 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). Here, in line with IFRS 9, impairments for expected credit losses are recorded for all financial assets valued at amortized cost and for 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 and for contract assets recorded as per IFRS 15, the simplified approach is used, which accounts for credit losses expected over the contract period as 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 within the area of applicability of IFRS 9, which cumulatively meets the following criteria:

- 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 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 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 2020 financial year, hedge accounting was used for cash flow hedges.

The market values of the derivatives are calculated on the basis of the conditions prevailing at the balance sheet date, such as interest or exchange rates, and applying recognized models, such as discount cash flow or option price models. The market values of the foreign exchange forward contracts are defined on the basis of current reference prices, taking into account 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 level of depreciation losses for impairment on inventories is explained in accordance with IAS 2 under “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. Revenues and contract modifications (contract amendments and change orders) are recognized in accordance with IFRS 15 if it is highly probable that these contract modifications will not result in a material 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. At regular intervals, BAUER AG assesses restrictions as part of estimating the variable consideration that must be integrated into the transaction price. This estimate is based on all information and values based on experience from past projects that are available on the reporting date. If the price change has yet to be confirmed, an adjustment is made to the reported sales taking into account any restrictions. 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. 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. Where necessary, amounts are recorded under provisions in accordance 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 assets and liabilities are to be offset if a legally enforceable right to set off current tax assets against current tax liabilities exists. Offsetting should also be carried out if the deferred tax assets and liabilities relate to income taxes levied by the same tax authority in respect of:

- either the same taxable entity or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the 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% and 32.14%). Outside Germany, income tax rates of between 0.00% and 38.00% are applied (previous year: 0.00% and 35.00%).

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.

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 which 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 created in accordance with IAS 37 where a present obligation arises from a past event, a relevant claim is more likely than unlikely, and the amount of the claim can be reliably estimated. The provisions are stated at their 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.

Income and expenses

Proceeds from contracts with customers is realized after deducting value-added tax and other taxes, reduced by anticipated losses in income. Proceeds from the sale of machines and equipment, as well as corresponding accessories, and other income are recorded when a Group company has performed a service and the risk has been transferred to the customer. This falls under the category of sales revenues based on point in time. We refer to the “Construction contracts” section with regard to sales revenues from construction contracts. Sales revenues from the rental of used machines relate to operating lease relationships with customers. With regard to accounting, we refer to the clarifications on accounting for lessor transactions in this section. At the BAUER Group, the transaction price is subject to country-specific payment terms. These are usually 30 days in Germany. Warranty provisions are formed for anticipated warranty obligations.

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

6. GROUP SEGMENT REPORTING

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

The BAUER Group comprises the Construction, Equipment and Resources segments. Transactions between the segments are conducted at market prices.
SCHACHTBAU NORDHAUSEN GmbH 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 core business of the **Construction segment** is specialist foundation engineering. Complete excavation pits and foundation works, often in difficult construction soil conditions, are carried out for major infrastructure projects and buildings. In order to provide customers with a full range of services, the companies of the BAUER Group additionally offer other construction services, often involving a major specialist foundation engineering element. The Construction segment is founded on the close interlinking of all construction activities. In the financial year, SPESA Spezialbau und Sanierung GmbH and SCHACHTBAU NORDHAUSEN Bau GmbH were reclassified from the Construction segment into the Resources segment because the strategic orientation of both companies will be aligned with this segment in the future. The previous year was adjusted accordingly.

Equipment

In the **Equipment segment**, construction equipment for all specialist foundation engineering methods and for deep drilling is developed and manufactured for worldwide distribution. The specialist foundation engineering equipment can be employed to produce large-diameter and small-diameter bores for piles, diaphragm walls, anchors, injections and wells. Equipment for pile driving and ground improvement is also manufactured. The range is supplemented by a wide selection of attachments and ancillary equipment, covering all the processes involved in specialist foundation engineering.

Resources

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

Other

The **Other** segment comprises the central services (accounting, personnel, IT etc.) provided by BAUER AG to the Group companies as well as other units not assignable to the separately listed segments, providing services such as in-house and external education and training and centralized research and development.
In the 2020 financial year, EUR 20,005 thousand (previous year: 42,251) 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 segments.The distribution payments stated in the “Other” 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 segments' assets and liabilities incorporate all the assets and liabilities of the Group. The non-current assets stated in the segment report by region comprise intangible assets 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, from our subcontractor shares in joint ventures, and from the revenues of non-consolidated companies.

The sales revenues with third parties are allocated to the business segments according to the customer's location.
No 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.

Group segment reporting

SEGMENT REPORT BY BUSINESS SEGMENT	Construction		Equipment	
in EUR thousand	2019 *	2020	2019	2020
Total Group revenues	**628,848**	**668,964**	**713,652**	**610,735**
Sales revenues with third parties	589,152	610,350	610,190	491,462
Sales revenues between business segments	14,506	2,827	45,934	67,375
Changes in inventories	-23	0	30,401	-17,202
Other own work capitalized	798	536	4,706	3,898
Other income	15,923	20,748	2,743	48,881
Consolidated revenues	**620,356**	**634,461**	**693,974**	**594,414**
Income from shares accounted for using the equity method	3,083	1,821	-2,444	1,139
Earnings before interest, tax, depreciation and amortization (EBITDA)	**27,428**	**74,569**	**99,467**	**73,970**
Depreciation of fixed assets	-44,784	-50,267	-24,916	-27,376
Write-downs of inventories due to use	0	0	-15,806	-16,534
Earnings before interest and tax (EBIT)	**-17,356**	**24,302**	**58,745**	**30,060**
Financial income	11,433	17,846	12,846	9,286
Financial expenses	-28,855	-30,980	-26,684	-22,123
Income tax expense	-18,067	-16,131	-5,411	-6,256
Earnings after tax	**-52,845**	**-4,963**	**39,496**	**10,967**
ADDITIONAL INFORMATION ON THE INCOME STATEMENT				
Sales revenues with third parties based at a point in time	0	0	610,190	491,462
Sales revenues with third parties based over time	589,152	610,350	0	0
Unscheduled depreciation of fixed assets	-8	-486	-634	-669
Major non-cash segment items				
Depreciation losses on financial assets	0	0	0	0
Depreciation losses for impairment on inventories	-43	-103	-12,472	-15,553
Allocation of valuation allowances for receivables	-25,307	-8,471	-2,711	-2,812
Reversal of valuation allowances for receivables	5,715	718	1,934	797
ADDITIONAL INFORMATION ON THE BALANCE SHEET				
SEGMENT ASSETS DECEMBER 31	**604,408**	**593,373**	**762,660**	**744,043**
of which shares in companies accounted for using the equity method	10,924	2,040	56,194	11,955
of which capital investments in fixed assets	87,906	86,976	44,254	40,512
SEGMENT LIABILITIES DECEMBER 31	**502,884**	**467,719**	**447,155**	**424,700**

SEGMENT REPORT BY REGION	Germany		EU (excluding Germany)		Europe (other)	
in EUR thousand	2019	2020	2019	2020	2019	2020
Total Group revenues	**518,668**	**416,873**	**260,035**	**186,768**	**70,143**	**112,594**
Sales revenues with third parties	477,371	385,588	243,822	217,507	65,985	73,345
Intangible assets, property, plant and equipment, December 31	228,319	216,316	32,922	40,009	18,130	27,829

* Previous year's figure adjusted; SPESA Spezialbau und Sanierung GmbH and SCHACHTBAU NORDHAUSEN Bau GmbH were reclassified from the Construction segment into the Resources segment.

Resources		Other		Consolidation		Group	
2019 *	2020	2019	2020	2019	2020	2019	2020
314,809	**268,807**	**90,503**	**69,134**	**-153,094**	**-164,005**	**1,594,718**	**1,453,635**
269,992	240,126	1,588	1,303	0	0	1,470,922	1,343,241
5	2,561	42,104	43,580	-102,549	-116,343	0	0
2,000	413	0	0	0	0	32,378	-16,789
1,322	541	0	0	2,697	3,077	9,523	8,052
6,486	122	43,336	20,087	-43,620	-23,059	24,868	66,779
279,805	**243,763**	**87,028**	**64,970**	**-143,472**	**-136,325**	**1,537,691**	**1,401,283**
10,586	6,836	0	0	0	0	11,225	9,796
7,868	**15,763**	**28,959**	**24,634**	**-29,450**	**-23,689**	**134,272**	**165,247**
-12,933	-13,894	-3,957	-3,264	1,830	1,625	-84,760	-93,176
0	0	0	0	0	0	-15,806	-16,534
-5,065	**1,869**	**25,002**	**21,370**	**-27,620**	**-22,064**	**33,706**	**55,537**
7,611	2,568	7,222	4,895	-5,370	-1,548	33,742	33,047
-14,144	-8,653	-14,453	-12,048	5,370	1,548	-78,766	-72,256
-2,039	-3,002	452	861	-167	-22	-25,232	-24,550
-13,637	**-7,218**	**18,223**	**15,078**	**-27,787**	**-22,086**	**-36,550**	**-8,222**
59,211	57,566	1,588	1,303	0	0	670,989	550,331
210,781	182,560	0	0	0	0	799,933	792,910
-108	-709	0	0	0	0	-750	-1,864
0	0	0	0	0	0	0	0
-304	-198	0	0	0	0	-12,819	-15,854
-9,752	-4,595	0	0	0	0	-37,770	-15,878
945	343	0	0	0	0	8,594	1,858
287,510	**221,224**	**408,094**	**337,427**	**-434,123**	**-352,082**	**1,628,549**	**1,543,985**
51,067	62,194	0	0	0	0	118,185	76,189
14,103	8,975	4,224	2,204	517	-299	151,004	138,368
216,457	**128,103**	**178,957**	**210,499**	**-103,820**	**-52,559**	**1,241,633**	**1,178,462**

Middle East and Central Asia		Asia-Pacific Far East and Australia		Americas		Africa		Group	
2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
208,410	**199,048**	**265,684**	**193,168**	**192,101**	**271,481**	**79,677**	**73,703**	**1,594,718**	**1,453,635**
177,634	180,918	257,684	181,989	172,889	230,759	75,537	73,135	1,470,922	1,343,241
49,343	44,914	102,740	90,027	29,314	34,835	16,648	13,155	477,416	467,085

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

7. SALES REVENUES

The sales revenues generated in the amount of EUR 1,343,241 thousand (previous year: 1,470,922) 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 18,997 thousand in the financial year (previous year: 20,946). 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	2019	2020
Sales revenues	1,470,922	1,343,241
Changes in inventories	32,378	-16,789
Other own work capitalized	9,523	8,052
Other income	24,868	66,779
Consolidated revenues	**1,537,691**	**1,401,283**
Subcontractor share in consortia	11,019	5,731
Revenues of associated companies and joint ventures	40,602	40,354
Revenues of non-consolidated companies	19,130	28,963
Intra-group revenues	-13,724	-22,696
Total Group revenues	**1,594,718**	**1,453,635**

Sales revenues also include EUR 6,160 thousand in net out-of-period sales (previous year: 5,720) resulting from final invoice agreements and sales corrections in the Construction segment. In addition, due to an individual valuation allowance resulting from a court decision, EUR 40,327 thousand was recorded as an out-of-period result with a reduction effect on income in the previous year. 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 which 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	Dec. 31, 2019	Dec. 31, 2020
Unfulfilled contractual obligations	600,473	730,575
Expected realization within 1 year	428,591	455,503
Expected realization in 1 to 5 years	171,284	275,072
Expected realization after 5 years	598	0

8. OTHER OWN WORK CAPITALIZED

in EUR thousand	2019	2020
Income from other own work capitalized	9,523	8,052

9. OTHER INCOME

in EUR thousand	2019	2020
Income from disposal of property, plant and equipment	5,354	5,517
Income from insurance refunds	3,456	2,585
Other income from rentals	85	229
Effects from de-consolidation and transitional consolidations	124	48,195
Other operating income	15,849	10,253
Total	**24,868**	**66,779**

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

10. COST OF MATERIALS

in EUR thousand	2019	2020
Expenses for raw materials and supplies and purchased goods	508,740	396,860
Expenses for purchased services	274,386	229,252
Total	**783,126**	**626,112**

The expenses for purchased services included short-term external device rentals in the amount of EUR 26,472 thousand (previous year: 23,024). 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	2019	2020
Wages and salaries	356,557	331,509
Social security contributions	54,794	54,147
Expenses for retirement benefits	7,454	9,242
Total	**418,805**	**394,898**

The employer's pension contributions in the financial year totaled EUR 22,874 thousand (previous year: 24,002).
These are contribution-based schemes, as explained under 5.2 "Significant accounting policies in the Group". Of that total, EUR 19,325 thousand (previous year: 19,180) relate to Germany and EUR 3,549 thousand (previous year: 4,822) relate to other countries. The wages and salaries include severance payments in the amount of EUR 1,842 thousand (previous year: 1,612).
Government grants in connection with the COVID-19 pandemic are deducted from personnel expenses and amounted to EUR 5,364 thousand in 2020 (previous year: 0).

12. OTHER OPERATING EXPENSES

in EUR thousand	2019	2020
Losses from disposal of property, plant and equipment	3,803	1,380
Leasing expenses	19,456	17,122
Energy, heating, water	5,528	3,712
Vehicle costs	4,790	5,042
Property, motor vehicle and transport insurance	11,362	11,578
Other operating expenses	13,537	11,316
Administrative expenses	41,530	37,848
Distribution costs	45,946	30,152
Other employee-related expenses	16,011	16,124
Result from valuation allowances of receivables	14,842	15,929
Bank charges	2,934	2,224
Duties	5,165	5,062
Accrued expenses	7,160	5,309
Losses from disposal of investments accounted for using the equity method	0	41,373
Other taxes	7,295	4,768
Additional other operating expenses	13,354	15,883
Total	**212,713**	**224,822**

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 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 18,847 thousand (previous year: 13,697) resulting from the reversal of provisions, valuation allowances of receivables, derecognition of liabilities and written off receivables. We refer to section 37 for further disclosures regarding the valuation allowances.
The leasing expenses include the expenses arising from short-term leasing relationships in the amount of EUR 16,663 thousand (previous year: 19,346) and low-value leasing expenses in the amount of EUR 459 thousand (previous year: 110). This does not include variable leasing payments that are not contained in the evaluation of the leasing liability.

13. 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 9,796 thousand (previous year: 11,225) and includes the income and loss shares of associated joint ventures that were evaluated in accordance with the equity method. No devaluation took place in this financial year or in the previous year.

The item “Income from shares accounted for using the equity method” was reclassified in this financial year and became part of the “Earnings before interest, tax, depreciation and amortization (EBITDA)” for the first time. Reporting this item in the “Financial result” implies a pure interest to hold the shares as a financial participation. The background for the change is the inclusion of construction consortia and other companies accounted for using the equity method, for which their operative character is now paramount. The previous year’s figures were adjusted accordingly. The reassignments amount to EUR 9,796 thousand in this financial year (previous year: 11,225). In the 2018 financial year the reassignments amounted to EUR 4,594 thousand.

in EUR thousand	2019	2020 *
Income from equity participations	7,904	7,752
Expenses from equity participations	-4,367	-772
Impairment expenses	0	0
Income from consortia	7,828	3,306
Losses from consortia	-140	-490
Total	**11,225**	**9,796**

* Results of companies fully consolidated as at July 31, 2020; only included on a pro rata temporis basis until transitional consolidation

14. DEPRECIATION AND AMORTIZATION

Depreciation is as follows:

in EUR thousand	2019	2020
Depreciation of intangible assets	6,329	7,310
Depreciation of property, plant and equipment	78,431	85,866
Total	**84,760**	**93,176**

Impairments of fixed assets are explained under item 20.2, “Property, plant and equipment.”

