Consolidated Financial Statements 2010 of BayWa AG

SUPERVISORY BOARD

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Master of Agriculture (University of Applied Sciences), Chairman, President of Deutscher Raiffeisenverband e.V.
Other mandates:
- Bayerische Raiffeisen-Beteiligungs-AG, Beilngries (Chairman)
- DG HYP Deutsche Genossenschafts-Hypothekenbank AG, Hamburg
- Kravag-Logistic Versicherungs-AG, Hamburg
- Kravag-Sachversicherung des Deutschen Kraftverkehrs VaG, Hamburg
- Landwirtschaftliche Rentenbank, Frankfurt a.M. (Board of Administration)
- RWA Raiffeisen Ware Austria AG, Vienna
- R+V Allgemeine Versicherung AG, Wiesbaden
- R+V Lebensversicherung AG, Wiesbaden
- Vereinigte Tierversicherung Gesellschaft a.G., Wiesbaden
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- DO & CO Restaurants & Catering AG, Vienna
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- RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Vienna (Chairman)
- RWA Raiffeisen Ware Austria AG, Vienna
- Raiffeisen Zentralbank Österreich AG, Vienna (Chairman)
- Saint Louis Sucre S.A., Paris
- Siemens AG Österreich, Vienna (Vice Chairman)
- Südzucker AG Mannheim/Ochsenfurt, Mannheim (Vice Chairman)
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt
- UNIQA Versicherungen AG, Vienna (Chairman)

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Union Law Secretary ver.di, Munich

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Master Mechanic for Agricultural Machinery

Dr. E. Hartmut Gindele
Master of Agriculture, farmer

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- SDK Süddeutsche Krankenversicherung a.G., Fellbach

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MSc Engineering, President of the German Confederation of Skilled Crafts

Other mandates:
- Bank für Kirche und Caritas eG, Paderborn
- Deutscher Ring Krankenversicherungsverein a.G., Hamburg
- Dortmunder Volksbank eG, Dortmund (Chairman)
- Handwerksbau AG, Dortmund (Chairman)
- SIGNAL IDUNA Holding AG, Dortmund
  (Vice Chairman effective 29 June 2010)
- SIGNAL IDUNA Krankenversicherung a.G., Dortmund
  (Vice Chairman)

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Secretary of the Union ver.di, Bavaria

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Regional Administration Centre Manager/Upper Bavaria of BayWa AG

Dr. Johann Lang
MSc Engineering, farmer
Other mandates:
- Niederösterreichische Versicherung AG, St. Pölten
- RWA Raiffeisen Ware Austria AG, Vienna (Chairman)
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen., Vienna (Chairman)

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- Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall
- R+V Allgemeine Versicherung AG, Wiesbaden
- R+V Lebensversicherung AG, Wiesbaden
- TeamBank AG, Nuremberg (Chairman)
- VR-LEASING AG, Eschborn

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- FIDUCIA IT AG, Karlsruhe (Chairman)
- R+V Lebensversicherung AG, Wiesbaden
- Wohnungsbau- und Verwaltungsgenossenschaft Forchheim eG, Forchheim (Chairman)

Werner Waschbichler
Logistics Manager

Bernhard Winter
Head of Accounting Control/Agriculture

COOPERATIVE COUNCIL

Wolfgang Eckert
MBA, Chairman of the Board of Directors of VR-Bank eG

Members
pursuant to Article 28 para. 5 of the Articles of Association

Manfred Nüssel
Master of Agriculture (University of Applied Sciences), Vice Chairman, President of Deutscher Raiffeisenverband e.V.

Dr. Johann Lang
MSc Engineering, farmer

Other members

Wolfgang Altmüller
MBA, Chairman of the Board of Directors of VR meine Raiffeisenbank eG

Dietmar Berger
Master of Agriculture & Economics, President of Mitteldeutscher Genossenschaftsverband e.V.

Franz Breiteneicher
Managing Director of Raiffeisen-Waren GmbH Erdinger Land

Albert Deß (effective 30 March 2010)
Member of the European Parliament

Günter Dreher
MSc Administration, Chairman of the Board of Directors of Augusta-Bank eG

Martin Empl
Master of Agriculture, farmer

Manfred Geyer
Chairman of the Board of Directors of RaiffeisenVolksbank eG Gewerbebank

Erhard Gschrey
Certified Public Accountant/Tax Consultant, Vice Chairman of the Board of Management of Genossenschaftsverband Bayern e.V.

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Chairman of the Board of Directors of Raiffeisenbank im Stiftland eG

Lothar Hertzsch
Master of Agriculture & Economics, member of the Board of Directors of Reinsdorfer Agrargenossenschaft eG
(until 30 June 2010)

Karl Hippeli
Member of the Board of Directors of Raiffeisenbank im Stiftland eG

Konrad Irtel
Spokesman of the Board of Directors of VR Bank Rosenheim-Chiemsee eG

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Franz Kustner
Farmer

Alois Pabst
Farmer

Hans Paulus
Master of Agriculture, Director, Commodities Dept., Raiffeisenbank im Stiftland eG

Josef Raffelsberger
Farmer

Joachim Rukwied
MSc Engineering (University of Applied Sciences), President of Landesbauernverband in Baden-Württemberg e.V.

Hermann Schultes
President and National Councillor of the Chamber of Agriculture of Lower Austria, farmer

Gerd Sonnleitner
President of the German Association of Farmers and of the Bavarian Association of Farmers

Ludwig Spanner
Farmer

Wolfgang Vogel
President of Sächsischer Landesbauernverband e.V.

Maximilian Zepf
MBA, member of the Board of Directors of Raiffeisenbank Schwandorf-Nittenau eG

BOARD OF MANAGEMENT

Klaus Josef Lutz

(Chief Executive Officer)

Finance (until 15 November 2010), PR/Corporate Communication, Investor Relations (until 15 November 2010), Internal Audit, Central Controlling (until 15 November 2010), Law (until 15 November 2010), Corporate Marketing, Group Development/Corporate Strategy, Group Risk Management, Corporate Real Estate Management (CREM) (until 15 November 2010), Building Materials segment (effective 15 November 2010), Personnel and Senior Executives (effective 15 November 2010), Group Logistics and Organisation (effective 15 November 2010)

External mandates:

- Eramon AG, Gersthofen
- Graphit Kropfmühl AG, Hauzenberg
- MAN Nutzfahrzeuge AG, Munich
- VK Mühlen AG, Hamburg (Chairman)

Group mandates:

- RWA Raiffeisen Ware Austria AG, Vienna (First Vice Chairman)
- »UNSER LAGERHAUS« WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt (Chairman)
- RENERCO Renewable Energy Concepts AG, Munich

Klaus Buchleitner

RWA Raiffeisen Ware Austria AG, Vienna

External mandate:

- Raiffeisen Zentralbank Österreich AG, Vienna

Group mandates:

- Raiffeisen-Lagerhaus GmbH, Bruck a.d. Leitha; (First Vice Chairman)
- »UNSER LAGERHAUS« WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt

Andreas Helber (effective 15 November 2010)

Finance, Investor Relations, Lending, Corporate Real Estate Management (CREM), Central Controlling, Information Systems, Law, Regional Administration Centres

Group mandates:

- RWA Raiffeisen Ware Austria AG, Vienna
- »UNSER LAGERHAUS« WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt

Frank Hurtmanns (until 31 December 2010)
Building Materials, DIY & Garden Centres, Franchise, Personnel, Information Systems, Group Logistics & Organisation

External mandates:

- Pensionskasse der Genossenschaftsorganisation VVaG, Munich (until 30 November 2010; Vice Chairman)
- R+V Pensionsversicherung a.G., Wiesbaden (until 30 November 2010)
- update software AG, Vienna (Chairman)

Group mandate:

- RWA Raiffeisen Ware Austria AG, Vienna (until 22 November 2010)

Dr. Josef Krapf
Agriculture, Fruit

External mandate:

- Süddeutsche Zuckerrübenverwertungs- Genossenschaft eG, Ochsenfurt

Roland Schuler
Energy, Agricultural Equipment, Energy, BayWa r.e, coordination of the Württemberg region

External mandate:

- Süddeutsche Zuckerrübenverwertungs- Genossenschaft eG, Ochsenfurt

Group mandate:

- RENERCO Renewable Energy Concepts AG, Munich (Chairman effective 27 January 2010) Allocation of operations as per 31 December 2010

Management Report on the Company and the Group in the financial year 2010

I. Summary of performance in the financial year 2010

The BayWa Group performed extremely well in the financial year 2010. BayWa's diversified business model was strengthened through the ongoing divestment of non-core activities and the reinvesting of the funds released in the Group's core segments as well as in the new renewable energies business. All the Group's segments raised their revenues. The gratifying profit trend of the BayWa Group was the result of significant improvements in operations.

Performance in the Agriculture Segment was determined by a higher level of sales and a significant price recovery in almost all of BayWa's important agricultural products. Lower harvest yields of most agricultural products led to a reduction in inventories and, in some cases, demand even exceeded the harvest yield status of several important agricultural commodities, driving prices up steeply. Prices in the market for operating resources also improved, accompanied by a rising sales volume. This was particularly applicable to fertilisers, as healthier revenue from agricultural produce encouraged farmers to accept higher fertiliser prices. In the fruit business, the significant downturn in crop yields was compensated by the increase in selling prices. Revenues were additionally boosted through the acquisition of Frucom, a fruit trading company. The agricultural equipment business also benefited from the willingness of farmers to invest, prompted by improved revenue prospects. Against this backdrop, the BayWa Group’s Agriculture segment lifted revenues by EUR 235.3 million to EUR 3,505.1 million in the financial year 2010, which is an increase of 7.2 percent. In the year under review, earnings before interest and tax (EBIT) climbed to EUR 63.9 million, up from EUR 44.2 million a year ago.

The building materials trading as part of the Building Materials segment benefited from the general economic improvement in the construction industry. The recovery in new residential construction and brisker public-sector building, buoyed by programmes to stimulate the economy launched in 2009, enabled the Building Materials business unit to raise revenues by 3.3 percent to EUR 1,370.8 million. The DIY & Garden Centres business unit was positively impacted by the economic trend reversal as the consumer sentiment of private households brightened. In addition, the DIY and garden centre business received stimulus from the strategic measures implemented to reposition the business and from the flagship markets inaugurated in Illertissen and Grafenau. The business unit's revenues grew by 18.5 percent to EUR 532.3 million. Total revenues of the Building Materials segment posted EUR 1,903.1 million, which is 7.2 percent higher than the previous year's figure. There was, however, a decline in EBIT, which fell by EUR 5.9 million to EUR 18.3 million, caused by restructuring expenses, start-up costs for the new garden centres and a realignment of the management structure.

The sales trend of the Energy segment in the heating market was characterised by reticent demand for heating oil due to sharp mineral oil price hikes. In contrast, fuel sales were lifted on the back of the growing number of vehicles and more mileage driven in the wake of the economic recovery. The lubricants business also reaped the benefit of the improved macroeconomic situation, as the auto repair business and the metal processing industry staged a strong recovery in 2010. The activities of BayWa r.e in the field of renewable energies developed very pleasingly in the financial year 2010. BayWa r.e generated revenues of EUR 254.8 million and achieved an EBIT of EUR 21.1 million. The Energy segment's revenues climbed by EUR 521.0 million, the equivalent of 28.4 percent, to EUR 2,358.5 million in the period under review, mainly on the back of improved selling prices. EBIT rose to EUR 30.3 million, up by EUR 12.6 million.

In the reporting year, the BayWa Group raised revenues by EUR 642.7 million to EUR 7,903.0 million, which corresponds to an increase of 8.9 percent. EBIT advanced by 11.7 percent to EUR 128.9 million in comparison with the year-earlier figure. Earnings before tax (EBT) increased to EUR 87.1 million, the equivalent of 16.1 percent in a year-on-year comparison. The shareholders of BayWa AG are also to participate in this positive performance: To this end, the Board of Management and the Supervisory Board will propose payment of a dividend of EUR 0.50 per share to the Annual General Meeting of Shareholders.

II. Business and general conditions

Group structure and business activities

The BayWa Group's business is concentrated on wholesale and retail trading, logistics and associated services. The headquarters of BayWa AG, the parent company founded in 1923, is Munich, Germany. Rooted in regional cooperative trading, the company has evolved into one of Europe's leading trading and logistics groups through steady growth and by consistently extending its range of products and services. The company's activities are divided up into the three operating segments of Agriculture, Building Materials and Energy. BayWa's diversified activities in the sectors of agriculture, construction and the supply of energy serves to stabilise its business model. The segments' core competences reside in trading and logistics services, supplemented by an extensive offering of specially customized services in each segment. BayWa is strongly anchored in rural regions. Including franchise and partner companies, the Group has around 3,000 sales locations spread across sixteen countries. Its home markets are in Germany, Austria and Eastern Europe. In addition, BayWa has gained a foothold in Great Britain and the United States of America through expanding its activities in the field of renewable energies.

The BayWa Group

	Revenues (in EUR million)	Employees (annual average)
Agriculture	3,505.1	6,637
Building Materials	1,903.1	6,562
Energy	2,358.5	1,192
Other Activities	136.3	829

Traditionally, the BayWa Group generates the largest part of its revenues from the agriculture and food industry. The Agriculture segment contributed around 44 percent to consolidated revenues in 2010. BayWa is one of Europe's largest full-line suppliers in the agricultural sector and trades some of its products worldwide as well. The Agricultural Trade business unit comprises and sells plant-based products from the field through to the food industry and trades in agricultural resources such as seeds, fertilizers and crop protection as well as feed stuff for husbandry. The Agricultural Equipment business unit has an end-to-end range of agricultural and forestry equipment for yard and barn. The business unit has a tight network of workshops as well as mobile vehicles which offer maintenance and repair services and sell replacement parts.

The Building Materials segment contributes around 24 percent to consolidated revenues. The BayWa Group is Germany's no. 2 in the building materials trade and also ranks among the leading suppliers in Austria. The Group operates DIY and garden centres mainly in rural regions. BayWa is also an important franchisor in the building materials trade and in its DIY and garden centre business.

The Energy segment, which makes up around 30 percent of consolidated revenues, sells mainly heating oil, diesel and Otto fuel, lubricants and wood pellets in Bavaria, Baden-Württemberg, Saxony and in Austria. In addition, the segment operates its own network of fuel stations. BayWa r.e, a business newly founded in 2009, comprises existing operations and activities freshly acquired in the field of renewable energies. BayWa views this new business as an area for sustainable growth. There are opportunities inherent in the necessary realignment of the supply of energy to counteract dwindling conventional sources of energy. Renewable energies hold the promise of above average growth in the markets in the medium and long-term in which BayWa intends to participate through concentrating its core competences.

Other Activities comprise the strategic non-core competences of BayWa and other financial participations. They contributed around 2 percent to the BayWa Group’s revenues in 2010.

BayWa AG operates business in its three segments both directly as well as through its subsidiaries which are included in the group of consolidated companies. In the countries of Eastern Europe, where the BayWa Group is mainly engaged in agricultural trading, management is the province of each individual company in the respective countries. Including BayWa AG, the BayWa Group comprises 73 fully consolidated companies. Furthermore, seven companies belonging to the ANIMEDICA Group, jointly managed with a partner, were consolidated on a proportionate basis up until their disposal on 30 September 2010. Fourteen companies have been included as associated companies using the at-equity method in the consolidated financial statements of BayWa.

Corporate goals, strategy, management and control
The BayWa Group has set itself the long-term goal of steadily developing its position as one of the leading suppliers of products and services in its segments of Agriculture, Building Materials and Energy and to expand both through organic growth as well as through acquisitions, provided that conditions are attractive.

The profitability of the Group is enhanced through economies of scale resulting from revenue growth and through efficient cost management. On the cost front, measures are concentrated primarily on raising the efficiency of locations, streamlining processes and making more intensive use of sales and distribution structures. Focusing on efficient working capital management and optimising the allocation of capital within the Group will serve to widen the scope for investments and improve the balance sheet structure. Beyond this, a balanced relationship between debt and equity is conserved.

The segments are managed and controlled by applying strategic and operational parameters and a selection of financial ratios. Along with revenue growth, EBIT and the EBIT margin, which is the ratio of EBIT to revenues, as well as EBITDA are the key parameters used for management and control. EBITDA indicates the ability of the individual segments, after having invested in maintaining the capital reserve, to produce income and to service financial obligations. Alongside this key financial, the debt-to-equity ratio (leverage) at Group level, defined as the ratio of net financial liabilities to EBITDA, is an important metric for the whole Group.

In the financial year 2010, the management and control of the operating units were supplemented for the first time through the addition of a value-oriented measurement component. This value-oriented approach to managing is used to optimise capital invested within the Group based on a medium- and long-term horizon. Return on average capital invested in the segments is calculated by applying the risk-weighted cost of capital. The return on the capital invested by the segments (ROIC) is then measured against the cost of capital specific to each segment. There is economic profit if the return on invested capital is higher than the cost of capital. This approach is aimed at sustainably optimising portfolios and at strategically improving capital allocation and highlights whether the operating profit achieved is appropriate when measured against the risk-adjusted cost of capital and whether the segments are earning their cost of capital.

Economic profit by segment

In EUR million	Agriculture	Building Materials	Energy
Net operating profit after tax (NOPAT)	**64.100**	**17.567**	**26.001**
Ø invested capital	940.893	574.884	62.052
Economic profit	**0.119**	**-21.525**	**21.781**
ROIC (in percent)	6.81	3.06	41.90
Weighted average cost of capital (WACC; in percent)	6.80	6.80	6.80
Difference (ROIC ./. WACC) (in percent)	0.01	-3.74	35.10

In the financial year 2010, the Agriculture and Energy segments achieved positive economic profit and have therefore earned their cost of capital. Although the Building Materials segment generated a profit of around EUR 17.6 million, measurement against the underlying cost of capital shows that this result does not yield a return on the average capital invested which is commensurate with the business risk.

In the interpretation of economic profit, it must be noted that this is a medium- and long-term instrument of control designed to improve capital invested within the company.

In the short term, economic profit may be distorted, for instance through high investments in specific years or extreme price fluctuations in the sales markets.

Services, products and business processes

The logistics competence of BayWa is particularly important in collecting, storing and selling the harvest in its agribusiness activities. Buying up the harvest necessitates a sophisticated transport system and a high level of storage capacities, as well as the seamless integration of goods delivery, processing, garnering and produce maintenance. During the subsequent phase when the harvest is sold, knowledge of both local and global supply and demand conditions is essential for a sound and informed assessment of market developments, especially in times of high price volatility. Upstream and downstream from the harvest are activities involving the supplying of farmers with seed, operating resources and consultancy services for cultivation, as well as the sale and servicing of agricultural equipment, which means that BayWa's Agriculture segment remains in close contact with its customers from the agricultural industry throughout the year.

In its fruit and vegetable operations, BayWa is a leading supplier of German dessert fruit to food retailers and, through its ten locations, the biggest single marketer of German dessert pip fruit and the largest supplier of organic pome fruit. In addition, the Fruit business unit collects, stores, sorts, packages and sells the produce as a marketer under contract to customers in Germany and abroad. BayWa supplies citrus and tropical fruit to wholesalers and retailers through Frucom, a subsidiary company.

The Agricultural Equipment business unit is a full-line supplier for agricultural machinery, equipment and facilities. The product portfolio for cultivation comprises tractors, loader and transport vehicles, machinery for soil cultivation and sewing, equipment for spreading crop protection agents and fertilisers, or types of harvesting machinery, special machinery for speciality crops such as wine, hops, vegetables and fruit as well as irrigation systems. Stabling equipment and machinery covers a broad product range, from milking and cooling systems through to facilities for mixing feed and automated feed distribution systems. In grain cultivation and fodder production, the offering comprises drying and cleaning equipment as well as storage equipment right through to conveying and mixing systems. Furthermore, the Agricultural Equipment business unit offers versatile multi-purpose municipal vehicles, road-sweeping vehicles, mobile facilities for wood shredding and forklift trucks for municipal services and commercial operations. The range on offer for forestry includes large machinery and equipment such as forestry tractors, wood splitting and chipping machinery, forest milling cutters and mulchers, cable winches, road and path construction machinery right through to small appliances such as chainsaws and brush cutters, including the necessary protective clothing. Moreover, servicing the machinery and equipment is guaranteed through a large network of locations.

In its building materials business, BayWa mainly caters to the needs of small and mid-sized construction companies, tradesmen and commercial enterprises, as well as local authorities. Another group of important customers are builder-owners and house owners. The key success factors in this business are the regional proximity to the customer, the product mix and consultancy services. In the case of conventional construction materials, being close to the customer is a significant competitive advantage due to the amount of weight or the volume, which may make for higher transport costs, with concurrently relatively low value added. Together with direct availability, these are factors driving the regional structure of BayWa's building materials trade. Business in renovation products necessitates knowledge of new trends in materials and technologies and the associated advisory services, which is one of BayWa’s core competences.

The DIY and garden market centre business is defined by a niche-based local supplier concept geared first and foremost to servicing regional customers. It is subject to seasonal fluctuations as, particularly in the spring, the sale of plants and accessories makes a major contribution to revenues. When the planting season is over, demand is strong, particularly in the summer, for articles for recreational activities and for building in outdoor areas. In winter, by contrast, the focus of demand is redirected to interior decoration and furnishing accessories. The product mix therefore varies greatly over the course of the year. BayWa achieves differentiation in the DIY and garden market business by having a basic stock of high quality products accompanied by extensive advisory services.

Both business units operate independently from one another. The Building Materials segment optimises its activities across the business units by combining central functions and concentrating existing know-how in order to be able to offer its customers premium service.

BayWa's energy business is made up of the sale of fossil-based heating materials, fuels and lubricants as well as the new BayWa r.e centre of competence which is forging ahead with activities in the field of renewable energies. As regards fossil-based heating materials, fuels and lubricants, BayWa's activities concentrate purely on logistics and distribution. BayWa does not maintain supplies of any great scope itself. The impact of price changes on inventories is therefore minimal. The sale of heating materials is mainly carried out via the company's own energy sales offices. Diesel and Otto fuel are sold through the Group’s more than 273 fuel stations. In addition, supplies are also delivered to the fuel station chains of partner companies and wholesalers. Competitive advantage is created from logistics and distribution through expanding the sale and distribution network, coupled with a higher degree of market penetration. The Energy segment therefore also regularly seizes opportunities for growth through acquisition. As the structure of fuel trading is characterised mainly by mid-sized enterprises, alongside the few market participants who operate nationwide, good opportunities present themselves relatively often. In its lubricant business, BayWa traditionally supplies farmers in the main, along with small and mid-sized customers in the metal working trade and, since 2009, industrial customers as well. BayWa is market leader for environmentally compatible plant-based lubricants. In the field of renewable energies, BayWa has diversified its commitment into the international arena through further acquisitions in 2010. Along with Germany and Spain to date, BayWa now operates in Great Britain and the United States. Its offering comprises plants and systems for the generating of energy from biomass, wind power plants and photovoltaic plants. In addition, planning, operating resources and services form part of the offer associated with these plants. The combining of all these activities under newly founded BayWa r.e has created the prerequisites for releasing synergies and enabling the Group to participate in the anticipated market growth.

Sales markets and competitive position

BayWa ranks among Europe's leading companies in agricultural wholesale and retail trading. It is anchored in the agribusiness as part of the agricultural cooperatives trading structure where it has its roots. By the nature of their historical development, these trading structures cater to the needs of different regions in Germany and Austria. BayWa has approximately 1,100 locations which form part of an extensive and tight network in its regional markets, particularly in Bavaria, Baden-Württemberg, Thuringia, Saxony and southern Brandenburg, as well as across the whole of Austria. The company maintains close business relations with around 500 cooperative warehouses in Austria. Numerous private mid-sized farming enterprises, mainly operating locally, constitute the competitive environment for agricultural products. In addition, there are a number of wholesalers offering equipment and resources represented nationwide. All in all, BayWa has carved out a significant market position in agricultural trading in Germany and Austria.

Key factors for success in the building materials trade are regional presence and the close contact to commercial customers. The building materials market is very fragmented, both in Germany and in Austria. In Germany there are some 900 companies in total with around 2,100 locations specialised in the building materials trade. The majority of suppliers are mid-sized companies which work together in different forms of cooperation. With around 220 locations, BayWa takes second place in Germany and enjoys a strong market position in many regions. BayWa also has an important position in the most attractive regions of the Austrian market through its 40 locations and its extensive network coverage of franchise partners. With 115 centres in Germany and Austria, BayWa concentrates its DIY and garden centres business on rural regions.

BayWa has a good position in the energy business, mainly in southern Germany and Austria. The competitive environment is fragmented and determined mainly by mid-sized fuel traders; in addition, the large mineral oil trading companies also operate in this market. From a historical standpoint, there is a close connection through the agribusiness, as farmers are among the largest customer groups. The market for renewable energies is a regulated market where energy is produced and fed into the grids at prices fixed by the government. Developments in the market are therefore largely determined by changes in the structure and amount of state subsidies.
BayWa is well diversified, both in terms of its products and in its geographical locations, through its products and services portfolio in the three areas of biogas, photovoltaics and wind energy and through its activities in Germany, Austria, Spain, Great Britain and the USA.

Fundamental legal and economic factors of influence

The Group's Agriculture segment is extremely sensitive to natural factors of influence, such as the weather, which are also key determinants for the success of the harvest. This sensitivity has a direct impact on the offering and pricing in the markets for agricultural commodities and natural products. In recent years, the degree to which price trends in the regional markets depend on international influences, such as droughts or poor harvests in other parts of the world, as well as the extent to which the price trends of individual agricultural commodities are interlinked and influence on one another has accelerated. Moreover, changes in exchange rates and transport prices are also exerting greater influence on pricing in the regional markets due to the swifter pace of international integration. In addition, the growing significance of agricultural commodities as an investment category has exacerbated price volatilities. Finally, changes in the legal framework conditions, especially in the field of renewable primary products and renewable energies, may trigger considerable reactions in the markets trading in agricultural products. Similarly, directives issued by the EU, for instance, exert a major influence on prices and structures in a number of relevant markets.

Changes in the economic and political environment in particular may have a positive or negative effect on the Building Materials segment, especially in the case of government policies on residential construction or government subsidies to promote renovation and refurbishment. The performance of the building materials trade generally tracks the overall economic activities in the construction sector where civil engineering and road construction in particular are determined by public-sector spending. In the area of private construction, incentives such as government subsidies for renovation or refurbishment measures, favourable interest rates for financing and changes in the feed-in tariffs for electricity generated by photovoltaic plants influence investment propensity. In addition, manifold regulations under construction law and construction directives such as energy conservation directives, or the introduction of energy certification for buildings, construction approvals, public procurement law, as well as directives on fire and noise insulation, influence investment behaviour and the demand for certain products.

Business in the Energy segment is mainly influenced by volatile price trends in the crude oil markets. Accordingly, the prices of fossil-based heating materials, fuels and lubricants are also subject to considerable fluctuations which naturally affect the demand for these products. In the case of renewable energies, rising prices for fossil-based fuels generally result in stronger demand. The sale of biodiesel, however, depends to a great extent on fiscal framework conditions. This applies analogously to demand for photovoltaic systems where return calculated from an economic standpoint has been largely determined to date by the tariffs for feeding into the grid prescribed under the law.

General business conditions

In the year 2010, the global economy recovered more swiftly and strongly from the 2009 recession than originally anticipated. Real global economic output expanded by 3.9 percent, and the volume of global trading rose by an above-average 15.7 percent following its plunge of 11.0 percent in 2009. Economic developments in the industrial nations varied widely in 2010. Some economies, especially Germany and Japan, recorded strong economic growth, buoyed first and foremost by demand for exports by the emerging markets and progress in the recovery of the domestic economy. In contrast, the economic trend in the USA was modest due to structural distortions in the real estate sector and high unemployment; the increase in the country's gross domestic product (GDP) is likely to have been 2.8 percent in 2010. Economic growth in the eurozone rose by an average 1.7 percent in 2010. The tense situation in respect of the public finances of a number of countries and the resulting pressure to shore up their budgets triggered uncertainty in the business community, with consumers and in the financial market. Germany, which posted an economic growth of 3.6 percent in 2010, assumed the role of economic engine in the euro area. The German economy benefited from a high level of internationalisation and saw exports rise by 14.2 percent. Moreover, capital expenditure rose by 9.4 percent in comparison with 2009. Private consumption and replenishing inventories also made positive contributions to economic growth. Austria's economic output expanded by 2.0 percent which is marginally above the average for the euro area. Growth was fuelled mainly by an increase in exports of 12.3 percent which, in turn, prompted a rise in goods production of 7.0 percent. In the countries of eastern Europe, where BayWa is also present, economic growth climbed by an average 2.4 percent in 2010 as compared with a decline of 3.3 percent in the previous year. Growth rates in these countries ranged from 4.0 percent in Slovakia, 3.6 percent in Poland, 2.3 percent in the Czech Republic, 1.5 percent in Serbia, 1.3 percent in Hungary right through to 1.0 percent in Slovenia. Croatia was the only country where economic output contracted again by 1.3 percent as against a year ago.

Trends in the agriculture sector

Following a phase in the first half of 2010 when prices for agricultural produce, influenced by the quality bumper harvests of the two preceding years, tended to move sideways at a relatively low level, prices began to rise steeply at mid-year. The reason behind this development was the wide-spread drought during the main vegetation period of many agricultural plants in Europe and in the CIS countries and the resulting lower expectations for harvest volume and quality. This price trend was further exacerbated by the unfavourable weather during the main harvest season in late summer and early autumn which caused additional harvest shortfalls. All in all, the production volumes of wheat and coarse grain are expected to decline by 3.4 percent in the 2010/11 cereal year. With a drop of 5.8 percent, the harvest volume, particularly in respect of wheat, is likely to fall considerably short of the figure posted in the 2009/10 cereal year. As a result, the consumption of bread, coarse and feedstuff grain will be above the harvest volume for the first time in three years. In response to this development, harvest prices soared by 70 to 80 percent above the year-earlier level. Farmers were therefore more than compensated for harvest-induced decline in the volumes of crop production by higher prices. During the sewing and rearing period in the first half-year, farmers benefited from still favourable fertiliser prices which were considerably lower than in the previous year. As against a year ago, producer prices in the dairy industry rose by around 25 percent from a very low level; milk production climbed by around 1.5 percent. In livestock breeding, there was marginal price- and volume-induced growth in cattle rearing, and the production volume of poultry farming also expanded. In contrast, the production value of pig farming remained virtually constant in comparison with a year ago. The agriculture industry came under growing pressure from feedstuff and energy price hikes over the course of the year. The forecast released by the German Farmers' Association nonetheless anticipates an increase in net value-added of 33 percent to EUR 15.5 billion. Operating income per worker therefore rose from approximately EUR 22,000 in the calendar year 2009 to around EUR 28,500 in 2010. The improved income situation of farmers is reflected in greater willingness to invest and, particularly in the second half of the year, resulted in a growing number of orders placed for agricultural machinery.

Trends in the construction industry

The negative impact of the harsh winter on Germany's construction sector and the delayed start of numerous construction projects in the first quarter of 2010 was followed by a slew of factors which had an increasingly positive effect on the building industry as the year progressed. The programmes to stimulate the economy launched in 2009 led to a significant recovery in the construction of public-sector buildings in Germany. Although this was offset by a slight decline of 1.0 percent in investment in commercial construction, the investment volume in non-residential building was nonetheless 1.4 percent above the year-earlier level. Following a decade during which investment in residential building trended down, the year 2010 recorded an increase in construction investment of 4.4 percent for the first time again. As residential construction investment contributes around 57 percent to construction investment overall, the development of residential building is crucial for the sector's development in Germany. The number of building permits for owner-occupied homes, apartment buildings and other residential buildings stood at 188,500 units, which is a good 6 percent above the year-earlier figure. This trend reversal must be seen in the context of the general improvement in the economic climate. Moreover, the foreseeable end to the phase of low interest rates is also likely to have had a positive impact on investment decisions. The share of measures involving refurbishments, renovation and modernisation, which came to approximately 73 percent of overall investments in building construction, continued to run at a high level. Seen overall, estimates for the year 2010 anticipate that real construction investment in Germany has risen by 2.8 percent. In Austria as well, the long, protracted winter had a negative effect on building activities. As a result, the gross output of Austrian civil engineering companies stood at EUR 3.4 billion at the end of April 2010, thereby falling 12.1 percent short of the previous year's figure. Construction investment contracted by an overall 4.0 percent in 2010. This is attributable to the curtailment of subsidies promoting residential construction which caused a decline in the volume of housing newly built, and the discontinuation of development projects promoting thermal refurbishment in 2010 in a volume of EUR 100 million owing to the necessity of shoring up the public budget.

Trends in the energy industry

Despite the relatively harsh winter 2009/10, there was slack demand for heating oil at the start of 2010 due to the sharp increase in prices compared with 2009 and the still above-average filling levels of tanks. Following the summer months which, despite being punctuated by phases of falling crude oil prices, did not see a return to the favourable price levels of 2009 in the view of consumers, demand accelerated again in late summer, accompanied by climbing prices. Private household tanks, however, were not fully replenished in anticipation of prices falling again. In the mineral fuels business, there was moderate growth in sales volumes over the course of the year in the wake of the general economic recovery and an increase in the number of vehicle registrations. Against the backdrop of ongoing shortfalls in refinery capacity utilisation, refinery operators succeeded in implementing higher prices for processed products in the market and were thus able to improve their own margins. The margins in the fuel station business were therefore higher in 2010 in comparison with the previous year. In the lubricants business, demand rallied sharply in 2010 as a whole, which was mainly attributable to the significant economic recovery staged by the metalworking industry and especially by the automotive sector. In the first half of 2010, the renewable energies business was determined by exceptional demand for photovoltaic systems owing to up-front buying effects prior to the date (30 June 2010) of the next curtailment scheduled for feed-in tariffs. Consequently, business slowed in the second half of the year.

One of society's greatest challenges in the future will be to cover the rising need for energy in a way which is environmentally compatible and conserves the climate. With this in mind, the German federal government and the Bundestag passed the Energy Concept 2050 in the autumn of 2010. Under this concept, the proportion of renewable energies in electricity consumption is to be lifted to 80 percent by 2050 and energy consumption cut by half. CO_2 emissions are to be reduced by around 80 to 95 percent through these measures. Many other countries have also taken similar initiatives. Renewable energies will be generated for a regulated market and fed into the grid at prices fixed by the government. Despite a variety of political concepts to promote renewable energies, the general direction has been clearly prescribed.

III. Earnings, Financial Position and Assets

Development of the Group's business segments

Development of the Agriculture segment in 2010

Revenues in the BayWa Group's Agricultural Trade business unit generated through agricultural produce and operating resources climbed by 7.2 percent to EUR 2,529.0 million in the financial year 2010. The increase in revenues is largely price induced, as prices for agricultural produce have risen steeply across all product segments from the low levels posted in 2009. In contrast, average harvest volumes for all plant products were much lower. Grain output fell 3.4 percent short of the year-earlier harvest yield. BayWa's grain turnover climbed by 3.8 percent to 5.0 million tons in 2010, up from 4.8 million tons a year ago. The higher turnover volumes despite lower harvest yield was the outcome of farmers' growing willingness to sell, encouraged by the positive price trend. The sales volume of fertilisers and feedstuff increased by 15.6 percent and 10.9 percent respectively in a year-on-year comparison. The largely price-induced growth in revenues resulted in an increase in EBITDA of EUR 20.1 million, which is 35.4 percent, to EUR 76.8 million. As, at the same time, depreciation and amortisation was EUR 1.3 million lower, EBIT improved by EUR 21.4 million, the equivalent of 76.4 percent, compared with the year-earlier figure. Despite the higher trading volume requiring financing, the net interest result came in at EUR -16.4 million, which is only EUR 0.6 million below the previous year's level. Overall, earnings before tax (EBT) of the Agricultural Trade business unit trebled in 2010, rising by EUR 22.0 million to EUR 33.0 million in comparison with the year-earlier period.

In the year under review, the Fruit business unit generated revenues of EUR 102.8 million, which is 23.4 percent more than in 2009. Contributions to this revenue growth were made by the first-time full-year inclusion of the fruit and vegetable wholesale markets in Ingelheim and Weisenheim, acquired in the previous year, as well as Frucom, a company trading in tropical fruit and included in the group of consolidated companies since the start of 2010. In addition, there were significant price hikes caused by the lower harvest yield of fruit crops which contracted by up to 15 percent. The business unit's EBITDA improved by EUR 1.0 million to EUR 5.5 million. Adjusted for an increase in depreciation and amortisation of EUR 0.5 million to EUR 1.7 million, EBIT rose by 17.9 percent to EUR 3.7 million. The net interest result, determined in the main through acquisition financing, stood at EUR -0.3 million as opposed to the near balance achieved in 2009 All in all, the Fruit business unit lifted earnings before tax by 9.7 percent to EUR 3.5 million.

The Agricultural Equipment business unit benefited from the expansion of its market position in the financial year 2010 through the takeover of the general agency for Claas, a manufacturer of agricultural machinery, in the regions of Lower Bavaria and the southern part of Upper Bavaria, and through introducing the Group's own Tecparts brand for high quality replacement and wear and tear parts. Business in tractors and other agricultural machinery grew swiftly, boosted by the improved earnings situation of farmers. Moreover, the unfavourable weather conditions during the harvest were responsible for greater demand for maintenance and repair on agricultural machinery and for replacement parts. Accordingly, revenues generated by the business unit advanced by EUR 46.7 million to EUR 873.3 million, which is an increase of 5.6 percent. The higher level of expenses incurred by adjusting locations to the Claas and Fendt / AGCO brands caused EBITDA to fall by EUR 1.5 million to EUR 19.7 million. A concurrent increase in depreciation and amortisation of EUR 0.8 million to EUR 9.0 million lowered the Agricultural Equipment business unit's EBIT by an overall EUR 2.2 million to EUR 10.8 million. The net interest result, which posted EUR -8.7 million, improved slightly, up EUR 0.5 million as against the year-earlier figure. All in all, earnings before tax stood at EUR 2.1 million in the year 2010, thus falling EUR 1.8 million short compared with the 2009 figure.

The Agriculture segment's revenues climbed by 7.2 percent to EUR 3,505.1 million in 2010 in a year-on-year comparison. The segment's EBITDA rose by EUR 19.6 million to EUR 102.0 million, which is a growth of 23.8 percent. Depreciation and amortisation fell by EUR 0.1 million to EUR 38.1 million in the reporting year, bringing the increase in Agriculture segment's EBIT to an disproportionately high EUR 19.7 million, which is 44.6 percent above the year-earlier figure. Given the lower level of finance expenses, which declined by EUR 0.8 million to EUR 25.3 million, earnings before tax advanced by EUR 20.5 million to EUR 38.6 million.

Development of the Building Materials segment in 2010

After a weak start to the year, hampered by the severe and protracted winter, the BayWa Group's Building Materials business unit benefited from demand boosted by the economic stimulus programmes initiated by the public sector and a recovery in new residential construction. In comparison, demand for industrial construction remained modest in the financial year 2010. The Building Materials business unit benefited from improved economic conditions, as reflected in a 3.3 percent increase in revenues to EUR 1,370.8 million. Half of this total growth in revenues of EUR 43.8 million was attributable to organic growth and the other to the acquisition of bs Baufachhandel Brands & Schnitzler GmbH & Co. KG and its subsidiaries Brands + Schnitzler Tiefbau-Fachhandel GmbH & Co. KG in North Rhine-Westfalia. EBITDA dropped by 22.0 percent to EUR 25.3 million owing to the higher level of expenses in connection with the realignment of the business. Net of depreciation and amortisation of EUR 16.7 million, which is EUR 2.9 million lower compared with a year ago, EBIT amounted to EUR 8.5 million, corresponding to decline of 33.1 percent. With an increase of EUR 1.9 million in the net interest result to EUR -5.5 million, earnings before tax therefore fell by EUR 2.3 million, the equivalent of a 43.1 percent decline, to EUR 3.1 million.

The DIY & Garden Centre business unit received a great impetus from the new product mix, the strategic realignment towards the specialist store concept and the inauguration of centres converted in accordance with this concept. The business unit's revenues climbed by 18.5 percent to EUR 532.3 million. Due to the start-up costs of the new centres, EBITDA came in at EUR 22.2 million in the year 2010 which is still EUR 0.6 million short of the year-earlier figure of EUR 22.8 million. Depreciation and amortisation rose by EUR 1.1 million to EUR 12.4 million on the back of investments in converting the centres. As a result, EBIT dropped by EUR 1.6 million to EUR 9.8 million. In the financial year 2010, the business unit's net interest expenses declined by EUR 0.4 million, to EUR 4.6 million. Overall, earnings before tax came in at EUR 5.2 million, which is EUR 1.2 million lower in a year-on-year comparison.

