

Quarterly Statement 9M/Q3 2022



At a glance

GROUP KEY FIGURES

in EUR million	9M/2021	9M/2022	Change
Total Group revenues	1,149.6	1,306.9	13.7%
Sales revenues	1,044.3	1,170.1	12.0%
Order intake	1,258.0	1,503.9	19.5%
Order backlog	1,270.9	1,561.4	22.9%
EBITDA	102.4	113.9	11.3%
EBIT	24.1	19.5	-19.1%
Earnings after tax	-5.9	15.9	n/a
Total assets	1,665.8	1,860.6	11.7%
Equity	454.8	545.5	19.9%
Employees (reporting date)	11,891	11,870	-0.2%

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.

Significant events and transactions

GROUP

At the end of the third quarter of 2022, the **total Group revenues** of the BAUER Group increased by 13.7%, from EUR 1,149.6 million to EUR 1,306.9 million, compared to the same period of the previous year. This was primarily attributable to the Equipment segment. At EUR 19.5 million, **EBIT** was below the previous year's value of EUR 24.1 million. This figure includes a negative contribution to earnings in the amount of EUR 11.3 million due to unscheduled depreciations carried out in the Construction and Equipment segments for companies based in Russia. This became necessary because the sale of drilling equipment and drilling tools to Russia as well as sales by affiliated companies in Russia had progressively collapsed due to the increasing tightening of sanctions by the European Union and resulting customer reticence.

Moreover, the BAUER Group experienced a very different course of business overall in the individual segments during the reporting period. The Equipment segment continued the positive trend with regard to revenue, earnings and order intake in the third quarter of the year. Although the Construction segment was able to increase revenues, the earnings performance was significantly below expectations. The Resources segment recorded a good third quarter after a weaker first half of the year.

The Group's **earnings after taxes** improved considerably to EUR 15.9 million (previous year: EUR -5.9 million). This was due, on the one hand, to a noticeable increase in the Equipment segment, and on the other hand to the Group's financial result increasing considerably. In this context, interest rate hedging transactions had a significant positive influence, as these must be valued in the balance sheet according to the development of market interest rates. Since the market interest rates increased significantly compared with the end of 2021, this created a significant positive effect of EUR 26.3 million on earnings after taxes after the third quarter (same period of the previous year: positive effect of EUR 1.9 million).

The **order backlog** in the Group increased by 22.9% compared with the same period of the previous year, from EUR 1,270.9 million to EUR 1,561.4 million, due to good order intake, and was therefore once again above the record value of EUR 1,508.4 million reported at the end of the first half of the year. Here, the order backlogs in all three segments increased considerably. The **order intake** rose by 19.5% from EUR 1,258.0 million to EUR 1,503.9 million.

CONSTRUCTION SEGMENT

in EUR thousand	9M/2021	9M/2022	Change
Total Group revenues	517,622	565,677	9.3%
Sales revenues	485,970	529,380	8.9%
Order intake	595,520	668,262	12.2%
Order backlog	799,234	948,078	18.6%
EBIT	-1,803	-13,401	n/a

At EUR 565.7 million, **total Group revenues** in the Construction segment were up significantly by 9.3% compared to the previous year's value of EUR 517.6 million. **EBIT** was significantly in the negative range at EUR -13.4 million compared to the same period in the previous year at EUR -1.8 million. The earnings figures include a negative contribution to earnings in the amount of EUR 5.3 million due to the previously described unscheduled depreciations with regard to the Russian company in the Construction segment.

Overall, the Construction segment recorded a challenging business situation in 2022. Although the revenue increase was in line with the planned levels, the earnings remained significantly behind the expectations. Overall, the operative performance in most markets was rather subdued. In addition, particularly the subsidiaries in Canada, Qatar, Malaysia and the USA burdened the earnings due to a considerable underutilization of capacities or a poor operative performance. Higher depreciations and expenses were also generated in connection with a project for the foundation of an offshore wind farm. These are only balanced in isolated cases by very positive earnings in Germany, Jordan, Saudi Arabia and Egypt.