15. WRITE-DOWNS OF INVENTORIES DUE TO USE

Write-downs of inventories due to use in the financial year totaled EUR 16,534 thousand (previous year: 15,806). This related to depreciation of used machinery temporarily rented out to customers as sales promotion measures. Depreciation of used machinery disposed of in the 2020 financial year is included in these figures.

FINANCIAL RESULT

16. FINANCIAL INCOME

The financial income is broken down as follows:

in EUR thousand	2019	2020
Income from operating participations	132	1,311
Other interest and similar income	9,500	4,136
Income from changes in fair values of interest rate swaps	2,998	1,882
Income from foreign currency translation from financing activities	21,112	25,718
Total	**33,742**	**33,047**

17. FINANCIAL EXPENSES

The financial expenses are broken down as follows:

in EUR thousand	2019	2020
Interest and similar expenses	35,771	27,277
Depreciation losses on financial assets	0	0
Losses from changes in fair values of interest rate swaps	17,769	9,317
Interest portions of allocations to provisions for pensions and similar obligations	2,747	1,954
Losses from foreign currency translation from financing activities	22,479	33,708
Total	**78,766**	**72,256**

The interest from lease transactions included under “Interest and similar expenses” in the financial year totaled EUR 1,976 thousand (previous year: 2,032). The financial result includes interest income from financial assets in an amount of EUR 4,119 thousand (previous year: 9,438) and interest expenses from financial liabilities in an amount of EUR 25,276 thousand (previous year: 34,987) which were not measured at fair value affecting profit and loss.

18. INCOME TAX EXPENSE

The income tax expense is broken down as follows:

in EUR thousand	2019	2020
Actual taxes	33,234	28,416
Deferred taxes	-8,002	-3,866
Total	**25,232**	**24,550**

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 -205 thousand (previous year: -1,682).

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	2019	2020
Earnings before tax (EBT)	-11,318	16,328
Theoretical tax expenditure 28.08% (previous year: 28.08%)	-3,178	4,585
Reconciliation		
Differences in tax rate	6,254	1,698
Taxation effects of non-deductible expenses and tax-free income	8,296	-1,875
Effects of deviations in the tax calculation base	1,609	5,101
Valuation of associated companies using the equity accounting method	-2,881	-2,751
Out-of-period tax payments/refunds for previous years	1,563	5,492
Effects of deferred tax assets in respect of losses carried forward and temporary differences	13,347	12,500
Other	222	-200
Income tax expenses	**25,232**	**24,550**

The tax effects of the non-deductible expenses and tax-free earnings contain effects from transitional and de-consolidations to the amount of EUR -1,981 thousand (previous year: -35). Internal disbursements result in taxation effects after December 31, 2019 totaling EUR 342 thousand (previous year: 342).

19. EARNINGS PER SHARE

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

	2019	2020
Earnings after tax attributable to the shareholders of BAUER AG, in EUR thousand	**-37,146**	**-8,397**
Number of shares from January 1 to December 8	17,131,000	17,131,000
Number of shares from September 9 to December 31	17,131,000	18,844,066
Weighted average number of shares in circulation in financial year (basic)	17,131,000	17,273,756
Weighted average number of shares in circulation in financial year (diluted)	17,131,000	17,273,756
Basic earnings per share in EUR	**-2.17**	**-0.48**
Diluted earnings per share in EUR	**-2.17**	**-0.48**

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

20. FIXED ASSETS

20.1 Intangible assets

in EUR thousand Acquisition and/or Manufacturing costs	Licenses, software and similar rights and values	Goodwill	Internally generated intangible assets Capitalized software costs	Internally generated intangible assets Capitalized development costs	Total
January 1, 2019	**37,225**	**2,186**	**0**	**40,239**	**79,650**
Change in basis of consolidation	0	0	0	0	0
Additions	1,209	0	0	4,027	5,236
Disposals	1,728	0	0	304	2,032
Transfers	0	0	0	0	0
Currency adjustment	13	0	0	2	15
December 31, 2019	**36,719**	**2,186**	**0**	**43,964**	**82,869**

in EUR thousand Accumulated depreciation	Licenses, software and similar rights and values	Goodwill	Internally generated intangible assets Capitalized software costs	Internally generated intangible assets Capitalized development costs	Total
January 1, 2019	**32,079**	**2,186**	**0**	**27,308**	**61,573**
Change in basis of consolidation	0	0	0	0	0
Additions	2,351	0	0	3,397	5,748
Disposals	1,717	0	0	288	2,005
Impairment expenses	141	0	0	440	581
Transfers	0	0	0	0	0
Currency adjustment	26	0	0	0	26
December 31, 2019	**32,880**	**2,186**	**0**	**30,857**	**65,923**
Carrying amount December 31, 2019	**3,839**	**0**	**0**	**13,107**	**16,946**

in EUR thousand Acquisition and/or Manufacturing costs	Licenses, software and similar rights and values	Goodwill	Internally generated intangible assets Capitalized software costs	Internally generated intangible assets Capitalized development costs	Total
January 1, 2020	**36,719**	**2,186**	**0**	**43,964**	**82,869**
Change in basis of consolidation	-776	0	0	6,400	5,624
Additions	1,025	0	0	3,915	4,940
Disposals and reclassifications pursuant to IFRS 5	339	0	0	20,062	20,401
Transfers	37	0	0	-11	26
Currency adjustment	-412	0	0	0	-412
December 31, 2020	**36,254**	**2,186**	**0**	**34,206**	**72,646**

in EUR thousand **Accumulated depreciation**	Licenses, software and similar rights and values	Goodwill	Internally generated intangible assets Capitalized software costs	 Capitalized development costs	Total
January 1, 2020	**32,880**	**2,186**	**0**	**30,857**	**65,923**
Change in basis of consolidation	-767	0	0	-514	-1,281
Additions	2,086	0	0	4,559	6,645
Disposals and reclassifications pursuant to IFRS 5	323	0	0	13,192	13,515
Impairment expenses	161	0	0	505	666
Transfers	0	0	0	0	0
Currency adjustment	-390	0	0	0	-390
December 31, 2020	**33,647**	**2,186**	**0**	**22,215**	**58,048**
Carrying amount December 31, 2020	**2,607**	**0**	**0**	**11,991**	**14,598**

The changes to the basis of consolidation are primarily due to the status change of BAUER Deep Drilling GmbH and the deconsolidation of ESAU & HUEBER GmbH.

Of the total research and development costs and patent costs incurred in 2020, EUR 4,132 thousand (previous year: 4,187) met the capitalization criteria in accordance with IFRS. The following amounts were recognized in net income:

in EUR thousand	2019	2020
Research costs and non-capitalized development costs	18,779	20,231
Depreciation of development costs and patents	3,991	5,175
Research and development costs recognized in net income	**22,770**	**25,406**

20.2 Property, plant and equipment

in EUR thousand **Acquisition and/or manufacturing costs**	Land and Buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and equipment in construction	Total
January 1, 2019 as reported	**303,783**	**567,570**	**87,224**	**10,823**	**969,400**
Transition effect from initial application of IFRS 16	13,692	6,302	2,587	0	22,581
January 1, 2019 corrected	**317,475**	**573,872**	**89,811**	**10,823**	**991,981**
Change in basis of consolidation	0	0	34	0	34
Additions	15,131	77,247	14,330	16,479	123,187
Disposals	4,490	48,623	7,534	317	60,964
Transfers	1,394	8,009	238	-9,641	0
Currency adjustment	1,994	15,656	1,148	433	19,231
December 31, 2019	**331,504**	**626,161**	**98,027**	**17,777**	**1,073,469**

in EUR thousand **Accumulated depreciation**	Land and Buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and equipment in construction	Total
January 1, 2019	**125,737**	**373,657**	**58,435**	**0**	**557,829**
Change in basis of consolidation	0	0	9	0	9
Additions	11,375	55,272	11,615	0	78,262
Disposals	809	29,245	6,303	0	36,357
Impairment expenses	0	169	0	0	169
Transfers	3	-32	29	0	0
Currency adjustment	327	11,976	784	0	13,087
December 31, 2019	**136,633**	**411,797**	**64,569**	**0**	**612,999**
Carrying amount December 31, 2019	**194,871**	**214,364**	**33,458**	**17,777**	**460,470**
of which carrying amount of the rights of use as at December 31, 2019	17,888	38,312	10,670	0	66,870

in EUR thousand **Acquisition and/or manufacturing costs**	Land and Buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and equipment in construction	Total
January 1, 2020	**331,504**	**626,161**	**98,027**	**17,777**	**1,073,469**
Change in basis of consolidation	32,278	11,535	-97	169	43,885
Additions	25,703	76,703	10,567	20,455	133,428
Disposals and reclassifications pursuant to IFRS 5	42,347	78,105	7,459	664	128,575
Transfers	3,105	6,435	174	-9,740	-26
Currency adjustment	-5,854	-34,548	-2,993	-840	-44,235
December 31, 2020	**344,389**	**608,181**	**98,219**	**27,157**	**1,077,946**

The additions of rights of use for the financial year 2020 amount to EUR 27,091 thousand (previous year: 28,691). The depreciations from rights of use in the financial year amounted to EUR 5,605 thousand for land and buildings (previous year: 3,444), for technical equipment and machinery, it amounted to EUR 11,383 thousand (previous year: 10,411), and for other equipment, factory and office equipment it amounted to EUR 3,303 thousand (previous year: 3,377).

in EUR thousand **Accumulated depreciation**	Land and Buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and equipment in construction	Total
January 1, 2020	**136,633**	**411,797**	**64,569**	**0**	**612,999**
Change in basis of consolidation	8,113	8,772	-38	0	16,847
Additions	14,017	59,085	11,566	0	84,668
Disposals and reclassifications pursuant to IFRS 5	10,403	47,964	5,069	-528	62,908
Impairment expenses	1,034	164	0	0	1,198
Transfers	266	-203	-63	0	0
Currency adjustment	-1,259	-23,768	-2,317	-1	-27,345
December 31, 2020	**148,401**	**407,883**	**68,648**	**527**	**625,459**
Carrying amount December 31, 2020	**195,988**	**200,298**	**29,571**	**26,630**	**452,487**
of which carrying amount of the rights of use as at December 31, 2020	23,553	33,888	9,050	0	66,491

The changes to the basis of consolidation for the current financial year in the area of the fixed assets primarily resulted from the status changes of BAUER Manufacturing LLC and BAUER Deep Drilling GmbH as well as the deconsolidation of ESAU & HUEBER GmbH and BAUER Hong Kong Limited. In 2019, the changes in the basis of consolidation were of minor importance.

Items of property, plant and equipment have a carrying amount of EUR 52,032 thousand (previous year: 69,707) and are subject to encumbrances such as mortgages and chattel mortgages.
There are also common restraints on disposal of leased assets, which are attributable to the Group in accordance with IFRS 16 and amount to EUR 66,491 thousand (previous year: 66,870).
No borrowing costs were capitalized in the financial year (previous year: EUR 0 thousand). Fixed assets were impaired by a total of EUR 1,864 thousand in the financial year (previous year: 750) on an unscheduled basis. These depreciations are attributable in the amount of EUR 486 thousand (previous year: 8) to the Construction segment, in the amount of EUR 669 thousand (previous year: 634) to the Equipment segment, in the amount of EUR 709 thousand (previous year: 108) to the Resources segment and in the amount of EUR 0 thousand (previous year: 0) to the Other segment. Of this amount, EUR 666 thousand pertained to intangible assets (previous year: 582) and EUR 1,198 thousand to property, plant and equipment (previous year: 168). The majority of depreciations on intangible assets relate to capitalized development costs in the Equipment segment in the amount of EUR 505 thousand (previous year: 440). The expected market development for lots of pieces of equipment developed in-house was decisive for this. Unscheduled depreciation of property, plant and equipment amounted to EUR 1,034 thousand for land and buildings (previous year: 0) and EUR 164 thousand (previous year: 168) related to technical equipment and machinery. The depreciations were applied on the basis of the recoverable amount. The unscheduled depreciation of land and buildings relate to the impairment of two properties. For the capitalized development costs, this corresponded with the value in use. A discount rate of 8.04% was applied in the financial year (previous year: 6.57%). The recoverable amount of other non-financial assets regularly corresponded with the fair value less cost to sell. This method is part of level 1 of the fair value hierarchy stated in IFRS 13. The impairments were applied on the basis of the recoverable amount.
These were determined using a discount rate of 8.04% (previous year: 6.57%). The impairments of land and buildings relate to the impairment of two properties. The fair value was used as the recoverable amount. As at December 31, 2020, this amounted to EUR 786 thousand. 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. This method is part of level 1 of the fair value hierarchy stated in IFRS 13.

20.3 Investments recognized using the equity method

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

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Shares in joint ventures accounted for using the equity method	68,923	27,527
Shares in associated companies accounted for using the equity method	49,262	48,662
Total	**118,185**	**76,189**

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

in EUR thousand	Associated companies		Joint ventures	
Acquisition and/or manufacturing costs	2019	2020	2019	2020
January 1	**46,838**	**51,401**	**78,584**	**79,187**
Additions	0	0	0	531
Disposals	0	0	4,964	1,337
Profit/loss attributable	4,563	4,100	6,662	5,696
Dividend payments	0	-4,700	-1,859	-2,807
Change in basis of consolidation	0	0	0	-50,688
Currency adjustment	0	0	764	-3,055
December 31	**51,401**	**50,801**	**79,187**	**27,527**

in EUR thousand	Associated companies		Joint ventures	
Accumulated depreciation	2019	2020	2019	2020
January 1	**2,139**	**2,139**	**10,264**	**10,264**
Additions	0	0	0	0
Disposals	0	0	0	0
Change in basis of consolidation	0	0	0	-10,264
Currency adjustment	0	0	0	0
December 31	**2,139**	**2,139**	**10,264**	**0**
Carrying amount December 31	**49,262**	**48,662**	**68,923**	**27,527**

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 2019:

Name	Company's activities	Place of business	Capital share	Accounting policies
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40.00%	Equity method
BAUER Manufacturing LLC	Production	Conroe, USA	51.00%	Equity method
BAUER Deep Drilling GmbH	Production	Schrobenhausen, Germany	51.00%	Equity method

Financial year 2020:

Name	Company's activities	Place of business	Capital share	Accounting policies
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40.00%	Equity method

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

BALANCE SHEET	SPANTEC Spann- & Ankertechnik GmbH		BAUER Manufacturing LLC *		BAUER Deep Drilling GmbH *	
in EUR thousand	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020
Non-current assets	5,615	5,837	28,517	-	11,976	-
Current assets	8,259	8,872	8,301	-	5,841	-
(of which cash and cash equivalents)	(540)	168	(1,171)	-	(4,496)	-
Total assets	**13,874**	**14,709**	**36,818**	**-**	**17,817**	**-**
Non-current debt	540	604	109	-	970	-
(of which non-current financial liabilities)	(0)	(0)	(109)	-	(0)	-
Current debt	1,550	1,351	1,998	-	1,199	-
(of which current financial liabilities)	(0)	(0)	(64)	-	(982)	-
Total debt	**2,090**	**1,955**	**2,107**	**-**	**2,169**	**-**

* Status change on July 31, 2020, therefore no longer a joint venture on the balance sheet date

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

INCOME STATEMENT	SPANTEC Spann- & Ankertechnik GmbH		BAUER Manufacturing LLC		BAUER Deep Drilling GmbH	
in EUR thousand	2019	2020	2019	2020 *	2019	2020 *
Sales revenues	26,189	26,961	17,971	4,262	1,792	1,439
Scheduled depreciation and amortization	-179	-181	-1,838	-1,053	-2,006	-1,172
Earnings before interest and tax	6,661	6,128	-7,203	-416	-1,833	-457
Interest income	99	94	44	0	0	644
Interest expense	-48	-47	-13	-2	-6	-342
Income tax expense	-1,904	-1,751	0	-227	514	-2,173
Earnings after tax	4,808	4,424	-7,172	-645	-1,319	-2,328
Other comprehensive income	13	18	0	0	0	0
Total comprehensive income	**4,821**	**4,443**	**-7,172**	**-645**	**-1,319**	**-2,328**
Dividends distributed to the BAUER Group	1,600	1,900	0	0	0	0

* Income statement of BAUER Manufacturing LLC and BAUER Deep Drilling GmbH on July 31, 2020

Construction consortia are classified as joint ventures in the Group and their results are recorded in the "Share of the profit or loss from participations accounted for using the equity method." For the 2019 financial year, the following table contains the five largest consortia with respect to revenue.