Total revenues of the Building Materials segment posted EUR 1,903.1 million in the reporting year which is an increase of 7.2 percent or EUR 127.0 million compared with the previous year's figure. In contrast, the segment's EBITDA declined by EUR 7.7 million, down 13.9 percent. Adjusted for depreciation and amortisation of EUR 29.2 million, EBIT contracted by EUR 5.9 million to EUR 18.3 million in the year 2010, down from EUR 24.2 million a year ago. The segment's net financing expenses dropped considerably, by EUR 2.3 million to EUR 10.1 million. Overall, earnings before tax stood at EUR 8.2 million which is EUR 3.6 million lower in a year-on-year comparison.

Development of the Energy segment in 2010

The Energy segment's sales posted year-on-year increases across all product segments with the exception of heating oil. Fuels and lubricants sales climbed by 5.0 and 8.7 percent respectively, buoyed principally by the economic recovery. In contrast, the sharp increase in heating oil prices caused sales to fall by 3.8 percent. Compounded by the - on average - higher filling levels of tanks at the start of the year, demand fell considerably short of the previous year's level in the first half of 2010. When demand rallied in the second half of the year it nonetheless failed to meet expectations as many private households only covered their immediate needs because of the still high level of prices. In contrast, segment revenues soared by 28.4 percent to EUR 2,358.5 million in 2010, boosted especially by the higher prices of heating oil and carburettor fuel. BayWa's traditional energy business achieved revenues of EUR 2,103.7 million in total, which corresponds to a growth of 15.3 percent in comparison with the previous year. The activities in the field of renewable energies, combined under BayWa r.e, contributed EUR 254.8 million to segment revenues, up from EUR 12.5 million in 2009.

The performance of the Energy segment in 2010 was buoyed mainly by the positive development of margins in the heating market and in the fuel station business. The lubricants business was also able to improve its result.

The Energy segment's EBITDA grew by EUR 15.5 million to EUR 41.7 million, which is an increase of 59.4 percent. A share of EUR 24.2 million was contributed by BayWa r.e. After deduction of depreciation and amortisation, which stood at EUR 11.4 million and was EUR 3.0 million higher as against the previous year's figure, the segment's EBIT soared by EUR 12.6 million to EUR 30.3 million, which is an increase of 70.6 percent. BayWa r.e's contribution to EBIT came to EUR 21.1 million. As a result of sales and acquisition financing, net financing expenses came to EUR 4.5 million, up from EUR 0.7 million in 2009. Overall, earnings before tax stood at EUR 25.8 million, which is a rise of EUR 8.7 million.

Development of Other Activities in 2010

At the end of the year, Other Activities comprised the Austrian food producer Ybbstaler and a number of participating interests which, from the standpoint of the Group, are of secondary importance. The downturn of EUR 240.6 million in revenues to EUR 136.3 million was mainly attributable to the disposal of BayWa's car dealing activities, which were part of the group of consolidated companies up until 30 September, and the sale of the 75-percent stake held in food producer Frisch & Frost in Austria as part of the move to focus on the core businesses of agriculture, building materials and energy. EBITDA of Other Activities fell by EUR 11.3 million to EUR 58.9 million, impacted by the sale of participating interests. Depreciation and amortisation posted EUR 17.1 million, which is EUR 0.9 million above the year-earlier figure, and EBIT contracted by EUR 12.2 million to EUR 41.8 million. Income from participating interests climbed by EUR 5.2 million to EUR 35.8 million on the back of the sale of shares in INTRADE. All in all, Other Activities' earnings before tax came to EUR 41.2 million, which is EUR 12.6 million below the level posted in 2009.

Earnings position of the BayWa Group

In EUR million	2006	2007	2008	2009	2010	Change in percent 2009/10
Revenues	7,299.8	7,227.2	8,794.6	7,260.2	7,903.0	8.9
EBITDA	200.9	234.6	258.1	209.7	228.2	8.8
EBITDA margin (in percent)	2.7	3.2	2.9	2.9	2.9	
EBIT	111.8	143.6	161.9	115.4	128.9	11.7
EBIT margin (in percent)	1.5	2.0	1.8	1.6	1.6	
EBT	69.8	90.5	103.5	75.1	87.1	16.1
Consolidated net income	57.4	71.8	76.7	59.4	66.8	12.5

The BayWa Group’s revenues stood at EUR 7,903.0 million in the financial year 2010, which corresponds to an increase of 8.9 percent, the equivalent of EUR 642.7 million, driven mainly by price hikes for agricultural commodities and mineral oil products and the activities in the field of renewable energies.

In comparison with 2009, other operating income fell by EUR 4.6 million to EUR 127.2 million. A major portion of other operating income is accounted for by the disposal of assets (EUR 31.7 million), rental income (EUR 23.5 million), regular cost reimbursement (EUR 14.8 million), the writing back of provisions (EUR 11.7 million) and recurring advertising subsidies (EUR 5.1 million). The aforementioned contributions to profit exceeded the year-earlier level by around EUR 10.3 million in total. The decrease in other operating income is mainly attributable to lower price gains (EUR 3.2 million), lower income from the reversal of negative goodwill (EUR 0.1 million) and reduced other income (EUR 27.7 million). The sum total of these income items fell EUR 14.6 million short of the previous year's level.

After deduction of the cost of materials, which had risen by EUR 692.8 million, an increase of 11.1 percent to EUR 6,937.0 million due to higher market prices in the agriculture and energy business, gross income stood at EUR 1,170.1 million, which is EUR 36.1 million, or 3.2 percent, higher in a year-on-year comparison.

Personnel expenses rose moderately by 2.3 percent overall, which is EUR 14.1 million, to EUR 633.7 million, mainly due to adjustments made within the Group from collective bargaining and an increase in workforce numbers. The first-time inclusion of companies contributed EUR 6.2 million to this increase. This was offset by a decline of EUR 7.4 million in personnel expenses through the deconsolidation of companies sold.

Other operating expenses stood at EUR 328.3 million, which is EUR 10.2 million higher than the year-earlier figure. This development was due in the main to increases in vehicle fleet costs (EUR 45.4 million), maintenance expenses for refurbishment measures carried out at sales locations (EUR 39.0 million), rental and lease expenses (EUR 30.3 million), costs of external personnel (EUR 20.8 million) and in other expenses (EUR 26.2 million). The overall increase of EUR 18.2 million in expenses comprised under this item was incurred mainly by the expansion of BayWa's business in the financial year 2010. In comparison, the sum total of losses from asset disposals and exchange rate induced losses as well as commissions (EUR 10.0 million) were EUR 7.0 million lower in the reporting year.

All in all, the BayWa Group’s EBITDA climbed by EUR 18.5 million, which is 8.8 percent, to EUR 228.2 million in the financial year 2010.

Scheduled depreciation and amortisation of EUR 99.3 million within the BayWa Group were EUR 5.0 million above the previous year's figure due to the higher level of investment in the years 2009 and 2010. Moreover, in accordance with IAS 40, impairment of EUR 2.1 million was carried out on real estate held for sale due to the downturn in its market value.

The BayWa Group’s EBIT has grown by EUR 13.5 million to EUR 128.9 million, which is an increase of 11.7 percent.

The financial result is composed of income from participating interests, which is allocated to EBITDA and EBIT, and the interest result. The rise in income from participating interests of EUR 6.6 million to EUR 20.0 million is mainly attributable to higher income from the dividend payout of minority participations included at equity. The decrease of EUR 1.4 million to EUR -41.7 million in the interest result is primarily due to acquisition financing and the increase in working capital necessitated by higher market prices for agricultural produce and petroleum products.

Including the interest result, consolidated earnings before tax climbed by EUR 12.1 million, which is 16.1 percent, to EUR 87.1 million. The Agriculture segment contributed EUR 20.5 million and the Energy segment EUR 8.7 million to this increase. In contrast, the Building Materials segment’s result declined by EUR 3.6 million owing to non-recurrent expenses and start-up costs. The contribution to profit by Other Activities dropped by EUR 12.6 million to EUR 41.2 million due to the disposal of participating investments.

The BayWa Group’s income tax of has also risen on the back of business development to EUR 20.3 million as compared with EUR 15.7 million in 2009. The tax rate thus comes to 23.3 percent (2009: 20.9 percent) and is therefore in line with expectations.

After deduction of income taxes, the Group generated a net income for the financial year 2010 of EUR 66.8 million; as against the previous year's figure of EUR 59.4 million, this represents an increase in profit of 12.5 percent.

Earnings per share (EPS), which is calculated from the portion of the result attributable to the shareholders of the parent company in relation to the average number of shares outstanding in the financial year 34,085,040 (dividend-bearing shares minus treasury shares), increased 11.3 percent, from EUR 1.33 to EUR 1.48 in the reporting year.

Financial position

Financial management

The aim of financial management within the BayWa Group is to secure the financial resources required for the purpose of conducting regular business at all times. This task includes hedging against interest rate risk, currency risk and merchandise-related market risks by using suitable derivative instruments.

In the BayWa Group financial management has not been set up as a profit centre in its own right but functions as a service centre for the operating units. In accordance with this conservative approach to providing services, the use of fungible financial products to generate original profit contribution in financial operations has been waived. In particular, there are no speculative risk positions in our financial operations.

In daily financial management the focus is on liquidity management through cash pooling within the whole Group and same-day provision of liquidity. The Treasury Department uses suitable IT systems and appropriate treasury management software for this purpose.

The procurement of funds is organised decentrally and based on the principle that the national entities refinance in the national currency of the respective country. This mainly applies to activities in Eastern Europe. However, the BayWa Group conducts its business mainly in euros. Treasury is responsible for the centralised monitoring of groupwide financial exposures.

Financial management is subject to the most stringent requirements imposed by an internal control system which includes the documentation of trading transactions, a hierarchy of approval and resolution procedures, comprehensive application of the principle of dual control as well as segregation of Treasury front and back office activities.

The most important financing principle of the BayWa Group consists in observing the principle of matching maturities. Short-term debt is used exclusively to finance working capital. Investments in property, plant and equipment and acquisitions are funded from the promissory notes issued in October 2010 and other long-term loans.

Interest rate risks inherent in current debt are countered by BayWa in the context of risk management through the use of simple derivative instruments. Around 50 percent of the borrowings portfolio is secured against interest-rate risk through the respective hedging instruments. This partial hedging takes account of the seasonally-induced strong fluctuations in financing requirements.

BayWa evolved from the cooperatives sector with which it remains closely connected through its shareholder structure as well as through the congruence of the regional interests of banks and commerce. These historical ties form the basis for a special kind of mutual trust. Particularly in the phase of great uncertainty still prevailing in the financial markets, both sides benefit from this partnership. The cooperative banks boast particularly strong primary customers and an investment portfolio where the preference falls on the financing of stable business models.

Along with its integration into the cooperatives financial association, the broad transnational diversification of the bank portfolio and of the financing activities also lowers the risk within the BayWa Group.

Capital structure and capital base

In EUR million	2007	2008	2009	2010	Change in percent 2009/10
Equity	854.5	915.1	957.5	1,005.5	5.0
Equity ratio (in percent)	27.4	29.8	32.6	30.9	-
Current liabilities	1,597.4	1,505.8	1,290.0	1,366.7	5.9
Non-current liabilities	666.1	644.9	691.8	881.0	27.3
Debt	2,263.5	2.150.7	1,981.8	2,214.7	11.8
Debt ratio (in percent)	72.6	70.2	67.4	68.1	-
Total capital (equity plus liabilities)	3,118.0	3,065.8	2,939.3	3,253.3	10.7

Through its consistent optimisation of working capital and the net income generated in 2010 as well, BayWa has exceeded its target equity ratio of a minimum of 30 percent. This sound equity base is a substantial asset for a trading company and forms a stable basis for business activities to develop.

Current liabilities are committed exclusively to the financing of funds used in working capital. The status of short-term borrowing disclosed at year-end regularly reflects the highest level of utilisation. Due to seasonal influences, borrowings rise through storing resources at a prior date and through the buying up of harvest produce in the fourth quarter of the financial year. The decline of EUR 52.8 million in current financial liabilities as against the previous year is primarily attributable to the full-year effect of deconsolidating the car dealer operations as per 30 September 2009 and the associated disposal of current assets in the financial year 2010. The increase in non-current liabilities must be seen in connection with financing BayWa r.e's growth.

The BayWa Group's total assets had climbed by EUR 314.0 million as per 31 December 2010 in comparison with the previous year's figure. This amount includes EUR 200 million from the issuance of two promissory notes with terms of five and seven years. Current liabilities rose by EUR 43.7 million and comprised an increase of EUR 86.8 million in trade payables and liabilities from inter-group business relationships which resulted primarily from the financing of sales at higher market prices.

Cash flow statement and development of cash and cash equivalents

In EUR million	2006	2007	2008	2009	2010
Cash flow from operating activities	93.4	57.4	215.5	243.9	-9.4
Cash flow from investing activities	-89.2	-61.7	-143.9	-127.5	-113.5
Cash flow from financing activities	-4.7	4.8	-73.5	-112.8	131.6
Cash and cash equivalents at the end of the period	17.5	18.0	16.1	19.7	28.2

In the context of higher consolidated net income as against the previous year, the marginally negative cash flow from operating activities in 2010 is mainly attributable to a price-induced increase in inventories and a rise in other receivables and other assets. The resulting negative impact on cash inflow could only be partly compensated by the increase in trade payables corresponding to a higher level of inventories.

Despite an increase in investments in property, plant and equipment and intangible assets, the lower level of cash outflow from investing activities as against the previous year's level must be seen in the context of lower disbursements for company acquisitions and proceeds from the disposal of subsidiaries and jointly-held companies as part of the BayWa Group's measures to focus on its core competences.

The positive balance of the cash flow from financing activities was mainly the result of borrowing through the issuance of two promissory notes with a volume totalling

EUR 200.0 million, offset by dividend of EUR 18.1 million distributed in the financial year 2010.

If incoming and outgoing payments from operating activities, from investing and from financing activities are viewed as a whole, cash outflow from operating activities and investment activities has been compensated by cash inflow from financing activities so that, on balance, there has been a slight increase in cash and cash equivalents compared with a year ago.

Financial base and capital requirements

The BayWa Group's financial base is replenished first and foremost by funds from operating activities. In addition, the company receives funds from portfolio streamlining measures such as the sale of non-business critical property and non-strategic participating interests.

Capital requirements consist of the financing of investments alongside the funding of operations, the redemption of financial liabilities and running interest payments. The aggregated view of liquidity and debt is determined by the calculation of net liquidity and net debt and is used for internal financial management as well as for external communication with financial investors and analysts. The calculation of net liquidity and net debt is based on the sum total of cash and cash equivalents minus outstanding commercial paper, liabilities to banks and liabilities from finance lease obligations, as reported in the balance sheet.

Matched to funds committed, the financing structure remains for the most part short term. Alongside short-term borrowing, the Group finances itself by way of a EUR 300 million multi-currency Commercial Paper Programme; on the reporting date, drawdowns on this programme came to EUR 49.3 million (2009: EUR 11.7 million). At the end of 2010, demand in the commercial paper segment was greater than in the previous years. Terms of up to three months are also being requested again by investors. By the end of the reporting period, EUR 79.9 million (2009: EUR 74.2 million) had been financed from the ongoing Asset Backed Securitisation Programme.

In the context of the medium- to long-term financing of its growth, BayWa used the attractive capital market conditions in October 2010 to issue two promissory notes, one of EUR 129.5 million with a five-year term and one of EUR 70.5 million with a seven-year term. The promissory notes were very well received in the market and were oversubscribed many times.

Investments

In the financial year 2010, the BayWa Group invested EUR 140.7 million in intangible assets (EUR 6.0 million) and property, plant and equipment (EUR 134.7 million). These investments were primarily for the purpose of repair and maintenance of buildings, property and plants as well as office fixtures and fittings, as modern locations and seamlessly operating facilities are a precondition for efficient logistic processes.

BayWa's strategic approach holds fast to the tenet of conducting trading wherever possible on its own land and property, which makes its business independent from rental increases or changes in the ownership structure. Real estate assets therefore serve to enhance the stability of operations. By contrast, real estate no longer used for operations is consistently sold off. The proceeds accruing from these transactions are used to reduce debt or to finance growth.

In 2010, investments of around EUR 44.2 million were made in new properties and were used primarily for the completion of buildings to house operations. For instance, the office, processing and warehousing capacities of MHH Solartechnik GmbH, a wholly-owned subsidiary of BayWa r.e based in Tübingen, were extended through injecting funds of EUR 4.8 million. A new building materials sales location was built in Kempten for around EUR 2.7 million. The DIY and garden centre in Waldkraiburg was converted and extended for more than EUR 2.0 million. New cutting-edge fruit grading machinery costing EUR 1.8 million was installed in Ingelheim. In addition, a repair workshop in Dachau was completed for EUR 1.4 million. Group subsidiary “UNSER LAGERHAUS” WARENHANDELSGESELSCHAFT m.b.H., based in Kitzbühel, Austria, built a new DIY and garden centre for around EUR 2.3 million.

Company acquisitions totalling EUR 15.5 million were made in the financial year 2010.

Some 35 percent of the BayWa Group's investments were accounted for by the Agriculture segment, 27 percent by the Building Materials segment and 33 percent by the Energy segment; around 5 percent was attributable to Other Activities.

Composition of assets

In EUR million	2007	2008	2009	2010	Change in percent 2009/10
Non-current assets	1,239.3	1,305.6	1,427.2	1,427.4	±0
of which land and buildings	659.4	680.6	663.3	650.1	
of which financial assets	147.2	172.6	226.5	258.3	
of which investment property	82.4	75.2	78.8	71.6	
Non-current asset ratio (in percent)	39.7	42.6	48.6	43.8	
Current assets	1,875.1	1,755.5	1,507.4	1,776.8	17.8
of which inventories	1,083.2	1,101.3	905.0	1,062.3	
Current asset ratio (in percent)	60.1	57.3	51.3	54.6	
Assets held for sale	3.6	4.7	4.7	49.1	
Total assets	3,118.0	3,065.8	2,939.3	3,253.3	10.7

The sum total of non-current assets rose by only EUR 0.2 percent compared with a year ago even though there have been considerable structural changes. Intangible assets and property, plant and equipment fell by EUR 64.1 million overall, owing to the disposal of non-core activities. By comparison, additions, which were investments in core business activities, came to EUR 164.1 million. The ratio of non-current assets to BayWa's total assets declined from 48.6 percent in 2009 to 43.9 percent due to the market-price-induced increase of EUR 250.3 million in total inventories as well as other receivables and other assets.

Items contributing to the increase in total assets and liabilities of EUR 314.0 million, which were as follows: on the asset side, principally the price-induced increase of EUR 157.3 million in inventories as well as other receivables and assets of EUR 93.9 million.

The BayWa Group places special importance on matched maturities in the financing of assets. Current liabilities, consisting of financial liabilities, trade payables, tax and other liabilities as well as current provisions totalling EUR 1,333.7 million are offset by current assets of EUR 1,776.8 million. On the assets side, there is around 130 percent coverage for non-current assets through equity and long-term borrowings. Ensuring matched maturities in financing is an important quality criterion for the financing partners of BayWa in the raising of short-term funds.

General statement on the business situation of the Group

At the time when the Management Report on the BayWa Group was drawn up, the Board of Management viewed the development of business as positive. The price trend in the agribusiness benefited from the recovery in prices for agricultural produce in 2010. As regards the building materials business, the environment has brightened on the back of the improved macroeconomic situation, and the Building Materials segment has paved the way for raising profitability through implementing numerous measures. In its energy business, BayWa also benefited from the friendlier economy in the commercial sector. Another severe winter had a positive impact on sales on heating fuel sales. The renewable energies business was established as an independent unit in 2010 and is expanding, both through organic growth and through further acquisitions. The share of the Group's strategically non-core secondary business activities was scaled back further through active portfolio management. Underpinned by its well-balanced business portfolio, the BayWa Group performed extremely well in the financial year 2010, and the preconditions for it to conduct its business successfully in the financial year 2011 as well have been set in place.

Employees

In the financial year 2010, the workforce of the BayWa Group fell by an annual average of 92 people to 15,220 employees. The number of employees increased by 151 and 99 employees in the Agriculture and Building Materials segment respectively. The Energy segment’s workforce rose by 220 people due specifically to company acquisitions made in the new BayWa r.e business. The drop in the workforce number of Other Activities is mainly due to the sale of participating investments. On the reporting date of 31 December 2010, employee numbers stood at 16,432, which is 255 higher than the previous year's figure of 16,177.

Development of the average number of employees in the BayWa Group

	2007	2008	2009	2010	2009/10	Change in %
Agriculture	6,568	6,672	6,486	6,637	151	2.3
Building Materials	6,379	6,500	6,463	6,562	99	1.5
Energy	860	886	972	1,192	220	22.6
Other Activities	1,464	1,440	1,391	829	-562	-40.4
BayWa Group	15,271	15,498	15,312	15,220	-92	-0.6

Personnel management instruments

BayWa uses a system of cutting-edge analysis and financial ratios to manage and control its capacities and to optimise the deployment of its workforce. These instruments are a cornerstone for planning but are also used by personnel management to control operational workflows.

Further training and human resource development

The professional development and training and achieving of qualifications by our employees is a crucial and integral part of the personnel strategy of the BayWa Group. With average trainee numbers in excess of one thousand, and a training ratio of 8.6 percent, the parent company BayWa in particular belongs to the group of large companies which offer training programmes in German-speaking countries. A special training programme to promote young employees forms the basis of systematic human resource development. The ongoing fostering of the skills and development of employees is geared to the needs of the Group companies. The focus of measures with a share of 70 percent continues to be on vocational training in the various business units. Beyond this, the areas of sales and procurement, management as well as IT applications play a large role in the training measures which span the business units.

Integration of handicapped employees within the Group

The integration of handicapped employees into the working world is part of corporate social responsibility which is particularly incumbent on large companies which can make a special contribution. BayWa fulfils this responsibility by offering suitable positions to more than 300 handicapped employees. Moreover, the BayWa supported a rehabilitation centre for handicapped people in the year under review. Among other measures, a major order was placed for the ongoing recording and scanning of vouchers which created a larger number of new positions.

Corporate social responsibility (CSR) activities

BayWa is committed to its social responsibility. The guidelines on social responsibility are defined in the company's Articles of Association, its corporate guidelines, ethical principles and under its corporate governance. CSR has not been institutionalised as a department in its own right within the Group. It is more the case that the individual segments of the company also take account of the principles set out under CSR in their respective business activities, for instance through ecologically intact action, sustainability, the promotion of renewable primary materials, consumer protection and education, as well as dialogue fostered with various groups in society.

BayWa practices the values accepted in society in its daily activities throughout the company and ensures their sustainable integration into business and society through ongoing dialogue with the public at large, stakeholders and interested parties. This ultimately serves to enhance the image and the value of the BayWa brand and to limit entrepreneurial risk. The CSR measures therefore underpin the business development of the company.

Good management is ensured throughout the company by applying the rules set out under the German Corporate Governance Code. BayWa’s understanding of economic responsibility includes transparent communication as part of its investor relations activities, maintaining ongoing dialogue with the various stakeholders, securing profitable growth in all business units and Group companies, as well as having an efficient risk and complaints management. Fair conduct towards one other, both within the company as well as with business partners, has been anchored in the ethical principles and is lived throughout the company.

BayWa fulfils its ecological responsibility, both through its own activities and in its dealings with customers and suppliers. In its own companies, ecological aspects are taken account of through the use of renewable energies and renewable primary materials as well as of environmentally compatible products, measures to curb the consumption of energy, waste management and efficient transport logistics. The customers and suppliers of BayWa are given support in their observance of environmentally sound principles through consultancy and other services.

Sustainable personnel development, employment and job security, as well as health management, are an integral part of the social responsibility of the company to so-ciety at large and to its employees. BayWa ranks among the largest companies in respect of training and continual professional development and has thus laid the cornerstone for its long-term success in human resource development.

A foundation set up in 1998 is an example of BayWa AG's commitment to society and the environment. The BayWa Foundation places particular emphasis on sustainability in its educational projects which focus on renewable energies, food and nutrition in Germany, Eastern Europe, Asia and Africa. The guiding principle behind these projects is helping others to help themselves in order to ensure that the outcome and impact of projects do not simply dissipate but that the foundations are laid for better, sustainable and long-term potential for further development. The BayWa Foundation receives 100 percent of all donations as BayWa assumes its administration costs. Moreover, each euro donated is matched by BayWa and therefore doubled so that as many projects as possible can be implemented. In addition to its support of the BayWa Foundation, BayWa donates to social and cultural facilities and promotes the involvement of employees in associations, politics and society.

Reporting pursuant to Section 315 para. 4 of the German Commercial Code (HGB)

Composition of subscribed capital

The subscribed capital of BayWa AG amounted to 87,611,471.36 on the reporting date and is divided into 34,223,231 registered shares with an arithmetical portion of EUR 2.56 each in the share capital. Of the shares issued, 32,861,289 are registered shares with restricted transferability and 118,691 are recently registered shares with restricted transferability (from 1 January 2011 onwards, dividend-bearing employee shares). 1,243,251 shares are not registered shares with restricted transferability.

With regard to the rights and obligations transferred by the shares (e.g. the right to a portion of the unappropriated retained earnings or to participate in the Annual General Meeting of Shareholders), reference is made to the provisions laid down under the German Stock Corporation Act (AktG); there are no special rights or preferences.

Restrictions on voting rights and the transfer of shares

Pursuant to Section 68 para. 2 German Stock Corporation Act, in conjunction with Article 6 of BayWa AG's Articles of Association, the purchase of shares with restricted transferability by individuals and legal entities under civil and public law requires the approval of the Board of Management of BayWa AG. There are no other restrictions which relate to the voting rights or the transfer of shares.

Holdings which exceed 10 percent of the voting rights

The following shareholders held stakes in the capital which exceeded 10 percent of the voting rights:

- Bayerische Raiffeisen-Beteiligungs-AG, Beilngries
- Raiffeisen Agrar Invest GmbH, Vienna

Statutory provisions and the provisions of the Articles of Association relating to the appointment of members of the Board of Management and amendments to the Articles of Association

In supplementation of to Section 84 et seq. of the German Stock Corporation Act pertaining to the appointment and dismissal of members of the Board of Management, Article 9 of the Articles of Association of BayWa AG requires that members of the Board of Management are appointed by the Supervisory Board. Members of the Board of Management are appointed for a maximum term of five years and reappointment is permitted. The Supervisory Board Appoints the Chairman of the Board of Management.

Pursuant to Section 179 of the German Stock Corporation Act, in conjunction with Article 21 of the Articles of Association of BayWa AG, amendments to the Articles of Association are passed by the Annual General Meeting of Shareholders.

Authorisation of the Board of Management relating in particular to the option of issuing or buying back shares

Subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital on or before 29 May 2013 by maximum nominal EUR 10,000,000 through the issuing of new registered shares against non-cash contribution. This authorisation may be used in the form of partial amounts. The subscription rights of shareholders are excluded. Subject to approval by the Supervisory Board, the Management Board is authorised to determine the further content of the share rights and the terms and conditions under which the shares are issued.

Moreover, subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital one or several times on or before 31 May 2015 by a maximum nominal EUR 4,696,151.04 through the issuing of new registered shares with restricted transferability, against cash contribution, to employees of BayWa AG and of affiliated companies within the meaning of Section 15 et seq. of the German Stock Corporation Act. The subscription rights of shareholders are excluded. Subject to approval by the Supervisory Board, the Management Board is authorised to determine the further content of the share rights and the terms and conditions under which the shares are issued.

Furthermore, subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital once or several times on or before 30 April 2011 by a maximum nominal EUR 12,500,000 through the issuing of new registered shares against non-cash contribution. This authorisation may be used in the form of partial amounts. The subscription rights of shareholders are excluded. Subject to approval by the Supervisory Board, the Management Board is authorised to determine the further content of the share rights and the terms and conditions under which the shares are issued.

The Board of Management has not been authorised by the Annual General Meeting of Shareholders to buy back shares. There are no agreements within the meaning of Section 315 para. 4 items 8 and 9 of the German Commercial Code.

IV. Opportunities and Risk Report

Opportunities and risk management

The policy of the BayWa Group is geared towards assessing the opportunities and risks of entrepreneurship in a responsible way. The management of opportunities and risks is an ongoing task of entrepreneurial activities to ensure the long-term success of the company. This approach enables the BayWa Group to innovate, and safeguard and improve on what is already in place. The management of opportunities and risks is closely aligned to the BayWa Group's long-term strategy and the medium-term planning. The decentralised regional organisation and management structure enables the Group to identify trends, requirements, and the opportunities and risk potential of frequently fragmented markets at an early stage, analyse them and take action which is both flexible and market oriented. Moreover, systematic and intense screening of the market and of peer competitors is carried out with a view to identifying opportunities and risks. This is flanked by ongoing communication and the goal-oriented exchange of information between the individual parts of the Group which releases additional opportunities and synergy potential.

A key component and innovation of the opportunity and risk management system is the Risk Board which was implemented in the financial year 2009. Presided over by the Chief Executive Officer, the Risk Board, which consists of operations managers and support staff, meets to discuss and assess operational opportunities and risks on an ongoing basis. Minuted meetings are used to develop an understanding of the opportunities and risks and form the basis of risk measurement applied to operational decisions.

Principles of opportunity and risk management

The BayWa Group exploits opportunities which arise in the context of its business activities but is also called upon to enter into entrepreneurial risks. The identification of entrepreneurial opportunities, the safeguarding of assets and the enhancing of enterprise value therefore necessitate an opportunity and risk management system. In the BayWa Group, risk management is an integral component built into planning, management and control processes. The Group's strategy aims to make optimum use of opportunities, on the one hand, while identifying and limiting business-related risks to the greatest extent possible, on the other. A particularly important task of risk management is to guarantee that risks to the Group as a going concern are identified and kept to a minimum.

The principles set in place within the BayWa Group for the identification and monitoring of risks inherent in the specific business have been described in a risk management manual approved by the Board of Management of BayWa AG. In addition, the Internal Audit department regularly audits the internal risk management system which supports processes. ISO certifications for the standardisation of workflows and for risk avoidance and the concluding of insurance policies supplement the Group’s management of risk.

Moreover, the BayWa Group has established binding goals and a code of conduct in its corporate guidelines and in a set of ethical principles, and implemented them throughout the Group. These guidelines and principles relate to both the individual employees’ action when applying the corporate values as well as to their fair and responsible conduct towards suppliers, customers and colleagues.

Opportunity and risk management within the BayWa Group

A comprehensive risk management system records and monitors both corporate performance and any existing vulnerabilities on an ongoing basis. The risk management system covers all segments and is a key component of reporting. This enables the management of the Group to act swiftly and effectively. All units have risk officers and risk reporting officers who are responsible for implementing the reporting process.

The reporting process classifies risks and opportunities into categories, reports on these and estimates their probable occurrence and potential impact in terms of monetary units. The system is based on individual observations, supported by the relevant management processes, and forms an integral part of core activities. It starts with strategic planning and proceeds through to procurement, sales and distribution and, finally, to the management of trade receivables. As an extension of the business segments' planning process, procurement, sales and distribution operations as well as centralised operations, the risk and opportunity management system serves to detect and assess potential divergences from expected developments. In addition to identifying and assessing key developments influencing business, this system facilitates the prioritisation and implementation of activities. As a result, the BayWa Group can make better use of opportunities while reducing the risks.

Risk reports, which are regularly prepared by the operating units, form the core of the risk management system. These reports are subject to evaluation by the Board of Management and by the heads of the business units. The systematic development of existing and new systems with a built-in early warning component makes an indispensable contribution to strengthening and consistently building up a groupwide opportunity and risk culture.

Macroeconomic opportunities and risks

Macroeconomic factors have an influence on consumer behaviour and investment patterns in the Group's core markets. However, these environmental factors exert less of an impact on the BayWa Group than on other companies. BayWa's business model is primarily geared to satisfying fundamental human requirements, such as the need for food, housing, mobility and the supply of energy. Accordingly, the impact of cyclical swings is likely to be less strong than in other areas of commerce. At the same time, a company as well positioned as BayWa is even able to turn certain opportunities arising in times of crisis to its advantage through, for instance, the identification and acquisition of takeover candidates for the purpose of building up or expanding existing or new business activities.

Sector and company-specific opportunities and risks

Changes in political conditions, such as changes in subsidies for agricultural products or the tax-related subsidisation of sources of energy, as well as globalised and volatile markets harbour risks. At the same time, however, they open up new prospects.

Extreme weather conditions can have a direct impact on offering, pricing and trading in agricultural produce and also downstream on the operating resources business. Global climate changes also have a long-term effect on agriculture. The world's demand for agricultural products, particularly grain, continues to grow. This may give rise to a sustained price uptrend. The development of income in the agriculture sector filters through directly to sale of high-end capital goods. Developments in the economy and the political environment are the main factors influencing demand in the construction sector. An example is the investment incentives at the start of the 90's in Germany triggering a construction boom, especially in the new Federal States which was subsequently followed by a protracted downswing entailing structural adjustments to capacity. The abolition of the home-owner subsidy by the German government exacerbated the slowdown in private residential construction. Even today, the number of building permits in residential construction is considerably below the level recorded at the start of the 90's. At the same time, the aging housing stock will trigger a growing demand for modernisation and renovation.

Price opportunities and risks

Especially in its Agriculture and Energy segments, BayWa trades in merchandise, such as grain, fertilisers and mineral oil, which displays very high price volatility. The warehousing of the respective merchandise and the signing of contracts for the future delivery of merchandise means that BayWa is also exposed to the risk of prices fluctuating. Whereas the risk inherent in mineral oils is relatively low due to BayWa's pure distribution function, fluctuations in the price of grain and fertilisers may harbour greater risks, also owing to their warehousing, if there is no maturity matching in the agreements on the buying and selling of merchandise. If there are no hedging transactions existing at the time when the agreements are signed, the ensuing risk is monitored on an ongoing basis and controlled by the respective executive bodies. Whenever necessary, appropriate measures to limit risk are initiated. BayWa also operates as a project developer in the field of renewable energies. This business harbours a risk in the design and building of photovoltaic power plants which consists of the plants being connected to the grid later than originally planned due to delays. If a deadline for the further reduction in feed-in tariffs is not adhered to there is a price risk, as the plant will no longer be able to be sold at the price originally intended because economic parameters have changed.

Currency opportunities and risks

BayWa's business activities are largely located in the eurozone. If foreign currency positions arise from goods and services transactions these are always hedged without delay. Speculative borrowing or investing funds denominated in foreign currencies is prohibited.

Share price opportunities and risks

The BayWa Group's investment portfolio comprises direct and indirect investments in listed companies. Equity investments are continuously monitored on the basis of their current market values.

Interest rate opportunities and risks

Interest rate risk positions arise from the Group’s floating-rate financing activities, especially from the issuing of short-term commercial paper and short-term borrowing. Funds borrowed short term are used mainly to finance working capital. To reduce the interest rate risk, BayWa uses derivative instruments such as interest rate caps and swaps. The BayWa Group’s financing structure with matching maturities at all times ensures that interest-related opportunities are reflected within the Group.

Regulatory and legal opportunities and risks

Changes in the regulatory environment can affect the Group’s performance. One such example is government intervention in the general regulatory framework for the agricultural industry. Negative impacts emanate from the reduction or abolition of subsidies. Conversely, new regulatory and legislative developments influencing bio-energy can also result in opportunities. In the construction sector, changes to building or fiscal regulations may also have an impact on the development of the building materials business.

The companies of the Group are exposed to a number of risks in connection with lawsuits in which they are currently involved or in which they may be involved in the future. Law suits come about in the course of normal business activities, in particular in relation to the assertion of claims from services and deliveries which are not up to standard or from payment disputes. BayWa forms reserves for the event of such legal disputes if the occurrence of an obligation is probable and the amount can be adequately estimated. In the individual case, actual utilisation may exceed the reserved amount. The lawsuit, mentioned in the 2009 annual report, filed by shareholders contesting all decisions taken during the Annual General Meeting of Shareholders of BayWa AG, which took place on 4 June 2009, was resolved by way of settlement.

Credit risks

As part of its entrepreneurial activities, the BayWa Group has an important function as a source of finance to its agricultural trading partners. In the context of what are known as cultivation contracts, the Group incurs financing risk arising from the interim financing of agricultural resources and equipment, the repayment of which is made through acquiring and selling the harvest. Risks are kept to a minimum by way of an extensive debt monitoring system which spans all business units. To this end, credit limits are defined through a documented process of approval and monitored on an ongoing basis.

Liquidity risks

The liquidity risk is the risk that the BayWa Group may not – or only to a limited extent – be able to fulfil its financial obligations. In the BayWa Group, funds are generated by operations and by borrowing from external financial institutions. In addition, financing instruments, such as multi-currency commercial paper programmes or asset-backed securitisation, are used as well as promissory notes which were issued for the first time in 2010. Existing credit lines are therefore measured to an extent deemed sufficient to guarantee business performance at all times – even in the event of growing volume. The financing structure also provides cover for the seasonality of business activities. Owing to the diversification of the sources of financing, the BayWa Group does not currently have any risk clusters in liquidity.

Corporate rating

The banking sector has awarded the BayWa Group a very positive rating. This achievement is due to the solidity as well as to the long and successful history of the company and its high enterprise value, underpinned by assets such as real estate. Even during the financial crisis the BayWa Group did not experience difficulties at any time in procuring liquidity in the financial market. On the contrary, BayWa's good reputation enabled it to issue two promissory notes totalling EUR 200 million which were heavily oversubscribed. For reasons of cost effectiveness, BayWa deliberately dispenses with the use of external ratings.

Opportunities and risks associated with personnel

As regards personnel, the BayWa Group competes with other companies for highly qualified managers as well as for motivated and capable employees. The Group continues to require qualified personnel in order to secure its future success. Excessively high employee fluctuation, the brain drain and failure to win junior staff loyalty may have a detrimental impact on Group's business performance. BayWa counteracts these risks by offering its employees extensive training and continuous professional development in order to ensure their expertise. Management based on trust, the tasking of employees in line with their natural talents and abilities, as well as the definition and adherence to our ethical principles create a positive working atmosphere.

At the same time, the BayWa Group promotes the continuous professional training and development of its employees. With over one thousand trainees, the Group ranks among the largest companies offering training in non-urban areas in particular. BayWa recruits a large proportion of its future specialist personnel and management from this pool of trainees. Long years of service to the company are testament to the great loyalty shown by BayWa personnel to “their” company. This attitude creates stability and continuity and also secures the transfer of expertise down the generations.

IT opportunities and risks

The use of cutting-edge IT technology characterises the entire business activity of the BayWa Group. All key business processes are supported by IT technology and mapped using state-of-the-art software solutions. In a trading company with high numbers of employees, having workflows supported electronically is absolutely imperative. The continuous monitoring and reviewing of processes mapped electronically, however, involves more than the mere implementation of new IT components. It is always accompanied by an optimisation of process workflows, as a result of which opportunities in the form of synergy and cost savings potential can be identified and realised. At the same time, the risk inherent in the systems rises in tandem with growing complexity and dependency on the availability and reliability of the IT systems.

To realise the opportunities and minimise the risks, the IT competence of the BayWa Group is kept at a consistently high level. The resources are combined under RI-Solution GmbH, a company belonging to the Group which provides the Group companies with IT services to the highest standards. Extensive precautionary measures such as firewalls, virus protection updated on a daily basis, disaster recovery plans and training in data protection serve to safeguard data processing. Segregated in organisational terms, a data protection officer monitors compliance with security and data protection standards.

Assessment of the opportunity and risk situation by company management
An overall assessment of the current opportunity and risk situation shows that there are no risks which could endanger the Group as a going concern. There are currently no such risks discernible for the future either. All in all, the risks to the BayWa Group are limited and manageable.

Along with potentially non-influenceable or only indirectly influenceable global policy risks and macroeconomic risks, operational risks are also the focus of monitoring. As far as the latter is concerned, the BayWa Group has taken appropriate measures to manage and control risk.

The internal control system (ICS) which monitors accounting processes is also a key component of opportunities and risk management. The BayWa Group has set in place a professional control system, which has been certified in many areas, comprising measures and processes to safeguard its assets and to guarantee the presentation of a true and fair view of the result of operations.

The annual financial statements are drawn up through a centralised process. Compliance with legal framework conditions and rules and regulations pertaining to the Articles of Association during this process is guaranteed by the prescribed accounting standards.

A control system which monitors the accounting process ensures the complete and timely capturing of all business transactions in accordance with the statutory provisions and the regulations laid down under the Articles of Association. Moreover, it serves to guarantee that stocktaking is duly and properly performed and that assets and liabilities are recognised, valued and disclosed appropriately. The control system uses both IT-based and manual control mechanisms to ensure the regularity and reliability of accounting.

V. Significant Events after the Reporting Date

BayWa AG acquired the heating oil, diesel and Otto fuel, wood pellets and AdBlue business from Diermeier GmbH & Cie. Mineralöl KG, Straubing, and Hermann Diermeier KG, Straubing, by way of an asset deal via its subsidiary Diermeier Energie GmbH, Straubing, on 1 January 2011. Moreover, the acquisition of additional assets from Top Oil GmbH & Cie. Transport KG, Straubing, has been contractually agreed effective 31 March 2011. The cost of acquisition of the assets transferred on 1 January 2011 come to EUR 5.5 million.