Due to these developments, rigorous and even more intensive work is underway to optimize the international position and earnings growth. Overall, the plan is to significantly reduce the presence of subsidiaries in the markets. Thus some subsidiaries that can be handled as needed by existing units in the region on a single-project basis have already been abandoned. Examples of this include Bulgaria, Vietnam, Russia, Ghana, Bangladesh, Lebanon and Georgia.

The increase in raw material prices, particularly as a result of Russia's war against Ukraine, makes renegotiation necessary for some existing contracts.

Order backlog in the Construction segment grew considerably by 18.6% from EUR 799.2 million in the previous year to EUR 948.1 million. The increase is mainly attributable to new projects in Europe, the Middle East and Asia. In particular, we anticipate further extensive orders in Saudi Arabia in connection with the NEOM project and the included construction project "The Line". At EUR 668.3 million, the **order intake** was significantly higher than the previous year's EUR 595.5 million.

EQUIPMENT SEGMENT

in EUR thousand	9M/2021	9M/2022	Change
Total Group revenues	485,174	576,243	18.8%
Sales revenues	376,605	439,696	16.8%
Order intake	505,736	648,898	28.3%
Order backlog	139,418	250,454	79.6%
EBIT	17,783	30,794	73.2%

In the first nine months of the year, **total Group revenues** in the Equipment segment increased significantly by 18.8%, from EUR 485.2 million to EUR 576.2 million, when compared to the same period of the previous year. **EBIT** increased considerably compared to the previous year, from EUR 17.8 million to EUR 30.8 million. The earnings figures include a negative contribution to earnings in the amount of EUR 6.0 million due to the previously described unscheduled depreciations with regard to the Russian companies in the Equipment segment.

The Equipment segment has recorded a positive course of business so far in 2022 and was able to maintain the positive trend regarding revenue, earnings, and order intake that began in the fourth quarter of 2021. Even after the first nine months of the year, no significant impact on customer ordering behavior was reported as a result of Russia's war against Ukraine. Overall, the sales markets were very stable as a whole. One exception continues to be China. The strict zero-COVID policy makes both entry into the country and sales activities extremely difficult for all foreign companies. In addition, the construction sector is heavily burdened by the Chinese real estate crisis and liquidity bottlenecks on the part

of public-sector clients. Many infrastructure projects in China have been postponed or severely delayed. The sales figure are therefore at a very low level so far, and we do not expect any improvement by the end of the year.

Nevertheless, the current order backlogs will also ensure good utilization of production capacities in the coming months. Price increases for raw materials and primary products were counteracted by significant price increases for end products. In the meantime, there is a slight easing in the availability of materials and parts for production. Nevertheless, the situation continues to be tense. Overall, we do not expect any significant restrictions in the coming months regarding our ability to deliver equipment.

Order backlog grew very considerably by 79.6%, from EUR 139.4 million in the previous year to EUR 250.5 million. At EUR 648.9 million, the **order intake** rose by 28.3% compared with the previous year's value of EUR 505.7 million.

RESOURCES SEGMENT

in EUR thousand	9M/2021	9M/2022	Change
Total Group revenues	208,158	222,155	6.7%
Sales revenues	180,791	200,020	10.6%
Order intake	218,071	243,894	11.8%
Order backlog	332,257	362,895	9.2%
EBIT	8,136	4,829	-40.6%

At EUR 222.2 million, **total Group revenues** in the Resources segment were up by 6.7% after the first nine months, compared to the previous year's EUR 208.2 million. **EBIT** decreased, from EUR 8.1 million to EUR 4.8 million.

The Resources segment is behind expectations after nine months. The earnings performance is influenced above all by the area of drilling services. In Jordan, two large-scale projects were postponed until next year due to a lack of funding, which led to a significant underutilization. In addition, the local presence in South Africa was abandoned because the market opportunities have weakened considerably. Overall, the deviation in earnings can be explained by these two effects.

In the other business areas of water well construction, environmental services, constructed wetlands, mining and rehabilitation, there has been good performance with very good results in some places. Material bottlenecks and price increases did not have a significant effect on business in the first half of the year.

In the first nine months of the year, **order backlog** increased by 9.2% compared to the previous year, from EUR 332.3 million to EUR 362.9 million, which was primarily attributable to the area of mining. The **order intake** rose by 11.8% from EUR 218.1 million to EUR 243.9 million.