Share in %	2019
Consortium	
Consortium emplacement drift Konrad shaft	50.00
Steel construction consortium Müngsten Bridge	50.00
Filling pit Obermantelkirchen	40.00
VE10 above-ground western section	10.00
VE30 above-ground western section	10.00

The financial information concerning these consortia for the 2019 financial year is presented at 100% and before consolidation for each consortium.

in EUR thousand	2019					
	Sales revenues	Non-current assets	Current assets	of which liquid funds	Non-current debt	Current debt
Consortium emplacement drift Konrad shaft	17,708	105	32,641	8,099	0	14,517
Steel construction consortium Müngsten Bridge	951	27	6,909	36	0	6,700
Filling pit Obermantelkirchen	1,568	0	936	68	0	59
VE10 above-ground western section	11,493	2,927	7,748	3,737	0	9,392
VE30 above-ground western section	11,527	7,459	45,257	10,807	0	51,570

Construction consortia are classified as joint ventures in the Group and their results are recorded in the "Share of the profit or loss from participations accounted for using the equity method." For the 2020 financial year, the following table contains the five largest consortia with respect to revenue.

Share in %	2020
Consortium	
Consortium emplacement drift Konrad shaft	50.00
Steel construction consortium Müngsten Bridge	50.00
WBA Helmsdorf	50.00
VE10 above-ground western section	10.00
VE30 above-ground western section	10.00

The financial information concerning these consortia for the 2020 financial year is presented at 100% and before consolidation for each consortium.

in EUR thousand	2020					
	Sales revenues	Non-current assets	Current assets	of which liquid funds	Non-current debt	Current debt
Consortium emplacement drift Konrad shaft	12,702	432	34,940	9,906	0	15,179
Steel construction consortium Müngsten Bridge	1,688	2	8,584	195	0	8,235
WBA Helmsdorf	3,839	0	877	452	0	879
VE10 above-ground western section	34,117	3,292	13,420	13,224	0	11,074
VE30 above-ground western section	57,330	17,476	141,290	37,013	0	151,911

In the 2020 financial year, the item “Share of the profit or loss from participations accounted for using the equity method” includes earnings from the abovementioned consortia under “Share of profit or loss from companies accounted for using the equity method” in the amount of EUR 2,047 thousand (previous year: 2,647).

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

BALANCE SHEET	Immaterial joint ventures	
in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Non-current assets	3,475	2,271
Current assets	32,065	49,389
(of which cash and cash equivalents)	(4,994)	(3,887)
Total assets	**35,540**	**51,660**
Non-current debt	0	0
(of which non-current financial liabilities)	(0)	(0)
Current debt	27,879	38,502
(of which current financial liabilities)	(24,078)	(12,750)
Total debt	**27,879**	**38,502**

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

INCOME STATEMENT	Immaterial Joint ventures	
in EUR thousand	2019	2020
Sales revenues	35,237	27,208
Scheduled depreciation and amortization	-775	-2,141
Earnings before interest and tax	4,887	5,780
Interest income	675	1,214
Interest expense	-635	-715
Income tax expense	-728	-1,107
Earnings after tax	**4,199**	**5,172**
Dividends distributed to the BAUER Group	259	907

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 2019:

in EUR thousand	SPANTEC Spann- & Ankertechnik GmbH	BAUER Manufacturing LLC	BAUER Deep Drilling GmbH	Immaterial joint ventures
Net assets of joint ventures	11,784	34,711	15,648	29,432
Share in joint ventures according to investment quota	4,714	17,703	7,980	13,641
Goodwill and other adjustments	6,442	18,443	0	0
In the balance sheet Carrying amount reported	**11,156**	**36,146**	**7,980**	**13,641**

Financial year 2020:

in EUR thousand	SPANTEC Spann- & Ankertechnik GmbH	BAUER Manufacturing LLC	BAUER Deep Drilling GmbH	Immaterial joint ventures
Net assets of joint ventures	12,754	-	-	46,194
Share in joint ventures according to investment quota	5,102	-	-	16,495
Goodwill and other adjustments	5,930	-	-	0
In the balance sheet Carrying amount reported	**11,032**	**-**	**-**	**16,495**

Fair values of material joint ventures:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
SPANTEC Spann- & Ankertechnik GmbH	65,890	70,332
BAUER Manufacturing LLC	63,918	-
BAUER Deep Drilling GmbH	16,355	-

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.

These are the material associated companies:

Financial year 2019:

Name	Company's activities	Place of business	Capital share
TERRABAUER S. L.	Specialist foundation engineering	Madrid, Spain	30.00%
BAUER Nimr LLC	Water treatment and environmental services	Muscat, Al Mina, Sultanate of Oman	52.50%
AO Mostostrojindustria	Metal processing	Moscow, Russia	20.70%

Financial year 2020:

Name	Company's activities	Place of business	Capital share
BAUER Nimr LLC	Water treatment and environmental services	Muscat, Al Mina, Sultanate of Oman	52.50%

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 is provided in the tables below. Due to the size criteria, the two associated companies AO Mostostrojindustria and TERRABAUER S. L. are no longer classified as key associated companies on the balance sheet date. The amounts in the following table are presented before consolidation.

BALANCE SHEET in EUR thousand	BAUER Nimr LLC	
	Dec. 31, 2019	**Dec. 31, 2020**
Non-current assets	75,607	67,149
Current assets	24,875	19,703
(of which cash and cash equivalents)	(14,844)	11,310
Total assets	**100,482**	**86,852**
Non-current debt	50,279	41,658
(of which non-current financial liabilities)	(13,655)	(12,526)
Current debt	11,938	10,340
(of which current financial liabilities)	(5,296)	(5,059)
Total debt	**62,217**	**51,998**

INCOME STATEMENT in EUR thousand	BAUER Nimr LLC	
	Dec. 31, 2019	**Dec. 31, 2020**
Sales revenues	33,345	17,609
Scheduled depreciation and amortization	-505	-567
Earnings before interest and tax	**10,937**	**8,806**
Interest income	4,292	5,526
Interest expense	-3,683	-3,965
Income tax expense	-1,743	-1,534
Earnings after tax	**9,803**	**8,833**
Earnings after tax for the period in proportion to share	**5,146**	**4,637**
Other comprehensive income	0	0
Total comprehensive income	**5,146**	**4,637**
Dividends distributed to the BAUER Group	0	4,700

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

BALANCE SHEET	Immaterial associated companies	
in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Non-current assets	68	45
Current assets	408	403
(of which cash and cash equivalents)	(1)	(96)
Total assets	**476**	**448**
Non-current debt	41	46
(of which non-current financial liabilities)	(41)	(46)
Current debt	326	306
(of which current financial liabilities)	(31)	(49)
Total debt	**367**	**352**

INCOME STATEMENT	Immaterial associated companies	
in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Sales revenues	764	808
Scheduled depreciation and amortization	-31	-28
Earnings before interest and tax	**-105**	**41**
Interest income	0	0
Interest expense	-2	-7
Income tax expense	7	-1
Earnings after tax	**-100**	**33**
Earnings after tax for the period in proportion to share	**-30**	**10**
Dividends distributed to the BAUER Group	0	0

Offsetting and reconciliation to the summarized financial information on associated companies

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

Financial year 2019:

in EUR thousand	AO Mostostroj-industria	BAUER Nimr LLC	Immaterial associated companies
Net assets of associated companies	4,338	38,265	108
Share in associated companies according to investment quota	898	20,089	14
Goodwill and other adjustments	0	22,287	0
Present value of concession arrangement	0	5,974	0
Carrying amount reported in the balance sheet	**898**	**48,350**	**14**

Financial year 2020:

in EUR thousand	BAUER Nimr LLC	Immaterial associated companies
Net assets of associated companies	34,853	4,434
Share in associated companies according to investment quota	18,298	922
Goodwill and other adjustments	24,015	0
Present value of concession arrangement	5,427	0
Carrying amount reported in the balance sheet	**47,740**	**922**

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.

As a result of the tense market situation due to the COVID-19 pandemic, the shares accounted for using the equity method were subjected to impairment tests as at the reporting date. For this purpose, the carrying amount of the shares is compared with the recoverable amount in line with IAS 36.18. This is determined as the higher amount between the value in use and the fair value less cost to sell. In line with this method, the value in use was applied for the shares accounted for using the equity method. As at December 31, 2020, there is no need for impairment.

As at December 31, 2020, the recoverable amount for BAUER Nimr LLC was EUR 49,318 thousand (previous year: 51,785). No further sensitivities were taken into account, as the company's business is sustainably stable and safeguarded by long-term contracts.

20.4 Participations

Additional financial information for participations

Financial year 2019:

in EUR thousand	Wöhr + Bauer GmbH	Deusa International GmbH	Immaterial participations
Fair value	6,588	2,067	151
Dividends recorded during the period	0	133	0

Financial year 2020:

in EUR thousand	Wöhr + Bauer GmbH	Deusa International GmbH	Immaterial participations
Fair value	8,500	2,067	194
Dividends recorded during the period	684	250	0

In the reporting period, no financial investments in equity instruments were derecognized that were valued at fair value with no effect on profit and loss.

21. DEFERRED TAXES

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

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	65	234	11,319	5,832
Property, plant and equipment	863	982	9,499	7,931
Inventories	1,768	3,193	13,157	8,577
Receivables and other assets	1,293	2,010	3,431	4,024
Provisions for pensions	30,560	32,953	1,658	1,933
Liabilities	16,875	17,193	2,500	1,955
Losses carried forward	26,583	16,015	0	0
Consolidation	11,326	12,919	7,645	8,930
Offsetting	-22,060	-18,583	-22,060	-18,583
Net amount	**67,273**	**66,916**	**27,149**	**20,599**

In the table above, deferred tax assets to the amount of EUR 56 thousand (previous year: 49) and deferred tax liabilities in the amount of EUR 63 thousand (previous year: 174) are included in liabilities, which is part of hedge accounting . In addition, in the provisions for pensions position, deferred tax assets in the amount of EUR 27,624 thousand (previous year: 25,512) 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 13,834 thousand (previous year: 12,213) and the share of deferred tax liabilities to EUR 9,622 thousand (previous year: 17,691).

Deferred tax assets were capitalized for companies in the reporting period in the amount of EUR 42,407 thousand (previous year: 36,489), 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 27,352 thousand (previous year: 19,766) 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, 2019	Dec. 31, 2020
Domestic losses (corporation tax)	106,314	94,136
Foreign losses	240,446	147,058
Total	**346,760**	**241,194**
Of which losses carried forward deductible for limited periods	112,786	84,139

No deferred taxes were recognized for unusable losses carried forward in the amount of EUR 183,438 thousand (previous year: 246,070) due to the medium-term income tax target. In the previous year, BAUER Hong Kong Limited was included with unusable losses carried forward in the amount of EUR 80,263 thousand. The share of current deferred tax assets in respect of losses carried forward amounted to EUR 4,629 thousand (previous year: 6,421).

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 2,507 thousand (previous year: 3,199) were not recognized for temporary differences.

22. OTHER NON-CURRENT ASSETS

The other non-current assets comprise the following items:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Claims from backup insurance	4,879	5,164
Sundry other non-current assets	2,296	2,262
Total	**7,175**	**7,426**

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

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

Within the BAUER Group, in the financial year, no additional trade receivables (previous year: EUR 475 thousand) were sold to third parties within the scope of individual receivables sales agreements. The risks with respect to sold receivables relevant for the risk assessment are the credit risk and the risk of late payment (late-payment risk). The credit risk primarily represents all risks and opportunities connected with the receivables and is mostly fully transferred onto the receivable purchaser against payment of a fixed purchase price reduction. For the BAUER Group, an arranged excess with respect to the purchaser of the receivables remains an agreed excess. The late-payment risk is still borne to the full extent by the BAUER Group. The maximum loss risk resulting for the late-payment risk for the BAUER Group from the sold and written off receivables as at December 31, 2020 is EUR 158 thousand (previous year: 174) and is listed under the remaining other short-term assets as an ongoing commitment.

The corresponding liability amounts to EUR 317 thousand (previous year: 348) and is stated under “Other current debt”. The difference in the amount of EUR 159 thousand (previous year: 174) represents the fair value from remaining risks and is recognized in net income.

23. OTHER NON-CURRENT FINANCIAL ASSETS

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

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Sundry other non-current financial assets	11,424	9,283
Shares in non-consolidated subsidiaries	2,499	3,882
Total	**13,923**	**13,165**

The additional other non-current assets contain receivables from derivatives and other non-current financial assets. The derivatives are presented in item 37 under “Other disclosures.” The item also contains a loan receivable, which is due at maturity and unsecured, from BAUER Nimr LLC in the amount of EUR 9,365 thousand (previous year: 10,229). The interest on the loan is a fixed rate at 8%. No subordination has been agreed on the loan. Non-consolidated subsidiaries do not include non-listed companies for which there is no active market. In the financial year, depreciations of EUR 763 thousand (previous year: 0) were carried out for non-consolidated subsidiaries.

CURRENT ASSETS

24. INVENTORIES

The inventories comprise the following items:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Raw materials and supplies	168,961	155,529
Finished goods and work in progress and stock for trade	236,440	231,969
Rental equipment	61,838	47,468
	467,239	434,966
Less advances received for inventories	-8,921	-10,340
Total	**458,318**	**424,626**

Of the inventories, EUR 151,883 thousand (previous year: 214,788) 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 32,388 thousand (previous year: 28,625).

They are broken down as follows:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Write-downs of inventories due to use	15,806	16,534
Depreciation losses for impairment on inventories	12,819	15,854
Total	**28,625**	**32,388**

In the financial year, many rental devices were sold from rental and our rental device fleet was therefore updated. The rental rate during the financial year was slightly higher than in the previous year. Depreciation of used machinery due to use increased from EUR 15,806 thousand to EUR 16,534 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 depreciations were applied on the basis of the recoverable amount. This regularly corresponded to the fair value less cost to sell. This method is part of 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, 2019	Dec. 31, 2020
Carrying amount of used machines	61,838	47,468
of which rented out	36,171	23,374
of which not rented out	25,667	24,094

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

25. RECEIVABLES AND OTHER ASSETS

Contract assets and contract liabilities

Contract assets and contract liabilities developed as follows:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Order costs incurred (plus income, less losses) for projects not yet completed	908,711	629,451
less down-payments	877,418	611,119
Balance	**31,293**	**18,332**
of which: Contract assets	108,122	87,983
of which: Contract liabilities	76,829	61,084
of which: Provisions for impending losses for construction contracts	0	8,567

For the financial year, valuation allowances were applied to contract assets amounting to EUR 513 thousand (previous year: 892). These valuation allowances were applied to take expected credit losses into account.

As a result of the COVID-19 pandemic, delays occurred on sites in the Construction and Resources segments in the financial year. This led to a corresponding decrease in revenue, as planned order costs were not incurred as anticipated. This led to a significant decrease in contract assets in the financial year.

Contract liabilities also decreased in the financial year. The background for this decrease was the deconsolidation of BAUER Hong Kong Ltd. as well as larger advance payments for construction projects included in the 2019 year.