With effect from 1 January 2011, BayWa AG took over the agricultural trading business of Schnell & Söhne KG Agrarhandel, Schwabmünchen, by way of an asset deal.
The provisional acquisition costs of the assets transferred on 1 January 2011 come to EUR 3.0 million.

On 3 January 2011, BayWa AG acquired 80 percent of the shares in the US company Focused Energy, Inc., Santa Fe in New Mexico, through its second-tier subsidiary BayWa r.e U.S. LLC. As a premium supplier operating in the photovoltaic (PV) system integration business, Focused Energy supplies installers in the USA, especially in the core markets of Arizona, California, Pennsylvania, New Mexico and Hawaii. The product range comprises high-quality PV panels, inverters and mounting systems. Focused Energy, with its 14 employees, generated revenues of USD 43 million and a clearly positive EBIT of approximately USD 4 million in the financial year 2010. This acquisition has enabled BayWa AG to enter the high-growth US market for photovoltaic plants and systems and to gain access to one of the most attractive growth markets in this business outside Europe. The takeover marks another step on the way to implementing BayWa's growth strategy in the renewable energies business. The purchase price for the acquisition of shares in the company came to EUR 12.9 million.

Through its second-tier subsidiary RENERCO Renewable Energy Concepts AG, BayWa AG is set to purchase two approved and ready-to-build onshore wind parks in Great Britain for RWE Npower renewables, a subsidiary of RWE Innogy. The purchase price will be around EUR 17 million. Together the two approved projects have a peak output of 27 MW. Both onshore wind parks, one in England and the other in Scotland, are scheduled for completion by the end of 2012 at the latest.

A syndicate led by RWA Raiffeisen Ware Austria Aktiengesellschaft, Austria, a majority holding of BayWa AG, is to purchase 89 percent in Austrian OMV Wärme VertriebsgmbH. The syndicate consists of RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria (51 percent), “UNSER LAGERHAUS” WARENHANDELSGESELLSCHAFT, Klagenfurt, Austria (27 percent) and BayWa Vorarlberg HandelsGmbH, Lauterach, Austria (11 percent). OMV Refining & Marketing GmbH as the former sole owner will reduce its stake to a financial participation of 11 percent. The purchase of this OMV company is part of BayWa's growth strategy in its core segments. The Group intends to grow in future through acquiring mineral oil traders in the Energy segment.
Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria, a majority holding of BayWa AG, and the sugar, starch and fruit group AGRANA will be combining Ybbstaler Fruit Austria GmbH and AGRANA Juice Holding GmbH, both subsidiaries operating in the fruit juice concentrate business, as part of a joint venture. The joint venture, in which AGRANA will hold a stake of 50.01 percent, will be fully consoli-

dated by AGRANA. RWA holds a stake of 49.99 percent which, at the end of five years, can be raised to 50 percent. The headquarters of the joint venture will be located in Kröllendorf, Lower Austria. The combination of the two fruit juice concentrate companies takes account of changing conditions in the markets which have seen concentrate manufacturers and beverage filling companies undergoing a process of accelerating consolidation in recent years.
Putting these two companies together will strengthen their competitiveness against the backdrop of the growing globalisation of fruit juice concentrate markets and is another important development in the internationalisation of the BayWa Group. Approval by the anti-trust authorities is still pending.

VI. Remuneration Report (Consolidated Accounts)

The Remuneration Report is part of the Management Report on the Company and explains the system of remuneration for members of the Board of Management and the Supervisory Board.

Remuneration of the Board of Management

The remuneration system, including the main contractual components, is reviewed by the Supervisory Board once a year and approved and adjusted if necessary.

In its meeting on 30 March 2010, the Supervisory Board decided to adjust the remuneration of the members of the Board of Management to reflect legal provisions on the appropriateness of management board remuneration. The overall structure of remuneration was changed and variable remuneration supplemented by a long-term component based on a multi-year assessment. The Annual General Meeting of Shareholders, held on 18 June 2010, approved the Board of Management remuneration system.

Consequently, the remuneration of the members of the Board of Management will consist of an annual fixed salary, short-term variable remuneration (annual bonus) and long-term variable remuneration (known as the bonus bank). The ratio of fixed to short-term variable remuneration and long-term variable remuneration is roughly 50 to 20 to 30 based on full (100 percent) achievement of goals. The non-performance related component comprises an annual fixed salary and benefits such as the use of a company car and contributions to accident and health insurances. Short-term variable remuneration takes the form of an annual bonus. The amount of this bonus depends on the extent to which objectives, determined by the Supervisory Board and geared, on the one hand, to the successful development of the company's business (earnings before tax) and, on the other, on the individually agreed goals, are achieved. If the targets are achieved, the agreed bonuses are paid out in full. If the targets are exceeded, the bonus will be increased but only up to a maximum amount (cap of 150 percent). If the targets are not reached, the bonus will be reduced proportionately. Both negative and positive developments are therefore taken into account in calculating the short-term variable remuneration.

The long-term variable component takes the form of a so-called bonus bank. The bonus bank will be supplemented or charged on a yearly basis, depending on the extent to which objectives, linked to the success of the company (earnings before tax) and determined by the Supervisory Board for three years in advance, have been achieved, overachieved or underachieved. If objectives are overachieved, the amount which can be transferred to the bonus bank is capped at 150 percent. If there is a credit balance on the bonus bank, one third will be provisionally paid out per year to the respective member of the Board of Management. If, owing to the disbursement made in previous years or a charge reducing the bonus bank, there is a negative balance on the bonus bank, the respective Board members shall be obliged to pay back the provisional payments made in the two preceding years. Both negative and positive developments are therefore also taken into account in calculating the long-term variable remuneration. Alongside the agreed cap on both variable components of remuneration, there is also a cap imposed for extraordinary developments.

In addition, there are pension commitments for the members of the Board of Management. These commitments are based partly exclusively on the most recent fixed salary (30 percent) of the respective Board member and partly on the number of years of service to the company (with increases limited to 35 percent and 50 percent of the most recently received fixed salary). The retirement age has been set at 63 or 65 (end of each year respectively). There are no commitments in the employment contracts of the Board members if service to the company is prematurely terminated. There are also no Change of Control clauses.

The total remuneration of the Board of Management comes to EUR 7.281 million (2009: EUR 5.352 million), of which EUR 2.522 million (2009: EUR 1.228 million) is variable. The portion of allocation to pension provisions amounts to EUR 0.325 million (2009: EUR 0.364 million).

The remuneration of the Board of Management has not been itemised but is divided up into fixed and variable/performance-related amounts and disclosed once a year in the Notes to the Consolidated Financial Statements. (Reason given in the Declaration of Conformity.) The relevant resolution was passed by the Annual General Meeting of Shareholders in accordance with Section 286 para. 5 German Commercial Code on 18 June 2010 (Code Item 4.2.4). For more information on the remuneration, reference is made to the Notes to the Separate Financial Statements and the Consolidated Financial Statements.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is based on the responsibilities and the scope of tasks of the members of the Supervisory Board as well as the Group's financial situation and performance.

On 18 June 2010, the Annual General Meeting of Shareholders approved the following new regulations on the remuneration of the Supervisory Board which entered into force on 1 January 2010:

The members of the Supervisory Board receive fixed annual remuneration of EUR 10,000, payable at the end of the financial year, plus variable remuneration of EUR 250 for each cash dividend portion of EUR 0.01 per share approved by the Annual General Meeting which is distributed in excess of a share in profits of EUR 0.10 per share. Variable remuneration is due and payable at the end of the Annual General Meeting of Shareholders which has passed a resolution on the aforementioned cash dividend portion.

The Chairman of the Supervisory Board receives three times the amount and the Vice Chairman twice the amount of the remuneration granted under paragraph 1. Additional fixed annual remuneration of EUR 2,500 is paid for committee work. The chairmen receive three times the respective amount.

Supervisory Board members who serve on the Supervisory Board and/or its committees for only part of the financial year will receive remuneration on a proportionate basis.

In addition, they will be reimbursed for their expenses and value added tax which falls due during their activities as members of the Supervisory Board or its committees. Moreover, Supervisory Board members will be included in any D&O insurance taken out in the interest of the company covering personal liability in an appropriate amount. The company pays the insurance premium.

The new regulations governing remuneration were incorporated into Article 19 of the Articles of Association by way of resolution passed by the Annual General Meeting of Shareholders on 18 June 2010.

The total remuneration of the Supervisory Board comes to EUR 0.463 million (2009: 0.321 million), of which EUR 0.192 million (2009: EUR 0.131 million) is variable.

Disclosure of remuneration paid to members of the Supervisory Board in the Notes to the Consolidated Financial Statements has not been itemised (reason given in the Declaration of Conformity).

VII. Outlook

Macroeconomic outlook

Following a phase in the first half of 2010 when international economic developments were hallmarked by regaining ground following the severe recession in 2009, the global economy resumed its growth in the second half of the year, albeit at a more moderate pace. For 2011, the World Bank is expecting global economic output to rise by 3.3 percent, which is down from 3.9 percent in 2010. The economic development in a number of industrial nations will continue to be subject to uncertainties in the financial and real estate sectors and will be hampered by the shoring up of public finances and the pressure to reduce consumer debt. Against this backdrop, the expansion of the gross domestic product (GDP) of the industrial nations is expected to average 2.4 percent, down from 2.8 percent in 2010. The moderate economic growth, however, will not be sufficient to reduce unemployment to any notable extent, which will burden private consumption. The greatest growth stimulus is likely to emanate again from strong domestic demand in the emerging markets where expansion rates will probably be around 6.0 percent. Forecasts for the year 2012 anticipate marginally higher growth rates for economic output, particularly due to the gradual mastering of problems and structural distortions in a number of key industrial nations. This being the scenario, the World Bank puts global economic growth at 3.6 percent, anticipates a growth rate of 2.7 percent for the industrial nations, and an average rise of 6.1 percent for the emerging markets.

In Germany as well, the effects of making up ground in the year 2010 will not persist. The German Institute for Economic Research (DIW) expects economic growth to slacken from 3.6 percent in 2010 to 2.2 percent in the current year and then to 1.3 percent in 2012. The ongoing favourable trend in the labour market is likely to prompt a recovery in private consumption. This is, however, juxtaposed to the lower level of growth of public-sector spending after programmes to stimulate the economy have ended. As a result, exports and capital expenditure, which are expected to rise by 9.6 percent and 8.3 percent respectively, are likely to be the drivers of economic growth in the year 2011 as well. These two factors of exports and capital expenditure, with growth predicted at 6.0 percent and 5.1 percent, will remain the dominant growth drivers in 2012, as opposed to private consumption and public-sector spending which will see a below-average growth of 1.2 percent respectively.

The recovery in the Austrian economy is set to persist and deliver an economic growth of 2.2 percent in 2011. Following a slowdown in expansion, which mirrored the international growth trend through to mid-year, a stronger rate is expected again in the second half of the year. As before, the growth drivers will be exports (8.3 percent) and physical goods production (6.5 percent), followed by brisker capital expenditure (4.5 percent). In contrast, little stimulus will come from construction activities (0.7 percent), private consumption (0.9 percent) and trading (1.0 percent). Macroeconomic forecasts for the year 2012 currently estimate growth at 2.0 percent. Expansion in exports and in industrial production is likely to be lower in 2012 than in 2011.

Economic growth is expected to accelerate to an average 3.6 percent in the countries of Eastern Europe. Growth rates in these countries will range from 3.9 percent in

Poland, 3.7 percent in Slovakia, 3.0 percent in Serbia, 2.0 percent in Hungary and Croatia, 1.8 percent in the Czech Republic right through to 1.7 percent in Slovenia.

Outlook for the development of the market segments

Outlook for the agriculture sector

The lower harvest volumes recorded in 2010 give rise to expectations that global inventories will have been depleted by around 60 million tons at the end of the 2010/11 cereal year. Global production in the cereal year 2009/10 came to around 2,222 million tons, down from 2,237 million tons the year before. Based on current forecasts for the 2010/11 cereal year, harvest volumes are expected to come to 2,185 million tons which is 1.7 percent less. As a result, production output will fall below consumption for the first time in four years, and the coverage of the remaining inventories will decline from 79 days in 2010 to an estimated 67 days in the cereal year 2010/11. At the same time, although inventories have risen by around 51 tons, consumption has also climbed by 140 million tons. Estimates of production and consumption volumes in the financial year 2011/2012 will be in a similar range with 2,270 million tons. Whether the current phase of peak prices will continue beyond the first half of this year depends on the development of actual production and consumption figures. From the standpoint of Europe, the new 2011 wheat harvest will fall to a historically low inventory level, with a computed coverage of only nine days as a result of strong demand in the global market.

Annual consumption increases of around 40 million tons a year, taken as an average over the last five years, must be seen in the context of dwindling arable land per capita (world population). Given that the amount of cultivated land is limited, future increases in per-hectare yield will be competing against the rising rate of consumption. It can be assumed that, in future, the positive price trend of agricultural produce will hold steady overall, and that the globalisation of the markets for agricultural products and the growing interest of financial investors in the investment category of agricultural commodities may exacerbate price volatility.

Similar to grain, there is also expected to be excessive demand for maize in the financial year 2010/11 which ends on the 30 September of this year, although the global production of maize in the harvest year 2010/2011 is to set a record of around 816 million tons. The harvest yield will be around 4 million tons higher compared with the previous year. At the same time, forecasts for global consumption predict a rise of around 23 million tons from 813 to 836 million tons in the year ended. Inventories are therefore set to contract from around 147 million tons in 2009 to 127 million tons a year later. The financial year 2011/12 is likely to bring a slight easing of the situation, with production volumes estimated at 860 million tons and consumption at 845 million tons. Production volume in the United States of America as the world's most important exporter of maize is expected to contract by 16.3 million tons to 316.2 million tons, down from 332.5 million tons, in the production period between 2009/10 and 2010/11. In the year 2010, 120 million tons of America's maize output will be used to generate bioethanol. The production of ethanol has become more attractive due to the current crude oil price hikes. An additional use of maize to produce ethanol would have a notable impact on the global demand for maize and narrow the already tight headroom if supply is not raised accordingly. Other countries are already deploying more maize to produce energy. For instance, maize in Germany is being used in greater quantities for the production of biogas and has found an additional sales channel.

The prices of agricultural operating resources climbed steadily over the course of 2010. Fertilisers, for example, rose between 15 and 35 percent depending on the product. Prices are nonetheless way below the record values posted in the year 2008. Arguments supporting the theory of a sustained price uptrend are that the rising demand for agricultural commodities can only be satisfied by keeping harvest yields permanently high, and that farmers will be relying on fertilisers to produce good harvests in the medium term. Provided that the additional costs of fertilisers can be compensated by a correspondingly positive development in producer prices, demand for fertilisers can be expected to remain stable. Farmers improved their income situation in 2010 despite the rising cost of operating resources. If, however, the cost of fertilisers were to rise disproportionately, farmers would cut back in the short term on the volumes used – to the detriment of harvest volumes, as was the case in 2009.

The medium- and long-term positive factors of influence will persist in the coming years as well, particularly against the backdrop of the growing need for agricultural commodities for human consumption, feedstuff and energy. Europe is set to benefit from the overall high level of production know-how, the technical facilities and equipment of farming operations and balanced climatic production preconditions.

Agricultural equipment benefited generally from the improved financial position of farmers in 2010. In the dairy industry, milk prices recovered significantly for producers in 2010, up from their low levels in 2009. The sale of plant-based agricultural produce also improved. Given the current developments in the market for key agricultural products, agricultural operations can on average assume a further improvement in the financial situation in 2011. Farmers' propensity to invest will also benefit from this environment. Based on surveys, 38 percent of farming operations intend to make investments in the near future. The aggregated investment volume is currently estimated at EUR 7 billion, which is some EUR 1 billion higher than a year ago. In an environment where prices for agricultural produce have improved, the realisation of investments previously shelved can be expected. In the long term, the outlook for the sector is similarly positive as the increase in global demand for food and agricultural commodities can only be satisfied by stepping up agricultural production.

Outlook for the Building Materials segment

Forecasts generally predict a recovery in construction activities spanning all sectors in Germany in 2011. Based on the sharp increase in building permits granted in 2010, an increase of 2.5 percent is anticipated in residential construction. A moderate growth of 0.9 percent has been predicted for non-residential building, and civil engineering is expected to grow by 1.6 percent. After the year 2010 when, alongside strong residential building, construction activities were boosted through orders placed by the public sector, the volume of public-sector building is likely to have entered a downtrend in 2011 due to the expiry of economic stimulus programmes promoting investments in kindergartens, schools, transport projects and hospitals. However, the predicted decline of 2.1 percent will not be as sharp as anticipated a year ago as numerous measures will extend into the year 2011 due to delays. In comparison, investments in commercial construction are likely to reflect the ongoing economic recovery and gain momentum. All in all, construction investments are expected to grow by 1.9 percent in 2011. According to current forecasts, the upswing in the construction sector is set to continue in the year 2012. As a result, another overall increase of 2.0 percent is anticipated in residential construction. Non-residential construction will put in a moderate growth of 0.9 percent in 2012, thus matching the 2011 level. The downturn in public-sector orders in civil engineering is likely to be more than offset by commercial investments, which will bring investments in civil engineering to 0.6 percent above the 2011 figure.

Although forecasts for the development of the construction industry in Austria have already been revised downwards due to the detrimental effects of the weather, a slight growth in construction investments of 0.7 percent is nonetheless anticipated in comparison to the slump in 2010. In residential construction, another decline in new housing is expected in the years 2011 and 2012 owing to the curtailment of government subsidies. In contrast, positive impetus will emanate from the resumption of projects to promote thermal refurbishment in an annual volume of EUR 100 million and through a recovery in commercial capital expenditure. This development is expected to persist in 2012 and deliver a growth of 1.0 percent in construction spending.

Outlook for the Energy segment

Demand for fuel, heating materials and lubricants is generally influenced by the oil price trend, economic activity and weather conditions. The long and severe winter 2009/10 entailed a heating oil consumption which ran at high levels. However, the average filling levels of tanks were higher than in the previous year. Accordingly, the need to replenish tanks was lower in the first half of 2010 in a year-on-year comparison. In the second half of the year, private households were nonetheless holding back on filling their tanks in the hope of oil prices falling after the hikes in 2009 when prices accelerated from around USD 40 to almost USD 80. Following a fleeting dip in the oil price by around USD 10 to USD 70 at the start of 2010, oil prices trended up over the remainder of the year, apart from a short phase in early summer, to reach a year-end price of around USD 95. As a result, consumers found themselves with below-average filling levels in the new 2010/11 heating season. In many cases, tanks were not fully replenished, and only short-term need was covered in the hope of more favourable price levels. Inasmuch, there is likely to be a notable backlog in 2011 which will be all the more pressing the longer the winter lasts. In marked contrast, prices have spiralled even higher to USD 107 through the political unrest in the number of oil producing countries in North Africa and the Gulf region. It can, however, be assumed that the very low filling levels of tanks will necessitate replenishment over the course of the year. Moreover, BayWa expanded its sales territory by buying a fuel dealer in 2010. Accordingly, sales volumes can be expected to rise overall in 2011. An increase can also be anticipated in the fuel business sales on the back of the improved economic situation, a higher number of cars and more mileage driven. The ongoing economic recovery has had the greatest impact on the lubricants business. In addition, the supplying of industrial customers will boost sales. Here, account must be taken of the fact that the price sensitivity of customers is growing in the face of the rising cost of raw materials, and that this may prompt a shift in demand towards cheaper products where margins are often lower.

The preconditions for long-term growth have been set in place in the renewable energies business through the political framework. The Energy Concept 2050, passed in autumn 2010, provides for raising the proportion of renewable energies in Germany's electricity production to 80 percent by the year 2050. The target for the EU has been set at a minimum of 30 percent to be achieved by the year 2020. Last but not least, the topic of having a sustainable supply of energy in the USA is also gaining in importance. BayWa r.e has paved the way for participating in a geographically diversified growth market through its acquisitions in 2010. The scheduled reduction of measures to subsidise the different areas of renewable energies, headed by the promotion of solar energy, will not hamper medium and long-term growth but, at the most, will trigger short-lived fluctuations in demand in response to the deadlines set for curtailing government subsidies.

Anticipated development of BayWa's segments

Outlook for the Agriculture segment

The general sentiment in the agricultural industry in the BayWa Group‘s domestic markets brightened perceptibly over the course of 2010 and at the start of the current financial year. The broad-based improvement in selling prices for agricultural products such as grain and milk has raised farmers‘ income. There are signs that the current improvement in earnings which can be generated from agricultural produce are carried by fundamental factors and are therefore of a more permanent nature. Although costs in the agricultural industry for fertilisers, feedstuffs and energy are accelerating, additional earnings on the production side, however, exceed the higher costs incurred by the means of production. Against this background, there is likely to be an improvement in the economic situation of most agricultural operations over the course of the current year in comparison with 2010. It remains, however, difficult to give accurate guidance as markets may display a great deal of volatility in the future due to unpredictable exogenous events.

Agribusiness is a stable mainstay of the BayWa Group's business model, since raising farmers’ income and productivity per hectare can only be achieved by stepping up the use of operating resources and investments in equipment and machinery. BayWa's competences in logistics, advisory services and general services release additional potential for creating value added. BayWa will continue to take advantage of the opportunities for acquisitions and growth from the market shakeout in its business units of Agricultural Trade and Fruit in the future as well. The cornerstone for both business units to develop further are constituted in enhancing the products and services offering, improving on economic efficiency through the ongoing streamlining of strategic locations and sales.

The improvement in profitability in the financial year 2009/10 is also reflected in the greater willingness on the part of farmers to invest. In the financial year 2010/11, the higher selling prices of agricultural products suggest that investments in agricultural equipment are also set to rise. Along with the sale of machinery and equipment, the Agricultural Equipment business unit’s performance is also determined by the services it offers. The greater volume of investments made in recent years and the general increase in mechanisation has resulted in a greater need for repair and maintenance services. Moreover, BayWa has geared itself more strongly to serving the customer in its Agricultural Equipment business unit by reorganising the sales and maintenance activities associated with the Claas and Fendt / AGCO brands. The product mix has been extended through taking over the general agency for sweeping machines made by Johnston, which has released additional business potential, especially in respect of local authorities. BayWa assumes that it will be able to raise revenues in 2011 and 2012 on this basis. However, the willingness and capacity of farmers to invest is subject to strong fluctuations in harvest yields and volatile selling price trends which do not allow the informative assumptions necessary for under-pinning sound guidance for the year 2011. The Agricultural Equipment business unit's medium- to long-term prospects can, however, be deemed positive as the dominant trends towards larger operating units, the necessity of raising productivity and the envisaged scaling back of agricultural subsidies within the EU from 2013 onwards will entail a steady increase in the use of agricultural equipment and machinery by farmers.

All in all, the BayWa Group anticipates an increase in the revenues of its Agriculture segment and higher profit in 2011. Factors contributing to this development will also be the revenue and profit contributions of acquisitions made in the agricultural trade business in 2010 which will take full effect for the first time in 2011. The extent of the increase in revenues and profits will, however, be determined to a great degree by agricultural commodity price trends.

Outlook for the Building Materials segment

The macroeconomic environment is likely to have a generally positive effect on the segment's business in the financial year 2011. The moderate growth in new housing will contribute to this, as well as investments in refurbishment, modernisation and renovation which, in any case, exerts a stronger influence on the business trend with a proportion of between 70 and 75 percent in entire residential construction spend-ing. Here, there is still great potential for energetic refurbishment in the short to medium term. Business in photovoltaics is expected to fluctuate as the renewed reduction in feed-in tariffs scheduled for 1 July 2011 could cause a downturn in demand throughout the remainder of the year. Despite an end to economic stimulus programmes, a moderate increase in the demand for public-sector building and civil engineering is expected in 2011 and 2012. The contraction in public-sector demand will be cushioned as the economic recovery progresses by the higher investment volume from commerce and industry. The outlook for the Building Materials business unit has therefore somewhat improved in comparison with 2010. The Building Materials business unit is well positioned in a peer comparison through its focus on the areas of refurbishment, modernisation and renovation, its redesigned product mix and measures to streamline costs. The business unit's market position has been reinforced by taking over competitors. Selective growth and a consistent alignment in sales operations geared to target groups will serve to strengthen the revenues and profits of the business unit. Against this backdrop, the Building Materials business unit anticipates that, overall, earnings will improve moderately in 2011. The stabilisation of the earnings situation is supported by streamlining measures, raising value added through partnerships and the international expansion of its franchise concept. Along with the non-recurrence of one-off costs, this will release a positive effect on profit for the business unit in 2011. In 2012, results are expected to trend sideways as growth in residential construction and a gradual recovery in commercial building activities are set to level off.

In 2011, the DIY & Garden Centre business unit anticipates growing revenues from its existing retail surface area through the completion of measures to convert centres and optimise the product mix in 2010. For instance, the centres of Illertissen, Grafenau and Waldkraiburg, which were converted in 2010, will be contributing to revenues on a full-year basis. The new speciality store concept, launched in Backnang in 2009, was very well received by customers. Two new buildings designed in accordance with this concept, each with a retail area of more than 10,000 m^2, will open their doors in 2011. Furthermore, the business unit is likely to benefit from improved consumer sentiment. Adjustments to suit the respective regional market environment will be made in order to ensure success as a niche supplier in a highly competitive environment. The overall effect of the positive development anticipated for revenues and cost cutting measures implemented in 2010 are likely to translate into improved results. The non-recurrent expenses for centres newly inaugurated place a burden on performance. The business unit’s competitive edge is, however, being consistently sharpened.

All in all, the BayWa Group anticipates an increase in the revenues of its Business Materials segment and an improvement in its performance in 2011. On the cost front, synergy effects in particular, leveraged across the two business units from combining their centralised functions, as well as non-recurrent expenses, start-up costs and streamlining measures successfully implemented at the operational level will have a positive effect. Given that the economic environment continues to stabilise, the Building Materials segment views the year 2011 with confidence.

Outlook for the Energy segment

In the wake of the oil price hikes at the start of 2011, triggered by civil unrest in a number of North African countries and in Bahrain, it can be assumed that, from today's standpoint, average crude oil prices will be higher in the current financial year than in 2010. The price of crude oil has a more or less direct impact on pricing throughout the energy markets. As regards heating oil, the filling levels of the tanks of private households at the beginning of 2011 were considerably below levels recorded a year ago. As, due to accelerating prices, many households have only covered their immediate needs to date, BayWa expects revenues measured against sales in 2010 to climb steadily over the course of 2011, delivering an increase in sales volumes as against the previous year's level. Wood pellet sales are likely to record growth rates of between 10 and 20 percent on the back of the greater numbers of heating systems installed and the persistently high interest in this environmentally compatible source of energy. The sale of fuel is likely to benefit from growth in the number of licensed vehicles and the higher mileage, encouraged by the positive economic development, and from the expansion of BayWa's fuel stations. This will be supplemented by the sale of additional products such as AdBlue truck fuel and autogas. In the lubricants business, sales can be expected to rise in the wake of the ongoing economic recovery and brisker business with industrial customers. Revenues across all product segments in the classical energy business in 2011 are likely to be higher than in the previous year and profit is also expected to rise. The strategy of growing through takeovers and cooperations, both in the domestic market and in other regions, will be retained in its current form. In the longer term, guidance is only possible to a limited extent due to the considerable fluctuations in prices and the dependence of sales on weather conditions.

BayWa continued to grow organically and through acquisitions in the field of renewable energies in 2010. In 2011, BayWa anticipates further dynamic growth of activities with an entire year already behind them in 2010. However, the strong demand in Germany and France recorded in 2010 is unlikely to be repeated in the solar industry due to reductions in feed-in tariffs. Schradenbiogas GmbH & Co. KG and Focused Energy LLC in the USA, companies acquired in 2010, will boost the revenues of BayWa r.e further through their full-year inclusion in 2011. Moreover, BayWa assumes that the new companies will achieve significant growth in their markets. BayWa‘s target of achieving an EBIT margin of at least 5 percent in its renewable energies business remained unchanged. In the medium term, expanding the business to achieve revenues of up to EUR 1 billion is envisaged. Ongoing internationalisation will continue to be an integral part of the strategy, the aim being to reduce the dependency on the political framework conditions in the individual countries. To finance growth, the BayWa Group issued two promissory notes in 2010 with a volume totalling EUR 200 million and terms of five and seven years respectively in a favourable capital market environment. This measure has set in place a medium- to long-term financial base which BayWa r.e can draw on in the event of new acquisitions.

Outlook for the BayWa Group

Based on the scenarios described above for the individual business units, the outlook for the BayWa Group in 2011 is generally optimistic. Revenues in the Agriculture segment can be expected to grow year on year, accompanied by an increase in profit. The Building Materials segment will also be able to raise revenues and the result. In the Energy segment, sales volumes are set to expand and margins will hold their ground. BayWa assumes that the above-average growth of BayWa r.e is set to persist and that the company will raise its contribution to profit. Based on current conditions in the market, it can be assumed that the BayWa Group will raise its revenues in the financial year 2011 and that operating profit will continue to improve. In

2011, BayWa's investments in the maintenance and refurbishment of its locations will approximate the levels of 2009 and 2010. These investments will be financed for the most part from the Group's cash flow, as is customary. Beyond this, BayWa will use opportunities to strengthen its core activities through acquisitions provided that conditions are attractive. The medium- and long-term financial base has been secured through the issuance of the promissory notes in 2010.

The development of BayWa Group beyond the year 2011 will be borne in the main by reinforcing our operating activities and the ongoing disposal of strategically non-core activities. Opportunities for internal and external growth in the core segments of Agriculture, Building Materials and Energy which arise from market consolidation in many sectors and regions will be carefully reviewed by BayWa and, if assessed as appropriate, will be realised by drawing on the Group's sound financial structure. Measures to cut costs and optimise processes are a permanent part of management and control. The introduction of a value-oriented approach to management has considerably improved the quality of information underlying the medium- and long-term strategy of the BayWa Group.

BayWa intends to forge ahead with its strategic focus on expanding the activities in its renewable energies business. Based on the existing companies, the growth prospects are excellent. Moreover, BayWa intends to grow this business further through acquisitions.

The volatilities and risks described in the individual business segments may cause results to diverge from today's planning. BayWa nonetheless considers itself well positioned in its operations. The enhancement of instruments for assessing risk and control make their contribution to strengthening the BayWa Group and shielding it from negative market influences. Against this backdrop, BayWa is confident that it will continue to develop well through ongoing growth in its core businesses and that it will be successful in raising operating profit again in the year 2012.

Affirmation by the Legally Authorised Representatives

We hereby affirm that, to the best of our knowledge and in accordance with the generally accepted accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and the result of operations of the Group, and that the Management Report on the Group presents a true and fair description of the development of the Group’s business, including its performance, and of the material risks and opportunities inherent in the prospective development of the Group.

Munich, 28 February 2011
BayWa Aktiengesellschaft

The Board of Management
Klaus Josef Lutz
Klaus Buchleitner
Andreas Helber
Dr. Josef Krapf
Roland Schuler

BayWa Aktiengesellschaft, Munich

Consolidated Balance Sheet as at 31 December 2010

In EUR million

Assets	Note	2010	2009
Non-current assets			
Intangible assets	(C.1.)	64.134	65.555
Property, plant and equipment	(C.2.)	917.019	943.329
Participating interests recognised at equity	(C.3.)	45.733	37.961
Other financial assets	(C.3.)	212.607	188.582
Investment property	(C.4.)	71.639	78.833
Tax claims	(C.5.)	7.564	6.310
Other receivables and other assets	(C.6.)	16.810	15.841
Deferred tax assets	(C.7.)	91.844	90.770
		1,427.350	**1,427.181**
Current assets			
Securities	(C.3.)	1.841	1.864
Inventories	(C.8.)	1,062.329	905.005
Tax claims	(C.5.)	21.478	10.815
Other receivables and other assets	(C.6.)	662.941	569.988
Cash and cash equivalents	(C.9.)	28.208	19.723
		1,776.797	**1,507.395**
Non-current assets held for sale	(C.10.)	**49.104**	**4.710**
Total assets		**3,253.251**	**2,939.286**

Shareholders' equity and liabilities	Note	2010	2009
Equity	(C.11.)		
Subscribed capital		87.562	87.258
Capital reserve		88.441	85.276
Revenue reserves		577.113	580.656
Other reserves		85.313	49.698
Equity net of minority interest		838.429	802.888
Minority interest		167.095	154.592
		1,005.524	**957.480**
Non-current liabilities			
Pension provisions	(C.12.)	397.492	398.327
Other non-current provisions	(C.13.)	64.372	66.798
Financial liabilities	(C.14.)	269.077	74.119
Finance lease obligations	(C.15.)	2.157	1.790
Trade creditors and liabilities from inter-group business relationships	(C.16.)	45.262	43.783
Other liabilities	(C.17.)	2.284	3.504
Deferred tax liabilities	(C.18.)	100.391	103.517
		881.035	**691.838**
Current liabilities			
Pension provisions	(C.12.)	27.534	27.351
Other current provisions	(C.13.)	106.287	98.219
Financial liabilities	(C.14.)	537.675	590.485
Finance lease obligations	(C.15.)	0.558	0.465
Trade creditors and liabilities from inter-group business relationships	(C.16.)	549.495	462.743
Tax liabilities		39.404	29.920
Other liabilities	(C.17.)	72.732	80.785
		1,333.685	**1,289.968**
Liabilities from non-current assets held for sale	(C.19.)	**33.007**	**-.---**
Total equity and liabilities		**3,253.251**	**2,939.286**

BayWa Aktiengesellschaft, Munich

Consolidated Income Statement for 2010

In EUR million

	Note	2010	2009
Continued operations			
Revenues	(D.1.)	**7,902.988**	**7,260.244**
Changes in inventories		75.598	- 14.474
Own work capitalised		1.370	0.711
Other operating income	(D.2.)	127.205	131.776
Cost of materials	(D.3.)	- 6,937.024	- 6,244.264
Gross profit		**1,170.137**	**1,133.993**
Personnel expenses	(D.4.)	- 633.724	- 619.619
Depreciation and amortisation		- 99.326	- 94.367
Other operating expenses	(D.5.)	- 328.250	- 318.043
Operating result		**108.837**	**101.964**
Income from participating interests recognised at equity	(D.6.)	7.194	1.747
Other income from shareholdings	(D.6.)	12.824	11.648
Interest income	(D.7.)	3.474	4.395
Interest expense	(D.7.)	- 45.191	- 44.683
Financial result		**- 21.699**	**- 26.893**
Earnings before tax		**87.138**	**75.071**
Income tax	(D.8.)	- 20.296	- 15.679
Consolidated net income		**66.842**	**59.392**
of which: profit share of minority interest	(D.9.)	16.404	14.345
of which: profit share of the shareholders of the parent company		50.438	45.047
EBIT		**128.855**	**115.359**
EBITDA		**228.181**	**209.726**
Basic earnings per share (EPS; in euros)	(D.10.)	**1.48**	**1.33**
Diluted earnings per share (in euros)	(D.10.)	**1.48**	**1.33**

BayWa Aktiengesellschaft, Munich

Transition to Consolidated Statement of Income and Expenses

In EUR million	2010	2009
Consolidated net income	66.842	59.392
Changes in "available for sale" assets		
carried at fair value		
Net gain/loss from revaluation		
of financial assets in the "available for sale" category		
during the reporting period	-1.384	1.278
Reclassifications due to disposal of financial assets		
in the "available for sale" category		
during the reporting period	-.---	-9.986
Difference from currency translation	0.731	1.373
Income and expenses recorded directly in equity	**-0.653**	**-7.335**
of which: due to minority interest	0.073	0.782
of which: due to shareholders of the parent company	-0.726	-8.117
Net income	**66.189**	**52.057**
of which: due to minority interest	16.477	15.127
of which: due to shareholders of the parent company	49.712	36.930

BayWa Aktiengesellschaft, Munich

Consolidated Cash Flow Statement for 2010
Note (E.1.)

In EUR million	2010	2009
Consolidated net income	66.842	59.392
Write-downs/write-ups of non-current assets		
– Intangible assets	9.080	7.192
– Property, plant and equipment	84.846	84.534
– Other financial assets	0.189	0.084
– Investment property	4.743	2.642
Other non-payment related expenses/income		
– Changes in deferred taxes	-4.273	0.697
– Equity result minus dividend	-7.194	-1.747
– Expenses relating to share-based payment through profit and loss	1.387	1.292
– Other	-2.216	-0.682
Increase/decrease in non-current provisions	-1.642	1.486
Payment-related expenses/income from special items		
– Gain/loss from the disposal of financial assets	-2.593	-6.515
	149.169	148.375
Increase/decrease in current and medium-term provisions	7.866	-17.342
Gain/loss from the disposal of assets	-29.019	-28.043
Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	-265.686	207.820
Increase/decrease in trade payables and other liabilities not allocable to investing or financing activities	128.295	-66.916
Cash flow from operating activities	-9.375	243.894
Outgoing payments for company acquisitions	-11.708	-67.117
Incoming payments from the divestiture of companies (subsidiaries and joint ventures)	16.550	0.433
Incoming payments from the disposal of intangible assets, property, plant and equipment and investment property	28.694	51.763
Outgoing payments for investments in intangible assets, property, plant and equipment and investment property	-131.583	-110.304
Incoming payments from the disposal of other financial assets	11.558	27.799
Outgoing payments for investments in other financial assets	-27.044	-30.061
Cash flow from investing activities	-113.533	-127.487
Incoming payments from equity contributions	2.082	1.939
Dividend payments	-18.102	-17.151
Incoming/outgoing payments from borrowing/redemption of (financing) loans	147.608	-97.605
Cash flow from financing activities	131.588	-112.817
Payment-related changes in cash and cash equivalents	8.680	3.590
Cash and cash equivalents at the start of the period	19.723	16.133
Outgoing cash and cash equivalents owing to changes in the group of consolidated companies	-0.195	0.000
Cash and cash equivalents at the end of the period	28.208	19.723

Additional information

The cash flow from operating activities comprises the following cash flows:

Income tax payments	-15.085	-12.743
Interest received	3.526	3.980
Interest paid	-20.347	-18.909
Dividend received and other income assumed	17.026	11.648

Income tax payments and interest paid are fully allocable to the cash flow from operating activities, both in the reporting year and in the previous year. Dividend received and other income assumed is attributable to investment activities, as in the previous year.
Of the interest received, EUR 0.347 million (2009: EUR 0.404 million) is assigned to investing activities and EUR 3.179 million (2009: EUR 3.576 million) to operating activities.

Disbursements for company acquisitions included in the cash flow from investing activities are as follows:

Purchase price for company acquisitions	-15.541	-81.476
– Purchase price eligible for disbursement	-15.351	-72.226
Cash and cash equivalents assumed from company acquisitions	3.643	5.109

BayWa Aktiengesellschaft, Munich

Consolidated Statement of Changes in Equity
Note (C.11.)

In EUR million	Subscribed capital	Capital reserve	Revenue reserves Revaluation	Revenue reserves Other	Other reserves	Equity net of minority interest	Minority interest	Equity
As per 01/01/2009	**86.911**	**82.391**	**10.405**	**524.963**	**71.604**	**776.274**	**138.838**	**915.112**
Differences from changes in the group of consolidated companies	-.---	-.---	-.---	-.---	-.---	-.---	0.541	0.541
Capital increase against cash contribution/ share-based payment	0.347	2.885	-.---	-.---	-.---	3.232	3.689	6.921
Changes in "available for sale" assets carried at fair value	-.---	-.---	- 8.776	-.---	-.---	- 8.776	0.068	- 8.708
Dividend distribution	-.---	-.---	-.---	-.---	- 13.548	- 13.548	- 3.603	- 17.151
Difference from currency translation	-.---	-.---	-.---	-.---	0.659	0.659	0.714	1.373
Transfer to revenue reserve	-.---	-.---	-.---	54.064	- 54.064	-.---	-.---	-.---
Net income	-.---	-.---	-.---	-.---	45.047	45.047	14.345	59.392
As per 31/12/2009 // 01/01/2010	**87.258**	**85.276**	**1.629**	**579.027**	**49.698**	**802.888**	**154.592**	**957.480**
Differences from changes in the group of consolidated companies	-.---	-.---	0.057	1.322	- 5.431	- 4.052	0.540	- 3.512
Capital increase against cash contribution/ share-based payment	0.304	3.165	-.---	-.---	-.---	3.469	-.---	3.469
Changes in "available for sale" assets carried at fair value	-.---	-.---	- 1.328	-.---	-.---	- 1.328	- 0.056	- 1.384
Dividend distribution	-.---	-.---	-.---	-.---	- 13.588	- 13.588	- 4.514	- 18.102
Difference from currency translation	-.---	-.---	-.---	-.---	0.602	0.602	0.129	0.731
Transfer to revenue reserve	-.---	-.---	-.---	- 3.594	3.594	-.---	-.---	-.---
Net income	-.---	-.---	-.---	-.---	50.438	50.438	16.404	66.842
As per 31/12/2010	**87.562**	**88.441**	**0.358**	**576.755**	**85.313**	**838.429**	**167.095**	**1,005.524**

BayWa Aktiengesellschaft, Munich

Notes to the Consolidated Financial Statements

as at

31 December 2010

Drawn up pursuant to the International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS) adopted within the EU, as well as in accordance with the additional information required under Section 315a paragraph 1 of the German Commercial Code (HGB)

(A.) Basis of the BayWa Consolidated Financial Statements

(A.1.) General information, accounting and valuation methods

BayWa AG has its principal place of business in 81925 Munich, Arabellastraße 4, Germany. The BayWa Group is a group of trading and services companies with core activities in the following business units: Agricultural Trade, Agricultural Equipment, Fruit, Building Materials, DIY & Garden Centres, Energy and Renewable Energies. The Agricultural Trade business unit comprises trading in agricultural produce and operating resources. The Agricultural Equipment business unit offers a full-line range of agricultural equipment and services. The Fruit business segment combines all the Group's fruit trading activities. The Building Materials business unit comprises activities involved in selling building materials. The DIY & Garden Centres business unit serves the customer in the “Do-It-Yourself” market. The Energy business unit has an extensive network which ensures the supply of heating oil, fuels, lubricants and wood pellets to commercial and individual customers. In the Renewable Energies business unit, the Group offers customers services geared to project management for wind power, biogas facilities and solar power plants, on the one hand, and operates its own wind and biogas plants to produce electricity, on the other. The range of products and services under Renewable Energies is rounded off by the sale of solar panels.

