BayWa AG
Annual Report 2008

Future
Heritage

08

BayWa

BayWa AG ANNUAL REPORT 2008

KEY DATA AT A GLANCE

BayWa GROUP

In EUR million		2008	2007	Changes in percent
Revenues		8,794.6	7,227.2	+ 21.7
Agriculture segment		4,048.9	3,330.6	+ 21.6
Agriculture		3,203.4	2,594.2	+ 23.5
Agricultural Equipment		845.5	736.5	+ 14.8
Building Materials segment		1,785.8	1,676.3	+ 6.5
Building Materials		1,354.8	1,233.4	+ 9.8
DIY & Garden Centres		431.1	442.9	– 2.7
Energy segment		2,462.5	1,788.0	+ 37.7
Other Activities		497.3	432.1	+ 15.1
EBITDA		258.1	234.6	+ 10.0
EBIT		161.9	143.6	+ 12.7
Earnings before tax		103.5	90.5	+ 14.4
Net income for the year		76.7	71.8	+ 6.8
of which: profit due to minority shareholders		18.4	25.8	– 28.7
of which: profit due to shareholders of the parent company		58.3	46.0	+ 26.7
Total assets (as per 31/12)		3,065.8	3,118.0	– 1.7
Non-current assets		1,305.6	1,239.3	+ 5.3
Current assets		1,755.5	1,875.1	– 6.4
Non-current liabilities		671.9	666.1	+ 0.9
Current liabilites		1,478.8	1,597.4	– 7.4
Equity		915.1	854.5	+ 7.1
Equity ratio	in percent	29.8	27.4	
Share capital (as per 31/12)	EUR million	87.0	86.8	
Number of shares (as per 31/12)	in million shares	34.0	33.9	
Earnings per share	EUR	1.72	1.36	
Dividend per share	EUR	0.34	0.32	
Special dividend per share	EUR	0.06		
Employees (as per 31/12)	number	16,596	16,325	

THE AGRICULTURE, BUILDING MATERIALS AND ENERGY SEGMENTS

The Agriculture Segment

THE AGRICULTURE SEGMENT PROVIDES A WIDE RANGE OF TRADING AND ASSOCIATED SERVICES FOR THE AGRICULTURAL AND FOOD INDUSTRIES. AS PART OF ITS AGRICULTURAL TRADING OPERATIONS, THE GROUP SELLS AGRICULTURAL PRODUCTS AND RESOURCES. THE AGRICULTURAL EQUIPMENT BUSINESS UNIT SUPPLEMENTS THIS OFFER THROUGH TECHNICAL FACILITIES, MACHINERY AND EQUIPMENT, ALONG WITH SERVICES AND REPAIR.

The Building Materials Segment

THE PRODUCTS AND SERVICES OF THE BUILDING MATERIALS SEGMENT COVERS BUILDING, RENOVATING, REFURBISHING FOR HOME AND GARDEN IN ITS BUILDING MATERIALS AND DIY AND GARDEN CENTRE BUSINESSES. A FRANCHISE SYSTEM SERVES TO MAKE THE RANGE ON OFFER EVEN MORE ACCESSIBLE.

The Energy Segment

BayWa's ENERGY SEGMENT TRADES IN HEATING OIL, DIESEL AND OTTO FUEL, AS WELL AS LUBRICANTS AND SOLID FUEL. IN ADDITION, IT IS CONSISTENTLY BUILDING UP ITS ACTIVITIES IN THE FIELD OF RENEWABLE ENERGIES UNDER THE BayWa GREEN ENERGY BRAND.

Mission of the BayWa Group

We rank among Europe’s leading trading and services companies in our core segments of Agriculture, Building Materials and Energy.

Being close to the customer, flexibility and efficiency are our strenghts.

LETTER TO THE SHAREHOLDERS

FOREWORD BY KLAUS JOSEF LUTZ, CHIEF EXECUTIVE OFFICER

Dear Shareholders,

The BayWa Group has entered a phase of unusual events and challenges. On the one hand, the year 2008 was the best financial year in the history of the company and, on the other, with a change of Chief Executive Officer at the helm, it stands at a new juncture. And last but not least, we must rise to the task of dealing with a severe financial crisis and pave the way for the future.

At mid-year 2008, when I took over management of the Group, Wolfgang Deml had successfully headed up BayWa for almost 20 years. I am also committed to the goals of my predecessor, namely steady growth and rising profitability. At the present point in time, however, no one is in a position to know what impact the far-reaching financial crisis will have on the current financial year. I am nonetheless confident that our Group will continue to develop at a relatively steady pace, even in these difficult times. After all, we can build on a business model which has proven itself over decades and is less susceptible to crises for this reason. Our strategies and measures have been crafted to cushion the effects of the crisis and to shore up our Group for the future.

We have laid the cornerstone for this with our record results in 2008. The basis for our performance were the exceptionally good general conditions for agribusiness which enabled business to develop extremely well in the first half-year. In the second half of the year conditions in the business environment deteriorated, a development which gathered pace dramatically towards the end of the year. We were nonetheless able to achieve our goals and generate the highest revenues and the best profit in the history of the Group. This was not only the result of favourable market trends but also the achievement of around 16,000 employees in Germany, Austria and Eastern Europe. I am proud of all who contributed through their commitment.

In my very first months at BayWa I experienced how volatile the markets of our core businesses can be. It is therefore all the more important that we at the BayWa Group set ourselves clear goals and pursue them consistently with cogent strategies, as this is a precondition for being a sure and reliable partner to our customers, suppliers and shareholders. This is the reason why we are currently implementing a value-oriented approach to management. This measure will serve to enhance transparency both within the Group and externally and to establish a set of clear management and control guidelines for all levels of management.

It is our intention to communicate even more openly with capital market participants and to highlight the potential of the Group. In this context, we will also be stepping up our investor relations activities. For the first time, we have set up a dedicated department entrusted with these tasks and equipped with the requisite resources: a clear signal to the capital market that BayWa is intensifying dialogue. Although, naturally, we will not be able to halt correction on the stock markets and of the BayWa share; what we will achieve – and more swiftly – is a fair valuation of the Group.

We are also consistently working on optimising the processes and systems in all our segments, Group companies and organisation units. Given the increasing volatility of our markets, our efforts are channelled towards curbing the risks to an even greater extent while exploiting the opportunities. We will continue to develop our business activities in our three core segments of Agriculture, Building Materials and Energy, which are a source of new and innovative potential beyond proven strategies. We are working, for example, on projects to generate more earnings through additional services across the agricultural value chain.

In the long term, I believe there are particularly interesting opportunities in the area of renewable energies. We have been active for many years in this future-oriented market and generate revenues totalling EUR 100 million across all segments. We rank among the leading suppliers in the German-speaking countries in this field. We are engaged in running a series of relevant projects and have introduced the "BayWa Green Energy" brand and a centre of competence under the same name to combine and expand all our activities. In the years ahead, we intend to generate additional earnings while keeping a tight reign on the risks. The rising demand for energy, efforts directed towards containing the climate change, and dwindling oil reserves are factors which give rise to promising opportunities in this market.

Our traditional segments also offer opportunities for growth. Eastern Europe, where we are in the process of reviewing acquisition options in certain regions, has priority in our agribusiness. We may be able to give more detailed reports on this over the course of the year. We remain on our growth path in building materials trading, particularly in regions outside our current domestic markets where there is much construction activity. In this year we intend to combine our numerous sales outlets in North-Rhine Westphalia, which partly still go by the names under which they were originally founded, under the BayWa brand. These measures are aimed at strengthening and positioning the BayWa brand nationwide, as well as at releasing additional synergy effects and improving profit.

Notwithstanding the crisis, we will adhere to our growth and optimisation strategies. We expect additional acquisition opportunities to arise, particularly in view of the process of market consolidation and especially in building materials trading and in the mineral oil business at regional level. I estimate the long-term prospects of the BayWa Group to be very promising. The agricultural industry will continue to play a central role in the solution of enormous global challenges, such as securing sources of food and energy. As one of the leading agricultural trading groups in Europe, we are excellently positioned in this market. There are strong indications that the demand for agricultural raw materials will continue to grow, which can only be catered for by raising agricultural production. To do this farmers will need resources and equipment as well as innovative technology, and our products, logistics and services will enable them to increase the yield.

Dear Shareholders,
In times of great change we will use the potential to promote the development of the BayWa Group. We hesitate to give more detailed guidance for the current financial year. We are nonetheless cautiously optimistic that we have a good grip on the impact of the global economic crisis on our Group and that we will be able to reinforce our position ready for the next upswing. We will dedicate all efforts towards achieving our goal of controlled and profitable growth. In these efforts, we rely on the loyalty of our customers and our shareholders and the cooperation of all our business partners. I would like to thank you all for your solidarity. Of course, we all need more impetus for the economy, a swift end to the crisis as well as strength and confidence for the tasks that lie ahead. These are my wishes for you.

Klaus Josef Lutz
Chief Executive Officer of the BayWa Group

SUPERVISORY BOARD

MANFRED NÜSSEL

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
- Volksbank-Raiffeisenbank Bayreuth eG, Bayreuth (Chairman)

ERNST KAUER

Master of Agriculture, Vice Chairman, Chairman of the Main Works Council

KLAUS AUHUBER

Union Law Secretary ver.di, Munich

THEO BERGMANN

Driver (until 30 May 2008)

GEORG FISCHER

Master Mechanic for Agricultural Machinery

DR. E. HARTMUT GINDELE

Master of Agriculture, farmer

RENATE GLASHAUSER

Clerk (from 17 July 2008 to 20 December 2008)

DR. H.C. STEPHAN GÖTZL

Association President, Chairman of Genossenschaftsverband Bayern e.V.

Other mandates

- Bayerische Raiffeisen-Beteiligungs-AG, Beilngries (Vice Chairman)
- SDK Süddeutsche Krankenversicherung a.G., Fellbach

MICHAEL HÜLMBAUER

Farmer (until 30 May 2008)

Other mandate

- Niederösterreichische Versicherung AG, St. Pölten (until 30 April 2008)

OTTO KENTZLER

Engineer, President of the German Confederation of Skilled Crafts (effective 30 May 2008)

Other mandates

- Bank für Kirche und Caritas eG, Paderborn
- Dortmunder Volksbank eG, Dortmund (Chairman)
- Handwerksbau AG, Dortmund (Chairman)
- SIGNAL IDUNA Holding AG, Dortmund
- SIGNAL IDUNA Krankenversicherung a.G., Dortmund (Vice Chairman)

DR. CHRISTIAN KONRAD

General Attorney of Österreichischer Raiffeisenverband

Other mandates
- AGRANA Beteiligungs-AG, Vienna (Chairman)
- DO & CO Restaurants & Catering AG, Vienna
- Leipnik-Lundenburger Invest Beteiligungs AG, Vienna (Chairman)
- RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg. Gen.m.b.H., Vienna (Chairman)
- 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
- Südzucker AG Mannheim/Ochsenfurt, Mannheim
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt
- UNIQA Versicherungen AG, Vienna (Chairman)

STEFAN KRAFT M.A.

Secretary of the Union ver.di, Munich
(effective 20 December 2008)

ERNA KURZWARTH

Regional Administration Centre Manager

DR. JOHANN LANG

Master of Agriculture, farmer (effective 30 May 2008)

Other mandates
- Niederösterreichische Versicherung AG, St. Pölten (effective 20 May 2008)
- RWA Raiffeisen Ware Austria AG, Vienna (Chairman)
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung reg.Gen.m.b.H., Vienna (Chairman)

MARTIN LINSEISEN

Former Bank Manager (until 30 May 2008)

ALBRECHT MERZ

Chairman of the DZ Bank AG

Other mandates
- Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall
- R+V Allgemeine Versicherung AG, Wiesbaden
- R+V Lebensversicherung AG, Wiesbaden
- TeamBank AG, Nürnberg (Chairman effective 1 July 2008)
- VR-LEASING AG, Eschborn
- VR Kreditwerk Hamburg-Schwäbisch Hall AG, Schwäbisch Hall und Hamburg (effective 12 June 2008; Second Vice Chairman)

GUNNAR METZ

Member of the Commercial Staff

ERICH SCHALLER

Former Bank Manager, Chairman of Bayerische Raiffeisen-Beteiligungs-AG (until 30 May 2008)

Other mandate
- HFO Telecom AG, Hof (Vice Chairman)

GREGOR SCHELLER

Chairman of the Board of Directors of Volksbank Forchheim eG, member of the Board of Directors of Bayerische Raiffeisen-Beteiligungs-AG (effective 30 May 2008)

Other mandates
- COVUM AG, Erlangen (effective 1 April 2008; Chairman)
- FIDUCIA IT AG, Karlsruhe (Vice Chairman)
- R+V Lebensversicherung AG, Wiesbaden
- Wohnungsbau- und Verwaltungsgenossenschaft eG, Forchheim (Chairman)

WERNER WASCHBICHLER

Department Manager

BERNHARD WINTER

Functional Area Manager

COOPERATIVE COUNCIL

MEMBERS PURSUANT TO SECTION 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

Master of Agriculture, farmer (effective 30 May 2008)

MARTIN LINSEISEN

Former Bank Manager (until 30 May 2008)

OTHER MEMBERS

HELMUT HAUN

Chairman, Chairman of the Board of Directors of Raiffeisenbank Aschaffenburg eG

DIETMAR BERGER

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

FRANZ BREITENEICHER

Managing Director of Raiffeisen-Waren GmbH Erdinger Land

GÜNTER DREHER

MSc Administration, Chairman of the Board of Directors of Augusta-Bank eG (effective 1 July 2008)

LEONHARD DUNSTHEIMER

Chairman of the Board of Directors of Raiffeisen-Volksbank Ries eG (until 30 June 2008)

WOLFGANG ECKERT

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

MARTIN EMPL

Master of Agriculture, farmer

ERHARD GSCHREY

Certified Public Accountant/Tax Consultant, member of the Board of Directors of Genossenschaftsverband Bayern e.V.

LORENZ HEBERT

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

KONRAD IRTEL

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

MARTIN KÖRNER

Master of Agriculture (University of Applied Sciences), farmer, fruit farmer

ERWIN KUHN

Economist, Certified Public Accountant/Tax Advisor, President of Württembergischer Genossenschaftsverband e.V.

FRANZ KUSTNER

Farmer

ALOIS PABST

Farmer

HANS PAULUS

Master of Agriculture, Director, Commodities Dept., Raiffeisenbank im Stiftland eG (effective 1 August 2008)

JOSEF RAFFELSBERGER

Farmer

JOACHIM RUKWIED

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

DR. SIGURD SCHACHT

Lawyer (until 31 December 2008)

HERMANN SCHULTES

Ing., member of the Austrian National Council, President of the Niederösterreichische Landes-Landwirtschaftskammer, farmer (effective 1 January 2009)

GERD SONNLEITNER

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

LUDWIG SPANNER

Farmer

PROF. DR. JAKOB P. STÖCKL

Managing Director of Bayerische Milchindustrie eG

WOLFGANG VOGEL

President of the 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 (effective 1 July 2008)

Finance, Press & Public Relations, Investor Relations, Internal Audit, Central Controlling, Law, Corporate Marketing, Corporate Development, Real Estate, Architectural Management

External mandates
- Eramon AG, Augsburg
- Graphit Kropfmühl AG, Hauzenberg

Group mandates
- RWA Raiffeisen Ware Austria AG, Vienna (effective 1 July 2008; First Vice Chairman)
- „UNSER LAGERHAUS“ WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt (effective 1 July 2008; Vice Chairman)

WOLFGANG DEML, Chief Executive Officer (until 30 June 2008)

Finance, Press & Public Relations, Investor Relations, Audit Department, Central Controlling

External mandates
- AGCO Corporation Group, Atlanta
- Bavaria Schifffahrts- und Speditions-AG, Aschaffenburg
- Leipnik-Lundenburger Invest Beteiligungs AG, Vienna (until 30 September 2008)
- Mannheimer AG Holding, Mannheim
- MAN Nutzfahrzeuge AG, Munich
- Strenesse AG, Nördlingen/Ries (Chairman)
- VK Mühlen AG, Hamburg (until 30 November 2008; Chairman)

Group mandates
- RWA Raiffeisen Ware Austria AG, Vienna (until 30 June 2008; First Vice Chairman)
- „UNSER LAGERHAUS“ WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt (until 30 June 2008; Vice Chairman)

DR. STEFAN BÖTZEL (until 4 March 2009)

Agriculture*

External mandate
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

Group mandate
- RWA Raiffeisen Ware Austria AG, Vienna

KLAUS BUCHLEITNER

RWA Raiffeisen Ware Austria AG, Vienna

External mandate
- Raiffeisen Zentralbank Österreich AG, Vienna

Group mandate
- Raiffeisen-Lagerhaus GmbH, Bruck a.d. Leitha (Chairman)

FRANK HURTMANNS

Building Materials, DIY & Garden Centres, Franchise, Personnel, Information Systems, Group Logistics and Organisation, Architectural Management*, Real Estate*

External mandates
- Pensionskasse der Genossenschaftsorganisation VVaG, Munich (effective 24 June 2008, Vice Chairman)
- R+V Pensionsversicherung a.G., Wiesbaden
- update software AG, Vienna (Chairman)

Group mandate
- RWA Raiffeisen Ware Austria AG, Vienna

DR. JOSEF KRAPF

Agriculture, Fruit, Building Materials*, DIY & Garden Centres*, Franchise*

ROLAND SCHULER

Agricultural Equipment, Energy, Automobile, Coordination of the Württemberg region

EXECUTIVE MANAGERS OF FINANCE

ANDREAS HELBER

Finance, Investor Relations, Lending, Insurance, Regional Administration Centres

HANS WITZIG

Building Materials business unit

Allocation of operations as per 5 March 2009; * until 4 March 2009

left to right

DR. JOSEF KRAPF
effective 1 October 2002

Agriculture, Fruit, Building Materials*, DIY & Garden Centres*, Franchise*

KLAUS BUCHLEITNER
effective 1 March 2003

RWA Raiffeisen Ware Austria AG, Vienna

ROLAND SCHULER
effective 1 October 2002

Agricultural Equipment, Energy, Automobile, Coordination of the Württemberg region

Allocation of operations as per 5 March 2009; * until 4 March 2009

KLAUS JOSEF LUTZ
CEO
effective 1 July 2008

Finance, Press & Public Relations, Investor Relations, Internal Audit, Central Controlling, Law, Corporate Marketing, Corporate Development, Real Estate, Architectural Management

FRANK HURTMANNS
effective 1 May 1999

Building Materials, DIY & Garden Centres, Franchise, Personnel, Information Systems, Group Logistics and Organisation, Architectural Management*, Real Estate*

ANDREAS HELBER
Executive Manager

Finance, Investor Relations, Lending, Insurance, Regional Administration Centres

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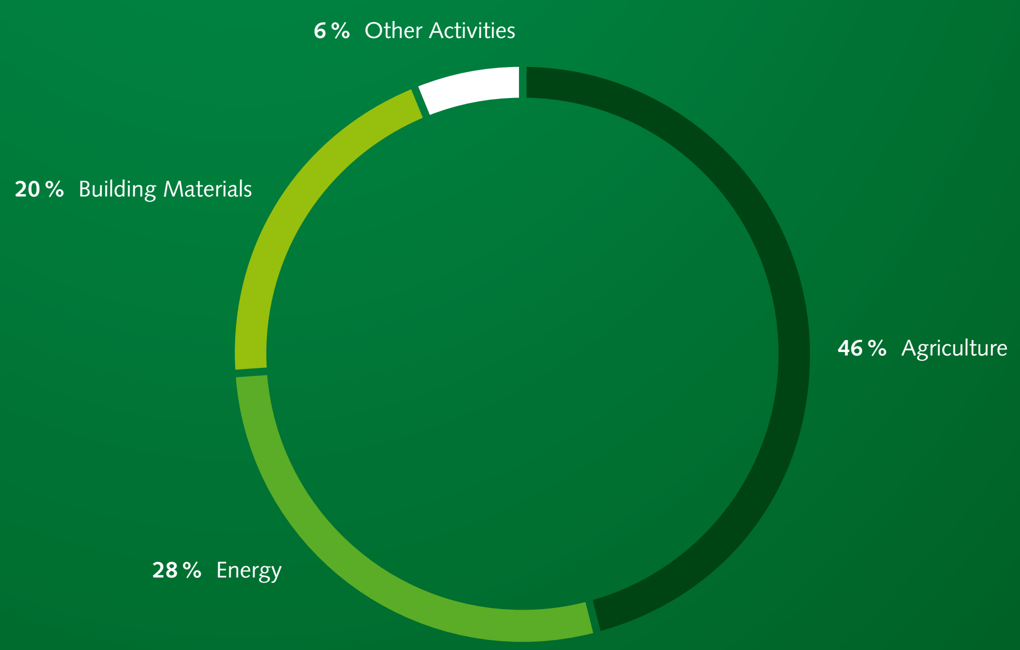
The Company

SHARE IN CONSOLIDATED REVENUES BY SEGMENT



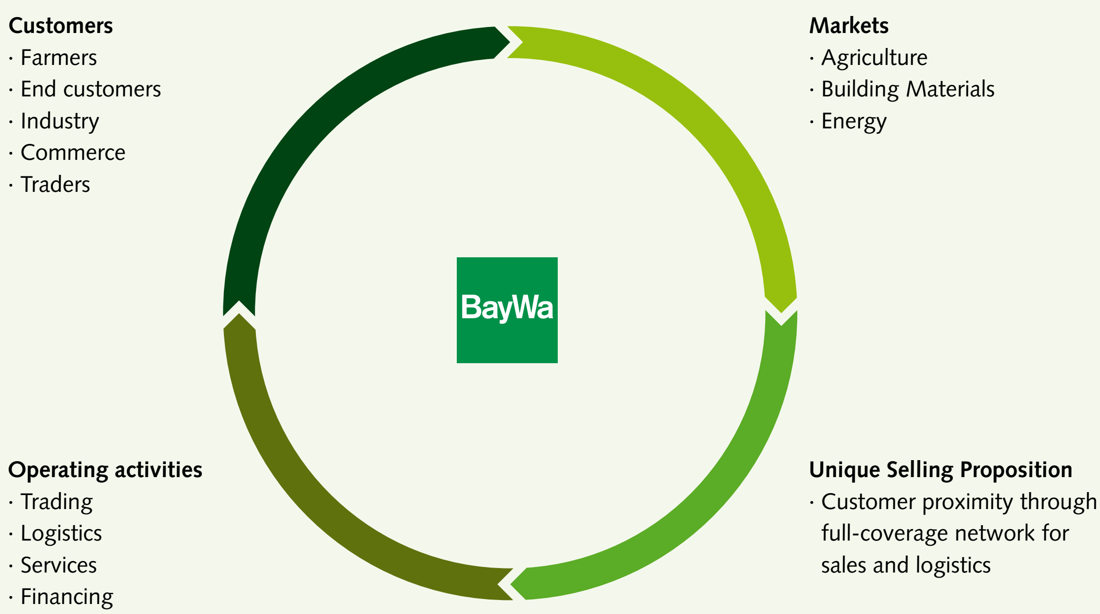
BayWa has set itself clear goals which we pursue with cogent strategies. This makes us a predictable and reliable partner for our customers, suppliers, shareholders and employees.

THE BUSINESS MODEL OF THE BayWa GROUP

THE BUSINESS MODEL OF BayWa COMBINES TRADING, LOGISTICS AND SERVICES IN THE THREE SEGMENTS OF AGRICULTURE, BUILDING MATERIALS AND ENERGY. A TIGHT SALES NETWORK ENSURES PROXIMITY TO THE CUSTOMER AND SECURES A CONSIDERABLE COMPETITIVE ADVANTAGE FOR THE GROUP. THE HEART OF BayWa'S BUSINESS CATERS TO OUR FUNDAMENTAL NEEDS: FOOD, A ROOF OVER OUR HEADS, ENERGY, MOBILITY AND WARMTH.

From a traditional standpoint, BayWa, which has its roots in the co-operative business, has always been strong in rural regions. It has customer relationships which have grown over many years, partly spanning several generations. With revenues of more than EUR 8 billion and more than 16,000 employees, BayWa is a high-performance company in the trading and logistics businesses and offers its customers a comprehensive product range and supplementary services in its operating segments of agriculture, building materials and energy. The extensive support and supply of a large number of customers, in particular outside large urban centres, requires a network which can provide full coverage through its efficient locations. Ensuring that the availability of products and services is within easy reach for customers in rural areas is BayWa's unique selling proposition in the competitive arena. And, ultimately, the offerings of the three segments of agriculture, building materials and energy, which mesh and complement one another, foster strong customer loyalty. The positive experience of customers of the one business segment is transferred to other business activities under the BayWa umbrella brand.

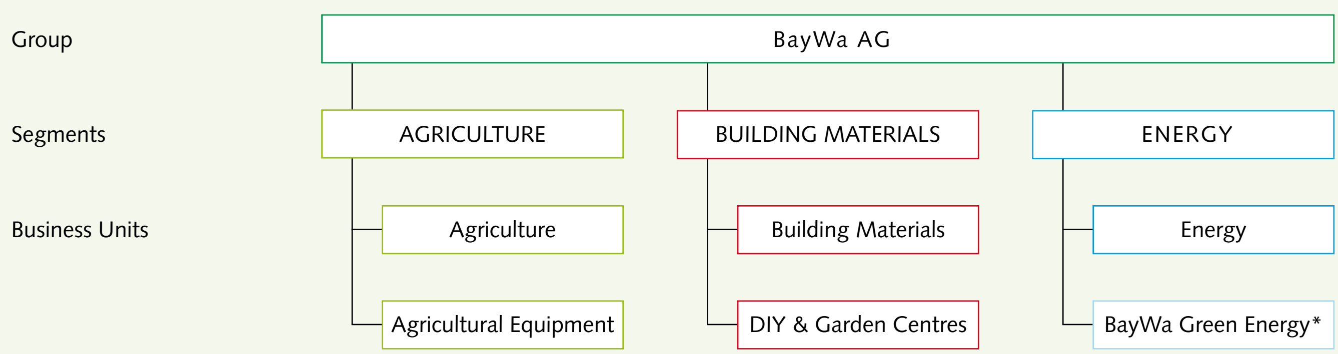
BUSINESS ACTIVITIES OF THE BRAND BayWa



The regional structure and seasonal nature of the businesses of all three segments, combined with the huge volume of products, necessitates special know-how in logistics and in the management of merchandise and materials. Having the requisite infrastructure for the transport and storage is one of the cornerstones of the BayWa Group's business model. It is part of BayWa's philosophy to conduct its business activities on its own land and property. This means that its own business is protected against negative external influences, such as changes in the ownership structure of the properties or the commercial and financial situation of lessors. Moreover, independency from fluctuations in rental and leasing conditions provides a better basis for calculations with a long-term horizon. Consequently, BayWa has a large real estate portfolio.

Ongoing measures to improve operating structures, which may also take the form of combining locations or relocating operations, have led to a part of this real estate not being used for the Group's business. Concentrating real estate management under one profit centre is intended to enhance the professional management of the Group's own real estate portfolio. Beyond this, the sale of real estate no longer used for operations at market conditions is to release capital which can be invested in the future growth of the operating segments.

STRUCTURE OF THE BayWa GROUP



*) Centre of Competence

THE AGRICULTURE SEGMENT

THE AGRICULTURE SEGMENT ENCOMPASSES THE PRODUCTS AND SERVICES OF BayWa ACROSS THE WHOLE VALUE CHAIN, FROM THE FIELD THROUGH TO THE USE OF AGRICULTURAL PRODUCTS. BayWa IS PARTNER TO LOCAL FARMERS AND, AT THE SAME TIME, AN ACTIVE PARTICIPANT IN THE INTERNATIONAL MARKETS FOR SELECTED AGRICULTURAL MATERIALS. THE WAREHOUSING AND LOGISTICS CAPACITIES OF BayWa FUNCTION AS AN INTERFACE AND BUFFER BETWEEN PRODUCERS, PROCESSORS AND CONSUMERS OF AGRICULTURAL PRODUCTS. THE AGRICULTURAL EQUIPMENT BUSINESS UNIT OFFERS FARMERS AND FORESTERS, LOCAL AUTHORITIES AND PRIVATE INDIVIDUALS A FULL RANGE OF MACHINERY, EQUIPMENT AND FACILITIES AS WELL A NETWORK OF SERVICE OUTLETS.

The BayWa Group generates 46 percent of its revenues through the farming and food industries. The Agriculture Segment comprises the two business units of agricultural trading and agricultural equipment. BayWa covers the whole value chain across the cultivation cycle, from seed sewing through to the harvest, and provides all services such as the delivery of agricultural resources, for instance, fertilisers, crop protection, seed and feedstuff. This is complemented by financing services for farmers. BayWa buys and sells the agricultural produce, from the field through to the food industry. As a full-line distributor, BayWa plays a major role in the European agribusiness and trades in some of its products worldwide. In Germany, BayWa is represented in the federal states of Bavaria, Baden-Württemberg, Saxony, Thuringia and the southern part of Brandenburg with a full range of products and services and a network of locations which ensure customer proximity. In Austria, the Group's full-line agribusiness range is offered through subsidiaries in almost all regions. BayWa intends to safeguard its good market position and expand it where ever possible. The process of ongoing consolidation resulting from current market conditions may give rise to further opportunities for growth. At the same time, the Group's agribusiness is heading up internationalisation, a process which has been concentrated on the countries of Central and Eastern Europe since the start of the 90's. Today, BayWa has operations in the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, and Serbia through its own local subsidiaries. Grain and seed are the focus of its business activities, with other product segments being offered depending on the specific markets. The Group entered into the markets of these countries in the first years of deregulation with high expectations. Owing to the very different initial conditions for business in the individual countries, these were not always fulfilled swiftly. Yet from the year 2000 onwards, a pronounced phase of consolidation followed. With the Eastern Enlargement of the EU as from the year 2004, the economic and legal framework conditions have improved considerably and stabilised. Against this background, BayWa is an attractive partner for participants in these markets.

The most important products of the Agriculture segment are seed, grain and oilseed, feedstuff as well as fertilisers and crop protection products. This range enables BayWa to cover all the farmer's needs, from sowing the seed, the optimum care of plants during the vegetation phase through to the harvest. Core services here are the buying up, processing, drying, storage and sale of grain and oilseed. BayWa has silo capacities of around 1.8 million tons for storage and subsequent selling of the harvest. The turnover of grain and oilseed in the 2007/2008 season came to around 5 million tons. BayWa fulfils an interface and buffer function between producers, processors, such as grain or oil mills, malthouses, feedstuff producers and trading, and consumers.

STRUCTURE OF THE AGRICULTURE SEGMENT

Segment	AGRICULTURE	
Business Units	Agriculture	Agricultural Equipment
Products/Services	· Grain and oilseed · Fruit · Seed · Fertiliser · Crop protection · Feedstuff · Cultivation consultancy services	· Agricultural equipment for farmers, forestry, local authorities and commerce · Agricultural buildings · Customer service/workshop service · Spare parts · Letting · Brokerage services for financing and leasing agreements

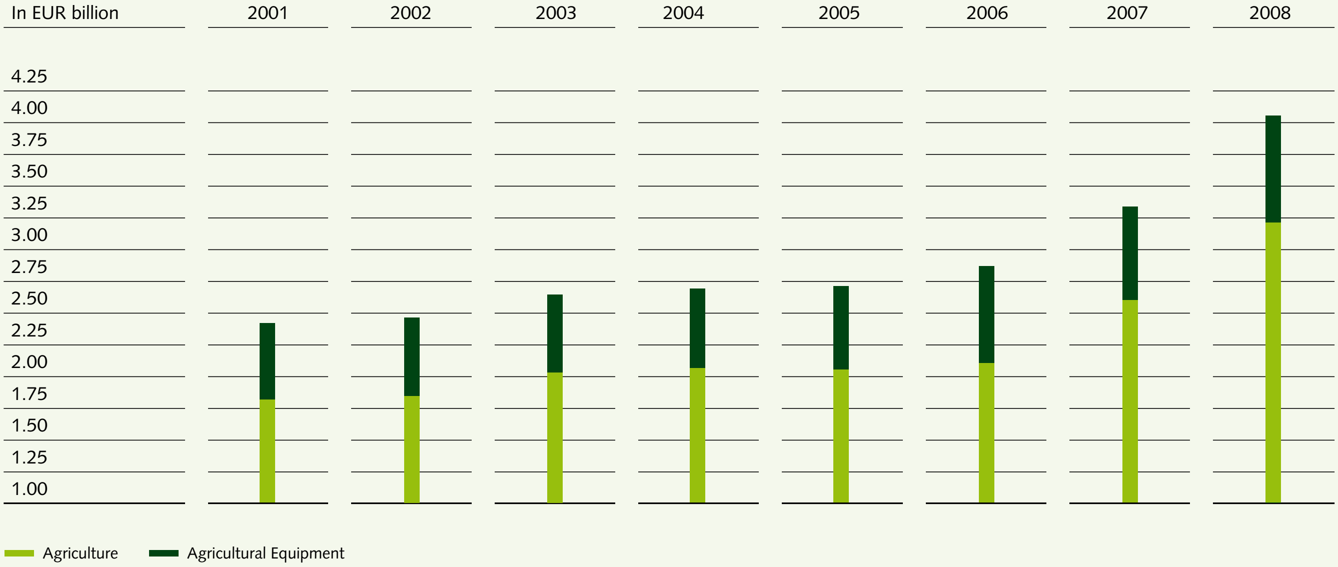
KEY OPERATING DATA OF THE AGRICULTURE SEGMENT

In millions of tons	2007	**2008**
Silo capacity	1.823	1.818
Volume of grain traded	4.179	4.362
Volume of fertilisers traded	2.039	2.019
Volume of crop protection products/equipment traded	0.229	0.261
Feedstuff production	0.834	0.821

The supply of farmers with seed is covered both from the Group's own production of seed and through the sale of outsourced seed, which enables a full range to be offered. In the sale of fertilisers and crop protection products, the selection of the product range and timely storage to ensure availability on the respective dates is particularly important. In addition, supplementary services, such as consultancy services for farmers on mixing and application, are part of the core competencies of BayWa. With a trading volume of around 2 million tons of fertilisers and approximately 260 ktons of crop protection products (including equipment) a year, BayWa is an important distribution partner in the industry. The BayWa Group produces around 800 ktons a year of feedstuff mainly for cattle, piggery and poultry farming but also for horse care and domestic animals in its feedstuff mills in southern Germany and Austria. As part of its sales and distribution operations, BayWa offers extensive consultancy services geared to the optimising of feed. To round up the range, products for animal health are developed and offered in cooperation with AGRAVIS Raiffeisen AG. In its fruit operations, the BayWa Group is a leading supplier of German dessert fruit to food retailers and the largest supplier of pip fruit from organic production.