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, 2019	Dec. 31, 2020
Revenue from contractual obligations included in contract liabilities at the beginning of the period	36,398	40,190
Revenue from contractual obligations that were fulfilled in previous periods	12,903	6,586

Development of receivables and other assets

The receivables and other assets comprise the following:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Contract assets	108,122	87,983
Trade receivables	271,300	248,957
Receivables from enterprises in which the company has participating interests	1,912	847
Prepayments	5,904	6,240
Other current assets	35,844	36,594
Other current financial assets	11,526	14,040
Total	**434,608**	**394,661**

The “Trade receivables” balance sheet item includes long-term receivables totaling EUR 11,840 thousand (previous year: 8,063).

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 changes in valuation allowances in the financial year and in the previous year as stipulated in IFRS 9, please refer to section 37 “Financial instruments.”

The valuation allowances to reflect expected credit losses from trade receivables amounting to EUR 37,494 thousand (previous year: 42,500) 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.

Oher financial assets amounting to EUR 198 thousand were impaired in the financial year as a result of expected credit losses (previous year: 208).

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

In total in the financial year, EUR 1,794 thousand (previous year: 3,116) 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 1,243 thousand (previous year: 1,127).

26. CASH AND CASH EQUIVALENTS

The cash and cash equivalents totaling EUR 46,015 thousand (previous year: 37,575) include credit balances at banks and petty cash stocks. As at December 31, 2020, there were no restrictions on disposal of cash or cash equivalents (previous year: none).

27. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale are property and buildings held by BAUER Manufacturing LLC in the amount of EUR 28,286 thousand as well as the intellectual property of BAUER Maschinen GmbH in the amount of EUR 6,500 thousand. The corresponding assets are included in a letter of intent from an external business partner planning to acquire these from the BAUER Group as part of an asset deal. The sale is planned for the second quarter of 2021. The assets are recorded in the Equipment segment.

28. EQUITY

The shareholder structure of BAUER AG is as follows:

in EUR thousand	December 31, 2019		December 31, 2020	
	%	EUR thousand	%	EUR thousand
Bauer family	48.19	35,183	43.81	35,183
Doblinger Beteiligung GmbH	n/a	n/a	19.84	15,929
Free float	51.81	37,818	36.35	29,189
Total	**100.00**	**73,001**	**100.00**	**80,301**

Please refer to the Notes to the Financial Statements of BAUER AG pursuant to section 40 of the German Securities Trading Act (WpHG) on December 31, 2020 for reports on participations in BAUER AG.

Composition of subscribed capital

Under nearly full utilization of the authorization to increase the company's share capital approved on June 25, 2020, the share capital of BAUER AG was increased by EUR 7,299,997.16 from EUR 73,001,420.45 to EUR 80,301,417.61 against cash contributions by the issue of 1,713,066 new no-nominal-value bearer shares with the entry of the execution of the capital increase in the company's Commercial Register on December 9, 2020. Since then, the subscribed capital and completely paid-in share capital of the company is EUR 80,301,417.61 and is divided into 18,844,066 no-nominal-value bearer shares, representing a pro rata amount of approximately EUR 4.26 per share of the total share capital. The shares have no nominal value. Each share entails equal rights and entitles the holder to one vote at the Annual General Meeting, with the exception of share categories precluded from voting by law pursuant to section 136 of the German Stock Corporation Act (AktG) and section 28 of the German Securities Trading Act (WpHG).

The members of the Bauer family and a charitable foundation own a total of 8,256,246 no-nominal-value bearer shares in BAUER AG on the basis of a pool agreement, representing a 43.81% share in the company. The pool agreement provisions include binding voting commitments as well as a right of pre-emption of pool participants if any member of the pool sells shares to third parties. BAUER AG was also informed that on December 9, 2020, Mr. Alfons Doblinger exceeded the threshold of 15% of the voting rights in BAUER Aktiengesellschaft, with a total number of 18,844,066 voting rights, and now holds a voting rights share of 19.84% (3,738,004 voting rights) pursuant to sections 33 and 34 of the German Securities Trading Act (WpHG). 19.84% (3,738,004 voting rights) of the voting rights are assigned to him pursuant to section 34 of the WpHG via DIB Industriebeteiligung GmbH & Co. Holding KG, DIB Industriebeteiligung GmbH and Doblinger Beteiligung GmbH. 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 Management Board to issue or buy back shares

By resolution in the ordinary Annual General Meeting of BAUER Aktiengesellschaft on June 25, 2020, an amendment to the Articles of Association was adopted authorizing the Management 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 June 24, 2025 by up to a total of EUR 7,300,000.00 by the issue of no-nominal-value bearer shares against cash and/or non-cash contributions (2020 authorized capital). After nearly full utilization of the authorization to increase the company's share capital by EUR 7,299,997.16 by the issue of 1,713,066 new no-nominal-value bearer shares with the entry of the execution of the capital increase in the company's Commercial Register on December 9, 2020, the remaining 2020 authorized capital amounts to EUR 2.84. To that end, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

- in the case of capital increases in return for non-cash contributions, particularly for the purpose of purchasing companies, parts of companies, participations in companies and other assets or claims for the acquisition of assets, including receivables from companies or their Group companies, or for the purpose of company mergers;
- in the event of capital increases against cash contributions where the issue amount of the new shares issued is not materially below the market price of the already quoted shares at the time of definitive setting of the issue price and the shares issued excluding shareholders' subscription rights pursuant to section 186 (3) sentence 4 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 limit;
- to compensate fractional amounts resulting during capital increases in return for cash and/or non-cash contributions due to the subscription ratio;
- to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as a non-cash contribution to the company in return for the issuance of new shares from the 2020 approved 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 ordinary 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 Management 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 Management Board shall be authorized to appropriate shares in the company acquired pursuant to the above authorizations for all legally admissible purposes. Consequently, the acquired shares may also in particular be sold by means other than by way of the stock market or by means of an offer to the shareholders, if the shares are sold for cash at a price (excluding ancillary costs) not materially below the stock market price of shares of the company carrying the same rights at the time of the sale in Xetra trading (or a comparable successor system) 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 Annual 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 shares has not been utilized to date.

The remaining equity of the BAUER Group developed as follows:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
I. Capital reserve	38,404	47,069
II. Other revenue reserves and retained earnings	270,399	237,352
	308,803	**284,421**
III. Non-controlling interests	5,112	801
Total	**313,915**	**285,222**

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.

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 -98,185 thousand (previous year: -91,072). Deferred taxes were recognized in the amount of EUR 27,625 thousand (previous year: 25,512). 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).

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 -27,651 thousand (previous year: -6,471).

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 -91 thousand (previous year: -1,241) and is transferred from this reserve into the revenue reserves when the corresponding equity instruments are derecognized.

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 -17 thousand (previous year: -319).

28.1 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		December 31, 2019			December 31, 2020		
Group company	Non-controlling interests	Share in the capital in %	Share in the capital in EUR thousand	Profit/loss attributable in EUR thousand	Share in the capital in %	Share in the capital in EUR thousand	Profit/loss attributable in EUR thousand
BAUER EGYPT S.A.E., Cairo, Egypt	Various natural persons	44.25	15,308	3,738	44.05	15,711	3,617
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	Emiroglu Makina	40.00	1,621	539	40.00	1,678	766
Thai BAUER Co. Ltd., Bangkok, Thailand		26.01	3,381	-1,311	26.01	842	-2,377
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	Oweis family	16.67	-17,094	-2,539	16.67	-18,742	-1,636
Individual immaterial subsidiaries with non-controlling interests			1,896	169		1,312	-195
Total			**5,112**	**596**		**801**	**175**

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	BAUER Casings		BAUER EGYPT S.A.E		Site Group		Thai BAUER Co. Ltd.	
in EUR thousand	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020
Non-current assets	1,454	1,032	14,165	10,628	8,639	5,361	20,949	21,846
Current assets	4,303	4,311	30,574	39,812	37,831	28,027	13,992	12,716
Non-current debt	671	568	438	258	219	72	4,290	2,475
Current debt	1,093	595	9,569	14,392	50,597	14,774	22,729	30,432

INCOME STATEMENT	BAUER Casings		BAUER EGYPT S.A.E		Site Group		Thai BAUER Co. Ltd.	
in EUR thousand	2019	2020	2019	2020	2019	2020	2019	2020
Sales revenues	7,402	7,802	46,100	46,667	15,985	11,262	25,470	11,990
Earnings before interest and tax	1,656	2,271	12,394	9,434	-13,093	-8,430	-4,437	7,280
Earnings before tax	1,706	2,439	12,382	10,576	-15,489	-9,975	-5,079	-9,212
Earnings after tax	1,349	1,914	8,447	8,211	-15,543	-10,009	-5,079	-9,212
Profit/loss attributable to non-controlling interests	539	766	3,738	3,617	-2,539	-1,636	-1,311	-2,377
Profit/loss attributable to shareholders of BAUER AG	810	1,148	4,709	4,594	-13,004	-8,373	-3,768	-6,835
Dividends distributed to non-controlling interests	-216	-201	-1,027	1,936	0	-25	0	0

CONSOLIDATED STATEMENT OF CASH FLOWS	BAUER Casings		BAUER EGYPT S.A.E		Site Group		Thai BAUER Co. Ltd.	
in EUR thousand	2019	2020	2019	2020	2019 *	2020	2019	2020
Cash flow from operating activities	1,021	525	6,277	9,025	-7,162	1,596	-2,433	2,546
Cash flow from investing activities	-241	-61	-3,133	-990	-991	-42	-337	-1,274
Cash flow from financing activities	-592	-579	-1,868	-4,007	1,810	-1,521	2,854	-1,504
Influence of exchange rate movements on cash	-53	50	1,200	-727	120	0	57	-60
Changes in cash and cash equivalents with an effect on liquidity	135	-65	2,476	3,301	-6,223	33	141	-292

* Adjusted previous year figures; the non-cash shareholder grants were reclassified from “Cash flow from investing activities” to non-cash transactions in “Cash flow from operating activities.”

28.2 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.

The key figures are presented below:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Equity	386,916	365,523
Equity ratio	23.76%	23.67%
Earnings after tax	-36,550	-8,222
Net debt	563,679	528,805
Financial debt	601,254	574,820
Liquid funds	37,575	46,015
Net debt / EBITDA	4.58	3.20
EBITDA / net interest coverage	2.72	4.08

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.

29. NON-CURRENT DEBT

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

in EUR thousand	Remaining term Dec. 31, 2019 *		Remaining term Dec.31, 2020	
	1 to 5 years	over 5 years	1 to 5 years	over 5 years
Liabilities to banks	70,551	3,192	210,397	23,646
Liabilities from subordinate loans	0	0	12,000	0
Liabilities from lease agreements	35,003	2,889	30,239	7,205
Other non-current liabilities	6,028	0	6,027	0
Other non-current financial liabilities	4,358	19,307	14,114	20,338
Total	**115,940**	**25,388**	**272,777**	**51,189**

* Previous year's figure adjusted; non-current debt from derivatives divided

in EUR thousand	Fair value		Interest rate margin	
	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020
Liabilities to banks	100,530	241,066	0.80 - 11.05%	0.80 - 9.75%
Liabilities from subordinate loans	0	12,252	-	3.50%
Liabilities from lease agreements	42,371	38,736	0.68 - 8.03%	0.04 - 7.16%
Other non-current financial liabilities	24,309	34,672	1.99 - 6.50%	0.23 - 5.00%
Total	**167,210**	**326,726**	**-**	**-**

The other non-current debt primarily includes non-current portions of liabilities from obligations in respect of service anniversary payments.

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 item 37).

At the end of 2019, covenants which had been defined were exceeded for significant loans. At the end of April, an amicable solution was reached with the financing partners for the syndicated loan agreements. This solution was also implemented with all the other affected financing partners, in particular the promissory note creditors, over the course of the second quarter.

Accordingly, affected items were reclassified as non-current under the liabilities to banks.

30. PROVISIONS FOR PENSIONS

The BAUER Group operates a number of provisions for pensions in Germany and internationally. The provisions for pensions of the companies in Schrobenhausen recognized on the consolidated balance sheet cover most (96%) of the balance sheet value. Those companies are governed by the occupational pension scheme of BAUER Spezialtiefbau GmbH constituted on July 1, 1992 as amended by the in-company agreement dated November 18, 1998. In it, the company grants all employees who joined by March 31, 1998 and their surviving dependents a retirement pension and invalidity benefit as well as a widow's/widower's pension. Employees qualify for the retirement pension on reaching the standard retirement age, or on prior qualification for a pension from the statutory pension fund. The pension payable amounts to 0.225% of the employee's pensionable earnings for each pensionable year of service, plus 0.075% of pensionable earnings for each pensionable year of service completed before January 1, 1999; plus, for the portion of pensionable earnings above the contribution assessment limit in the statutory pension fund, 0.375% plus 0.125% for each pensionable year of service completed before January 1, 1999. In the case of scheme members who are not members of the “Zusatzversorgungskasse des Baugewerbes” (construction industry ancillary benefits fund): For each pensionable year of service, 0.3% plus 0.1% of pensionable earnings for each pensionable year of service completed before January 1, 1999; plus, for the portion of pensionable earnings above the contribution assessment limit in the statutory pension fund, 0.3% plus 0.1% for each year of service completed before January 1, 1999.

The widow's/widower's pension amounts to 50% of the attained entitlement. Benefits are also promised to surviving dependent children in various forms. Vesting and transitional arrangements are also in place. The risks entailed by the pension schemes are mainly those commonly associated with provisions for pensions in terms of potential variations in the discount rate and, to a lesser extent, inflation trends as well as longevity.

The calculations are based on the following actuarial assumptions:

in %	December 31, 2019				December 31, 2020			
	Germany	Indonesia	Philippines	India *	Germany	Indonesia	Philippines	India *
Interest rate	1.05	8.00	5.12	-	0.75	6.75	3.96	-
Future salary increases	3.00	10.00	5.00	-	3.00	10.00	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.

Change in the valuation of the provisions for pensions

On June 30, 2020, the BAUER Group increased the discount rate for measuring its pension obligations in Germany to 1.30% for the first time (previous year: 1.05%). As of December 31, 2020, the interest rate was 0.75% (previous year: 1.05%). Refinements to the selection options at the data provider Bloomberg, which is used by our actuarial company Heubeck AG, enables Heubeck AG to define the data base for the derivation of the actuarial interest rate even more precisely in the future. In the current exceptional circumstances in the capital markets, this leads to a significant increase in the actuarial interest rate published by Heubeck for international valuations of up to 0.70 percentage points. The original interest rate to be applied would have been 0.45% on December 31, 2020. In turn, the increase in the interest rate leads to a corresponding reduction of the scope of the obligations. This was recorded in the statement of comprehensive income (other comprehensive income, OCI) according to IAS 8 as a change in accounting estimate with no effect on profit and loss and amounted to EUR 10,368 thousand. The change in accounting estimate has no material impact on future periods.