The Consolidated Financial Statements as at 31 December 2010 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as applicable within the European Union. The standards of the International Accounting Standards Board (IASB), London, and the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid on the reporting date were fully taken account of. The Consolidated Financial Statements therefore give a true and fair view of the assets, financial position and result of operations of the BayWa Group.

Moreover, the consolidated financial statements accord with the provision set forth under Section 315a para. 1 German Commercial Code which forms the legal basis for group accounting pursuant to international accounting standards.

The financial year of the BayWa Group covers the period from 1 January to 31 December. The financial statements of BayWa AG and its subsidiaries are prepared in accordance with the balance sheet date of the consolidated financial statements. The financial statements of Deutsche Raiffeisen-Warenzentrale GmbH and Raiffeisen Beteiligungs GmbH constitute an exception as these companies are accounted for using the at-equity method. Both companies have a different reporting date, which is 30 June. The interim financial statements of both companies as at 31 December 2010 form the basis for consolidation.

The accounting implemented within the BayWa AG is carried out according to the accounting and valuation principles uniformly applied by the whole Group; they are described under Notes C. and D. in the explanations on the balance sheet and the income statement. For the purposes of clarity, individual items in the balance sheet and the income statement have been combined. These items have been disclosed separately in the Notes to the Consolidated Financial Statements and explained.The consolidated financial statements have been prepared in euros. Unless otherwise indicated, amounts are in millions of euros (EUR million; rounded up to three decimal points).

(A.2.) Estimates and assumptions by Management

The preparation of the consolidated financial statements necessitates that, to a certain extent, assumptions are made and estimates used which have an impact on the amount and disclosure of assets and liabilities capitalised, the income and expenses and the contingent liabilities. Estimates are necessary particularly in respect of the valuation of property, plant and equipment, and intangible assets, of inventories, in connection with the purchase price allocation, the recognition and valuation of deferred tax assets, the recognition and valuation of pension provisions and other reserves, as well as the carrying out of impairment tests in accordance with IAS 36.

In the case of pension provisions, the discount factor, along with salary and pension trends, are important parameters for estimates. An increase or decrease in the discount factor affects the net present value of the obligations arising from the pension schemes.

Impairment tests on goodwill are based on future-oriented assumptions. From today's standpoint, changes in these assumptions would not result in the book values of the cash generating units (CGUs) exceeding their recoverable amount, thereby triggering impairment. The underlying assumptions are influenced primarily by the market situation of the CGU.

Deferred tax on loss carry forwards on the assets side are recognised provided that future tax advantages are likely to be realised within the next three years. The actual taxable profit situation in future periods, and the actual usability of deferred tax assets, may diverge from the estimate at the time when the deferred taxes are capitalised.

In respect of property, plant and equipment, assumptions were made relating to the uniform, groupwide establishing of useful economic lives. Divergences from the actual economic life are therefore possible but are estimated to be fairly low.

Estimates have been made in respect of inventories, especially in the context of write-downs on the net realisable value. The estimates of the net realisable value are based on the substantive information available at the time when the likely recoverable amounts of inventories were estimated. These estimates take account of changes in prices and costs which are directly associated with events after the reporting period as these events serve to elucidate the conditions already prevailing by the end of the reporting period.

The valuation of the recoverability of receivables is also subject to assumptions which are based in particular on empirical values on recoverability.

Rental expenses of "investment property" are also subject to estimates based on empirical values.

All assumptions and estimates are based on the conditions prevailing and judgements made on the reporting date. In addition, particular account has been taken of the economic development and the business environment of the BayWa Group. If, in future business periods, these framework conditions should develop otherwise there may be differences between actual amounts and estimated amounts. In such cases, the assumptions and, if necessary, the book values of the assets and liabilities affected will be adjusted on subsequent reporting dates. At the time when the consolidated financial statements were prepared a material change in the underlying assumptions and estimates was not expected.

(A.3.) Impact of new accounting standards

In the financial year 2010, the following standards and interpretations issued by the IASB were mandatorily applicable for the first time:

Standard	Description	Released by the IASB	Entry into force*	EU endorsement
New standards and interpretations				
IFRIC 15	Agreement for the Construction of Real Estate	03/07/2008	01/01/2009	23/07/2009
IFRIC 17	Distributions of Non-cash Assets to Owners	27/11/2008	01/07/2009	27/11/2009
Amendments to standards and interpretations				
Diverse	Improvements of IFRS (Annual Improvement Project 2007 – 2009)	16/04/2009	For the most part on 01/01/2010	24/03/2010
IFRS 3	Business Combinations	10/01/2008	01/07/2009	12/06/2009
IAS 27	Consolidated and Separate Financial Statements	10/01/2008	01/07/2009	12/06/2009
IAS 39	Financial Instruments: Recognition and Measurement (Embedded Derivatives)	31/07/2008	01/07/2009	16/09/2009
IFRS 1	Restructuring of the Standard	27/11/2008	01/07/2009	26/11/2009
IFRS 2	Share-based Payment (Group cash-settled share-based payment transactions)	18/06/2009	01/01/2010	24/03/2010
IFRS 1	Additional Exemptions for First-time Adopters of IFRS	23/07/2009	01/01/2010	24/03/2010
* for annual periods beginning on or after this date				

To enhance reporting efficiency, the following only describes standards and interpretations which exerted an impact on the accounting and measurement and the reporting and disclosure in the consolidated financial statements of BayWa AG as at 31 December 2010 and which, from today's standpoint, will apply or could apply in future annual periods.

These standards and interpretations have been applied in the financial year 2010 in accordance with the respective transition provisions.

Improvements to IFRS - Collection of standards amending various International Financial Reporting Standards as part of the Annual Improvement Project 2007 – 2009

The "Improvements to IFRS" collection comprises 15 different amendments to 12 existing IFRS.

The option under IFRS 8.23 of not including a valuation of liabilities for each reportable segment in segment reporting if such liabilities are not the subject of internal reporting to the chief operating cecision maker is not practised at BayWa AG.

Moreover, BayWa AG investigated the impact of amendments to IAS 17 and established that there were no amendments in the classification of leasing agreements.

The other amendments to individual standards had no impact on accounting, measurement and reporting.

Amendments to IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements"

The revised standards comprise extensive amendments regarding accounting for business combinations, non-controlling transactions and loss of control of subsidiaries. The standards prescribed under IFRS 3 "Business Combinations" were applied over the course of the financial year 2010 to the business combinations which took place. Similarly, the standards under IAS 27 "Consolidated and Separate Financial Statements" were complied with and the necessary information disclosed in the Notes to the Consolidated Financial Statements upon the divestiture of companies.

Standards, interpretations and amendments which have been published but not yet applied

No prior application was made of the following IASB accounting standards, which have been released but are not yet mandatorily applicable:

Standard	Description	Released by the IASB	Entry into force*	EU endorsement
New standards and interpretations				
IFRS for SMEs	IFRS for small and medium-sized Entities	09/07/2009	-	Still outstanding
IFRS 9	Financial Instruments: Review and Superseding of all existing Standards, Classification and Measurement	12/11/2009	01/01/2013	Still outstanding
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	26/11/2009	01/07/2010	24/07/2010
Amendments to standards and interpretations				
IAS 32	Financial Instruments: Presentation (Classification of Subscription Rights)	08/10/2009	01/02/2010	23/12/2009
IAS 24	Related parties	04/11/2009	01/01/2011	20/07/2010
IFRIC 14	Asset Ceiling, Minimum Funding Requirements and their Interaction (Prepayments of a Minimum Funding Requirement)	26/11/2009	01/01/2011	20/07/2010
IFRS 1	Minor amendments to IFRS 1 (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)	28/01/2010	01/07/2010	24/6/2010
Diverse	Improvements of IFRS (Annual Improvement Project 2008 – 2010)	06/05/2010	01/01/2011	Anticipated in Q1/2011
IFRS 7	Charge-off of Financial Assets – Mandatory Disclosures	07/10/2010	01/07/2011	Anticipated in Q2/2011
IAS 12	Income tax (Deferred Tax: Recovery of Underlying Assets)	20/10/2010	01/01/2011	Anticipated in Q3/2011
IFRS 1	Minor changes to IFRS 1 (Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters)	20/10/2010	01/07/2011	Anticipated in Q3/2011
* for annual periods beginning on or after this date				

Voluntary early adoption of these standards in the consolidated financial statements of BayWa AG has not been planned.

To enhance the efficiency of reporting, the section below only describes the standards and interpretations which, based on the current state of knowledge, will in all probability result in an impact on the accounting and measurement as well as reporting and disclosure in the consolidated financial statements in respect of the business model and of the transactions conducted within the BayWa Group.

IFRS 9 "Financial Instruments"

In November 2009, IASB published the new IFRS 9 standard on the classification and measurement of financial assets. This standard is the first part of a three-stage project to completely replace IAS 39. Under IFRS 9 methodology, financial assets are either to be carried at amortised cost or at fair value. The allocation to one or other of the two valuation categories depends on how the financial instruments are managed (business model) and what product features the individual financial assets have.

In October 2010, the IASB published standards under IFRS 9 on accounting for financial liabilities. Under these standards, a company which has chosen the option of reporting its financial liabilities at fair value must record the portion from changes in fair value resulting from its own credit risk under other income in equity (Other Comprehensive Income) without effect on income and not in the income statement, as before.

Given the complexity of the scope addressed by IFRS 9, no reliable and detailed statement on the impact can currently be made. From today's standpoint, it is unlikely that the standard will be applied before the financial year 2013.

IFRS 7 "Financial Instruments"

The amendments to IFRS 7 approved in October 2010 are intended to give all stakeholders in accounting a better insight into transactions pertaining to the transfer of financial assets. The additional reporting obligations under this standard are likely to be of secondary importance for BayWa AG.

(B.) Information on Consolidation

(B.1.) Group of consolidated companies – fully consolidated companies pursuant to IAS 27

Under the principles of full consolidation, all domestic and foreign subsidiaries in which BayWa holds, either directly or indirectly, a controlling interest (Control Concept) and where the subsidiaries are not of secondary importance, have been included in the consolidated financial statements, alongside BayWa AG.

	Share in capital in percent	Comment
Agriculture segment		
Bayerische Futtersaatbau GmbH, Ismaning	72.7	
BOR s.r.o., Chocen, Czech Republic	92.8	
Claas Südostbayern GmbH, Munich	90.0	
F. Url & Co. Gesellschaft m.b.H., Unterpremstätten, Austria	100.0	
Garant-Tiernahrung Gesellschaft m.b.H., Pöchlarn, Austria	100.0	
Frucom Fruitimport GmbH, Hamburg (formerly: Mobau-Marba GmbH, Herten)	100.0	Initial consolidation on 19/01/2010
Raiffeisen-Kraftfutterwerke Süd GmbH, Würzburg	85.0	
Raiffeisen-Agro d.o.o., Beograd, Serbia	100.0	
Sempol spol. s.r.o., Trnava, Slovakia	100.0	
TechnikCenter Grimma GmbH, Mutzschen	70.0	
EUROGREEN GmbH, Betzdorf	100.0	Initial consolidation on 21/01/2010
EUROGREEN Schweiz AG, Zuchwil, Switzerland	100.0	Initial consolidation on 21/01/2010
EUROGREEN CZ s.r.o., Jiretín pod Jedlovou, Czech Republic	100.0	Initial consolidation on 21/01/2010
Building Materials segment		
AFS Franchise-Systeme GmbH, Vienna, Austria	100.0	
Bauzentrum Westmünsterland GmbH & Co. KG, Ahaus	100.0	
BayWa Handels-Systeme-Service GmbH, Munich	100.0	
bs Baufachhandel Brands & Schnitzler GmbH & Co. KG, Mönchengladbach	100.0	Initial consolidation on 01/08/2010
Brands + Schnitzler Tiefbau-Fachhandel GmbH & Co. KG, Mönchengladbach	100.0	Initial consolidation on 01/08/2010
IFS S.r.l., Bolzano, Italy	51.0	
Voss GmbH & Co. KG, Coesfeld	100.0	
ZES Zentrale Einkaufs-Service GmbH, Munich	100.0	
BayWa Vorarlberg HandelsGmbH, Lauterach, Austria	51.0	
Energy segment		
GENOL Gesellschaft m.b.H. & Co. KG, Vienna, Austria	71.0	
TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, Stuttgart	100.0	
Aufwind Neue Energien GmbH, Regensburg	50.0	Majority voting interest
Aufwind Nuevas Energias Sociedad Limitada., Barcelona, Spain	100.0	Initial consolidation on 01/07/2010
Aufwind Schmack Betriebs GmbH & Co. Achtzehnte Biogas KG, Regensburg	100.0	Initial consolidation on 01/01/2010
Aufwind Schmack Betriebs GmbH & Co. Neunzehnte Biogas KG, Regensburg	100.0	
Aufwind Schmack Betriebs GmbH & Co. Zwanzigste Biogas KG, Regensburg	100.0	Initial consolidation on 01/01/2010
Aufwind Schmack Betriebs GmbH & Co. Zweiundzwanzigste Biogas KG, Regensburg	100.0	Initial consolidation on 01/01/2010
Aufwind Schmack Elsº Biogáz Szolgáltató Kft., Békéscsaba, Hungary	100.0	
Net Environment S.L.U., Barcelona, Spain	100.0	Initial consolidation on 09/12/2010
Schradenbiogas GmbH & Co. KG, Gröden	94.5	Initial consolidation on 29/07/2010
r. e Biomethan GmbH, Regensburg	100.0	Initial consolidation on 17/05/2010
BayWa-Tankstellen-GmbH, Munich	100.0	Initial consolidation on 12/04/2010
BayWa r.e GmbH, Munich	100.0	

MHH France S.A.S., Toulouse, France	90.0	
MHH Solartechnik GmbH, Tübingen	100.0	
RENERCO Group		
RENERCO Renewable Energy Concepts AG, Munich	87.8	
RENERCO Energies SAS, Strasbourg, France	100.0	
RENERCO Beteiligungs GmbH, Munich	100.0	Initial consolidation on 01/01/2010
Les Eoliennes de Saint Fraigne SARL, Strasbourg, France	24.5	Minority holding with right to raise participating interest; initial consolidation on 01/01/2010
Livas 1 EPE, Kalamata, Greece	94.0	Initial consolidation on 01/01/2010
Neuilly Saint. Front Energies SAS, Bègles, France	70.0	Initial consolidation on 01/01/2010
Umspannwerk Gürtelkopf GmbH & Co. KG, Munich	100.0	
Umspannwerk Klein Bünsdorf GmbH & Co. KG, Munich	100.0	
Ventus Vorpommern GmbH & Co. Windpark 1 KG, Munich	100.0	Initial consolidation on 01/01/2010
Voyennes Energies SAS, Bègles, France	100.0	Initial consolidation on 01/01/2010
Windpark Everswinkel GmbH & Co. KG, Grünwald	25.0	Minority holding with right to raise participating interest
Windpark Everswinkel II GmbH & Co. KG, Grünwald	100.0	Initial consolidation on 22/01/2010
WP EWL Infrastruktur GmbH & Co. KG, Munich	100.0	
Windpark Kamionka GmbH, Grünwald	100.0	Initial consolidation on 01/10/2010
Wind Park Kamionka Sp. z o.o., Kamionka, Poland	54.0	Initial consolidation on 14/10/2010
Windpark Namborn GmbH & Co. KG, Munich	25.0	Minority holding with right to raise participating interest; Initial consolidation on 01/01/2010
Windpark Wegeleben GmbH & Co. KG, Munich	100.0	
Wind am Speckberg GmbH, Munich	100.0	
Other Activities segment (including financial participations)		
Agroterra Warenhandel und Beteiligungen GmbH, Vienna, Austria	100.0	
BayWa Finanzbeteiligungs-GmbH, Munich	100.0	
DRWZ-Beteiligungsgesellschaft mbH, Munich	64.3	
IPV Immobilien Projektentwicklungs- und Verwertungs-GmbH & Co. KG, Munich	100.0	
Raiffeisen-Lagerhaus Investitionsholding GmbH, Vienna, Austria	100.0	
RI-Solution GmbH Gesellschaft für Retail-Informationssysteme, Services und Lösungen mbH, Munich (for short: RI-Solution)	100.0	
RWA International Holding GmbH, Vienna, Austria	100.0	
Unterstützungseinrichtung der BayWa AG in München GmbH, Munich	100.0	
Ybbstaler Fruit Austria GmbH, Kröllendorf, Austria	100.0	
Ybbstaler Fruit Polska Sp. z o.o., Chelm, Poland	99.9	
Lukta Sp. z o.o., Warsaw, Poland	100.0	
Cross-segment subsidiaries		
"UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria (for short: UNSER LAGERHAUS) (Segments: Agriculture, Building Materials, Energy)	51.1	
Raiffeisen-Agro Magyarország Kft., Székesfehérvár, Hungary (Segments: Agriculture, Energy)	100.0	
Raiffeisen-Lagerhaus GmbH, Bruck an der Leitha, Austria (Segments: Agriculture, Building Materials, Energy)	89.9	
RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria, (for short: RWA AG) (Segments: Agriculture, Building Materials, Energy, Other Activities)	50.0	Majority voting interest
RWA SLOVAKIA spol. s.r.o., Bratislava, Slovakia (Segments: Agriculture, Energy)	100.0	

On 21 January 2010, BayWa AG took over 100 percent of the shares in the EUROGREEN Group from WOLF-Garten i. L. by way of a share deal. The EUROGREEN Group comprises EUROGREEN GmbH, Betzdorf, EUROGREEN Schweiz AG, Zuchwil, Switzerland, and EUROGREEN CZ s.r.o., Jiretin pod Jedlovou, Czech Republic, and is a system integrator for lawn care, premium lawn care, regeneration and reconstruction of commercially used lawn. It also sells a wide range of special fertilizers and seed for lawns. In the financial year prior to being acquired by BayWa AG, the EUROGREEN Group generated revenues of more than EUR 17 million. Under the Control Concept, BayWa AG has had a controlling influence over the EUROGREEN companies since 21 June 2010, the date when the purchase price was paid. The inclusion of the company in the consolidated financial statements by way of full consolidation was therefore carried out with effect from this day.

The purchase price of the shares in the three companies EUROGREEN GmbH, Betzdorf, EUROGREEN Schweiz AG, Oensingen, Switzerland, and EUROGREEN CZ s r.o., Jiretin pod Jedlovou, Czech Republic, came to EUR 2.849 million, which includes the contractually agreed purchase price component paid out in January.

The transaction costs incurred through the acquisition of the company came to EUR 0.013 million. These costs are included in the income statement under other operating expenses.

The net assets purchased in connection with the acquisition of the EUROGREEN Group break down as follows:

In EUR million	Book value	Fair value adjustments	Fair value
Intangible assets	0.102	0.664	0.766
Property, plant and equipment	0.365		0.365
Financial assets	-.--		-.--
Inventories	1.374		1.374
Receivables	1.288		1.288
Deferred tax assets	0.157		0.157
Cash and cash equivalents	0.982		0.982
Non-current liabilities	0.724		0.724
Current liabilities	4.517		4.517
Deferred tax liabilities	-.--	0.187	0.187
	-0.973	**0.477**	**-0.496**
Goodwill			3.345
Total purchase price			**2.849**

If the purchase of the company had been concluded by the first day of the financial year, the share contributed to consolidated revenues would have been EUR 0.275 million higher and the consolidated profit attributable to investors EUR 0.232 million lower. Since 21 January 2010, the date of its initial consolidation into the group of consolidated companies, the EUROGREEN Group has generated revenues of EUR 16.189 million and a net income of EUR 1.596 million.

Under a purchase agreement dated 2 February 2010, BayWa AG took over 100 percent of the shares in bs Baufachhandel Brands & Schnitzler GmbH & Co. KG, Mönchengladbach, together with the subsidiary Brands + Schnitzler Tiefbau-Fachhandel GmbH & Co. KG, Mönchengladbach, and the associated bs Baufachhandel Brands & Schnitzler Verwaltungs-GmbH, Mönchengladbach, Komplementär-GmbH (general partner), by way of a share deal effective 8 April 2010. Owing to a condition precedent, BayWa AG attained a controlling influence over this company under the Control Concept only as from 1 August 2010. The inclusion of the company in the consolidated financial statements by way of full consolidation was therefore carried out with effect from this day. Brands & Schnitzler is a full-line building materials supplier which is also a specialist for civil engineering, road and path construction through its two civil construction specialist companies in Mönchengladbach-Wickrath and Neuss. Two more companies, also located in Mönchengladbach, cover garden and landscaping as well as decorative interior finishing.

The purchase price of the shares amounted to EUR 3.045 million. These costs include the contractually agreed purchase price component (EUR 3.235 million) paid out in April and a purchase price of reimbursement of EUR 0.190 million.

Transaction costs of EUR 0.019 million were incurred through the acquisition of the company. These costs are included in the income statement under other operating expenses.

The net assets purchased in connection with the acquisition of bs Baufachhandel Brands & Schnitzler GmbH & Co. KG and Brands + Schnitzler Tiefbau-Fachhandel GmbH & Co. KG break down as follows:

In EUR million	Book value	Fair value adjustments	Fair value
Intangible assets	0.005	0.413	0.418
Property, plant and equipment	3.292	0.435	3.727
Financial assets	0.025		0.025
Inventories	1.787	0.303	2.090
Receivables	2.042		2.042
Deferred tax assets	-.--		-.--
Cash and cash equivalents	0.009		0.009
Non-current liabilities	1.872		1.872
Current liabilities	4.704		4.704
Deferred tax liabilities	0.001	0.324	0.325
	0.583	**0.827**	**1.410**
Goodwill			1.635
Total purchase price			**3.045**

If the purchase of the company had been concluded by the first day of the financial year, the share contributed to consolidated sales would have been EUR 9.411 million higher and the consolidated profit attributable to investors EUR 0.169 million higher. Since 1 August 2010, the day of its first-time inclusion in the group of consolidated companies, bs Baufachhandel Brands & Schnitzler GmbH & Co. KG, together with its subsidiary Brands + Schnitzler Tiefbau-Fachhandel GmbH & Co. KG, generated revenues of EUR 6.978 million and delivered a loss of EUR -0.095 million.

Under a purchase agreement dated 13 July 2010, BayWa r.e GmbH took over 94.5 percent of the shares in Schradenbiogas GmbH & Co. KG, Gröden, by way of a share deal with retrospective effect as per 1 January 2010. Under the Control Concept, BayWa r.e GmbH has had a controlling influence over this company since 29 June 2010, the date when the purchase price was paid. Initial consolidation was therefore carried out on this day. Schradenbiogas GmbH & Co. KG was founded in 1994 and operates three bio-methane plants in Brandenburg and Saxony-Anhalt with a total electrical output of around 3.6 megawatts. These plants process up to 100,000 tons of unpackaged and packaged organic waste and the same amount of slurry a year. Around 50 employees work at these locations. Schradenbiogas' customers include leading companies in the food retail industry, the food industry at large and small companies whose organic waste is recycled by the company, for the most part using its own logistics. The company realised revenues of around EUR 5 million in the financial year ended.

The purchase price of the shares amounted to EUR 6.368 million. These costs include the contractually agreed purchase price component (EUR 6.001 million) paid out in July and the assumption of liabilities amounting to EUR 0.367 million.

The transaction costs incurred by the acquisition of the company come to EUR 0.354 million. These costs are included in the income statement under other operating expenses.

The net assets acquired in connection with the purchase of Schradenbiogas GmbH & Co. KG comprise the following:

In EUR million	Book value	Fair value adjust-ments	Fair value
Intangible assets	0.061	0.757	0.818
Property, plant and equipment	3.834	0.042	3.876
Financial assets	0.005		0.005
Inventories	0.042		0.042
Receivables	1.241		1.241
Deferred tax assets	-.--		-.--
Cash and cash equivalents	0.196		0.196
Non-current liabilities	-.--		-.--
Current liabilities	1.137		1.137
Deferred tax liabilities	0.008	0.225	0.233
	4.234	**0.574**	**4.808**
Proportionate net assets			4.544
Goodwill			1.824
Total purchase price			**6.368**
Portion in net assets attributable to non-controlling shares			0.264

The portion in net assets of EUR 0.264 million attributable to the non-controlling shares in Schradenbiogas GmbH & Co. KG comprises both the proportionate book values of the assets and liabilities received and the proportionate hidden reserves and encumbrances. The calculation of hidden reserves in the context of the purchase price allocation was based on gross rental methods. A discount factor of 10.9 percent was applied to the cash flows over an economic life of between 12 and 14 years.

If the purchase of the company had been concluded by the first day of the financial year, the share contributed to consolidated sales would have been EUR 2.892 million higher and the consolidated profit attributable to investors EUR 0.174 million higher. Since 29 July 2010, the date of its initial consolidation into the group of consolidated companies, Schradenbiogas GmbH & Co. KG has generated revenues of EUR 2.343 million and a net income of EUR 0.157 million.

Under a purchase agreement dated 29 April 2010, BayWa r.e GmbH acquired 50 percent of the shares in r.e Biomethan GmbH, Regensburg, as part of a share deal. Another 50 percent in the company is held via Group company Aufwind Neue Energien GmbH (share of 50 percent in the capital, with voting majority), bringing the Group's stake in r.e Biomethan GmbH to 75 percent. Including the company in the group of consolidated companies has been waived in the past due to its secondary importance. Under the Control Concept, BayWa AG has had a controlling influence over this company since 17 May 2010, the date when the purchase price was paid. The inclusion of the company in the consolidated financial statements was therefore carried out with effect from this date. r.e Biomethan GmbH is a trading platform for bio methane. The company concentrates on trading, consultancy services and certification in the international biomethane market. r.e Biomethan GmbH combines biomethane volumes on its independent trading platform to make them available to end consumers by volume and quality.

The purchase price amounted to EUR 0.504 million, which includes the contractually agreed purchase price component paid out in May (EUR 0.490 million) and the original purchase price of Aufwind Neue Energien GmbH (EUR 0.014 million).

No transaction costs were incurred by the acquisition of the company.

The net assets acquired in connection with the purchase of r.e Biomethan GmbH comprise the following:

In EUR million	Book value	Fair value adjust-ments	Fair value
Intangible assets	-.--	0.951	0.951
Property, plant and equipment	-.--		-.--
Financial assets	-.--		-.--
Inventories	0.074		0.074
Receivables	0.587		0.587
Deferred tax assets	-.--		-.--
Cash and cash equivalents	0.195		0.195
Non-current liabilities	-.--		-.--
Current liabilities	0.731		0.731
Deferred tax liabilities	-.--	0.268	0.268
	0.125	**0.683**	**0.808**
Proportionate net assets			0.606
Negative goodwill			-0.102
Total purchase price			**0.504**
Portion in net assets attributable to non-controlling share			0.202

Negative goodwill of EUR 0.102 million from the purchase of the company has been disclosed in the income statement under other operating income. A gain was generated from the acquisition of r.e Biomethan GmbH as the net assets acquired and calculated at fair value exceeded the purchase price. This was due in the main to earnings potential anticipated in the future from the existing customer base of the company.

The portion in net assets of EUR 0.202 million attributable to the non-controlling shares in r.e Biomethan GmbH comprises both the proportionate book values assets and liabilities received and the proportionate hidden reserves and encumbrances. The calculation of hidden reserves in the context of the purchase price allocation was based on gross rental methods. A discount factor of 12.2 percent was applied to the cash flows over an economic life of 16 years.

If the purchase of the company had been concluded by the first day of the financial year, the share contributed to consolidated sales would have been EUR 1.611 million higher and the consolidated profit attributable to investors EUR 0.062 million higher. Since 17 May 2010, the date of its initial consolidation into the group of consolidated companies, r.e Biomethan GmbH has generated revenues of EUR 2.181 million and a net income of EUR 0.245 million.

Under a purchase agreement dated 4 May 2010, Aufwind Nuevas Energias Sociedad Limitada, Barcelona, Spain, acquired 100 percent of the shares in Net Environment S.L.U., Barcelona, Spain, by way of a share deal. Under the Control Concept, BayWa AG has had a controlling influence over this company since 9 December 2010, the date when the purchase price was paid. Initial consolidation was therefore carried out on this day.

The purchase price of the shares amounted to EUR 2.120 million, which includes the contractually agreed purchase price component paid out in December.

No transaction costs were incurred by the acquisition of the company.

The net assets acquired in connection with the purchase of Net Environment S.L.U. break down as follows:

In EUR million	Book value	Fair value adjustments	Fair value
Intangible assets	0.600		0.600
Property, plant and equipment	8.545		8.545
Financial assets	-.---		-.---
Inventories	-.---		-.---
Receivables	2.360		2.360
Deferred tax assets	-.---		-.---
Cash and cash equivalents	2.406		2.406
Non-current liabilities	10.200		10.200
Current liabilities	3.327		3.327
Deferred tax liabilities	-.---		-.---
	0.384		**0.384**
Goodwill			1.736
Total purchase price			**2.120**
Share of the shareholders of the parent company in goodwill			0.868

As the purchase price allocation had not yet been completed at the time when the consolidated financial statements were drawn up, the information provided above constitutes a preliminary purchase price allocation.

If the purchase of the company had been concluded by the first day of the financial year, the share contributed to consolidated revenues would have been EUR 0.053 million higher and the consolidated profit attributable to investors EUR 0.165 million lower. Since 9 December 2010, the date of its initial consolidation into the group of consolidated companies, Net Environment S.L.U. has generated revenues of EUR 0.064 million and a net income of EUR 0.021 million.

With effect from 2 January 2010, BayWa AG took over the heating oil and diesel end-customer business of Bielmaier GbR, Viechtach, as part of an asset deal. The purchase price of the assets came to EUR 0.615 million. The purchase prices agreed are as follows:

In EUR million	Purchase price
Intangible assets	0.340
Property, plant and equipment	0.275
Total purchase price	**0.615**

The acquired intangible assets correspond to the acquired customer base. There was no goodwill from the purchase.

Providing a reliable figure for the contribution of the operations acquired to consolidated profit is not possible for technical reasons.

Through its Hamburg-based company Frucom Fruitimport GmbH, BayWa AG took over the business of FRUCOM Hamburg GmbH & Co. KG, Hamburg, of importing apple and pipfruit from South America from the insolvency administrator with effect from 19 January 2010 by way of an asset deal. The purchase price of the assets came to EUR 0.040 million. The purchase prices agreed are as follows:

In EUR million	Purchase price
Intangible assets	0.010
Property, plant and equipment	0.030
Total purchase price	**0.040**

The acquired intangible assets correspond to the acquired customer base. There was no goodwill from the purchase.

Frucom Fruitimport GmbH, Hamburg, was combined with the subsidiary Mobau-Marba GmbH, Herten, over the remaining course of the year. Mobau-Marba GmbH was subsequently renamed as Frucom Fruitimport GmbH.

The contribution of operations acquired to consolidated profit comes to EUR 0.403 million since 19 January 2010.

The Group sold 75 percent of its shares in Frisch & Frost Nahrungsmittelgesellschaft m.b.H., Hollabrunn, Austria, on 31 October 2010. The remaining 25 percent of the shares have been included in the Group at equity since that time.

Consideration received

In EUR million	2010
Consideration received in the form of cash and cash equivalents for 75 percent of the shares	7.140

Assets and liabilities disposals through the loss of control

In EUR million	31/10/2010
Non-current assets	
Intangible assets	0.187
Property, plant and equipment	25.044
Financial assets	0.038
Deferred tax assets	1.152
	26.421
Current assets	
Cash and cash equivalents	0.089
Receivables and other assets	8.399
Inventories	6.325
	14.813
Non-current liabilities	
Non-current provisions	2.319
Financial liabilities	3.562
Trade payables and other liabilities	0.822
	6.703
Current liabilities	
Current provisions	0.580
Financial liabilities	13.930
Trade payables and other liabilities	7.256
	21.766
Net assets at the time of the disposal	**12.765**

Loss on the disposal of subsidiaries

In EUR million	31/10/2010
Consideration received for 75 percent of the shares	7.140
25 percent of shares carried at equity (measured at fair value based on the selling price)	2.380
Net assets relinquished	-12.765
Loss on disposal	**-3.245**

The loss through disposal is reported under other operating expenses in the income statement.

Net cash inflow from the disposal of subsidiaries

In EUR million	31/10/2010
Purchase price settled through cash and cash equivalents	7.140
Minus cash and cash equivalents relinquished upon disposal	-0.089
	7.051

Owing to their generally secondary importance, 34 domestic and 51 foreign subsidiaries were not included in the group of consolidated companies. The recognition of these companies in the group of consolidated companies was carried out at the cost of purchase. The aggregated annual results and aggregated equity (unconsolidated HB 1 values based on individual financial statements) of these companies in the financial year 2010 are set out below:

Unconsolidated affiliated companies	In EUR million	Share in percent in relation to the sum total of all fully consolidated companies
Net income	-0.353	0.65
Equity	15.272	1.31

(B.2.) Group of consolidated companies – jointly held companies under IAS 31

Companies which are managed jointly with one or several partners are proportionately consolidated in the financial statements of the Group, i.e. the assets and liabilities items and the expenses and income of the jointly held companies are included in the consolidated financial statements on the basis of the proportion held by the Group.

As part of measures to focus its investment portfolio on trading and logistics, BayWa AG sold its proportionately consolidated stake in the Animedica Group with effect from 30 September 2010. Under the provisions regulating proportionate consolidation, the following companies were included in the consolidated financial statements of BayWa AG at the time of final consolidation:

	Share in capital in percent	Comment
Agriculture segment		
Animedica Group		
ANIMEDICA Group GmbH, Senden	50.0	Final consolidation on 30/09/2010
aniMedica GmbH, Senden	50.0	Final consolidation on 30/09/2010
aniMedica Herstellungs GmbH, Senden	50.0	Final consolidation on 30/09/2010
aniMedica Polska sp. z.o.o., Weijherowo, Poland	50.0	Final consolidation on 30/09/2010
Dr. E. Gräub AG, Bern, Switzerland	50.0	Final consolidation on 30/09/2010
Friedrich Ernst GmbH & Co. Veterinär-pharmazeutische Präparate KG, Senden	50.0	Final consolidation on 30/09/2010

The table below shows the revenues, gross earnings and earnings figures of the jointly held proportionately consolidated companies in the financial year 2010 prior to the date of final consolidation. These figures are supplemented in respect of the previous year by the non-current and current assets and liabilities on the reporting date prior to consolidation:

In EUR million	2010	2009
Non-current assets	--	14.671
Current assets	--	10.468
Non-current liabilities	--	4.293
Current liabilities	--	10.607
Revenues	16.289	31.384
Gross earnings	4.985	7.649
Operating result	0.827	0.781
Earnings before tax	0.776	1.067
Net income	0.655	0.946

(B.3.) Associated Companies under IAS 28

The following 14 (2009: 7) associated companies over which the BayWa Group has a controlling influence, i.e. a proportion of voting rights of at least 20 percent and a maximum of 50 percent, and which are not jointly held companies or companies of secondary importance, were recognised under the equity method.

	Share in capital in percent	Comment
Renewable Energies segment		
Parque Eólico La Carracha S.L., Zaragoza, Spain	33.1	
Parque Eólico Plana de Jarreta S.L., Zaragoza, Spain	32.2	
CRE Project S.r.l., Matera, Italy	49.0	
Süddeutsche Geothermie-Projekte GmbH & Co. KG, Haar near Munich	50.0	
Süddeutsche Geothermie-Projekte Verwaltungs-GmbH, Haar near Munich	50.0	Initial recognition on 01/01/2010
EEV Beteiligungs GmbH, Grünwald	49.0	Initial recognition on 01/01/2010
HKW-Pool Verwaltungs-GmbH, Munich	33.3	Initial recognition on 01/01/2010
HKW Cottbus Verwaltungs-GmbH, Munich	33.3	Initial recognition on 01/01/2010
EAV Energietechnische Anlagen Verwaltungs-GmbH, Staßfurt	49.0	Initial recognition on 01/01/2010
BVT Technische Anlagen GmbH & Co. Blockheizkraftwerke KG, Munich	34.7	Initial recognition on 01/01/2010
Other Activities segment (including financial participations)		
AHG Autohandelsgesellschaft mbH, Horb am Neckar	49.0	
Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main	37.8	
Raiffeisen Beteiligungs GmbH, Frankfurt am Main	47.4	
Frisch & Frost Nahrungsmittel-Gesellschaft m.b.H., Hollabrunn, Austria	25.0	Transition from full consolidation 31/10/2010

Apart from holdings and loans granted, as listed below, there were no material business relations maintained with the companies cited above.

Associated companies	**Loan status 31/12/2010 in euros**	**Loan term**	**Interest rate**
La Carracha	327,644.37	31/12/2018	performance-related
Plana de Jarreta	631,396.14	31/12/2018	performance-related
CRE	944,720.00	31/12/2011	0 percent
SGG	28,169,276.08	Redemption upon sale of plant	6-month EURIBOR plus 200 basis points
	30,073,036.59		

The shares in these companies have been recognised at cost of purchase, taking account of changes in the net assets of the associated companies since the purchase of the shares.

Summary of financial information about the companies included under the equity method:

In EUR million	AHG Autohandels-gesellschaft mbH	Deutsche Raif-feisen-Warenzentrale GmbH	Raiffeisen Be-teiligungs GmbH	Parque Eólico La Carracha S.L.
Total assets	82.236	29.747	20.145	38.123
Revenues	304.092	209.246	-.---	9.062
Net income / loss	0.301	0.848	12.388	1.813
Assets	82.236	29.747	20.145	38.123
Liabilities	76.794	18.772	2.663	37.251
Share in annual result	0.099	0.321	5.872	0.600
Book value of the financial asset	2.851	3.997	8.913	11.201

In EUR million	Parque Eólico Plana de Jarreta S.L.	CRE Project S.r.l.	Süddeutsche Geothermie-Projekte GmbH & Co. KG	Süddeutsche Geothermie-Projekte Verwal-tungs-GmbH	EEV Be-teiligungs GmbH
Total assets	37.017	54.305	62.700	0.051	0.019
Revenues	8.381	3.177	30.354	-.---	-.---
Net income / loss	1.257	0.977	-1.552	0.001	0.001
Assets	37.017	54.305	62.700	0.051	0.019
Liabilities	36.670	48.499	70.737	0.005	0.006
Share in annual result	0.404	0.478	-0.776	-.---	-.---
Book value of the financial asset	10.878	2.901	-.---	0.023	0.007

In EUR million	HKW-Pool Verwaltungs-GmbH[1]	HKW Cottbus Verwaltungs-GmbH[1]	EAV Energietechnische Anlagen Verwaltungs-GmbH[1]	BVT Technische Anlagen GmbH & Co. Blockheizkraftwerke KG	Frisch & Frost Nahrungsmittel Gesellschaft m.b.H.
Total assets	0.103	0.441	0.154	0.132	47.477
Revenues	0.904	0.752	1.060	0.572	68.349
Net income / loss	0.744	0.638	0.881	0.397	-0.559
Assets	0.103	0.441	0.154	0.132	47.477
Liabilities	0.010	0.047	0.012	0.039	27.942
Share in annual result	-.---	-.---	-.---	0.138	0.103
Book value of the financial asset	0.009	0.009	0.027	0.033	4.884

A total of 28 (2009: 36) associated companies of generally secondary importance for the consolidated financial statements have not been accounted for under the equity method but at the carrying cost of purchase.

(B.4.) Summary of the changes to the group of consolidated companies of BayWa AG

As compared with the previous year, the group of consolidated companies, including the parent company, has changed as follows:

	Germany	International	Total
Included as per 31 December 2009	**37**	**31**	**68**
of which fully consolidated	29	26	55
of which consolidated proportionately	4	2	6
of which recognised at equity	4	3	7
Included as per 31 December 2010	**51**	**36**	**87**
of which fully consolidated	41	32	73
of which consolidated proportionately	-	-	-
of which recognised at equity	10	4	14

All group holdings are listed separately (appendix to the Notes to the Consolidated Financial Statements).