The Agricultural Equipment business unit operates in its sales regions of Bavaria, Baden-Württemberg, Saxony, the southern part of Brandenburg, and in Austria as full-line supplier to farmers and foresters, contract processors, local authorities, government agencies, as well as private individuals. The business unit's core competences are sales and service. Its product spectrum encompasses agricultural and forestry machinery, milk and feed technology, and machinery for local authorities, as well as covering the building of stables and stable facilities as well as other facilities (e.g. biogas) through to the sale of special equipment and spare parts for the agricultural industry. The BayWa Agricultural Equipment business unit's central warehouse in Schweinfurt with over 100,000 products guarantees a high level of just-in-time availability of articles. High service standards are guaranteed through a full-coverage network with more than 230 workshops and a fleet of around 200 mobile service vehicles. The Agricultural Equipment business unit sells more than 3,200 pieces of large machinery such as tractors, harvester-threshers and crop cutters per year and handles around 300,000 service requests in its workshops. A process of specialisation has been initiated for locations with the aim of aligning their operations to target groups and manufacturer's brands. Services such as leasing machinery or acting in a brokerage capacity for financing and leasing agreements through partners from the co-operatives association round off the business unit's range of products and services.

REVENUES OF THE AGRICULTURE SEGMENT



THE BUILDING MATERIALS SEGMENT

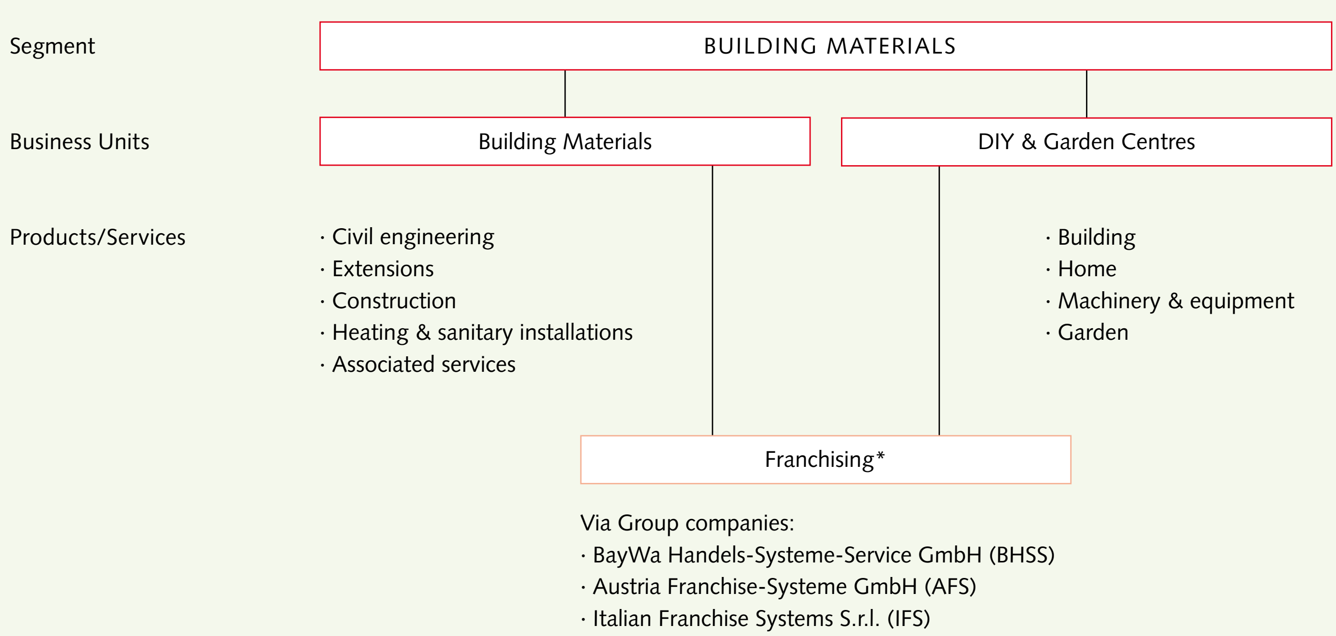
BayWa RANKS AMONG THE LARGEST SUPPLIERS IN THE GERMAN-SPEAKING COUNTRIES IN THE TRADING OF BUILDING MATERIALS. THE GROUP PLANS TO EXPAND THIS BUSINESS, IN PARTICULAR IN THE HIGH-INCOME REGIONS OF SOUTHERN AND WESTERN GERMANY. THE DIY & GARDEN CENTRES OF BayWa SUPPLEMENT THE END CONSUMER BUSINESS IN THE BUILDING MATERIALS SEGMENT BY OFFERING DIY, HOME AND GARDEN PRODUCTS. BOTH OF THESE BUSINESS UNITS HAVE A WIDE RANGE OF ACCOMPANYING SERVICES.

The Building Materials segment, with its two business units of Building Materials and DIY & Garden Centres, accounts for one fifth of consolidated revenues. The BayWa Group operates 263 locations in the building materials business in Germany and Austria. Its DIY & Garden Centres are located mainly in Bavaria, Baden-Württemberg and Austria. Moreover, BayWa is represented in Austria and Germany in around 600 locations by franchise holders. In the building materials trade, BayWa assumes an active role in Germany in the process of market consolidation in order to benefit from the potential of the EU‘s largest domestic building materials market and the backlog in demand for renovation and refurbishment. There are also attractive opportunities for expanding business in Austria. In the long-term, there are good prospects for entering the markets of Central and Eastern Europe in the building materials trade as well since the growing prosperity in these countries and concurrent increasing volume of investment in renovation and refurbishment of existing buildings is releasing considerable growth potential.

The Building Materials business unit supplies both commercial customers and private individuals with building materials of all types. The range on offer comprises products from construction steel to windows, from concrete to building insulation materials, from natural stone for the garden through to bathroom tiles. The focus of the product mix is on raising the number of BayWa branded products.

Alongside selling products, the Building Materials business unit also offers extensive services such as training for tradesmen in the area of product application and marketing. In addition, BayWa acts in an agency function and recommends established and qualified tradesmen and, through this cooperative advertising, facilitates the carrying out of building and construction work. Beyond this, BayWa assumes the task of just-in-time building site logistics, acts in the role of the general contractor for the energetic renovation of buildings, or arranges for general contractors to handle orders in the capacity of a one-stop organisation.

STRUCTURE OF THE BUILDING MATERIALS SEGMENT



* The Know-how of the business units Building Materials and DIY & Garden Centres is internally and externally marketed through franchising operations.

KEY OPERATING DATA OF THE BUILDING MATERIALS SEGMENT

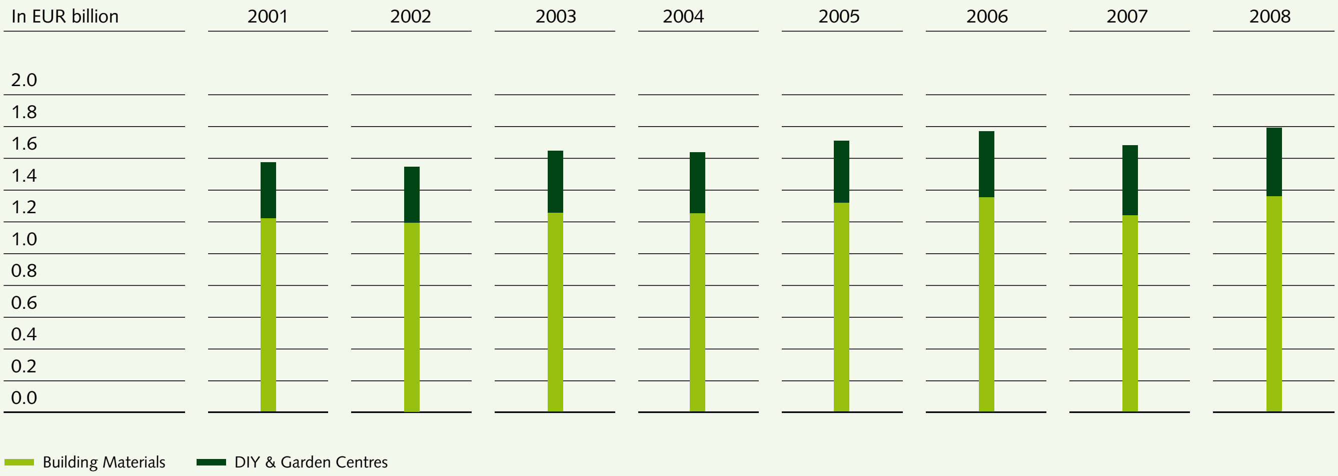
	2007	**2008**
Building Materials business unit		
Number of locations	285	263
Surface in m² thousand (all locations)	2,144	2,113
DIY & Garden Centres		
Number of locations	119	118
Surface in m² thousand (all locations)	275	280

Particularly for the private customer, the business unit also provides information on government subsidy programmes, and offers the creation of heat images or the issuing of Energy Performance Certificates for properties. The financing of renovation or refurbishing measures resulting from these activities can be provided for private customers in the form of a renovation loan granted by way of a cooperation with Schwäbisch Hall and the Bavarian Volksbanks and Raiffeisen banks. Finally, BayWa undertakes an agency role of bringing together interested parties for construction sites. In terms of the actual building activities, the business unit has its own operations in heating, sanitary installations and air-conditioning systems for residential and commercial buildings, and it installs doors and windows and lays tiles. In recent years, the installation of photovoltaic systems, solar thermal systems and thermal heat pumps is growing in importance against the backdrop of the sharp increases in the price of fossil fuels and electricity.

The rising demands placed on the energy efficiency of buildings, the outdated state of residential property, and the decline in newly constructed properties open up new prospects for the Building Materials segment of BayWa. BayWa's Building Materials business unit is ideally positioned to cover the demand for solutions in the energetic renovation of buildings through its offer of complete packages so that, solely on the basis of existing locations, future organic growth can be generated. Moreover, it is BayWa's goal is to expand in western Germany, across the frontiers of its current home markets. Given a small number of major building materials traders and an otherwise strongly fragmented market, there are regular opportunities for growth through taking over smaller trading operations. BayWa's strategy consists in acquiring only profitable companies whose businesses can sustain themselves and subsequently raising profitability by leveraging the synergies within the Group.

The second business unit of the segment is DIY & Garden Centres. With just under 120 locations, mainly in southern Germany and selected regions in Austria, with a total sales area of around 220,000 m² (sales surface area calculated using the key established by the German Federal Association of DIY) and with a product and services range specially customised to meet the needs of customers in rural regions, BayWa is a preferred partner for builder-owners, renovators as well as DIY and garden enthusiasts. In comparison with the competition, BayWa's DIY & Garden Centres stand out for their high-profile range of goods produced to the highest quality standards and their focus on the garden business. The DIY & Garden Centre business unit primarily pursues a niche strategy as a supplier close to the customer, particularly in rural regions, and a range of products and services tailored to the specific requirements. The strategic repositioning of the business is one of the focuses in 2009.

REVENUES OF THE BUILDING MATERIALS SEGMENT



THE ENERGY SEGMENT

THE SHARP FLUCTUATIONS IN THE PRICE OF CRUDE OIL HAVE AN IMPACT ON HOW REVENUES DEVELOP IN THE ENERGY SEGMENT. A LOOK AT SALES VOLUMES INDICATES STEADY GROWTH IN THIS BUSINESS WHICH, OWING TO THE SMALL AMOUNT OF CAPITAL COMMITTED, GENERATES A GOOD RETURN ON INVESTMENT. ALONG WITH TRADING IN FOSSIL FUEL-BASED PRODUCTS, THE SIGNIFICANCE OF RENEWABLE ENERGIES IS GROWING STEADILY. BayWa IS BUILDING ON ITS OFFER FOR GENERATING ENERGY FROM BIOMASS, SOLAR TECHNOLOGY AND OTHER RENEWABLE SOURCES OF ENERGY.

The Energy segment is the third large area of BayWa's activities and contributes just under 30 percent to consolidated revenues. Activities are focused on the sale of heating oil, diesel and auto fuels, lubricants and solid fuel primarily in the form of wood pellets. Conventional trading and distribution in heating oil and fuel is a low-margin business. BayWa intends to build up this business systematically through acquisitions as, as in the strongly fragmented market, market shares can be gained with manageable levels of investment.

In 2008, the sales of heating oil in Bavaria by Shell Direct was taken over. This business generates large sales volumes at a stable level and good, predictable cash flows. The main sales regions are in Bavaria, Baden-Württemberg, the new German federal states and in Austria. Energy sales points take care of the end consumer business. BayWa operates a total of 275 of its own fuel stations in Germany under the names of BayWa and AVIA. Sales in Austria are carried out through the Group holding GENOL which ensures supplies to around 500 cooperative fuel stations. The large customer business entails supplies to local authorities, tradesmen and industry. The sale of lubricants will be extended to include industrial customers in future. BayWa is market leader for environmentally compatible plant-based lubricants. With a view to optimising its business unit structure, BayWa dedicates consistent efforts to improving its logistics.

Alongside its conventional business with fossil fuels, BayWa is consistently building up its activities in the area of renewable energies with a view to establishing a second mainstay in the supply of energy in tapping a sustainable and available source of energy. By tradition, BayWa has always been a "green" company which has placed great importance on the use and conservation of natural resources. The move of having established a market presence early in the new markets for renewable energies has opened up above average potential for revenue and earnings. For this reason, BayWa will combine and develop its existing and traditional activities in this area under a new centre of competence which will be named "BayWa Green Energy". On the one hand, this will involve the centralisation of existing activities in the field of solar technology and biomass where BayWa is already active in sales, installation, maintenance, and supply of raw materials. On the other hand, the activities to sell new sources of renewable energy are being pursued. "BayWa Green Energy" will therefore form a centre of competence for all activities associated with renewable

STRUCTURE OF THE ENERGY SEGMENT

Segment	ENERGY	
Business Units	Energy	BayWa Green Energy*
Products/Services	· Heating oil · Diesel fuel · Otto fuel · Solid fuel · Lubricants	· Biomass technology · Solar technology · Other renewable energies

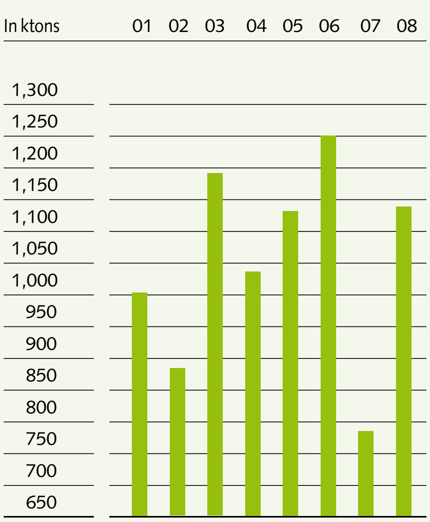
* Centre of Competence

KEY OPERATING DATA OF THE ENERGY SEGMENT

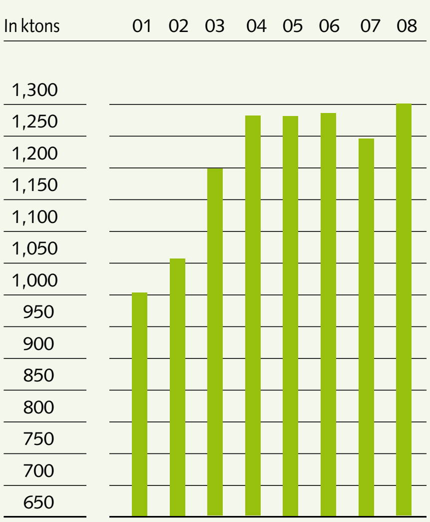
In ktons	2007	**2008**
Volume of heating oil	784	1,137
Volume of fuel	1,244	1,297
Volume of lubricants	20	22
Number of fuel stations	259	275

energies while using the existing resources of the business unit for sales and distribution. "BayWa Green Energy" will take on the role of project developer in the planning of facilities and establish itself as a supplier of technology, not only for the other segments of the BayWa Group but also for external tradesmen. In the long term, these activities will form the basis for another core competence to flank the existing activities in agriculture, building materials and energy.

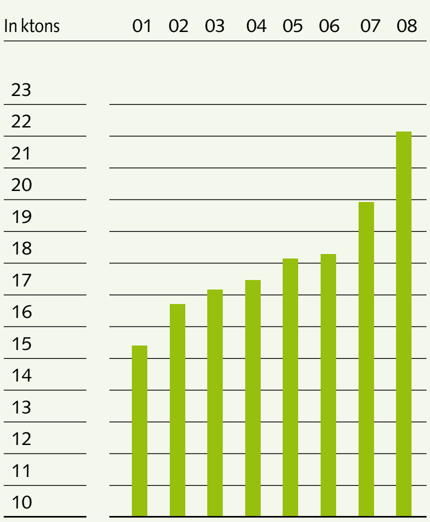
SALES VOLUME HEATING OIL



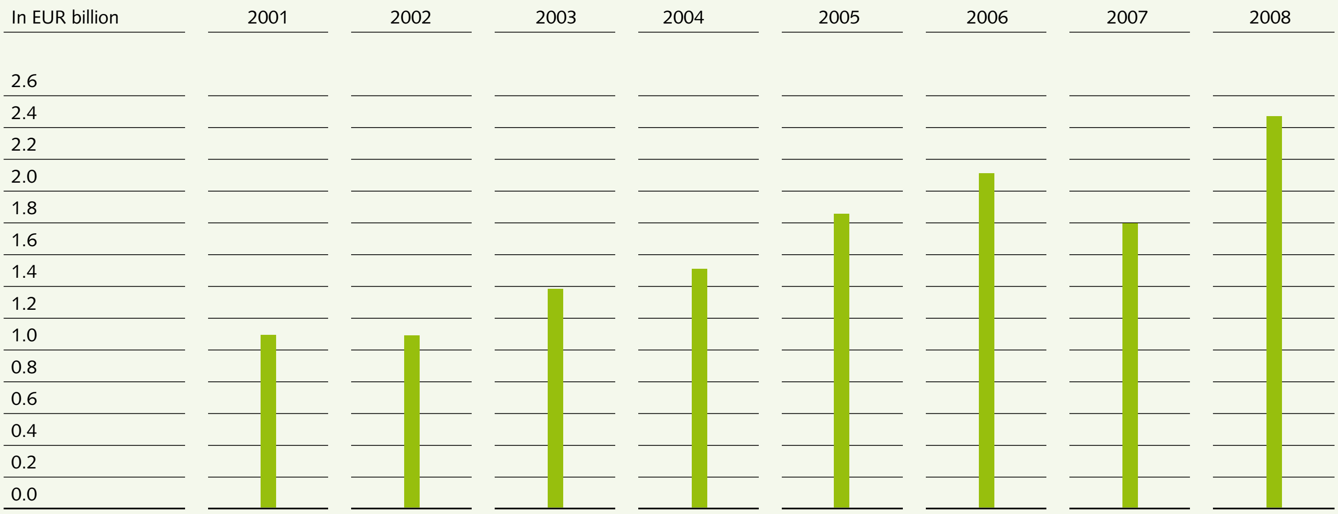
SALES VOLUME FUEL



SALES VOLUME LUBRICANTS



REVENUES OF THE ENERGY SEGMENT



GOALS AND STRATEGY

BayWa IS GROWING PROFITABLY, AND RISING PROFITABILITY SERVES TO FINANCE GROWTH. AT THE SAME TIME, REVENUES GROWTH IN TRADING GENERALLY RESULTS IN OPPORTUNITIES OF IMPROVING MARGINS. ALL OUR SEGMENTS HAVE GROWTH POTENTIAL, WHETHER IT BE ORGANIC OR BY WAY OF ACQUISITION. BayWa HAS A CAREFULLY CRAFTED STRATEGY DESIGNED TO STRENGTHEN ITS MARKET POSITION ON AN ONGOING BASIS.

BayWa is a European trading group with operations in the segments of Agriculture, Building Materials and Energy. The Group is represented in Germany and Austria with a sales network adjusted to local market conditions and enjoys regional strength or even the position of a market leader. BayWa intends to reinforce this position. Beyond this, the company will expand in a targeted way in selected regions and businesses. Revenue volume and growth and consistent cost and risk management will enable BayWa to raise profit margins. The aim is to achieve the best margins in all businesses and regions in a peer comparison. In pursuing this approach, the company will keep its sights on its integration in the cooperative sector and is committed to the vision of sustained growth for the conservation of our natural livelihood. At the same time, the commitment and use of resources within the Group are to be optimised and the efficiency of workflows enhanced on an ongoing basis. The Board of Management has established medium-term parameters for the Group and for the segments, the targets of which are to be achieved by 2011.

Cogent and transparent system of goals

BayWa is set to grow profitably. Since the environmental and competitive conditions in the various regions and businesses vary greatly, however, specific growth and profit targets have been defined for each business activity. The core financial ratios for measuring the success of the company include revenues, the associated profit and EBIT margin and, as from the financial year 2010 onwards, return on net assets (RONA). Whereas revenues reflect the growth of the company at the operational level, the EBIT margin indicates business profitability. RONA will serve as a benchmark for the efficient deployment of the assets of the Group in future. A concept is to be presented over the course of 2009. Also from 2009 onwards, BayWa will regularly hold a Capital Market Day, in order to provide participants in the capital markets with the opportunity of gaining in-depth insight into the company and to make transparent the strength of its operations and its potential of development.

The profitable expansion of the business will take place on the basis of a sound capital structure. BayWa is striving to attain an equity ratio of 30 percent. It is the declared goal of the Board of Management to continue to distribute dividend to the shareholders. Even in view of the capital funded from retained earnings necessary to promote the envisaged growth of the company, the intention is to raise dividend on an ongoing basis.

Discerning strategy for the future

BayWa has set itself ambitious goals. With these goals in mind, strategic guidelines have been defined on the basis of an integrated business model for the individual segments of Agriculture, Building Materials and Energy as well as for the Group as a whole.

The Agriculture segment is a pan-European leading trading and service partner in the farming and food industries. In the international arena, the Agriculture segment has systematically developed new markets both in the agribusiness and in agricultural equipment. The geographical focus is on the new EU member states in Central and Eastern Europe. But there are also market structures in Western and Southern Europe which open up attractive business potential for BayWa. BayWa's growth strategy is two-pronged: both through steady organic expansion of its existing business and by way of selected acquisitions. This not only applies to the regional expansion of business activities but also to extending the business model vertically in the Agriculture segment, for instance, with the processing of agricultural raw materials if this results in supplementing existing activities in a way which would create value and release above average, sustainable earnings opportunities.

The building materials trade in Germany must be viewed in terms of different regions, and there are a number of attractive locations, above all in the high-income regions of southern and western Germany. BayWa perceives opportunities in the market consolidation and has taken over numerous mid-sized market participants in recent years and realigned their businesses. The Group will continue to pursue this strategy. As regards German real estate, there is a backlog in the need for modernisation and renovation which will open up market potential in the coming years. In addition, demographic developments are triggering the necessary changes in the residential market which have not yet been implemented. The Building Materials segment of BayWa will systematically take advantage of these medium and long-term trends.

Energy is another of BayWa's core segments. BayWa has traditionally traded in fossil-based fuel and lubricants in its Energy segment. Despite a declining market for heating oil, BayWa is growing profitably in this business, especially through its market penetration owing to the takeover of suitable competitors. BayWa sees further opportunities in the expansion of "BayWa Green Energy". By the nature of its business, BayWa lives close to the idea of sustainable husbandry and conserving our natural livelihood and can also present this concept in a credible way. The Group will be concentrating its existing competences in this area in the near future. In addition, the product range for generating energy from biomass, photovoltaics and other sources of renewable energy is to be extended. This will make "BayWa Green Energy" one of the Group's future businesses.

Creating profitable growth together

In its various business activities BayWa serves fundamental needs: food, a roof over our heads, energy, mobility and warmth. Developments driven by financial, political, demographic and climate change are huge challenges which also harbour new opportunities and success potential. To this end, BayWa will be making considerable investments in the years ahead. The financing of these investments in growth necessitate a great deal of internal financing and thus profitability. In addition, the management of the Group's real estate will be put on an even more professional footing; at the start of 2009, for instance, our real estate was combined under one profit centre. Also in the case of non-strategic financial investments, the criteria of achieving an adequate return on capital invested will be applied. A virtual holding structure is to be implemented for the BayWa Group in order to enhance transparency and flexibility. And lastly, the business management throughout the whole Group will be reviewed, taking into consideration the more efficient use of resources. The envisaged introduction of a value-oriented company management is the starting point for streamlining the deployment of resources in a targeted way and reinforcing the Group's earnings strength. The use of capital will always be assessed in relation to the earnings generated, taking into consideration the different operational business risks.

02

The BayWa Share

PRICE PERFORMANCE OF THE BayWa SHARE IN COMPARISON WITH THE SDAX 2008

BayWa's intention in having open and ongoing communication with participants in the capital market is to highlight the potential of the Group and to bring about an appropriate valuation of the company.

SHARE AND INVESTOR RELATIONS

THE BayWa SHARE, FAVOURED WITH SUCCESS IN RECENT YEARS, SAW ITS PRICE TREND FLUCTUATE WILDLY IN 2008, CAUSED BY THE TURBULENT STOCK MARKET ENVIRONMENT AND THE INTERMITTENT DOWNTURNS IN THE PRICE OF AGRICULTURAL RAW MATERIALS. IRRESPECTIVE OF THESE SHORT-TERM TRENDS, BayWa CONTINUES TO BUILD ITS INVESTOR RELATIONS ACTIVITIES IN A TARGETED WAY.

Putting investor relations activities on a broader footing

In 2009, BayWa AG is to put its investor relations activities on a broader footing by creating an Investor Relations department equipped with its own resources, thereby fostering the exchange of information with the capital market. The aim is to enhance transparency by providing detailed information on the corporate structure, medium-term corporate goals and the positioning of the operating units, thereby deepening an understanding of BayWa's business model. The financial calendar will also include the dates of the road shows and investor conferences in future to enable interested parties to plan for these dates in good time. An open and consistent communication with the capital market participants will serve to highlight the potential of the BayWa Group, facilitate an appropriate valuation of the company and lower the volatility of the share price trend. To this end, BayWa will regularly hold a Capital Market Day from 2009 onwards. The intention is to raise the perception of the company and the awareness of the BayWa share through addressing new groups of investors in a targeted way. This also includes focusing on the cooperatives which are shareholders of BayWa. A greater diversification of the shareholder base will be achieved in the medium term. This will, on the one hand, lower the price volatility owing to the different investment motives of investor groups and, on the other, improve liquidity of the share in daily trading. Making the BayWa share more liquid will also ultimately improve its chances of being admitted to the MDAX. BayWa's Investor Relations has the strategic task of ensuring that the company has access to the capital markets at any time and at the best possible conditions.

Communication with the capital market

The basis of the investor relations activities of BayWa AG in 2008 were three telephone conferences on the occasion of the release of the quarterly figures and the annual Analysts' Conference. To supplement these activities direct contact with analysts and institutional investors at the level of one-to-one discussions as well as at investor conferences are important instruments for explaining the perspectives of the company. A comparison between the company's perspective and that of external perception can then take place on an ongoing basis. Here BayWa views the assessment of capital market participants on developments both of sectors and of the company as being particularly valuable. In the year 2008, for example, BayWa arranged 142 individual meetings with fund managers and financial analysts, along with 12 road shows in the Benelux countries, Germany, France, Great Britain, Italy, Scandinavia, and, for the first time, in New York. These measures helped to raise the number of contacts with institutional capital market participants in comparison with 2007. On the occasion of the German Agriculture Conference in May 2008, a sector-specific capital markets conference, in which BayWa participated took place for the first time.

In addition, BayWa made presentations at the following capital markets conferences:

- Cheuvreux Corporate Conference, January 2008, Frankfurt
- Cheuvreux Small & Mid Cap Conference, June 2008, London
- Unicredit German Investment Conference, September 2008, Munich
- German Equity Forum, November 2008, Frankfurt

All financial reports and company presentations are available in both German and English and can be downloaded from the company's website at www.baywa.de and www.baywa.com, under the Investor Relations heading.

Positioning of the BayWa share in the SDAX

The BayWa share with restricted transferability is traded on the regulated markets on the Frankfurt and Munich stock exchanges, as well as OTC in Berlin, Bremen, Düsseldorf, Hamburg and Stuttgart. The share fulfils the international transparency requirements of the Prime Standard segment. Since the end of 2003, BayWa's shares with restricted transferability are also traded on the SDAX, Germany's second-line stock index. The BayWa share rose in the MDAX ranking to take 43rd place, up from 59th, measured in terms of free float market capitalisation; in terms of stock exchange turnover it came 71st, thus rising from 79th place in 2007. Measured by free float market capitalisation, therefore, the BayWa shares ranks among the largest equities in the SDAX and given more liquid trading could advance to be admitted to the MDAX.

Price performance of the BayWa share

In the first half of 2008, the price performance of the BayWa share with restricted transferability developed well despite the spreading of the crisis in the financial markets and the generally negative developments in the stock markets. The share peaked at EUR 44.50 on 20 May 2008. The main factor influencing this development was the persistent uptrend in the price of raw materials in 2007 which also benefited agricultural raw materials. In the second half of the year stock prices all over the world and across market segments tumbled. In the wake of an already evident slowing in economic growth, there was also a trend reversal in the disproportionate increase in the prices of raw materials prior to this point in time. This initially affected prices for fossil-based sources of energy and industrial raw materials. Finally, the prices of agricultural raw materials were also affected, particularly the price of wheat, which caused them to fall substantially from their extremely high level. This development exerted a negative trend on the price of the BayWa share. At the start of the fourth quarter, an accumulation of negative factors led to a sell-out sentiment on the German stock market during which the price of the BayWa share reached its low for the year at EUR 17.92. Over the course of the fourth quarter the BayWa share rallied and closed the year at EUR 25.80. As against its price at the start of the year, the share shed around 26.0 percent, and market capitalisation contracted by EUR 280 million to EUR 874 million in comparison with the previous year. The average trading volume of the BayWa share with restricted transferability fell from around 47,000 in 2007 to approximately 36,000 per trading day. The closing price of shares not subject to restricted transferability were quoted at EUR 29.50 as per 30 December 2008 as compared with a year-end 2007 closing price of EUR 35.00, which corresponds to a decline of 15.7 percent.

Allocation of share capital

The share capital of the BayWa comes to EUR 86,960,798.72. As against the previous year, liable capital rose by EUR 203,481.60 owing to the subscription of employee shares. The share capital comprises 33,969,062 registered shares, divided into two classes of shares: given their higher number of 32.7 million the more liquid shares with restricted transferability (securities code no. 519 406) and 1.2 million in shares not subject to restricted transferability (securities code no. 519 400). The latter were primarily created through issuance in the context of business combinations. The trading volume of this "smaller" category of shares is very limited owing to their low numbers.

MULTI-YEAR PRICE PERFORMANCE OF THE BayWa SHARE*

In EUR	2002	2003	2004	2005	2006	2007	**2008**
High	6.50	13.70	15.80	18.35	26.29	47.71	44.50
Low	4.60	4.60	11.62	12.70	16.51	23.05	17.92
Closing price	5.20	13.21	13.40	16.20	24.28	34.02	25.80
Market capitalisation (in EUR million)	176.3	443.4	452.9	548.6	823.2	1 154.1	874.4

* Shares with restricted transferability (securities code no. 519 406)

BayWa SHARE KEY DATA

	Shares with restricted transferability	Shares not subject to restricted transferability
Securities code no.	519 406	519 400
ISIN	DE0005194062	DE0005194005
Ticker symbol	BYW6	BYW
Reuters	BYWGa.DE	BYWG.DE
Bloomberg	BYW6:GR	BYW:GR
Stock exchange in segment	Regulated market / Prime Standard	Regulated market / Prime Standard
Stock exchanges	Frankfurt, Munich, XETRA, OTC in Berlin, Düsseldorf, Hamburg, Munich, Stuttgart	Frankfurt, XETRA
Index	SDAX	–
Number of shares	32 646 326 + 79 485 new	1,243,251

Employees use Employees Share Scheme

For many years now the Employee Share Scheme has promoted the entrepreneurial thought and action of the workforce. Moreover, it enables employees to participate in the value of the BayWa share. In the summer of 2008, employees of BayWa and of companies in which BayWa holds a participating interest were again given the opportunity to buy BayWa shares under special conditions. Within the scope permitted under German income tax law, those entitled to shares of BayWa AG were able to subscribe at an employee discount of 40 percent. All in all, 79,485 (2007: 36,120) shares with restricted transferability were issued as part of this scheme. These shares are subject to a prohibition on sale (company lock-up period) until 31 December 2010. The entering of the capital increase from Approved Capital into the Commercial Register took place on 27 October 2008. Overall the company received funds totalling EUR 898,180.50. An agio of EUR 694,698.90 was transferred to capital reserve.