The provision for pensions and similar obligations recognized in the balance sheet is calculated as follows:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Present value of obligations financed by a fund	233	287
Fair value of plan assets	-233	-287
Plan deficit	**0**	**0**
Present value of obligations not financed by a fund	161,642	170,656
Total deficit of defined benefit plan obligations	**161,642**	**170,656**
Effect of asset ceiling	-	-
Recognized provision	**161,642**	**170,656**

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, 2019	**138,017**	**-727**	**137,290**	**-**	**137,290**
Current service costs	2,719	-	2,719	-	2,719
Interest expense/income	2,747	-63	2,684	-	2,684
Post-employment expenditure, income and losses from payment in lieu	-	-	-	-	-
Total	**143,483**	**-790**	**142,693**	**-**	**142,693**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	-	12	12	-	12
Actuarial income and losses arising from adjustments to demographic assumptions	-	-	-	-	-
Actuarial income and losses arising from adjustments to financial assumptions	24,085	-	24,085	-	24,085
Empirical value-based adjustments	-2,073	-	-2,073	-	-2,073
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	-	-	-	-	-
Total	**22,012**	**12**	**22,024**	**-**	**22,024**
Exchange rate movements	141	-42	99	-	99
Contributions:					
Employer	-	-75	-75	-	-75
Beneficiary employee	-	-	-	-	-
Payments from the plan:					
Ongoing payments	-	-	-	-	-
Retirement benefits (not fund-financed)	-3,760	662	-3,098	-	-3,098
Other effects	-1	-	-1	-	-1
Date: December 31, 2019	**161,875**	**-233**	**161,642**	**-**	**161,642**

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, 2020	**161,875**	**-233**	**161,642**	**-**	**161,642**
Current service costs	3,046	-	3,046	-	3,046
Interest expense/income	1,954	-18	1,936	-	1,936
Post-employment expenditure, income and losses from payment in lieu	-	-	-	-	-
Total	**166,875**	**-251**	**166,624**	**-**	**166,624**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	-	9	9	-	9
Actuarial income and losses arising from adjustments to demographic assumptions	-2	-	-2	-	-2
Actuarial income and losses arising from adjustments to financial assumptions	9,504	-	9,504	-	9,504
Empirical value-based adjustments	-2,101	-	-2,101	-	-2,101
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	-	-	-	-	-
Total	**7,401**	**9**	**7,410**	**-**	**7,410**
Exchange rate movements	-199	23	-176	-	-176
Contributions:					
Employer	-	-68	-68	-	-68
Beneficiary employee	-	-	-	-	-
Payments from the plan:					
Ongoing payments	-	-	-	-	-
Retirement benefits (not fund-financed)	-3,285	-	-3,285	-	-3,285
Other effects	151	-	151	-	151
Date: December 31, 2020	**170,943**	**-287**	**170,656**	**-**	**170,656**

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

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Qualifying insurance contracts	0	0
Money market fund and pension fund	233	287
Cash and cash equivalents	0	0
Total	**233**	**287**

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 and expected pension increases.

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%	155,188	189,166
Future salary increases	+/- 0.5%	175,429	166,997
Future pension increase	+/- 0.5%	183,667	159,434
		Increase in assumption by 1 year	Decrease in assumption by 1 year
Probability of death		180,838	160,973

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	December 31, 2019				
	Germany	Indonesia	Philippines	India	Total
Present value of obligations	159,507	1,702	631	35	161,875
Fair value of plan assets	0	-233	0	0	-233
Total	**159,507**	**1,469**	**631**	**35**	**161,642**
Effect of asset ceiling	0	0	0	0	0
Total	**159,507**	**1,469**	**631**	**35**	**161,642**

in EUR thousand	December 31, 2020				
	Germany	Indonesia	Philippines	India	Total
Present value of obligations	168,731	1,371	800	41	170,943
Fair value of plan assets	0	-287	0	0	-287
Total	**168,731**	**1,084**	**800**	**41**	**170,656**
Effect of asset ceiling	0	0	0	0	0
Total	**168,731**	**1,084**	**800**	**41**	**170,656**

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

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Active scheme members	95,029	98,040
Deferred beneficiary employees	8,129	8,396
Retired employees	58,717	64,507
Total	**161,875**	**170,943**

The weighted average term of the provisions for pensions is 19.85 years (previous year: 19.91 years).

Pension payments in financial year 2021 are expected to amount to EUR 3,521 thousand (previous year: 3,271). Of that total, EUR 3,521 thousand (previous year: 3,271) is projected to be contributed by the employer. Contributions to the external plan assets totaling EUR 68 thousand are expected (previous year: 75) for 2021.

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, 2020 Total
Pension payments	3,521	16,027	24,290	**43,838**

31. CURRENT DEBT

in EUR thousand	Dec. 31, 2019 *	Dec. 31, 2020
Liabilities to banks	431,645	217,419
Liabilities from lease agreements	20,745	21,538
Contract liabilities	76,829	61,084
Trade payables	220,330	179,562
Liabilities to companies and participations accounted for using the equity method	21,649	24,066
Other current liabilities	83,510	82,760
Other current financial liabilities	13,563	17,924
Total	**868,271**	**604,353**

* Previous year's figure adjusted; see explanatory notes on p. 73

The "Trade payables" balance sheet item includes long-term payables totaling EUR 604 thousand (previous year: 778).

The other current debt mainly comprises obligations in respect of outstanding invoices, flexitime and holiday credits, employer's liability insurance associations, the compensation levy for the shortfall in handicapped employees, performance bonuses as well as other tax liabilities and liabilities in respect of social security.

In the financial year, the liabilities to consortia were reclassified from within the balance sheet item “Trade payables” into the balance sheet item “Liabilities to companies and participations accounted for using the equity method,” as these are not trade payables. The reassignments amount to EUR 23,710 thousand in the financial year (previous year: 19,950). On January 1, 2019, the reassignments amounted to EUR 9,960 thousand.

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 0.38% to 9.90% (previous year: 0.80% to 13.65%).

32. OTHER PROVISIONS

The other provisions developed as follows in the financial year:

in EUR thousand	2019			
	Construction	Equipment	Resources	Total
Date: January 1	**8,302**	**11,225**	**974**	**20,501**
Change in basis of consolidation	0	0	0	0
Currency adjustment	252	-4	1	249
Allocation	2,799	10,830	726	14,355
Reversal	4,005	2,631	68	6,704
Consumption	873	3,722	128	4,724
Date: December 31	**6,475**	**15,698**	**1,504**	**23,677**

in EUR thousand	2020			
	Construction	Equipment	Resources	Total
Date: January 1	**6,475**	**15,698**	**1,504**	**23,677**
Change in basis of consolidation	-392	0	369	-23
Currency adjustment	-71	-105	0	-176
Allocation	9,742	11,493	241	21,476
Reversal	1,290	4,501	78	5,869
Consumption	155	5,334	706	6,195
Date: December 31	**14,309**	**17,251**	**1,330**	**32,890**

The other provisions comprise the following:

in EUR thousand	2019			
	Construction	Equipment	Resources	Total
Risk from contract processing and warranties	5,821	15,333	1,339	**22,493**
Litigation	654	365	145	**1,164**
Impending losses	0	0	20	**20**
Restructuring	0	0	0	**0**
Total	**6,475**	**15,698**	**1,504**	**23,677**

in EUR thousand	2020			
	Construction	Equipment	Resources	Total
Risk from contract processing and warranties	4,847	14,751	1,187	**20,785**
Litigation	895	393	143	**1,431**
Impending losses	8,567	1,767	0	**10,334**
Restructuring	0	340	0	**340**
Total	**14,309**	**17,251**	**1,330**	**32,890**

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.

In the financial year, provisions for impending losses were significant for the first time at EUR 10,334 thousand (previous year: 20). These result primarily from non-recurring losses on a construction project through application of a new drilling technology.

It is expected that approximately EUR 1,240 thousand (previous year: 0) of the inventory of other provisions will be consumed within a time period of 1-5 years according to the planning. All other provisions are expected to be consumed in 2021. The provisions for litigation relate for the most part to provisions for legal disputes on receivables.

33. CONTINGENT LIABILITIES

Contingent liabilities are liabilities not yet recognized in the financial statements, which are recognized in the amount of the maximum possible exposure on the balance sheet date.

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Liabilities from guarantees	52,435	140,526

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.

34. DISCONTINUED OPERATIONS

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

35. EVENTS AFTER THE BALANCE SHEET DATE

In order to reinforce the equity base, the Management Board and Supervisory Board resolved to call a Special General Meeting and to propose a resolution regarding a regular capital increase to the General Meeting. This took place on March 31, 2021 and the shareholders approved the agenda items up for resolution by the required majority. As part of the proposed capital increase, the company's share capital will be increased from its current value of EUR 80,301,417.61, divided into 18,844,066 no-nominal-value bearer shares, by up to EUR 30,885,149.15 through a uniform mixed cash and/or non-cash capital increase by the issue of up to 7,247,715 new no-nominal-value bearer shares in the form of common shares (with voting rights). The shareholders are to be granted the statutory subscription rights in this context.

OTHER DISCLOSURES

36. CONSOLIDATED STATEMENT OF CASH FLOWS

The funds shown in the consolidated 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 investing 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.

Investing 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 debt.

The changes in balance sheet items applied for the preparation of the consolidated 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 main changes in other non-cash transactions relate to the non-cash effects from changes to the basis of consolidation, exchange rate movements, the change of provisions, valuation allowances for current assets and non-cash changes to the fixed assets. 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.

37. 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, possible changes in exchange rates also 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.

<<< *In Schrobenhausen, the Bavarian city in which the Bauer headquarters is located, a new residential complex is being constructed with a total of 2,400 m² living space. The excavation pit was secured with a retaining wall using a combination of sheet pile wall construction and the Mixed-in-Place method.*

Quantification of foreign exchange risk in case of exchange rate shifts of +/- 10%:

in EUR thousand **as at December 31, 2019**	USD/EUR	CNY/EUR	GBP/EUR
Overall effect of +10% on OCI	2,625	0	104
Overall effect of -10% on OCI	-3,209	0	-127
Overall effect of +10% on income statement	4,294	961	-112
Overall effect of -10% on income statement	-5,301	-1,174	132

in EUR thousand **as at December 31, 2020**	USD/EUR	CNY/EUR	GBP/EUR
Overall effect of +10% on OCI	1,705	0	-303
Overall effect of -10% on OCI	-2,084	0	370
Overall effect of +10% on income statement	1,651	510	-442
Overall effect of -10% on income statement	-1,948	-624	528

In 2020, the sensitivity effects primarily related to the currency pairs of USD/EUR, CNY/EUR and GBP/EUR. 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, 2019	Dec. 31, 2020
Overall effect of +100 base points on OCI	558	0
Overall effect of -100 base points on OCI	-56	0
Overall effect of +100 base points on income statement	17,364	15,743
Overall effect of -100 base points on income statement	-18,355	-16,500

Within the framework of the IBOR Reform, interest rate hedging instruments will be subject to a number of uncertainties, such as the nature and time of the change in view of the hedged risk of the underlying transaction. Since the 2019 financial year, BAUER AG makes use of possible simplifications arising from the resulting standard changes of IFRS 7, IFRS 9 and IAS 39 in advance, regardless of the remaining term, for all affected hedging relationships. This does not negatively impact their effectiveness. The uncertainty relates to the highly likely expectation of hedged and variable payment flows (reference interest rate EURIBOR) within the framework of the application of cash flow hedge accounting. In addition, BAUER AG will observe the effects of the IBOR Reform on the interest rate hedging instruments and introduce corresponding measures if necessary.

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, 2019 *	Cash flow 2020	Cash flow 2021 to 2024	Cash flow 2025 et seq.
Liabilities to banks	505,388	253,867	261,523	13,532
Liabilities from subordinate loans	0	0	0	0
Liabilities from lease agreements	58,637	21,727	33,943	8,473
Other liabilities	87,156	81,115	1,831	4,210
Other financial liabilities (excluding derivatives)	16,807	13,271	3,870	339
Trade payables	220,330	219,552	778	0
Liabilities to companies and participations accounted for using the equity method	21,649	21,649	0	0

* Previous year's figure adjusted; carrying amount und cash flows of items that are not financial instruments are not included. In addition, the liabilities to consortia were reclassified from trade payables into liabilities to companies and participations accounted for using the equity method.

in EUR thousand	Carrying amount Dec. 31, 2020	Cash flow 2021	Cash flow 2022 to 2025	Cash flow 2026 et seq.
Liabilities to banks	451,462	226,538	230,289	24,621
Liabilities from subordinate loans	12,000	420	12,280	0
Liabilities from lease agreements	58,982	22,763	34,114	7,558
Other liabilities	86,628	80,584	1,731	4,313
Other financial liabilities (excluding derivatives)	29,207	17,765	12,142	153
Trade payables	179,562	178,562	604	0
Liabilities to companies and participations accounted for using the equity method	24,066	24,066	0	0

There were no instances of defaulting on interest payments or capital repayments in the period under review. In addition, no concentrations of risk exist. It is not to be expected that liabilities arising from sureties (contingent liabilities) will result in significant actual liabilities, and thus in significant cash flows, for which no provisions have yet been made.

The due dates of derivative financial instruments based on outflow and inflow of cash and cash equivalents are as follows:

in EUR thousand **as at December 31, 2019**	Carrying amount	2020	2021 to 2024	From 2025
Liabilities from foreign exchange forward contracts	**270**	**-337**	**0**	**0**
Outflow of cash and cash equivalents	-	-14,008	0	0
Inflow of cash and cash equivalents	-	13,671	0	0
Liabilities from interest rate swaps	**20,151**	**-4,132**	**-14,818**	**-7,274**
Outflow of cash and cash equivalents	-	-4,132	-14,818	-7,274

in EUR thousand **as at December 31, 2020**	Carrying amount	2021	2022 to 2025	From 2026
Liabilities from foreign exchange forward contracts	**137**	**-318**	**0**	**0**
Outflow of cash and cash equivalents	-	-18,855	0	0
Inflow of cash and cash equivalents	-	18,537	0	0
Liabilities from interest rate swaps	**23,032**	**-4,607**	**-16,932**	**-5,925**
Outflow of cash and cash equivalents	-	-4,626	-16,974	-5,925
Inflow of cash and cash equivalents	-	19	42	0

To calculate the cash inflows from interest rate swaps the conditions as per December 31, 2020 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 314,793 thousand (previous year: 379,864) and for guarantees in the amount of EUR 186,363 thousand (previous year: 163,191).

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 154. 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, 2019 is transferred to the closing balance of the valuation allowance as at December 31, 2020 on the following page:

in EUR thousand	Trade receivables		Contract assets
	Stage 2 (simplified approach)	Stage 3 (creditworthiness-impaired)	
Valuation allowance on January 1, 2019	**2,192**	**29,758**	**571**
Change in basis of consolidation	0	2	0
Foreign currency translation differences	0	301	0
Allocation	710	24,841	321
Reversal	569	4,508	0
Consumption	0	10,227	0
Valuation allowance on December 31, 2019	**2,333**	**40,167**	**892**
Valuation allowance on January 1, 2020 *	**2,333**	**21,140**	**892**
Change in basis of consolidation	0	0	0
Foreign currency translation differences	0	1,093	0
Allocation	2,477	14,465	0
Reversal	321	1,636	379
Consumption	0	2,057	0
Valuation allowance on December 31, 2020	**4,489**	**33,005**	**513**

* As at December 31, 2019, the Level 3 valuation allowances to the amount of EUR 40,167 thousand included validity-related sales corrections in the amount of EUR 19,027 thousand that are not considered valuation allowances under the terms of IFRS 9. Since 2020, these validity-related corrections on trade receivables are no longer reported under the valuation allowances. The opening balance on January 1, 2020 is therefore reported at a correspondingly lower amount.

The allocations and reversals include the results from valuation allowances on receivables from section 12 less the valuation allowances on uncollectable receivables reported there in the amount of EUR 1,274 thousand (previous year: 4,781).