[1] With exception of the book value of the financial assets, the figures cited pertain to 2009.

(B.5.) Principles of consolidation

Capital consolidation at the time of initial consolidation is carried out through offsetting the cost of purchase against the portion held by the Group at the fair value attributable to identifiable assets, liabilities and contingent liabilities of the subsidiaries and jointly held companies at the time of acquisition (purchase method). If the cost of purchase exceeds the fair value of the identifiable assets, liabilities and contingent liabilities purchased, the difference is disclosed as goodwill under intangible assets as part of non-current assets. Goodwill is subject to an annual impairment test (Impairment only Approach). If the carrying amount of goodwill is higher thanthe recoverable amount, an impairment loss must be recognised; otherwise goodwill remains unchanged. If the cost of purchase is lower than the fair value of the identifiable assets, liabilities and contingent liabilities, the difference is booked immediately through profit and loss.

All receivables and liabilities as well as provisions within the group of consolidated companies are set off against each other and interim results, if material, eliminated. Intra-group revenues, expenses and earnings are netted.

(B.6.) Currency translation

The translation of the financial statements prepared in a foreign currency into euros is carried out by applying the concept of functional currency set forth under IAS 21 ("The Effect of Changes in Foreign Exchange Rates"). The companies of the BayWa Group operate independently. They can therefore be considered "foreign operations". The functional currency is the respective national currency. Assets and liabilities are converted at the exchange rate on the reporting date. With the exception of income and expenses included directly in equity, equity is carried at historical rates. The translation of the income statement is carried out using the average rate for the year. The differences resulting from foreign currency translation are treated without effect on income, until such time as the subsidiary is disposed of, and set off against other reserves. The difference resulting from currency translation rose by EUR 0.731 million in the reporting year.

The exchange rates used for translation are shown in the table below:

	1 euro	Balance sheet middle rate on 31/12/2010	Balance sheet middle rate on 31/12/2009	Income statement average rate 2010	Income statement average rate 2009
Poland	PLN	3.975	4.105	4.011	4.323
Switzerland	CHF	1.250	1.484	1.375	1.506
Serbia	RSD	105.498	95.889	102.768	93.754
Czech Republic	CZK	25.060	26.465	25.349	26.503
Hungary	HUF	278.750	270.840	276.149	278.680

(C.) Notes to the balance sheet

(C.1.) Intangible assets

Intangible assets purchased against payment are capitalised at cost of purchase and, with the exception of goodwill, amortised, as scheduled, on a straight-line basis over their useful economic lives (generally 3-5 years). Intangible assets which have been created in house (self-created) have been capitalised in accordance with IAS 38 ("Intangible Assets") if it is likely that future economic advantage will accrue from the use of the assets and if the cost of the assets can be reliably ascertained. These assets have been recognised at the cost of purchase or of production, with an appropriate portion of the overheads relating to their development, and amortised, as scheduled, on a straight-line basis according to their useful life. The calculation of unscheduled write-downs has been carried out in consideration of IAS 36 "Impairment of Assets". There was no unscheduled amortisation in the reporting year (2009: no unscheduled amortisation).

Goodwill disclosed under intangible assets relates to the following company acquisitions:

In EUR million	2010	2009
Aufwind Neue Energien GmbH	1.257	1.257
"UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H.	0.624	0.624
Bauzentrum Westmünsterland GmbH & Co. KG	0.696	0.696
BayWa Bau und Gartenmarkt Weinsberg GmbH & Co. KG (integrated into BayWa AG)	1.008	1.008
BSF BauCenter GmbH (integrated into BayWa AG)	0.492	0.492
Krois Baustoffe + Holz Handelsgesellschaft mbH (integrated into BayWa AG)	0.665	0.665
Küppers-Unternehmensgruppe (integrated into BayWa AG)	1.378	1.378
Lukta Sp. z o.o.	0.161	0.161
MHH Solartechnik GmbH	13.081	14.165
Mobau-Marba GmbH (renamed as Frucom Fruitimport GmbH)	2.343	2.343
Raiffeisen-Kraftfutterwerke Süd GmbH	0.409	0.409
RWA SLOVAKIA spol. s.r.o.	0.152	0.152
Sempol spol. s r.o.	0.245	0.245
Stark GmbH & Co. KG (goodwill from asset deal)	1.624	1.624
Voss GmbH & Co. KG	1.913	1.902
Wilhelm Bruchof GmbH & Co. KG (integrated into BayWa AG)	1.364	1.364
bs Baufachhandel Brands & Schnitzler GmbH & Co. KG	1.635	-.---
Schradenbiogas GmbH & Co. KG	1.824	-.---
EUROGREEN Group	3.345	-.---
Net Environment S.L.U.	0.868	-.---
Other	1.462	0.892
	36.546	**29.377**

The changes in the reporting year relate mainly to goodwill from the initial inclusion of the companies acquired into the group of consolidated companies as well as the decrease in goodwill of MHH Solartechnik GmbH owing to a subsequent purchase price reimbursement of EUR 1.084 million and the increase in goodwill of Voss GmbH from a subsequent purchase price payment of EUR 0.011 million for profit and equity capital guarantees furnished by the seller. The increase in other goodwill is mainly attributable to the purchase of additional shares in the subsidiary Claas Südostbayern GmbH, Munich.

Of the goodwill disclosed, an amount of EUR 1.964 million is tax deductible in subsequent years.

Goodwill and intangible assets undergo an impairment test once a year. In the context of the impairment test, the residual book values of the goodwill allocated to the individual cash generating unit are compared with their value in use.

All cash generating units are initially defined as legally independent organisation units which are generally directly assignable to the reporting segments within the BayWa Group (see Note B.1.). In the case of a business combination of legally independent companies, the respective operating entity or the respective geographically defined segment of the incorporating organisation unit is viewed as the cash generating unit.

The calculation of the value in use is based on the net present value of future cash flows anticipated from the ongoing use of the cash generating unit. In this process, the forecast of the cash flows is derived from current planning prepared by Management on a 3-year horizon as well as other assumptions which are based on the knowledge available at the time, market forecasts and empirical experience.

Discount factors of an average 7.2 percent have been applied to the cash flow series. The growth rates are the expected average for the sector. For the purpose of extrapolation of the forecast, an expected growth rate of 2 percent has been assumed in the period of development in the third budget year. The impairment test carried out shows that there was no need for write-downs in the reporting year.

The following is a breakdown of additions to intangible assets:

In EUR million	2010	2009
Additions from developments within the company	0.973	1.905
Additions from separate acquisition	5.000	7.006
Additions from business combinations	11.575	28.550
	17.548	**37.461**

(C.2.) Property, plant and equipment

All property, plant and equipment are used for operations. It is measured at the cost of acquisition and production, minus scheduled depreciation. If necessary, unscheduled depreciation is carried out. The cost of acquisition is made up of the purchase price, incidental purchase (transaction) costs and subsequent purchase costs, less any price reductions received. If there is an obligation to decommission an asset which is part of non-current assets at the end of its useful life, or to dismantle or rebuild a location, the estimated costs of these activities will raise the cost of purchasing the asset. Property, plant and equipment is written down on a straight-line basis over the course of its useful life. Scheduled depreciation is based on the following periods of useful life uniformly throughout the Group:

	In years
Company premises and office buildings	25 – 33
Residential buildings	50
Land improvements	10 – 20
Technical facilities and machinery	4 – 20
Other property, plant and office equipment	3 – 11

The calculation of unscheduled write-downs has been carried out in consideration of IAS 36 “Impairment of Assets”. In the Agriculture segment, unscheduled impairment totalling EUR 1.454 million (2009: EUR 0.162 million) was carried out at RWA Raiffeisen Ware Austria AG, Vienna, Austria, (EUR 0.005 million) and at RWA SLOVAKIA spol. s r.o., Slovakia, (EUR 1.449 million) due to limited availability. In the Building Materials segment, unscheduled impairment of EUR 1.160 million (2009: EUR 0.000 million) at "UNSER LAGERHAUS" WAREN-HANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria, and, in the Other Activities segment, impairment of EUR 0.113 million (2009: EUR 0.000 million) had to be carried out at Ybbstaler Fruit Austria GmbH, Kröllendorf, Austria. Unscheduled impairment was caused by limited availability of the respective assets and pertains to write-downs on land, buildings and technical facilities. The calculation of the unscheduled write-downs was based on a comparison of the carrying amounts of the land, buildings and technical facilities and their recoverable amount. The calculation of the recoverable amount was deduced from the value in use. The unscheduled write-downs have been recognised in the income statement under depreciation and amortisation.

Since the reasons for lower fair value no longer applied in the reporting year, write-ups of EUR 0.657 million were carried out on property, plant and equipment at "UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria.

Borrowing costs in connection with the purchase of property, plant and equipment which, under IAS 23, should be capitalised were not recognised in BayWa’s consolidated financial statements owing to the lack of qualifying assets.

Assets from leasing are also disclosed under non-current assets. These are mainly finance lease qualifications in the area of real estate and EDP hardware. Under IAS 17, lease agreements are to be valued on the basis of opportunities and risks according to whether beneficial ownership of the object of leasing is allocable to the lessee (so-called finance lease) or the lessor (so-called operating lease). Consequently, under IFRS the substance rather than the form of such transactions is the factor for determining values.

Under IAS 17, property, plant and equipment rented by way of finance lease are reported at fair value provided that the net present value of the leasing payments is not lower. Depreciation is carried out on a straight-line basis, as scheduled, over the expected useful life or over the shorter term of the contract. Payment obligations arising from future leasing instalments are recorded on the liabilities side under other financial liabilities.

Property, plant and equipment comprise technical facilities and machinery worth EUR 3.183 million (2009: EUR 2.255 million) which qualify as finance leases and which are assignable to the Group as beneficial owner owing to the content of the related leasing agreements. In individual cases, purchase options had been agreed at the end of the term for leasing agreements which are classified as finance leases. A decision is made on a case-by-case basis as to whether to exercise the option to purchase at the end of the respective term.

Details on future leasing instalments of the respective leasing agreements are as follows:

In EUR million	2010	2009
Total amount of future minimum lease payments		
Not later than one year	0.652	0.580
Later than one year and not later than five years	2.475	1.977
Later than five years	-.---	-.---
	3.127	**2.557**
Interest portion included in future minimum lease payments		
Not later than one year	0.094	0.115
Later than one year and not later than five years	0.318	0.187
Later than five years	-.---	-.---
	0.412	**0.302**
Present value of future minimum lease payments		
Not later than one year	0.558	0.465
Later than one year and not later than five years	2.157	1.790
Later than five years	-.---	-.---
	2.715	**2.255**

In respect of agreements which are classified as operate leases, mainly real estate rental contracts, vehicle leasing and irrevocable building rights agreements, the future minimum lease instalments are as follows:

In EUR million	2010	2009
Total amount of future minimum lease payments		
Not later than one year	34.225	21.317
Later than one year and not later than five years	81.068	55.393
Later than five years	89.754	67.862
	205.047	**144.572**

Rental expenses from operate leases of EUR 38.985 million were paid in the financial year.

(C.3.) Participating interests recognised at equity, other financial assets and securities

The financial assets of the BayWa Group mainly comprise interests in non-consolidated affiliated companies, interests in associated companies and other holdings, credit balances with coopera-tives and securities. These financial assets are allocated to the categories of "held for trading", "available for sale" and "held to maturity", capitalised and measured in accordance with IAS 39.

Financial assets held for trading are always recognised at their fair value. Fair value corresponds to the market or stock market value. Changes in fair value are recorded through profit and loss under other income from shareholdings.

On the reporting date, securities with a fair value totalling EUR 1.841 million (2009: EUR 1.864 million) were assigned to the "financial assets held for trading" category. As they are held for trading they have been disclosed under current assets.

Assets which are assigned to the "available for sale" category are reported at fair value provided there is an active market or fair values can be calculated reliably with a justifiable amount of effort, and otherwise carried at amortised cost. In the case of assets recognised at fair value, the difference between the originally recognised amortised cost and fair values on the balance sheet date is set off in equity without effect on income. Assets reported at fair value are measured using stock market quotations prevailing on the reporting date.

In the reporting year, impairment totalling EUR 1.384 million was carried out on assets classified as "available for sale" and recognised at fair value.

Participating interests classified as "available for sale" in Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, and in Raiffeisen Zentralbank AG, Vienna, were reported at their amortised cost as there was no active market for the securities and it was therefore not possible to ascertain the fair market value. The calculation of fair value, based on a gross rental method, was not possible due to lack of available data.

Owing to the fact that both companies belong to an association of cooperatives, the marketability of the participating interests also is limited. Similarly, all the shares in non-consolidated subsidiaries are recognised at amortised cost. Sale is at present not intended in the case of financial assets measured at amortised cost.

Associated companies included in the group of consolidated companies are recognised in application of the equity method in proportion to their equity.

Financial assets held to maturity are disclosed exclusively at amortised cost. There are currently no assets classified as "to be held to maturity" in the BayWa Group.

Analysis of Fixed Assets
Note (C.1. – C.4.)

In EUR million	Acquisition/production costs							Depreciation/amortisation								Book values	
	01/01/2009	Currency differences	Changes in consolidated group	Additions	Disposals	Transfers	31/12/2009	01/01/2009	Currency differences	Changes in consolidated group	Write-downs in the financial year	Disposal-related depreciation	Write-ups	Transfers	31/12/2009	31/12/2009	31/12/2008
Intangible assets																	
Industrial property rights, similar rights and assets	70.424	0.004	11.833	8.262	2.014	0.919	89.428	49.673	0.005	- 0.182	7.192	2.004	-.---	- 0.035	54.649	34.779	20.751
Goodwill	14.817	-.---	15.966	-.---	0.051	- 0.082	30.650	1.775	-.---	- 0.486	-.---	0.051	-.---	0.035	1.273	29.377	13.042
Prepayments on account	1.638	-.---	-.---	0.649	0.045	- 0.822	1.420	0.021	-.---	-.---	-.---	-.---	-.---	-.---	0.021	1.399	1.617
	86.879	**0.004**	**27.799**	**8.911**	**2.110**	**0.015**	**121.498**	**51.469**	**0.005**	**- 0.668**	**7.192**	**2.055**	**-.---**	**-.---**	**55.943**	**65.555**	**35.410**
Property, plant and equipment																	
Land, similar rights and buildings, including buildings on leasehold land	1,337.497	0.020	- 5.648	41.918	35.256	- 15.860	1,322.671	656.892	0.017	- 4.337	35.663	11.821	-.---	- 17.072	659.342	663.329	680.605
Plant and machinery	512.133	0.110	54.455	17.700	10.373	3.627	577.652	405.963	0.125	- 3.605	20.092	10.070	-.---	0.477	412.982	164.670	106.170
Other facilities, fixtures and office equipment	346.522	- 0.001	- 6.254	34.047	29.978	0.984	345.320	246.085	0.006	- 3.845	28.718	27.740	-.---	- 0.686	242.538	102.782	100.437
Prepayments and construction in progress	21.282	0.021	3.798	7.727	0.138	- 20.081	12.609	0.011	-.---	-.---	0.060	0.010	-.---	-.---	0.061	12.548	21.271
	2,217.434	**0.150**	**46.351**	**101.392**	**75.745**	**- 31.330**	**2,258.252**	**1,308.951**	**0.148**	**- 11.787**	**84.533**	**49.641**	**-.---**	**- 17.281**	**1,314.923**	**943.329**	**908.483**
Participating interests valued at equity	**10.695**	**-.---**	**24.743**	**-.---**	**-.---**	**2.523**	**37.961**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**37.961**	**10.695**
Financial assets																	
Shareholdings in affiliated companies	21.521	-.---	2.574	2.966	2.888	- 4.981	19.192	12.525	-.---	-.---	-.---	-.---	-.---	-.---	12.525	6.667	8.996
Loans to affiliated companies	0.700	-.---	0.554	-.---	-.---	-.---	1.254	-.---	-.---	-.---	-.---	-.---	-.---	-.---	-.---	1.254	0.700
Holdings in other companies	136.130	0.053	1.226	26.243	12.873	2.458	153.237	- 11.100	-.---	0.076	0.002	- 10.070	1.217	-.---	- 2.169	155.406	147.230
Loans to associated companies	-.---	-.---	17.263	0.579	-.---	-.---	17.842		-.---	-.---	-.---	-.---	-.---	-.---	-.---	17.842	-.---
Non-current marketable securities	5.069	-.---	-.---	0.272	0.450	-.---	4.891	0.500	-.---	-.---	0.082	0.050	0.189	-.---	0.343	4.548	4.569
Other loans	0.360	-.---	2.529	-.---	0.024	-.---	2.865	-.---	-.---	-.---	-.---	-.---	-.---	-.---	-.---	2.865	0.360
	163.780	**0.053**	**24.146**	**30.060**	**16.235**	**- 2.523**	**199.281**	**1.925**	**-.---**	**0.076**	**0.084**	**- 10.020**	**1.406**	**-.---**	**10.699**	**188.582**	**161.855**
Investment property																	
Land	56.147	-.---	-.---	0.033	5.384	6.916	57.712	3.980	-.---	-.---	-.---	0.101	-.---	0.899	4.778	52.934	52.167
Buildings	75.174	-.---	-.---	0.062	7.926	20.542	87.852	52.180	-.---	-.---	2.642	6.334	-.---	13.465	61.953	25.899	22.994
	131.321	**-.---**	**-.---**	**0.095**	**13.310**	**27.458**	**145.564**	**56.160**	**-.---**	**-.---**	**2.642**	**6.435**	**-.---**	**14.364**	**66.731**	**78.833**	**75.161**
Consolidated non-current assets	**2,610.109**	**0.207**	**123.039**	**140.458**	**107.400**	**- 3.857**	**2,762.556**	**1,418.505**	**0.153**	**- 12.379**	**94.451**	**48.111**	**1.406**	**- 2.917**	**1,448.296**	**1,314.260**	**1,191.604**

In EUR million	Acquisition/production costs							Depreciation/amortisation								Book values	
	01/01/2010	Currency differences	Changes in consolidated group	Additions	Disposals	Transfers	31/12/2010	01/01/2010	Currency differences	Changes in consolidated group	Write-downs in the financial year	Disposal-related depreciation	Write-ups	Transfers	31/12/2010	31/12/2010	31/12/2009
Intangible assets																	
Industrial property rights, similar rights and assets	89.428	0.043	- 4.494	4.891	2.786	- 3.488	83.594	54.649	0.028	- 4.785	9.080	2.068	-.---	0.009	56.913	26.681	34.779
Goodwill	30.650	-.---	8.258	-.---	1.755	- 0.002	37.151	1.273	-.---	-.---	-.---	0.643	-.---	- 0.025	0.605	36.546	29.377
Prepayments on account	1.420	0.040	- 1.447	1.082	0.001	- 0.187	0.907	0.021	-.---	- 0.021	-.---	-.---	-.---	-.---	-.---	0.907	1.399
	121.498	**0.083**	**2.317**	**5.973**	**4.542**	**- 3.677**	**121.652**	**55.943**	**0.028**	**- 4.806**	**9.080**	**2.711**	**-.---**	**- 0.016**	**57.518**	**64.134**	**65.555**
Property, plant and equipment																	
Land, similar rights and buildings, including buildings on leasehold land	1,322.671	0.708	- 25.271	44.169	15.775	- 14.455	1,312.047	659.342	0.213	- 15.865	36.068	10.899	0.657	- 6.270	661.932	650.115	663.329
Plant and machinery	577.652	0.739	- 23.419	22.734	30.994	- 27.381	519.331	412.982	0.417	- 14.045	21.340	24.506	-.---	- 0.996	395.192	124.139	164.670
Other facilities, fixtures and office equipment	345.320	0.346	- 5.808	29.611	28.285	0.930	342.114	242.538	0.190	- 3.995	28.095	25.106	-.---	- 0.089	241.633	100.481	102.782
Prepayments and construction in progress	12.609	- 0.055	3.861	38.218	0.880	- 11.470	42.283	0.061	-.---	-.---	-.---	0.062	-.---	-.---	- 0.001	42.284	12.548
	2,258.252	**1.738**	**- 50.637**	**134.732**	**75.934**	**- 52.376**	**2,215.775**	**1,314.923**	**0.820**	**- 33.905**	**85.503**	**60.573**	**0.657**	**- 7.355**	**1,298.756**	**917.019**	**943.329**
Participating interests valued at equity	**37.961**	**-.---**	**2.724**	**5.048**	**-.---**	**-.---**	**45.733**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**45.733**	**37.961**
Financial assets																	
Shareholdings in affiliated companies	19.192	-.---	- 0.157	14.441	1.223	2.536	34.789	12.525	-.---	-.---	-.---	0.003	-.---	-.---	12.522	22.267	6.667
Loans to affiliated companies	1.254	-.---	-.---	-.---	0.554	-.---	0.700	-.---	-.---	-.---	-.---	-.---	-.---	-.---	-.---	0.700	1.254
Holdings in other companies	153.237	-.---	3.287	0.536	7.057	- 2.536	147.467	- 2.169	-.---	-.---	0.017	- 2.152	-.---	-.---	-.---	147.467	155.406
Loans to associated companies	17.842	-.---	-.---	12.351	0.120	-.---	30.073	-.---	-.---	-.---	-.---	-.---	-.---	-.---	-.---	30.073	17.842
Non-current marketable securities	4.891	-.---	- 0.003	0.107	-.---	0.009	5.004	0.343	-.---	-.---	0.172	-.---	0.023	-.---	0.492	4.512	4.548
Other loans	2.865	-.---	0.030	4.885	0.117	- 0.009	7.654	-.---	-.---	0.066	-.---	-.---	-.---	-.---	0.066	7.588	2.865
	199.281	**-.---**	**3.157**	**32.320**	**9.071**	**-.---**	**225.687**	**10.699**	**-.---**	**0.066**	**0.189**	**- 2.149**	**0.023**	**-.---**	**13.080**	**212.607**	**188.582**
Investment property																	
Land	57.712	0.001	-.---	0.871	3.036	- 0.490	55.058	4.778	-.---	-.---	1.738	0.320	-.---	- 0.310	5.886	49.172	52.934
Buildings	87.852	-.---	-.---	1.423	4.840	1.122	85.557	61.953	-.---	-.---	3.005	2.865	-.---	0.997	63.090	22.467	25.899
	145.564	**0.001**	**-.---**	**2.294**	**7.876**	**0.632**	**140.615**	**66.731**	**-.---**	**-.---**	**4.743**	**3.185**	**-.---**	**0.687**	**68.976**	**71.639**	**78.833**
Consolidated non-current assets	**2,762.556**	**1.822**	**- 42.439**	**180.367**	**97.423**	**- 55.421**	**2,749.462**	**1,448.296**	**0.848**	**- 38.645**	**99.515**	**64.320**	**0.680**	**- 6.684**	**1,438.330**	**1,311.132**	**1,314.260**

(C.4.) Investment property

The “Investment property” item comprises 180 (2009: 201) pieces of land and buildings under lease and/or not necessary to the operations of the Group. The allocation is made if the property is leased by third parties, if it is land or green field sites not built on and not expressly intended for development or use and, in the case of property used for a number of purposes, if use by the Group is of minor significance. Properties in this category are mainly warehouses, market buildings, garden centres, farm buildings, silos and other undeveloped land as well as, to a minor extent, office and residential buildings.

Pursuant to the option under IAS 40, these properties are recognised solely at amortised cost and written down over their periods of useful life as indicated under Note C.2. The book value on the reporting date came to EUR 71.639 million (2009: EUR 78.833 million). In the financial year, scheduled write-downs of EUR 2.645 million (2009: EUR 2.642 million) were carried out on buildings. The expense in the same amount has been included under depreciation and amortisation in the income statement. In the year under review, buildings in the property, plant and equipment category with a book value of EUR 0.125 million were reclassified under investment property. Moreover, land and property in the investment property category with a book value of EUR 0.180 million was reclassified under property, plant and equipment.

The fair value of these properties was set at EUR 148.706 million (2009: EUR 161.632 million). Fair value is usually not calculated by an appraiser. Fair value on the reporting date is generally calculated on the basis of the earning value. The value of the land is calculated using current, official standard land values. Location-related advantages and disadvantages are suitably taken into account. In the case of buildings let, the income value was calculated by taking the actual rent generated during the year, less management expenses and residual useful life, and a corresponding multiplier of the income value of the structural works. A comparison of fair value against book value required impairment to be carried out on four properties in the reporting year. As a result, unscheduled write-downs were carried out in an amount of EUR 1.738 million on land (2009: EUR 0.000 million) and of EUR 0.360 million on buildings (2009: EUR 0.000 million). The expense is reported in the same amount in the income statement under depreciation and amortisation and to be allocated to the Other Activities segment.

Rental income came to EUR 6.036 million (2009: EUR 5.893 million), operating expenses (excluding depreciation) for the properties for which rental income was realised came to EUR 0.590 million (2009: EUR 0.531 million). In respect of properties for which no rental income was generated, operating expenses came to EUR 0.304 million (2009: EUR 0.180 million).

(C.5.) Tax claims

Tax receivables comprise the long-term corporate tax credit pursuant to Section 37 para. 4 German Corporate Tax Act (KStG) of BayWa AG and also short-term reimbursement claims; they break down as follows:

In EUR million	2010	2009
Non-current tax receivables (with a residual term of more than one year)	7.564	6.310
Current tax receivables (with a residual term of less than one year)	21.478	10.815
	29.042	**17.125**

(C.6.) Other receivables and other assets

Other receivables and other assets are recognised at amortised cost. All discernable risks have been taken account of by appropriate value adjustments. If a receivable shows signs of impairment, a value adjustment is carried out through to the net present value of expected future cash flows. Receivables which are non- or low-interest bearing with terms of more than one year have been discounted.

The "Other receivables and other assets" item breaks down as follows; the fair value of the items disclosed does not diverge materially from the book values:

In EUR million	2010	2009
Non-current receivables (with a residual term of more than one year)		
Trade receivables	2.156	0.813
Other receivables, including deferred income	14.654	15.028
	16.810	**15.841**
Current receivables (with a residual term of up to one year)		
Trade receivables	435.283	361.751
Receivables from affiliated companies	11.335	19.825
Receivables from companies in which a participating interest is held	18.784	10.065
Positive market value of derivatives	2.304	1.388
Other receivables, including deferred income	195.235	176.959
	662.941	**569.988**

The table below shows the extent of the credit risks inherent in the receivables and other assets.

In EUR million	Gross value 2010	Specific adjust-ments on receiv-ables	Receivables neither overdue nor with value adjustments	Overdue receiv-ables without value adjustments	Of which: without specific value adjustments on the reporting date and overdue in the following time bands			
					less than 30 days	between 31 and 60 days	between 61 and 90 days	91 days and over
Receivables	699.491	42.993	568.714	87.784	71.463	8.170	2.766	5.385

In EUR million	Gross value 2009	Specific adjust-ments on receiv-ables	Receivables neither overdue nor with value adjustments	Overdue receiv-ables without value adjustments	Of which: without specific value adjustments on the reporting date and overdue in the following time bands			
					less than 30 days	between 31 and 60 days	between 61 and 90 days	91 days and over
Receivables	608.578	39.009	491.314	78.255	64.603	8.590	2.779	2.283

The BayWa Group's customer structure is diversified, both regionally and in terms of the specific segments. As part of risk management, minimum requirements for creditworthiness and, beyond this, individual credit limits in respect of individual customers have been established for all customers of the BayWa Group. The receivables portfolio of the BayWa Group is made up of numerous small receivables. Credit limits of more than EUR 1 million are only given to a small number of customers with particularly good credit standing. The continual analysis of the receiv-ables portfolio enables early identification and evaluation of concentration risks (risk clusters). As per 31 December 2010, the credit risk positions of 38 debtors (2009: 22) were more than EUR 1 million respectively. The Group does not estimate any material default risk in respect of these customers.

Value adjustment account:
There are material value adjustments requiring disclosure under IFRS 7 category "Loans and Receivables (LaR)" in the BayWa Group in the "Trade receivables" balance sheet item under other receivables and other assets; otherwise, value adjustments play a very minor role.

The value adjustment account has developed as follows:

In EUR million	2010	2009
Status of value adjustments on 1 January	22.749	20.001
Currency differences	-0.111	0.294
Changes in specific valuation adjustments	-5.734	3.282
Change of specific valuation adjustments calculated on a flat rate basis	2.836	-0.828
Status of value adjustments on 31 December	**19.740**	**22.749**

The estimates underlying the calculation of value adjustments to trade receivables were based on historical default rates. In the reporting year, there was a reversal of impairment with effect on income of EUR 5.402 million from incoming payments on value-adjusted receivables and from a lower level of value adjustment needed for receivables existing on the reporting date.

Receivables due from affiliated companies and associated companies relate to both trade receivables and short-term financings.

Other assets comprise first and foremost supplier credits not yet settled as well as receivables from the sale of property. In addition, payments on account for inventories amounting to EUR 41.244 (2009: EUR 25.712 million) are included.

In order to enhance its financing structure, the Group has securitised receivables in a total volume of EUR 150.0 million in the context of Assets-Backed Securitisation (ABS measure). Utilisation is adjusted to the variable and seasonal conditions and came to EUR 79.942 million (2009: EUR 74.194 million) on the reporting date.

An amount of EUR 0.243 million of the inventories disclosed on the reporting date served as collateral for liabilities.

(C.7.) Actual and deferred tax assets

Tax expenses comprise the sum total of actual tax expenses and deferred taxes. Current tax expenses are calculated on the basis of taxable income in the year. Taxable income differs from net income in the consolidated balance sheet owing to expenses and income which are either taxable or tax deductible in subsequent years or never. The Group’s liability in respect of actual taxes is calculated on the basis of the prevailing tax rates or those which, from the standpoint of the reporting date, will be valid in the near future. Deferred taxes are recognised for the differences between the carrying amounts of the assets and liabilities in the consolidated financial statements and the corresponding tax valuation rates in the context of calculating taxable income. Deferred taxes are generally reported for all taxable temporary differences; deferred taxes are not recorded if it is probable that there are taxable gains which can be used for deductible temporary differences. Such deferred tax assets and deferred taxes are not recognised if they arise from temporary differences from goodwill (separate consideration of tax-related goodwill) or from the initial recognition (excepting business combinations) of other assets and liabilities resulting from transactions which have no effect on taxable income or net income. Deferred tax liabilities are formed for taxable temporary differences arising from shares held in subsidiaries or in associated companies as well as shares in joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxes assets arise through the temporary differences in the context of investments and loans which are only recorded to the extent that it is probable there will be sufficient taxable income available from which claims from temporary differences can be used and where the assumption can be made that they will reverse in the foreseeable future.

The book value of deferred tax assets is assessed every year on the reporting date and lowered if it is not probable that there will be sufficient taxable income for fully or partially realising the claim.

Deferred tax assets and liabilities are calculated on the basis of expected tax rates (and tax laws) which are likely to be valid at the time when liabilities are fulfilled or assets realised. The measurement of deferred tax assets and liabilities reflects the fiscal consequences which would arise from the way in which, on the reporting date, the Group expects the liabilities to be fulfilled and the assets realised.

Deferred tax assets and liabilities are netted if there is an enforceable right for offsetting current tax assets against current tax liabilities and if they are subject to income tax levied by the same tax authority, and the Group has the intention of settling its current tax assets and current tax liabilities on a net basis. Current and deferred taxes are recorded as expense or income through profit and loss unless they are incurred in connection with an item not reported in the income statement (either in other result or directly in equity). In this case, tax is also to be reported outside the income statement. Moreover, there is no recognition if tax effects arise in connection from the initial recognition of a business combination. In the case of a business combination, the tax effect is to be included when the business combination is accounted for.

(C.8.) Inventories

Raw materials, consumables and supplies, semi-finished and finished goods, as well as services and merchandise are disclosed under inventories.

Inventories of raw materials, consumables and supplies as well as merchandise are always valued at their average cost of acquisition, taking account of lower net realisable values. In some cases the fifo (first in first out) method was applied. Semi-finished and finished goods are recognised at their cost of production. They comprise all costs directly allocable to the production process, as well as an appropriate portion of production-related overheads. Financing costs which can be directly assigned to the purchase, construction or production of a qualifying asset are capitalised as part of the acquisition or production costs of the asset. Inventory risks arising from the storage period or diminished marketability incur depreciation. Lower values on the reporting date due to lower realisable value are accounted for.

The following is a breakdown of inventories:

In EUR million	2010	2009
Raw materials, consumables and supplies	25.403	31.453
Unfinished goods/services	128.196	54.524
Finished goods/services and merchandise	908.730	819.028
	1,062.329	**905.005**

In the case of lower net realisable value, write-downs are generally carried out in the form of specific value adjustments. Only in exceptional cases was a flat rate calculation applied. At the end of the reporting period, there was an increase in impairments through profit and loss from

EUR 41.843 million in 2009 to EUR 68.542 million in the reporting year. There were no reversals through profit and loss in the reporting year

The carrying amount of the inventories reported at fair value less selling expenses amounted to EUR 523.604 million on the reporting date (2009: EUR 558.588 million).

An amount of EUR 4.374 million of the inventories disclosed on the reporting date served as collateral for liabilities.

In the reporting year, borrowing costs of EUR 0.767 million (2009: EUR 0.000 million) were capitalised as part of acquisition and production costs for work in progress. The calculation of borrowing costs eligible for capitalising was based on a borrowing rate of 3.80 percent. The increase in work in progress in comparison with the previous year is attributable to the Renewable Energies sub-segment and results from wind farms under construction.

The calculation of inventories is carried out through a (brought forward) end-of-period inventory or through continuous inventory.

(C.9.) Cash and cash equivalents

Cash and cash equivalents worth EUR 28.208 million (2009: EUR 19.723 million) comprise cash in hand, cheques and deposits in banks falling due in the short term.

(C.10.) Non-current assets held for sale

On the reporting date, a sum total of 15 (2009: 14) properties intended for sale were disclosed under the non-current assets held for sale item. These are primarily developed and undeveloped land with warehouses, silos, market buildings or office/residential buildings. In addition, non-current assets held for sale comprise the assets of two wind farms from the Renewable Energies sub-segment which are to be sold in the coming financial year.

The assets of the BayWa Group are classified as non-current assets held for sale if there is a Board of Management resolution on the sale and the sale is more than 50 percent probable within the following year (2011).

The measurement standard under IFRS 5 provides for suspending scheduled depreciation of the assets affected and that only unscheduled depreciation on the basis of the lower fair value be carried out.

On the reporting date, assets (mainly technical facilities of the two wind farms and investment property) with book values totalling EUR 49.104 million (2009: EUR 4.710 million) were classified as non-current assets held for sale. The fair value, less estimated selling costs, comes to EUR 61.887 million in total (2009: EUR 9.683 million). As per 31 December 2010, no unscheduled impairment write-downs on the difference between the book value and the respective attributable fair value had to be carried out.

There are non-current assets held for sale in the following segments:

In EUR million	2010	2009
Agriculture	-.---	-.---
Building Materials	-.---	-.---
Energy	36.765	0.019
Other Activities	12.339	4.691
	49.104	**4.710**

Owing to changes in the presentation under the Group's segment reporting, real estate held for sale has been fully assigned to Other Activities as per 31 December 2010 in contrast to the 2009 presentation. Allocation between the Agriculture, Building Materials and Energy segments is no longer carried out. To ensure comparability of segment reporting with the previous year, the relevant disclosures were adjusted accordingly. The non-current assets disclosed under the Energy segment on the reporting date are fully attributable to the wind parks held for sale.

The gains realised in connection with non-current assets held for sale in the current financial year are recorded in the income statement under other operating income (Note D.2.).

(C.11.) Equity

The consolidated statement of changes in equity shows the development of equity in detail.

Share capital

On 31 December 2010, the share capital of BayWa AG in the amount of EUR 87.612 million (2009: EUR 87.308 million) was divided into 34,223,231 ordinary registered shares with an arithmetical portion in the share capital of EUR 2.56 per share. Of the shares issued, 32,861,289 are registered shares and 118,691 are recently registered shares with restricted transferability (from 1 January 2011 onwards, dividend-bearing employee shares). 1,243,251 shares are not registered shares with restricted transferability.

Pursuant to IAS 32, the share capital disclosed declined by the nominal value of the shares bought back (19,500 units, the equivalent of EUR 0.050 million); the capital reserve also decreased by EUR 0.063 million for the same reason. No shares were bought back in the current financial year.

The number of shares in circulation has changed in the period under review as follows:

	Registered shares without restricted transferability	Registered shares with restricted transferability
Status on 01/01/2010	1,243,251	32,841,789
Issuing of employee shares	---	118,691
Status on 31/12/2010	**1,243,251**	**32,960,480**

Subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital one or several times on or before 31 May 2015 by up to a nominal EUR 4,696,151.04 through the issuance of new registered shares with restricted transferability, against cash contribution to employees of BayWa AG and of affiliated companies within the meaning of Sections 15 et seq. of the German Stock Corporation Act. Shareholders' subscription rights are excluded. Subject to approval by the Supervisory Board, the Management Board is authorised to determine the further content and conditions under which the shares are to be issued.

In addition, subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital one or several times on or before 30 April 2011 by up to a nominal EUR 12,500,000 through the issuance of new registered shares with restricted transferability against non-cash contribution.

Subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital on or before 29 May 2013 by up to a nominal EUR 10,000,000 through the issuance of new registered shares against non-cash contribution.

Capital reserve

The capital reserve worth EUR 88.441 million (2009: EUR 85.276 million) is derived mainly from the premiums in an amount of EUR 58.732 million from the capital increases executed to date by BayWa AG. Furthermore, premiums were generated on the nominal values of the BayWa shares issued in connection with the acquisition of RWA AG and WLZ AG and the participations exchanged below their rating at the historical stock market price. These have also been disclosed under capital reserve.

In the financial year 2010, BayWa issued 118,691 new registered shares with restricted transferability (dividend bearing as from 1 January 2011) as part of its Employee Share Scheme. The exercise price of employee shares came to EUR 17.54, and was thus 60 percent of the stock market price of registered BayWa shares with restricted transferability which, on the preceding day, had stood at EUR 29.23; BayWa's Board of Management had passed the resolution on the capital increase required for this measure. The advantage granted of EUR 1.387 million, which was the difference between the actual buying price and the stock market price, was posted to capital reserve under IFRS 2 and reported as an expense.

Revenue reserves

The revenue reserves of the Group came to EUR 577.113 million on the reporting date (2009: EUR 580.656 million). Of this amount, EUR 6.040 million (2009: EUR 5.751 million) was attributable to statutory reserve, EUR 0.358 million (2009: EUR 1.629 million) to revaluation reserve and EUR 570.715 million (2009: EUR 573.276 million) to other reserves. Transfers to and withdrawals from the revenue reserves were recorded both at the parent company BayWa AG and at the consolidated subsidiaries.

Other reserves

Other reserves mainly comprise consolidated retained earnings as well as currency differences carried without effect on income.

Minority interest

Minority interest in equity is especially attributable to cooperatives which hold stakes in the subsidiaries in Austria.

Capital management

The capital structure of the Group is made up of liabilities and equity. It is described in more detail in the Notes C.11 to C.18. Equity capital comes to around 30.9 percent of total equity. Equity capital ex-dividend has been reduced to 30.4 percent owing to the proposed dividend distribution of EUR 17.052 million. The aim in the capital management process of the BayWa Group is to maintain a ratio of equity to debt of 30 to 70 percent.

Gearing

The management of the BayWa Group regularly reviews and controls the capital structure. The current net gearing, which is the result of the ratio between net debt to equity, comes to:

In EUR million	31/12/2010	31/12/2009
Non-current and current financial liabilities	809.467	666.859
./. cash and cash equivalents	-28.208	-19.723
Net borrowings	781.259	647.136
Equity	1,005.524	957.480
Net borrowings to equity (in percent)	**78**	**68**

Owing to strong seasonal fluctuations typical of the BayWa Group's business, the gearing is very volatile. The ratio indicated at year-end is therefore only of limited relevance as a single criterion for assessing risk. For the purposes of comparison, the values as per 30 June are therefore also shown.

In EUR million	30/06/2010	30/06/2009
Non-current and current financial liabilities	503.020	552.570
./. cash and cash equivalents	-40.293	-41.024
Net borrowings	462.727	511.546
Equity	968.172	922.903
Net borrowings to equity (in percent)	**48**	**55**

(C.12.) Pension provisions

In Germany, there is a contribution-oriented statutory basic care scheme for employees which undertakes pension payments depending on income and on the contributions made. In addition, pension provisions are set up as part of the company pension scheme to cover obligations arising from accrued pension rights and ongoing payments to employees in active service and former employees of the BayWa Group and their dependents. According to the legal, economic and fiscal circumstances of the respective countries, there are different systems of provisioning for old age which are generally based on the length of service and the remuneration of the employees.

The BayWa Group's existing old-age pension commitments are based exclusively on performance-based benefit plans defined through company agreement and commitments made on a case-by-case basis. For the most part, these are final pay plans. The commitment of the company consists of fulfilling committed benefits to active and former employees ("defined benefit plans"). The benefit commitments undertaken by the Group are financed by allocations from provisions.