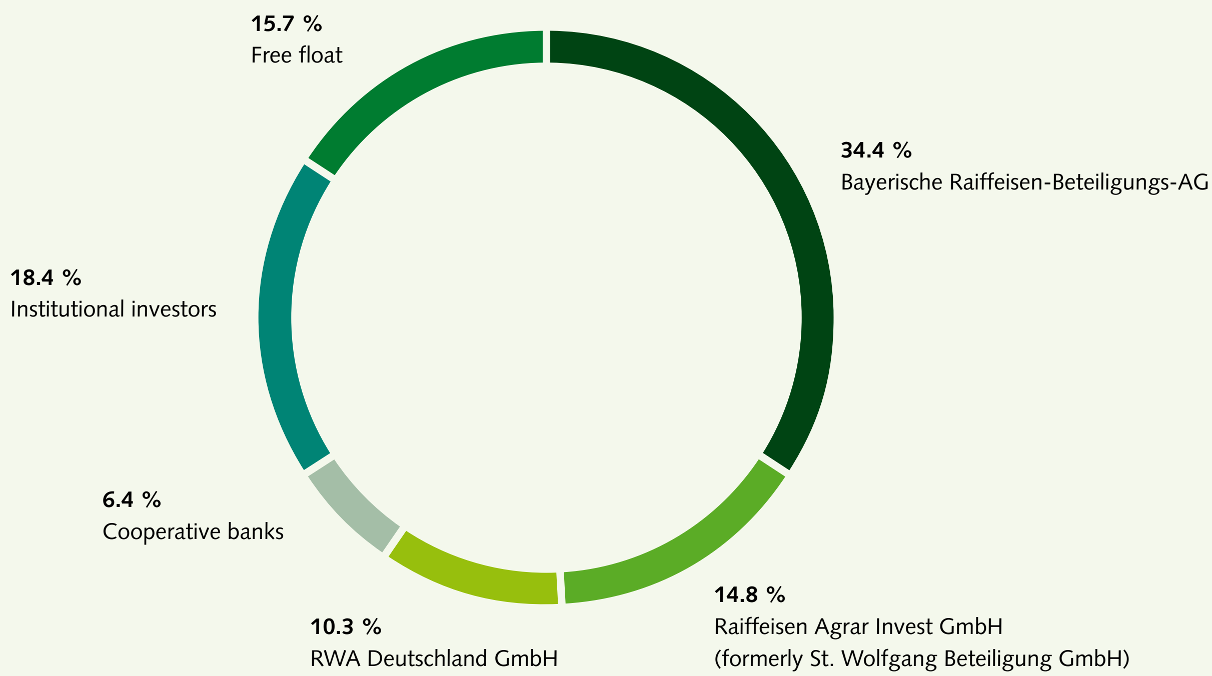
Renewed increase in dividend envisaged

The Board of Management and Supervisory Board have agreed to put forward a proposal to the Annual General Meeting of Shareholders to raise the dividend again in 2008 by 2 cent to EUR 0.34 per dividend-bearing share. In addition, a special dividend of 6 cent is to be paid. Management and the Supervisory Board intend this measure to enable the shareholders to participate in the positive development of the BayWa Group in 2008. The company thus continues to pursue its policy of consistently raising dividend. The amount earmarked for distribution to the shareholders will be reduced by the portion of the shares owned by the company at the time when the resolution on profit appropriation was made. Pursuant to Section 71b of the German Stock Corporation Act (AktG), these shares are not entitled to dividend. The portion will be carried forward to new account.

Shareholder structure remains largely stable

The three largest shareholders of BayWa AG raised their holdings marginally in the financial year 2008. As per 31 December 2008, Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, held 34.4 percent in accordance with the entry in the share register; this corresponds to an increase of 2.1 percent as against the previous year.
In September 2008, Leipnik-Lundenburger Invest Beteiligungs AG (LLI AG) and RWA Raiffeisen Ware Austria Handels und Vermögensverwaltung reg. Gen.m.b.H (RWA Gen) informed of the Board of Management of BayWa AG, pending approval by the anti-trust authority, of their intention of transferring shares totalling 21.4 percent in BayWa AG, held through St. Wolfgang Beteiligung GmbH and RWA Deutschland GmbH, to Raiffeisen Agrar Invest GmbH, a joint holding company with its principal place of business in Vienna. Moreover, the aim is to raise the holding of Raiffeisen Agrar Invest GmbH to a percentage share of slightly more than 25 percent. Through concentrating and raising their participating interest in BayWa AG, LLI AG and RWA Gen intend to step up their strategic cooperation with BayWa AG. The share of Raiffeisen Agrar Invest GmbH (formerly St. Wolfgang Beteiligung GmbH) increased at year-end 2008 by 3.7 percentage points to 14.8 percent, and the holding of RWA Deutschland GmbH rose slightly, by 0.1 percent to 10.3 percent. Together both companies therefore hold 25.1 percent in BayWa AG. This brings the proportion of free float to 40.5 percent as per the reporting date. As part of free float, the share of institutional investors has fallen to 18.4 percent, down from around 20.7 percent in 2007.

SHAREHOLDER STRUCTURE OF BayWa AG AS PER 31 DECEMBER 2008



03

Management Report on the Company and the Group

DEVELOPMENT OF CONSOLIDATED REVENUES

We see BayWa's success from a long-term standpoint. It is based on partnerships with our customers.

MANAGEMENT REPORT ON THE COMPANY AND THE GROUP IN THE FINANCIAL YEAR 2008

I. SUMMARY OF THE FINANCIAL YEAR

The BayWa Group performed very well in the financial year 2008, its mainstays being the Agriculture and Energy segments. Agribusiness benefited in particular from the favourable selling conditions of last year's harvest and from the increase in the sale of fertilisers and feedstuff. The Agricultural Equipment business unit also saw its revenues grow significantly, boosted by the favourable investment climate. On the back of the considerably better-than-expected performance of agribusiness, where the revenues of the Agriculture segment, for instance, rose 21.6 percent to EUR 4,049 million, the sales and profit guidance of the BayWa Group was raised twice over the course of the year.

The Building Materials segment generated revenues of EUR 1,355 million, which is 9.8 percent higher than in 2007. This development was especially attributable to the extremely mild weather in the first quarter of 2008 and to growth. After the flourishing garden business in the spring of 2007, conditions affecting the DIY & Garden Centres in 2008 were more unfavourable, particularly owing to poorer weather. Influenced by these factors and through the closure of a number of unprofitable centres, revenues came to EUR 431 million, down 2.7 percent as against the previous year's figure. All in all, the Group's Building Materials segment generated revenues of EUR 1,786 million, which represents an increase of 6.5 percent.

The energy business, where there had been a backlog in demand triggered by the mild winter 2006/2007 and the price hikes in the first half of 2008, saw this backlog released. Nonetheless the tank levels of heating oil remained below the long-standing average until the autumn. However, the price declines in crude oil in the second half of the year, which caused heating oil prices to fall, resulted in a sharp increase in orders at the start of the winter. Diesel, fuel and lubricants products recorded a marginal uptrend in sales over the course of the year. The Energy segment lifted its results considerably on the back of higher heating oil sales and, in this environment, revenues soared 37.7 percent to EUR 2,463 million in 2008.

The BayWa Group raised overall revenues by 21.7 percent to EUR 8,795 million in 2008. EBITDA grew 10.0 percent to EUR 258 million, EBIT advanced 12.7 percent to EUR 162 million, and earnings before tax (EBT) rose to EUR 104 million, which is an increase of EUR 13 million. With a consolidated net income of EUR 77 million, the BayWa Group achieved the best result in the history of the company. The shareholders of BayWa AG are to participate in this positive performance: To this end, the Board of Management and the Supervisory Board will put forward a proposal to the Annual General Meeting of Shareholders for payment of dividend of EUR 0.34 per share plus a special payment of EUR 0.06 per share.

II. BUSINESS AND GENERAL CONDITIONS

Group structure and business activities

The BayWa Group has international operations in the retail and wholesale trade as well as in supplementary services. The principal place of business of BayWa AG, the parent company founded in 1923, is Munich. The business activities are structured into the core segments of Agriculture, Building Materials and Energy, along with Other Activities. Including franchise and other sales partners, the Group has around 2,600 locations in nine European countries. The domestic sales regions are in Germany, Austria and Eastern Europe.

THE BayWa GROUP

	Revenues (in EUR billion)	Employees (annual average)
Agriculture	4.049	6,672
Building Materials	1.786	6,500
Energy	2.463	886
Other Activities	0.497	1,440

The largest share of the BayWa Group's revenues, namely 46 percent, is generated through the farming and food industries. The Agriculture segment trades in agricultural equipment and resources, records, buys, stores and sells plant-based products from the field through to the food industry, and produces concentrated feedstuff in its own mills. BayWa is one of Europe‘s largest full-line suppliers in the agricultural industry and trades some of its products worldwide. The Agricultural Equipment business unit sells machinery and equipment, plants and facilities. The business unit guarantees service through a tight network of workshops.

Around one fifth of the Group's revenues is attributable to the Building Materials segment. 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. Moreover, BayWa is an important franchisor in the building materials and in the DIY and garden centres businesses.

The Energy segment, which makes up around 28 percent of consolidated revenues, sells primarily 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 also offers facilities, equipment and resources for the producing of electricity from biomass. The BayWa Green Energy Centre of Competence will forge ahead with activities in the field of renewable energies in future.

The Other Activities segment comprises food production, car dealers and other financial participations. It contributes around 6 percent to the BayWa Group's revenues.

BayWa AG operates in business in three segments directly and 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 39 fully consolidated companies. In addition, six companies where management is carried out jointly with one or several partners are consolidated on a basis proportionate to the individual investment share. Two companies have been included in the financial statements of BayWa by applying the equity method.

Corporate goals, strategy, management and control

The BayWa Group has set itself the goal of safeguarding its position long term as one of the leading suppliers of products and services in the segments of Agriculture, Building Materials and Energy and to build on this position through organic growth as well as acquisitions, provided that conditions are attractive.

The earnings strength of the Group is enhanced on an ongoing basis through economies of scale in the wake of revenue growth and 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 way of applying strategic and operational parameters and a number of financial ratios. An important parameter for management tasks is revenue growth, both organic and through acquisitions.

In addition, earnings before interest and tax (EBIT) and EBIT margin, which is the ratio of EBIT to sales, are the most important ratios for measuring the profitability of the segments. Emphasis is also placed on earnings before interest, tax, depreciation and amortisation (EBITDA). This ratio serves as a benchmark for the ability of the operating units to generate surplus funds and service financial obligations. Finally, the debt-to-equity ratio, defined as the ratio of net financial liabilities to EBITDA, is an important parameter for the whole Group.

In the financial year 2009, the pre-requisites will be set in place to supplement the management and control of the operating units by adding a value-oriented measurement component. The segments will be assessed on the basis of their contribution to developing the enterprise value of the Group, assessed as return on net assets measured against the risk weighted cost of capital.

Services, products and business processes

In its agribusiness, BayWa's logistics competence is of particular importance in buying up, storing and selling the harvest. Buying up the harvest necessitates a sophisticated transport system and high level of storage capacities, as well as seamless integration of the delivery of goods, 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 encompassing the supplying of farmers with seed, resources and consultancy services for cultivation as well as the sale and servicing of agricultural equipment, which means that BayWa remains in close contact with its customers from the agricultural industry throughout the whole year.

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 makes for higher transport costs, with concurrently relatively low value added. Together with direct availability, these are the reasons which drive the very regional structure of BayWa's building materials trade. By contrast, business in renovation products necessitates knowledge of new trends in materials and technologies and the associated consultancy services, which is one of BayWa's core competences. The DIY and garden centre business is defined by a niche-based local supplier concept first and foremost geared to servicing the regional customer. Its business is subject to seasonal fluctuation as, particularly in the spring, the sale of plants and accessories makes a major contribution to revenues.

Outside the planting season, articles for leisure activities and for building outside the house are in strong demand in the summer while the emphasis in the winter months is more on interior decoration and living space accessories. The product mix therefore varies greatly over the course of the year. In addition, BayWa achieves differentiation in the building materials business by having a basic stock of high quality products accompanied by extensive advisory services.

BayWa's energy business is made up of the sale of fossil-based fuel and lubricants as well as the new BayWa Green Energy Centre of Competence which will be concentrating on building up activities in the field of renewable energies. In the case of fossil-based fuel and lubricants, BayWa's activities comprise solely logistics and distribution. BayWa does not maintain supplies of any great dimension itself. For this reason, the impact of price changes on inventories is minimal. The sale of fuel is mainly carried out via the company's own energy sales offices. Diesel and Otto fuel are sold through the company's more than 275 fuel stations. In addition, supplies are also delivered to the fuel station chains of partner companies and wholesalers. BayWa reaps competitive advantage from logistics and distribution by expanding its sales and distribution network coupled with a higher degree of market penetration. This is the reason why the Energy segment, as recently exemplified by the takeover of the heating oil business from Shell Direct in Bavaria in 2008, intends to grow through acquisitions in the future as well. As trading in fuel is hallmarked by business with mid-sized enterprises, to the exception of a few market participants with nationwide operations, there are good opportunities arising from this approach. In the sale of lubricants where the target customers are mainly in the agricultural industry as well as small and mid-sized commercial customers, efforts are being made to expand business to include in industrial customers. BayWa is market leader for environmentally compatible plant-based lubricants. In the field of renewable energies, the Group mainly operates as a supplier to plants which generate energy from biomass. In addition, BayWa supplies resources and offers services geared towards the needs of these plants.

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, which is 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 1,300 locations which form part of an extensive and tight network 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 agribusiness enterprises, mainly operating locally, make up the competitive environment for agricultural products. In addition, there are a number of nationwide wholesalers offering equipment and resources. All in all, BayWa has a significant market position in agribusiness 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 greatly fragmented both in Germany and in Austria. In Germany, there are around 1,000 companies with some 2,500 locations trading in building materials. The majority of suppliers are mid-sized companies which cooperate in different ways. With its 208 locations, BayWa takes second place in Germany and has a strong market position in many regions. BayWa also has an important position in the most attractive regions in Austria as well, through its 55 locations and its extensive network coverage of franchise partners. With 118 outlets in Germany and Austria, BayWa is a focal point for the DIY and garden centres business in rural regions.

BayWa has a good position in the energy business mainly in southern Germany and Austria. The competitive environment is fragmented and, along with the large mineral oil trading companies, is dominated primarily by mid-sized fuel traders. From a historical standpoint, there is a close connection with agribusiness, as farmers are one of the most important customer groups.

Fundamental legal and economic factors of influence
On the one hand, the Group's Agriculture segment is exposed to the impact of natural phenomena, such as the weather, which are determinant factors for the success of the harvest. On the other, the development of supply and pricing in the markets for agricultural raw materials and natural products have a direct impact on business. Changes in the legal framework conditions may lead to considerable market adjustments, especially in the area of renewable primary products; this in turn may affect other areas of agricultural raw materials. Similarly, regulations issued by the EU can have a significant impact on market prices and structures.

Changes in the economic and political environment in particular may positively or negatively influence the Building Materials segment, especially measures affecting residential construction or government subsidies to promote renovation and refurbishment. The performance of the building materials trade generally tracks the overall construction economy and depends on the public spending patterns, especially in civil engineering and road works. 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, construction law, construction directives such as, for instance, energy conservation directives or the introduction of energy certificates for buildings, construction approvals, public procurement law, as well as directives on fire and noise insulation, also exert an impact on investment behaviour and the demand for certain products.

Business in the Energy segment is characterised by volatile crude oil price trends. Accordingly, the prices for fossil-based fuel and lubricants are subject to considerable fluctuations which naturally influence the demand for these products. In the case of renewable energies by contrast, rising prices for fossil-based fuels result in stronger demand. The sale of bio diesel depends to a great extent on tax-related conditions. This is also valid for photovoltaic systems where the commercial viability has up until now been largely determined by the legally prescribed tariffs for feeding into the grid.

General business conditions
The upswing in the global economy, which persisted from 2004 through to the spring of 2008, slowed notably over the course of the year. The crisis in the financial markets, which escalated in the second half of the year, had an increasingly negative impact on the markets for goods and services. The prices of energy, raw materials and food reached extremely high levels on occasion. The growth rate of global economic output fell from a real 5.2 percent in 2007 to 3.4 percent in the reporting year.

The growth in the gross domestic product (GDP) declined in Germany from 2.5 percent in 2007 to 1.3 percent in 2008. In Austria economic growth slowed in 2008 to 1.8 percent, down from 3.1 percent in the previous year. In the countries of Eastern Europe where BayWa is also present economic growth slowed to an average GDP increase of 3.2 percent in 2008 as compared with 5.7 percent in the previous year. Growth rates in these countries ranged from 0.6 percent in Slovenia, 1.4 percent in Hungary, 3.5 percent in Croatia, 4.4 percent in the Czech Republic, 6.0 percent in Serbia right up to 7.3 percent in Slovakia.

Trends in the agriculture sector

The price increases of agricultural products such as grain, oilseed, fruit and vegetables, but also milk, poultry and eggs continued unabated in the international agricultural markets in the first half of 2008. The causes of this trend were attributed to factors such as the lower levels of global inventories of grain, shortfalls owing to drought, and the rising demand for raw materials for generating bio energy. At the same time, production costs rose, driven in particular by the drastic price hikes for energy. The extremely sharp rise in producer prices for agricultural raw materials in 2007 and in the first half of 2008 triggered a trend towards cultivation of land and the partial reallocation of greenfield sites to farmland. As a result, the demand for high-grade seed and, over the course of the year, also for fertiliser and crop protection products as well as other resources increased significantly. Influenced by the positive revenues generated in the agricultural industry, the willingness to invest has also risen with the result that the Agricultural Equipment business unit recorded sharp growth. In the wake of the general economic slowdown and the rapid declines in the prices of energy and raw materials, the prices for agricultural products have meanwhile fallen considerably from the high levels seen at mid-year 2008. In the medium and long-term, demand for agricultural raw materials will continue to rise given growing global population. This will lead to more cultivated areas and an intensification of land used for farming.

Trends in the construction industry

In Germany the volume of investment in construction grew by 2.7 percent in 2008. This uptrend was mainly the result of investments external to residential construction growing by 5.6 percent as against residential construction which climbed by a mere 0.7 percent. The construction of new residential buildings fell marginally from an already very low basis in 2008. The discontinuation of home-owner subsidies in 2007 continued to have a negative impact. The increase in spending in the area of renovation and refurbishment of residential property was only very moderate in 2008. By contrast, commercial construction recorded significant growth in Germany, in particular in the first half-year. In Austria investment in construction grew by an overall 1.8 percent. Whereas residential construction also in this country developed below average, other building construction grew at a significantly faster pace. Civil engineering recorded particularly strong growth, boosted by government infrastructure measures.

Trends in the energy industry

The mild temperatures of the winter 2006/2007 and the drastic hikes in the price of crude oil, which persisted up until July 2008, caused private households to hold back on placing orders to fill their tanks with heating oil. Sales of fuel were therefore slack up until mid-year. The subsequent decline in the price of crude oil triggered extremely brisk demand in the third and fourth quarter. Business with mineral-based fuel held stable during the course of the year. Dampened sales volumes were compensated by price-induced higher revenues. Sales of bio diesel slumped with the increase in tax which came into effect on 1 January 2008.

III. EARNINGS, FINANCIAL POSITION AND ASSETS

DEVELOPMENT OF THE GROUP'S BUSINESS SEGMENTS

Development of the Agriculture segment in 2008
The BayWa Group lifted revenues substantially in the Agriculture business unit which trades in agricultural produce, resources and equipment. The record grain harvest, which could be placed in the market at prices considerably above those of the previous year, made a large contribution to lifting revenues. Grain turnover in 2008 climbed 4.4 percent to around 4.4 million tons. Moreover, the higher sales volumes of seed, crop protection products and other resources, driven by the expansion and increasingly large areas of land taken under cultivation, had a positive impact. There was a particularly strong increase of 14.1 percent in the volume of crop protection products sold. Revenues generated by seed and crop protection products were considerably higher as against the previous year, boosted by volume and by passing on higher costs incurred by procurement. Only the sales volume of fertilisers slowed in 2008 owing to the higher levels of inventories from the previous year at producers and delivery quotas in respect of industry. The effects of lower sales volumes were more than compensated by notable price increases for fertilizers. In Germany, BayWa's Agriculture business unit closed 24 unprofitable locations and continued to streamline its structure and sales. Primarily on the back of higher prices, revenues in the Agriculture business unit climbed 23.5 percent to EUR 3,203.4 million and EBITDA recorded an increase of 29.3 percent to EUR 119.5 million. EBIT improved by 46.4 percent to EUR 85.7 million, with a slightly lower level of depreciation and amortisation. Due to the financing of the increased sales volume, interest income fell by EUR 11.3 million to EUR -28.6 million, bringing earnings before tax to EUR 57.1 million which equates to an increase of 38.4 percent.

The Agricultural Equipment business unit benefited from the improved income level of farmers which boosted willingness to invest. Furthermore, the business situation in 2007 was burdened by a base effect, as many farmers in Germany had already made investments in 2006 ahead of the increase in value added tax. Overall the investment level of the agricultural industry throughout Europe remains at a persistently high level. As agricultural production is becoming increasingly lucrative many farmers are using technological progress to step up their farming activities. The need for repair and service is growing in line with the use of agricultural equipment. BayWa's new inventory control system and additional centres of competence bolstered the strategic realignment of the Agricultural Equipment business unit which continued to implement its restructuring measures in Germany. The revenues of the business unit rose considerably by 14.8 percent to EUR 845.5 million, boosted by sales. Owing to the high level of capacity utilisation and the non-recurrence of unscheduled value adjustments, EBITDA climbed by 49.7 percent to EUR 37.0 million. EBIT soared by 69.2 percent to EUR 27.2 million, whereas net financing expenses rose by around only EUR 0.5 million to EUR 11.2 million. All in all, earnings before tax, which came in at EUR 16 million, therefore almost trebled as compared with the previous year's figure of EUR 5.4 million.

Taking the Agriculture segment as a whole, the BayWa Group achieved new record revenues of EUR 4.049 billion, which corresponds to an increase of 21.6 percent. EBITDA improved by 33.6 percent to EUR 156.5 million. The segment's depreciation and amortisation stood at EUR 43.6 million, which is 2.5 percent higher than in the previous year. EBIT has thus risen by EUR 38.3 million to EUR 112.9 million, which is 51.3 percent higher in a year-on-year comparison. With an overall slower rise in financing expenses, the Agriculture segment's earnings before tax rose by around EUR 26.4 million to EUR 73.1 million, which is an increase of 56.7 percent as against the previous year.

Development of the Building Materials segment in 2008
The persistent downtrend in the volume of new construction of one and two-family houses and the only moderate growth in renovation and refurbishment made for an environment from which the Building Materials business unit was unable to fully decouple. Despite stagnating market environment, the business unit nonetheless generated an increase in revenues of 9.8 percent to EUR 1.355 billion. The growth in revenues is, however, mainly attributable to company acquisitions. Furthermore, the ratio between revenues generated by third-party business, where BayWa acts as a logistics partner, to revenues from warehousing where BayWa delivers from its own range of products is now weighted more in favour of the lower-margin third-party revenues. Moreover, EBITDA and EBIT were burdened by the closure of 12 locations. Another factor to be taken into consideration is an amount of EUR 3.4 million in proceeds from the sale of a property no longer needed for operations which was included in the 2007 result. In the year 2008, EBITDA thus posted a decline of EUR 3.0 million, or 7.3 percent, to EUR 38.3 million. EBIT declined 22.0 percent to EUR 17.2 million owing to the higher level of depreciation and amortisation. Despite a decrease of EUR 1.4 million in net financing expenses, earnings before tax of the Building Materials business unit came to EUR 7.2 million, which EUR 3.4 million, or 32.4 percent, lower in comparison with the previous year's figure.

The intense crowding out process and the ailing retail economy in the building materials sector caused surface area-adjusted revenues to fall by around 2 percent in the DIY & Garden Centres business unit. In this environment, BayWa's DIY and garden centres, which delivered surface area-adjusted revenues unchanged from the previous year's level, performed better than its peers in the sector. Various measures contributed to this comparatively good performance: For instance, the modularization of all product mix building blocks has been completed. This has created the possibility of responding to different market sizes and regional requirements with the help of IT. The procurement company, operated together with our partner Hellweg, concluded more joint framework agreements with important suppliers. Finally, work on the modernisation of the market network continued through expanding sales surface areas in Burghausen und Templin. Both centres were completely refurbished with up-to-date product mixes and new marketing concepts. After all, proximity to the customer and expert competence are key success factors in competition. The business unit's revenues declined by EUR 11.9 million, which is 2.7 percent, to EUR 431.1 million in 2008. EBITDA fell by EUR 2.2 million to EUR 18.3 million owing to the lower volume of sales. Depreciation and amortisation rose again by EUR 1.5 million to EUR 13.9 million against the already high previous year's figures owing to expenses for restructuring measures and investment in the conversion of markets. Consequently, EBIT fell by EUR 3.7 million to EUR 4.3 million, which corresponds to a decline of 46.3 percent. Given an increase in financing expenses, which rose by EUR 1.5 million to EUR 6.8 million, earnings before tax of the DIY & Garden Centres business unit declined by EUR 5.2 million to a pre-tax loss of EUR 2.5 million.

Total revenues of the Building Materials segment posted EUR 1.786 billion, which is 6.5 percent higher as against the previous year's figures. EBITDA fell by EUR 5.2 million to EUR 56.5 million, the equivalent of a decline of 8.5 percent. Segment depreciation and amortisation rose by EUR 3.4 million to EUR 35.0 million. This resulted in an overall decline in EBIT, which fell by EUR 8.6 million to EUR 21.5 million, posting a decline of 28.5 percent. With the segment's net financing expenses remaining unchanged from the previous year's level, earnings before tax sank by EUR 8.6 million, which is 64.9 percent, to EUR 4.7 million.

Development of the Energy segment in 2008

Revenues of the Energy segment soared 37.7 percent to EUR 2.463 billion in 2008, boosted by both volumes and prices. The sharp growth is primarily attributable to higher sales volumes in the heating market, where the increase came to around 45 percent over the previous year, especially in respect of the sale of heating oil products. This was caused by considerable reticence on the part of consumers in 2007 and the ensuing low fill level of tanks at the turn of the year 2007/2008. Moreover, the acquisition of the sales and distribution business of Shell Direct GmbH in Bavaria on 1 July 2008 contributed to growth in an amount of approximately EUR 75 million. In addition, sales of wood pellets, which were nonetheless still at a low starting level, recorded a gratifying increase in volume of 32 percent. A slight increase in the sale of mineral fuels was achieved. Against the background of a generally stagnating market environment, BayWa succeeded in lifting the volume of lubricants sold by around 12 percent through stepping up market development activities. The upbeat development in the results of the Energy segment was mainly due to the extremely positive volume-related trend in the heating market. In the fuel station business, the good result achieved in 2007 was not repeated despite the price-induced growth in revenues. This was caused by lower margins owing to a sharp downturn in prices in the second half of 2008. Lubricant products attained the level of the previous year. A factor which should be taken into consideration here is the up-front costs of marketing measures to establish the "Tectrol" brand which burdened the result. The Energy segment's EBITDA advanced EUR 3 million to EUR 19.9 million, which is an increase of 17.9 percent. After deduction of depreciation and amortisation, which had risen by EUR 1.3 million to EUR 9.1 million, the segment's EBIT recorded an increase of EUR 1.7 million, the equivalent of 18.8 percent, to EUR 10.8 million. The financial result increased by EUR 1.6 million on the back of interest income of EUR 0.5 million. All in all, the Energy segment's earnings before tax advanced by an above-average 75.4 percent to EUR 11.4 million.

Development of the Other Activities segment in 2008

The Other Activities of BayWa comprise group companies such as food producers in Austria, car dealers and financial participations. The increase in revenues of EUR 65.2 million to EUR 497.3 million was almost solely attributable to the outstanding development of fruit juice concentrate production activities in Austria in which generated revenues exceeded the previous year's figure by more than EUR 60 million. Potato and pastry products also developed well and lifted revenues marginally, while car dealer operations stagnated owing to the difficult sales situation as from mid-year. In terms of its results, the Other Activities segment disclosed an EBITDA which had fallen by EUR 13.7 million to EUR 25.1 million in comparison with 2007. Proceeds from the sale of the stake in Kelly Gesellschaft mit beschränkter Haftung, which came to EUR 21.1 million and were included in the 2007 result, should, however, be taken into consideration. At the operating level, the development in the food business in 2008 was especially pleasing and is reflected in the improvement in the year-on-year EBITDA which rose from EUR 17.6 million to EUR 25.1 million. Although, when calculated against the background of a slight decline in depreciation and amortisation, the EBIT of the Other Activities segment has declined by EUR 13.1 million to EUR 16.6 million, if the effect of the proceeds in 2007 is eliminated it has actually increased by EUR 8.0 million. Interest income improved by EUR 3.4 million to EUR -2.2 million. Earnings before tax of the Other Activities segment declined by 40.4 percent, which is EUR 9.7 million, to EUR 14.4 million.

EARNINGS POSITION OF THE BayWa GROUP

The revenue increase of 21.7 percent to EUR 8.795 billion generated by the BayWa Group was mainly attributable to growth in its Agriculture and Energy segments.

There was an overall increase in Other operating income of EUR 1.9 million to EUR 113.1 million. A major portion of other operating income is accounted for by rental income (EUR 20.4 million), regular cost reimbursement (EUR 12.5 million) and recurring advertising subsidies (EUR 4.6 million). The aforementioned results generally remained unchanged from the level of the previous year. Earnings from the receipt of receivables written down came in at EUR 9.0 million, which is considerably higher than the previous year's figure of EUR 4.6 million. Income from the release of provisions stood at EUR 12.1 million (2007: EUR 16.0 million). The amount from hedging transactions comes to EUR 11.1 million (2007: EUR 2.4 million), offset by lower gains from the disposal of assets, which declined by EUR 10.8 million to EUR 8.5 million.

After deduction of the increase in the cost of materials which climbed 21.5 percent, which is EUR 1,356.1 million, to EUR 7,666.6 million owing to the expansion of agricultural and energy business activities, gross profit posted EUR 1,192.5 million; this is EUR 100.4 million, or 9.2 percent, higher than the previous year's figure. The growth in profits which was disproportionately lower than the increase in revenues was due to changes in the stocks of semi-finished goods and changes in the volume of the sales mix as against the previous year.

Personnel expenses rose by a total of EUR 21.0 million to EUR 607.9 million, mainly due to adjustments made within the Group owing to the result of collective bargaining. In addition, the first-time inclusion of group companies, which came to EUR 8.1 million, contributed to this increase. Adjusted for this effect, personnel expenses rose by a moderate 2.2 percent.

Other operating expenses rose by EUR 37 million to EUR 338.1 million in a year-on-year comparison. This development was due in the main to increases in vehicle fleet and energy costs of EUR 10.3 million as well as the higher level of maintenance expenses of EUR 4.7 million for refurbishment measures at a number of outlet locations. Expenses incurred by hedging transactions came to EUR 13.6 million (2007: EUR 3.2 million). In terms of its amount, this position is, however, to be taken in the context of income disclosed under Other operating expenses of EUR 11.1 million.

All in all, the EBITDA of the BayWa Group in the financial year 2008 rose by EUR 23.5 million to EUR 258.1 million, which is a 10 percent increase. Taking account of the non-recurring effect on profit from the sale of the stake in Kelly worth EUR 21.1 million in 2007, the increase in EBITDA comes to EUR 44.6 million, the equivalent of 20.9 percent.

Segment depreciation and amortisation climbed by EUR 5.2 million to EUR 96.2 million. Of this amount, EUR 5.0 million were attributable to the depreciation of property under IAS 40 owing to lower realisable value.

The sum total of these effects resulted in an increase in EBIT of EUR 18.3 million, or 12.7 percent, to EUR 161.9 million. Net of the Kelly effect in EBITDA, the adjusted improvement of EBIT brings this ratio to EUR 39.4 million, which is an increase of 32.2 percent.

The financial result is composed of income from participating interests, which is allocated to EBITDA and EBIT, and interest income. The decline of EUR 18.9 million to EUR 11.6 million in income from participating interests is due to the proceeds from the sale of the Kelly shares of EUR 21.1 million included in the 2007 result. Adjusted for this effect, income from participating interests has in effect risen by EUR 2.2 million. The negative interest result, which posted EUR 58.3 million, representing a rise of EUR 5.3 million as against 2007, was attributable to the higher average interest rate over the course of the year and a higher average level of inventories.

Including the interest result, the Group lifted earnings before tax by EUR 13.0 million to EUR 103.5 million, which is a rise of 14.4 percent. The increase in the operating result, which came to EUR 37.1 million, was due in particular to the exceptionally good development of agribusiness which resulted in a considerable outperformance of the budget set by the Group in the financial year 2008. The impact of the extremely positive market development on the pre-tax result comes to around an estimated EUR 20 million.

Given the gratifying development in profits, the income tax of the BayWa Group has also risen to EUR 26.8 million as compared with EUR 18.7 million in 2007. The tax rate thus comes to 25.9 percent (2007: 20.6 percent) and is therefore in line with expectations. The higher tax rate is explained by the fact that there was no repeat of the tax-related loss carryforwards in Austria used in 2007 in the reporting year.

After deduction of income taxes, the Group generated a net income for the year of EUR 76.7 million; as against the previous year's figure of EUR 71.8 million, this represents an increase of 6.8 percent.

Earnings per share (EPS), which is calculated from the portion of profits attributable to the shareholders of the parent company in relation to the average number of shares outstanding in the financial year 2008 (dividend-bearing shares minus treasury shares), climbed 26.5 percent to EUR 1.72 in 2008, up from EUR 1.36 in 2007.

FINANCIAL POSITION

Financial management

The aim of financial management within the BayWa Group is to secure financial resources for the purpose of safeguarding the conducting of regular business at all times. This task includes securing 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. Waiving the use of fungible financial products to generate original profit contribution in financial operations accords with a conservative service provider approach. In particular, there is no building up of speculative risk positions in our financial operations.

In daily financial management the focus is on deploying incoming funds in the context of a broad-based cash pooling as well as making liquidity available to the most accurate extent possible for the purpose of placing it in credit transactions. To this end, Treasury has the relevant IT systems at its disposal. Integration into the Geno Cash System enables both the automated booking of incoming payments as well as the daily clearing of payment accounts at regional banks which take receipt of payments by the decentralised business units in the capacity of principal banks. These funds are combined under a central management and reused in daily settlement or reassigned. As a trading company, the BayWa Group generally has a funds inflow which exceeds its outflow, with the result that excess liquidity is used to the exact day to reduce any overdraft on current accounts.

Similar to the Group's operations the procurement of funds is also organised decentrally. The principle of each local unit raising funds in the national currency of the respective country is applied, first and foremost, to activities in Eastern Europe. However, the BayWa Group conducts its business mainly in euros. Despite decentralised management, 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 preliminary decision 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 is to observe the principle of matching maturities. The almost exclusively short-term debt serves to fully cover the financing of similarly short-term working capital. Long-term funds, such as investments in non-current assets and acquisitions, are covered by long-term capital.

Interest-rate risks inherent in current debt are countered by BayWa in the event of interest rates rising through the use of simple derivative instruments in the context of risk management. Around 50 percent of the borrowings portfolio is to be secured against interest-rate risk through the respective hedging instruments. This partial hedging takes account of the seasonally-induced strong fluctuations in financing requirements. By contrast, lower interest rates are directly reflected in the declining cost of financing.