Earnings, financial and net asset position

The significant key figures for the earnings position have already been described in the previous section.

At the end of the third quarter of 2022, the **total assets** of the Group amounted to EUR 1,860.6 million, corresponding to an increase of 11.7% compared to the previous year's value of EUR 1,665.8 million. Compared with the previous year, on the asset side, a particularly positive impact was recorded by increases in inventories (EUR +76.9 million), receivables and other assets (EUR +66.2 million) as well as non-current financial assets (EUR +35.4 million).

On the asset side, the item of non-current assets held for sale has reduced to zero. The major share of this item in the previous year concerned a property in the USA. Since the sale had not occurred by the end of 2021, this share was reassigned back into property, plant and equipment, which increased this item to EUR 34.8 million. The remaining value of this item concerned a small property held by PRAKLA Bohrtechnik GmbH in Germany that was sold in the second quarter of the current year.

Equity increased significantly from EUR 454.8 million to EUR 545.5 million and was even considerably higher than the 2021 year-end level of EUR 481.1 million. The primary factors with a positive impact were the changes to the provision for currency translation losses stated under equity (EUR +20.9 million) and the reserve from pension commitments (EUR +29.6 million). Thus the Group's **equity ratio** was 29.3% after the third quarter of 2022 (previous year: 27.3%).

The **short and long-term liabilities to banks** increased by a total of EUR 29.4 million compared to the same period in the previous year, which is primarily attributable to the increase in receivables and other assets as well as in inventories on the asset side of the balance sheet.

Forecast adjustment report

The outlook for the 2022 financial year has changed since publication of the Half-Year Interim Report on June 30, 2022. On September 13, 2022 BAUER AG adjusted the previous forecast given in the 2021 Annual Report in an ad-hoc announcement. The company originally anticipated a significant increase in total Group revenues as well as EBIT, but now assumes that **EBIT** will be significantly under the previous year (end of 2021: EUR 36,0 million). The forecast for the **total Group revenues** remains unchanged.

The background for the forecast adjustment were the unscheduled depreciations for companies based in Russia. This became necessary because the sale of drilling equipment and drilling tools to Russia as well as sales by affiliated companies in Russia had progressively collapsed due to the increasing tightening of sanctions by the European Union and resulting customer reticence. This unscheduled depreciation and weaker operating performance in the Construction and Resources segments already explained in the half-year report meant that, in the context of the forecast for the entire year of 2022, the Executive Board assumed that the forecast originally issued for the 2022 financial year can no longer be achieved.

In order to further reinforce the equity base, the Executive Board and Supervisory Board resolved and immediately published an ad-hoc announcement on October 10, 2022 to call an Extraordinary General Meeting and propose a resolution regarding a regular capital increase to the Extraordinary General Meeting. This is planned for November 18, 2022.

Interim consolidated financial statements

CONSOLIDATED INCOME STATEMENT

in EUR thousand	Q3/2021	Q3/2022	9M/2021	9M/2022
Sales revenues	358,851	407,985	1,044,315	1,170,092
Changes in inventories	-741	27,411	34,412	64,275
Other own work capitalized	3,676	3,634	12,012	9,772
Other income	3,423	8,671	11,260	18,088
Consolidated revenues	365,209	447,701	1,101,999	1,262,227
Cost of materials	-187,577	-237,364	-559,429	-650,553
Personnel expenses	-107,732	-116,598	-320,968	-349,140
Other operating expenses	-36,336	-51,333	-127,008	-154,443
Income from shares accounted for using the equity method	2,411	2,494	7,770	5,839
Earnings before interest, tax, depreciation and amortization (EBITDA)	35,975	44,900	102,364	113,930
Depreciation and amortization				
a) Depreciation of fixed assets	-24,566	-35,413	-70,545	-87,344
b) Write-downs of inventories due to use	-2,662	-2,448	-7,748	-7,117
Earnings before interest and tax (EBIT)	8,747	7,039	24,071	19,469
Financial income	10,642	40,669	34,625	116,771
Financial expenses	-13,133	-32,673	-46,453	-91,305
Earnings before tax (EBT)	6,256	15,035	12,243	44,935
Income tax expense	-6,516	-11,460	-18,114	-28,992
Earnings after tax	-260	3,575	-5,871	15,943
of which attributable to shareholders of BAUER AG	-1,186	2,785	-8,288	12,729
of which attributable to non-controlling interests	926	790	2,417	3,214