The pension provisions have been set up according to the projected unit credit method under IAS 19. Pursuant to this method, not only the pensions and pension rights earned as per the reporting date, but also future increases in pensions and salaries are accounted for, applying a cautious assessment of the relevant variables. This calculation is derived from actuarial appraisals and based on a biometric calculation.

The amount of the pension obligations (defined benefit obligation) has been calculated using actuarial methods where estimates are indispensable. Along with assumptions of life expectancy, the following premises, which have been established uniformly for the companies in Germany and Austria, play a role. In the case of group companies which are not in Germany and Austria, there are no benefit commitments.

In percent	31/12/2010	31/12/2009
Discount factor	5.00	5.50
Salary trend	2.50-3.00	3.00
Pension trend	1.15-2.50	1.00-2.00

The salary trend reflects anticipated increases in salaries which, depending on inflation and the length of service to the company, among other factors, are estimated on an annual basis.

Assumptions on life expectancy were based on the mortality tables of Prof. Dr. Klaus Heubeck (actuarial tables 2005 G).

Increases and decreases in the present value of performance-based obligations can give rise to actuarial gains or losses, the cause of which can also be divergences between actual and estimated parameters of calculation. The resulting actuarial gains and losses are recognised as income or expenses if the balance of the aggregated actuarial gains or losses not recorded is higher or lower than the so-called corridor at the end of the prior reporting period (10 percent of the present value of performance-based obligation at this time). This being the case, the difference between the actual and the disclosed obligation would be spread over the average remaining period of service of the employees covered by the plan and carried as income or expenses in the income statement.

Following the switching of the calculation of pension provisions to comply with IAS 19, there are as yet no gains and losses to be netted off according to these rules. The actuarial gains not set off following the increase in the rate of pension progress posted EUR 24.754 million on the reporting date (2009: actuarial gain of EUR 0.011 million).

Total expenses from pensions in the defined benefit plans amounted to EUR 27.264 million (2009: EUR 26.587 million) and comprise the following:

In EUR million	2010	2009
Ongoing service cost	4.050	3.966
+ share of interest	23.214	22.621
= Total amount recognised through profit and loss	**27.264**	**26.587**

The expenses arising from the accrued interest on rights acquired in the past are disclosed under the financial result. Rights accrued in the respective financial year are included under personnel expenses. During the reporting period, the net present value of defined benefit obligations (DBO) and the net value of capitalised amounts at Group level have changed as follows:

In EUR million		2010	2009
	DBO as per 1 January	425.667	423.379
+	Changes in the group of consolidated companies	0.309	0.039
+	Sum total through profit and loss	27.264	26.587
+ / -	Changes in non-realised actuarial gain/loss	24.765	2.560
-	Pension payments during the reporting period	-27.880	-26.939
+ / -	Assumption of obligations	-0.345	0.041
=	**DBO as per 31 December**	**449.780**	**425.667**

In EUR million		2010	2009
	DBO as per 31 December	449.780	425.667
+ /-	non-realised actuarial gain/loss	-24.754	0.011
=	**Net value of amounts capitalised as per 31 December**	**425.026**	**425.678**

The DBO of pension obligations has changed as follows:

In EUR million	
2006	465.905
2007	417.331
2008	423.379
2009	425.667
2010	449.780

The adjustments based on empirical experience are as follows:

In EUR million	
2006	-2.643
2007	-1.114
2008	-2.903
2009	-1.030
2010	+2.512

In the financial year 2011, we expect that a probable amount of EUR 25.879 million will be recorded through profit and loss for performance-based pension plans.

(C.13.) Other provisions

Other provisions are formed when there is an obligation towards a third party which is likely to be called upon and when the amount of the provision can be reliably estimated. Provisions are recognised in the amount of anticipated utilisation. Provisions which were not drawn upon in the following year are recognised at the discounted amount to be paid as per the balance sheet date. Discounting is based on market interest rates.

Other provisions are mainly attributable to:

In EUR million	2010	2009
Non-current provisions (with a maturity of more than one year)		
Obligations from personnel and employee benefits	58.139	61.075
Other provisions	6.233	5.723
	64.372	**66.798**
Current provisions (with a maturity of less than one year)		
Obligations from personnel and employee benefits	50.799	42.127
Other provisions	55.488	56.092
	106.287	**98.219**

Provisions for obligations arising from personnel and employee benefits consist mainly of provisions for jubilee expenses, service units, vacation backlogs and flexitime credits as well as for age-related part-time service.

Other provisions mainly comprise provisions for obligations arising from dismantling operations, for outstanding invoices, guarantee obligations, sales-related bonuses and discounts as well as for impending losses from uncompleted transactions.

In addition, there are a number of discernible risks and uncertain obligations. They mainly relate to costs for inherited waste, follow-up costs and litigation risks.

Provisions have developed as follows:

In EUR million 2010	Status on 01/01/2010	Trans-fer	Reclassi-fication	Com-pound interest	Utilisation	Release	Price dif-ferences	Status on 31/12/2010
Non-current provisions								
Obligations from person-nel and employee benefits	61.075	2.626	0.201	1.455	7.195	0.026	0.003	58.139
Other provisions	5.723	1.054	-0.096	0.034	0.192	0.291	0.001	6.233
	66.798	**3.680**	**0.105**	**1.489**	**7.387**	**0.317**	**0.004**	**64.372**
Current provisions								
Obligations from person-nel and employee benefits	42.127	43.295	-0.242	-.---	32.323	2.061	0.003	50.799
Other provisions	56.092	40.540	0.137	-.---	31.980	9.291	-0.010	55.488
	98.219	**83.835**	**-0.105**	**-.---**	**64.303**	**11.352**	**-0.007**	**106.287**

In EUR million 2009	Status on 01/01/2009	Trans-fer	Reclassi-fication	Com-pound interest	Utilisation	Release	Price dif-ferences	Status on 31/12/2009
Non-current provisions								
Obligations from person-nel and employee benefits	57.871	9.404	-.---	1.356	7.365	0.191	-.---	61.075
Other provisions	6.589	0.173	-.---	-.---	0.582	0.457	-.---	5.723
	64.460	**9.577**	-.---	**1.356**	**7.947**	**0.648**	-.---	**66.798**
Current provisions								
Obligations from person-nel and employee benefits	44.314	34.905	-.---	-.---	33.338	3.758	0.004	42.127
Other provisions	68.801	33.833	-.---	-.---	43.492	3.018	-0.032	56.092
	113.115	**68.738**	**-.---**	**-.---**	**76.830**	**6.776**	**-0.028**	**98.219**

(C.14.) Financial liabilities

Financial liabilities include all interest-bearing obligations of the BayWa Group as per the effective reporting date. These liabilities break down as follows:

In EUR million 2010	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Financial liabilities				
Due to banks	486.684	169.477	99.600	755.761
Commercial paper	49.300	-.---	-.---	49.300
Profit-sharing capital	1.691	-.---	-.---	1.691
	537.675	**169.477**	**99.600**	**806.752**

In EUR million 2009	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Financial liabilities				
Due to banks	577.094	44.532	29.587	651.213
Commercial paper	11.700	-.---	-.---	11.700
Profit-sharing capital	1.691	-.---	-.---	1.691
	590.485	**44.532**	**29.587**	**664.604**

The BayWa Group finances itself mainly through credit lines, on the one hand, and short-term loans for which no collateral is provided, on the other. In individual cases, long-term bank loans are used. In addition, BayWa AG placed two promissory notes in a total nominal volume of EUR 200 million on 1 October 2010. The promissory notes will serve to diversify the Group's financing and consist of two bullet tranches:

2010	Nominal amount of loan in EUR million	Maturity	Interest
Promissory note 1	129.500	5 October 2015	6-month EURIBOR plus 1.15 %
Promissory note 2	70.500	5 October 2017	6-month EURIBOR plus 1.35 %

The promissory notes were reported at the fair value corresponding to the nominal value at the time when they were recognised. The promissory notes will be measured at amortised cost.

Of the liabilities due to banks, loans of EUR 483.748 are due at any time. The difference of EUR 2.936 million relates to the short-term portion of non-current liabilities due to banks. The average effective interest rate on short-term loans currently is 1.8 percent (2009: 2.8 percent) a year.

Of the Commercial Paper Programme launched by BayWa AG in a total volume of EUR 300 million, EUR 49.300 million in Commercial Paper with a term of 31 days and an average weighted effective interest rate of 1.23 percent had been issued as per the reporting date.

Of the liabilities due to banks, EUR 13.962 million at Group level (2009: EUR 25.957 million) have been secured by a charge over property.

The fair value of the financial liabilities does not diverge materially from the book values disclosed.

The dormant equity holdings of four Austrian warehouses ("Lagerhäuser") in RWA AG is disclosed as participatory capital under financial liabilities. The dormant equity holdings each have indefinite term which can be terminated by the warehouses at any time. Interest is charged on the dormant equity holdings; the interest rate is fixed contractually. Owing to the short-term nature of these holdings due to termination being possible any time, the fair value is the book value.

(C.15.) Finance lease obligations

The future leasing payments are carried as liabilities under the finance lease obligations (see also Section C.2.).

In EUR million 2010	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Finance lease obligations	0.558	2.157	-.---	2.715

In EUR million 2009	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Finance lease obligations	0.465	1.790	-.---	2.255

(C.16.) Trade creditors and liabilities from inter-group business relationships

Non-current liabilities are disclosed in the balance sheet in their repayment amounts. Differences between the historical costs and the repayment amount are taken account of using the effective yield method. Current liabilities are recognised in their repayment amount or the amount to be paid.

Liabilities due to affiliated companies and companies in which a participating interest is held (associated companies) comprise not only trade payables but also liabilities arising from financings. Liabilities due to companies in which a participating interest is held consist of financial liabilities of EUR 43.948 million due to KIRKA.

As per 31/12/2010 In EUR million	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Trade payables	456.741	1.314	-.---	458.055
Liabilities due to affiliated companies	8.602	-.---	-.---	8.602
Liabilities due to companies in which a participating interest is held	36.327	-.---	43.948	80.275
Bills and notes payable	0.142	-.---	-.---	0.142
Payments received on orders	47.683	-.---	-.---	47.683
	549.495	**1.314**	**43.948**	**594.757**

As per 31/12/2009 In EUR million	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Trade payables	397.094	1.312	-.---	398.406
Liabilities due to affiliated companies	9.364	-.---	-.---	9.364
Liabilities due to companies in which a participating interest is held	33.438	-.---	42.471	75.909
Bills and notes payable	-.---	-.---	-.---	-.---
Payments received on orders	22.847	-.---	-.---	22.847
	462.743	**1.312**	**42.471**	**506.526**

Trade payables include claims of customers from customer loyalty programs of BayWa AG and other Group companies. Under IFRIC 13 loyalty credits awarded by an entity are to be disclosed as definable components of a multiple element arrangement (main transaction and premium) within the meaning of IAS 18.13. At BayWa AG, the BayWa Card is in use. With each purchase, customers can collect bonus points which can then be redeemed at BayWa outlets. For each bonus point collected one cent is credited to the customer. In the financial year 2010, there was an amount of EUR 0.919 million (2009: EUR 0.775 million) in bonus points not yet redeemed.

(C.17.) Other liabilities

The table below shows a breakdown of other liabilities:

As per 31/12/2010 In EUR million	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Social security	2.392	-.---	-.---	2.392
Allowances received	0.105	0.580	0.604	1.289
Other liabilities including deferred income	70.235	0.744	0.356	71.335
	72.732	**1.324**	**0.960**	**75.016**

As per 31/12/2009 In EUR million	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Social security	7.741	-.---	-.---	7.741
Allowances received	0.251	0.843	1.210	2.304
Other liabilities incl. deferred income	72.793	1.387	0.064	74.244
	80.785	**2.230**	**1.274**	**84.289**

The fair value of the items disclosed does not diverge materially from the book values.

In the case of public subventions, these are amounts granted by the public-sector authorities in connection with new investments. These subventions are released over the probable useful life of the respective assets with the concurrent effect on income. In the financial year, the release came to EUR 0.177 (2009: EUR 0.495 million) which is disclosed under other operating income.

(C.18.) Deferred tax liabilities

The deferral of tax on the liabilities side has been carried out according to the temporary concept under IAS 12, with the valid or official and known tax rates as per the reporting date being applied. Further explanations on deferred tax can be found under Note D.8. "Income tax".

(C.19.) Liabilities from non-current assets held for sale

Liabilities from non-current assets held for sale of EUR 33.007 (2009: EUR 0.000) are all liabilities assumed in connection with the financing of the wind parks to be sold.

(C.20.) Contingent liabilities

In EUR million	2010	2009
Bills and notes payable	4.402	5.188
(of which to affiliated companies)	(-.---)	(-.---)
Guarantees	16.637	17.081
(of which to affiliated companies)	(-.---)	(3.160)
Warranties	66.251	72.428
(of which to affiliated companies)	(-.---)	(-.---)
Collateral for liabilities of third parties	12.439	1.116
(of which to affiliated companies)	(-.---)	(0.500)

(C.21.) Other financial obligations

Along with the obligations from rental and leasing agreements (C.2.) disclosed as operate leases, there are the following financial obligations:

In EUR million	2010	2009
Other financial obligations		
from buyback obligations	15.700	14.500
from amounts guaranteed for interests in cooperative companies	13.106	13.106

There are contractual obligations (purchase commitments) of EUR 118.352 million (2009: EUR 96.490 million) for the purchase of property, plant and equipment (real estate, vehicles) and inventories.

(C.22.) Financial instruments

Accounting policies and valuation methods

Under IAS 32, a financial instrument is an agreement which gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Initial recognition is carried out at fair value; for subsequent measurement, the financial instruments are allocated to the measurement categories pursuant to IAS 39 and treated accordingly. Financial assets in the BayWa Group are in particular receivables, financial instruments and cash and cash equivalents. Financial liabilities regularly constitute a right of return in funds or another financial asset. In the BayWa Group these are especially liabilities due to banks and trades payables.

The financial assets cover the following classes:

Financial assets available for sale (AfS): The financial assets available for sale are primarily financial investments, i.e. participating interests in non-consolidated companies, participations and securities. Measurement is carried out at fair value which is based on the stock market price or the market price in as much as there is an active market which allows realistic measurement. The majority of the assets in this category are not traded in an active market. As deriving the fair value using comparable transactions of the respective period was also not possible, measurement at amortised cost was used as the best evidence of fair value. Gains and losses not realised are recorded under equity in an available-for-sale reserve without effect on income. Upon disposal of financial assets, the accumulated gains and losses from subsequent measurement at fair value are recorded in equity through profit and loss. If there is evidence of permanent impairment, this is carried out in the income statement through profit and loss.

Loans and receivables (LaR): After initial recognition, loans and receivables are carried in the balance sheet exclusively at amortised cost. In the BayWa Group, they mainly have short residual terms. The book value is thus a reasonable approximation of fair value. Profit and loss is recorded directly in the consolidated results when the loans and receivables are charged off or impairment carried out.

Cash in hand and bank deposits (cash): Cash in hand and bank deposits have maximum terms of one year. By definition, their book value corresponds to fair value. They accord with the funds in the Group's cash flow statement.

Financial assets held for trading (FAHfT): financial assets held for trading are measured at fair value. This category also comprises derivative financial instruments which do not fulfil the conditions of a hedging instrument. Measurement is based on the market or stock market value. Gains and losses from subsequent measurement are recorded through profit and loss.

The option of recording financial assets at their fair value upon their initial recognition was not selected by the BayWa Group.

The financial liabilities cover the following classes:

Financial liabilities measured at amortised cost (FLAC): Financial liabilities measured at amortised cost are measured at amortised cost after their initial recognition. They mainly have short residual terms. The book value is thus a reasonable approximation of fair value. Gains and losses are recorded directly in the consolidated result.

Financial liabilities held for trading (FLHfT): Derivative financial instruments which are not included in an effective hedging strategy under IAS 39 and whose market value from subsequent measurement has resulted in a negative attributable fair value are to be disclosed under this category. Market changes are recorded in the consolidated result through profit and loss. Measurement is made at market/stock market value.

In addition, the BayWa Group uses fair value hedges to hedge inventories through commodities futures. Changes in the market value of derivative financial instruments and their attributable underlyings are recorded through profit and loss.

The option of recording financial liabilities at their fair value upon their initial recognition was not selected by the BayWa Group.

Derivative financial instruments are used in the BayWa Group in particular to hedge the interest rate and currency risks arising from operating activities. Caps, swaps and commodities futures are the main instruments used. Upon their initial recognition and on each subsequent reporting date derivative financial instruments are carried at fair value. The fair value corresponds to the positive or negative market value.

The BayWa Group transacts its business mainly in the euro region. Accordingly, foreign currencies are of secondary importance within the Group. The business activities of the consolidated Hungarian companies are restricted almost without exception to the Hungarian currency area. A few transactions in foreign currencies are carried out in agricultural trading, and purchasing activities predominantly in the common currency. If foreign currency futures are closed, they are hedged by the respective forward exchange transactions. As there is no clear hedging connection in respect of these transactions, the market values are ascertained on the basis of market information available on the reporting date. As per 31 December 2010, there were derivative transactions denominated in US dollar to hedge currency risks.

In the context of financial management, the Group is active on the capital market primarily in borrowing short-term term deposits. The procuring of funds is carried out on the regional market of the respective operating unit. The BayWa Group is thus exposed to interest rate risk in particular. The Group counteracts this risk by using derivative financial instruments, in the main, interest rate swaps or caps or collars. Volume-related hedging always comprises only a base amount of the borrowed funds. As there is no clear hedging relationship with an identifiable underlying, the transaction is not a hedging deal within the meaning of IAS 39. As a result, interest rate derivatives are marked to market separately on the reporting date. The market values are ascertained on the basis of market information available on the reporting date.

The BayWa Group also uses commodities futures. In as much as IAS 39 is pertinent, these transactions are fair value hedges where there is an effective hedging relationship.

Book and fair values of financial instruments

The following table shows the transition between the balance sheet positions and the IFRS 7 classes and IAS 39 measurement categories, broken down into subsequent "measurement at amortised cost" and "measurement at fair value". The fair value of a financial instrument is the price at which a third party would assume the rights and obligations associated with this financial instrument.

As per 31/12/2010 In EUR million	IAS 39 category and IFRS 7 class	Book value 31/12/2010	Measurement subsequent to initial recognition Amortised cost	Fair value without effect on income	Fair value through profit and loss	Not IFRS 7 class
Non-current financial assets						
Participating interests recognised at equity	AfS	45.733	45.733	-.---	-.---	-.---
Other financial assets	AfS	174.246	147.467	26.779	-.---	-.---
Other financial assets	LaR	38.361	38.361	-.---	-.---	-.---
Other receivables and other assets - trade receivables	LaR	2.156	2.156	-.---	-.---	-.---
Other receivables and other assets – other assets	LaR	14.654	14.276	-.---	-.---	0.378
Current financial assets						
Securities	FAHfT	1.841	-.---	-.---	1.841	-.---
Other receivables and other assets - trade receivables	LaR	465.402	465.402	-.---	-.---	-.---
Other receivables and other assets – other assets	LaR	195.235	190.683	-.---	-.---	4.552
Other receivables and other assets - derivatives	FAHfT	2.304	-.---	-.---	2.304	-.---
Cash and cash equivalents	Cash	28.208	28.208	-.---	-.---	-.---
Non-current financial liabilities						
Financial liabilities	FLAC	269.077	269.077	-.---	-.---	-.---
Liabilities from finance leasing	FLAC	2.157	2.157	-.---	-.---	-.---
Trade payables and liabilities from inter-group business relationships	FLAC	45.262	45.262	-.---	-.---	-.---
Other liabilities	FLAC	2.284	0.601	-.---	-.---	1.683
Derivatives	FLHfT	0.169	-.---	-.---	0.169	-.---
Current financial liabilities						
Financial liabilities	FLAC	537.675	537.675	-.---	-.---	-.---
Liabilities from finance leasing	FLAC	0.558	0.558	-.---	-.---	-.---
Trade payables and liabilities from inter-group business relationships	FLAC	549.495	549.495	-.---	-.---	-.---
Other liabilities	FLAC	72.732	69.612	-.---	-.---	3.120
Derivatives	FLHfT	3.748	-.---	-.---	3.748	-.---
Aggregated pursuant to IAS 39 category/IFRS 7 class						
Assets available for sale	AfS	219.979	193.200	26.779	-.---	-.---
Loans and receivables	LaR	715.808	710.878	-.---	-.---	4.930
Cash in hand and bank deposits	Cash	28.208	28.208	-.---	-.---	-.---
Financial assets held for trading	FAHfT	4.145	-.---	-.---	4.145	-.---
Financial liabilities measured at amortised cost	FLAC	1,479.240	1,474.437	-.---	-.---	4.803
Financial liabilities held for trading	FLHfT	3.917	-.---	-.---	3.917	-.---

As per 31/12/2009 In EUR million	IAS 39 category / IFRS 7 class	Book value 31/12/2009	Measurement subsequent to initial recognition Amortised cost	Fair value without effect on income	Fair value through profit and loss	Not IFRS 7 class
Non-current financial assets						
Participating interests recognised at equity	AfS	37.961	37.961	-.---	-.---	-.---
Other financial assets	AfS	166.620	155.405	11.215		
Other financial assets	LaR	21.962	21.962	-.---	-.---	-.---
Other receivables and other assets - trade receivables	LaR	0.813	0.813	-.---	-.---	-.---
Other receivables and other assets – other assets	LaR	15.028	14.747	-.---	-.---	0.281
Current financial assets						
Securities	FAHfT	1.864	-.---	-.---	1.864	-.---
Other receivables and other assets - trade receivables	LaR	391.641	391.641	-.---	-.---	-.---
Other receivables and other assets – other assets	LaR	176.959	173.668	-.---	-.---	3.291
Other receivables and other assets - derivatives	FAHfT	1.388	-.---	-.---	1.388	-.---
Cash and cash equivalents	Cash	19.723	19.723	-.---	-.---	-.---
Non-current financial liabilities						
Financial liabilities	FLAC	74.119	74.119	-.---	-.---	-.---
Liabilities from finance leasing	FLAC	1.790	1.790	-.---	-.---	-.---
Trade payables and liabilities from inter-group business relationships	FLAC	43.783	43.783	-.---	-.---	-.---
Other liabilities	FLAC	3.504	1.388	-.---	-.---	2.116
Derivatives	FLHfT	0.092	-.---	-.---	0.092	-.---
Current financial liabilities						
Financial liabilities	FLAC	590.485	590.485	-.---	-.---	-.---
Liabilities from finance leasing	FLAC	0.465	0.465	-.---	-.---	-.---
Trade payables and liabilities from inter-group business relationships	FLAC	462.743	462.743	-.---	-.---	-.---
Other liabilities	FLAC	80.785	76.445	-.---	-.---	4.340
Derivatives	FLHfT	0.810	-.---	-.---	0.810	-.---
Aggregated pursuant to IAS 39 category/IFRS 7 class						
Assets available for sale	AfS	204.581	193.366	11.215	-.---	-.---
Loans and receivables	LaR	606.403	602.831	-.---	-.---	3.572
Cash in hand and bank deposits	Cash	19.723	19.723	-.---	-.---	-.---
Financial assets held for trading	FAHfT	3.252	-.---	-.---	3.252	-.---
Financial liabilities measured at amortised cost	FLAC	1,257.674	1,251.218	-.---	-.---	6.456
Financial liabilities held for trading	FLHfT	0.902	-.---	-.---	0.902	-.---

Net gains and net losses:

The following table shows the net gain/loss from financial instruments in the income statement.

In EUR million

2010	Assets				Shareholders' equity and liabilities			**Total**	**Transition**	
Category	FAHfT	AfS	LaR	Cash	FLHfT	FLAC	No allocation		Not an FI	Financial instrument
1. Net gain/loss in the financial result										
Equity valuation of participating interests	**-.---**	**7.194**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**7.194**	**-.---**	**7.194**
Income from participating interests	-.---	3.663	-.---	-.---	-.---	-.---	-.---	3.663	-.---	3.663
Expenses from participating interests	-.---	–0.446	-.---	-.---	-.---	-.---	-.---	– 0.446	-.---	-0.446
Result from disposals	-.---	4.494	-.---	-.---	-.---	-.---	-.---	4.494	-.---	4.494
Result of participating interests	**-.---**	**7.711**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**7.711**	**-.---**	**7.711**
Income from other financial assets	-.---	7.014	-.---	-.---	-.---	-.---	-.---	7.014	-.---	7.014
Result from disposals	-.---	–1.901	-.---	-.---	-.---	-.---	-.---	– 1.901	-.---	– 1.901
Result of other financial assets	**-.---**	**5.113**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**5.113**	**-.---**	**5.113**
Interest income	-.---	-.---	1.657	1.629	-.---	-.---	-.---	3.286	-.---	3.286
Interest income from fair value measurement	-.---	-.---	-.---	-.---	0.188	-.---	-.---	0.188	-.---	0.188
Sum total of interest income	**-.---**	**-.---**	**1.657**	**1.629**	**0.188**	**-.---**	**-.---**	**3.474**	**-.---**	**3.474**
Interest expenses	-.---	-.---	-.---	-.---	-.---	–20.379	-.---	–20.379	-.---	–20.379
Interest portion in personnel provisions	-.---	-.---	-.---	-.---	-.---	-.---	-.---	-.---	–24.669	-.---
Interest expenses from fair value measurement	-.---	-.---	-.---	-.---	–0.143	-.---	-.---	– 0.143	-.---	– 0.143
Sum total of interest expenses	**-.---**	**-.---**	**-.---**	**-.---**	**–0.143**	**–20.379**	**-.---**	**–20.522**	**–24.669**	**–20.522**
Net interest	**-.---**	**-.---**	**1.657**	**1.629**	**0.045**	**–20.379**	**-.---**	**–17.048**	**–24.669**	**–17.048**
Sum total net gain/loss	**-.---**	**20.018**	**1.657**	**1.629**	**0.045**	**–20.379**	**-.---**	**2.970**	**–24.669**	**2.970**
Financial result										**–21.699**
2. Net gain/loss in operating result										
Income from hedging transactions	3.225	-.---	-.---	-.---	-.---	-.---	-.---	3.225		
Income from the receipt of written-off receivables/release of receivables value adjustments	-.---	-.---	5.402	-.---	-.---	-.---	-.---	5.402		
Expenses from hedging transactions	-3.482	-.---	-.---	-.---	-.---	-.---	-.---	– 3.482		
Value adjustments/write-downs of receivables	-.---	-.---	-7.369	-.---	-.---	-.---	-.---	– 7.369		
Sum total net gain/loss	**-0.257**	**-.---**	**-1.967**	**-.---**	**-.---**	**-.---**	**-.---**	**– 2.224**		
3. Net gain/loss in equity										
Changes in the fair value from the market valuation of securities	-.---	–1.384	-.---	-.---	-.---	-.---	-.---	– 1.384		
Currency translation	-.---	-.---	-.---	-.---	-.---	-.---	0.732	0.732		
Sum total net gain/loss	**-.---**	**–1.384**	**-.---**	**-.---**	**-.---**	**-.---**	**0.732**	**– 0.652**		

2009	Assets				Shareholders' equity and liabilities			Total	Transition	
Category	FAHfT	AfS	LaR	Cash	FLHfT	FLAC	No allocation		Not an FI	Financial instrument
1. Net gain/loss in the financial result										
Equity valuation of participating interests	**-.---**	**1.747**	**-.---**	**-.---**	**-.---**	**-.---**	**-.---**	**1.747**	**-.---**	**1.747**
Income from participating interests	-.---	3.111	-.---	-.---	-.---	-.---	-.---	3.111	-.---	3.111
Expenses from participating interests	-.---	-0.046	-.---	-.---	-.---	-.---	-.---	– 0.046	-.---	-0.046
Result from disposals	-.---	0.434	-.---	-.---	-.---	-.---	-.---	0.434	-.---	0.434
Result of participating interests	**-.---**	**3.499**	**-.---**		**-.---**	**-.---**	**-.---**	**3.499**	**-.---**	**3.499**
Income from other financial assets	0.070	5.892	-.---	-.---	-.---	-.---	-.---	5.962	-.---	5.962
Result from disposals	2.187	-.---	-.---	-.---	-.---	-.---	-.---	2.187	-.---	2.187
Result of other financial assets	**2.257**	**5.892**	**-.---**		**-.---**	**-.---**	**-.---**	**8.149**	**-.---**	**8.149**
Interest income	-.---	-.---	1.931	2.316	-.---	-.---	-.---	4.247	-.---	4.247
Interest income from fair value measurement	-.---	-.---	-.---	-.---	-.---	0.148	-.---	0.148	-.---	0.148
Sum total of interest income	-.---	-.---	**1.931**	**2.316**	-.---	**0.148**	-.---	**4.395**	-.---	**4.395**
Interest expenses	-.---	-.---	-.---	-.---	-.---	–18.971	-.---	–18.971	-.---	–18.971
Interest portion in personnel provisions	-.---	-.---	-.---	-.---	-.---	-.---	-.---	-.---	–25.359	-.---
Interest expenses from fair value measurement	-.---	-.---	-.---	-.---	–0.353	-.---	-.---	– 0.353	-.---	-0.353
Sum total of interest expenses	-.---	-.---	-.---	-.---	**–0.353**	**–18.971**	-.---	**–19.324**	**–25.359**	**–19.324**
Net interest	-.---	-.---	**1.931**	**2.316**	**–0.353**	**–18.823**	-.---	**–14.929**	**–25.359**	**–14.929**
Sum total net gain/loss	**2.257**	**11.138**	**1.931**	**2.316**	**–0.353**	**–18.823**	**-.---**	**– 1.534**	**–25.359**	**– 1.534**
Financial result										**–26.893**
2. Net gain/loss in operating result										
Income from hedging transactions	9.413	-.---	-.---	-.---	-.---	-.---	-.---	9.413		
Income from the receipt of written-off receivables/release of receivables value adjustments	-.---	-.---	5.866	-.---	-.---	-.---	-.---	5.866		
Expenses from hedging transactions	–8.044	-.---	-.---	-.---	-.---	-.---	-.---	– 8.044		
Value adjustments/write-downs of receivables	-.---	-.---	–7.836	-.---	-.---	-.---	-.---	– 7.836		
Sum total net gain/loss	**1.369**	**-.---**	**–1.970**	**-.---**	**-.---**	**-.---**	**-.---**	**– 0.601**		
3. Net gain/loss in equity										
Changes in the fair value from the market valuation of securities	-.---	1.278	-.---	-.---	-.---	-.---	-.---	1.278		
Currency translation	-.---	-.---	-.---	-.---	-.---	-.---	1.373	1.373		
Sum total net gain/loss	**-.---**	**1.278**	**-.---**	**-.---**	**-.---**	**-.---**	**1.373**	**2.651**		

Income from participating interests includes dividend payments.

The following table shows the analysis of maturity dates of financial liabilities not discounted by IFRS 7 class.

In EUR million	2010			
	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Financial liabilities measured at amortised cost (FLAC)	1,172.973	204.928	152.789	1,530.690
Financial liabilities held for trading (FLHfT)	3.748	0.169	-.---	3.917
	1,176.721	**205.097**	**152.789**	**1,534.607**

In EUR million	2009			
	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years	Total
Financial liabilities measured at amortised cost (FLAC)	1,144.896	60.115	71.490	1,276.501
Financial liabilities held for trading (FLHfT)	0.810	0.092	-.---	0.902
	1,145.706	**60.207**	**71.490**	**1,277.403**

The following schedule of maturities shows how the forecast cash flows of the contractually agreed interest and redemption payments in the IFRS 7 category "Liabilities measured at amortised cost (FLAC)" were distributed as per 31 December 2010.

In EUR million	Total	until 6/2011	7-12/2011	2012-2015	> 2015
Interest portion	51.450	6.642	5.871	30.656	8.281
Redemption portion	1,479.240	901.679	258.781	174.272	144.508
Total	**1,530.690**	**908.321**	**264.652**	**204.928**	**152.789**

Information on derivative financial instruments

Derivatives in the context of fair value hedges for commodities futures are used in the BayWa Group as hedging transactions under IAS 39 as well as hedging transactions for interest rate and currency risks in the form of collars, caps and swaps. The fair values are shown in the table below. In the reporting year, losses of EUR 3.482 million and gains of EUR 3.225 million were recorded as part of the calculation of the fair value in the income statement under other operating expenses and other operating income respectively.

The following table shows the maturities of the market values for the derivative financial instruments of the financial year.

31/12/2010	Market value			
In EUR million	Total	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years
Assets				
Interest rate hedging transactions	1.092	1.092	-.---	-.---
Commodity and currency hedging transactions	1.212	1.212	-.---	-.---
	2.304	**2.304**	**-.---**	**-.---**
Shareholders' equity and liabilities				
Interest rate hedging transactions	0.169	-.---	0.169	-.---
Commodity and currency hedging transactions	3.748	3.748	-.---	-.---
	3.917	**3.748**	**0.169**	-.---

31/12/2009	Market value			
In EUR million	Total	Residual term of up to one year	Residual term of up to five years	Residual term of more than five years
Assets				
Interest rate hedging transactions	0.680	0.680	--.--	-.---
Commodity and currency hedging transactions	0.708	0.708	-.---	-.---
	1.388	**1.388**	**-.---**	**-.---**
Shareholders' equity and liabilities				
Interest rate hedging transactions	0.401	0.309	0.092	-.---
Commodity and currency hedging transactions	0.501	0.501	-.---	-.---
	0.902	**0.810**	**0.092**	-.---

The market value is ascertained on the basis of market prices quoted on the reporting date without netting off against counterdevelopments of possible underlyings. The market value corresponds to the amount which the Group would have to pay or would receive if the hedging transaction were closed out prior to the due date.

(C.23.) Risk Management

Opportunities and Risk Management

The policy of the BayWa Group is geared towards assessing the opportunities and risks of entrepreneurship in a responsible way. The management of opportunities and risks is an on-going task of entrepreneurial activities to ensure the long-term success of the company. This enables the BayWa Group to innovate and secure and improve on what is already in place. The management of opportunities and risks is closely aligned to the BayWa Group's long-term strategy and medium-term planning. The decentralised regional organisation and management structure enables the Group to identify trends, requirements, and the opportunities and risk potential of frequently fragmented markets at an early stage, analyse them and take action which is both flexible and market oriented. Moreover, systematic and intense screening of the market and of peer competitors is carried out with a view to identifying opportunities and risks. This is flanked by ongoing communication and the goal-oriented exchange of information between the individual parts of the Group which releases additional opportunities and synergy potential.

A key component and innovation of the opportunity and risk management system is the Risk Board which was implemented in the financial year 2009. Presided over by the Chief Executive Officer, the Risk Board, which consists of operations managers and support staff, meets to discuss and assess operational opportunities and risks on an ongoing basis. Minuted meetings are used to develop an understanding of the opportunities and risks and forms the basis of risk measurement applied to operational decisions.

Principles of opportunity and risk management

The BayWa Group exploits opportunities which arise in the context of its business activities but is also called upon to enter into entrepreneurial risks. The identification of entrepreneurial opportunities, the safeguarding of assets and the enhancing of enterprise value therefore necessitate an opportunity and risk management system. In the BayWa Group, risk management is an integral component built into planning and management and control processes. The Group's strategy aims, on the one hand, to make optimum use of opportunities while, on the other, identifying and limiting business-related risks and limiting them to the greatest extent possible. A particularly important task of risk management is to guarantee that risks to the Group as a going concern are identified and kept to a minimum.

The principles set in place within the BayWa Group for the identification and monitoring of risks inherent in the specific business have been described in a risk management manual approved by the Board of Management of BayWa AG. In addition, the Internal Audit department regularly audits the internal risk management system which supports processes. ISO certifications for the standardisation of workflows and for risk avoidance and the concluding of insurance policies supplement the Group’s management of risk.

Moreover, the BayWa Group has established binding goals and a code of conduct in its corporate guidelines and in a set of ethical principles, and implemented them throughout the Group. These guidelines and principles relate to both the individual employees' action when applying the corporate values as well as to their fair and responsible conduct towards suppliers, customers and colleagues.

Opportunity and risk management within the BayWa Group

A comprehensive risk management system records and monitors both corporate performance and any existing weak points within the Group on an ongoing basis. The risk management system covers all segments and is included as a key component of reporting. This enables the management of Group companies to react swiftly and effectively. All units have risk officers and risk reporting officers who are responsible for implementing the reporting process.

The reporting process classifies risks and opportunities into categories, reports on these and estimates their probable occurrence and potential impact in terms of monetary units. The system is based on individual observations, supported by the relevant management processes, and forms an integral part of core activities. It starts with strategic planning and proceeds through to procurement, sales and distribution and, finally, to the management of trade receivables. As an extension of the business segments' planning process, procurement, sales and distribution operations as well as centralised operations, the risk and opportunity management system serves to detect and assess potential divergences from expected developments. In addition to identifying and assessing key developments influencing business, this system facilitates the prioritisation and implementation of activities. As a result, the BayWa Group can make better use of opportunities while reducing the risks.

Risk reports, which are regularly prepared by the operating units, form the core of the risk management system. These reports are subject to evaluation by the Board of Management and by the heads of the business units. The systematic development of existing and new systems with a built-in early warning component makes an indispensable contribution to strengthening and consistently building up a groupwide opportunity and risk culture.

Macroeconomic opportunities and risks

General economic factors had an influence on consumer behaviour and investment patterns in the core markets of the Group. However, these environmental factors exert less of an impact on the BayWa Group than on other companies. BayWa's business model is primarily geared to satisfying fundamental human requirements, such as the need for food, shelter, mobility and the supply of energy. Accordingly, the impact of cyclical swings is likely to be less strong than in other areas of business. At the same time, a company as well positioned as the BayWa Group is even able to turn certain opportunities arising in times of crisis to its advantage through, for instance, the identification and acquisition of takeover candidates with a view to building up or expanding existing or new business activities.

Sector and company-specific opportunities and risks
Changes in political conditions such as, for example, changes in subsidies for agricultural products or tax-related government subsidies of sources of energy, as well as globalised and volatile markets harbour risks. At the same time, however, they open up new prospects. Extreme weather conditions can have a direct impact on offering, pricing and trading in agricultural produce and also downstream on the operating resources business. Global climate changes also have a long-term effect on agriculture. The world's demand for agricultural products, particularly grain, continues to grow. This may give rise to a sustained price uptrend. The development of income in the agriculture sector filters through directly to sale of high-end capital goods. Developments in the economy and the political environment are the main factors influencing demand in the construction sector. An example is the investment incentives at the start of the 90's in Germany triggering a construction boom, especially in the new Federal States which was subsequently followed by a protracted downswing entailing structural adjustments to capacity. The abolition of the home-owner subsidy by the German government exacerbated the slowdown in private residential construction. Even today, the number of building permits in residential construction is considerably below the level recorded at the start of the 90's. At the same time, the aging housing stock will trigger a growing demand for modernisation and renovation.

Price opportunities and risks
BayWa trades in merchandise which displays very high price volatility, such as grain, fertilisers and oil especially in its Agriculture and Energy segments. The warehousing of the merchandise, the signing of delivery contracts and the acquisition of merchandise in the future means that BayWa is also exposed to the risk of prices fluctuating. Whereas the risk inherent in mineral oils is relatively low due to BayWa's pure distribution function, fluctuations in the price of grain and fertilisers may harbour greater risks, also owing to their warehousing, if there is no maturity matching in the agreements on the buying and selling of merchandise.
If there are no hedging transactions existing at the time when the agreements are signed, the ensuing risk is monitored on an ongoing basis and controlled by the respective executive bodies. Whenever necessary, appropriate measures to limit risk are initiated. The BayWa Group also operates as a project developer in the field of renewable energies. This business harbours a risk in the design and building of photovoltaic power plants which consists of the plants being connected to the grid later than originally planned due to delays. If a deadline for the further reduction in feed-in tariffs is not adhered to there is a price risk, as the plant will no longer be able to be sold at the price originally intended because economic parameters have changed.

Currency opportunities and risks
The BayWa Group's business activities are largely located in the eurozone. If foreign currency positions arise from goods and services transactions these are always hedged without delay. Speculative borrowing or investing funds denominated in foreign currencies is prohibited.

Share price opportunities and risks
The BayWa Group's investment portfolio comprises direct and indirect investments in listed companies. Equity investments are continuously monitored on the basis of their current market values.

Interest rate opportunities and risks
Interest rate risk positions arise from the Group’s floating-rate financing activities, especially from the issuing of short-term commercial paper and short-term borrowing as well as from the promissory notes placed in the reporting year. Short-term debt is used mainly to finance similarly short-term working capital. To reduce the interest rate risk, BayWa Group companies uses derivative instruments in the form of interest rate caps and swaps. The BayWa Group’s financing structure with its matching maturities ensures that interest-related opportunities are reflected within the Group.