BayWa emerged from the co-operatives sector and still has strong ties through its shareholder structure as well as the congruent and regional interests of the bank and trading. These historical ties are the reason for a special type of mutual trust. Particularly in the current phase of heightened anxiety in the financial markets, both sides benefit from this partnership. The cooperative banks have a portfolio of especially strong primary customers and deposit business which gives preferential treatment to the financing of stable business models.

Along with its integration into the co-operatives financial association, the broad diversification of financial activities which spans countries also lowers the risk within the BayWa Group.

CAPITAL STRUCTURE AND CAPITAL BASE

In EUR million	**2008**	2007	change in %
Equity	915.1	854.5	7
Equity ratio (in %)	29.8	27.4	
Current debt	1,478.8	1,597.4	
Non-current debt	671.9	666.1	
Debt	2,150.7	2,263.5	– 5
Current debt ratio (in %)	70.2	72.6	
Total capital (equity plus debt)	3,065.8	3,118.0	– 2

In strengthening its equity basis, BayWa secures its capital structure and achieves the goal of a targeted equity ratio of around 30 percent. A stable provision of equity capital forms a sound basis for the developing of business activities. The equity ratio, which has risen as a result of the net income generated and a reduction in capital committed close to the target, is an excellent figure for a trading company.

Current borrowings are destined exclusively for the financing of funds used short-term in working capital. The status disclosed of short-term borrowings at year-end regularly reflects the highest level of utilisation. Influenced by the seasons, borrowings rise through the prior storage of resources and the buying up of harvest produce in the fourth quarter of the financial year. The decline in current borrowings as against the level of the previous year is mainly attributable to the sale of two special funds with a total volume of around EUR 80 million at the start of 2008.

Total assets as a reflection of total committed capital have declined by an overall EUR 52 million.

CASH FLOW STATEMENT AND DEVELOPMENT OF CASH AND CASH EQUIVALENTS

In EUR million	**2008**	2007
Cash flow from operating activities	215.5	57.4
Cash flow from investment activities	– 143.9	– 61.7
Cash flow from financing activities	– 73.5	4.8
Cash and cash equivalents at end of the period	16.1	18.0

The cash flow from operating activities was, on the one hand, boosted by the improved operating result from brisk agribusiness and, on the other, by the fact that the financial year came to an end with a substantially lower level of receivables, which had the correspondingly positive effect on the incoming funds. In addition, an amount of EUR 80 million from the liquidation of short-dated paper supplemented the cash flow.

Operating cash flow was used to cover the high level of investment in the context of acquiring companies and other investments in non-current assets, such as property, plant and equipment and financial investments.

Along with cash outflow for the payment of dividends of around EUR 14 million, the negative balance of the financing cash flow resulted mainly from reducing borrowings at year-end.

Financial base and capital requirements
The financial base of the BayWa Group draws primarily on funds accruing from operations. In addition, the company received funds from portfolio streamlining measures and the sale of non-core business property and non-strategic participating interests.

Capital requirements comprise the financing of investments and the ongoing financing of operations, the redemption of financial liabilities and running interest payments. The overall view of liquidity and debt is determined by the calculation of net liquidity and debt and is used for internal financial management as well as external communication with financial investors and analysts. Net liquidity and net debt are calculated on the basis of the sum total of funds, minus outstanding commercial paper, liabilities vis-à-vis banks and liabilities from finance leasing, as disclosed in the balance sheet.

Matched to funds committed, the financing structure remains for the most part short term. Alongside term and overnight money, the Group finances itself by way of a EUR 300 million multi-currency Commercial Paper Programme; on the reporting date, drawdowns came to EUR 5.8 million (2007: EUR 50.0 million). At year-end 2008, demand for commercial paper had slowed notably in the wake of the US subprime mortgage crisis, which made placement modest. As per the reporting date, EUR 64 million (2007: EUR 55 million) had been financed from the ongoing Asset Backed Securitisation Programme.

Investments

In the financial year 2008, the BayWa Group invested EUR 36 million in the acquisition of companies and EUR 108 million in intangible assets and property, plant and equipment. These investments are primarily directed towards replacements and maintenance of the buildings and facilities as well as office furniture and equipment. Even at year-end, investments envisaged were not curtailed despite the imminent economic crisis. State-of-the-art locations and efficient operating units are the prerequisites for effective logistics processes.

Investments of around EUR 55 million were made in new properties used for business purposes. Alongside buying land in the context of acquiring companies (approximately EUR 25 million), investments were made primarily in the completion of buildings for operations. In Wuppertal, for example, a new building materials location was finished with an investment volume of around EUR 3.1 million. The same amount was invested in extending the DIY and garden centre located in Burghausen. In Reutte/Tyrol, investments of EUR 2.7 million were committed to building a new location for the Agriculture and DIY & Garden Centres business units.

As before, BayWa's strategic approach centres around conducting its trading where ever possible on its own land and property. This ensures that its business can remain independent from inflexible rental contracts which, due to their cyclical exposure, are not necessarily reflected in the results of operations. Moreover, real estate assets provide stability for operations. By contrast, non-core business real estate is consistently sold off. The proceeds accruing from these transactions are used to reduce debt or finance growth. The transformation of BayWa's real estate operations into a dedicated profit centre is intended to accelerate the selling of redundant properties.

Around 45 percent of total investments are made in the Agriculture and Agricultural Equipment business units where the focus is on carrying out necessary maintenance measures and investments in having state-of-the-art operating units.

COMPOSITION OF ASSETS

In EUR million	**2008**	2007	change in %
Non-current assets	1,305.6	1,239.3	5
of which land and buildings	680.6	659.4	
of which financial assets	172.6	147.2	
of which investment property	75.2	82.4	
Non-current asset ratio (in %)	42.6	39.8	
Current assets	1,755.5	1,875.1	– 6
of which inventories	1,101.3	1,083.2	
Current asset ratio (in %)	57.3	60.1	
Assets held for sale	4.7	3.6	
Total assets	3,065.8	3,118.0	– 2

While mainly reflecting the capital structure, the structure of assets has developed towards non-current assets having a greater weighting. The reduction of securities held short-term not only made it possible to avoid share price-induced losses before the onset of the global financial crisis but also lowered the amount of total assets committed. Owing to the concurrent increase in property, plant and equipment, specifically in the real estate portfolio in connection with acquisitions undertaken and other financial assets, the non-current asset ratio rose to 42.6 percent.

Other financial participations rose mainly owing to the participation in the capital increases of Bayerische Raiffeisen-Beteiligungs-AG, Raiffeisen Zentralbank-Österreich AG and Raiffeisen-Holding Niederösterreich-Wien.

The dominating factor in current assets, which fell by EUR 119.6 million, are inventories, especially fertilisers and grain. The volume of fertilisers warehoused remained more or less at the level of the previous year; the prices of these products are, however, much higher. The resulting higher value was, however, more than compensated by a lower level of grain garnered from the 2008 harvest, with prices averaging around the 2007 level.

The BayWa Group places special importance on matched maturities in the financing of assets. Short-term debt on the capital side, consisting of financial liabilities, trade payables, tax and other liabilities as well as current provisions totalling EUR 1,478.8 million, are offset by current assets worth EUR 1,755.5 million. Non-current assets are covered by around 120 percent through equity and long-term borrowings. Ensuring matched maturities in financing is an important quality criterion for our financing partners 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 still assessed the development of business as positive. The fact that the year 2008 was an exceptional year in agribusiness must nonetheless be taken into account. Revenues and profits of the segment were mainly driven by the strong price hikes for grain in the first half of 2008 and by higher prices for fertiliser products.

EMPLOYEES

Slight increase in the number of employees of the BayWa Group
In the financial year 2008, the workforce of the BayWa Group rose by an annual average of 227 to 15,498 employees. The number of employees in the Agriculture, Building Materials and Energy segments rose by a total of 251 as opposed to a slight decline of 24 employees in the segment of Other Activities. The increase of 104 employees in the Agriculture segment was driven in the main by the higher level of business activities. The Building Materials segment saw its professional staff rise by 121 people owing to the expansion in the Building Materials business unit in North Rhine-Westphalia. The increase in the workforce of the Energy segment is primarily attributable to the takeover of Shell Direct's Bavarian activities at mid-year 2008. With this measure, BayWa has continued to pursue its policy of strategic expansion in 2008 through acquiring suitable mid-sized companies. This strategy is supplemented by an ongoing review of work processes and their adjustment to changes in the general conditions in the business environment. As per the reporting date of 31 December 2008, employee numbers came to 16,596 which is an increase of 271 in comparison to the previous year's figure of 16,325.

DEVELOPMENT OF THE AVERAGE NUMBER OF EMPLOYEES IN THE BayWa GROUP

	2008	2007	Change	
			absolute	in %
Agriculture	6,672	6,568	104	1.6
Building Materials	6,500	6,379	121	1.9
Energy	886	860	26	3.0
Other Activities	1,440	1,464	– 24	– 1.6
BayWa Group	**15,498**	**15,271**	**227**	**1.5**

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 an important keystone for planning but are also used by personnel management to control operational workflows.

Further training and human resource development
The further training of and fostering the professional skills of our employees is an elementary and integral part of the personnel strategy of the BayWa Group. With trainee numbers averaging 1,500 and a trainee ratio of 9 percent, the parent company BayWa in particular has taken its place in the league of large companies which offer vocational training in the 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 training continues to be on vocational training, with a share of 70 percent of the measures, within the various business units. Beyond this, sales and procurement, management and IT applications play a large role in the training and further education measures which span the business units.

Integration of handicapped employees within the Group
Part of the Group's corporate responsibility, particularly incumbent upon large companies which must make a special contribution, is to integrate handicapped employees into the working world. BayWa fulfils this responsibility by offering suitable positions to more than 300 handicapped employees. Moreover, BayWa has entered into an additional partnership with a rehabilitation centre for handicapped people. Among other measures, a major order was placed for the ongoing recording and scanning of vouchers which created a significant number of new positions.

Corporate Social Responsibility (CSR) activities
BayWa is committed to its social responsibility. This responsibility is based on the Articles of Association of the company, its Corporate Guidelines, Ethical Principles and corporate governance regulations. The Group implements numerous principles relating to CSR in the business conducted in its various business units such as, for instance, action compatible with the environment, sustainability, the promoting of renewable resources, protecting and informing the consumer as well as fostering dialogue with a number of different groups in society. CSR has not yet been set up as an organisational unit in its own right within the Group.

The Group secures its sustained integration into the economy and society, promotes dialogue with the public at large and stakeholders, and acts on socially accepted values in its daily business. This approach reinforces the image and the value of the BayWa brand, generates additional revenues, and limits the entrepreneurial risk, thereby strengthening the overall business development.

The Group pays particular attention to good management by applying corporate governance regulations. Subsumed under the area of financial responsibility are activities such as transparent investor relations, maintaining dialogue with a number of different stakeholders, securing profitable growth in all business units and Group companies, as well as having an efficient risk and complaints management. Fair dealings within the company and Group and in relation to business partners have been established in a set of ethical principles which are lived throughout the Group.

The Group demonstrates its responsibility to the environment through its dedication to renewable energy and renewable resources, with environmentally compatible products, through measures to lower the consumption of energy, its waste management and by having efficient transport logistics. This applies not only to its own activities but also in its dealings with customers and suppliers who are given support through consultancy and services in observing environmentally sound principles.

Corporate social responsibility entails activities such as ongoing professional development, occupational health and safety, job security and health management. BayWa ranks among the leading groups in respect of training and further education and has thus laid the cornerstone for its long-term success in human resource development. A prime example which comes under the term "corporate citizenship" is the BayWa Foundation which supports projects working to secure the world's food supply. Donations to social and cultural institutions as well as the promotion of employee participation in associations or politics also belong to this category.

REPORTING PURSUANT TO SECTION 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB)

Composition of subscribed capital
The share capital of BayWa AG amounted to EUR 86,960,798.72 on the reporting date and is divided into 33,969,062 bearer shares with an arithmetical portion of EUR 2.56 in the share capital. Of the shares issued, 32,646,326 are registered shares and 79,485 are recently registered shares with restricted transferability (from 1 January 2009, dividend-bearing employee shares). 1,243,251 shares are bearer shares not subject to 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 (AktG), in conjunction with Section 6 of the Articles of Association of BayWa AG, 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 ten percent of the voting rights
The following shareholders held stakes in the capital which exceed ten percent of the voting rights:
· Bayerische Raiffeisen-Beteiligungs-AG, Beilngries
· Raiffeisen Agrar Invest GmbH, Vienna
· RWA Deutschland GmbH, Grünwald

Statutory provisions and the provisions of the Articles of Association relating to the appointment of members of the Board of Management as well as to amendments to the Articles of Association
In addition to Sections 84 et seq. of the German Stock Corporation Act (AktG) pertaining to the appointment and dismissal of members of the Board of Management, Section 10 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 maybe re-appointed. The Supervisory Board appoints the Chairman and the Vice Chairman of the Board of Management.

Pursuant to Section 179 of the German Stock Corporation Act (AktG), in conjunction with Section 22 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 increase the share capital in the period up to 29 May 2013 by a maximum nominal EUR 10,000,000 through the issuing of new shares registered to bearer against non-cash contribution. This authorisation may be used in the form of partial amounts. Moreover, 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 shares are to be issued.

In addition, subject to approval by the Supervisory Board, the Board of Management is authorised to increase the share capital in the period to 30 April 2010 one or several times by a maximum nominal EUR 4,344,496.64 through the issuing of new shares registered to bearer with restricted transferability against non-cash contribution. In respect of the employees of BayWa AG and of companies associated with BayWa AG within the meaning of Section 15 et seq. of the German Stock Corporation Act (AktG), this will take place against cash contribution at purchase prices of at least 50 percent of the price ascertained the authorisation is exercised.

In addition, subject to approval by the Supervisory Board, the Board of Management is authorised to increase the share capital in the period to 30 April 2011 one or several times by a maximum nominal EUR 12,500,000 through the issuing of new shares registered to bearer with restricted transferability against non-cash contribution.

The Board of Management has not been authorised by the Annual General Meeting of Shareholders to buy back shares. There are no agreements pursuant to 315 para. 4 nos 8 and 9 of the German Commercial Code (HGB).

Remuneration report
The remuneration report explains the basis for establishing the remuneration of the Board of Management and the Supervisory Board as well as the amount and structure. Furthermore, information is provided on the shares held by the Board of Management and the Supervisory Board and on the transactions with BayWa AG subject to reporting under the German Securities Trading Act (WpHG). The report follows the recommendations of the German Corporate Governance Code and contains information required under the regulations of the German Commercial Code (HGB).

The Supervisory Board's Board of Management Committee is responsible for determining the remuneration of the Board of Management. The structure of the remuneration system is reviewed by the Supervisory Board on a regular basis. The remuneration of the Board of Management is made up of a fixed and variable (performance-related) component. The fixed components consist of an annual salary and customary fringe benefits which mainly relate to the value recognised for the use of a company car under the prevailing tax directives.

The performance-related component is measured by the company's performance and the attainment of individual goals which are newly defined each year. There are no share options. In addition, there are pension commitments for the members of the Board of Management.

The remuneration of the members of the Board of Management is not itemised but divided into fixed and variable/performance-related payments and disclosed on an annual basis in the financial statements of the parent company and in the Notes to the Consolidated Financial Statements. In accordance with Section 286 para. 5 of the German Commercial Code (HGB), the relevant resolution has been passed by the Annual General Meeting of Shareholders. There are no long-term incentive remuneration components such as share options or the like.

The remuneration of the Supervisory Board is not itemised but divided into fixed and performance-related components and disclosed on an annual basis in the Corporate Governance Report.

The amount of remuneration paid to the individual Supervisory Board members was determined by a resolution passed by the Annual General Meeting of Shareholders held on 31 May 2007. Under this resolution, along with the reimbursement of their costs, Supervisory Board members each receive a fixed annual salary of EUR 8,000, plus variable compensation of EUR 250 for each cash dividend portion of EUR 0.01 per share approved by the Annual General Meeting of Shareholders which exceeded a profit share of EUR 0.10 per share and was distributed to the shareholders. The Chairman of the Supervisory Board receives double and the Vice Chairman one and a half times the aforementioned amounts, respectively. A fixed annual remuneration of EUR 2,000 is paid for activities performed on behalf of the committees. The chairmen receive double this amount respectively.

IV. OPPORTUNITIES AND RISK REPORT

Opportunities 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 is a task embedded in entrepreneurial activity aimed at safeguarding the long-term success of the Group. This enables the BayWa Group to create the new and secure and improve what has already been set in place. The management of opportunities is closely aligned to the long-term strategy and the medium-term planning of the BayWa Group. The decentralised, regionally oriented organisation and management structure enables the group to identify trends, requirements, and the opportunities of markets, which are often fragmented, at an early date, analyse them and take action which is both flexible and geared to the market. Moreover, systematic and intense screening of the market and of peer competitors is carried out with a view to identifying opportunities. This is flanked by constant communication and the purposeful exchange of information between the individual parts of the Group which releases additional opportunities and synergy potential.

Principles of risk management

BayWa is exposed to entrepreneurial risks in the conducting of its business. The safeguarding of its assets and the raising of enterprise value therefore necessitates a risk management system. Risk management is an integral component of planning and management and control processes. The Group's strategy aims to make optimum use of opportunities while identifying and limiting business-related risks 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. 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, as well as for the taking out of insurance, 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 a set of Ethical Principles, and has implemented them throughout the Group. These guidelines and principles relate to the individual employees' action when dealing with corporate values as well as to their fair and responsible conduct towards suppliers, customers and colleagues.

Risk management in the BayWa Group

A comprehensive risk management system records and monitors both corporate performance and any existing weak points on an ongoing basis. The risk management system covers all segments and includes reporting as a key component. This enables the Group's senior management 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 risks 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 accounts receivable. As an extension of the business segment's planning process, procurement, sales and distribution operations as well as centralised operations, the Group's risk and opportunity management system serves to identify and assess potential divergences from expected performance. 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 business units, form the core of the risk management system. These reports are subjected 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 risks

General economic developments also affect consumer and investment behaviour in BayWa's core markets. This may, in turn, impact BayWa's revenues and profit either positively or negatively. Following the growth recorded for the German economy in the year 2008 as a whole, the slowdown in global economic activity can be expected to dampen economic output in the regions where BayWa conducts its business. Moreover, it is difficult to assess whether the crisis in the financial markets has already bottomed out. These are factors which may burden the BayWa Group. BayWa's business model is, however, primarily geared to satisfying fundamental human requirements, such as the need for food, having a roof over our heads, mobility and the supply of energy.

Accordingly, the impact of cyclical swings is likely to be less strong than in other areas of business.

Sector and company-specific risks

Changes in political conditions such as, for instance, 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 both the offering, pricing and trading with agricultural produce and also on the resources business operating downstream. Global climate changes also have a long-term effect on the agriculture. Global demand for agricultural produce, especially grain, is on the rise, which may result in a 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 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 which triggered a construction boom, especially in the new federal states, which was then followed by a sustained long-standing downswing entailing structural adjustments to capacity. The abolition of the home-owner subsidy of the German government exacerbated the slowdown in private residential construction. Even today the number of building permissions in residential construction is considerably below the level seen 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 risks

BayWa trades in merchandise which displays very high price volatility, such as grain, fertiliser 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 also assumes the risk of prices fluctuating. Whereas the risk in mineral oils is relatively low owing 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, measures to limit risk are initiated.

Currency risk

BayWa's business activity is largely focused on 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 risk

The investment portfolio of the BayWa Group comprises direct and indirect investments in listed companies. Investments in shares are monitored on an ongoing basis using their current market values.

Interest rate risk

Interest rate risk positions arise mainly from issues of short-term commercial paper and loans. Short-term borrowings are used mainly to finance similarly short-term working capital. To reduce the interest rate risk, BayWa uses derivative instruments such as interest rate caps and swaps.

Regulatory and legal risks

Changes in the regulatory environment can affect the Group's performance. Examples of this are 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 law suits 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 payment disputes. BayWa forms 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 risk
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 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 trade receivables monitoring system which spans all business units. To this end credit limits are designed through a documented process of approval and monitored on an ongoing basis.

Liquidity risk
Liquidity risk is the risk that the BayWa Group may fail to fulfil its financial obligations or fulfil them only to a limited extent. In the BayWa Group, funds are generated by operating business and borrowing from external financial institutions. In addition, financing instruments such as multi-currency commercial paper programmes or asset-backed securitisation are used. 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.

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

Aggregate risk
An overall assessment of the current 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.

V. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

With effect from 4 March 2009, Board member Dr. Stefan Bötzel, responsible as a member of BayWa's Board of Management up until that time for the Agriculture segment, laid down his office as a Board member.

In his place, Board member Dr. Josef Krapf will assume responsibility for the Agriculture business unit as from 5 March 2009. Dr. Krapf's former responsibility for the Building Materials and DIY & Garden Centre businesses will be assigned to Board member Frank Hurtmanns who will continue to be responsible for Personnel and IT, among other duties. Chief Executive Officer Klaus Josef Lutz will assume responsibility for the Real Estate operations of the Group in addition to his other duties.

VI. GUIDANCE

Macroeconomic outlook

The forecasts for the development of the global economy predict a significant economic slowdown. The negative development of the economies in the USA, Japan and Europe in the second half year of 2008 is likely to persist throughout the whole of 2009. Only then can a recovery be anticipated. This estimate is based on the assumption that the crisis in the financial markets must first be overcome before confidence in a functioning financial system can be restored. Against this background, economic output in the most important economies of the USA, Japan and Western Europe can be expected to decline significantly throughout the year. The growth rates of gross domestic product can also be expected to be lower than in 2008 in the high-growth countries of Eastern Europe and the so-called BRIC countries. Taken as a whole, global economic growth at a low level of a mere 0.5 percent can be expected in 2009, down from 3.4 percent in the previous year (source: IMF). In view of slowing economic impetus, inflation rates can be expected to decline due to the recent decline in prices for industrial raw materials, and crude oil in particular.

The gross domestic product in Germany is set to contract by around 2.5 percent in 2009 according to the most recent forecasts. In this process, the export volume and the level of capex investments will fall. In 2010 as well, no return to a notable economic growth is expected, given that GDP is to edge up by a mere 0.1 percent.

The gross domestic product in Austria is also expected to fall by 0.5 percent in 2009. In 2010, growth predicted for the Austrian economy is marginal. In terms of capital expenditure, 2009 is likely to see a sharp decline of 7.0 percent and investment activities are expected to stagnate in 2010. In this environment, investment in construction is expected to contract by 1.0 percent, and growth for 2010 has been set at a mere 0.5 percent.

In Central and Eastern Europe there will be a slight overall decline in economic output of 0.4 percent in 2009. However, prospects for the year 2010 are relatively good with a growth forecast of 2.5 percent. All in all, it can be assumed that the process of catching up in the countries of Central and Eastern Europe will hold steady in the years ahead.

OUTLOOK FOR THE DEVELOPMENT OF THE MARKET SECTORS

Outlook for the agriculture sector

Since the end of December 2008, the business environment in the grain markets has brightened perceptibly. The markets are still well supplied, and surpluses are expected in the next season. Market participants assume, however, that the price volatility will remain high from January to April. The poor harvests in Argentina and China, countries which suffered from drought, are supporting prices. The Argentinean harvest of wheat and estimated wheat exports were revised downwards by between 1 million tons and 1.1 million tons. With a volume of 4.2 million tonnes, wheat exports from Argentina in the harvest year 2008/2009 will only attain 40 percent of the previous year‘s volume. A similar situation is emerging in respect of maize where there is an even greater decline in the expected production and export of maize, each of 1.5 million tons respectively. In the current financial year it is likely that 9.0 million tonnes will be exported, which is only 60 percent of the 2007 volume. Seen on a global scale, there will be no record harvest in 2009 as there was in 2008. Moreover, the persistently relatively low levels of grain inventories were only replenished to a modest extent, despite the good global grain harvest in 2008. The prices of feedstuffs and energy as well as for seed, fertiliser and crop protection products rose sharply over the course of 2008. Since the autumn of 2008, the prices of resources and equipment have been poised to enter a downtrend. Any future increase in for higher volumes is, however, likely to incur an increase in prices. All in all, BayWa expects prices for resources and equipment to remain stable or decline marginally in an annual average for 2009.

The medium and long-term positive factors of influence are expected to persist in the year 2010, in particular growth in the global demand for agricultural raw materials. These factors also include the rising global population and the improved standard of living in the emerging markets. Changes in nutrition habits are leading to a growing consumption of grain, meat and milk. This growth in demand is juxtaposed to a drastic decline in fertile agricultural land available for the per capita global population through overuse, erosion and salt intrusion. The short term supply and price trend depends to a great extent on factors such as how land use develops and weather-induced influences, which are not foreseeable.

After an excellent sales year in the agricultural equipment sector in 2008, most producers expect revenues to decline, partly in the double-digit range, in 2009. The sector is feeling the effects of the global recession. This is compounded by a damper on sentiment in the agriculture industry and consequently on the propensity to invest as compared with the exceptional year of 2008. A burdening factor on the agriculture industry is first and foremost the lower income trend in the current financial year, caused especially by the decline in milk prices. How willingness to invest will develop over the course of the year depends on the income and price situation as well as on the 2009 harvest. In the longer term, however, the sector is optimistic as the ability to cover the rising global demand for food and agricultural raw materials will necessitate ramping up agricultural production. Moreover, raising surface area productivity will require improvements in technology.

Outlook for the construction sector

In the first half of 2009, the best case which can be anticipated is that activities in the construction sector remain at the previous year‘s level. However, the first quarter of 2008 was favoured by mild weather conditions and the still good economic development, influences which are not present this year. In the second half of 2009 and in 2010 overall, the economy of the construction sector is likely to come under even more pressure owing to the current economic crisis. Construction of new residential buildings is likely to stabilise at the level achieved. Modest impetus may emanate from renovation and refurbishing business in private residential construction. In addition, heating and sanitary installations and the sale of photovoltaic systems may benefit from a preference for material assets. Opportunities for growth may arise from government programmes to support the economy in public sector building. Civil and underground engineering, road construction and renovation measures carried out on buildings are set to record growth owing to the investment funds additionally freed up and available.

Outlook for the energy sector

The currently still very brisk demand for heating oil at a considerably lower price level is likely to return to normal in the course of the year. For 2009 as a whole, the sales volume can be expected to settle somewhere between the very weak year 2007 and the very strong year 2008. Prices for crude oil having peaked at USD 150 per barrel at mid-year 2008, the levels currently quoted are between USD 35 and 45. For the year 2009 as a whole, a significant decrease in the average price can be assumed against the background of the global economic slowdown. The same scenario will have an effect on the mineral fuels and lubricants product segments.

ANTICIPATED DEVELOPMENT OF THE BayWa SEGMENTS

Outlook for the Agriculture segment

The general sentiment in the BayWa Group's market regions of the agricultural industry at the start of the current financial year was somewhat more moderate as against the same period of the previous year. For most agricultural operations business over the course of this year is likely to settle at the level observed in the years 2006 and 2007. In as much, the agricultural industry will return to a normal level from the exceptionally good year 2008. Making an accurate forecast is, however, difficult because markets remain very volatile. Nonetheless, given the information currently available, it can be assumed that the agriculture sector will continue to form a stable basis for the BayWa Group's agribusiness: this is because an increase in income and in surface area productivity is to be achieved not only by raising the use of resources and investment in machinery and equipment but also through logistics, consultancy services and services at large, which also releases additional value-added opportunities. BayWa's Agriculture business unit will continue to use the market shakeout in the sector for acquisitions and growth in the future. However, there will not be a repeat of the windfall profit from enormous price increases seen in the year 2008, which means that the 2009 pre-tax result will be an estimated EUR 20 million lower. Higher price volatility in respect of agricultural raw materials increases the risk for our Agriculture business unit, a risk which will be monitored by our risk management. From a strategic standpoint, measures to streamline locations will be expedited and the Group's sales and distribution efficiency enhanced.

The financial year 2007/2008 was an exceptional year for many agricultural operations. Grain and milk in particular contributed to lifting revenues significantly on the back of price hikes. Farms dedicated to agriculture raised revenues by more than 25 percent on average to EUR 48,000. The positive earnings situation was used in many instances for larger investments. According to a preliminary estimate of the German Association of Farmers (Deutscher Bauernverband/DBV), revenues in the financial year 2008/2009 will not reach the level of the previous year because agricultural prices have fallen from their peaks. Consequently, investment by the agricultural sector can be expected to slow moderately. Alongside investment, services also play an important role in the result of the Group's agricultural equipment business. The high volume of investment in the two preceding years resulted in a higher level of services provided by our workshops, which could have a stabilising effect on the revenues and profit of the Agricultural Equipment business unit. Accordingly, the Agricultural Equipment business unit anticipates only a marginal decline in revenues and profit. In the longer term, the propensity of farmers to invest is difficult to estimate owing to fluctuations in earnings and harvest yields which make an informed guidance for the year 2010 impossible at the present point in time. Nonetheless, the aforementioned necessity of raising production and the envisaged scaling back of the subsidies for the agricultural industry by the EU as from 2013 will result in greater use of equipment by farmers. Against this backdrop, the medium to long term outlook for the Agricultural Equipment business unit can be deemed positive.

In general the BayWa Group assumes that revenues in the Agriculture segment will fall in 2009, a development which is attributable to a great extent to the price trend of agricultural raw materials. The lack of windfall profits seen in the previous year will also cause the segment result to decline.

Outlook for the Building Materials segment
Residential construction is set to slow again in 2009. Positive demand-induced effects from the inclusion of home-owner building in measures to promote so-called Riester pensions will only have an effect in the medium term. There will therefore only be potential in the short to medium term from energetic renovation. The high cost of energy and government subsidies anchored in the German Renewable Energy Act will accelerate the use of the appropriate products. Last but not least, the demand in public-sector civil engineering, boosted by government programmes to support the economy, is to be assessed positively. In view of the generally modest outlook for the construction industry, and based on the current order book status of commercial customers, the Building Materials business unit expects revenues in 2009 to remain virtually unchanged from 2008 figures. Slacker residential construction activities are likely to be more than compensated by stepping up market development in the area of energetic renovation and in public sector construction. Further acquisitions will also counteract market decline; BayWa has already advanced to take its place in the top league of building materials traders through acquisitions in North Rhine-Westphalia. Against this backdrop, the Building Materials business unit expects revenues to remain stable over all in the financial year 2009. In the wake of cost adjustments to take account of the low level of residential building, the sales and distribution network is to be optimised further. The flexible cost structure enables swift reactions to changes in the market which will result in positive effects on the revenues of the business unit. Another small loss in market volume can be expected in the year 2010.

In 2009, the DIY & Garden Centre business unit anticipates a revenues trend which will remain largely stable based on existing sales surface area as, in times of economic difficulties, experience has shown that a downtrend in the retail business is compensated by greater spending on house and home. In order to safeguard their position as a niche supplier in a strongly competitive environment, further adjustments will be made to accommodate the respective regional market environments. These measures will include both disinvestments and investment in new markets. At present, the Backnang location is being replaced by a modern DIY and garden centre with a total sales surface area of more than 12,000 m^2. Moreover, the Illertissen DIY and garden centre is being extended by adding new sales surface area of 2000 m^2. More investments are intended to make the individual locations more attractive.

All in all, the BayWa Group anticipates a sideways movement in its Building Materials segment in 2009 at the nevertheless weak level of the previous year.

Outlook for the Energy segment
From today‘s standpoint, the considerable decline in the price of crude oil will result in prices in 2009 being way below the 2008 average. As the price of crude oil has a more or less a direct impact on the pricing in the whole energy markets, revenues of the Energy segment will fall considerably below the previous year‘s level across all products. In terms of the volume sold, no major changes in comparison with the gratifying development of the previous financial year are expected. In the wake of falling prices and margins, it would be a success if the good result of the previous year were to be repeated. Forecasts for a longer term horizon are only possible to a limited extent due to considerable fluctuations in prices and the weather. Nonetheless, it can be assumed that the Energy segment will continue to make a stable contribution to the consolidated result.

Outlook for the Other Activities segment

We expect the business environment of our food production operations to remain stable in 2009. Although, similar to agribusiness, the price-induced increase in profit generated by the production of fruit juice concentrate will not be repeated, we nonetheless anticipate a stable profit contribution from these operations.

Forecasting the performance of car dealer operations is more difficult. From today's standpoint, it is not possible to assess to what extent the recession and lacklustre demand will be reflected in the results and how this will be counteracted by effects from measures ("scrap bonus") initiated by the German government. We anticipate that this business will experience a decline in revenues and profits.

Outlook for the BayWa Group

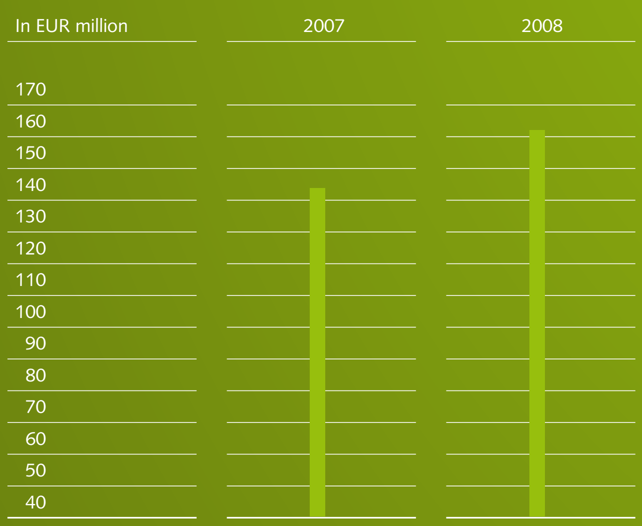
The scenarios described above for the business units of the Group present a somewhat weaker but, set against the current crisis in economic development, a nonetheless stable market environment for the BayWa Group. The Agriculture segment is unlikely to repeat its success of the previous year but will able to match the positive development of the preceding years. Given the currently low level of construction activities, the Building Materials segment has certain opportunities for recovery if the measures initiated by the German federal government to support the economy take effect. Business in the Energy segment is deemed to be stable, as before. The chances that BayWa will be less affected from the economic slowdown than the average participant in the German economy are therefore good in 2009. The market shakeout in many sectors and regions, coupled with the sound financing base of the Group, may even result in opportunities for internal and external growth in its core segments of Agriculture, Building Materials and Energy. The Group will continue to pursue the measures introduced to cut costs and streamline processes with the aim of ensuring that its segments emerge from the crisis stronger than before. The aforementioned volatility and risks may, however, result in divergences from plan in the individual businesses. Nonetheless, the business prospects can be deemed cautiously optimistic against the background of the economic crisis.