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, 2019					
not overdue	0.66%	127,961	108,122	1,564	-
overdue up to 30 days	0.91%	37,676	-	341	-
overdue up to 60 days	1.30%	14,079	-	183	-
overdue up to 90 days	1.31%	7,938	-	104	-
overdue more than 90 days	1.98%	52,060	-	1,033	-
Total	**-**	**239,714**	**108,122**	**3,225**	**74,086**
Valuation allowance matrix on December 31, 2020					
not overdue	0.98%	140,738	88,497	2,246	-
overdue up to 30 days	2.88%	26,634	-	768	-
overdue up to 60 days	3.87%	12,645	-	490	-
overdue up to 90 days	6.09%	3,359	-	205	-
overdue more than 90 days	2.84%	45,578	-	1,293	-
Total	**-**	**228,954**	**88,497**	**5,002**	**57,551**

The overdue payments arise, on the one hand, from limitations in acknowledgment of performance, and on the other hand because construction is 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, 2020:

in EUR thousand	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthi-ness-impaired)	Stage 3 Total term ECL (creditworthiness-impaired)	Total
as at December 31, 2019				
Other financial assets	22,030	0	0	**22,030**
as at December 31, 2020				
Other financial assets	21,637	0	0	**21,637**

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 9,365 thousand (previous year: 10,229) 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 3 Total term ECL (creditworthiness-impaired)	Total
Valuation allowance on December 31, 2018	**59**	**0**	**0**	**59**
Change in basis of consolidation	0	0	0	0
Foreign currency translation differences	0	0	0	0
Allocation	149	0	0	149
Reversal	0	0	0	0
Consumption	0	0	0	0
Valuation allowance on December 31, 2019	**208**	**0**	**0**	**208**

in EUR thousand	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 3 Total term ECL (creditworthiness-impaired)	Total
Valuation allowance on December 31, 2019	**208**	**0**	**0**	**208**
Change in basis of consolidation	0	0	0	0
Foreign currency translation differences	0	0	0	0
Allocation	15	0	0	15
Reversal	25	0	0	25
Consumption	0	0	0	0
Valuation allowance on December 31, 2020	**198**	**0**	**0**	**198**

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, 2019	Dec. 31, 2020
Financial assets measured at amortized cost	-15,056	-23,627
Financial liabilities measured at amortized cost	-35,907	-27,469
Financial assets at fair value through OCI without recycling	133	1,311
Financial assets and liabilities at fair value through profit or loss	-17,211	-3,608
Total	**-68,041**	**-53,393**

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 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 1,274 thousand (previous year: 4,781).

In the table below the included impairments are evident:

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Impairments for financial assets measured at amortized cost	-25,575	-15,929
Impairments for fair value through OCI without recycling	-	-
Total	**-25,575**	**-15,929**

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

in EUR thousand	Dec. 31, 2019	Dec. 31, 2020
Interest income	9,433	4,119
Interest expense	-34,987	-25,276
Total	**-25,554**	**-21,157**

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 154 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	Jan. 1, 2019	Additions	Disposals	Changes without any effect on profit or loss	Changes recognized in the income statement	Dec. 31, 2019
Participations	**8,350**	34	0	422	0	**8,806**
Shares of non-consolidated companies	**1,787**	920	208	0	0	**2,499**
Total	**10,137**	**954**	**208**	**422**	**0**	**11,305**

in EUR thousand	Jan. 1, 2020	Additions	Disposals	Changes without any effect on profit or loss	Changes recognized in the income statement	Dec. 31, 2020
Participations	**8,806**	43	0	1,912	0	**10,761**
Shares of non-consolidated companies	**2,499**	2,819	673	-763	0	**3,882**
Total	**11,305**	**2,862**	**673**	**1,149**	**0**	**14,643**

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 763 thousand (previous year: 0), which was reported with no effect on profit and loss in “Other comprehensive income.” There were no significant revaluation requirements for this item.

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 136 thousand (previous year: 321) lower or EUR 151 thousand higher (previous year: 355). 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, 2020 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 volume		Market value			
	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019		Dec. 31, 2020	
			Positive	Negative	Positive	Negative
Interest rate swaps *						
of which in hedge accounting	41,000	18,500	0	-393	0	-22
of which not in hedge accounting	280,252	297,149	0	-19,758	0	-23,010
Foreign exchange forward contracts						
of which in hedge accounting	32,528	31,242	303	-114	89	-88
of which not in hedge accounting	85,195	56,011	824	-156	1,154	-49
Foreign exchange options						
of which in hedge accounting	0	0	0	0	0	0
of which not in hedge accounting	0	104,584	0	0	584	0

* The interest rate swaps constitute the market values including accrued interest.

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:

December 31, 2019	Hedging of currency and interest rate risk		
	2020	2021	> 2022
Foreign exchange risk Nominal volume (in EUR thousand)			
of which USD/EUR	29,170	0	0
of which AUD/EUR	1,140	0	0
of which CAD/EUR	2,218	0	0
of which HUF/EUR	0	0	0
Average hedging rate			
Average price USD/EUR	1.1260	0	0
Average price AUD/EUR	0.8504	0	0
Average price CAD/EUR	16.9910	0	0
Average price HUF/EUR	0	0	0
Interest rate risks Nominal volume (in EUR thousand)	3,500	18,500	19,000
Average interest hedging rate	**0.6400%**	**0.2300%**	**0.5355%**

December 31, 2020	Hedging of currency and interest rate risk		
	2021	2022	> 2023
Foreign exchange risk Nominal volume (in EUR thousand)			
of which USD/EUR	20,209	0	0
of which GBP/EUR	3,328	0	0
of which ZAR/EUR	1,942	0	0
of which AUD/EUR	3,523	0	0
of which CAD/EUR	2,240	0	0
Average hedging rate			
Average price USD/EUR	1.2257	0	0
Average price GBP/EUR	0.9050	0	0
Average price ZAR/EUR	18.3127	0	0
Average price AUD/EUR	1.6177	0	0
Average price CAD/EUR	1.5811	0	0
Interest rate risks Nominal volume (in EUR thousand)	18,500	0	0
Average interest hedging rate	**0.2300%**	**-**	**-**

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, 2019	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	32,528	303	-114	-3,181	Other financial assets or other financial liabilities
Interest rate risks	41,000	0	-393	-387	Other financial liabilities

in EUR thousand	Information about hedging instruments				
as at December 31, 2020	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	31,242	89	-88	1,795	Other financial assets or other financial liabilities
Interest rate risks	18,500	0	-22	43	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	Information on underlying transactions of cash flow hedges				
December 31, 2019	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	32,528	0	3,181	0	0
Interest rate risks	0	40,882	387	-273	0

in EUR thousand	Information on underlying transactions of cash flow hedges				
December 31, 2020	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	27,205	4,037	-1,795	0	0
Interest rate risks	0	18,451	-43	-15	0

in EUR thousand	Reconciliation statement for cash flow hedge reserve					
		Amounts reclassified to the income statement				
	Jan. 1, 2019	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, 2019
Hedging reserve						
Foreign exchange risks	**0**	-3,181	0	3,181	0	**0**
Interest rate risks	**-201**	-387	0	287	28	**-273**
Reserve for hedging costs						
Foreign exchange risks	**-145**	-1,889	0	2,026	-38	**-46**

in EUR thousand	Reconciliation statement for cash flow hedge reserve					
		Amounts reclassified to the income statement				
	Jan. 1, 2020	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, 2020
Hedging reserve						
Foreign exchange risks	**0**	1,795	0	-1,795	0	**0**
Interest rate risks	**-273**	43	0	317	-102	**-15**
Reserve for hedging costs						
Foreign exchange risks	**-46**	445	0	-385	-16	**-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	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	Related amounts, which are not offset in the balance sheet		
				Financial instruments	Cash securities received	Net amount
Date: December 31, 2019						
Derivative financial Assets	1,127	0	1,127	-956	-	171
Cash und cash equivalents	37,575	0	37,575	-7,870	-	29,705
Total	**38,702**	**0**	**38,702**	**-8,826**	**-**	**29,876**
Date: December 31, 2020						
Derivative financial Assets	1,827	0	1,827	-1,082	-	745
Cash und cash equivalents	46,015	0	46,015	-10,305	-	35,710
Total	**47,842**	**0**	**47,842**	**-11,387**	**-**	**36,455**

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	Gross amount of financial liabilities recognized	Gross amount of financial assets offset on the balance sheet	Net amount of financial liabilities recognized on the balance sheet	Related amounts, which are not offset in the balance sheet		
				Financial instruments	Cash securities received	Net amount
Date: December 31, 2019						
Derivative financial Liabilities	20,421	0	20,421	-956	-	19,465
Current-account overdrafts	504,080	0	504,080	-7,870	-	496,210
Total	**524,501**	**0**	**524,501**	**-8,826**	-	**515,675**
Date: December 31, 2020						
Derivative financial Liabilities	23,169	0	23,169	-1,082	-	22,087
Current-account overdrafts	452,751	0	452,751	-10,305	-	442,446
Total	**475,920**	**0**	**475,920**	**-11,387**	**-**	**464,533**

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

	Measurement benchmark	Carrying amount		Amortized cost	
		Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020
NON-CURRENT ASSETS					
Participations		8,806	10,761		
	at cost	0	0	0	0
	at fair value	8,806	10,761	0	0
Other non-current financial assets		13,923	13,165		
	at fair value	0	3,882	0	0
	at amortized cost	11,424	9,283	11,424	9,283
	at cost	0	0	0	0
	n/a	2,499	0	0	0
CURRENT ASSETS					
Contract assets	n/a	108,122	87,983	0	0
Trade receivables		271,300	248,957		
	at amortized cost	269,800	247,680	269,800	247,680
	at fair value	1,500	1,277	0	0
Receivables from enterprises in which the company has participating interests	at amortized cost	1,912	847	1,912	847
Other current financial assets		11,526	14,040		
	at fair value	1,127	1,827	0	0
	at amortized cost	10,399	12,213	10,399	12,213
Cash and cash equivalents	at amortized cost	37,575	46,015	37,575	46,015
Total financial assets		**453,164**	**421,768**	**331,110**	**316,038**

Balance sheet valuation under IFRS 9												
Fair Value through OCI (without recycling)		Fair Value through profit or loss		Derivatives in hedge accounting		Not assigned to IFRS 9 category		Fair value acc. to IFRS 7 and IFRS 13		Measure-ment level under IFRS 13
Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	
0	0	0	0	0	0	0	0	n/a	n/a	n/a
8,806	10,761	0	0	0	0	0	0	8,806	10,761	3
0	3,882	0	0	0	0	0	0	0	3,882	3
0	0	0	0	0	0	0	0	13,702	10,672	3
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	108,122	87,983	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	1,500	1,277	0	0	0	0	1,500	1,277	2
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	824	1,738	303	89	0	0	1,127	1,827	2
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
8,806	**14,643**	**2,324**	**3,015**	**303**	**89**	**108,122**	**87,983**	**25,135**	**28,419**	

in EUR thousand

	Measurement benchmark	Carrying amount		Amortized cost	
		Dec. 31, 2019 *	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020
NON-CURRENT LIABILITIES					
Liabilities to banks	at amortized cost	73,743	234,043	73,743	234,043
Liabilities from subordinate loans	at amortized cost	0	12,000	0	12,000
Liabilities from lease agreements	n/a	37,892	37,444	0	0
Other non-current financial liabilities		23,665	34,452		
	at fair value	20,129	23,010	0	0
	at amortized cost	3,536	11,442	3,536	11,442
CURRENT DEBT					
Liabilities to banks	at amortized cost	431,645	217,419	431,645	217,419
Liabilities from lease agreements	n/a	20,745	21,538	0	0
Contract liabilities	n/a	76,829	61,084	0	0
Trade payables	at amortized cost	220,330	179,562	220,330	179,562
Liabilities to companies accounted for using the equity method using the equity method	at amortized cost	21,649	24,066	21,649	24,066
Other current financial liabilities		13,563	17,924		
	at fair value	292	159	0	0
	at amortized cost	13,271	17,765	13,271	17,765
Total financial liabilities		**920,061**	**839,532**	**764,174**	**696,297**

* Previous year's figure adjusted; items that are not financial instruments are not included.

Balance sheet valuation under IFRS 9										
Fair Value through OCI (without recycling)		Fair Value through profit or loss		Derivatives in hedge Accounting		Not assigned to IFRS 9 category		Fair value acc. to IFRS 7 and IFRS 13		Measure-ment level under IFRS 13
Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	
0	0	0	0	0	0	0	0	100,530	241,066	3
0	0	0	0	0	0	0	0	0	12,252	3
0	0	0	0	0	0	37,892	37,444	42,371	38,736	3
0	0	19,758	23,010	371	0	0	0	20,129	23,010	2
0	0	0	0	0	0	0	0	4,180	11,617	3
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	20,745	21,538	n/a	n/a	n/a
0	0	0	0	0	0	76,829	61,084	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	156	49	136	110	0	0	292	158	2
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	**0**	**19,914**	**23,059**	**507**	**110**	**135,466**	**120,066**	**167,502**	**326,839**	

With regard to the fundamental classification of the different accounting categories and standards, we refer to the “Accounting policies for financial instruments” section on page 93.

Net liabilities

The development of the net liabilities is represented in the following table:

in EUR thousand	Borrowings	Leasing relationships	Subtotal	Cash and cash equivalents	Total
Net liabilities as of January 1, 2019	**565,214**	**53,317**	**618,531**	**62,587**	**-555,944**
Cash flow	-63,849	-22,047	-85,896	-26,670	59,226
Purchases - Leasing relationships	0	28,691	28,691	0	-28,691
Other changes	4,024	-1,324	2,700	1,658	-1,042
Net liabilities as of December 31, 2019	**505,389**	**58,637**	**564,026**	**37,575**	**-526,451**
Net liabilities as of January 1, 2020	**505,389**	**58,637**	**564,026**	**37,575**	**-526,451**
Cash flow	-29,025	-23,066	-52,091	10,400	62,491
Purchases - Leasing relationships	0	27,091	27,091	0	-27,091
Other changes	-12,902	-3,680	-16,582	-1,960	14,622
Net liabilities as of December 31, 2020	**463,462**	**58,982**	**522,444**	**46,015**	**-476,429**

Other changes mainly include the effects of currency translation in the Liabilities to banks and Liabilities from lease agreements.

38. 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
  Advisory Board, BAUER Deep Drilling GmbH, Schrobenhausen, member (until July 31, 2020)
- Dr.-Ing. Johannes Bauer, Schrobenhausen
  Civil engineer with BAUER Designware GmbH, Schrobenhausen
- Prof. Dr.-Ing E.h. Manfred Nußbaumer M.Sc., Munich
  Retired civil engineer
  Supervisory Board, Leonhardt, Andrä und Partner Beratende Ingenieure VBI AG, Stuttgart, Chairman
- 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, Berlin
  Managing Director, Orange 12 GmbH, Berlin (until November 11, 2020)
  Administrative Board, KSB Management SE, Frankenthal (Palatinate), 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

- 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
- Regina Andel, Ellrich
  Vice-Chairwoman of the Works Council, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen
- Rainer Burg, Gerolsbach
  Technical Marketing Manager at BAUER Spezialtiefbau GmbH, Schrobenhausen
- Maria Engfer-Kersten, Langenhagen
  Union secretary of IG BCE Industriegewerkschaft Bergbau, Chemie, Energie, Hannover
- Reinhard Irrenhauser, Schrobenhausen
  Works Council Chairman at BAUER Maschinen GmbH, Schrobenhausen,
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, member
- Dipl. Kfm. (FH) Stefan Reindl, Schrobenhausen
  Personnel Director of BAUER AG, Schrobenhausen
  Advisory Board, BAUER Training Center GmbH, Schrobenhausen, Chairman

Management Board

- Dipl.-Phys. Michael Stomberg, Strasslach-Dingharting, Chairman
  Functions: Participations, IT, Group Process Management, HSE, Quality Management
  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
- Dipl.-Ing. (FH), Florian Bauer, MBA, Schrobenhausen
  Functions: Digitalization, Development Coordination, Training, Corporate Culture
- Dipl.-Betriebswirt (FH) Hartmut Beutler, Schrobenhausen
  Functions: Finance, Legal and Insurance, Corporate Communications, Facility Management, Media Design
  Supervisory Board, Schrobenhausener Bank e.G., Schrobenhausen, Chairman
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, member
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Deputy Chairman
- Peter Hingott, Schrobenhausen
  Functions: Participations, Accounting, Personnel, Group Purchasing, Labor Director
  Supervisory Board BAUER Spezialtiefbau GmbH, Schrobenhausen, Deputy Chairman
  Supervisory Board BAUER Maschinen GmbH, Schrobenhausen, Deputy Chairman
  Supervisory Board BAUER Nimr LLC, Muscat, Oman, Chairman
  Administrative Board Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan, Chairman
  Supervisory Board BAUER Resources GmbH, Schrobenhausen, Chairman (since September 1, 2020)

The total remuneration paid to members of the Management Board for their activities on the Management Board in the year under review, excluding allocations to pension provisions, was EUR 1,721 thousand (previous year: 1,549). Of that total, EUR 1,319 thousand (previous year: 1,344) was not performance-related and EUR 402 thousand (previous year: 205) 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 Management Board, as well as group accident insurance premiums and employer's liability insurance association contributions.
Old contracts with members of the Management 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 Management Board incurred pension service costs totaling EUR 74 thousand (previous year: 61). The baseline salary defined for calculating retirement benefits is significantly lower in all contracts than the basic salary. Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Management Board serving at the end of the year was EUR 1,902 thousand (previous year: 1,660). The total remuneration of the former members of the Management Board amounted to EUR 233 thousand for the 2020 financial year (previous year: 289). The contracts of Management Board members include individual severance clauses regulating the specific terms of premature termination, with settlements oriented to the length of service of the member of the Management Board concerned and gauged so as not to exceed the amount of two years' remuneration for any one Management Board member. No provisions for compensation in the event of a takeover offer being made have been agreed with the members of the Management Board. For departed members of the Management Board, provisions for pensions amounting to EUR 6,733 thousand are recognized as a liability on the reporting date (previous year: 6,535).