Interest rate risk analysis:
In the financial year, the average interest rate stood at around 1.8 percent (2009: 2.8 percent). A change in this interest rate of plus 1.0 percent to 2.8 percent would cause interest expenses to rise by EUR 6.572 million, whereas the reverse, i.e. a change in this interest rate of minus 1.0 percent to 0.8 percent, would lead to interest expenses falling by EUR 6.572 million.

Regulatory and legal opportunities and risks
Changes in the regulatory environment can affect the Group’s performance. One such example is government intervention in the general regulatory framework for the agricultural industry. Negative impacts emanate from the reduction or abolition of subsidies. Conversely, new regulatory and legislative developments influencing bioenergy can also result in opportunities. In the construction sector, changes to building or fiscal regulations may also have an impact on the development of the building materials business.

The companies of the Group are exposed to a number of risks in connection with lawsuits in which they are currently involved or in which they may be involved in the future. Law suits come about in the course of normal business activities, in particular in relation to the assertion of claims from services and deliveries which are not up to standard or from payment disputes. The companies of the BayWa Group form reserves for the event of such legal disputes if the occurrence of an obligation event is probable and the amount can be adequately estimated. In the individual case, actual utilisation may exceed the reserved amount.

Credit risks

As part of its entrepreneurial activities, the BayWa Group has an important function as a source of finance to its agricultural trading partners. In the context of so-called cultivation contracts, the companies of the Group are exposed to a financing risk arising from the interim financing of agricultural resources and equipment, the repayment of which is made through acquiring and selling the harvest. Risks are kept to a minimum by way of an extensive debt monitoring system which spans all business units. To this end, credit limits are defined through a documented process of approval and monitored on an ongoing basis.

Credit risks are constituted by the economic loss of a financial asset brought about by default on a contractual payment by a contractual partner and the deterioration of his credit standing, together with the danger of concentration on only a few contractual partners (risk clusters). Credit risks may arise in the IFRS 7 classes of "financial assets available for sale (AfS)", "loans and receivables (LaR)" and "financial assets held for trading (FaHfT)".

Financial assets available for sale (AfS): This class mainly comprises shares in affiliated companies and participating investments and securities. These financial assets are not subject to further credit risk beyond the value adjustments made to date in this class. The maximum credit risk exposure on the reporting date corresponds to the book value of this class. The BayWa Group does not consider this significant.

Loans and receivables (LaR): As part of its entrepreneurial activities, the BayWa Group has an important function as a source of finance to its agricultural trading partners. The Group enters into so-called crop-growing contracts, thus in carrying a financing risk arising from the upfront financing of resources for agroeconomic production. Settlement is effected by way of buying up the harvest, storing it and selling it in the market. An extensive debt monitoring system ensures that risks are kept to a minimum in this business, as well as for other segments of the Group. This is performed through establishing and consistently monitoring credit limits, flanked by a documented approval procedure. Value adjustments are made in respect of the residual risk of trade receivables.

There is currently no discernible concentration of default risk from business relationships with individual debtors or groups of debtors. The maximum credit risk exposure on the reporting date corresponds to the book value of this class.

Cash in hand and bank deposits (cash): This class comprises primarily cash in hand and deposits at bank with a short residual term. There are no credit risks.

Financial assets held for trading (FAHfT): This category covers derivative financial instruments which are held exclusively in the BayWa Group for hedging purposes. The contractual partners of derivative financial instruments are mainly banks with international operations which have been given a good rating by an external rating agency. In addition, this class of assets comprises a low volume of securities. There are currently no payments overdue or value adjustments for default in this class.

Liquidity risks

The liquidity risk is the risk that the BayWa Group may not – or only to a limited extent – be able to fulfil its financial obligations. In the BayWa Group, funds are generated by operations and by borrowing from external financial institutions. In addition, financing instruments, such as multi-currency commercial paper programmes or asset-backed securitisation, are used as well as promissory notes which were issued for the first time in 2010. Existing credit lines are therefore measured to an extent deemed sufficient to guarantee business performance at all times - even in the event of growing volume. The financing structure also provides cover for the seasonality of business activity. Owing to the diversification of the sources of financing, the BayWa Group does not currently have any risk clusters in liquidity. The promissory notes issued in 2010 with terms of 5 and 7 years respectively has served to secure the medium-to long-term liquidity and reduce liquidity risks compared with the short-term financing in the previous year.

Corporate rating

The banking sector has awarded the BayWa Group a very positive rating. This achievement is due to the solidity as well as to the long and successful history of the company and its high enterprise value, underpinned by assets such as real estate. Even during the financial crisis the BayWa Group did not experience difficulties at any time in procuring liquidity in the financial market. On the contrary, BayWa's good reputation enabled it to issue two promissory notes totalling EUR 200 million which were heavily oversubscribed. For reasons of cost effectiveness, BayWa deliberately dispenses with the use of external ratings.

Opportunities and risks associated with personnel
As regards personnel, the BayWa Group competes with other companies for highly qualified managers as well as for motivated and capable employees. The Group continues to require qualified personnel in order to secure its future success. Excessively high employee fluctuation, the brain drain and failure to win junior staff loyalty may have a detrimental impact on Group's business performance. The BayWa Group counters these risks by offering its employees extensive training and continuous professional development in order to secure expertise. Management based on trust, the tasking of employees in line with their natural talents and abilities, as well as the definition and adherence to our ethical principles create a positive working atmosphere.

At the same time, the BayWa Group promotes the ongoing vocational training and development of its employees. With more than a thousand trainees, the companies of the BayWa Group are among the largest companies offering training specifically in the region. The BayWa Group recruits a large majority of its future specialist and managerial employees from the ranks of these trainees. Long years of service to the company are testament to the great loyalty shown by BayWa personnel to “their” company. This attitude creates stability and continuity and also secures the transfer of expertise down the generations.

IT opportunities and risks
The use of cutting-edge IT technology characterises the entire business activity of the BayWa Group. All key business processes are supported by IT technology and mapped using state-of-the-art software solutions. In a trading company with high numbers of employees, having workflows supported electronically is absolutely imperative. The continuous monitoring and reviewing of processes mapped electronically, however, involves more than the mere implementation of new IT components. It is always accompanied by an optimisation of process workflows, as a result of which opportunities in the form of synergy and cost savings potential can be identified and realised. At the same time, the risk inherent in the systems rises in tandem with growing complexity and dependency on the availability and reliability of the IT systems.

To realise the opportunities and minimise the risks, the IT competence of the BayWa Group is kept at a consistently high level. The resources are combined under RI-Solution GmbH, a company belonging to the Group which provides the Group companies with IT services to the highest standard. Extensive precautionary measures such as firewalls, virus protection updated on a daily basis, disaster recovery plans and training in data protection serve to safeguard data processing. Segregated in organisational terms, a data protection officer monitors compliance with security and data protection standards.

Assessment of the opportunity and risk situation by company management
An overall assessment of the current opportunity and risk situation shows that there are no risks which could endanger the Group as a going concern. There are currently no such risks discernible for the future either. All in all, the risks to the BayWa Group are limited and manageable.

Along with potentially non-influenceable or only indirectly influenceable global policy risks and macroeconomic risks, operational risks are also the focus of monitoring. As far as the latter is concerned, the BayWa Group has taken appropriate measures to manage and control risk.

The internal control system (ICS) which monitors accounting processes is also a key component of opportunities and risk management. The BayWa Group has set in place a professional control system, which has been certified in many areas, comprising measures and processes to safeguard its assets and to guarantee the presentation of a true and fair view of the result of operations.

The annual financial statements are drawn up through a centralised process. Compliance with legal framework conditions and rules and regulations pertaining to the Articles of Association during this process is guaranteed by the prescribed accounting standards.

A control system which monitors the accounting process ensures the complete and timely capturing of all business transactions in accordance with the statutory provisions and the regulations laid down under the Articles of Association. Moreover, it serves to guarantee that stocktaking is duly and properly performed and that assets and liabilities are recognised, valued and disclosed appropriately. The control system uses both IT-based and manual control mechanisms to ensure the regularity and reliability of accounting.

(D.) Notes to the Income Statement

The layout of the income statement accords with total cost-type accounting.

(D.1.) Revenues

Revenues and earnings are always recorded at the time when the benefits of and risks associated with the ownership of the goods and products sold and the services provided have passed to the buyer. Revenues and earnings are disclosed minus discounts, rebates and bonuses.

The breakdown by business units and regions can be seen in the segment report (Note E.2.). Owing to the diversified business activities of the individual segments, inter-segment sales are transacted only to a minor extent.

Sales revenues break down as follows:

In EUR million	2010	2009
Goods	7,840.478	7,191.902
Services	62.510	68.342
	7,902.988	**7,260.244**

(D.2.) Other operating income

In EUR million	2010	2009
Rental income	23.471	22.574
Loss from the disposal of assets	31.721	29.470
Gains from the reversal of negative goodwill	0.102	6.515
Income from the release of provisions	11.669	7.424
Reimbursement of expenses	14.762	12.713
Sourcing of employees	4.001	3.767
Advertising allowance	5.133	4.293
Price gains	3.225	9.413
Income from receivables written down/release of value adjustments	5.402	5.866
Other income	27.719	29.741
	127.205	**131.776**

Other income comprises income from licences and numerous other individual positions. Rental income includes gains from incidental costs.

(D.3.) Cost of materials

In EUR million	2010	2009
Expenses for raw materials, consumables and supplies and for goods sourced	6,793.670	6,118.055
Expenses for services outsourced	51.253	49.435
Selling expenses	92.101	76.774
	6,937.024	**6,244.264**

(D.4.) Personnel expenses

In EUR million	2010	2009
Wages and salaries	514.690	499.799
Share-based payment	1.388	1.292
Expenses for old-age pension provisions, support and service units	44.075	46.388
(of which ongoing service cost)	(4.050)	(3.966)
Social insurance levies	73.571	72.140
	633.724	**619.619**

After calculation of the pension provisions under IAS 19, total expenses for old-age pension provisions came to EUR 27.264 million (2009: EUR 26.587 million). Of this amount, a portion of EUR 4.050 million has been disclosed under personnel expenses and a portion of EUR 23.214 million under interest expenses.

Number	2010	2009
Employees		
Annual average (Section 267 para. 5 of the German Commercial Code)	15,220	15,312
of which jointly held companies	82	155
Status: 31 December	16,432	16,177
of which jointly held companies	0	155

(D.5.) Other operating expenses

In EUR million	2010	2009
Vehicle fleet	45.376	40.421
Maintenance	38.974	36.022
Advertising	34.513	34.112
Energy	29.239	29.768
Rent	30.318	28.875
Expenses for staff hired externally	20.804	16.501
Information expenses	12.017	12.485
Commission	9.985	11.112
Insurances	9.185	9.403
Costs of legal and professional advice, audit fees	17.003	17.888
Depreciation /value adjustments of receivables	7.369	7.836
IT costs	2.772	2.313
Travel expenses	7.379	6.767
Office supplies	6.878	6.482
Other tax	6.109	5.803
Administrative expenses	4.434	5.533
Induction and further training	6.544	5.819
Decommissioning and disposal	7.009	7.204
Currency-induced losses	3.482	8.044
Loss from the disposal of assets	2.703	4.049
Other costs	26.157	21.606
	328.250	**318.043**

Other expenses comprise mainly general selling and other costs, such as costs incurred by securing against operating risks.

(D.6.) Income from participating interests recognised at equity and other income from shareholdings

In EUR million	2010	2009
Profit/loss from participating interests recognised at equity	**7.194**	**1.747**
Income from affiliated companies	0.936	0.602
Income from the disposal of affiliated companies	0.001	2.192
Other income from holdings and similar income	14.258	8.877
Write-downs of financial assets and other expenses	- 2.371	- 0.023
Other income from shareholdings	**12.824**	**11.648**
	20.018	**13.395**

Dividend is recorded as and when claim to payout arises.

(D.7.) Interest income and expenses

In EUR million	2010	2009
Interest and similar income	3.286	4.247
(of which from affiliated companies)	(0.321)	(0.422)
Interest from fair value measurement	0.188	0.148
Interest income	**3.474**	**4.395**
Interest and similar expenses	–20.276	–18.909
(of which to affiliated companies)	(–0.173)	(–0.066)
Interest from fair value measurement	–0.143	–0.352
Interest portion of finance leasing	–0.103	–0.063
Interest portion of the transfers to pension provisions and other personnel provisions	–24.669	–25.359
Interest expense	**–45.191**	**–44.683**
Net interest	**–41.717**	**–40.288**

(D.8.) Income tax

Income tax breaks down as follows:

In EUR million	2010	2009
Actual tax	–24.569	–14.982
Deferred taxes	4.273	–0.697
	–20.296	**–15.679**

Actual tax income and expenses comprise the corporate and trade tax of the companies in Germany and comparable taxes of the foreign companies.

Deferred taxes are formed for all temporary differences between the tax-related assigned value and IFRS values as well as the consolidation measures through profit and loss. Moreover, deferred taxes on the assets side of EUR 0.374 million (2009: EUR 0.028 million) were set off against revaluation reserve in equity without effect on income. The taxes on the assets side include tax-reducing claims which arise from the expected utilisation of loss carryforwards in the years ahead, the realisation of which is assured with sufficient probability. These come to EUR 2.407 million (2009: EUR 3.110 million). As part of corporate planning, a time horizon of three years has been assumed here. No deferred tax on the assets side was formed for the loss carryforwards of subsidiaries, which came to EUR 10.392 million as one does not assume their usability. Loss carryforwards of individual Group companies can partly be carried forward within a limited period of time. No tax assets which are eligible as carryforwards are likely to expire.

Deferred taxes are calculated on the basis of the tax rates which prevail or are anticipated given the current legal situation in the individual countries at the time when taxes are levied. The tax rate of BayWa AG remained at 28.18 percent, unchanged from the previous year.

Deferred tax assets and liabilities are allocated to the individual balance sheet items as shown in the table below:

In EUR million	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
Intangible assets and property, plant and equipment	5.759	6.115	68.409	70.961
Financial assets	12.625	13.699	3.511	2.576
Current assets	4.272	1.099	2.330	3.129
Other assets	-.---	1.421	9.135	5.403
Tax loss carryforwards	12.799	9.606	-.---	-.---
Provisions	55.549	57.244	2.086	5.757
Liabilities	12.396	12.875	-.---	0.141
Other liabilities	2.097	0.154	1.677	1.185
Deferred value-adjusted tax assets	-11.953	-9.547	-.---	-.---
Balance	-6.115	-6.140	-6.115	- 6.140
Consolidation	4.415	4.244	19.358	20.505
	91.844	**90.770**	**100.391**	**103.517**

The actual tax expenses are EUR 4.260 million below the amount which would have been incurred if the German tax rate had been applied under the currently prevailing law, plus the solidarity surcharge and the trade tax on the profit of the Group before tax. The mathematical tax rate of 28.18 percent is calculated on the basis of the uniform corporate tax rate of 15.0 percent, plus the solidarity surcharge of 5.5 percent, and an average effective trade tax of 12.35 percent. Deferred tax liabilities were not recognised for subsidiaries and associated companies as the company can control the timing of reversals and because it is therefore probable that the temporary difference will not reverse in the foreseeable future. Deferred taxes on the liabilities side were not formed for temporary differences in an amount of EUR 5.8 million (2009: EUR 5.2 million) from subsidiaries and associated companies.

The table below shows the transition from the computed tax expenses in accordance with the corporate tax rate to the income tax expenses actually disclosed:

In EUR million	2010	2009
Consolidated result before income tax	**87.138**	**75.071**
Mathematical tax rate given a tax rate of 28.18 percent	24.556	21.155
Difference against tax rates abroad	-1.356	-1.192
Tax not relating to the period	-0.938	0.318
Permanent difference changes	-1.080	-0.206
Tax effect due to non-tax deductible expenses	0.743	0.995
Trade tax deductions and additions	-1.074	-1.574
Final consolidation effects	2.463	-0.617
Tax-exempt income	-4.645	- 5.732
Changes in the value adjustments of deferred tax assets	2.405	3.468
Tax effect from equity results	-0.204	-0.065
Other tax effects	-0.574	-0.871
Income tax	**20.296**	**15.679**

(D.9.) Profit share of minority interest

Profit of EUR 16.404 million (2009: EUR 14.345 million) due to other shareholders is mainly attributable to minority shareholders of the Austrian subsidiaries.

(D.10.) Earnings per share

Earnings per share is calculated by taking the proportion of profits of BayWa AG's shareholders divided by the average number of the shares issued in the financial year and bearing dividend. There were no diluting effects.

		2010	2009
Net income adjusted for minority interests	In EUR million	50.438	45.047
Average number of shares issued	Number of shares	34,085,040	33,949,562
Basic earnings per share (EPS)	EUR	1.48	1.33
Diluted earnings per share (EPS)	EUR	1.48	1.33
Proposed dividend per share	EUR	0.50	0.40

(E.) Other Information

(E.1.) Explanations on the Cash Flow Statement of the BayWa Group

The cash flow statement shows how the cash and cash equivalents of the BayWa Group have changed due to cash inflow and outflow during the year under review. The cash and cash equivalents shown in the cash flow statement comprises all liquid funds disclosed in the balance sheet, i.e. cash in hand, checks and deposits in banks. Owing to the fact that the Group conducts its business mainly in the eurozone, the impact of exchange-rate induced changes in cash and cash equivalents is of secondary importance and is therefore not disclosed separately. The funds are not subject to any restraints on disposal.

In accordance with the standards set out under IAS 7, the cash flows from operating activities, investment activities and financing activities are shown separately in the cash flow statement.

The cash flow from operating activities is calculated indirectly, based on consolidated net income. This cash flow is ascertained by adjusting it for non-payment-related expenses (mainly depreciation and amortisation) and income. The cash flow from investing activities is calculated on a payment-related basis and comprises payment-related changes in consolidated non-current assets. The cash flow from financing activities is also ascertained on a payment-related basis and comprises primarily payment-related changes in financing.

Within the scope of indirect calculation of these positions, changes from currency translation and from the group of consolidated companies were eliminated, as they do not impact payments. For this reason, a comparison of these figures with the corresponding figures in the consolidated balance sheet is not possible.

(E.2.) Explanations on the segment report

Dividing up of operations into segments

The segment report provides an overview of the important segments of the BayWa Group. The breakdown of the segments accords with the provisions set out under IFRS 8, which is to be presented in the same form as is submitted to decision makers, namely the Board of Management of BayWa AG, in the respective reports made on a regular basis and which therefore form the basis for strategic decisions. This results in a greater uniformity of the internal and external reporting system. In comparison to the 2009 consolidated financial statements, an additional sub-segment, or business unit, is reported under the Agriculture segment as the “Fruit” sub-segment, formerly comprised under the “Agricultural Trade” sub-segment. Furthermore, all consolidating measures in the financial year 2010 are shown for the first time in a separate column of the segment reporting and no longer allocated to the individual segments as in previous years. To ensure comparability of segment reporting with the previous year, the relevant disclosures were adjusted accordingly.

Segment Reporting by operating segment

Through its Agricultural Trade sub-segment, the Group serves the whole value chain covering the production of agricultural produce. This includes the delivery of agricultural operating resources such as fertilisers, crop protection, seed and feedstuff. The collection, storage and selling of plant-based products are also activities allocated to Agricultural Trade. Along with the sale of agricultural and municipal equipment, the Agricultural Equipment sub-segment also operates workshops providing services. The fruit trading activities of the Group are combined under the Fruit sub-segment.

The Building Materials sub-segment sells building materials for construction and civil engineering. The DIY & Garden Centres sub-segment comprises retail activities.

The Energy sub-segment mainly covers trading activities in mineral oils, fuel and lubricants and the filling station business. The Renewable Energies sub-segment combines the activities of the Group in the field of renewable energies. Business is focused on project development as well as trading and offering a range of services for the operation of photovoltaic, wind power and biogas facilities.

The Other Activities segment mainly comprises trading in consumer goods via the assigned subsidiaries.

Inter-segment sales are shown, along with the sales revenues from business with third parties. in the sub-segments. Sales with other segments were conducted at conditions customary in the market. Any interim profits arising in this context have been eliminated in the consolidated financial statements. In addition, write-downs and write-ups and the financial result per sub-segment are disclosed, along with earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest and tax (EBIT) and earnings before tax (EBT). This is also applicable to the segmental assets, with separate disclosure of the inventories and segmental liabilities. Investments made (excluding financial assets) are also allocated to the sub-segments. This concerns the addition of intangible assets and property, plant and equipment. Moreover, information in the segment report includes the annual average number of employees per sub-segment.

Segment informations by operating segment

In EUR million 31/12/2010	Agricultural Trade	Fruit	Agricultural Equipment	Agriculture	Building Materials (sub-segment)	DIY & Garden Centres	Building Materials	Energy (sub-segment)	Renewable Energies	Energy	Other Activities	Transition	Group
Revenues generated with third parties	2,528.981	102.820	873.317	3,505.118	1,370.829	532.266	1,903.095	2,103.699	254.823	2,358.522	136.253	-.---	7,902.988
Inter-segment revenues	267.817	-.---	7.094	274.911	11.529	30.336	41.865	104.959	12.875	117.834	57.873	- 492.483	-.---
Total revenues	**2,796.798**	**102.820**	**880.411**	**3,780.029**	**1,382.358**	**562.602**	**1,944.960**	**2,208.658**	**267.698**	**2,476.356**	**194.126**	**- 492.483**	**7,902.988**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**76.753**	**5.464**	**19.743**	**101.960**	**25.281**	**22.205**	**47.486**	**17.586**	**24.153**	**41.739**	**58.923**	**- 21.927**	**228.181**
Write-downs/write-ups	- 27.364	- 1.729	- 8.964	- 38.057	- 16.742	- 12.411	- 29.153	- 8.299	- 3.100	- 11.399	- 17.104	- 3.613	- 99.326
Earnings before interest and tax (EBIT)	**49.389**	**3.735**	**10.779**	**63.903**	**8.539**	**9.794**	**18.333**	**9.287**	**21.053**	**30.340**	**41.819**	**- 25.540**	**128.855**
Financial result	- 16.386	- 0.271	- 8.661	- 25.318	- 5.482	- 4.641	- 10.123	- 0.040	- 0.733	- 0.773	35.137	- 20.622	- 21.699
of which: net interest	- 16.386	- 0.271	- 8.661	- 25.318	- 5.482	- 4.641	- 10.123	- 0.040	- 4.507	- 4.547	- 0.655	- 1.074	- 41.717
of which: equity result	-.---	-.---	-.---	-.---	-.---	-.---	-.---	-.---	0.641	0.641	6.553	-.---	7.194
Earnings before tax (EBT)	**33.003**	**3.464**	**2.118**	**38.585**	**3.057**	**5.153**	**8.210**	**9.247**	**16.546**	**25.793**	**41.164**	**- 26.614**	**87.138**
Income tax													- 20.296
Net income													**66.842**
Assets	1,032.378	52.736	363.388	1,448.502	500.311	352.186	852.497	230.998	487.102	718.100	1,079.984	- 845.832	3,253.251
Inventories	492.366	2.179	172.660	667.205	112.534	110.238	222.772	31.735	72.355	104.090	81.576	- 13.314	1,062.329
Liabilities	623.416	17.112	343.533	984.061	328.828	168.799	497.627	306.247	466.429	772.676	515.572	- 522.209	2,247.727
Investments in intangible assets, property, plant and equipment and investment property (incl. company acquisitions)	41.973	3.509	11.973	57.455	26.593	17.685	44.278	11.246	44.050	55.296	9.371	-.---	166.400
Employee annual average	3,675	186	2,776	6,637	4,085	2,477	6,562	940	252	1,192	829	-.---	15,220

In EUR million 31/12/2009	Agricultural Trade	Fruit	Agricultural Equipment	Agriculture	Building Materials (sub-segment)	DIY & Garden Centres	Building Materials	Energy (sub-segment)	Renewable Energies	Energy	Other Activities	Transition	Group
Revenues generated with third parties	2,359.862	83.338	826.621	3,269.821	1,326.980	449.090	1,776.070	1,825.018	12.461	1,837.479	376.874	-.---	7,260.244
Inter-segment revenues	258.454	-.---	5.146	263.600	8.658	26.725	35.383	83.708	-.---	83.708	48.630	- 431.321	-.---
Total revenues	**2,618.316**	**83.338**	**831.767**	**3,533.421**	**1,335.638**	**475.815**	**1,811.453**	**1,908.726**	**12.461**	**1,921.187**	**425.504**	**- 431.321**	**7,260.244**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**56.688**	**4.436**	**21.225**	**82.349**	**32.407**	**22.757**	**55.164**	**24.236**	**1.954**	**26.190**	**70.242**	**- 24.219**	**209.726**
Write-downs/write-ups	- 28.692	- 1.268	- 8.196	- 38.156	- 19.646	- 11.334	- 30.980	- 8.230	- 0.176	- 8.406	- 16.244	- 0.581	- 94.367
Earnings before interest and tax (EBIT)	**27.996**	**3.168**	**13.029**	**44.193**	**12.761**	**11.423**	**24.184**	**16.006**	**1.778**	**17.784**	**53.998**	**- 24.800**	**115.359**
Financial result	- 16.985	- 0.010	- 9.121	- 26.116	- 7.389	- 5.025	- 12.414	- 0.616	- 0.056	- 0.672	30.405	- 18.096	- 26.893
of which: net interest	- 16.985	- 0.010	- 9.121	- 26.116	- 7.389	- 5.025	- 12.414	- 0.616	- 0.082	- 0.698	- 0.218	- 0.842	- 40.288
of which: equity result	-.---	-.---	-.---	-.---	-.---	-.---	-.---	-.---	- 0.067	- 0.067	1.814	-.---	1.747
Earnings before tax (EBT)	**11.011**	**3.158**	**3.908**	**18.077**	**5.372**	**6.398**	**11.770**	**15.390**	**1.696**	**17.086**	**53.780**	**- 25.642**	**75.071**
Income tax													- 15.679
Net income													**59.392**
Assets	941.536	30.031	382.825	1,354.392	527.852	334.798	862.650	207.541	285.579	493.120	901.527	- 672.403	2,939.286
Inventories	409.315	2.589	182.648	594.552	105.670	104.833	210.503	23.919	22.237	46.156	111.368	- 57.574	905.005
Liabilities	611.211	17.092	305.150	933.453	354.710	169.724	524.434	280.771	127.982	408.753	527.067	- 411.901	1,981.806
Investments in intangible assets, property, plant and equipment and investment property (incl. company acquisitions)	39.938	2.660	11.807	54.405	14.216	21.913	36.129	9.718	40.677	50.395	66.342	-.---	207.271
Employee annual average	3,542	186	2,758	6,486	4,217	2,246	6,463	949	23	972	1,391	-.---	15,312

Segment Reporting by region

Beyond reporting under IFRS 8, which does not require secondary segmental information, information on segment reporting by region continues to be disclosed. Consequently, external sales are allocated according to where the customer has its principal place of business; the Group's core markets are in Germany and Austria. Accordingly, these countries are shown separately. Other international operations mainly include the activities of the Group in Eastern Europe.

Segment Reporting by region

	Revenues		Investments		Assets	
In EUR million	2010	2009	2010	2009	2010	2009
Germany	5,159.850	4,872.823	121.974	176.080	2,177.084	2,003.522
Austria	2,123.421	1,916.766	24.601	20.229	933.177	831.545
Other international operations	619.717	470.655	19.825	10.962	142.990	104.219
Group	**7,902.988**	**7,260.244**	**166.400**	**207.271**	**3,253.251**	**2,939.286**

(E.3.) Material Events after the Reporting Date

BayWa AG acquired the heating oil, diesel and Otto fuel, wood pellets and AdBlue business from Diermeier GmbH & Cie. Mineralöl KG, Straubing, and Hermann Diermeier KG, Straubing, by way of an asset deal via its subsidiary Diermeier Energie GmbH, Straubing, on 1 January 2011. Moreover, the acquisition of additional assets from Top Oil GmbH & Cie. Transport KG, Straubing, has been contractually agreed effective 31 March 2011. The provisional acquisition costs of the assets transferred on 1 January 2011 come to EUR 5.457 million.

The purchase prices agreed are as follows:

In EUR million	Purchase price
Intangible assets	2.850
Property, plant and equipment and inventories	2.607
Total purchase price	**5.457**

The acquired intangible assets correspond to the acquired customer base. There was no goodwill from the purchase.

With effect from 1 January 2011, BayWa AG took over the agricultural trading business of Schnell & Söhne KG Agrarhandel, Schwabmünchen, by way of an asset deal. The provisional acquisition costs of the assets transferred on 1 January 2011 come to EUR 3.000 million.

The purchase prices agreed are as follows:

In EUR million	Purchase price
Intangible assets	0.200
Property, plant and equipment and inventories	2.800
Total purchase price	**3.000**

The acquired intangible assets correspond to the acquired customer base. There was no goodwill from the purchase.

With effect from 3 January 2011, BayWa AG acquired 80 percent of the shares in the US company Focused Energy, Inc., Santa Fe in New Mexico, through its second-tier subsidiary BayWa r.e U.S. LLC. As a premium supplier operating in the photovoltaic (PV) system integration business, Focused Energy supplies installers in the USA, especially in the core markets of Arizona, California, Pennsylvania, New Mexico and Hawaii. The product range comprises high-quality PV panels, inverters and mounting systems. Focused Energy, with its 14 employees, generated revenues of USD 43 million and a clearly positive EBIT of approximately USD 4 million in the financial year 2010. This acquisition has enabled BayWa AG to enter the high-growth US market for photovoltaic plants and systems and to gain access to one of the most attractive growth markets in this business outside Europe. The takeover marks another step on the way to implementing BayWa's growth strategy in the renewable energies business. The preliminary purchase price for the acquisition of shares in the company came to EUR 12.9 million. The purchase price allocation required under IFRS 3 had not yet been completed at the time when the financial statements were drawn up.

A syndicate led by RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria, a majority holding of BayWa, is to purchase 89 percent in Austrian OMV Wärme VertriebsGmbH. The syndicate consists of RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria (51 percent), "UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT, Klagenfurt, Austria (27 percent) and BayWa Vorarlberg HandelsGmbH, Lauterach, Austria (11 percent). OMV Refining & Marketing GmbH as the former sole owner will reduce its stake to a financial participation of 11 percent. The purchase of this OMV company is part of BayWa's growth strategy in its core segments. The Group intends to grow in future through acquiring mineral oil traders in the Energy segment. Owing to the still pending approval by the antitrust authorities, providing information within the meaning of IFRS 3 has been waived.

Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria, a majority holding of BayWa AG, and the sugar, starch and fruit group AGRANA will be combining Ybbstaler Fruit Austria GmbH and AGRANA Juice Holding GmbH, both subsidiaries operating in the fruit juice concentrate business, as part of a joint venture. The joint venture, in which AGRANA will hold a stake of 50.01 percent, will be fully consolidated by AGRANA. RWA holds a stake of 49.99 percent which, at the end of five years, can be raised to 50 percent. The headquarters of the joint venture will be located in Kröllendorf, Lower Austria. The combination of the two fruit juice concentrate companies takes account of changing conditions in the markets which have seen concentrate manufacturers and beverage filling companies undergoing a process of accelerating consolidation in recent years. Putting these two companies together will strengthen their competitiveness against the backdrop of the growing globalisation of fruit juice concentrate markets and is another important development in the internationalisation of the BayWa Group. Owing to the still pending approval by the antitrust authorities, providing information within the meaning of IFRS 3 has been waived.

Through its second-tier subsidiary RENERCO Renewable Energy Concepts AG, BayWa AG is set to purchase two approved and ready-to-build onshore wind parks in Great Britain for RWE Npower renewables, a subsidiary of RWE Innogy. The purchase price will be around EUR 17 million. Together the two approved projects have a peak output of 27 MW. Both onshore wind parks, one in England and the other in Scotland, are scheduled for completion by the end of 2012 at the latest.

(E.4.) Litigation

Neither BayWa AG nor any of its group companies are involved in a court case or arbitration proceedings which could have a major impact on the economic situation of the Group, either now or in the past two years. Such court cases are also not foreseeable. Provisions have been made in an appropriate amount at the respective Group companies for any financial burdens arising from a court case or arbitration proceedings and/or there is an appropriate insurance cover.

(E.5.) Information pursuant to Section 160 para. 1 item 8 German Stock Corporation Act

Pursuant to the German Securities Trading Act, any shareholder who reaches, exceeds, or falls below a threshold of 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights of a listed company is required to inform the company and German Financial Supervisory Authority (BaFin) without delay. BayWa AG was informed of the following holdings (the proportion of voting rights relates to the time when notification was made and may therefore be meanwhile outdated):

Pursuant to Section 41 para. 2 in conjunction with Section 21 para. 1 of the German Securities Trading Act, Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, informed us on 4 April 2002 that the proportion of its voting rights in our company came to 37.51 percent on 1 April 2002.

On **12 November 2007**, we were informed by SKAGEN AS, Stavanger (Norway), that the fund SKAGEN Global, which is under management by SKAGEN AS, exceeded the threshold of 3 percent of the voting rights in BayWa AG on 9 November 2007 and that the proportion of voting rights at this time came to 3.18 percent (1,076,340 voting rights).

On **7 August 2008**, we were informed by S.W. Mitchell Capital LLP, London (England), that on 31 July 2008 S.W. Mitchell Capital LLP had fallen below the threshold of 3 percent of the voting rights in BayWa AG and, on this date, held 2.9949 percent of the voting rights (the equivalent of 977,740 voting rights). 2.9949 percent of the voting rights in BayWa AG (calculated from 977,740 voting rights) are apportionable to S.W. Mitchell Capital LLP pursuant to Section 22 para. 1 sentence 1 item 6 of the German Securities Trading Act.

SMALLCAP World Fund, Inc., Los Angeles (USA), informed on **5 January 2009** that, pursuant to Section 21 para. 1 of the German Securities Trading Act, the share of SMALLCAP World Fund, Inc., in the voting rights of BayWa AG had fallen below the threshold of 3 percent on 30 December 2008. On this date, SMALLCAP World Fund, Inc. held 2.96 percent of all voting rights in BayWa AG (voting rights accruing from 1,004,190 ordinary shares).

Capital Research and Management Company, Los Angeles (USA), informed us on **27 January 2009** that, pursuant to Section 21 para. 1 of the German Securities Trading Act, the share of Capital Research and Management Company in the voting rights of BayWa AG had fallen below the threshold of 3 percent on 23 January 2009. On this date, Capital Research and Management Company held 2.98 percent of all voting rights in BayWa AG (1,013,176 ordinary shares). 2.98 percent (1,013,176 ordinary shares) of all voting rights in BayWa AG were assigned to Capital Research and Management Company pursuant to Section 22 para. 1 sentence 1 item 6 of the German Securities Trading Act.

RWA Verbundservice GmbH, Mödling (Austria), informed us on **30 January 2009** that, pursuant to Section 21 para. 1 of the German Securities Trading Act, the share of voting rights of RWA Verbundservice GmbH in BayWa AG had exceeded the respective thresholds of 3, 5 and 10 percent of the voting rights on 30 January 2009 and that RWA Verbundservice GmbH held 10.31 percent of the voting rights on this date, which corresponds to 3,500,625 votes. On 9 February 2009, RWA Verbundservice GmbH informed us that RWA Management, Service und Beteiligungen GmbH, Vienna (Austria), is the sole shareholder of RWA Verbundservice GmbH.

‘KORMUS’ Holding GmbH, Vienna (Austria), informed us on **5 February 2009** (thereby correcting the notification of 8 October 2008 which has meanwhile been withdrawn) that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, its share of the voting rights in BayWa AG had exceeded the threshold of 3, 5 and 10 percent on 23 September 2008 and that the whole share in the voting rights came to 14.08 percent (4,770,940 voting rights) on 23 September 2008. A proportion of the voting rights of 14.08 percent (the equivalent of 4,770,940 voting rights) was apportionable to 'KORMUS' Holding GmbH pursuant to Section 22 para. 1 sentence item 1 of the German Securities Trading Act. Pursuant to Section 22 para. 1 sentence 1 item 1 of the German

Securities Trading Act, these voting rights were apportionable to it via LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG.

‘LAREDO’ Holding GmbH, Vienna (Austria), informed us on **5 February 2009** (thereby correcting the notification of 8 October 2008 which has meanwhile been withdrawn) that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, its share of the voting rights in BayWa AG had exceeded the threshold of 3, 5 and 10 percent on 30 September 2008 and that the whole share in the voting rights came to 14.82 percent (5,021,989 voting rights) on 30 September 2008. Of these voting rights, 14.82 percent (5,021,989 voting rights) were apportioned to 'LAREDO' Beteiligungs GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act. They were apportionable to it via 'KORMUS' Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act.

Raiffeisen-Holding Niederösterreich Wien reg. Gen.m.b.H, Vienna, Austria, [SK12]informed us on **5 February 2009** (thereby correcting the notification of 8 October 2008 which has meanwhile been withdrawn) that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, the apportioned share of the voting rights in BayWa AG had exceeded the thresholds of 3, 5 and 10 percent on 23 September 2008 and that the whole share in the voting rights came to 14.08 percent (4,770,940 voting rights) on 23 September 2008. Of these voting rights, 14.08 percent (4,770,940 voting rights) were apportionable to Raiffeisen-Holding Niederösterreich Wien reg. Gen.m.b.H pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act.

Raiffeisen-Holding Niederösterreich Wien reg. Gen.m.b.H, Vienna (Austria), informed us on **16 July 2009** that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, the apportioned share of the voting rights in BayWa Aktiengesellschaft, Arabellastraße 4, 81925 Munich, Germany, exceeded the thresholds of 15, 20 and 25 on 15 July 2009 and that the whole share in the voting rights came to 25.12 percent (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009. Of these voting rights, 25.12 percent (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) were apportionable to Raiffeisen-Holding Niederösterreich Wien reg. Gen.m.b.H pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act. These voting rights were apportionable to Raiffeisen-Holding Niederösterreich Wien reg. Gen.m.b.H via 'LAREDO' Beteiligungs GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act.

'LAREDO' Beteiligungs GmbH, Vienna, Austria, informed us on **16 July 2009** that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, the apportioned share of the voting rights in BayWa Aktiengesellschaft, Arabellastraße 4, 81925 Munich, Germany, exceeded the thresholds of 15, 20 and 25 on 15 July 2009 and that the whole share in the voting rights came to 25.12 percent (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009. Of these voting rights, 25.12 percent (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) were apportioned to 'LAREDO' Beteiligungs GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act. These voting rights were apportionable to 'LAREDO' Beteiligungs GmbH via 'KORMUS' Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act.

LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna, Austria, informed us on **16 July 2009** that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, the apportioned share of the voting rights in BayWa Aktiengesellschaft, Arabellastraße 4, 81925 Munich, Germany, exceeded the thresholds of 15, 20 and 25 on 15 July 2009 and that the whole share in the voting rights came to 25.12 percent (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009. Of these voting rights, 25.12 percent were apportionable to LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act. These voting rights were apportionable to LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG via Raiffeisen Agrar Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act.

'KORMUS' Holding GmbH, Vienna, Austria, informed us on **16 July 2009** that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, the apportioned share of the voting rights in BayWa Aktiengesellschaft, Arabellastraße 4, 81925 Munich, Germany, exceeded the thresholds of 15, 20 and 25 on 15 July 2009 and that the whole share in the voting rights came to 25.12 percent (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009. Of these voting rights, 25.12 percent (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) were apportionable to 'KORMUS' Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act. These voting rights were apportionable to 'KORMUS' Holding GmbH via LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act.

Raiffeisen Agrar Holding GmbH, Vienna, Austria, informed us on **16 July 2009** that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, the apportioned share of the voting rights in BayWa Aktiengesellschaft, Arabellastraße 4, 81925 Munich, Germany, exceeded the thresholds of 15, 20 and 25 on 15 July 2009 and that the whole share in the voting rights came to 25.12 percent (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009. Of these voting rights, 25.12 percent (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) were apportionable to Raiffeisen Agrar Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act. These voting rights were apportionable to Raiffeisen Agrar Holding GmbH via Raiffeisen Agrar Invest GmbH (direct holder of the voting rights) pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act.

RWA Raiffeisen Ware Austria Handel- und Vermögensverwaltung reg. Gen.m.b.H., Vienna, Austria, informed us on **16 July 2009** that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, the apportioned share of the voting rights in BayWa Aktiengesellschaft, Arabellastraße 4, 81925 Munich, Germany, had fallen below the thresholds of 10, 5 and 3 percent on 15 July 2009 and that the whole share in the voting rights amounts to 0 percent (the equivalent of 0 voting rights). To date a share in the voting rights of 10.33 percent (the equivalent of 3,510,684 voting rights) was apportionable to RWA Raiffeisen Ware Austria Handel- und Vermögensverwaltung reg. Gen.m.b.H. pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act via the following companies which are controlled by RWA Raiffeisen Ware Austria Handel- und Vermögensverwaltung reg. Gen.m.b.H.:
- RWA Management, Service und Beteiligungen GmbH and
- RWA Verbundservice GmbH.