Particularly in comparison with the excellent first half of 2008, business in the first six months of the current financial year can be expected to be considerably slower. The revenues figures of the first few weeks, which nonetheless accord with the long-term trend of first quarters, have confirmed these expectations. Over the course of the remaining year, the Group should be able to compensate for the weak start and generate rising earnings.

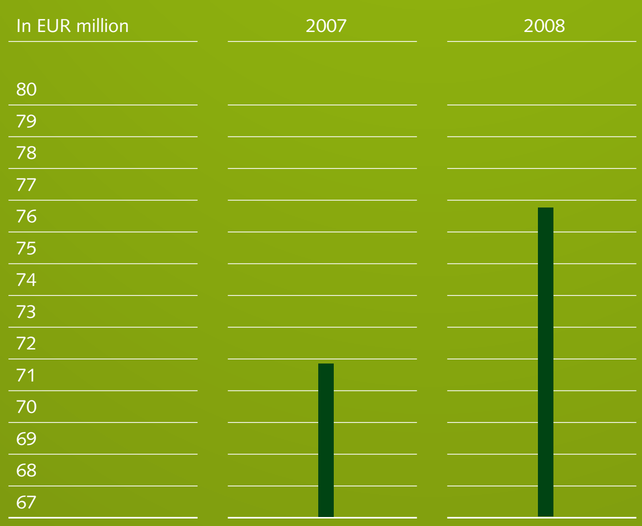
04

Consolidated Financial Statements

DEVELOPMENT OF EBIT



DEVELOPMENT OF CONSOLIDATED NET INCOME



The financial year 2008 was in many respects an outstanding one for BayWa. The significant increase in profit was particularly gratifying.

AFFIRMATION BY THE LEGALLY AUTHORIZED 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 results of operations of the Group, and that the Management Report presents a true and fair description of the development of the Group's business, including its performance and position, and of the material risks and opportunities inherent in the prospective development of the Group.

Munich, 9 March 2009
BayWa Aktiengesellschaft
The Board of Management

Klaus Josef Lutz

Klaus Buchleitner

Frank Hurtmanns

Dr. Josef Krapf

Roland Schuler

CONSOLIDATED FINANCIAL STATEMENTS OF BayWa AG

AS AT 31 DECEMBER 2008

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

ASSETS

In EUR million	Note	**2008**	2007
Non-current assets			
Intangible assets	(C.1.)	35.410	27.108
Property, plant and equipment	(C.2.)	908.483	873.779
Participating interests valued at equity	(C.3.)	10.695	9.843
Other financial assets	(C.3.)	161.855	137.345
Investment property	(C.4.)	75.161	82.353
Tax receivables	(C.5.)	6.668	7.403
Other receivables and other assets	(C.6.)	16.299	13.002
Deferred tax claims	(C.7.)	91.023	88.478
		1 305.594	**1 239.311**
Current assets			
Securities	(C.3.)	1.747	80.979
Inventories	(C.8.)	1 101.318	1 083.235
Tax claims	(C.5.)	12.941	19.456
Other receivables and other assets	(C.6.)	623.355	673.474
Cash and cash equivalents	(C.9.)	16.133	17.986
		1 755.494	**1 875.130**
Non-current assets held for sale	(C.10.)	**4.717**	**3.562**
Total assets		**3 065.805**	**3 118.003**

SHAREHOLDERS' EQUITY AND LIABILITIES

In EUR million	Note	**2008**	2007
Equity	(C.11.)		
Subscribed capital		86.911	86.707
Capital reserve		82.391	81.097
Revenue reserves		535.368	495.416
Other reserves		71.604	67.550
Equity net of minority interest		776.274	730.770
Minority interest		138.838	123.728
		915.112	**854.498**
Non-current liabilities			
Pension provisions	(C.12.)	425.950	425.934
Other non-current provisions	(C.13.)	64.460	62.620
Financial liabilities	(C.14.)	44.331	42.485
Financial leasing obligations	(C.15.)	0.061	0.112
Trade payables and liabilities from inter-group business relationships	(C.16.)	41.086	39.666
Other liabilities	(C.17.)	3.515	4.418
Deferred tax liabilities	(C.18.)	92.456	90.838
		671.859	**666.073**
Current liabilities			
Other current provisions	(C.13.)	113.115	109.227
Financial liabilities	(C.14.)	735.532	844.400
Financial leasing obligations	(C.15.)	0.047	0.145
Trade payables and liabilities from inter-group business relationships	(C.16.)	510.756	536.144
Tax liabilities		32.957	26.597
Other liabilities	(C.17.)	86.427	80.919
		1 478.834	**1 597.432**
Total equity and liabilities		**3 065.805**	**3 118.003**

CONSOLIDATED INCOME STATEMENT FOR 2008

In EUR million	Note	**2008**	2007
Continued operations			
Revenues	(D.1.)	**8 794.565**	**7 227.158**
Changes in inventories		– 49.169	63.785
Own work capitalised		0.529	0.406
Other operating income	(D.2.)	113.146	111.259
Cost of materials	(D.3.)	– 7 666.600	– 6 310.490
Gross profit		**1 192.471**	**1 092.118**
Personnel expenses	(D.4.)	– 607.929	– 586.925
Depreciation and amortisation		– 96.194	– 90.968
Other operating expenses	(D.5.)	– 338.065	– 301.064
Result of operating activities		**150.283**	**113.161**
Income from participating interests recognised at equity	(D.6.)	1.377	0.430
Other income from participating interests	(D.6.)	10.199	29.996
Interest income	(D.7.)	8.237	6.654
Interest expense	(D.7.)	– 66.572	– 59.740
Financial result		– 46.759	– 22.660
Ordinary profit		**103.524**	**90.501**
Income tax	(D.8.)	– 26.781	– 18.680
Consolidated net income		**76.743**	**71.821**
of which: profit share of minority shareholders	(D.9.)	18.396	25.792
of which: profit share of the shareholders of the parent company		58.347	46.029
EBIT		**161.859**	**143.587**
EBITDA		**258.053**	**234.555**
Basic earnings per share (EPS)	(D.10.)	**1.72**	**1.36**
Diluted earnings per share (EPS)	(D.10.)	**1.72**	**1.36**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note (C.11.)

In EUR million	Subscribed capital	Capital reserve	Revenue reserves/ Revaluation
As per 01/01/2007	**86.615**	**79.710**	**3.697**
Differences resulting from changes in the group of consolidated companies	–.––	–.––	10.245
Capital increase against cash contribution/“share-based payment“	0.092	1.387	–.––
Changes in ”available-for-sale“ assets carried at fair value	–.––	–.––	– 0.584
Dividend distribution	–.––	–.––	–.––
Difference from currency translation	–.––	–.––	–.––
Transfer to revenue reserves	–.––	–.––	–.––
Net income	–.––	–.––	–.––
As per 31/12/2007 // 01/01/2008	**86.707**	**81.097**	**13.358**
Differences resulting from changes in the group of consolidated companies	–.––	–.––	–.––
Capital increase against cash contribution/“share-based payment“	0.204	1.294	–.––
Changes in ”available-for-sale“ assets carried at fair value	–.––	–.––	– 2.953
Dividend distribution	–.––	–.––	–.––
Difference from currency translation	–.––	–.––	–.––
Transfer to/withdrawal from revenue reserves	–.––	–.––	–.––
Net income	–.––	–.––	–.––
As per 31/12/2008	**86.911**	**82.391**	**10.405**

Revenue reserves/ Other	Other reserves	Equity net of minority interest	Minority interest	Equity
445.990	**67.794**	**683.806**	**100.163**	**783.969**
–.––	–.––	10.245	–.––	10.245
–.––	–.––	1.479	–.––	1.479
–.––	–.––	– 0.584	– 0.037	– 0.621
–.––	– 10.132	– 10.132	– 3.013	– 13.145
–.––	– 0.073	– 0.073	0.823	0.750
36.068	– 36.068	–.––	–.––	–.––
–.––	46.029	46.029	25.792	71.821
482.058	**67.550**	**730.770**	**123.728**	**854.498**
–.––	–.––	–.––	0.049	0.049
–.––	–.––	1.498	–.––	1.498
–.––	–.––	– 2.953	– 0.072	– 3.025
–.––	– 10.827	– 10.827	– 2.948	– 13.775
–.––	– 0.561	– 0.561	– 0.315	– 0.876
42.905	– 42.905	–.––	–.––	–.––
–.––	58.347	58.347	18.396	76.743
524.963	**71.604**	**776.274**	**138.838**	**915.112**

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

In EUR million	2008	2007
Changes in "available-for-sale assets" carried at fair value		
Write-downs/write-ups	– 2.916	– 0.681
Disposals	–.––	0.004
Deferred tax on "available-for-sale" assets carried at fair value	– 0.109	0.056
Differences resulting from currency translation	– 0.876	0.750
Income and expenses reported directly in equity	**– 3.901**	**0.129**
of which share of minority interest	– 0.387	0.786
of which share of the shareholders of the parent company	– 3.514	– 0.657
Net income	**76.743**	**71.821**
Sum total of net income and income and expenses without effect on income	72.842	71.950
of which share of minority interest	18.009	26.578
of which share of the shareholders of the parent company	54.833	45.372

CONSOLIDATED CASH FLOW STATEMENT FOR 2008

(Note E.1.)

In EUR million	**2008**	2007
Consolidated net income	76.743	71.821
Write-downs/write-ups of non-current assets		
Intangible assets	6.081	6.097
Property, plant and equipment	83.812	82.190
Other financial assets	0.660	0.267
Investment property	6.232	2.184
Other non-payment related expenses/income		
Changes in deferred taxes	– 0.892	– 1.343
Equity results minus dividend	– 1.337	– 0.430
Expenses relating to share-based compensation through profit and loss	0.600	0.591
Other	– 11.993	–.––
Increase/decrease in non-current provisions	1.856	– 6.447
Payment-related expenses/income from special effects affecting payments		
Gain from the sale of financial investments	–.––	– 21.090
	161.762	**133.840**
Increase/decrease of current and medium-term provisions	3.888	– 1.501
Gain/loss from the disposal of assets	– 7.285	– 18.643
Increase/decrease in inventories/trade receivables as well as other assets not allocable to investment or financing activities	148.234	– 302.161
Increase/decrease in trade payables as well as other liabilities not allocable to investing or financing activities	– 91.070	245.912
Cash flow from operating activities	**215.529**	**57.447**
Outgoing payments for company acquisitions	– 36.323	– 3.871
Incoming payments from the disposal of intangible assets, property, plant and equipment and investment property	27.883	17.891
Outgoing payments for investments in intangible assets, property, plant and equipment and investment property	– 107.433	– 100.600
Incoming payments from the disposal of other financial assets	1.463	30.345
Outgoing payments for investments in other financial assets	– 29.459	– 5.491
Cash flow from investing activities	**– 143.869**	**– 61.726**
Incoming payments from equity financing	0.898	0.888
Dividend payments	– 13.775	– 13.145
Incoming/outgoing payments from borrowing/redemption of financing loans	– 60.636	17.061
Cash flow from financing activities	**– 73.513**	**4.804**
Payment-related changes in cash and cash equivalents	– 1.853	0.525
Cash and cash equivalents at the start of the period	17.986	17.460
Outgoing/incoming funds from changes in the group of consolidated companies		
(excluding company acquisitions)	–.––	0.001
Cash and cash equivalents at the end of the period	**16.133**	**17.986**

Additional information

In EUR million	2008	2007
The following cash flows are included in the cash flow from operating activities		
Income tax payments	– 22.630	– 18.784
Interest received	7.677	6.654
Interest paid	– 42.380	– 39.305
Dividend received and other results assumed	10.199	12.489
Payments for company acquisitions included in the cash flow from investing activities are as follows:		
Purchase price for company acquisitions	– 36.442	–.––
Acquisition price due for payment	– 36.442	– 3.871
Cash and cash equivalents assumed through company acquisitions	0.119	–.––

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2008

Drawn up pursuant to the International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS), 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 D 81925 Munich, Arabellastraße 4. The BayWa Group is a group of trading and services companies with core activities in agriculture, building materials and energy. Alongside trading in agricultural products and resources, the Agriculture segment covers the whole range of agricultural equipment. The Building Materials segment comprises the business units of Building Materials and DIY & Garden Centres. The activities of the Heating & Sanitary Installations business unit have been integrated into the Building Materials business unit. The Energy segment has an extensive network which ensures the supply of heating oil, fuel, lubricants and wood pellets to commercial and individual customers.

The consolidated financial statements as at 31 December 2008 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 valid interpretations of International Financial Reporting Interpretations Committee (IFRIC) 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 sets forth under Section 315a para. 1 German Commercial Code (HGB) which forms the legal basis for group accounting pursuant to international accounting standards.

The financial year of the BayWa Group covers the period of 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 of 31 December 2008 form the basis for consolidation.

The accounting applied within the BayWa AG is carried out according to 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 ASSESSMENT 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, 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 which would then incur unscheduled write-downs. The underlying assumptions are influenced primarily by the market situation of the CGU.

Deferred tax on loss carryforwards on the asset 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 thus 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 life. 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 substantial 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 scenarios after the reporting period as these scenarios serve to elucidate the conditions prevailing by the end of the reporting period.

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

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 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

The adoption of the following standards, interpretations and changes to disclosure standards was mandatory for the first time in the financial year ended. The table below shows the most important effects of the standards and interpretations on the consolidated financial statements.

Standard/Interpretation		Main impact on the BayWa Group
IAS 39/ IFRS 7	Financial Instruments: Recognition and Measurement/Information – Reclassification	none
IFRIC 11	Group and Treasury Share Transactions pursuant to IFRS 2	none
IFRIC 12	Service Concession Arrangements	none

In October and November 2008, the IASB published amendments to IAS 39 (Financial Instruments: Recognition and Measurement) as well as IFRS 7 (Financial Instruments: Disclosures). These amendments permit a company to reclassify assets out of the "held for trading" category and transfer them to a different category under exceptional circumstances. Moreover, reclassifying financial assets in loans and receivables held for sale is permitted if these assets fulfil the preconditions for disclosure as loans and receivables. In 2008, the BayWa Group did not carry out any reclassification owing to these amendments.

The following standards, amendments to standards and interpretations have already been approved and are to be adopted for the first time in the reporting periods starting with 1 January 2009 and thereafter; a voluntarily earlier application was abstained from.

Standard/ Interpretation		Mandatory as from	Estimated significant effects on the BayWa Group
IFRS 1 (2008)	First-time application of IFRS	01/01/2009	none
IFRS 2 (2008)	Share-based Payment	01/01/2009	none
IFRS 3 (2008)	Business Combinations	01/07/2009	under review
IFRS 8 (2006)	Business Segments	01/01/2009	Amendments to the presentation of segment reporting
IAS 1 (2007)	Presentation of Financial Statements	01/01/2009	Presentation of the income statement and the statement of changes in equity
IAS 23 (2007)	Borrowing Costs	01/01/2009	under review
IAS 27 (2008)	Consolidated and Separate Financial Statements under IFRS	01/07/2009	under review
IAS 39	Financial Instruments: Recognition and Measurement	01/07/2009	under review
IAS 32/IAS 1	Puttable Financial Instruments and Obligations arising on Liquidation	01/01/2009	none
IFRS1/IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	01/01/2009	under review
IFRIC 13	Customer Loyalty Programmes	01/07/2008	under review
IFRIC 14	Interaction of a Limit on a Defined Benefit Asset from Defined Benefit Plans and the Obligation to Pay Additional Amounts	01/07/2008	none
IFRIC 15	Agreements for the Construction of Real Estate	01/01/2009	none
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	01/10/2008	none
IFRIC 17	Distributions of Non-Cash Assets to Owners	01/07/2009	none
IFRIC 18	Transfers of Assets from Customers	01/07/2009	none

In January 2008, the IASB published the revised standards IFRS 3, Business Combinations, (IFRS 3 (2008)) and IAS 27, Consolidated and Separate Financial Statements under IFRS, (IAS 27 (2008)).

Under IFRS 3 (2008), the application of the acquisition methods in the context of business combinations was redefined. The main amendments relate to the valuation of minority interest, accounting for company acquisitions in stages and the treatment of contingent purchase price components and incidental acquisition costs. Under the new standards, the valuation of minority interest can be carried out either at fair value (full goodwill method) or at the fair value of the net assets identifiable on a pro-rata basis. In the case of company acquisitions in stages, revaluation through profit and loss at the value of the shares held at the time when control passes. An adjustment of contingent purchase price components disclosed as a liability at the time of acquisition is to be recorded through profit and loss in the future. Incidental acquisition expenses are recorded as expenses at the time when they arise.

Main amendments to IAS 27 (2008) relate to the reporting of transactions where a company retains control, as well as transactions where control is relinquished. Transactions which do not result in loss of control are to be reported as equity capital transactions without effect on income. The shares remaining at the time of loss of control are to be valued at fair value. In the case of minority interest, disclosing negative balances is permitted, in other words, losses will be allocated in future unrestrictedly in proportion to the participation.

IFRS 3 (2008) and IAS 27 (2008) are to be applied prospectively for the financial years beginning 1 July 2009 or thereafter. Early application is permitted provided that those revised standards are applied at the same time. The impact on the presentation of the assets, financial position and results of operations depends on the size of future business combinations and sale of shares. Adoption under European law by the European Union has not yet taken place.

IFRS 8 (2006) "Business Segments" has an impact on segment reporting which is to be prepared pursuant to the "Management Approach" in future. Under this approach, the definition of segments and details are based on information used by management also for internal control and management purposes. This amendment has caused changes in the presentation of segment reporting within the BayWa Group.

IAS 1 (2007) "Presentation of Financial Statements" includes new standards on the presentation of the financial statements. For instance, non-owner related and owner-related changes in equity in particular are to be disclosed separately and further information provided on other comprehensive income. The first-time application of IAS 1 (2007) will result in significant changes in the BayWa Group in the presentation of the income statement and of the statement on the changes in equity.

In March 2007, the IASB published the amended standard IAS 23 (Borrowing Costs) which requires the capitalisation of interest on borrowings in the context of the acquisition, the construction or the production of a qualifying asset. The amendment is to be applied to the financial years beginning 1 January 2009 or thereafter. BayWa AG is currently investigating the potential impact of the amendments to IAS 23.

In July 2008, the IASB published amendments to IAS 39 (Financial Instruments: Recognition and Measurement) for the purpose of clarifying under what circumstances a hedged risk or part of cash flows can be designated as a hedged transaction in the balance sheet. The issues addressed were the one-sided hedging of risks by options and inflation as a risk needing to be hedged. The amendments are to be applied to the financial years beginning 1 July 2009 or thereafter. Adoption under European law by the European Union has not yet taken place.

The amendments to IAS 32/IAS 1 "Puttable Financial Instruments and Obligations arising on Liquidation" were passed in February 2008 but have not yet been adopted under European law. The main focus of the amendments is on the disclosure of certain puttable financial instruments which are also company shares. Under the former definition of IAS 32, these financial instruments were to be disclosed as debt. Among other things, the new standard provides for disclosure as equity if the shareholder has a claim to pro-rata net assets arising from these shares in the event of liquidation. At present, BayWa AG does not anticipate any major impact from the amendments to IAS 32/IAS 1.

In May 2008, the IASB published a series of different amendments to the IFRS in the context of the annual Improvement Project. The amendments mainly affect terminology and editorial aspects. The amendments are to be applied for the financial years beginning on 1 January 2009 or thereafter. There will be no material effects on the presentation of the assets, financial position and results of operations.

In June 2007, IFRIC released the interpretation of IFRIC 13 (Customer Loyalty Programme). IFRIC 13 regulates the recognition of income and expenses in the context of premium points awarded under customer loyalty programs which can be redeemed at a future point in time for goods or services free of charge or at a discount. The interpretation is to be applied for the financial years beginning on the 1 July 2008 and thereafter. BayWA AG is currently in the process of investigating the potential impact of amendments to IFRIC 13.

(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 minor importance, have been included in the consolidated financial statements, alongside BayWa AG.

	Share on capital in percent	Comment
The Agriculture segment		
Bayerische Futtersaatbau GmbH, Ismaning	64.9	
BOR s.r.o., Chocen, Czech Republic	92.8	
Agrartechnik Vertrieb GmbH, Munich (formerly: CLAAS Traktoren Vertrieb Bayern GmbH, Vohburg)	70.0	
F. Url & Co. Gesellschaft m.b.H., Unterpremstätten, Austria	100.0	
Garant-Tiernahrung Gesellschaft m.b.H., Pöchlarn, Austria	100.0	
Raiffeisen-Kraftfutterwerke Süd GmbH, Würzburg	85.0	
Raiffeisen Agro d.o.o., Belgrade, Serbia	100.0	First-time consolidation on 01/04/2008
Sempol spol. s.r.o., Trnava, Slovakia	100.0	
TechnikCenter Grimma GmbH, Mutzschen	70.0	
The Building Materials segment		
AFS Franchise-Systeme GmbH, Vienna, Austria	100.0	
Bauzentrum Westmünsterland GmbH & Co. KG, Ahaus	100.0	First-time consolidation on 01/08/2008
BayWa Handels-Systeme-Service GmbH, Munich	100.0	
IFS S.r.l., Bolzano, Italy	51.0	First-time consolidation on 01/01/2008
Krois Baustoffe + Holz Handelsgesellschaft mbH, Bochum	100.0	First-time consolidation on 01/09/2008
Mobau-Marba GmbH, Herten	100.0	
Voss GmbH & Co. KG, Coesfeld	100.0	First-time consolidation on 01/03/2008
ZES Zentrale Einkaufs-Service GmbH, Munich	100.0	
The Energy segment		
GENOL Gesellschaft m.b.H. & Co., Vienna, Austria	71.0	
TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, Stuttgart	100.0	
Other Activities segment (including financial participations)		
Agroterra Warenhandel und Beteiligungen GmbH, Vienna, Austria	100.0	
AHG Autohandelsgesellschaft mbH, Horb a.N.	100.0	
BAG BayWa Autohaus GmbH, Bopfingen	100.0	
BayWa Finanzbeteiligungs-GmbH, Munich	100.0	
DRWZ-Beteiligungsgesellschaft mbH, Munich	64.3	
Frisch & Frost Nahrungsmittel-Gesellschaft m.b.H., Hollabrunn, Austria	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 Fruchtsaft Gesellschaft m.b.H., Kröllendorf, Austria	100.0	
Ybbstaler Fruchtsaft Polska Sp. z.o.o., Chelm, Poland	99.9	
Wiech Autohandelsgesellschaft mbH, Rottenburg	100.0	

	Share on capital in percent	Comment
Cross-segment subsidiaries		
»UNSER LAGERHAUS« WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria (for short: UNSER LAGERHAUS) (Segments: Agriculture, Building Materials, Energy)	51.1	
BayWa Vorarlberg HandelsGmbH, Lauterach, Austria (Segments: Agriculture, Building Materials, Energy)	51.0	
Raiffeisen Agrárház 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	

Raiffeisen Agro d.o.o. in Belgrade was founded as a wholly-owned subsidiary by RWA International Holding GmbH in the financial year 2008. Raiffeisen Agro is an agricultural trading company which sells fertilisers and seed in Serbia.

The newly founded IFS S.r.l., Bolzano, was also included for the first time. IFS is a subsidiary in which BayWa AG holds a 51% stake. The company supports and provides consultancy services for Italian franchise holders in the operating of DIY and garden centres.

Through the purchase agreement of 28 December 2007, BayWa AG acquired all the shares in Voss GmbH & Co. KG. On the same date, BayWa AG purchased all premises formerly leased by Voss GmbH & Co. KG. BayWa AG has exerted a controlling influence on this company within the meaning of the Control Concept since March 2008, the time when the anti-trust authority approved this business combination. First-time consolidation took place on 1 March 2008.

The purchase price of the shares and the premises (including transaction costs incurred) amounted to EUR 23.039 million. These costs include the contractually agreed purchase price component (EUR 22.953 million) paid out in March and incidental acquisition costs of EUR 0.086 million. The net assets purchased in connection with the acquisition of the company break down as follows:

In EUR million	**Book value**	**Adjustments to the attributable fair value**	**Fair value**
Intangible assets	0.006	0.663	0.669
Property, plant and equipment	18.487		18.487
Financial assets	0.028		0.028
Inventories	6.620		6.620
Receivables and other assets	9.817		9.817
Deferred tax assets	0.041		0.041
Cash and cash equivalents	0.062		0.062
Non-current liabilities	–.—		–.—
Current liabilities	13.967		13.967
Deferred tax liabilities	–.—		–.—
	21.094	**0.663**	**21.757**
Goodwill			1.282
Total purchase price			**23.039**

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 6.973 million higher and the consolidated profit attributable to investors EUR 0.539 million lower. Since 1 March 2008, the date of its first-time consolidation into the group of consolidated companies, Voss GmbH & Co. KG has generated revenues of EUR 52.481 million and an annual net income of EUR 0.481 million.

With the purchase agreement of 12 June 2008, BayWa AG purchased all the shares in Bauzentrum Westmünsterland GmbH & Co. KG, Ahaus. The company has nine locations, a workforce of 166 employees, and generates annual revenues of around EUR 30 million. BayWa AG has exerted a controlling influence on this company within the meaning of the Control Concept since the end of July 2008, the time when the anti-trust authority approved this business combination. The first-time consolidation of Bauzentrum Westmünsterland GmbH & Co. KG therefore took place on 1 August 2008; the company operates building materials businesses in North-Rhine Westphalia.
The purchase price of the shares (including transaction costs incurred) amounted to EUR 4.894 million. These costs include the contractually agreed purchase price component (EUR 4.590 million) paid out in September 2008 and incidental acquisition expenses of EUR 0.304 million.

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

In EUR million	Book value	Adjustments to the attributable fair value	Fair value
Intangible assets	0.006	0.049	0.055
Property, plant and equipment	5.614	3.004	8.618
Financial assets	0.057		0.057
Inventories	4.358		4.358
Receivables	5.129		5.129
Deferred tax assets	–.––		–.––
Cash and cash equivalents	0.026		0.026
Non-current liabilities	5.974		5.974
Current liabilities	7.968		7.968
Deferred tax liabilities	–.––		–.––
	1.248	**3.053**	**4.301**
Goodwill			0.593
Total purchase price			**4.894**

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 19.425 million higher and the consolidated profit attributable to investors EUR 0.441 million lower. Since 1 August 2008, the date of its first-time consolidation into the group of consolidated companies, Bauzentrum Westmünsterland GmbH & Co. KG has generated revenues of EUR 12.277 million and an annual net income of EUR 0.140 million.

With the purchase agreement of 26 August 2008, BayWa AG acquired the remaining 55 percent of the shares in Krois Baustoffe + Holz Handelsgesellschaft mbH, Bochum. The company, which was previously included in the group of consolidated companies at equity, operates two building materials businesses in Bochum and Herne. BayWa AG has had a controlling influence over this company within the meaning of the Control Concept since the day when the purchase price was paid. The inclusion of the company in the consolidated financial statements as part of full consolidation was carried out on 1 September 2008.

The purchase price of the shares (including transaction costs incurred) amounted to EUR 1.077 million.

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

In EUR million	Book value	Adjustments to the attributable fair value	Fair value
Intangible assets	–.––	0.078	0.078
Property, plant and equipment	0.267		0.267
Financial assets	0.005		0.005
Inventories	0.583		0.583
Receivables	0.840		0.840
Deferred tax assets	–.––		–.––
Cash and cash equivalents	0.017		0.017
Non-current liabilities	–.––		–.––
Current liabilities	1.362		1.362
Deferred tax liabilities	–.––	0.012	0.012
	0.350	**0.066**	**0.416**
Goodwill			0.661
Total purchase price			**1.077**

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 8.187 million higher and the consolidated profit attributable to investors EUR 0.066 million lower. Since 1 September 2008, the date of its first-time consolidation into the group of consolidated companies, Krois Baustoffe + Holz Handelsgesellschaft mbH has generated revenues of EUR 3.819 million and an annual net income of EUR 0.081 million.

With effect from 1 July 2008, BayWa AG took over the heating and diesel oil business of Hamburg-based Shell Direct GmbH for the region of Bavaria as part of an asset deal. The purchase price of the assets (including transaction costs incurred) amounted to EUR 3.008 million. These costs include the contractually agreed purchase price component (EUR 2.995 million) paid out in July 2008 and transaction costs of EUR 0.013 million. In the financial year 2008, revenues of EUR 92.892 million were generated through the sale of heating oil and fuel at five locations with a workforce of 61 employees.

The purchase prices agreed are as follows:

In EUR million	Purchase price
Intangible assets	2.803
Property, plant and equipment	0.615
Non-current liabilities	0.410
Total purchase price	**3.008**

The intangible assets acquired consist of the customer base purchased and a restraint on competition. There was no goodwill from the purchase.

With effect from 1 January 2008, BayWa AG purchased the building materials businesses located in Aulendorf und Ravensburg from Gebrüder Stark GmbH & Co. KG and Stark GmbH & Co. KG Baustoffgroßhandel by way of an asset deal. The purchase price of the assets (including transaction costs incurred) amounted to EUR 4.558 million. Two building materials businesses are operated in the two acquired locations of Ravensburg and Aulendorf and generated revenues of EUR 18.072 million in the financial year 2008.

The purchase prices agreed are as follows:

In EUR million	**Purchase price**
Intangible assets	2.000
Property, plant and equipment	0.280
Inventories	2.278
Total purchase price	**4.558**

The intangible assets acquired consist of a customer base of EUR 0.376 million and goodwill worth EUR 1.624 million.

Owing to their overall minor importance, 15 domestic and 27 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 2008 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	3.264	3.2
Equity	8.388	0.9

(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 earnings of the jointly held companies are included in the consolidated financial statements on the basis of the proportion held by the Group.

The companies below were included in the group of consolidated companies of BayWa AG for the first time under the standards applying to proportionate consolidation:

	Share in capital in percent	Comment
The Agriculture segment		
Animedica Group		
ANIMEDICA Group GmbH, Senden	50.0	
aniMedica GmbH, Senden	50.0	
aniMedica Herstellungs GmbH, Senden	50.0	
aniMedica Polska Sp. z.o.o., Weijherowo, Poland	50.0	
Dr. E. Gräub AG, Bern, Switzerland	50.0	
Friedrich Ernst GmbH & Co. Veterinär-pharmazeutische Präparate KG, Senden	50.0	First-time consolidation on 01/06/2008

Apart from the investment in the Animedica Group there are no other significant business relationships.

With effect from 1 June 2008, the aniMedica Group GmbH purchased 100 percent of the shares in Friedrich Ernst GmbH & Co. Veterinär-pharmazeutische Präparate KG.

The table below shows the non-current and current assets and liabilities as well as the revenues, gross earnings and the profit figures of the jointly held companies included in the group of consolidated companies on a pro-rata basis prior to consolidation:

In EUR million	**2008**	2007
Non-current assets	14.032	12.683
Current assets	10.717	13.036
Non-current liabilities	5.134	4.396
Current liabilities	9.604	11.832
Revenues	30.139	28.683
Gross earnings	7.517	7.793
Result of operating activities	0.690	0.852
Ordinary profit	0.396	1.026
Net income	0.356	0.936

(B.3.) GROUP OF CONSOLIDATED COMPANIES – ASSOCIATED COMPANIES UNDER IAS 28

The following 2 (2007: 3) associated companies over which the BayWa Group has a controlling influence, i.e. the 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 minor importance, were recognised under the equity method.

Other Activities segment (including financial participations)	**Share in capital in percent**
Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main	37.8
Raiffeisen Beteiligungs GmbH, Frankfurt am Main	47.4

Apart from the participation, there are no significant business relations with Deutsche Raiffeisen-Warenzentrale GmbH and Raiffeisen Beteiligungs GmbH. The shares in these companies have been recognized 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	**Deutsche Raiffeisen-Warenzentrale GmbH**	**Raiffeisen Beteiligungs GmbH**
Total assets	42.194	14.482
Revenues	103.339	–.––
Net income	1.038	1.988
Assets	42.194	14.482
Liabilities	32.879	0.418
Share in annual result	0.393	0.942
Book value of the financial asset	3.402	7.293

A total of 27 (2007: 28) associated companies of overall minor importance for the consolidated financial statements have not been capitalized 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 2007	**22**	**20**	**42**
Changes in the financial year 2008:			
Additions	4	2	6
Disposals	1	–	1
Included as per 31 December 2008	**25**	**22**	**47**
of which fully consolidated	19	20	39
of which consolidated proportionately	4	2	6
of which consolidated at equity	2	–	2

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

(B.5.) CONSOLIDATION PRINCIPLES

Capital consolidation is carried out through offsetting the cost of purchase against the Group's portion 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 there are impairment losses, unscheduled amortisation is applied; otherwise goodwill remains unchanged. If the cost of purchase is lower than the attributable value of the identifiable assets, liabilities and contingent liabilities, the difference is immediately booked as income.

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, are eliminated. Intra-group revenues, expenses and earnings are netted off.

(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. Accordingly, they can 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 under 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 0.876 million in the reporting year.

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

	EUR 1	**Balance sheet middle rate on**		**Income statement average rate**	
		31/12/2008	31/12/2007	**2008**	2007
Poland	PLN	4.154	3.594	3.519	3.777
Switzerland	CHF	1.485	1.655	1.583	1.643
Serbia	RSD	88.601	–	81.508	–
Slovakia	SKK	30.126	33.580	31.259	33.822
Czech Republic	CZK	26.930	26.620	25.135	27.701
Hungary	HUF	264.780	253.350	250.566	251.424

(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 life (generally 3-5 years). Intangible assets which have been created in house have been capitalized 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 amortisation has been carried out in consideration of IAS 36 "Impairment of Assets". There was no unscheduled amortisation in the reporting year (2007: EUR 0.685 million). No reversals of write-downs on the valuation of license rights to a seed type and of a software license owing to curtailed useful life carried out in 2007 were undertaken in the reporting year.