The remuneration paid to the Supervisory Board for the 2020 financial year totaled EUR 365 thousand (previous year: 358) and is broken down as follows:

in EUR thousand	2019	2020
Chairman		
Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer	52.5	55.0
Deputy Chairman		
Robert Feiger	37.5	37.5
Shareholder representatives		
Dr.-Ing. Johannes Bauer	27.5	27.5
Dipl.-Ing. (FH) Elisabeth Teschemacher	25.0	27.5
Gerardus N. G. Wirken	29.5	29.0
Prof. Dr. Manfred Nußbaumer	25.0	27.5
Dipl.-Kffr. Andrea Teutenberg	29.5	29.0
Employee representatives		
Dipl.-Kfm. (FH) Stefan Reindl	25.0	25.0
Regina Andel	25.0	25.0
Reinhard Irrenhauser	27.5	27.5
Rainer Burg	25.0	25.0
Maria Engfer-Kersten	29.0	29.0
Total	**358.0**	**364.5**

39. RELATED PARTY DISCLOSURES

Related parties under the terms of IAS 24 are parties that the reporting enterprise has the ability to control or exercise significant influence over, or parties that have the ability to control or exercise significant influence over the reporting enterprise. Transactions with related parties are defined as the transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether an invoice is issued in respect of the transaction or not.

Members of the Management Board of BAUER AG are members of Supervisory Boards and Management Boards of other companies with which BAUER AG maintains relations in the course of its ordinary business operations. For existing lease contracts with close relatives, a right of use of EUR 1,676 thousand was capitalized according to IFRS 16 for the first time on December 31, 2020 (previous year: 1,518) and a liability of EUR 1,697 (previous year: 1,534) was recognized.
BAUER Anteilspool GbR, Schrobenhausen, granted BAUER Aktiengesellschaft a subordinate loan in the amount of EUR 12,000 thousand (previous year: 0). BAUER Anteilspool GbR is classified under related parties. In addition, liabilities to the BAUER Foundation arising from a mortgage-backed amortizing loan existed totaling EUR 1,500 thousand (previous year: 1,500), for which set interest in the amount of EUR 83 thousand (previous year: 74) 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 23 “Other non-current financial assets”.

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	
	2019 *	2020	2019	2020	2019 **	2020
Income	3,531	3,125	10,088	18,243	4,362	2,943
Purchased services	3,384	3,655	5,655	4,061	1,414	3,887
Receivables and other assets (December 31)	10,317	9,573	6,093	24,095	19,260	10,401
Liabilities (December 31)	243	196	2,398	1,961	25,972	27,025
Valuation allowance of receivables	0	0	17	3,933	13,939	12,292
Expenditure for uncollectable and uncertain receivables	0	0	0	4,952	0	0

* Previous year’s figure adjusted; the receivables and other assets (December 31) were extended to include the loan from BAUER Nimr LLC, Muscat, Sultanate Oman recognized in the other non-current financial assets.
** Previous year’s figure adjusted; the liabilities to consortia are retrospectively recognized in the liabilities (December 31) to joint ventures.

The purchased services essentially comprise all expenses incurred with related parties during the financial year. Dividends from associated companies to the amount of EUR 4,700 thousand (previous year: 0) and from joint ventures in the amount of EUR 2,807 thousand (previous year: 1,859) 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.

Members of the management in key positions have received the remunerations set out in the following table:

in EUR thousand	2019	2020
Short-term benefits	3,317	3,418
Benefits after termination of the employment relationship	1,949	2,186
Other long-term benefits	0	0
Benefits due to the termination of the employment relationship	0	0
Share-based remuneration	0	0
Total	**5,266**	**5,604**

Apart from the total remuneration for the members of the Management Board described in section 38 “Executive Bodies” and remuneration for the Supervisory Board, the short-term benefits to members of the management in key positions include the remuneration of the Supervisory Board by virtue of their role as employees to an amount of EUR 653 thousand (previous year: 680) as well as contracts of employment with members of the Management Board, including close family, with regard to which remuneration to an amount of EUR 679 thousand (previous year: 730) was paid.

The benefits after termination of the employment relationship were made up of pension commitments to serving members of the Management Board mentioned in section 38 “Executive Bodies” as well as pension benefits for related persons from previous employment in the BAUER Group to the amount of EUR 289 thousand (previous year: 284).

40. JOINT OPERATIONS

The material joint ventures are listed below:

Financial year 2019:

Project	Company's activities	Place of business	Investment quota
Piling Contractors Bauer Australia - Crown Resort Hotel	Specialist foundation engineering	Sydney, Australia	50.00%
Wagstaff Piling Bauer Australia - Westgate Tunnel	Specialist foundation engineering	Melbourne, Australia	50.00%

Financial year 2020:

Project	Company's activities	Place of business	Investment quota
Piling Contractors Bauer Australia - Crown Resort Hotel	Specialist foundation engineering	Sydney, Australia	50.00%
Wagstaff Piling Bauer Australia - Westgate Tunnel	Specialist foundation engineering	Melbourne, Australia	50.00%

41. 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 GmbH:

in EUR thousand	2019	2020
Auditing services	871	985
Other certification	24	0
Tax advice	39	26
Other services	175	16
Total	**1,109**	**1,027**

The fees for auditing services also include expenses for the support with this year's audit by the German Financial Reporting Enforcement Panel (DPR). 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. In addition, Roland Jehle GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was engaged to audit the major German capital corporations included in the Group's consolidated financial statements.

The fees recognized as expenditure in the financial year are broken down in accordance with section 285 (17) and section 314 (1) no. 9 of the HGB as follows:

in EUR thousand	2019	2020
Fees for auditing services	42	44
Fees for other certification	0	0
Fees for tax advice	0	0
Fees for other services	2	2
Total	**44**	**46**

42. DECLARATION OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of BAUER AG issued the Declaration of Conformity prescribed by section 161 of the AktG on December 8, 2020 and made it permanently available for shareholders at www.bauer.de.

43. RELEASE FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board has submitted the consolidated financial statements to the Supervisory Board for authorization for issue (the Supervisory Board meeting is scheduled for April 8, 2021).

44. NUMBER OF EMPLOYEES

	Average		Reporting date	
	2019 *	2020	2019	2020
Salaried staff	**3,502**	**3,694**	**3,656**	**3,572**
Germany	1,982	1,977	1,978	1,946
International	1,520	1,717	1,678	1,626
Industrial & trade employees	**8,659**	**7,898**	**8,749**	**7,163**
Germany	1,973	1,895	1,960	1,830
International	6,686	6,003	6,789	5,333
Apprentices	**256**	**262**	**296**	**292**
Total number of employees	**12,417**	**11,854**	**12,701**	**11,027**

* Previous year's figure adjusted; a new basis was stipulated for calculating the total number of employees on average over the year. In addition, starting with the 2020 financial year, the number of employees as of the reporting date is also indicated.

45. PROPOSAL ON THE USE OF RETAINED EARNINGS

The adopted annual financial statements of BAUER Aktiengesellschaft as of December 31, 2020 show an accumulated loss. Therefore, the Annual General Meeting will not be presented with any suggestions relating to the use of the retained earnings.

46. LIST OF SHAREHOLDINGS

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
	Olbersdorfer Guß GmbH, Olbersdorf, Germany	EUR	100.00
	SCHACHTBAU NORDHAUSEN Bau GmbH, Nordhausen, Germany	EUR	100.00
	SCHACHTBAU NORDHAUSEN Stahlbau GmbH, Nordhausen, Germany	EUR	100.00
	MMG Mitteldeutsche MONTAN GmbH, Nordhausen, Germany	EUR	100.00
	PURE Umwelttechnik GmbH, Schrobenhausen, Germany	EUR	100.00
	BAUER Foralith GmbH, Schrobenhausen, Germany	EUR	100.00
	GWE pumpenboese GmbH, Peine, Germany	EUR	100.00
	BAUER Deep Drilling GmbH, Schrobenhausen, Germany	EUR	100.00
B.	**EU (excluding Germany)**		
	GWE Budafilter Kft., Mezöfalva, Hungary	HUF	100.00
	BAUER DK A/S, Copenhagen, Denmark	DKK	100.00
	BAUER Fondations SAS, Paris, France	EUR	100.00
	BAUER Magyarorszàg Speciális Mélyépitö Kft., Budapest, Hungary	HUF	100.00
	BAUER BULGARIA EOOD, Sofia, Bulgaria	BGN	100.00
	BAUER Funderingstechniek B.V., Mijdrecht, Netherlands	EUR	100.00
	BAUER Maszyny Polska Sp.z.o.o., Warsaw, Poland	PLN	100.00
	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., Beverley, Great Britain	GBP	100.00
	BAUER Technologies Limited, Bishops Stortford, Great Britain	GBP	100.00
	BAUER RENEWABLES LIMITED, Bishops Stortford, Great Britain	GBP	100.00
	BAUER EQUIPMENT UK LIMITED, Rotherham, Great Britain	GBP	100.00

NAME AND PLACE OF BUSINESS OF COMPANY	Currency	Capital share in %
C. Continued: Europe (other)		
BAUER Foundations (IRL) Ltd., Bishops Stortford, Great Britain	EUR	100.00
BAUER Spezialtiefbau Schweiz AG, Baden-Dättwil, Switzerland	CHF	100.00
FORALITH Drilling Support AG, St. Gallen, Switzerland	CHF	100.00
OOO BAUER Maschinen - Kurgan, Kurgan, Russian Federation	RUB	65.00
OOO BG-TOOLS-MSI, Lyubertsy, Russian Federation	RUB	55.00
OOO BAUER Maschinen Russland, Moscow, Russian Federation	RUB	100.00
OOO BAUER Technologie, Moscow, Russian Federation	RUB	100.00
BAUER Georgia Foundation Specialists LCC, Tbilisi, Georgia	GEL	100.00
D. Middle East & Central Asia		
Saudi BAUER Foundation Contractors Ltd., Jeddah, Saudi Arabia	SAR	100.00
BAUER LEBANON FOUNDATION SPECIALISTS S.a.r.L., Beirut, Lebanon	USD	100.00
BAUER International FZE, Dubai, United Arab Emirates	AED	100.00
BAUER International Qatar LLC, Doha, Qatar	QAR	49.00 *
BAUER Equipment Gulf FZE, Dubai, United Arab Emirates	AED	100.00
BAUER Emirates Environment Technologies & Services LLC, Abu Dhabi, United Arab Emirates	AED	49.00 *
BAUER Resources GmbH / Jordan Ltd. Amman, Jordan	USD	100.00
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	USD	83.33
Site Drilling Ltd. Co., Limassol, Cyprus Co., Limassol, Cyprus	USD	100.00
Technical Dimension Co. for Maintenance Services Ltd., Amman, Jordan	USD	60.00
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., New Delhi, India	INR	100.00
BAUER Equipment India Private Limited, Navi Mumbai, India	INR	100.00
BAUER Resources Saudi LLC, Riyadh, Saudi Arabia	SAR	100.00
BAUER Engineering International Ltd., Dubai, United Arab Emirates	AED	100.00
BAUER Bangladesh Limited, Dhaka, Bangladesh	BDT	100.00
E. Asia-Pacific, Far East and Australia		
BAUER (MALAYSIA) SDN. BHD. - (subsidiary consolidated financial statements), Petaling Jaya, Malaysia	MYR	100.00
BAUER Foundations Australia Pty Ltd, Brisbane, Australia	AUD	100.00
First Asian Limited, Hong Kong, People's Republic of China	HKD	100.00
P.T. P.T. BAUER Pratama Indonesia, Jakarta, Indonesia	IDR	100.00
BAUER Services Singapore Pte Ltd, Singapore	EUR	100.00
BAUER Hong Kong Limited, Hong Kong, People's Republic of China	HKD	100.00
BAUER Vietnam Ltd., Ho Chi Minh City, Vietnam	VND	100.00
BAUER Foundations Philippines, Inc., Quezon City, Philippines	PHP	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

* The BAUER Group exercises control in this regard under the terms of IFRS 10.

NAME AND PLACE OF BUSINESS OF COMPANY	Currency	Capital share in %
Continued: E. Asia-Pacific, Far East & Australia		
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
BAUER Technologies Thailand Co., Ltd., Bangkok, Thailand	THB	100.00
P.T. P.T. BAUER Equipment Indonesia, Jakarta, Indonesia	IDR	100.00
NIPPON BAUER Y.K., Tokyo, Japan	JPY	100.00
Inner City (Thailand) Company Limited, Bangkok, Thailand	THB	49.02 *
Thai BAUER Co. Ltd., Bangkok, Thailand	THB	73.81
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 Resources Canada Ltd., Edmonton, Canada	CAD	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., Woodlands, United States of America	USD	100.00
BAUER Manufacturing LLC, Conroe, United States of America	USD	100.00
G. Africa		
BAUER EGYPT S.A.E Specialised Foundation Contractors, Cairo, Egypt	EGP	55.95
BAUER Technologies South Africa (PTY) Ltd - (subsidiary consolidated financial statements), Midrand, South Africa	ZAR	100.00
MINERAL BULK SAMPLING NAMIBIA (PTY) LTD, Windhoek, Namibia	NAD	100.00
MINERAL BULK SAMPLING SOUTH AFRICA (PTY) LTD, Midrand, South Africa	ZAR	100.00
BAUER TECHNOLOGIES RDC LTD SARL, Lubumbashi/Haut-Katanga, Republic of the Congo	USD	49.00 *
BAUER Engineering Ghana Ltd., Accra, Ghana	GHS	100.00
BAUER Resources Maroc S.A.R.L., Kenitra, Morocco	MAD	100.00
BAUER Resources Senegal SARL, Dakar, Senegal	XOF	100.00
2. Companies in the expanded basis of consolidation		
A. Germany		
Harz Hotel Grimmelallee Nordhausen Beteiligungsgesellschaft mbH, Nordhausen, Germany	EUR	100.00
Schacht- und Bergbau Spezialgesellschaft mbH, Mülheim an der Ruhr, Germany	EUR	50.00
pumpenboese Beteiligungs- und Verwaltungs GmbH, Peine, Germany	EUR	100.00
fielddata.io GmbH, Munich, Germany	EUR	99.00
Obermann MAT GmbH, Michelstadt, Germany	EUR	100.00
rig.plus GmbH, Schrobenhausen, Germany	EUR	100.00

* The BAUER Group exercises control in this regard under the terms of IFRS 10.