in EUR	Q3/2021	Q3/2022	9M/2021	9M/2022
Basic earnings per share	-0.05	0.11	-0.38	0.49
Diluted earnings per share	-0.05	0.11	-0.38	0.49
Average number of shares in circulation (basic)	26,091,781	26,091,781	22,024,516	26,091,781
Average number of shares in circulation (diluted)	26,091,781	26,091,781	22,024,516	26,091,781

STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Q3/2021	Q3/2022	9M/2021	9M/2022
Earnings after tax	-260	3,575	-5,871	15,943
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	0	-2,681	12,552	41,176
Deferred taxes on that revaluation with no effect on profit and loss	-1	753	-3,525	-11,562
Market valuation of other participations	0	0	0	0
Deferred taxes on other participations with no effect on profit and loss	0	0	0	0
Income and expenses which will be subsequently reclassified to profit and loss				
Market valuation of derivative financial instruments (hedging reserve)	-439	546	-397	1,992
Included in income and loss	439	484	418	-962
Market valuation of derivative financial instruments (reserve for hedging costs)	-123	6	-290	109
Included in income and loss	129	729	331	-68
Deferred taxes on financial instruments with no effect on profit and loss	-1	-496	-17	-301
Exchange differences on translation of foreign subsidiaries	4,977	7,309	11,620	19,423
Other earnings after tax	4,981	6,650	20,692	49,807
Total comprehensive income	4,721	10,225	14,821	65,750
of which attributable to shareholders of BAUER AG	3,447	9,097	11,587	64,040
of which attributable to non-controlling interests	1,274	1,128	3,234	1,710

CONSOLIDATED BALANCE SHEET (REDUCED)**Assets**

in EUR thousand	Sep. 30, 2021	Dec. 31, 2021	Sep. 30, 2022
Intangible assets	14,617	15,944	15,546
Property, plant and equipment	465,868	506,381	511,219
Investments accounted for using the equity method	78,789	81,881	81,794
Participations	10,803	10,803	10,803
Deferred tax assets	63,989	65,421	64,078
Trade receivables	13,117	8,540	9,882
Other non-current assets	7,436	9,221	8,084
Other non-current financial assets	15,623	23,920	51,043
Non-current assets	670,242	722,111	752,449
Inventories	482,965	457,489	562,170
Less advances received for inventories	-11,710	-10,770	-14,003
	471,255	446,719	548,167
Contract assets	116,049	119,130	141,638
Trade receivables	261,627	243,033	284,504
Receivables from enterprises in which the company has participating interests	1,313	907	2,117
Prepayments	8,735	9,267	15,439
Other current assets	40,785	37,244	52,848
Other current financial assets	15,381	14,128	13,539
Effective income tax refund claims	4,697	4,287	3,725
Cash and cash equivalents	39,268	41,297	46,188
Non-current assets held for sale	36,491	1,370	0
Current Assets	995,601	917,382	1,108,165
	1,665,843	1,639,493	1,860,614

Equity and Liabilities

in EUR thousand	Sep. 30, 2021	Dec. 31, 2021	Sep. 30, 2022
Equity of BAUER AG shareholders	452,082	478,069	542,156
Non-controlling interests	2,732	3,007	3,367
Equity	454,814	481,076	545,523
Liabilities to banks	301,431	229,005	283,362
Liabilities from lease agreements	42,687	44,941	49,998
Other provisions	8,665	8,001	0
Provisions for pensions	155,517	149,054	108,533
Other non-current liabilities	6,503	7,523	8,879
Other non-current financial liabilities	29,686	25,914	13,603
Deferred tax liabilities	25,993	18,409	40,681
Non-current debt	570,482	482,847	505,056
Liabilities to banks	195,959	204,780	243,457
Liabilities from lease agreements	16,458	19,854	18,870
Contract liabilities	40,987	77,971	83,110
Trade payables	212,425	198,005	259,002
Liabilities to companies and participations accounted for using the equity method	26,016	26,530	27,196
Other current liabilities	91,066	78,633	89,788
Other current financial liabilities	18,224	14,046	28,637
Effective income tax obligations	14,486	22,159	20,575
Other provisions	21,727	30,275	36,083
Provisions for pensions	3,199	3,317	3,317
Current debt	640,547	675,570	810,035
	1,665,843	1,639,493	1,860,614