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

In EUR million	2008	2007
UNSER LAGERHAUS	0.624	0.624
Bauzentrum Westmünsterland GmbH & Co. KG	0.593	–.––
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	0.661	–.––
Küppers-Unternehmensgruppe (integrated into BayWa AG)	1.378	1.378
Mobau-Marba GmbH	2.343	2.477
Raiffeisen-Kraftfutterwerke Süd GmbH	0.409	0.409
RWA SLOVAKIA	0.152	0.152
Sempol spol. s r.o.	0.245	0.245
Stark GmbH & Co. KG (goodwill from an asset deal)	1.624	–.––
Voss GmbH & Co. KG	1.282	–.––
Wilhelm Bruchof GmbH & Co. KG (integrated into BayWa AG)	1.364	1.364
Other	0.867	0.867
	13.042	**9.016**

The changes in the reporting year relate mainly to goodwill from the first-time inclusion of the companies acquired into the group of consolidated companies as well as an impairment of goodwill at Mobau-Marba GmbH owing to the repayment of the purchase price of EUR 0.134 million to take account of profit and equity guarantees furnished by the vendor will.

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 the 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 unit or the respective geographically defined segment of the incorporating organization 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. A discount factor of an unchanged average 7.35 percent has 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 did not result in any unscheduled impairment on goodwill in the financial year.

The following is a breakdown of additions in intangible assets:

In EUR million	**2008**	2007
Additions from developments within the company	0.699	1.306
Additions from separate acquisition	10.930	3.711
Addition from business combinations	3.338	0.443
	14.967	**5.460**

(C.2.) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is used for operations and valued at the cost of purchase and production, less scheduled depreciation. If necessary, unscheduled depreciation is carried out. The cost of purchase is made up of the purchase price, incidental purchase 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 amortisation has been carried out in consideration of IAS 36 “Impairment of Assets”. In the reporting year, unscheduled depreciation in the Agriculture segment on the land and buildings of Raiffeisen Agrárház Kft., Hungary, owing to restricted usability was carried out in the amount of EUR 0.791 million (2007: no unscheduled depreciation). The unscheduled depreciation was based on a comparison of the book value of the land and buildings and the recoverable amount. The calculation of the recoverable amount was deduced from the value in use. The unscheduled depreciation has been recognised in the income statement under Depreciation and amortisation.

Cost of debt in connection with the purchase of property, plant and equipment is not capitalised in the consolidated financial statements of BayWa.

Assets from leasing are also disclosed under fixed assets. These assets mainly comprise finance lease qualifications relating to real estate. 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 valued at their attributable 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 property which qualifies as finance leases in the amount of EUR 0.1 million (2007: EUR 0.2 million) worth of technical facilities and machines which qualify as finance leases and which are assignable to the Group as beneficiary owner owing to the content of the related leasing agreements.

The administration building of UNSER LAGERHAUS disclosed as finance leasing in 2007 was purchased in 2008. Details on future leasing instalments of the respective leasing agreements are as follows:

In EUR million	**2008**	2007
Total amount of future minimum lease payments		
Not later than one year	0.052	0.160
Later than one year and not later than five years	0.066	0.141
Later than five years	–.––	–.––
	0.118	**0.301**
Interest portion included in future minimum lease payments		
Not later than one year	0.005	0.015
Later than one year and not later than five years	0.005	0.029
Later than five years	–.––	–.––
	0.010	**0.044**
Present value of future minimum lease payments		
Not later than one year	0.047	0.145
Later than one year and not later than five years	0.061	0.112
Later than five years	–.––	–.––
	0.108	**0.257**

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

In EUR million	**2008**	2007
Total amount of future minimum lease payments		
Not later than one year	18.486	19.220
Later than one year and not later than five years	42.837	45.443
Later than five years	67.189	62.199
	128.512	**126.862**

Rental expenses from operate leases of EUR 20.356 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 balance with cooperatives and securities. These financial assets are allocated to the categories of “held for trading”, “available for sale” and “held to maturity”, capitalised and valued in accordance with IAS 39.

Financial assets held for trading are always recognised at their attributable 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 participating interests.

On the reporting date, securities with a fair value totalling EUR 1.747 million (2007: EUR 80.979 million) were assigned to the "financial assets held for trading“ category. Owing to the fact that they are held for trading they are disclosed under Current assets. The decline in securities is attributable to the sale of securities owned by the "Unterstützungseinrichtung" in the first quarter of 2008. The sale resulted in a loss of EUR 0.492 million.

Assets which are assigned to the "available for sale“ category are measured at fair value if there is an active market or attributable value can be calculated with a justifiable amount, and carried at amortised cost. In the case of assets recognised at fair value, the difference between the originally recognised net book value and fair value on the balance sheet date is set off in equity without effect on income. In the reporting year, impairment totalling EUR 2.916 million was carried out on assets "available for sale“ recognised at fair value.

Participating interests classified as "available for sale“ in Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, and in Raiffeisen Zentralbank AG, Vienna, were capitalised at their amortised cost as there was no active market for the securities and, therefore, no fair market value could be ascertained. 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 under the equity method in proportion to equity.

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

ANALYSIS OF FIXED ASSETS IN 2007
Notes (C.1. – C.4.)

In EUR million	Acquisition/production costs						
	01/01/2007	Currency differences	Changes in consolid. group	Additions	Disposals	Transfers	31/12/2007
Intangible assets							
Industrial property rights, similar rights and assets	58.902	0.050	–.—	3.958	1.914	0.706	61.702
Goodwill	11.645	–.—	–.—	0.443	1.122	– 0.175	10.791
Prepayments on accounts	1.164	0.004	–.—	1.059	0.658	– 0.528	1.041
	71.711	**0.054**	**–.—**	**5.460**	**3.694**	**0.003**	**73.534**
Property, plant and equipment							
Land, similar rights and buildings, including buildings on leasehold land	1,286.204	0.522	–.—	27.691	8.247	– 15.728	1,290.442
Plant and machinery	496.809	0.658	–.—	21.486	17.066	4.655	506.542
Other facilities, fixtures and office equipment	324.796	0.009	–.—	34.972	30.361	2.046	331.462
Prepayments and construction in progress	25.810	0.012	–.—	10.991	0.140	– 25.358	11.315
	2,133.619	**1.201**	**–.—**	**95.140**	**55.814**	**– 34.385**	**2,139.761**
Participating interests valued at equity	**15.302**	**–.—**	**– 5.889**	**0.430**	**–.—**	**–.—**	**9.843**
Financial assets							
Shareholdings in affiliated companies	29.209	–.—	– 9.377	1.365	2.662	–.—	18.535
Loans to affiliated companies	0.867	–.—	–.—	–.—	0.087	–.—	0.780
Holdings in other companies	99.270	–.—	10.262	4.126	2.541	– 0.002	111.115
Securities held as fixed assets	7.092	–.—	–.—	–.—	2.046	0.002	5.048
Other loans	0.490	–.—	–.—	–.—	0.118	–.—	0.372
	136.928	**–.—**	**0.885**	**5.491**	**7.454**	**–.—**	**135.850**
Investment property							
Land	56.774	–.—	–.—	–.—	1.064	2.058	57.768
Buildings	58.837	–.—	–.—	–.—	1.167	15.440	73.110
	115.611	**–.—**	**–.—**	**–.—**	**2.231**	**17.498**	**130.878**
Consolidated fixed assets	**2,473.171**	**1.255**	**– 5.004**	**106.521**	**69.193**	**– 16.884**	**2,489.866**

Depreciation/amortisation								Book values	
01/01/2007	Currency differences	Changes in consolid. group	Write-downs in the financial year	Disposal-related depreciation	Write-ups	Transfers	31/12/2007	31/12/2007	31/12/2006
39.785	0.042	–.—	6.032	1.469	–.—	0.175	44.565	17.137	19.117
2.598	–.—	–.—	–.—	0.648	–.—	– 0.175	1.775	9.016	9.047
0.021	–.—	–.—	0.065	–.—	–.—	–.—	0.086	0.955	1.143
42.404	**0.042**	**–.—**	**6.097**	**2.117**	**–.—**	**–.—**	**46.426**	**27.108**	**29.307**
628.776	0.156	–.—	33.927	6.965	–.—	– 24.845	631.049	659.393	657.428
392.818	0.362	–.—	19.626	14.655	–.—	– 0.031	398.120	108.422	103.991
235.619	0.020	–.—	28.626	27.494	–.—	0.031	236.802	94.660	89.177
–.—	–.—	–.—	0.011	–.—	–.—	–.—	0.011	11.304	25.810
1,257.213	**0.538**	**–.—**	**82.190**	**49.114**	**–.—**	**– 24.845**	**1,265.982**	**873.779**	**876.406**
–.—	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**9.843**	**15.302**
13.821	–.—	–.—	0.226	1.701	–.—	–.—	12.346	6.189	15.388
–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	0.780	0.867
– 1.954	–.—	– 10.245	0.910	2.506	0.208	0.024	– 13.979	125.094	101.224
0.322	–.—	–.—	0.102	0.180	0.082	– 0.024	0.138	4.910	6.770
–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	0.372	0.490
12.189	**–.—**	**– 10.245**	**1.238**	**4.387**	**0.290**	**–.—**	**– 1.495**	**137.345**	**124.739**
3.279	–.—	–.—	–.—	–.—	0.497	– 0.805	1.977	55.791	53.495
33.352	–.—	–.—	2.681	0.822	–.—	11.337	46.548	26.562	25.485
36.631	**–.—**	**–.—**	**2.681**	**0.822**	**0.497**	**10.532**	**48.525**	**82.353**	**78.980**
1,348.437	**0.580**	**– 10.245**	**92.206**	**56.440**	**0.787**	**– 14.313**	**1,359.438**	**1,130.428**	**1,124.734**

ANALYSIS OF FIXED ASSETS IN 2008
Notes (C.1. – C.4.)

In EUR million	Acquisition/production costs						
	01/01/2008	Currency differences	Changes in consolid. group	Additions	Disposals	Transfers	31/12/2008
Intangible assets							
Industrial property rights, similar rights and assets	61.702	0.005	1.203	8.812	1.833	0.535	70.424
Goodwill	10.791	–.—	2.536	1.624	0.134	–.—	14.817
Prepayments on accounts	1.041	0.004	–.—	1.193	0.111	– 0.489	1.638
	73.534	**0.009**	**3.739**	**11.629**	**2.078**	**0.046**	**86.879**
Property, plant and equipment							
Land, similar rights and buildings, including buildings on leasehold land	1,290.442	0.417	27.808	31.180	8.848	– 3.502	1,337.497
Plant and machinery	506.542	– 1.119	1.775	16.409	14.194	2.720	512.133
Other facilities, fixtures and office equipment	331.462	0.185	10.144	32.211	27.543	0.063	346.522
Prepayments and construction in progress	11.315	0.047	0.241	21.697	0.253	– 11.765	21.282
	2,139.761	**– 0.470**	**39.968**	**101.497**	**50.838**	**– 12.484**	**2,217.434**
Participating interests valued at equity	**9.843**	**–.—**	**– 0.485**	**1.337**	**–.—**	**–.—**	**10.695**
Financial assets							
Shareholdings in affiliated companies	18.535	–.—	0.026	2.960	–.—	–.—	21.521
Loans to affiliated companies	0.780	–.—	–.—	0.007	0.087	–.—	0.700
Holdings in other companies	111.115	–.—	0.042	26.343	1.370	–.—	136.130
Securities held as fixed assets	5.048	–.—	–.—	0.148	0.127	–.—	5.069
Other loans	0.372	–.—	0.026	0.001	0.039	–.—	0.360
	135.850	**–.—**	**0.094**	**29.459**	**1.623**	**–.—**	**163.780**
Investment property							
Land	57.768	–.—	–.—	0.005	0.824	– 0.802	56.147
Buildings	73.110	–.—	–.—	–.—	5.008	7.072	75.174
	130.878	–.—	–.—	0.005	5.832	6.270	131.321
Consolidated fixed assets	**2,489.866**	**– 0.461**	**43.316**	**143.927**	**60.371**	**– 6.168**	**2,610.109**

	Depreciation/amortisation								Book values	
	01/01/2008	Currency differences	Changes in consolid. group	Write-downs in the financial year	Disposal-related depreciation	Write-ups	Transfers	31/12/2008	31/12/2008	31/12/2007
	44.565	– 0.027	0.401	6.081	1.317	–.––	– 0.030	49.673	20.751	17.137
	1.775	–.––	–.––	–.––	–.––	–.––	–.––	1.775	13.042	9.016
	0.086	–.––	–.––	–.––	0.065	–.––	–.––	0.021	1.617	0.955
	46.426	**– 0.027**	**0.401**	**6.081**	**1.382**	**–.––**	**– 0.030**	**51.469**	**35.410**	**27.108**
	631.049	0.040	3.210	36.032	7.615	0.069	– 5.755	656.892	680.605	659.393
	398.120	– 0.699	0.888	19.876	13.520	–.––	1.298	405.963	106.170	108.422
	236.802	0.079	8.280	27.973	25.775	–.––	– 1.274	246.085	100.437	94.660
	0.011	–.––	–.––	–.––	–.––	–.––	–.––	0.011	21.271	11.304
	1,265.982	**– 0.580**	**12.378**	**83.881**	**46.910**	**0.069**	**– 5.731**	**1,308.951**	**908.483**	**873.779**
	–.––	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**10.695**	**9.843**
	12.346	–.––	–.––	0.179	–.––	–.––	–.––	12.525	8.996	6.189
	–.––	–.––	–.––	–.––	–.––	–.––	–.––	–.––	0.700	0.780
	– 13.979	–.––	0.027	3.054	0.182	0.020	–.––	– 11.100	147.230	125.094
	0.138	–.––	–.––	0.407	0.001	0.044	–.––	0.500	4.569	4.910
	–.––	–.––	–.––	–.––	–.––	–.––	–.––	–.––	0.360	0.372
	– 1.495	**–.––**	**0.027**	**3.640**	**0.183**	**0.064**	**–.––**	**1.925**	**161.855**	**137.345**
	1.977	–.––	–.––	2.003	–.––	–.––	–.––	3.980	52.167	55.791
	46.548	–.––	–.––	4.229	2.852	–.––	4.255	52.180	22.994	26.562
	48.525	–.––	–.––	6.232	2.852	–.––	4.255	56.160	75.161	82.353
	1,359.438	**– 0.607**	**12.806**	**99.834**	**51.327**	**0.133**	**– 1.506**	**1,418.505**	**1,191.604**	**1,130.428**

(C.4.) INVESTMENT PROPERTY

The Investment property item comprises 203 (2007: 208) buildings under lease and 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 greenfield sites which are not built on and which are not expressly intended for development or use and, in the case of property used for a number of purposes, if own use 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 net book value 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 75.161 million (2007: EUR 82.353 million). In the financial year, write-downs of EUR 2.003 million were carried out on properties and EUR 4.229 million on buildings. The expense in the same amount has been included under depreciation and amortisation in the income statement.

The fair value of this property was set at EUR 155.539 million (2007: EUR 152.870 million). Fair value is usually not calculated by an appraiser. Generally, the calculation of the income value is carried out to ascertain the attributable fair value on the reporting date. 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.

The rental income came to EUR 6.173 million (2007: EUR 6.258 million), operating expenses (excluding depreciation) for the properties for which rental income was realised came to EUR 0.676 million (2007: EUR 0.840 million). The reduction in operating expenses is due to the disposal of properties which had incurred high operating expenses in the preceding years. In respect of properties for which no rental income was generated operating expenses came to EUR 0.159 million (2007: EUR 0.158 million).

(C.5.) TAX RECEIVABLES

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

In EUR million	**2008**	2007
Non-current tax receivables (with a residual term of more than one year)	6.668	7.403
Current tax receivables (with a residual term of less than one year)	12.941	19.456
	19.609	**26.859**

(C.6.) OTHER RECEIVABLES AND OTHER ASSETS

Receivables and other assets are recognized at net book value. 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	2008	2007
Non-current receivables (with a residual term of more than one year)		
Trade receivables	1.179	0.437
Other receivables, including deferred income	15.120	12.565
	16.299	**13.002**
Current receivables (with a residual term of up to one year)		
Trade receivables	453.711	501.136
Receivables from affiliated companies	15.428	14.409
Receivables from companies in which a participating interest is held	9.911	11.067
Derivatives with positive market value	8.694	3.610
Other receivables, including deferred income	135.611	143.252
	623.355	**673.474**

The table below shows the amount of the credit risk inherent in receivables and other assets:

In EUR million	Gross value 2008	Specific adjustments on receivables	Receivables neither overdue nor with value adjustments	Overdue receivables without value adjustments	Of which: without 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	659.655	41.236	503.484	114.935	93.805	13.831	4.166	3.133

In EUR million	Gross value 2007	Specific adjustments on receivables	Receivables neither overdue nor with value adjustments	Overdue receivables without value adjustments	Of which: without 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	708.899	35.674	579.631	93.594	75.598	13.179	3.181	1.636

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 receivables portfolio with particular attention to customers with high credit limits enables early identification and evaluation of concentration risks (risk clusters). As per 31 December 2008, the credit risk positions of 39 debtors (2007: 32) were more than EUR 1 million respectively. The Group does not estimate any material default risk in respect of these customers.

Value adjustment account:
Material value adjustments which are to be indicated for the IFRS 7 category "Loans and Receivables (LaR)" consist at the BayWa Group in the "Trade receivables" balance sheet item under Other receivables and other assets; moreover, value adjustments play a very minor role.

The value adjustment account has developed as follows:

In EUR million	2008	2007
Status of value adjustments on 1 January	22.423	23.138
Price differences	– 0.222	– 0.235
Changes in specific valuation adjustments	– 0.932	0.938
Change in lump-sum value adjustments for losses on individual accounts	– 1.268	– 1.418
Status of value adjustments on 31 December	**20.001**	**22.423**

The estimates underlying the calculation of value adjustments to trade receivables were modified to take account of the historical default rate in the financial year. This measure resulted in the release of value adjustments of EUR 5.887 million through profit and loss. The impact of this change on estimates of future periods depends on the respective reporting date of these receivables and cannot therefore be reliably estimated.

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 30.8 million (2007: EUR 27.1 million) are included.

In order to enhance its financing structure, the Group has securitised receivables with 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 74.5 million (2007: EUR 63.0 million) on the reporting date.

(C.7.) DEFERRED TAX CLAIMS

The measurement of deferred tax on the assets side was carried out in accordance with the temporary concept laid down under IAS 12. Deferred tax is calculated on the basis of temporary differences between the value stated of assets and liabilities in the IFRS balance sheet and in the tax balance sheet, from consolidation transactions as well as on loss carryforwards which are likely to be realised. Further explanations on deferred tax can be found under Note D.8 on "Income tax".

(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 purchase, taking account of lower net realisable value. 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. The financing costs are not part of the cost of purchase or production. Inventory risks arising from the storage period or diminished marketability incur depreciation. Lower values on the reporting date due to lower realisable value have been accounted for.

The following is a breakdown of inventories:

In EUR million	**2008**	2007
Raw materials, consumables and supplies	31.486	33.247
Semi-finished goods/services	49.440	85.732
Finished goods/services and merchandise	1 020.392	964.256
	1 101.318	**1 083.235**

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 there a flat rate calculation. As per the balance sheet date, there was a decrease in impairments through profit and loss from EUR 39.457 million in 2007 to EUR 34.480 million in the reporting year. There were no reversals through profit and loss in the reporting year

In the context of flat rate value adjustments to inventories, the estimates applied to net realisable value were used in conjunction with implementing SAP in the financial year. This resulted in a decrease in value adjustments of EUR 7.368 million. The impact of this change on estimates of future periods depends on the respective reporting date of this inventory and cannot therefore be reliably estimated.

The book value of the inventories, reported at fair value less selling expenses, amounted to EUR 672.351 million on the reporting date (2007: EUR 718.459 million).

The ascertainment 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 16.133 million (2007: EUR 17.986 million) comprise cash in hand, cheques and deposits in banks falling due within one year.

(C.10.) NON-CURRENT ASSETS HELD FOR SALE

On the reporting date, a sum total of 15 (2005: 19) buildings and plots of land intended for sale were disclosed under the non-current assets held for sale item. These are primarily undeveloped plots of land or land with warehouses, silos, market buildings or office/residential buildings.

The assets of the BayWa Group are classified as non-current assets held for sale if there is a Board resolution on the sale and the sale is more than 50 percent probable within the following year (2009).

The valuation provision under IFRS 5 provides for suspending schedule depreciation of the assets affected and that only unscheduled depreciation on the basis of the lower attributable value be carried out.

On the reporting date, assets (mainly property, plant and equipment and investment property) with book value totalling EUR 4.717 million (2007: EUR 3.562 million) were classified as non-current assets held for sale. The fair value, less estimated selling costs, comes to EUR 12.536 million (2007: EUR 11.888 million). As per 31 December 2008, unscheduled write-downs from impairment of EUR 1.356 million on the difference between the book value and the respective attributable fair value were carried out. These were disclosed under Other operating expenses.

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

In EUR million	**2008**	2007
Agriculture	2.748	0.545
Building Materials	1.560	0.782
Energy	–.––	0.025
Other Activities	0.409	2.210
	4.717	**3.562**

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 2008, the share capital of BayWa AG in the amount of EUR 86.961 million (2007: EUR 86.757 million) was divided into 33,969,062 ordinary bearer shares with an arithmetical portion of EUR 2.56 per share. Of the shares issued, 32,646,326 are registered shares and 79,485 are recently registered shares with restricted transferability (from 1 January 2009 onwards, dividend-bearing employee shares). 1,243,251 are bearer shares not subject to restricted transferability.

Pursuant to IAS 32, the share capital disclosed declined by the nominal value of the shares bought back in previous years (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 not subject to restricted transferability	**Registered shares with restricted transferability**
As per 31 December 2008	1,243,251	32,626,826
Issuing of employee shares	–	79,485
As per 31 December 2008	**1,243,251**	**32,706,311**

Subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital in the period up to 30 April 2010 one or several times by a maximum nominal EUR 4,344,496.64 (2007: EUR 4,547,978.24) 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 Sections 15 et seq. German Stock Corporation Act, at purchase prices of at least 50 percent of the share price ascertained at the time when this authorisation is exercised.

In addition, subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital in the period up to 30 April 2011 one or several times by a maximum nominal EUR 12,500,000 through the issuing 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 in the period up to 29 May 2013 by a maximum nominal EUR 10,000,000 through the issuing of new registered shares against non-cash contribution.

Capital reserve
The capital reserve worth EUR 82.391 million (2007: EUR 81.097 million) is derived mainly from the premiums in the amount of EUR 53.671 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 2008, BayWa issued 79,485 recently registered shares with restricted transferability (dividend bearing as from 1 January 2009) as part of its Employee Share Scheme. The exercise price of the employee shares came to EUR 11.30, 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 18.84; BayWa‘s Board of Management had passed the resolution on the capital increase required for this measure. The advantage granted of EUR 0.600 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 535.368 million on the reporting date (2007: EUR 495.416 million). Of this amount, EUR 5.749 million (2007: EUR 5.657 million) is attributable to statutory reserve, EUR 10.405 million (2007: EUR 13.358 million) to revaluation reserve and EUR 519.215 million (2007: EUR 476.401 million) to other revenue reserves. Transfers to and withdrawals from 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 are especially attributable to cooperatives which hold stakes in the subsidiaries in Austria.

Capital management
The capital structure of the Group consists of liabilities and equity, and is described in detail in the Notes C.11 to C.18. Equity capital comes to around 29.8 percent of total equity. Equity capital ex-dividend has been reduced to 29.4 percent owing to the proposed dividend distribution of EUR 13.556 million. The aim in the capital management process of the BayWa Group is to achieve 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 improved net gearing, which is the result of the ratio between net debt to equity, comes to:

In EUR million	**31/12/2008**	31/12/2007
Non-current and current financial debt	779.863	886.885
./. cash and cash equivalents	– 16.133	– 17.986
Net debt	763.730	868.899
Equity	915.112	854.498
Net debt to equity (in percent)	**83**	**102**

Owing to strong seasonal fluctuations during the course 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	**30/06/2008**	30/06/2007
Non-current and current financial debt	538.170	540.361
./. cash and cash equivalents	– 70.736	– 13.494
Net debt	467.434	526.867
Equity	905.094	791.916
Net debt to equity (in percent)	**52**	**67**

(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-oriented benefit plans defined through company agreements 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	**31/12/2008**	31/12/2007
Discount factor	5.5	5.5
Salary trend	3.0	3.0
Pension trend	1.15	1.0

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-oriented 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-oriented 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 2.6 million on the reporting date (2007: EUR 8.6 million).

Total expenses from pensions in the performance-oriented benefit plans amounted to EUR 26.6 million (2007: EUR 24.3 million) and comprise the following:

	In EUR million	**2008**	2007
	Ongoing service cost	4.503	5.233
+	share of interest	22.143	19.097
=	**Total amount affecting the current result**	**26.646**	**24.330**

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	**2008**	2007
	DBO as per 1 January	417.331	465.905
+	Changes in the group of consolidated companies	–.––	–.––
+	Sum total through profit and loss	26.646	24.330
+ / –	Changes in non-realised actuarial gain/loss	6.032	– 46.826
–	Pension payments during the reporting period	– 26.839	– 25.954
+ / –	Assumption of obligations	0.209	– 0.124
=	**DBO as per 31 December**	**423.379**	**417.331**

	In EUR million	**2008**	2007
	DBO as per 31 December	423.379	417.331
+ / –	non-realised actuarial gain/loss	2.571	8.603
=	**Net value of amounts capitalised as per 31 December**	**425.950**	**425.934**

The DBO of pension obligations has changed as follows:

In EUR million	2004	2005	2006	2007	**2008**
	430.449	470.179	465.905	417.331	423.379

In the financial year 2009, we expect that a probable amount of EUR 26.521 million will be recorded through profit and loss for defined/performance-oriented 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	2008	2007
Non-current provisions (with a maturity of more than one year)		
Obligations from personnel and employee benefits	57.871	57.276
Other provisions	6.589	5.344
	64.460	**62.620**
Current provisions (with a maturity of less than one year)		
Obligations from personnel and employee benefits	44.314	44.911
Other provisions	68.801	64.316
	113.115	**109.227**

Provisions for obligations arising from personnel and employee benefits consist mainly of provisions for jubiliee expenses, service units, vacation backlogs and flexitime credits as well as for progressive retirement schemes.

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 old liabilities, follow-up costs and litigation risks.

Provisions have developed as follows:

In EUR million **2008**	**As per 01/01/2008**	**Transfer**	**Reclassi-fication**	**Compound interest**	**Utilisation**	**Release**	**Price differences**	**As per 31/12/2008**
Non-current provisions								
Obligations from personnel and employee benefits	57.276	1.941	– 0.029	1.490	2.541	0.264	– 0.002	57.871
Other provisions	5.344	1.102	1.080	–.––	0.774	0.163	–.––	6.589
	62.620	**3.043**	**1.051**	**1.490**	**3.315**	**0.427**	**– 0.002**	**64.460**
Current provisions								
Obligations from personnel and employee benefits	44.911	36.857	– 0.002	–.––	34.208	3.267	0.023	44.314
Other provisions	64.316	56.428	– 1.049	–.––	42.418	8.466	– 0.010	68.801
	109.227	**93.285**	**– 1.051**	**–.––**	**76.626**	**11.733**	**0.013**	**113.115**

In EUR million **2007**	**As per 01/01/2008**	**Transfer**	**Reclassi-fication**	**Compound interest**	**Utilisation**	**Release**	**Price differences**	**As per 31/12/2008**
Non-current provisions								
Obligations from personnel and employee benefits	59.451	4.728	0.002	0.952	7.442	0.416	0.001	57.276
Other provisions	7.868	0.070	– 1.308	0.323	0.534	1.075	–.––	5.344
	67.319	**4.798**	**– 1.306**	**1.275**	**7.976**	**1.491**	**0.001**	**62.620**
Current provisions								
Obligations from personnel and employee benefits	44.493	38.426	– 0.002	–.––	35.092	2.931	0.017	44.911
Other provisions	66.233	34.282	1.308	–.––	25.969	11.557	0.019	64.316
	110.726	**72.708**	**1.306**	**–.––**	**61.061**	**14.488**	**0.036**	**109.227**

(C.14.) FINANCIAL LIABILITIES

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

In EUR million **2008**	**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	728.041	34.027	10.304	772.372
Commercial paper	5.800	–.––	–.––	5.800
Participatory capital	1.691	–.––	–.––	1.691
	735.532	**34.027**	**10.304**	**779.863**

In EUR million **2007**	**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	792.709	35.262	7.223	835.194
Commercial paper	50.000	–.––	–.––	50.000
Participatory capital	1.691	–.––	–.––	1.691
	844.400	**35.262**	**7.223**	**886.885**

The BayWa Group finances itself mainly through credit lines and short-term loans for which no collateral is provided. In individual cases, long-term bank loans are used.

The credit on current account of EUR 720.736 million is due and payable at any time. The difference of EUR 7.305 million relates to the short-term portion of non-current liabilities due to banks. The average effective interest rate on credit on current account currently comes to around 4.6 percent (2007: 4.5 percent) per year.

Of the Commercial Paper Programme set up by BayWa AG with a total volume of EUR 300 million, EUR 5.8 million worth of Commercial Paper with a term of 31 days and an average weighted effective interest rate of 3.81 percent had been issued as per the reporting date.

Of the liabilities due to banks, EUR 45.661 million at Group level (2007: EUR 38.618 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 all have indefinite terms 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.) FINANCIAL LEASING OBLIGATIONS

The future leasing payments are carried as liabilities under the financial leasing obligations disclosed (see also Note C.2.).

In EUR million **2008**	**Residual term of up to one year**	**Residual term of up to five years**	**Residual term of more than five years**	**Total**
Financial leasing obligations	0.047	0.061	–.––	0.108

In EUR million **2007**	**Residual term of up to one year**	**Residual term of up to five years**	**Residual term of more than five years**	**Total**
Financial leasing obligations	0.145	0.112	–.––	0.257

(C.16.) TRADE PAYABLES 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 41.0 million due to KIRKA.

As per 31/12/2008 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	463.478	0.042	–.––	463.520
Liabilities due to affiliated companies	8.003	–.––	–.––	8.003
Liabilities due to companies in which a participating interest is held	2.046	–.––	41.044	43.090
Bills and notes payable	0.030	–.––	–.––	0.030
Payments received on orders	37.199	–.––	–.––	37.199
	510.756	**0.042**	**41.044**	**551.842**

As per 31/12/2007 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	454.491	0.002	–.––	454.493
Liabilities due to affiliated companies	8.005	–.––	–.––	8.005
Liabilities due to companies in which a participating interest is held	37.062	–.––	39.664	76.726
Bills and notes payable	0.467	–.––	–.––	0.467
Payments received on orders	36.119	–.––	–.––	36.119
	536.144	**0.002**	**39.664**	**575.810**

(C.17.) OTHER LIABILITIES

The table below shows a breakdown of other liabilities:

As per 31/12/2008 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	3.014	–.––	–.––	3.014
Allowances received	0.409	0.905	1.412	2.726
Other liabilities including deferred income	83.004	1.198	–.––	84.202
	86.427	**2.103**	**1.412**	**89.942**

As per 31/12/2007 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	2.276	–.––	–.––	2.276
Allowances received	0.410	0.903	0.924	2.237
Other liabilities including deferred income	78.233	2.591	–.––	80.824
	80.919	**3.494**	**0.924**	**85.337**

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 0.602 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. on "Income tax".

(C.19.) CONTINGENT LIABILITIES

In EUR million	**2008**	2007
Bills and notes payable	7.656	7.049
(of which to affiliated companies)	(–.––)	(–.––)
Guarantees	23.141	33.068
(of which to affiliated companies)	(2.196)	(10.594)
Warranties	0.001	0.042
(of which to affiliated companies)	–.––	(0.042)
Collateral for liabilities of third parties	1.238	0.589
(of which to affiliated companies)	(0.683)	(0.142)

(C.20.) OTHER FINANCIAL LIABILITIES

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

In EUR million	**2008**	2007
Other financial obligations		
from buyback obligations	15.282	7.744
from amounts guaranteed for interests in cooperative companies	13.442	13.297

There are contractual obligations (such as commitments) of EUR 80.388 million (2007: EUR 107.143 million) for the purchase of property, plant and equipment (real estate, vehicles) and inventories.

(C.21.) 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. First-time 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 to banks and trades payables.

The financial assets cover the following classes:
Financial assets held 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 the attributable 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 on an active market. As deriving the attributable fair value using comparable transactions of the respective period was also not possible, measurement at net book value 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 first-time recognition, loans and receivables are carried in the balance sheet exclusively at net book value. In the BayWa Group, they mainly have short residual terms. The book value is thus a reasonable approximation of the attributable fair value. Profit and loss are 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 terms of a maximum of one year. By definition, their book value corresponds to the attributable fair value. They accord with the funds in the Group's cash flow statement.

Financial assets held for trading (FAHfT): 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 first-time 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 net book value after their first-time recognition. They mainly have short residual terms. The book value is thus a reasonable approximation of the attributable 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 not resulted in a negative attributable 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 first-time 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 first-time 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 2008, there were derivative transactions denominated in Czech krona, Hungarian forint, US dollar and Canadian dollar.