RWA Management, Service und Beteiligungen GmbH is a wholly-owned subsidiary of RWA Raiffeisen Ware Austria Handel- und Vermögensverwaltung reg. Gen.m.b.H. RWA Verbundservice GmbH was a wholly-owned subsidiary of RWA Management, Service und Beteiligungen GmbH and was combined with Raiffeisen Agrar Invest GmbH with effect from 15 July 2009.

RWA Management, Service und Beteiligungen GmbH, Vienna, Austria, informed us on **16 July 2009** that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act, the apportioned share of the voting rights in BayWa Aktiengesellschaft, Arabellastraße 4, 81925 Munich, Germany, had fallen below the thresholds of 10, 5 and 3 percent on 15 July 2009 and that the whole share in the voting rights amounts to 0 percent (the equivalent of 0 voting rights). To date a share in the voting rights of 10.33 percent (the equivalent of 3,510,684 voting rights) was apportionable to RWA Management, Service und Beteiligungen GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act via the following companies which are controlled by RWA Management, Service und Beteiligungen GmbH:
- RWA Verbundservice GmbH.

RWA Verbundservice GmbH was a wholly-owned subsidiary of RWA Management, Service und Beteiligungen GmbH and was combined with Raiffeisen Agrar Invest GmbH with effect from 15 July 2009.

On **8 September 2009**, we received the following notification from KORMUS Holding GmbH, Friedrich-Wilhelm-Raiffeisen-Platz 1, in 1020 Vienna, Austria, Company Register no. FN 241822X:
"We herewith inform you that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG), the share of the voting rights in BayWa Aktiengesellschaft, Arabellastraße 4, 81925 Munich, Germany, apportioned to us had fallen below

the thresholds of 25, 20, 15, 10, 5, and 3 percent on 8 September 2009 and that the whole share in the voting rights amounts to 0 percent (the equivalent of 0 voting rights).

To date a share in the voting rights of 25.12 percent (the equivalent of 8,533,673 voting rights) was apportionable to us pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act via LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG. As a result of a demerger, 16,329,226 of the shares formerly held by us in LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG (the equivalent of 50.05 percent of the shares and the voting rights) were directly transferred to 'LAREDO' Beteiligungs GmbH, our direct parent company, with effect from 8 September 2009."

SKAGEN AS, Skagen 3, 4006 Stavanger, Norway, informed us on **15 December 2010** that, pursuant to Section 21 para. 1 of the German Securities Trading Act, the share of SKAGEN AS in the voting rights of BayWa AG, Arabellastraße 4, 81925 Munich, Germany, exceeded the threshold of 5 percent on 7 February 2008. On this date, SKAGEN AS held 5.09 percent of all voting rights in BayWa AG, which corresponds to 1,724,029 ordinary shares.
3.80 percent of the voting rights in BayWa AG, corresponding to 1,286,829 ordinary shares, are held by SKAGEN Global verdipapirfond and are allocable to SKAGEN AS pursuant to Section 22 para. 1 sentence 1 item 6 of the German Securities Trading Act.

SKAGEN AS, Skagen 3, 4006 Stavanger, Norway, informed us on **15 December 2010** that, pursuant to Section 21 para. 1 of the German Securities Trading Act, the share of SKAGEN AS in the voting rights of BayWa AG, Arabellastraße 4, 81925 Munich, Germany, fell below the threshold of 5 percent on 4 November 2010. On this date, SKAGEN AS held 4.92 percent of all voting rights in BayWa AG, which corresponds to 1,682,724 ordinary shares.
3.51 percent of the voting rights in BayWa AG, corresponding to 1,201,141 ordinary shares, are held by SKAGEN Global verdipapirfond and are allocable to SKAGEN AS pursuant to Section 22 para. 1 sentence 1 item 6 of the German Securities Trading Act.

SKAGEN AS, Skagen 3, 4006 Stavanger, Norway, informed us on **17 December 2010** that, pursuant to Section 21 para. 1 of the German Securities Trading Act, the share of SKAGEN AS in the voting rights of BayWa AG, Arabellastraße 4, 81925 Munich, Germany, fell below the threshold of 3 percent on 14 December 2010. On this date, SKAGEN AS held 2.45 percent of all voting rights in BayWa AG, which corresponds to 838,495 ordinary shares.
2.45 percent of the voting rights in BayWa AG, corresponding to 838,495 ordinary shares, are held by SKAGEN Global verdipapirfond and are allocable to SKAGEN AS pursuant to Section 22 para. 1 sentence 1 item 6 of the German Securities Trading Act.

(E.6.) Related Party Disclosures

Under IAS 24, related parties are defined as companies and individuals where one of the parties has the possibility of controlling the other or of exerting a significant influence on the financial and business policies of the other.

A significant influence within the meaning of IAS 24 is constituted by participation in the financial and operating policies of the company but not the control of these policies. Significant influence may be exercised in several ways, usually by representation on the board of management or on the management and/or supervisory executive bodies, but also by participation, the instance, in the policy-making process through material intra-group transactions, by interchange of managerial personnel or by dependence on technical information. Significant influence may be gained by share ownership, statute or contractual agreement. With a share ownership, significant influence is presumed in accordance with the definition under IAS 28 "Accounting for Investments in Associates" if a shareholder owns 20 percent or more of the voting rights, either directly or indirectly, unless this supposition is clearly refuted. Significant influence can be deemed irrefutable if the policy of a company can be influenced, for instance, by the corresponding appointing of members to the supervisory executive bodies.

In relation to the shareholder group of BayWa AG, irrefutable supposition of a significant influence would be given due to the position of Beilngries-based Bayerische Raiffeisen-Beteiligungs-AG. Evidence can, however, be provided that Bayerische Raiffeisen-Beteiligungs-AG is a pure financial holding, the organisation and structure of which is not in any way designed to exert an influence on BayWa AG. In addition, the Group has not carried out any business transactions with Bayerische Raiffeisen-Beteiligungs-AG in the current year within the meaning of IAS 24 which need to be reported here.

Transactions with related parties are shown in the table below:

In EUR million 2010	Supervisory Board	Board of Management	Bayerische Raiffeisen-Beteiligungs-AG	Non-consolidated companies > 50%	Non-consolidated companies > 20%<50%
Receivables	0	0	0	8	16
Liabilities	0	0	0	9	2
Interest income	0	0	0	0	0
Interest expenses	0	0	0	0	0
Revenues	0	0	0	12	98

In EUR million 2009	Supervisory Board	Board of Management	Bayerische Raiffeisen-Beteiligungs-AG	Non-consolidated companies > 50%	Non-consolidated companies > 20%<50%
Receivables	0	0	0	15	4
Liabilities	0	0	0	6	4
Interest income	0	0	0	0	0
Interest expenses	0	0	0	0	0
Revenues	0	0	0	10	71

The transactions conducted with related parties relate to the sale of goods and financing. All transactions with the aforementioned companies and persons are conducted under conditions that would apply to third parties (arm's length).

Members of the Board of Management or of the Supervisory Board of BayWa AG are members in supervisory boards or board members of other companies with which BayWa AG maintains business relations in the course of normal business. All transactions with the aforementioned companies and persons are conducted under conditions that would apply to third parties (arm's length).

(E.7.) Fees of the Group auditor

The following fees paid to the Group auditor Deloitte & Touche GmbH Wirtschaftsprüfungs-gesellschaft were recognised as expenses at BayWa AG and its subsidiaries:

In EUR million	2010	2009
For audits carried out	0.585	0.545
For other consultancy services	0.056	0.026
For tax consultancy services	0.036	0.037
For other services	0.353	0.238

(E.8.) Executive and supervisory bodies of BayWa AG

Please see pages 1 to 9

(E.9.) Total remuneration of the Board of Management and the Supervisory Committees

The remuneration of the Advisory Council amounts to EUR 0.083 million (2009: EUR 0.083 million). The total remuneration of the Supervisory Board comes to EUR 0.463 million (2009: EUR 0.321 million); of this amount EUR 0.192 million (2009: EUR 0.131 million) variable. The remuneration paid to the Board of Management comes to EUR 7.281 million (2009: EUR 5.352 million) and breaks down as follows:

In EUR million	2010	2009
Total remuneration of the Board of Management	7.281	5.352
Of which:		
- ongoing remuneration	5.109	3.711
- non-cash benefits	0.077	0.112
- transfers to pension provisions	0.325	0.364
- Benefits upon termination of the employment relationship	1.770	1.165
The ongoing remuneration of the Board of Management is split up into		
- fixed salary components	2.587	2.483
- variable salary components - short term	1.272	1.228
- variable salary components - long term	1.250	0.000

An amount of EUR 3.259 million (2009: EUR 3.281 million) has been set aside for former members of the Board of Management of the BayWa Group and their dependents. Pension provisions for former members of the Board of Management and their dependents are disclosed in an amount of EUR 31.679 million (2009: EUR 32.024 million).

In its meeting on 18 June 2010, the Annual General Meeting of Shareholders passed a resolution pursuant to Section 286 para. 5 German Commercial Code to the effect that, in the preparation of the financial statements of the Group and of BayWa AG, the information required under Section 285 sentence 1 item 9 letter a sentences 5 to 8 of the German Commercial Code and pursuant to Section 314 para. 1 item 6 letter a sentences 5 to 8 of the German Commercial Code in the notes to the financial statements at company and at Group level shall be waived for the financial year 2010 and for the next four years.

(E.10.) Ratification of the consolidated financial statements and disclosure

The consolidated financial statements were released for publication by the Board of Management of BayWa AG on 28 February 2011.

In accordance with Section 264 III German Commercial Code, the following companies, as subsidiaries included in the consolidated financial statements of BayWa AG, do not apply the regulations governing disclosure (Section 325 et. seq. German Commercial Code):

- TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, Stuttgart
- BayWa Handels-Systeme-Service GmbH, Munich
- BayWa Finanzbeteiligungs-GmbH, Munich

(E.11.) Proposal for the appropriation of profit

As the company which heads up the BayWa Group, BayWa AG discloses profit available for distribution of EUR 17,052,270 in its financial statements as at 31 December 2010 which were drawn up in accordance with German accounting standards (German Commercial Code) and adopted by the Supervisory Board on 29 March 2011. The Board of Management and the Supervisory Board will propose the following use of this amount to the Annual General Meeting of Shareholders on 15 June 2011.

Dividend of EUR 0.50 per share	EUR 17,052,270.00
Transfer to other revenue reserves	EUR 0.00
	EUR 17,052,270.00

The amount earmarked for distribution to the shareholders will be reduced by the portion of the shares owned by BayWa AG at the time when the resolution on profit appropriation was made. Pursuant to Section 71b of the German Stock Corporation Act, these shares are not entitled to dividend. This portion will be additionally transferred to other revenue reserves.

(E.12.) German Corporate Governance Code

The Board of Management and the Supervisory Board of BayWa AG submitted the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act on 4 August 2010, and have made it permanently accessible to the shareholders on the company's website under baywa.de/en/corporate-governance.

Munich, 28 February 2011

BayWa Aktiengesellschaft

The Board of Management
Klaus Josef Lutz
Klaus Buchleitner
Andreas Helber
Dr. Josef Krapf
Roland Schuler

Group Holdings of BayWa AG as per 31 December 2010

Name and principal place of business	Share in capital in percent

Subsidiaries included in the group of consolidated companies

"UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria	51.1
AFS Franchise-Systeme GmbH, Vienna, Austria	100.0
Agroterra Warenhandel und Beteiligungen GmbH, Vienna, Austria	100.0
Aufwind Neue Energien GmbH, Regensburg	50.0
Aufwind Nuevas Energias, Sociedad Limitada, Barcelona, Spain	100.0
Aufwind Schmack Betriebs GmbH & Co. Achtzehnte Biogas KG, Regensburg	100.0
Aufwind Schmack Betriebs GmbH & Co. Neunzehnte Biogas KG, Regensburg	100.0
Aufwind Schmack Betriebs GmbH & Co. Zwanzigste Biogas KG, Regensburg	100.0
Aufwind Schmack Betriebs GmbH & Co. Zweiundzwanzigste Biogas KG, Regensburg	100.0
Aufwind Schmack Első Biogáz Szolgáltató Kft., Békéscsaba, Hungary	100.0
Bauzentrum Westmünsterland GmbH & Co. KG, Ahaus	100.0
Bayerische Futtersaatbau GmbH, Ismaning	72.7
BayWa Finanzbeteiligungs-GmbH, Munich	100.0
BayWa Handels-Systeme-Service GmbH, Munich	100.0
BayWa r.e GmbH, Munich	100.0
BayWa Vorarlberg HandelsGmbH, Lauterach, Austria	51.0
BayWa-Tankstellen-GmbH, Munich	100.0
BOR. s.r.o., Choceň, Czech Republic	92.8
Brands + Schnitzler Tiefbau-Fachhandel GmbH & Co. KG, Mönchengladbach	100.0
bs Baufachhandel Brands & Schnitzler GmbH & Co. KG, Mönchengladbach	100.0
Claas Südostbayern GmbH, Munich	90.0
DRWZ-Beteiligungsgesellschaft mbH, Munich	64.3
EUROGREEN CZ s.r.o., Jiřetín pod Jedlovou, Czech Republic	100.0
EUROGREEN GmbH, Betzdorf	100.0
EUROGREEN Schweiz AG, Zuchwil, Switzerland	100.0
F. Url & Co. Gesellschaft m.b.H., Unterpremstätten, Austria	100.0
Frucom Fruitimport GmbH Hamburg (formerly Mobau-Marba GmbH, Herten)	100.0
Garant-Tiernahrung Gesellschaft m.b.H., Pöchlarn, Austria	100.0
GENOL Gesellschaft m.b.H. & Co. KG, Vienna, Austria	71.0
IFS S.r.l., Bolzano, Italy	51.0
IPV Immobilien Projektentwicklungs- und Verwertungs- GmbH & Co. KG, Munich	100.0
Les Eoliennes de Saint Fraigne SARL, Strasbourg, France	24.5 [1]
Livas 1 EPE, Kalamata, Greece	94.0
Lukta Polska Sp. z o.o., Warsaw, Poland	100.0
MHH France S.A.S., Toulouse, France	90.0
MHH Solartechnik GmbH, Tübingen	100.0
Net Environment S.L.U., Barcelona, Spain	100.0
Neuilly Saint Front Energies SAS, Bègles, France	70.0

Name and principal place of business	Share in capital in percent
r.e Biomethan GmbH, Regensburg	100.0
Raiffeisen Agro d.o.o., Beograd, Serbia	100.0
Raiffeisen-Agro Magyaroszág Kft., Székesfehérvár, Hungary	100.0
Raiffeisen-Kraftfutterwerke Süd GmbH, Würzburg	85.0
Raiffeisen-Lagerhaus GmbH, Bruck an der Leitha, Austria	89.9
Raiffeisen-Lagerhaus Investitionsholding GmbH, Vienna, Austria	100.0
RENERCO Beteiligungs GmbH, Munich	100.0
RENERCO Energies SAS, Strasbourg, France	100.0
Renerco Renewable Energy Concepts AG, Munich	87.8
RI-Solution GmbH Gesellschaft für Retail-Informationssysteme, Services und Lösungen mbH, Munich	100.0
RWA International Holding GmbH, Vienna, Austria	100.0
RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria	50.0 [2]
RWA SLOVAKIA spol. s r.o., Bratislava, Slovakia	100.0
Schradenbiogas GmbH & Co. KG, Gröden	94.5
Sempol spol. s r.o., Trnava, Slovakia	100.0
TechnikCenter Grimma GmbH, Mutzschen	70.0
TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, Stuttgart	100.0
Umspannwerk Gürtelkopf GmbH & Co. KG, Munich	100.0
Umspannwerk Klein Bünsdorf GmbH & Co. KG, Munich	100.0
Unterstützungseinrichtung der BayWa AG in München GmbH, Munich	100.0
Ventus Vorpommern GmbH & Co. Windpark 1 KG, Munich	100.0
Voss GmbH & Co. KG, Coesfeld	100.0
Voyennes Energies SAS, Bègles, France	100.0
Wind am Speckberg GmbH, Munich	100.0
Wind Park Kamionka Sp. z o.o., Kamionka, Poland	54.0
Windpark Everswinkel GmbH & Co. KG, Grünwald	25.0 [1]
Windpark Everswinkel II GmbH & Co. KG, Grünwald	100.0
Windpark Kamionka GmbH, Grünwald	100.0
Windpark Namborn GmbH & Co. KG, Munich	25.0 [1]
Windpark Wegeleben GmbH & Co. KG, Munich	100.0
WP EWL Infrastruktur GmbH & Co. KG, Munich	100.0
Ybbstaler Fruit Austria GmbH, Kröllendorf, Austria	100.0
Ybbstaler Fruit Polska Sp. z o.o., Chelm, Poland	99.9
ZES Zentrale Einkaufs-Service GmbH, Munich	100.0

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1 Minority holding with the right to raise participating interest

2 Voting right majority

Name and principal place of business	Share in capital in percent
Subsidiaries not included in the group of consolidated companies	
Agrarproduktenhandel GmbH, Klagenfurt, Austria	100.0
AgroMed Austria GmbH, Kremsmünster, Austria	80.0
Agro-Property Kft., Kecskemét, Hungary	100.0
Agrosaat d.o.o., Ljubljana, Slovenia	100.0
Aufwind Biogas Betriebsgesellschaft mbH, Munich	100.0
Aufwind Schmack Nowa Energia Sp. z o.o., Poznań, Poland	90.0
Bautechnik Gesellschaft m.b.H., Linz, Austria	100.0
BayWa Assekuranz-Vermittlung GmbH, Munich	100.0
BayWa CS GmbH, Munich	100.0
BayWa Energie Dienstleistungs GmbH, Munich	100.0
BayWa Hungária Kft., Székesfehérvár, Hungary	100.0
BayWa InterOil Mineralölhandelsgesellschaft mbH, Munich	100.0
BayWa-Lager und Umschlags GmbH, Munich	100.0
Brands + Schnitzler Tiefbau-Fachhandel Verwaltungs GmbH, Mönchengladbach	100.0
bs Baufachhandel Brands & Schnitzler Verwaltungs-GmbH, Mönchengladbach	100.0
Capella Energies SAS, Strasbourg, France	93.0
Celieno Energies SAS, Strasbourg, France	93.0
CLAAS Main-Donau GmbH & Co. KG, Vohburg	100.0
CLAAS Nordostbayern GmbH & Co. KG, Munich	100.0
Danufert Handelsgesellschaft mbH, Vienna, Austria	60.0
Danugrain GmbH, Krems an der Donau, Austria	60.0
Diermeier Energie GmbH, Straubing	100.0
Donau-Tanklagergesellschaft mbH, Deggendorf	100.0
DTL Donau-Tanklagergesellschaft mbH & Co. KG, Deggendorf	100.0
Eoliennes de la Benate SARL, Strasbourg, France	100.0
Felis Energies SAS, Strasbourg, France	93.0
GEM WIND FARM 1 Ltd., Manchester, Great Britain	100.0
GEM WIND FARM 2 Ltd., Manchester, Great Britain	100.0
Genam Energies SAS, Strasbourg, France	93.0
GENOL Gesellschaft m.b.H., Vienna, Austria	71.0
Graninger & Mayr Gesellschaft m.b.H., Vienna, Austria	100.0
GVB Grundstücksverwaltungs- und Beteiligungs GmbH & Co. KG, Munich	100.0
GVB Verwaltungsgesellschaft mbH, Munich	100.0
HERA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna, Austria	51.0
Hungaro-Ybbstal Kft., Vesprém, Hungary	100.0
Immobilia plus s.r.o., Choceň, Czech Republic	100.0
Immobilienvermietung Gesellschaft m.b.H., Traun, Austria	100.0
Jannis Beteiligungsgesellschaft mbH (formerly BKN TechnikCenter GmbH), Munich	100.0
Karl Theis GmbH, Munich	100.0

Name and principal place of business	Share in capital in percent
Lesia a.s., Stražnice, Czech Republic	100.0
Magyar "Agrár-Ház" Kft., Székesfehérvár, Hungary	100.0
MD-Betriebs-GmbH, Munich	100.0
Menka Energies SAS, Strasbourg, France	93.0
NOB-Betriebs-GmbH, Munich	100.0
Parco Solare Citrino S.r.l., Bressanone, Italy	100.0
Parco Solare Eliodoro S.r.l., Bressanone, Italy	100.0
Parco Solare Rubino S.r.l., Bressanone, Italy	100.0
Parco Solare Smeraldo S.r.l., Bressanone, Italy	100.0
Parco Solare Tobazio S.r.l., Bressanone, Italy	100.0
Parco Solare Zaffiro S.r.l., Bressanone, Italy	100.0
Polaris Energies SAS, Strasbourg, France	93.0
Prokyon Energies SAS, Strasbourg, France	93.0
Pyxis Energies SAS, Strasbourg, France	93.0
Raiffeisen Trgovina d.o.o., Lenart, Slovenia	100.0
Raiffeisen Waren GmbH Nürnberger Land, Hersbruck	52.0
RENERCO GEM 1 GmbH, Munich	100.0
RENERCO GEM 2 GmbH, Munich	100.0
RENERCO Sud-Est S.R.L, Bucharest, Romania	100.0
Renewable Energy Harvest Nine GmbH & Co. KG, Grünwald	100.0
Ri-Solution Data GmbH, Vienna, Austria	100.0
RI-Solution Service GmbH, Auerbach	100.0
RUG Raiffeisen Umweltgesellschaft m.b.H., Korneuburg, Austria	75.0
RWA RAIFFEISEN AGRO d.o.o., Zagreb, Croatia	100.0
S.C. Ybbstal-Frucht Romania s.r.l., Oradea, Romania	100.0
Saatzucht Gleisdorf Gesellschaft m.b.H., Gleisdorf, Austria	66.7
Saint Solis Energies SAS, Strasbourg, France	93.0
Schradenbiogas Betriebsgesellschaft mbH, Munich	100.0
Solarpark Lepus GmbH & Co. KG, Grünwald	100.0
Solarpark Lupus GmbH & Co. KG, Grünwald	100.0
Solarpark Scorpius GmbH & Co. KG, Grünwald	100.0
Solarpark Taurus GmbH & Co. KG, Grünwald	100.0
Spica Energies SAS, Strasbourg, France	93.0
Süd-Treber Gesellschaft mit beschränkter Haftung, Stuttgart	100.0
Syrma Energies SAS, Strasbourg, France	93.0
Talita Energies SAS, Strasbourg, France	93.0
Tierceline Energies SAS, Strasbourg, France	100.0
WHG Liegenschaftsverwaltung GmbH, Klagenfurt, Austria	100.0
Wind Park Belzyce Sp. z o.o., Warsaw, Poland	50.0
Wind Park Kotla Sp. z o.o., Warsaw, Poland	100.0

Name and principal place of business	Share in capital in percent
Wind Park Lipnica Sp. z o.o., Nowy Targ, Poland	100.0
Windpark GHN GmbH & Co. KG, Grünwald	100.0
Windpark Selmsdorf II GmbH & Co. KG, Munich	100.0
Wingenfeld Energie GmbH (formerly BayWa Hessen Energie GmbH), Hünfeld	100.0
Ybbstaler Getränke Grundstoffe Vertriebsgesellschaft m.b.H, Munich	100.0
Yo-Pol Sp. z o.o., Warsaw, Poland	60.0
Associated companies included under the equity method	
AHG Autohandelsgesellschaft mbH, Horb am Neckar	98.0
BVT Technische Anlagen GmbH & Co. Blockheizkraftwerke KG, Munich	34.7
CRE Project S.r.l., Matera, Italy	49.0
Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main	37.8
EAV Energietechnische Anlagen Verwaltungs-GmbH, Staßfurt	49.0
EEV Beteiligungs GmbH, Grünwald	49.0
Frisch & Frost Nahrungsmittel-Gesellschaft m.b.H., Hollabrunn, Austria	25.0
HKW Cottbus VerwaltungsgmbH, Munich	33.3
HKW-Pool Verwaltungs-GmbH, Munich	33.3
Parque Eólico La Carracha S.L., Zaragoza, Spain	33.1
Parque Eólico Plana de Jarreta S.L., Zaragoza, Spain	32.2
Raiffeisen Beteiligungs GmbH, Frankfurt am Main	47.4
Süddeutsche Geothermie-Projekte GmbH & Co. KG, Haar near Munich	50.0
Süddeutsche Geothermie-Projekte Verwaltungs GmbH, Haar near Munich	50.0
Associated companies of secondary importance not included under the equity method	
AHG Automobilcenter GmbH, Horb am Neckar	100.0
AHG Servicegesellschaft mbH, Horb am Neckar	100.0
BAG-Autohandelsgesellschaft mbH, Bopfingen	100.0
Ba-Rie Grundstücksgesellschaft mbH, Landsberg am Lech	50.0
BHG Autohandelsgesellschaft mbH, Kehl	100.0
BHG Bau-Heimwerker-Garten-Center Landsberg GmbH, Landsberg am Lech	50.0
BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH, Munich	25.0
BRVG Bayerischer Raiffeisen- und Volksbanken Verlag GmbH, Munich	25.0
Chemag Agrarchemikalien GmbH, Frankfurt am Main	30.0
DIYCO Einkaufsgesellschaft mbH, Munich	50.0
H-Ppack CVBA, Sint-Truiden, Belgium	50.0
InterSaatzucht GmbH & Co. KG, Munich	40.0
Intersaatzucht Verwaltungs GmbH, Munich	40.0
Kärntner Saatbaugenossenschaft reg.Gen.m.b.H., Klagenfurt, Austria	33.3
Kartoffel-Centrum Bayern GmbH, Rain am Lech	50.0
KIRKA Grundstücksgesellschaft mbH & Co. KG, Grünwald	100.0 [3]
Lagerhaus Technik-Center GmbH & Co. KG, Korneuburg, Austria	32.1
Lagerhaus Technik-Center GmbH, Korneuburg, Austria	34.1

Name and principal place of business	Share in capital in percent
Land 24 Gesellschaft mit beschränkter Haftung, Frankfurt am Main	24.9
LLT Lannacher Lager- und Transport Ges. m.b.H., Korneuburg, Austria	50.0
Obst vom Bodensee Vertriebsgesellschaft mbH, Oberteuringen	50.0
raiffeisen.com GmbH & Co. KG, Frankfurt am Main	30.0
Raiffeisen-BayWa-Waren GmbH Lobsing-Siegenburg-Abensberg-Rohr, Lobsing	22.8
Raiffeisen-Landhandel GmbH, Emskirchen	23.4
VR erneuerbare Energien eG Kitzingen, Kitzingen	33.3
VR-LEASING DIVO GmbH & Co. Immobilien KG, Eschborn	47.0 [4]
VR-LEASING LYRA GmbH & Co. Immobilien KG, Eschborn	47.0 [4]
Wiech Autohandelsgesellschaft mbH, Rottenburg	100.0

3 Voting right share: 19 percent

4 Voting right share: 24 percent

Participations held in large corporations

Bayerische Raiffeisen-Beteiligungs-AG, Beilngries	7.4
Deutsche AVIA Mineralöl-Gesellschaft mbH, Munich	11.4
Südstärke GmbH, Schrobenhausen	6.5
VK Mühlen AG, Hamburg	10.0

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the BayWa Aktiengesellschaft, Munich, – comprising the balance sheet, the income statement and statement of comprehensive income, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB („German Commercial Code") and supplementary provisions of the articles of incorporation are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the BayWa Aktiengesellschaft, Munich, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Munich, March 10, 2011

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

(Dr. Reitmayr)	(Götz)
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report of the Supervisory Board

BayWa AG can look back on an extremely successful financial year 2010. The good performance is reflected in the significant growth rates of revenues and profits, and ultimately by the substantially higher dividend proposal to be put to the Annual General Meeting of Shareholders. BayWa AG's diversified business model has proven its worth, especially in the face of the crisis in the financial and goods sectors, and the company has emerged stronger from the debacle. Last but not least, the financial year ended was dominated by the expansion of activities in the field of renewable energies and an acceleration in the process of BayWa's internationalisation.

The Supervisory Board of BayWa AG has fulfilled the responsibility entrusted to it under the law and the Articles of Association. It regularly advised the Board of Management, agreed the strategy with the Board of Management, and supervised the latter in its management of the company. The common goal of the Board of Management and Supervisory Board is to raise the enterprise value on a sustainable and ongoing basis. The Board of Management always kept the Supervisory Board informed in a timely and comprehensive way. The Supervisory Board was directly involved in all decisions of fundamental importance for the company. The measures requiring its approval were reviewed, and the respective resolutions passed both in meetings and by way of a circular resolution. Between the meetings, the Board of Management submitted written information on events of particular importance. The Supervisory Board made its decisions after thorough deliberation and consultation on the reports and the resolutions put forward by the Board of Management.
The Chairman of the Supervisory Board was kept informed about important decisions by the Board of Management on an ongoing basis and remained in close contact with the Chairman of the Board of Management. He was informed by way of detailed reports on the current business situation on a monthly basis.
The cooperation within the Supervisory Board as well as with Board of Management was constructive and founded on trust in the reporting year 2010 as well.

Key points of consultation of the meetings of the Supervisory Board
In the four regular meetings of the Supervisory Board in the financial year 2010, matters of consultation were in particular the business and financial development of the company, the performance of the individual business units, the financial and investment planning, personnel-related decisions, the risk situation and questions of compliance, as well as the strategic development of the company. In particular, the Supervisory Board deliberated on the various participations in other companies entered into by BayWa AG during the period under review. Moreover, the Supervisory Board addressed issues pertaining to accounting and the audit of the annual financial statements of the company as well as BayWa AG's risk management and its risk status on an ongoing basis. The Board of Management reported regularly and extensively on these issues as well as on the Group’s current situation.

In its meeting on 30 March 2010, the Supervisory Board dealt mainly with the annual financial statements and the management report on BayWa AG and on the Group as of 31 December 2009, as well as on the report of the audits performed. The meeting also discussed the agenda of the Annual General Meeting of Shareholders on 18 June 2010. Besides this, the Supervisory Board deliberated on adjusting the remuneration of the members of the Board of Management to reflect legal provisions on the appropriateness of management board remuneration in this meeting. The overall structure of remuneration was changed and variable remuneration supplemented by a long-term component based on a multi-year assessment. The Annual General Meeting of Shareholders, held on 18 June 2010, approved this new remuneration system with a majority of 97.23 percent of votes cast.
In its meeting on 4 May 2010, the Supervisory Board initially deliberated on the review of damage claims asserted by former franchisees against the company.
In addition, the Board of Management reported on projects running in connection with potential investments in and acquisitions of companies.
The meeting on 4 August 2010 concentrated on the 2010 semi-annual report, among other matters. In addition, the Supervisory Board discussed changes in the composition of the Supervisory Board and its committees. Furthermore, the Board of Management informed the Supervisory Board about current strategic projects and investment projects, a key point being the development of business in the Energy segment.

An increase in the share capital and the corresponding amendment to the Articles of Association due to the issuance of employee shares from capital authorised in 2010 were adopted during the period from 6 October to 12 October 2010 by way of circular resolution.
In its meeting on 10 November 2010, the Supervisory Board primarily addressed Frank Hurtmanns' withdrawal from the Board of Management and the appointing of Andreas Helber as a new member of the Board of Management with effect from 15 November 2010, along with his remuneration. Moreover, the interim report on the third quarter was presented and the development of the business discussed in detail by the Supervisory Board with the Board of Management. The Board of Management reported extensively on the business development in the individual business units and presented core strategic issues for the financial year 2011. In addition, the Supervisory Board deliberated on the results of previous meetings of the Audit Committee, the Lending and Investment Committee and the Strategy Committee.
In its meeting on 29 March 2011, the Supervisory Board dealt mainly with the annual financial statements and the management report on BayWa AG and on the Group as of 31 December 2010 as well as on the report of the audit performed. In this meeting, the Supervisory Board also focused on the agenda of the Annual General Meeting of Shareholders on 15 June 2011 as well as on matters pertaining to the Board of Management.

Committees of the Supervisory Board

The Supervisory Board has set up a total of six committees to enhance the efficiency of its work. These committees prepare resolutions for the Supervisory Board and issues for discussion by the entire Supervisory Board. In as much as permissible under the law, decision making powers of the Supervisory Board were delegated to the committees on a case-by-case basis. With the exception of the Audit Committee, the office of Chairman in respect of all committees is held by the Chairman of the Supervisory Board. The Supervisory Board was informed on an ongoing basis in its meetings about the work of the committees and their resolutions by the respective chairmen.

Supervisory Board Chairman Manfred Nüssel and the Supervisory Board members Erna Kurzwarth, Albrecht Merz, Gunnar Metz and Gregor Scheller belong to the

Audit Committee. Gunnar Metz and Gregor Scheller were elected to the Audit Committee by members of the Supervisory Board on 4 August 2010; Dr. h.c. Stephan Götzl has laid down his mandate as a member of the Audit Committee. The Chairman of the Audit Committee is Albrecht Merz. BayWa AG has therefore espoused the suggestion of the German Corporate Governance Code which proposes that the Chairman of the Supervisory Board should not hold the office of Chairman of the Audit Committee. The Audit Committee held two meetings in the reporting year. In the presence of the independent auditor, the Chairman of the Board of Management and the Executive Manager of Finance, the Committee discussed the separate financial statements of BayWa AG and the consolidated financial statements, the report of Management on the company and the Group, the audit reports, as well as the proposal for the appropriation of profit in its meeting on 29 March 2010. Members of the committees were provided with the respective reports and other audit reports and documentation pertaining to the accounts in good time. Other key areas of Audit Committee tasks were the assessment of the risk status and the current risk management system, particularly the early warning system for risks and the EDP system.
Tasks addressed in the meeting on 9 November 2010 included obtaining the statement declaring the independence of the independent auditor pursuant to Code Item 7.2.1 of the German Corporate Governance Code, allocating audit assignments, establishing the key audit areas in respect of the 2010 annual financial statements and the audit fees. In addition, the quality of BayWa AG's Internal Audit was routinely reviewed.
Moreover, in its meeting on 25 March 2011, the Audit Committee consulted on the choice of the independent auditor for the financial year 2011 and recommended to the entire Supervisory Board that a proposal be put to the Annual General Meeting of Shareholders on 15 June 2011 in favour of appointing Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich.

Supervisory Board Chairman Manfred Nüssel and the Supervisory Board members Ernst Kauer and Gregor Scheller belong to the **Board of Management Committee**. Supervisory Board member Albrecht Merz ceased to be a member of the Board of Management Committee at the end of July 2010. The Audit Committee held one meeting in the reporting year. The Board of Management Committee concerned itself with the withdrawal of former Board of Management member Frank Hurtmanns. Furthermore, the Board of Management Committee deliberated on the details of the employment contract of Andreas Helber as a new member of the Board of Management and drew up a recommendation for decision by the entire Supervisory Board on the remuneration of Mr. Helber.

Supervisory Board Chairman Manfred Nüssel, Dr. E. Hartmut Gindele, Dr. h.c. Stephan Götzl, Dr. Johann Lang, Gunnar Metz, Ernst Kauer and Bernhard Winter belong to the **Strategy Committee**. Upon his election as a further Vice Chairman of the Supervisory Board, Dr. Christian Konrad withdrew from the Strategy Committee. Moreover, upon withdrawing from the Supervisory Board, Klaus Auhuber is also no longer a member of the Strategy Committee. Bernhard Winter was newly elected to the Committee. The Strategy Committee met three times in the reporting year and concentrated mainly on the detailed preparation of Supervisory Board meetings and topics relating to corporate governance as well as the new version of the bylaws governing the Board of Management and the Supervisory Board. In addition, it deliberated on the company's strategy as well as on general and investment projects. Two acquisition projects of BayWa r.e GmbH in particular were presented.

Supervisory Board Chairman Manfred Nüssel and the Supervisory Board members Ernst Kauer, Otto Kentzler, Dr. Johann Lang, Gregor Scheller, Georg Fischer and Werner Waschbichler are members of the **Lending and Investment Committee**. The Lending and Investment Committee held two meetings in the reporting year. The Committee monitors investment activities and reviews lending activities and exposures in line with the authorisations it has been granted. Beyond this, the Committee dealt with the settlement of the 2009 investment budget as well as the investment budgets for 2010 and 2011.

Supervisory Board Chairman Manfred Nüssel, Dr. h.c. Stephan Götzl and Dr. Johann Lang belong to the **Nomination Committee**. The Nomination Committee is tasked with preparing the proposals for shareholder representatives on the Supervisory Board for the election by the Annual General Meeting of Shareholders of shareholder representatives to the Supervisory Board. As no Supervisory Board elections are currently imminent at BayWa AG, the Nomination Committee did not meet in the period under review.

The **Mediation Committee**, set up pursuant to Section 27 para. 3 German Codetermination Act (MitBestG), the members of which are Supervisory Board Chairman Manfred Nüssel and Supervisory Board members Ernst Kauer, Otto Kentzler and Bernhard Winter, did not have to be convened in the financial year 2010.

Corporate Governance

In an awareness of the important contribution made by Corporate Governance to the transparent and good management of the company, the Supervisory Board regularly deliberates on related matters. More information on Corporate Governance as well as the amount and structure of remuneration received by the Supervisory Board and the Board of Management can be found in the Declaration on Corporate Governance.
The Board of Management and Supervisory Board adopted the recommendations of the German Corporate Governance Code in the version dated 26 May 2010 with very few exceptions in its meeting on 4 August 2010. The Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act is included in the Declaration on Corporate Governance. It has also been posted on the company's website at www.baywa.de.
With one exception, all members of the Supervisory Board participated in at least half of the Supervisory Board meetings held in the reporting year.
Members of the Board of Management and the Supervisory Board report any conflicts of interests without delay to the Supervisory Board. In the financial year 2010, there were no conflicts of interest in respect of members of the Board of Management or members of the Supervisory Board.

Separate Financial Statements and Consolidated Financial Statements

The separate financial statements of BayWa AG and the consolidated financial statements of the Group for the financial year 2010, as well as the management report on BayWa AG and on the Group, have been audited by Munich-based Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, and were both approved without qualification. The result of these audits were ratified by the Supervisory Board in its meeting on 29 March 2011.

The Supervisory Board carefully examined the financial statements of BayWa AG, drawn up under the German Commercial Code, and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the additionally applicable standards set out under 315a of the German Commercial Code, as well as the management report on BayWa AG and on the Group in its meeting on 29 March 2011 and discussed them in detail in the presence of the external auditor and of the Board of Management. The key points of the 2010 audits as defined by the Audit Committee were also extensively discussed. All audit reports and documentation pertaining to the financial statements were made available to all Supervisory Board members in good time. The documents were also the subject of in-depth deliberation by the Audit Committee in its prior meeting on 25 March 2011. The Audit Committee discussed the separate financial statements and the consolidated financial statements, the management report on the company and the Group, the audit reports, as well as the proposal for the appropriation of profit in the presence of the external auditor in its meeting on 25 March 2011. Given the final outcome of the audit, the Supervisory Board sees no reason to raise any objections to the financial statements submitted and to the audit performed by the external auditor. The Supervisory Board gave its approval to the outcome of the audit on 29 March 2011 and ratified the separate financial statements of BayWa AG and the consolidated financial statements of the BayWa Group which are hereby adopted.

The proposal of the Board of Management on the appropriation of unappropriated profit through distribution of dividend of EUR 0.50 per share has been reviewed and approved by the Supervisory Board.

The auditor also reported, during the Supervisory Board meeting of 29 March 2011, that there were no substantial weaknesses in the internal control system and the risk management system in respect of the accounting process. The Board of Management has thus taken all the appropriate measures to fulfil its obligations in this regard.

Changes to the Supervisory Board and in the Board of Management

Peter König was appointed as a new member of BayWa AG's Supervisory Board by the Registry Court of the District Court of Munich on 9 June 2010. Mr. König has joined the Supervisory Board as an employee representative and is the successor to Klaus Auhuber who laid down his Supervisory Board mandate with effect from 29 March 2010. Mr. König’s full-time occupation is Trade Union Secretary of ver.di where he is responsible for the Trading department.

Dr. Christian Konrad was elected as a further Vice Chairman of the Supervisory Board in the Supervisory Board meeting on August 2010. Dr. Konrad already belonged to the Supervisory Board as a Supervisory Board member elected by the Annual General Meeting of Shareholders.

Frank Hurtmanns, BayWa AG's Management Board member responsible for Building Materials, Personnel, Information Systems, Group Logistics and Organisation, withdrew from BayWa AG's Board of Management for personal reasons on 31 December 2010.

The Supervisory Board of BayWa AG appointed Executive Manager Andreas Helber to the position of Chief Financial Officer of the company with effect from 15 November 2010. Since joining BayWa in 2000, Andreas Helber has headed up the Finance Department and reported directly to the Chief Executive Officer. The areas of Information Systems and Corporate Real Estate Management have been assigned to Board member Andreas Helber. The other activities formerly under Frank Hurtmanns were integrated into the area of responsibility of Chief Executive Officer Klaus Josef Lutz.

The Supervisory Board thanks the members of the Board of Management, the employees as well as the employee representatives of BayWa AG and all Group companies for their work. Their dedicated commitment has once again contributed to BayWa AG being able to look back on a successful reporting year.

Munich, 29 March 2011
On behalf of the Supervisory Board

Manfred Nüssel
Chairman