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousand	9M/2021	9M/2022
Cash flows from operational activity:		
Earnings before tax (EBT)	12,243	44,935
Depreciation of property plant and equipment and intangible assets	70,545	87,344
Writedowns of inventories due to use	7,748	7,117
Financial income	-34,625	-116,771
Financial expenses	46,453	91,305
Other noncash transactions and results of deconsolidations	8,501	83,400
Dividends received	5,489	3,600
Income from the disposal of property plant and equipment and intangible assets	-1,808	-4,026
Income from shares accounted for using the equity method	7,770	5,839
Change in provisions	-17,807	694
Change in trade receivables	-10,274	-40,182
Change in contract assets	-25,432	-22,370
Change in other assets and in prepayments and deferred charges	-9,636	-46,276
Change in inventories	-60,509	-115,780
Change in trade payables	21,258	51,524
Change in contract liabilities	-21,226	4,766
Change in other current and noncurrent liabilities	1,182	484
Cash and cash equivalents generated from daytoday business operations	-128	35,603
Income tax paid	-22,149	-37,376
Net cash from operating activities	-22,277	-1,773
Cash flows from investing activity:		
Purchase of property plant and equipment and intangible assets	-96,906	-82,145
Proceeds from the sale of property plant and equipment and intangible assets	29,483	30,954
Purchase of financial assets (participations)	29	-297
Change in financial resources resulting from the basis of consolidation	-334	0
Net cash used in investing activities	-67,728	-51,488
Free Cash flow (Cash flow from operating activities + Cash flow from investing activities)	-90,005	-53,261
Cash flows from financing activity:		
Raising of loans and liabilities to banks	211,643	232,331
Repayment of loans and liabilities to banks	-169,223	-143,393
Repayment of liabilities from lease agreements	-9,448	-14,145
Incoming payments from equity contributions by shareholders of the parent company	64,101	0
Payments for transaction costs related to corporate actions	-568	0
Disbursements for the purchase of additional shares in subsidiaries	0	234
Dividends paid	-1,303	-1,350
Interest paid	-18,061	-18,401
Interest received	4,659	4,676
Net cash used in financing activities	81,800	59,952
Changes in liquid funds affecting payments	-8,205	6,691
Influence of exchange rate movements on cash	1,458	-1,800
Total change in liquid funds	-6,747	4,891
Cash and cash equivalents at beginning of reporting period	46,015	41,297
Cash and cash equivalents at end of reporting period	39,268	46,188
Change in cash and cash equivalents	-6,747	4,891

FUTURE-RELATED STATEMENTS

This quarterly statement contains some future-related statements. Future-related statements are any statements which do not relate to historical facts and events, such as statements about future financial earning power, about plans and expectations with regard to the development of the business of the BAUER Group and about the general economic climate or other factors to which the Group is subject. The use of words such as “believe”, “expect”, “predict”, “intend”, “forecast”, “plan”, “estimate”, “aim”, “likely”, “assume” and similar language indicates that the statements in question are future-related. Future-related statements are subject to risks and many uncertainties which may mean that actual developments, earnings or levels of income or revenue which are achieved differ widely from the developments, income or revenues explicitly or implicitly assumed in the future-related statements.

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

2022 FINANCIAL CALENDAR

March 7, 2022	Preliminary figures for 2021
April 7, 2022	Publication Annual Report 2021 Annual Press Conference Analysts' Conference
May 12, 2022	Quarterly Statement Q1 2022
June 23, 2022	Annual General Meeting
August 11, 2022	Half-Year Interim Report to June 30, 2022
November 11, 2022	Quarterly Statement 9M/Q3 2022
November 18, 2022	Extraordinary General Meeting

You can find more information on the BAUER Group online at www.bauer.de.

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