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 with 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, transactions which are fair value hedges within the meaning of IAS 39 and 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 net book value and measurement at attributable 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 31/12/2008 In EUR million	**IAS 39 category and IFRS 7 class**	**Book value 31/12/2008**	**Measurement subsequent to initial recognition** **Net book value**	**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	10.695	10.695	–.––	–.––	–.––
Other financial assets	AfS	160.795	147.230	13.565	–.––	–.––
Other financial assets	LaR	1.060	1.060	–.––	–.––	–.––
Other receivables and other assets – trade receivables	LaR	1.179	1.179	–.––	–.––	–.––
Other receivables and other assets – other assets	LaR	15.120	14.785	–.––	–.––	0.335
Current financial assets						
Securities	FAHfT	1.747	–.––	–.––	1.747	–.––
Other receivables and other assets – trade receivables	LaR	479.050	479.050	–.––	–.––	–.––
Other receivables and other assets – other assets	LaR	135.611	132.754	–.––	–.––	2.857
Other receivables and other assets – derivatives	FAHfT	8.694	–.––	–.––	8.694	–.––
Cash and cash equivalents	Cash	16.133	16.133	–.––	–.––	–.––
Non-current financial liabilities						
Financial liabilities	FLAC	44.331	44.331	–.––	–.––	–.––
Liabilities from finance leasing	FLAC	0.061	0.061	–.––	–.––	–.––
Trade payables and liabilities from inter-group business relationships	FLAC	41.086	41.086	–.––	–.––	–.––
Other liabilities	FLAC	3.515	1.198	–.––	–.––	2.317
Derivatives	FLHfT	0.145	–.––	–.––	0.145	–.––
Current financial liabilities						
Financial liabilities	FLAC	735.532	735.532	–.––	–.––	–.––
Liabilities from finance leasing	FLAC	0.047	0.047	–.––	–.––	–.––
Trade payables and liabilities from inter-group business relationships	FLAC	510.756	510.756	–.––	–.––	–.––
Other liabilities	FLAC	86.427	42.215	–.––	–.––	44.212
Derivatives	FLHfT	4.496	–.––	–.––	4.496	–.––
Aggregated pursuant to IAS 39 category/IFRS 7 class						
Assets available for sale	AfS	171.490	157.925	13.565	–.––	–.––
Loans and receivables	LaR	628.828	628.828	–.––	–.––	–.––
Cash in hand and bank deposits	Cash	16.133	16.133	–.––	–.––	–.––
Financial assets held for trading	FAHfT	10.441	–.––	–.––	10.441	–.––
Financial liabilities measured at amortised cost	FLAC	1,375.226	1,375.226	–.––	–.––	–.––
Financial liabilities held for trading	FLHfT	4.641	–.––	–.––	4.641	–.––

As per 31/12/2007 In EUR million	**IAS 39 category and IFRS 7 class**	**Book value 31/12/2007**	**Measurement subsequent to initial recognition**			**Not IFRS 7 class**
			Net book value	**Fair value without effect on income**	**Fair value through profit and loss**	
Non-current financial assets						
Participating interests recognised at equity	AfS	9.843	9.843	–.––	–.––	–.––
Other financial assets	AfS	136.192	123.026	13.166	–.––	–.––
Other financial assets	LaR	1.153	1.153	–.––	–.––	–.––
Other receivables and other assets – trade receivables	LaR	0.437	0.437	–.––	–.––	–.––
Other receivables and other assets – other assets	LaR	12.565	12.461	–.––	–.––	0.104
Current financial assets						
Securities	FAHfT	80.979	–.––	–.––	80.979	–.––
Other receivables and other assets – trade receivables	LaR	526.612	526.612	–.––	–.––	–.––
Other receivables and other assets – other assets	LaR	143.252	137.412	–.––	–.––	5.840
Other receivables and other assets – derivatives	FAHfT	3.610	–.––	–.––	3.610	–.––
Cash and cash equivalents	Cash	17.986	17.986	–.––	–.––	–.––
Non-current financial liabilities						
Financial liabilities	FLAC	42.485	42.485	–.––	–.––	–.––
Liabilities from finance leasing	FLAC	0.112	0.112	–.––	–.––	–.––
Trade payables and liabilities from inter-group business relationships	FLAC	39.666	39.666	–.––	–.––	–.––
Other liabilities	FLAC	4.418	2.591	–.––	–.––	1.827
Derivatives	FLHfT	0.161	–.––	–.––	0.161	–.––
Current financial liabilities						
Financial liabilities	FLAC	844.400	844.400	–.––	–.––	–.––
Liabilities from finance leasing	FLAC	0.145	0.145	–.––	–.––	–.––
Trade payables and liabilities from inter-group business relationships	FLAC	536.144	536.144	–.––	–.––	–.––
Other liabilities	FLAC	80.919	37.859	–.––	–.––	43.060
Derivatives	FLHfT	3.094	–.––	–.––	3.094	–.––
Aggregated pursuant to IAS 39 category/IFRS 7 class						
Assets available for sale	AfS	146.035	132.869	13.166	–.––	–.––
Loans and receivables	LaR	678.075	678.075	–.––	–.––	–.––
Cash in hand and bank deposits	Cash	17.986	17.986	–.––	–.––	–.––
Financial assets held for trading	FAHfT	84.589	–.––	–.––	84.589	–.––
Financial liabilities measured at amortised cost	FLAC	1,503.402	1,503.402	–.––	–.––	–.––
Financial liabilities held for trading	FLHfT	3.255	–.––	–.––	3.255	–.––

Net gain and net loss

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

In EUR million, **2008**	Assets				Liabilities			Total	Transition	
Category	FAHfT	AfS	LaR	Cash	FLHfT	FLAC	No allo-cation		Not an FI	Financial result
1. Net gain/loss in the financial result										
Equity valuation of participating interests	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**1.377**	**–.––**
Income from participating interests	–.––	3.827	–.––	–.––	–.––	–.––	–.––	3.827	–.––	3.827
Expenses from participating interests	–.––	– 0.211	–.––	–.––	–.––	–.––	–.––	– 0.211	–.––	– 0.211
Value adjustments	–.––	– 0.467	–.––	–.––	–.––	–.––	–.––	– 0.467	–.––	– 0.467
Result from disposals	–.––	0.055	–.––	–.––	–.––	–.––	–.––	0.055	–.––	0.055
Result of participating interests	**–.––**	**3.204**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**3.204**	**–.––**	**3.204**
Income from other financial assets	0.069	7.450	–.––	–.––	–.––	–.––	–.––	7.519	–.––	7.519
Result from disposals	– 0.492	– 0.031	–.––	–.––	–.––	–.––	–.––	– 0.523	–.––	– 0.523
Result of other financial assets	**– 0.423**	**7.419**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**6.996**	**–.––**	**6.996**
Interest income	–.––	–.––	1.879	6.358	–.––	–.––	–.––	8.237	–.––	8.237
Interest income from fair value measurement	–.––	–.––	–.––	–.––	–.––	–.––	–.––	–.––	–.––	–.––
Sum total of interest income	–.––	–.––	1.879	6.358	–.––	–.––	–.––	8.237	–.––	8.237
Interest expenses	–.––	–.––	–.––	–.––	–.––	– 42.392	–.––	– 42.392	–.––	– 42.392
Interest portion in personnel provisions	–.––	–.––	–.––	–.––	–.––	–.––	–.––	–.––	– 23.633	–.––
Interest expenses from fair value measurement	–.––	–.––	–.––	–.––	– 0.548	–.––	–.––	– 0.548	–.––	– 0.548
Sum total of interest expenses	–.––	–.––	–.––	–.––	– 0.548	– 42.392	–.––	– 42.940	– 23.633	– 42.940
Net interest	**–.––**	**–.––**	**1.879**	**6.358**	**– 0.548**	**– 42.392**	**–.––**	**– 34.703**	**–23.633**	**– 34.703**
Sum total net gain/loss	**– 0.423**	**10.623**	**1.879**	**6.358**	**– 0.548**	**– 42.392**	**–.––**	**– 24.503**	**– 22.256**	**– 24.503**
Financial result										**– 46.759**
2. Net gain/loss in operating result										
Income from hedging transactions	11.104	–.––	–.––	–.––	–.––	–.––	–.––	11.104		
Income from the receipt of written-off receivables/release of receivables value adjustments	–.––	–.––	9.008	–.––	–.––	–.––	–.––	9.008		
Expenses from hedging transactions	– 13.602	–.––	–.––	–.––	–.––	–.––	–.––	– 13.602		
Value adjustments/write-downs of receivables	–.––	–.––	– 11.442	–.––	–.––	–.––	–.––	– 11.442		
Sum total net gain/loss	**– 2.498**	**–.––**	**– 2.434**	**–.––**	**–.––**	**–.––**	**–.––**	**– 4.932**		
3. Net gains/losses in equity										
Changes in the fair value from the market valuation of securities	–.––	– 2.916	–.––	–.––	–.––	–.––	–.––	– 2.916		
Currency translation	–.––	–.––	–.––	–.––	–.––	–.––	– 0.876	– 0.876		
Sum total net gain/loss	**–.––**	**– 2.916**	**–.––**	**–.––**	**–.––**	**–.––**	**– 0.876**	**– 3.792**		

In EUR million, **2007**	Assets				Liabilities			Total	Transition	
Category	FAHfT	AfS	LaR	Cash	FLHfT	FLAC	No allo-cation		Not an FI	Financial result
1. Net gain/loss in the financial result										
Equity valuation of participating interests	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**0.430**	**–.––**
Income from participating interests	–.––	5.710	–.––	–.––	–.––	–.––	–.––	5.710	–.––	5.710
Expenses from participating interests	–.––	– 3.684	–.––	–.––	–.––	–.––	–.––	– 3.684	–.––	– 3.684
Value adjustments	–.––	– 0.308	–.––	–.––	–.––	–.––	–.––	– 0.308	–.––	– 0.308
Result from disposals	–.––	21.474	–.––	–.––	–.––	–.––	–.––	21.474	–.––	21.474
Result of participating interests	**–.––**	**23.192**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**23.192**	**–.––**	**23.192**
Income from other financial assets	2.978	3.836	–.––	–.––	–.––	–.––	–.––	6.814	–.––	6.814
Result from disposals	–.––	– 0.010	–.––	–.––	–.––	–.––	–.––	– 0.010	–.––	– 0.010
Result of other financial assets	**2.978**	**3.826**	**–.––**	**–.––**	**–.––**	**–.––**	**–.––**	**6.804**	**–.––**	**6.804**
Interest income	–.––	–.––	0.567	5.876	–.––	–.––	–.––	6.443	–.––	6.443
Interest income from fair value measurement	0.211	–.––	–.––	–.––	–.––	–.––	–.––	0.211	–.––	0.211
Sum total of interest income	0.211	–.––	0.567	5.876	–.––	–.––	–.––	6.654	–.––	6.654
Interest expenses	–.––	–.––	–.––	–.––	–.––	– 39.670	–.––	– 39.670	–.––	– 39.670
Interest portion in personnel provisions	–.––	–.––	–.––	–.––	–.––	–.––	–.––	–.––	– 20.049	–.––
Interest expenses from fair value measurement	–.––	–.––	–.––	–.––	– 0.021	–.––	–.––	– 0.021	–.––	– 0.021
Sum total of interest expenses	–.––	–.––	–.––	–.––	– 0.021	– 39.670	–.––	– 39.691	– 20.049	– 39.691
Net interest	**0.211**	**–.––**	**0.567**	**5.876**	**– 0.021**	**– 39.670**	**–.––**	**– 33.037**	**– 20.049**	**– 33.037**
Sum total net gain/loss	**3.189**	**27.018**	**0.567**	**5.876**	**– 0.021**	**– 39.670**	**–.––**	**– 3.041**	**– 19.619**	**– 3.041**
Financial result										**–22.660**
2. Net gain/loss in operating result										
Income from hedging transactions	2.389	–.––	–.––	–.––	–.––	–.––	–.––	2.389		
Income from the receipt of written-off receiv-ables/release of receivables value adjustments	–.––	–.––	4.611	–.––	–.––	–.––	–.––	4.611		
Expenses from hedging transactions	– 3.235	–.––	–.––	–.––	–.––	–.––	–.––	– 3.235		
Value adjustments/write-downs of receivables	–.––	–.––	– 7.747	–.––	–.––	–.––	–.––	– 7.747		
Sum total net gain/loss	**– 0.846**	**–.––**	**– 3.136**	**–.––**	**–.––**	**–.––**	**–.––**	**– 3.982**		
3. Net gains/losses in equity										
Changes in the fair value from the market valuation of securities	–.––	– 0.677	–.––	–.––	–.––	–.––	–.––	– 0.677		
Currency translation	–.––	–.––	–.––	–.––	–.––	–.––	0.750	0.750		
Sum total net gain/loss	**–.––**	**– 0.677**	**–.––**	**–.––**	**–.––**	**–.––**	**0.750**	**0.073**		

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.

2008 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**
Financial liabilities measured at amortised cost (FLAC)	1,301.151	43.750	52.933	1,397.834
Financial liabilities held for trading (FLHfT)	4.496	0.145	–.––	4.641
	1,305.647	**43.895**	**52.933**	**1,402.475**

2007 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**
Financial liabilities measured at amortised cost (FLAC)	1,461.608	39.794	46.887	1,548.289
Financial liabilities held for trading (FLHfT)	3.094	0.161	–.––	3.255
	1,464.702	**39.955**	**46.887**	**1,551.544**

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 2008.

In EUR million	**Total**	**unti 6/2009**	**7 – 12/2009**	**2010 – 2014**	**> 2014**
Interest portion	22.608	12.847	1.444	6.732	1.585
Redemption portion	1,375.226	1,243.469	43.391	37.018	51.348
Total	**1,397.834**	**1,256.316**	**44.835**	**43.750**	**52.933**

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 0.476 million and gains of EUR 3.105 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.

In EUR million, **31/12/2008**	**Market value**			
	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	0.334	–.––	–.––	0.334
Commodity and currency hedging transactions	8.360	8.360	–.––	–.––
	8.694	**8.360**	**–.––**	**0.334**
Shareholders' equity and liabilities				
Interest rate hedging transactions	0.145	–.––	0.145	–.––
Commodity and currency hedging transactions	4.496	4.496	–.––	–.––
	4.641	**4.496**	**0.145**	**–.––**

In EUR million, **31/12/2007**	**Market value**			
	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	0.935	–.––	–.––	0.935
Commodity and currency hedging transactions	2.675	2.675	–.––	–.––
	3.610	**2.675**	**–.––**	**0.935**
Shareholders' equity and liabilities				
Interest rate hedging transactions	0.161	–.––	0.161	–.––
Commodity and currency hedging transactions	3.094	3.094	–.––	–.––
	3.255	**3.094**	**0.161**	**–.––**

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.22.) RISK MANAGEMENT

Principles of risk management
BayWa is exposed to entrepreneurial risks in the conducting of its business. The safeguarding of its assets and the raising of enterprise value therefore necessitates a risk management system. Risk management is an integral component of planning and management and control processes. The Group's strategy aims to make optimum use of opportunities while identifying and limiting business-related risks 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. 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, as well as for the taking out of insurance, 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 the individual employees' action when dealing with corporate values as well as to their fair and responsible conduct towards suppliers, customers and colleagues.

The Risk Management System of the BayWa Group
A comprehensive risk management system records and monitors both corporate performance and any existing weak points on an ongoing basis. The risk management system covers all segments and includes reporting as a key component. This enables the Group's senior management to act swiftly and effectively. Each unit of the company has a risk officer and an officer who reports on risk. They are entrusted with ensuring that the reporting process is observed.

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 segment's planning process, procurement, sales and distribution operations as well as centralised operations, the Group's risk and opportunity management system serves to identify and assess potential divergences from expected performance. 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 use of opportunities while reducing the risks.

Risk reports, which are regularly prepared by the organisation units, form the core of the risk management system. These reports are subjected 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.

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 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.

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 held 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 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 in 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 be able – or only to a limited extent – to fulfil its financial obligations. In the BayWa Group, funds are generated by operating business and borrowing from external financial institutions. In addition, financing instruments such as multi-currency commercial paper programmes or asset-backed securitisation are used. 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. Detailed information on the financial liabilities of the Group can be found in the Notes C.14 to C.17. Owing to the diversification of the sources of financing, the BayWa Group does not currently have any risk clusters in liquidity.

Market risks

Macroeconomic risks

General economic developments also affect consumer and investment behaviour in BayWa's core markets. This may, in turn, impact BayWa's revenues and profit either positively or negatively. Following the growth recorded for the German economy in the year 2008 as a whole, the slowdown in global economic activity can be expected to dampen economic output in the regions where BayWa conducts its business. Moreover, it is difficult to assess whether the crisis in the financial markets has already bottomed out. These are factors which may burden the BayWa Group. BayWa's business model is, however, primarily geared to satisfying fundamental human requirements, such as the need for food, having a roof over our heads, mobility and the supply of energy. Accordingly, the impact of cyclical swings is likely to be less strong than in other areas of business.

Sector and company-specific risks

Changes in political conditions such as, for instance, 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 both the offering, pricing and trading with agricultural produce and also on the resources business operating downstream. Global climate changes also have a long-term effect on agriculture. Global 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 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 which triggered a construction boom, especially in the new federal states, which was then followed by a long-standing downswing entailing structural adjustments to capacity. The abolition of the home-owner subsidy of the German government exacerbated the slowdown in private residential construction. Even today, the number of building permissions in residential construction is considerably below the level seen 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 risks

BayWa trades in merchandise which displays very high price volatility, such as grain, fertiliser 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 also assumes the risk of prices fluctuating. Whereas the risk 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, measures to limit risk are initiated.

Foreign currency management/currency risk

BayWa's business activity is largely focused on 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.

Currency risk sensitivity analysis:
Owing to the immediate hedging of all currency transactions and their minor volume, the BayWa Group is not required to carry out a separate sensitivity analysis. The changes in value on the reporting date owing to subsidiaries drawing up their accounts in a foreign currency are reflected in the equity of the Group and, owing to their low volume, are not hedged.

Share price risk
The investment portfolio of the BayWa Group comprises direct and indirect investments in listed companies. Investments in shares are monitored on an ongoing basis using their current market values.

Share price risk sensitivity analysis:
In view of the low overall volume, BayWa abstains from calculating risk sensitivities and measures the maximum potential loss.

Interest rate risk
Interest rate risk positions arise mainly from issues of short-dated commercial paper and short-term borrowings. Short-term debt is used mainly to finance similarly short-term working capital. To reduce the interest rate risk, BayWa uses derivative instruments in the form of interest rate caps and swaps.

Interest rate risk analysis:
In the financial year, the average interest rate stood at around 4.6 percent (2007: 4.5 percent). A change in this interest rate of plus 1.0 percent to 5.6 percent would cause interest expenses to rise by EUR 9.193 million, whereas the reverse, i.e. a change in this interest rate of minus 1.0 percent to 3.6 percent, would lead to interest expenses falling by EUR 9.193 million.

Other risks

Regulatory and legal risks
Changes in the regulatory environment can affect the Group's performance. Examples of this are 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 law suits 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 payment disputes. BayWa forms 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.

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

Aggregate risk
An overall assessment of the current 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.

(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 risks and rewards 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 and bonuses.

The breakdown of the divisions 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.

The sales revenues break down as follows:

In EUR million	**2008**	2007
Goods	8,730.581	7,002.838
Services	63.984	224.320
	8,794.565	**7,227.158**

(D.2.) OTHER OPERATING INCOME

In EUR million	**2008**	2007
Rental income	20.411	20.638
Loss from the disposal of assets	8.533	19.285
Income from the release of provisions	12.160	15.979
Reimbursement of expenses	12.484	12.346
Sourcing of employees	6.237	6.132
Advertising allowance	4.595	4.722
Price gains	11.104	2.389
Income from receivables written down/release of value adjustments	9.008	4.606
Other income	28.614	25.162
	113.146	**111.259**

Other income comprises income from licences and numerous other individual positions.

(D.3.) COST OF MATERIALS

In EUR million	2008	2007
Expenses for raw materials, consumables and supplies and for goods sourced	7,533.905	6,182.248
Expenses for services outsourced	56.375	53.277
Selling expenses	76.320	74.965
	7,666.600	**6,310.490**

(D.4.) PERSONNEL EXPENSES

In EUR million	2008	2007
Wages and salaries	494.692	471.582
Share-based payment	0.600	0.591
Expenses for pensions schemes, maintenance and handling	42.892	42.259
(of which ongoing service cost)	(4.503)	(5.233)
Social insurance levies	69.745	72.493
	607.929	**586.925**

After calculation of the pension provisions under IAS 19, total expenses for old-age pension provisions came to EUR 26.6 million (2007: EUR 24.3 million). Of this amount, a portion of EUR 4.5 million has been disclosed under personnel expenses and a portion of EUR 22.1 million under interest expenses.

Number	2008	2007
Employees		
Annual average (Section 267 para. 5 of the German Commercial Code (HGB))	15,498	15,271
of which jointly held companies	149	137
As per: 31 December	16,596	16,325
of which jointly held companies	130	139

(D.5.) OTHER OPERATING EXPENSES

In EUR million	2008	2007
Vehicle fleet	44.448	37.396
Maintenance	39.232	34.575
Advertising	33.455	33.444
Energy	31.767	28.475
Rent	28.635	27.601
Expenses for staff hired externally	19.864	19.343
Information expenses	13.763	13.795
Commission	11.790	11.949
Insurances	11.840	10.643
Costs of legal and professional advice, audit fees	10.265	8.158
Depreciation/value adjustment of receivables	11.442	7.747
IT costs	6.199	7.719
Travel expenses	6.740	6.670
Office supplies	6.512	6.500
Other tax	5.770	5.841
Administrative expenses	6.067	4.204
Induction and further training	5.982	5.174
Decommissioning and disposal	5.455	5.052
Currency-induced losses	13.602	3.235
Loss from the disposal of assets	1.271	0.937
Other expenses	23.966	22.606
	338.065	**301.064**

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 PARTICIPATING INTERESTS

In EUR million	2008	2007
Gain/loss from participating interests recognised at equity	**1.377**	**0.430**
Income from affiliated companies	0.791	3.920
Other income from holdings and similar income	10.069	30.078
Write-downs of financial assets and other expenses	– 0.661	– 3.992
Other expenses from the disposal of financial assets	–.––	– 0.010
Other income from shareholdings	**10.199**	**29.996**
	11.576	**30.426**

Dividend is recorded as and when claim to payout arises.

(D.7.) INTEREST INCOME AND EXPENSE

In EUR million	2008	2007
Interest and similar income	8.237	6.654
(of which from affiliated companies)	(0.350)	(0.568)
Interest income	**8.237**	**6.654**
Interest and similar expenses	– 42.380	– 39.305
(of which to affiliated companies)	(– 0.228)	(– 0.311)
Interest from fair value measurement	– 0.548	– 0.021
Interest portion of finance leasing	– 0.011	– 0.365
Interest portion of the transfers to pension provisions and other personnel provisions	– 23.633	– 20.049
Interest expense	**– 66.572**	**– 59.740**
Net interest	**– 58.335**	**– 53.086**

(D.8.) INCOME TAX

Income tax breaks down as follows:

In EUR million	2008	2007
Actual tax	– 27.673	– 20.023
Deferred taxes	0.892	1.343
	– 26.781	**– 18.680**

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

Upon ratification by the German Parliament of the 2008 Corporate Tax Reform Act on 6 July 2007, new tax legislation came into force on 1 January 2008 in Germany. The tax rate levied on domestic subsidiaries fell to 15 percent for corporate tax and to 3.5 percent for trade tax. Moreover, trade tax is no longer deductible.

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 0.109 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 0.4 million (2007: EUR 0.3 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 5.7 million.

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 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:

	Deferred tax assets		Deferred tax liabilities	
In EUR million	**2008**	2007	**2008**	2007
Intangible assets and property, plant and equipment	2.205	1.318	74.585	69.779
Financial assets	13.981	14.977	2.663	2.746
Current assets	1.060	1.961	3.178	0.461
Other assets	0.033	0.370	–.––	1.318
Tax loss carryforwards	0.393	0.277	–.––	–.––
Provisions	58.613	57.303	4.900	2.540
Liabilities	12.455	10.881	0.053	0.001
Other	1.190	0.439	0.666	0.794
Consolidation	1.093	0.952	6.411	13.199
	91.023	**88.478**	**92.456**	**90.838**

The actual tax expenses are EUR 2.4 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 12.3 percent.

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	**2008**	2007
Consolidated result before income tax	**103.524**	**90.501**
Computed tax rate given a tax rate of 28.18 percent	29.173	33.865
Difference against tax rates abroad	– 1.148	– 8.761
Tax not relating to the period	0.038	1.433
Permanent difference changes	– 0.827	– 6.799
Tax effect due to non-tax deductible expenses	2.596	1.477
Final consolidation effects	–.––	0.808
Tax-exempt income	– 4.502	– 2.939
Changes in the value adjustments of loss deductions	2.657	0.007
German Tax Reform	–.––	– 0.573
Tax effect from equity results	– 0.388	– 0.159
Other tax effects	– 0.818	0.321
Income tax	**26.781**	**18.680**

(D.9.) PROFIT SHARE OF MINORITY SHAREHOLDERS

Profit of EUR 18.4 million (2007: EUR 25.8 million) due to other shareholders is mainly attributable to minority shareholders of the Austrian subsidiaries.

(D.10.) EARNINGS PER SHARE (EPS)

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.

		2008	2007
Net income adjusted for minority interest	In EUR million	58.347	46.029
Average number of shares issued	Number of shares	33,870,077	33,833,957
Basic earnings per share (EPS)	EUR	1.72	1.36
Diluted earnings per share (EPS)	EUR	1.72	1.36
Proposed dividend per share	EUR	0.34	0.32
Proposed special dividend per share	EUR	0.06	–.––

(E.) OTHER NOTES

(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 comprised 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 the financing of operations and payments dispersed the dividend. 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. In accordance with the standards set forth under IAS 14, it is divided up into a primary reporting format by line of business and a secondary reporting format by geographical area. The structure is aligned to internal control operations of the BayWa Group and takes account of the varying risk and earnings structures of the segments and regions.

The primary reporting format is divided into the Agriculture, Building Materials, Energy and Other Activities segments and the secondary reporting format into the geographical regions of Germany, Austria and other international operations. The information contained in the segment report is based on the same disclosure and valuation methods as the consolidated financial statements.

SEGMENT REPORT BY BUSINESS SEGMENT

	Agriculture		Building Materials	
In EUR million	**2008**	2007	**2008**	2007
Revenues	4,048.922	3,330.649	1,785.816	1,676.349
(Year-on-year change in percent)	(21.6)		(6.5)	
Write-downs/write-ups	43.628	42.556	34.998	31.641
Operating result	110.242	74.931	21.390	28.737
Financial result	– 37.137	– 28.268	– 16.731	– 15.479
of which: equity result	–.––	–.––	–.––	0.089
Earnings before tax	73.105	46.663	4.659	13.258
Assets	1,477.467	1,497.891	867.732	864.379
Inventories	735.798	681.755	213.507	194.153
Liabilities	1,026.829	1,118.561	560.788	544.034
Investments in intangible assets property, plant and equipment (incl. company acquisitions)	66.297	37.803	49.904	44.445
Employees annual average	6,672	6,568	6,500	6,379

Segment Report by business segment

The Agriculture segment comprises the Group's activities in agricultural resources and products (including fruit), as well as the Agricultural Equipment business unit. The Agricultural Equipment business unit focuses on the sale and distribution of agricultural machinery and facilities and provides related services. The Building Materials segment combines the sale and distribution of building materials and the DIY and garden centre retail trade. The Energy segment mainly comprises trading activities in mineral oils, fuel and lubricants as well as the fuel station business. The Other Activities segments comprise all other activities which do not belong to the core business of the Group, especially the car dealership business as well as the production and sale of food.

Along with earnings before tax, the operating result is disclosed after consideration of depreciation and amortisation, together with the financial result (income from participating interests and net interest income). This is also applicable to the assets and liabilities of the respective segment. Investments made (excluding financial assets) are also allocated to the individual segments. This concerns the addition of intangible assets and property, plant and equipment. Moreover, information in the segment reports includes the annual average number of employees per segment.

Energy		Other Activities		Total	
2008	2007	**2008**	2007	**2008**	2007
2,462.529	1,788.023	497.298	432.137	8,794.565	7,227.158
(37.7)		(15.1)		(21.7)	
9.087	7.779	8.481	8.495	96.194	90.471
12.211	8.872	6.440	0.621	150.283	113.161
– 0.805	– 2.368	7.914	23.455	– 46.759	– 22.660
–.––	–.––	1.377	0.341	1.377	0.430
11.406	6.504	14.354	24.076	103.524	90.501
213.454	229.103	507.152	526.630	3,065.805	3,118.003
26.991	26.224	125.022	181.103	1,101.318	1,083.235
168.360	194.645	394.716	406.265	2,150.693	2,263.505
11.070	7.129	16.788	11.223	144.059	100.600
886	860	1,440	1,464	15,498	15,271

Segment Report by region

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 REPORT BY REGION

	Revenues		Investments		Assets	
In EUR million	**2008**	2007	**2008**	2007	**2008**	2007
Germany	5,780.135	4,733.070	107.406	76.138	2,059.543	2,075.776
Austria	2,391.075	1,988.822	32.337	21.949	919.879	930.619
Other international operations	623.355	505.266	4.316	2.513	86.383	111.608
Group	**8,794.565**	**7,227.158**	**144.059**	**100.600**	**3,065.805**	**3,118.003**

(E.3.) MATERIAL EVENTS AFTER THE REPORTING DATE

With effect from 4 March 2009, Board member Dr. Stefan Bötzel, responsible as a member of BayWa's Board of Management up until that time responsible for the Agriculture segment, laid down his office as a member of the Board.

In his place, Board member Dr. Josef Krapf will assume responsibility for the Agriculture business unit effective from 5 March 2009. At the same time, Dr. Krapf's former responsibility for the Building Materials and DIY & Garden Centre businesses will be assigned to Board member Frank Hurtmanns who will continue to be responsible for Personnel and IT, among other duties. Chief Executive Officer Klaus Josef Lutz will assume responsibility for the real estate operations of the Group in addition to his other duties.

(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 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 (AKTG)

Pursuant to the German Securities Trading Act (WpHG), 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 German Securities Trading Act (WpHG), 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.

Pursuant to Section 41 para. 2 in conjunction with Section 21 para. 1 German Securities Trading Act (WpHG), St. Wolfgang Beteiligung Ges.m.b.H., Vienna (Austria), informed us on **2 April 2002** that the proportion of its voting rights in our company came to 11.08 percent on 1 April 2002.

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), RWA Deutschland GmbH, Grünwald, informed us on **18 December 2002** that the proportion of its voting rights in BayWa AG had exceeded the 10 percent threshold on 10 December 2002 and came to 10.14 percent on this date.

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), RWA Management, Service und Beteiligungen GmbH, Vienna (Austria), informed us on **18 December 2002** that the proportion of its voting rights in BayWa AG had exceeded the 10 percent threshold on 10 December 2002 and came to 10.14 percent on this date. The voting rights are fully apportionable to it pursuant to Section 22 para. 1 sentence 1 item 1.

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), RWA Handel und Vermögensverwaltung reg. Gen.m.b.H., Vienna (Austria), informed us on **18 December 2002** that the proportion of its voting rights in BayWa AG had exceeded the 10 percent threshold on 10 December 2002 and came to 10.14 percent on this date. The voting rights are fully apportionable to it pursuant to Section 22 para. 1 sentence 1 item 1.

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), S.W. Mitchell Capital LLP, London (England), informed us on **11 January 2007** that the proportion of its voting rights through shares held in BayWa AG had exceeded the 3 percent of the voting rights and is now 3.89 percent (the equivalent of 1,264,453 voting rights).

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), Capital Research and Management Company, Los Angeles (USA), informed us on **5 July 2007** that, on 29 June 2007, the share of the Capital Research and Management Company in the voting rights of BayWa AG had exceeded the threshold of 5 percent. On this date, the Capital Research and Management Company held 5.006 percent of all voting rights in BayWa AG (voting rights of BayWa AG accruing from 1,694,935 ordinary shares). Pursuant to Section 21 para. 1 sentence 1 item 6 German Securities Trading Act (WpHG), 5.006 percent of all voting rights in BayWa AG (voting rights of BayWa AG accruing from 1,694,935 ordinary shares) were apportionable to the Capital Research and Management Company. Of these voting rights, the voting rights accruing from 1,593,485 were held by SMALLCAP World Fund, Inc., Los Angeles (USA).

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), SMALLCAP World Fund, Inc., Los Angeles (USA), informed us on **15 August 2007** that the share of SMALLCAP World Fund, Inc. in the voting rights of BayWa AG exceeded the threshold of 5 percent on 10 August 2007. On this date, SMALLCAP World Fund, Inc. held 5.33 percent of all voting rights in BayWa AG and 5.33 percent of all ordinary shares with voting rights, which corresponds to 1,805,955 ordinary shares.

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 German Securities Trading Act (WpHG).

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), SMALLCAP World Fund, Inc., Los Angeles (USA) informed on **18 September 2008** that the share of SMALLCAP World Fund, Inc. in the voting rights of BayWa AG had fallen below the threshold of 5 percent on 12 September 2008. On this date, SMALLCAP World Fund, Inc. held 4.78 percent of all voting rights in BayWa AG (voting rights accruing from 1,621,098, ordinary shares).

On **26 September 2008**, St. Wolfgang Beteiligung Ges.m.b.H., Vienna (Austria) informed us that, pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), the proportion in the voting rights held in BayWa AG by St. Wolfgang Beteiligung Ges.m.b.H. had fallen below the threshold of 10, 5, and 3 percent on 23 September 2008 and that the proportion of voting rights now held by St. Wolfgang Beteiligung Ges.m.b.H. came to zero percent (which is the equivalent of zero voting rights).

On **26 September 2008**, we were informed by Decius Unternehmensbeteiligungs Aktiengesellschaft, Vienna (Austria) that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG), the proportion of voting rights in BayWa AG apportioned to Decius Unternehmensbeteiligungs Aktiengesellschaft had fallen below the threshold of 10, 5 and 3 percent on 23 September 2008, and that the whole proportion of voting rights now comes to zero percent (the equivalent of zero voting rights). Up until such date, a proportion of the voting rights of 11.10 percent (the equivalent of 3,759,351 voting rights) was apportionable to Decius Unternehmensbeteiligungs Aktiengesellschaft pursuant to Section 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG) via St. Wolfgang Beteiligung Ges.m.b.H., a company over which it has control.

On **26 September 2008**, we were informed by Loan Management Ltd., St. Helier (Jersey, UK), that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG), the proportion of voting rights in BayWa AG apportioned to Loan Management Ltd. had fallen below the thresholds of 10, 5 and 3 percent and that the whole proportion of voting rights now comes to zero percent (the equivalent of zero voting rights). Up until such date, a proportion of the voting rights of 11.10 percent (the equivalent of 3,759,351 voting rights) had been apportionable to Loan Management Ltd. pursuant to Section 22 para. 1 sentence 1 item German Securities Trading Act (WpHG) via Decius Unternehmensbeteiligungs Aktiengesellschaft, a company over which it has control.