NAME AND PLACE OF BUSINESS OF COMPANY	Currency	Capital share in %
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	36.00
TOO BAUER KASACHSTAN, Almaty, Kazakhstan	KZT	100.00
BAUER Fundaciones Colombia S. A. S., Bogota, Colombia	COP	100.00
BAUER Fundaciones America Latina, S. A., Panama City, Panama	USD	100.00
BAUER Iraq for Construction Contracting LLC, Baghdad, Iraq	IQD	100.00
BAUER Geoteknoloji Insaat Anonim Sirketi, Istanbul, Turkey	EUR	100.00
Sverige BAUER GL AB, Stockholm, Sweden	SEK	100.00
BAUER Engineering India Private Limited, Gurgaon (Haryana), India	INR	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 Equipamentos do Brasil - Comércio e Importacao Ltda., Sao Paulo, Brazil	BRL	100.00
BAUER Equipamientos de Panama S. A., Panama City, Panama	PAB	100.00
BAUER Maschinen Canada Ltd., Acheson, Canada	CAD	100.00
BAUER Parts HUB (Singapore) Pte. Ltd., Singapore	EUR	100.00
BAUER - De Wet Equipment (Proprietary) Limited, Rasesa, Botswana	BWP	51.00
BAUER 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, National Capital District, Papua New Guinea	PGK	100.00
BAUER Equipment Gulf LLC, Abu Dhabi, United Arab Emirates	AED	49.00 *
BAUER (Shanghai) Resources Environmental Engineering Technology Co. Ltd., Shanghai, People's Republic of China	CNY	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
B. International		
TERRABAUER S. L., Madrid, Spain	EUR	30.00
Bauer + Moosleitner Entsorgungstechnik GmbH, Salzburg, Austria	EUR	50.00
BAUER Nimr LLC, Maskat - Al Mina, Sultanate of Oman	OMR	52.50
BAUER Resources Bahrain W.L.L., Diplomatic Area, Bahrain	BHD	53.00
BAUER Technology (Shanghai) Co. Ltd., Shanghai, People's Republic of China	CNY	50.00
TOO SCHACHTBAU Kasachstan, Almaty, Kazakhstan	KZT	50.00
AO Mostostrojindustria, Moscow, Russian Federation	RUB	20.70

* The BAUER Group exercises control in this regard under the terms of IFRS 10.

NAME AND PLACE OF BUSINESS OF COMPANY	Currency	Capital share in %
4. Enterprises in which the company has participating interests		
A. Germany		
Wöhr + Bauer GmbH, Munich, Germany	EUR	16.66
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

The complete list of shareholdings in accordance with section 313 of the HGB is published in the electronic version of the official Gazette Bundesanzeiger of the Federal Republic of Germany.

Schrobenhausen, April 7, 2021

The Management Board

Dipl.-Phys. Michael Stomberg
Chairman of the Management Board

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

Dipl.-Betriebswirt (FH)
Hartmut Beutler

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.“

„INDEPENDENT AUDITOR'S REPORT

To BAUER Aktiengesellschaft, Schrobenhausen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of BAUER Aktiengesellschaft, Schrobenhausen , and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31. December 2020, 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 2020, 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, Schrobenhausen which is combined with the Company's management report, for the financial year from 1. January to 31. December 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the “Other Information” section of our auditor's report.

In 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]][1] 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 2020, and of its financial performance for the financial year from 1. January to 31. December 2020 and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the “Other Information” section of our auditor's report.

Pursuant to § 322 Abs. 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

[1] § 315e Abs. [paragraph] 1 HGB.

declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. 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 Measurement of investments in associates and joint ventures and recoverability thereof
❷ Recognition of revenue from contracts with customers
❸ Accounting treatment of hedging relationships
❹ Accounting treatment of deferred taxes

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Measurement of investments in associates and joint ventures and recoverability thereof**

① In the Company's consolidated financial statements, EUR 76.2 million is reported under the „Investments accounted for using the equity method" balance sheet item. Following its use of the equity method, in accordance with IAS 28 BAUER Aktiengesellschaft must review whether it is necessary to recognize impairments in respect of its investment in the net assets of the associates and joint ventures. The entire carrying amount of the investment is tested for impairment as an asset in accordance with IAS 36, i.e., the goodwill contained in the carrying amount is not tested separately. BAUER Aktiengesellschaft tested its investments in associates and joint ventures accounted for using the equity method for impairment as of the balance sheet date. BAUER Aktiengesellschaft performed its own enterprise valuations to calculate the fair value of its material equity investments. This used discounted cash flow models to calculate the present values of the expected future cash flows resulting from the planning projections prepared by management. These projections also factored in expectations as to the future development of the market and assumptions as to the development of macroeconomic variables, as well as the expected impacts of the ongoing coronavirus crisis on the Company's business. The discount rate used is the individually determined cost of capital for the relevant investments. Based on the Company's valuation and other documentation, there was no need to recognize impairment losses in the 2020 fiscal year.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuations are therefore subject to considerable uncertainty, including against the backdrop of the impacts of the coronavirus crisis. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's net assets and results of operations, this matter was of particular significance in the context of our audit.

② For the purposes of our audit, we first of all acquired an understanding of the process whereby investments accounted for using the equity method were adjusted. Based on a sample of associates and joint ventures, we verified, inter alia, the equity method of accounting with regard to its mathematical accuracy and the reconciliation of the financial information used with the audited annual and consolidated financial statements of the associates and joint ventures. Based on an inspection of the company agreements, we verified that BAUER Aktiengesellschaft exercises a material influence over the associated in its function as a shareholder and that the requirements for classification as a joint venture were met.

In addition, as part of our audit we also assessed the methodology used to measure the investments in associates and joint ventures. In particular, we assessed whether the values of the shares in material associates and joint ventures had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors‘ detailed explanations regarding the key value drivers underlying the expected cash flows. In addition, we also assessed the executive directors‘ estimate as to the impact of the coronavirus pandemic on the business of the affiliated companies and evaluated how this was taken into consideration in calculating the expected cash flows. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the enterprise value calculated in this way, we also assessed the parameters used to determine the discount rate applied, and reperformed the calculations.

Taking into consideration the information available, we believe that the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of accurately measuring shares in associates and joint ventures.

③ The Company‘s disclosures relating to investments in associates and joint ventures are contained in sections 5.2.“Accounting policies“ and 20.3 „Investments accounted for using the equity method“ in the notes to the consolidated financial statements.

❷ 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 792.9 million was recognized in the consolidated income statement as of December 31, 2020. EUR 88.0 million in contract assets and EUR 61.1 million in contract liabilities were recognized in the balance sheet as of December 31, 2020. 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 impacts of the coronavirus pandemic and 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, including the impacts of the coronavirus pandemic on them. 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 verified that the systems, processes, and controls in place are appropriate overall and that the estimates and assumptions made by management are sufficiently documented and substantiated to ensure that revenue from contracts with customers is properly recognized.

③ The Company's disclosures on recognition of revenue from contracts with customers are contained in sections 5.2 „Accounting policies" and 25 „Receivables and other assets" to the consolidated financial statements.

❸ Accounting treatment of hedging relationships

① The companies of the BAUER Group use a number of different derivative financial instruments to hedge against currency and interest rate risk arising in the ordinary course of business. The currency risk results primarily from intragroup loans granted and foreign-currency deposits by companies of the BAUER Group. Interest rate hedges are concluded to eliminate the risk of fluctuating interest rates on the market. The means of limiting this risk include entering into currency forwards, currency swaps, currency options and cross-currency interest rate swaps. The necessary hedges are implemented or coordinated primarily by the BAUER Group's Group Finance department.

Derivatives are measured at fair value as of the reporting date. The positive fair values of all of the derivatives used for hedging purposes amounted to EUR 1.8 million as of the reporting date, while the negative fair values amounted to EUR 23.2 million in total. If the financial instruments used by the BAUER Group are effective hedges of future cash flows in the context of hedging pursuant to the requirements of IFRS 9, the effective portion of the changes in fair value is recognized in other comprehensive income (OCI) as unrealized gains/losses over the duration of the hedging relationships until the maturity of the hedged cash flows (cash flows hedges). Changes in the value of derivative hedging transactions caused by changes in the spot price are shown under the hedge reserve. The Bauer Group made use of the option afforded to it under IFRS 9 to recognize changes in the value of hedges caused by changes in forward rates and changes in the value of the cross-currency basis spread in the „reserve for hedging costs".

As of the balance sheet date, the cumulative changes in fair value recognized outside of profit or loss in equity („hedging reserve") amounted to EUR -0.02 million after income taxes. The amounts recognized in equity are recycled in the same period or periods from other comprehensive income to the income statement in which the hedged expected cash flows affect the income statement.

We believe that these matters were of particular importance for our audit due to the complex accounting requirements as well as the extensive disclosure requirements of IFRS 9 and IFRS 7.

2 As a part of our audit and together with the help of our internal specialists from Corporate Treasury Solutions, we assessed inter alia the technical requirements of IFRS 9. In addition, we assessed the contractual and financial bases and the accounting treatment adopted including the impact on equity and profit or loss from the various hedges. We examined in particular the requirements for applying hedge accounting. Furthermore, we also used market data to review the measurement method applied to measure the fair value of the financial instruments. In addition, we also obtained bank confirmations in order to assess the completeness of and to examine the fair values of the recorded transactions. With regard to the assessment of the effectiveness of hedges, we essentially retrospectively assessed past hedge levels. We verified that the estimates made by management were substantiated and sufficiently documented.

3 The Company's disclosures pertaining to the accounting treatment of hedging transactions are contained in sections 5.2 „Accounting policies", and 37 „Financial instruments" of the notes to the consolidated financial statements.

4 Accounting treatment of deferred taxes

1 In the consolidated financial statements of the Company deferred tax assets amounting to EUR 66.9 million are reported as of December 31, 2020. An excess of deferred tax assets amounting to approximately EUR 46.3 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 loss carryforwards to be utilized. For this purpose, insofar as sufficient relevant deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan, including the expected impact of the ongoing coronavirus crisis. No deferred tax assets were recognized in respect of unused tax losses amounting in total to EUR 183.4 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, including against the backdrop of the impacts of the coronavirus crisis.

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. In doing so, we also assessed the executive directors' estimate as to the impact of the coronavirus pandemic on the Company's business and evaluated how this was taken into consideration in calculating future earnings.

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 21 „Deferred taxes" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB] included in section statement on corporate governance pursuant to § 289f HGB and § 315d HGB] of the group management report]
- the non-financial statement pursuant to § 315b Abs. 1 HGB]

The other information comprises further the remaining parts of the annual report,– excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board]] for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.]

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the “ESEF documents”) contained in the attached electronic file Bauer_AG_KA_LB_ESEF-2020-12-31.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 engagement only extends 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 this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion 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 2020 contained in the “Report on the Audit of the Consolidated Financial Statements and on the Group Management Report” above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic

Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the “Group Auditor’s Responsibilities for the Assurance Engagement on the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors 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 reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 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 executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor‘s report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor’s Responsibilities for the Assurance Engagement 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 engagement. 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 conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement 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 conclusion 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 applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction 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) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting] on 25 June 2020. We were engaged by the supervisory board] on 25 June 2020. 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).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Jürgen Schwehr.

Stuttgart, April 9, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft (auditing firm)

Jürgen Schwehr	ppa. Bernd Adamaszek
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, April 7, 2021

The Management Board

Dipl.-Phys. Michael Stomberg
Chairman of the Management Board

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

Dipl.-Betriebswirt (FH)
Hartmut Beutler

Peter Hingott

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Published by
BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany
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Photos
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joint venture (p. 5)
Messe Frankfurt (p. 12)

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Registered place of business
86529 Schrobenhausen, Germany
Registered at the District Court of
Ingolstadt under HRB 101375

Print
Mayer & Söhne Druck- und
Mediengruppe GmbH & Co. KG,
Aichach

FSC
www.fsc.org
MIX
Papier aus verantwortungsvollen Quellen
FSC® C003486

BAUER

PASSION for PROGRESS

ANNUAL REPORT

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CONSOLIDATED INCOME STATEMENT

in EUR thousand	12M/2019 *	12M/2020	Change
Sales revenues	1,470,922	1,343,241	-8.7%
Changes in inventories	32,378	-16,789	n/a
Other own work capitalized	9,523	8,052	-15.5%
Other income	24,868	66,779	n/a
Consolidated revenues	**1,537,691**	**1,401,283**	-8.9%
Cost of materials	-783,126	-626,112	-20.1%
Personnel expenses	-418,805	-394,898	-5.7%
Other operating expenses	-212,713	-224,822	5.7%
Share of the profit or loss of associated companies accounted for using the equity method	11,225	9,796	-12.7%
Earnings before interest, tax, depreciation and amortization (EBITDA)	**134,272**	**165,247**	23.1%
Depreciation of fixed assets	-84,760	-93,176	9.9%
Write-downs of inventories due to use	-15,806	-16,534	4.6%
Earnings before interest and tax (EBIT)	**33,706**	**55,537**	64.8%
Financial income	33,742	33,047	-2.1%
Financial expenses	-78,766	-72,256	-8.3%
Earnings before tax (EBT)	**-11,318**	**16,328**	n/a
Income tax expense	-25,232	-24,550	-2.7%
Earnings after tax	**-36,550**	**-8,222**	n/a

CONSOLIDATED BALANCE SHEET

ASSETS in EUR thousand	12M/2019	12M/2020	Change
Intangible assets	16,946	14,598	-13.9%
Property, plant and equipment	460,470	452,487	-1.7%
Investments accounted for using the equity method	118,185	76,189	-35.5%
Participations	8,806	10,761	22.2%
Deferred tax assets	67,273	66,916	-0.5%
Other non-current assets	7,175	7,425	3.5%
Other non-current financial assets	13,923	13,165	-5.5%
Non-current assets	**692,778**	**641,541**	-7.4%
Inventories	405,401	387,498	-4.4%
Rental equipment	61,838	47,468	-23.3%
Less advances received for inventories	-8,921	-10,340	15.9%
	458,318	424,626	-7.4%
Receivables and other assets	434,608	394,661	-9.1%
Effective income tax refund claims	5,270	2,356	n/a
Cash and cash equivalents	37,575	46,015	22.5%
Non-current assets held for sale	0	34,786	n/a
Current assets	**935,771**	**902,444**	-3.6%
	1,628,549	**1,543,985**	-5.2%

EQUITY AND LIABILITIES in EUR thousand	12M/2019 *	12M/2020	Change
Equity of BAUER AG shareholders	**381,804**	**364,722**	**-4.5%**
Non-controlling interests	5,112	801	n/a
Equity	**386,916**	**365,523**	**-5.5%**
Provisions for pensions	158,641	167,457	5.6%
Financial liabilities	135,300	317,939	n/a
Other non-current liabilities	6,028	6,027	0.0%
Deferred tax liabilities	27,149	20,599	-24.1%
Non-current debt	**327,118**	**512,022**	**56.5%**
Financial liabilities	465,953	256,881	n/a
Other current liabilities	402,318	347,472	-13.6%
Effective income tax obligations	19,566	25,997	32.9%
Provisions	23,677	32,890	38.9%
Current portion of provisions for pensions	3,001	3,200	6.6%
Current debt	**914,515**	**666,440**	**-27.1%**
	1,628,549	**1,543,985**	**-5.2%**

* Previous year adjusted; see p. 70 and 73

In the "Change" column, there may be differences from the Group key figures as a result of roundings and a different representation between thousands of EUR and millions of EUR.

Financial calendar 2021

March 2, 2021	Preliminary figures for 2020
March 31, 2021	Extraordinary General Meeting
April 13, 2021	Publication Annual Report 2020 Annual Press Conference Analysts‘ Conference
May 12, 2021	Quarterly Statement Q1 2021
June 24, 2021	Annual General Meeting
August 12, 2021	Half-Year Interim Report to June 30, 2021
November 11, 2021	Quarterly Statement 9M/Q3 2021

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