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), Capital Research and Management Company, Los Angeles (USA), informed us on **1 October 2008** that the share of Capital Research and Management Company in the voting rights of BayWa AG had fallen below the threshold of 5 percent on 19 September 2008. On this date, the Capital Research and Management Company held 4.99 percent of all voting rights in BayWa AG (voting rights of the BayWa AG accruing from 1,689,724 ordinary shares). Pursuant to Section 21 para. 1 sentence 1 item 6 German Securities Trading Act (WpHg), 4.99 percent of all voting rights in BayWa AG (voting rights of BayWa AG accruing from 1,689,724 ordinary shares) were apportionable to the Capital Research and Management Company. Of these voting rights accruing from 1,689,724 ordinary shares, the voting rights accruing from 1,588,274 ordinary shares (4.69 percent) were held by SMALLCAP World Fund, Inc., Los Angeles (USA).

Raiffeisen Agrar Invest GmbH, Vienna (Austria), informed us on **2 October 2008** that, pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), the proportion of voting rights in BayWa AG had fallen below the threshold of 3, 5 and 10 percent on 23 September 2008. The total proportion of voting rights came to 14.08 percent on 23 September 2008 (the equivalent of 4,770,940 voting rights, of which 4,682,643 voting rights from registered shares with restricted transferability and 88,297 from registered shares).

Raiffeisen Agrar Holding GmbH, Vienna (Austria), informed us on **2 October 2008** that, pursuant to Section 21 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG), the proportion of voting rights in BayWa AG apportioned to it had exceeded the thresholds of 3, 5 and 10 percent. The total share of voting rights came to 14.08 percent on 23 September 2008 (the equivalent of 4,770,940 voting rights, of which 4,682,643 voting rights from registered shares with restricted transferability and 88,297 from registered shares). Of these voting rights, 14.08 percent (equivalent to 4,770,940 voting rights, of which 4,682,643 voting rights from registered shares with restricted transferability and 88,297 voting rights from registered shares) are apportionable to Raiffeisen Agrar Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG). The apportioned voting rights are held by Agrar Invest GmbH, a company which it controls.

LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (Austria), informed us on **2 October 2008**, that, pursuant to Sections 21 para. 1, 22 para.1 sentence 1 item 1 German Securities Trading Act (WpHG), the apportioned voting rights in BayWa AG exceeded the thresholds of 3, 5 and 10 percent. The total proportion of voting rights came to 14.08 percent on 23 September 2008 (the equivalent of 4,770,940 voting rights, of which 4,682,643 voting rights from registered shares with restricted transferability and 88,297 registered shares). Of these voting rights, 14.08 percent are apportionable to LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG (equivalent to 4,770,940 voting rights, of which 4,682,643 voting rights from registered shares with restricted transferability and 88,297 voting rights from registered shares) pursuant to Section 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG). The apportioned voting rights are held by Raiffeisen Agrar Holding GmbH, a company which it controls.

SMALLCAP World Fund, Inc., Los Angeles (USA) informed on **5 January 2009** that, pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), 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).

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), Capital Research and Management Company, Los Angeles (USA) informed us on **27 January 2009** that 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 (voting rights accruing from 1,013,176, ordinary shares). 2.98 percent (voting rights accruing from 1,013,176 ordinary shares) of all voting rights in BayWa AG were assigned to Capital Research and Management Company.

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), RWA Verbundservice GmbH, Mödling (Austria) informed us on **30 January 2009** that 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.

Pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG), '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 its share of the voting rights in BayWa AG 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 German Securities Trading Act (WpHG). Pursuant to Sections 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG), these voting rights were apportionable to it via LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG.

Pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG), ‚LAREDO' Beteiligungs GmbH, Vienna (Austria) informed us on **5 February 2009** (thereby correcting the notification of 8 October 2008 which has meanwhile been withdrawn) that its share of the voting rights in BayWa AG exceeded the thresholds 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 German Securities Trading Act (WpHG). They were apportionable to it via ‚KORMUS' Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG).

Pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 German Securities Trading Act (WpHG), Raiffeisen-Holding Niederösterreich Wien reg. Gen.m.b.H, Vienna (Austria) informed us on **5 February 2009** (thereby correcting the notification of 8 October 2008 which has meanwhile been withdrawn) that 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 German Securities Trading Act (WpHG).

(E.6.) RELATED PARTIES

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 policy 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, for 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 Investment 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 is 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 in the current year with Bayerische Raiffeisen-Beteiligungs-AG within the meaning of IAS 24 which needs to be reported here.

Transactions with related parties are shown in the table below:

In EUR million **2008**	Supervisory Board	Board of Management	Bayerische Raiffeisen-Beteiligungs-AG	Non consolidated companies > 50%	Non consolidated companies > 20% < 50%
Receivables	0	0	0	15	10
Liabilities	0	0	0	8	2
Interest income	0	0	0	1	0
Interest expenses	0	0	0	0	0
Revenues	0	0	0	54	40

In EUR million 2007	Supervisory Board	Board of Management	Bayerische Raiffeisen-Beteiligungs-AG	Non consolidated companies > 50%	Non consolidated companies > 20% < 50%
Receivables	0	0	0	28	14
Liabilities	0	0	0	8	7
Interest income	0	0	0	1	0
Interest expenses	0	0	0	0	0
Revenues	0	0	0	39	86

The transactions conducted with related parties relate to the sale of goods and financing. All transactions with the aforementioned companies and persons are conducted applying the terms and conditions which also apply to business with third parties.

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 applying the terms and conditions which are also valid for third parties.

(E.7.) FEES OF THE GROUP AUDITOR

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

In EUR million	**2008**	2007
For audits carried out	0.527	0.566
For other certification or valuation services	0.026	0.004
For tax consultancy services	0.035	0.004
For other services	0.048	0,074

(E.8.) EXECUTIVE BODIES OF BayWa AG

Information on the members of the Supervisory Board, Cooperative Council and the Board of Management can be found on pages 4 to 9.

(E.9.) TOTAL REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY COMMITTEES

The remuneration of the Advisory Council amounts to EUR 0.1 million (2007: EUR 0.1 million). The total remuneration paid to the Supervisory Board comes to EUR 0.3 million (2007: EUR 0.3 million), of which EUR 0.1 million (2007: EUR 0.1 million) is variable. The remuneration paid to the Board of Management comes to EUR 5.5 million (2007: EUR 5.2 million) and breaks down as follows:

In EUR million	**2008**	2007
Total remuneration of the Board of Management	5.549	5.242
of which:		
ongoing remuneration	4.538	4.132
non-cash benefits	0.096	0.099
transfers to pension provisions	0.915	1.011
The ongoing remuneration of the Board of Management is split up into		
fixed salary components	2.560	2.504
variable salary components	1.978	1.628

EUR 3.3 million (2007: EUR 2.9 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 35.9 million (2007: EUR 27.6 million).

Pursuant to Section 286 para. 5 German Commercial Code (HGB), in its meeting on 11 May 2006, the Annual General Meeting of Shareholders passed a resolution 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 9 German Commercial Code (HGB) and pursuant to Section 314 para. 1 item 6 letter a sentences 5 to 9 German Commercial Code (HGB) in the notes to the financial statements at company and at group level shall be waived in respect of an itemised disclosure of the remuneration of the Board of Management for the financial year 2006 and for the next four years.

(E.10.) RATIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DISCLOSURE

The consolidated financial statements of BayWa AG as at 31 December 2008 were submitted to the Supervisory Board for ratification on 25 March 2009. Upon adoption, i.e. in all probability on 26 March 2009, the consolidated financial statements will be made available to the shareholders and the public. They can be downloaded from the company's website at **www.baywa.com**. The consolidated financial statements are published in the electronic German Federal Gazette and in the Register of Companies.

In accordance with Section 264 III German Commercial Code (HGB), 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 (HGB)):

· AHG Autohandelsgesellschaft GmbH, Horb a.N.
· TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, Stuttgart
· BAG BayWa Autohaus GmbH, Bopfingen
· BayWa Handels-Systeme-Service GmbH, Munich
· Wiech Autohandelsgesellschaft mbH, Rottenburg
· 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 the distribution of EUR 33,797,471.10 in its financial statements as at 31 December 2008 which were drawn up in accordance with German accounting standards (German Commercial Code) and adopted by the Supervisory Board on 25 March 2009. The Board of Management and the Supervisory Board will propose the following use of this amount to the Annual General Meeting of Shareholders on 4 June 2009.

Dividend of EUR 0.34 per share	EUR 11,522,456.18
Special dividend of EUR 0.06 per share	EUR 2,033,374.62
Transfer to other revenue reserves	EUR 20,241,640.30
	EUR 33,797,471.10

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 (AktG), these shares are not entitled to dividend. This portion will be 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 (AktG) on 12 November 2008, and have made it readily accessible to the shareholders on the company's website under www.baywa.com.

Munich, 9 March 2009
BayWa Aktiengesellschaft
The Board of Management

Klaus Josef Lutz

Klaus Buchleitner

Frank Hurtmanns

Dr. Josef Krapf

Roland Schuler

GROUP HOLDINGS OF BAYWA AG

AS PER 31 DECEMBER 2008

Name and principal place of business	Share in capital in %
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, Austria, Vienna	100.0
Agrartechnik Vertrieb GmbH, Munich (formerly: Claas Traktoren Vertrieb Bayern GmbH, Vohburg)	70.0
AHG Autohandelsgesellschaft mbH, Horb a.N.	100.0
BAG BayWa Autohaus GmbH, Bopfingen	100.0
Bauzentrum Westmünsterland GmbH & Co. KG, Ahaus	100.0
Bayerische Futtersaatbau GmbH, Ismaning	64.9
BayWa Finanzbeteiligungs-GmbH, Munich	100.0
BayWa Handels-Systeme-Service GmbH, Munich	100.0
BayWa Vorarlberg HandelsGmbH, Lauterach, Austria	51.0
BOR s.r.o., Chocen, Czech Republic	92.8
DRWZ-Beteiligungsgesellschaft mbH, Munich	64.3
F. Url & Co. Gesellschaft m.b.H., Unterpremstätten, Austria	100.0
Frisch & Frost Nahrungsmittel-Gesellschaft m.b.H., Hollabrunn, Austria	100.0
Garant-Tiernahrung Gesellschaft m.b.H., Pöchlarn, Austria	100.0
GENOL Gesellschaft m.b.H. & Co., Vienna, Austria	71.0
IFS S.r.l., Bozen, Italy	51.0
KROIS Baustoffe + Holz Handelsgesellschaft mbH, Bochum	100.0
Mobau-Marba GmbH, Herten	100.0
Raiffeisen Agrárház Kft., Székesfehérvár, Hungary	100.0
Raiffeisen Agro d.o.o., Beograd, Serbia	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
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*
RWA Slovakia spol. s r.o., Bratislava, Slovakia	100.0
Sempol spol. s r.o., Trnava, Slovakia	100.0
TechnikCenter Grimma GmbH, Mutzschen	70.0
TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, Stuttgart	100.0
Unterstützungseinrichtung der BayWa AG in München GmbH, Munich	100.0
Voss GmbH & Co. KG, Coesfeld	100.0
Wiech Autohandelsgesellschaft mbH, Rottenburg	100.0
Ybbstaler Fruchtsaft Gesellschaft m.b.H., Kröllendorf, Austria	100.0
Ybbstaler Fruchtsaft Polska Sp. z o.o., Chelm, Poland	99.9
ZES Zentrale Einkaufs-Service GmbH, Munich	100.0

*Voting right majority

Name and principal place of business	Share in capital in %
Subsidiaries not included in the group of consolidated companies	
Agrarproduktenhandel GmbH, Klagenfurt, Austria	100.0
AGROKER Kereskedelmi es Logistikai Kft., Kecskemét, Hungary	96.6
AgroMed Austria GmbH, Kremsmünster, Austria	80.0
Agro-Property kft, Kecskemét, Hungary	100.0
Agrosaat d.o.o., Ljubljana, Slovenia	100.0
AHG Automobilcenter GmbH, Horb a. N.	100.0
AHG Servicegesellschaft mbH, Horb a. N.	100.0
Bautechnik Gesellschaft m.b.H., Linz, Austria	100.0
BayWa Assekuranz-Vermittlung GmbH, Munich	100.0
BayWa BHG Handelsgesellschaft mbH, Munich	100.0
BayWa Bulgaria EOOD i.L., Sofia, Bulgaria	100.0
BayWa Hungária Kft., Székesfehérvár, Hungary	100.0
BayWa InterOil Mineralölhandelsgesellschaft mbH, Munich	100.0
BayWa-Lager und Umschlags GmbH, Munich	100.0
BKN TechnikCenter GmbH, Ulm	100.0
Danufert Handelsgesellschaft mbH, Vienna, Austria	60.0
Danugrain GmbH, Krems an der Donau, Austria	60.0
Donau-Tanklagergesellschaft mbH, Deggendorf	100.0
DTL Donau-Tanklagergesellschaft mbH & Co. KG, Deggendorf	100.0
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
Immobilia plus s.r.o., Chocen, Czech Republic	100.0
Immobilienvermietung Gesellschaft m.b.H., Linz, Austria	100.0
Karl Theis GmbH, Munich	100.0
Lagerhaus Koordinierungs GmbH, Wels, Austria	100.0
Lesia a.s., Stražnice, Slovakia	100.0
Magyar „Agrárház“ Kft., Budapest, Hungary	100.0
Raiffeisen Trgovina d.o.o., Lenart, Slovenia	100.0
Ri-Solution Data GmbH, Vienna, Austria	100.0
RI-Solution Service GmbH (formerly: Computer Center Auerbach GmbH), Auerbach	100.0
RUG Raiffeisen Umweltgesellschaft m.b.H., Korneuburg, Austria	75.0
RWA RAIFFEISEN AGRO d.o.o., Zagreb, Croatia	100.0
Saatzucht Gleisdorf Gesellschaft m.b.H., Gleisdorf, Austria	66.7
Süd-Treber Gesellschaft mit beschränkter Haftung, Stuttgart	100.0
WHG Liegenschaftsverwaltung GmbH, Klagenfurt, Austria	100.0
Ybbstaler Getränkegrundstoffe Vertriebsgesellschaft mbH, Munich	100.0
Ybbstaler Hungaro Kft., Vesprém, Hungary	100.0
Ybbstaler Romania SRL, Oradea, Romania	100.0
Yo-Pol Sp. z o.o., Warsaw, Poland	60.0

Name and principal place of business		Share in capital in %
Associated companies included in the financial statements under the equity method		
Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main		37.8
Raiffeisen Beteiligungs GmbH, Frankfurt am Main		47.4
Associated companies of secondary importance not included in the financial statements under the equity method		
Ba-Rie Grundstücksgesellschaft mbH, Landsberg		50.0
Bautrak GmbH i.L., Münster		25.0
Bavaria-Saat-Zuchtbetriebs GmbH & Co., Stretense KG, Pelsin		22.5
Berner Veterinärprodukte AG, Bern, Switzerland		50.0
BHG Bau-Heimwerker-Garten-Center Landsberg GmbH, Landsberg/Lech		50.0
BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH, Munich		25.0
BRVG Bayerischer Raiffeisen- und Volksbanken Verlag GmbH, Munich		25.0
BVG Beton Vertrieb GmbH & Co. KG, Dortmund		42.6
Chemag Agrarchemikalien GmbH, Frankfurt am Main		30.0
DIYCO Einkaufsgesellschaft mbH, Munich		50.0
Friedrich Ernst GmbH, Senden		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*
Lagerhaus Technik-Center GmbH & Co. KG, Korneuburg, Austria		29.5
Lagerhaus Technik-Center GmbH, Korneuburg, Austria		34.2
Land 24 Gesellschaft mit beschränkter Haftung, Frankfurt am Main		24.9
LLT Lannacher Lager- und Transport Ges. m.b.H., Korneuburg, Austria		40.0
MTV Mörtel- & Transportbeton Vertrieb GmbH, Hamm		25.0
Obst vom Bodensee Vertriebsgesellschaft mbH, Oberteuringen		50.0
Raiffeisen- und Volksbanken Touristik GmbH, Munich		25.5
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
Companies included on the basis of shares held		
ANIMEDICA Group GmbH, Senden		50.0
aniMedica GmbH, Senden		50.0
aniMedica Herstellungs GmbH, Senden		50.0
aniMedica Polska Sp. z o.o., Weijherowo, Poland		50.0
Dr. E. Gräub AG, Bern, Switzerland		50.0
Friedrich Ernst GmbH & Co. Veterinärpharmazeutische Präparate KG, Senden		50.0
Participations held in large corporations		
Bayerische Raiffeisen-Beteiligungs-AG, Beilngries		5.2
1) Equity capital in EUR thousand:	451,345	
2) Annual net income in EUR thousand:	17,139	
Südstärke GmbH, Schrobenhausen		6.5
1) Equity capital in EUR thousand:	108,290	
2) Annual net income in EUR thousand:	150	
VK Mühlen AG, Hamburg		10.0
1) Equity capital in EUR thousand:	100,403	
2) Annual net income in EUR thousand:	7,075	
Deutsche AVIA Mineralöl-Gesellschaft mbH, Munich		10.6
1) Equity capital in EUR thousand:	7,442	
2) Annual net income in EUR thousand:	941	

*Proportion of voting rights of 19 percent

AUDITOR'S OPINION

We have audited the consolidated financial statements prepared by BayWa AG, Munich, comprising the balance sheet, income statement, cash flow statement, statement of changes in equity, the statement of recognised income and expenses, and the notes to the financial statements, together with the Group Management Report for the financial year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the Group Management Report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent company's Board of 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 (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of 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 account basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of 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 BayWa Aktiengesellschaft, Munich, comply with the 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 agreement and give a true and fair view of the net assets, financial position and results of operation 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, 10 March 2009

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Steppan	Götz
Certified Public Accountant	Certified Public Accountant

REPORT OF THE SUPERVISORY BOARD

BayWa AG performed well in the financial year 2008. The targets of the Group were exceeded. BayWa AG's positioning in the market secures the long-term success of the company, even in a difficult economic environment.

The Supervisory Board of BayWa AG fulfilled the tasks 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 the 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 procedure of approval. Between the meetings, the Board of Management submitted written information on material transactions. 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 on an ongoing basis about important business developments and imminent decisions by the Board of Management and remained in close contact with the Chairman of the Board of Management. He was informed on the current business situation and on the forecast for the year as a whole by way of detailed reports submitted on a monthly basis. The cooperation within the Supervisory Board as well as with the Board of Management was constructive and founded on trust.

Key points of consultation of the Supervisory Board meetings

In the four regular meetings of the Supervisory Board in the financial year 2008, the issues set out below were particularly important and were discussed with the Board of Management, whenever necessary: 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. Moreover, the Supervisory Board convened for a special meeting on 3 March 2008, as well as a constituent meeting held after the 2008 Annual General Meeting of Shareholders on 30 May 2008. No member of the Supervisory Board took part in less than half the meetings.

In its meetings, the Supervisory Board regularly addressed the issues of accounting and the audit of the annual financial statements of the company, which includes the quarterly financial statements and the annual financial statements prepared by the Board of Management as well as the consolidated financial statements of BayWa AG. Another key topic for discussion in the meetings were the risk management and the risk situation of BayWa AG, especially in respect of the Agriculture business unit. A major issue deliberated in the special meeting held on 3 March 2008 was the filling of the position of Chairman of the Board of Management and Chief Financial Officer by Klaus Josef Lutz. In preparation for the Annual General Meeting of Shareholders, the Supervisory Board addressed the issue of members to be newly elected to the Supervisory Board and the renewal of Approved Capital against contribution in kind.

In the second half of the year, discussions centred on the strategic alignment of the company and the future development of the Agriculture, Building Materials and Energy segments as well as potential acquisitions in these businesses.

Committees of the Supervisory Board

With the aim of enhancing the efficiency of its work, the Supervisory Board has set up five committees in total which are tasked with preparing the resolutions of the Supervisory Board and the topics for discussion. 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. To 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 and Dr. h.c. Stephan Götzl belong to the Audit Committee. The Chairman of the committee is Albrecht Merz. 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 financial statements of BayWa AG and the Group, the audit reports, as well as the proposal for the appropriation of profit in its meeting on 24 March 2009. Members of the committee were provided with the respective reports and other audit reports and documentation pertaining to the accounts in good time.

Other core tasks of its work included obtaining the statement declaring the independence of the auditor pursuant to Code Item 7.2.1 of the German Corporate Governance Code, allocating audit assignments, establishing the key audit areas and the audit fees, as well as the assessment of the risk situation and the risk management system.

Supervisory Board Chairman Manfred Nüssel, Albrecht Merz and Erich Schaller (up until 30 May 2008) and Gregor Scheller (since 30 May 2008) belong to the Board of Management Committee. The committee held four meetings in the reporting year. Activities were focused on personnel issues relating to the members of the Board of Management. Furthermore, the committee reviewed the remuneration of the members of the Board of Management and gave its approval to external mandates exercised by members of the Board of Management on a case-by-case basis.

On 14 November 2007, the Board of Management Committee was entrusted with the nomination of shareholder Supervisory Board members.

In this capacity, it puts forwards potential candidates to the Supervisory Board for the latter's election proposals to the Annual General Meeting of Shareholders for the granting of Supervisory Board mandates. The committee met for the first time on 3 March 2008 and deliberated on the proposals to be put forward for shareholder Supervisory Board members eligible for election by the Annual General Meeting of Shareholders on 30 May 2008.

Supervisory Board Chairman Manfred Nüssel, Ernst Kauer, Dr. E. Hartmut Gindele, Dr. h.c. Stephan Götzl (since 30 May 2008), Dr. Christian Konrad, Erich Schaller (up until 30 May 2008), Bernhard Winter (from 30 May 2008 to 6 August 2008) Klaus Auhuber (since 6 August 2008) and Gunnar Metz belong to the Standing Committee.

The committee held two meetings in the reporting year. It is mainly concerned with the detailed preparation of Supervisory Board meetings and issues relating to Corporate Governance. In its meeting on 11 November 2008, the decision was taken that the committee should increasingly deliberate on the strategy of the company, and that it should be informed the company's current projects.

Supervisory Board Chairman Manfred Nüssel and Supervisory Board members Ernst Kauer, Dr. h.c. Stephan Götzl (up until 30 May 2008), Michael Hülmbauer (up until 30 May 2008), Otto Kentzler (since 30 May 2008), Dr. Johann Lang (since 30 May 2008), Martin Linseisen (up until 30 May 2008), Gregor Scheller (since 30 May 2008), Theo Bergmann (since 30 May 2008), Georg Fischer (since 30 May 2008) and Werner Waschbichler belong to the Credit and Investment Committee. The committee held two meetings in the reporting year. The committee monitors investment activities and reviews lending activities in line with the authorisations it has been granted.

The Mediation Committee, set up pursuant to Section 27 para. 3 German Co-determination Act (MitBestG), the members of which are Supervisory Board Chairman Manfred Nüssel and members Ernst Kauer, Martin Linseisen (up until 30 May 2008), Otto Kentzler (since 30 May 2008) and Bernhard Winter, did not have to be convened in the financial year 2008.

Corporate Governance

The Supervisory Board is regularly concerned with matters relating to Corporate Governance, the structures and processes of which make a large contribution to transparent and responsible management of the company.

In its meeting on 12 November 2008, the Supervisory Board consulted on amendments to the German Corporate Governance Code in the version dated 6 June 2008. The recommendations newly included in this version of the Code have been adopted by the company. The Declaration of Conformity by the Board of Management and the Supervisory Board of BayWa AG pursuant to Section 161 German Stock Corporation Act (AktG) was jointly approved and has been included in the Corporate Governance Report as well as posted on the website of BayWa AG for ready accessibility. The Corporate Governance Report contains detailed information on corporate governance at BayWa AG.

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 2008, 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 25 March 2009.

The Supervisory Board has carefully examined the financial statements of BayWa AG and the consolidated financial statements, as well as the management report on BayWa AG and on the Group, and discussed them in detail in the presence of the independent auditor. All audit reports and documentation pertaining to the financial statements were made available to all Supervisory Board members in good time. The Supervisory Board ratified the annual financial statements of BayWa AG both at company and at Group level. Pursuant to Section 172 German Stock Corporation Act (AktG), the annual financial statements of BayWa AG are hereby adopted.

The proposal of the Board of Management concerning the appropriation of unappropriated profit with distribution of dividend of EUR 0.34 per share, the additional distribution of a special dividend of 0.06, and the transfer of EUR 20,241,640.30 to other revenue reserves has been reviewed and approved by the Supervisory Board. Given the final outcome of the audit, the Supervisory Board sees no reason to raise objections against the management of the company and the financial statements submitted.

Moreover, the independent auditor has ascertained that the Board of Management has taken all measures incumbent upon the Board pursuant to Section 91 para. 2 German Stock Corporation Act (AktG) to ensure that an information and monitoring system for risk identification has been set up in a suitable form. Both in its concept and in actual practice, the system appears suitable and able to identify developments which could constitute a threat to the company as a going concern at an early stage.

In January 2008, the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung) informed the Board of Management of BayWa AG of the outcome of the audit initiated in August 2007 of the consolidated financial statements and the management report on the Group as per 31 December 2006, as well as the annual financial statements and the management report on BayWa AG as per 31 December 2006 pursuant to Section 342b para. 2 sentence 3 German Commercial Code (HGB). The Enforcement Panel Chamber responsible concluded that there were no errors made in the accounts drawn up for the financial year 2006.

Changes in the Supervisory Board and in the Board of Management
At the end of the regular Annual General Meeting of Shareholders of BayWa AG, held on 30 May 2008, the term of office of representatives elected on behalf of the shareholders came to an end. Michael Hülmbauer, Martin Linseisen and Erich Schaller have withdrawn from the Supervisory Board. Newly elected members are Dr. Johann Lang, Otto Kentzler and Gregor Scheller. Manfred Nüssel, Dr. E. Hartmut Gindele, Dr. h.c. Stephan Götzl, Dr. Christian Konrad and Albrecht Merz were re-elected as members to the Supervisory Board.

Employee representatives leaving the Supervisory Board on 30 May 2008 are Theo Bergmann and Klaus Auhuber. Members re-elected were Erna Kurzwarth, Ernst Kauer, Gunnar Metz, Werner Waschbichler, Bernhard Winter and Georg Fischer. Two mandates to which representatives of the trade union are entitled had initially not been filled. Subsequently, on 17 July 2008, Renate Glashauser and Klaus Auhuber were legally appointed as members of the Supervisory Board of BayWa AG. Renate Glashauser withdrew from the Supervisory Board on 20 December 2008. As new trade union representative, Stefan Kraft was legally appointed as a member of the Supervisory Board of BayWa AG.

The Supervisory Board would like to thank the former members who have left the Board for their committed work as part of this executive body and for the good and trustful cooperation. The term of office of the members elected to the Supervisory Board on the occasion of the 2008 Annual General Meeting of Shareholders is five years.

Following the Annual General Meeting of Shareholders on 30 May 2008, the Supervisory Board held a constituent meeting in which it re-elected Manfred Nüssel to the position of Chairman of the Supervisory Board. Ernst Kauer has been reappointed as Vice Chairman. Moreover, the members of the Supervisory Board committees were determined.

Wolfgang Deml withdrew from BayWa AG's Board of Management to go into retirement on 30 June 2008. He had been a member of BayWa AG's Board of Management since 1988 and had headed up the Group as Chief Executive Officer since 1991. The Supervisory Board of BayWa AG thanks Wolfgang Deml for his long-standing commitment and his outstanding and successful work in BayWa AG.

In a special Supervisory Board meeting on the 3 March 2008, the Supervisory Board appointed Klaus Josef Lutz as a regular member of the Board of Management and to the position of Chief Executive Officer of BayWa AG for a period of five years starting from 1 July 2008 until 30 June 2013.

In its meeting on 6 March 2008, the Supervisory Board renewed the appointment of Frank Hurtmanns as a regular member of the Board of Management of BayWa AG with a period of office from 1 May 2009 until 30 April 2014.

Dr. Stefan Bötzel laid down his office as a member of the Board of Management on 5 March 2009. The Supervisory Board of BayWa AG would like to thank Dr. Stefan Bötzel for his major contribution to the successful development of BayWa AG's agribusiness.

The Supervisory Board thanks the members of the Board of Management, the employees and the workforce representatives for their work and their personal dedication during the financial year 2008. Their joint commitment contributed to achieving the best result in the 85-year history of the BayWa Group in the financial year ended.

Munich, 25 March 2009
On behalf of the Supervisory Board

Manfred Nüssel
Chairman

CORPORATE GOVERNANCE REPORT

The Board of Management and the Supervisory Board of BayWa AG are committed to good corporate governance. Responsible and efficient management of a company and an effective system of control contribute to raising enterprise value on a long-term basis and to fostering the trust of investors, financial markets, business partners, employees and the public. With very few exceptions, we have adopted the recommendations of the German Corporate Governance Code in the version dated 6 June 2008. The new recommendations, integrated to the German Corporate Governance Code in 2008, are applied by BayWa AG without exception.

Management and control structure of the company: the Board of Management and the Supervisory Board

As a company with its principal place of business in Munich, BayWa AG is subject to the provisions laid down by German law. The executive bodies of the Board of Management and the Supervisory Board form the dual-tier management and control structure in accordance with the provisions under German stock corporation law. The Board of Management and the Supervisory Board work closely together in the interest of the company. BayWa AG discloses regular and transparent information on transactions with related companies and parties in the Notes to the Consolidated Financial Statements which are part of this Annual Report. In the financial year ended, there were no conflicts of interest in respect of the members of the Board of Management or the Supervisory Board in the exercising of their duties on behalf on BayWa AG.

The Board of Management is composed of five members. It heads up the company under its own responsibility and represents BayWa AG in transactions with third parties. It develops the strategy of the company, coordinates and agrees it with the Supervisory Board and ensures that it is implemented. In its actions and decisions the Board of Management pursues the goal of raising the enterprise value of the Company on a sustainable and long-term basis.

In accordance with legal provisions, the Board of Management reports regularly to the Supervisory Board in a timely and comprehensive fashion on all issues of the company relating to planning, the development of business, the earnings, financial position and assets, the risk situation, risk management, and compliance. The Board of Management generally meets every two weeks. A set of bylaws regulates the work of the Board of Management, in particular the allocation of tasks to the Board members and matters reserved for the whole Board of Management. The Board of Management makes all its decisions on the basis of a simple majority. In the event of votes being equal, the Chairman of the Board of Management has the casting vote. The Supervisory Board is involved directly in all decisions of fundamental importance for the Company. The Board of Management ensures that there is open and transparent communication throughout the company.

The Supervisory Board of BayWa AG appoints the members of the Board of Management, advises and supervises the Board in its management of the company.

The Supervisory Board is made up of 16 members. In accordance with the German Co-Determination Act, it is composed in equal parts of representatives of the shareholders and of the employees. No former members of BayWa AG‘s Board of Management belong to the Supervisory Board. In the Annual General Meeting of Shareholders held on 30 May 2008, the shareholder representatives were newly elected. Also on this date, the six newly elected representatives of the employees took up their office. The two trade union representatives were appointed under the law. More information can be found in the Report by the Supervisory Board.

A set of bylaws regulates the tasks of the Supervisory Board, in particular the internal organisation, the activities of the committees and the regulations governing approval by the committee for decisions of the Board of Management. Decisions are always based on a simple majority. In the event of equal votes, the Chairman of the Supervisory Board has a dual voting right in a second round if the votes are cast equally again.

The Supervisory Board convenes without the members of the Board of Management in as much as this is necessary for conferring and reaching a decision independently. There is a standardised procedure for monitoring the efficiency of the Supervisory Board’s work which will be carried out next in the spring of 2009. Information on the activities of the Supervisory Board and its committees in the financial year 2008 can be found in the Report by the Supervisory Board.

Committees of the Supervisory Board

BayWa AG‘s Supervisory Board has formed five expert committees to enhance the efficiency of its work:

The Board Committee concerns itself with matters affecting the members of the Board of Management, such as appointing Board members, the content of Board member contracts and the approval of sideline activities. Moreover, the committee is responsible for nominating the shareholder representatives in the Supervisory

Board for election proposals of the Supervisory Board to be put forward to the Annual General Meeting of Shareholders. The Chairman of the Supervisory Board and two shareholder representatives belong to the committee.

The Credit and Investment Committee is tasked with the financing measures requiring approval by the Supervisory Board and supervises the investment activities. It consists of the Chairman of the Supervisory Board, four shareholder representatives and two employee representatives.

The Standing Committee is mainly concerned with the preparation of Supervisory Board meetings. Moreover, it has the task of preparing the relevant Declaration of Conformity pursuant to Section 161 German Stock Corporation Act (AktG) on the observance of the German Corporate Governance Code. It is made up of the Chairman of the Supervisory Board, four shareholder representatives and three employee representatives. In the future, the activities of the Committee will focus more strongly on the strategy of the company and the implementation of projects under way.

The Audit Committee concentrates mainly on the documentation of the independent auditor in respect of the auditing of the annual consolidated financial statements and prepares them for adoption by the Supervisory Board. Moreover, the Committee supervises the internal control and risk management system and ascertains the independence of the external auditor. It agrees key audit areas with the auditors and establishes their fees. The Annual General Meeting of Shareholders on 30 May 2008 has again selected Deloitte & Touche GmbH, Munich, as the independent auditors for the financial year 2008. The auditor's fees are disclosed in the Notes to the Consolidated Financial Statements under (E.7.) "Fees of the Group Auditor". The Supervisory Board ensures that the committee members can act independently, that they are familiar with the special know-how and have experience in the application of accounting rules and of internal controlling procedures. The Committee has two shareholder representatives, the Chairman of the Supervisory Board, and one employee representative as its members.

Under the German Co-Determination Act, the Mediation Committee, anchored in the law, only meets if, during the voting process on the appointing or dismissal of a Board member, the required two-thirds majority of the votes by the Supervisory Board is not attained. It is made up of the Chairman of the Supervisory Board, a shareholder representative and two employee representatives.

ADDITIONAL STATEMENTS IN ACCORDANCE WITH THE PROVISIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

Remuneration Report

The Remuneration Report is part of the Management Report on the Company and the Group 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. The Board Committee of the Supervisory Board is responsible for ascertaining the remuneration of each member of the Board of Management. In doing so, it pays attention to the appropriateness of the remuneration. The remuneration is generally based on the personal performance of the Board members, the commercial success of the company and of peer companies.

The remuneration of the Board of Management is made up of fixed and variable (performance-related) components. The fixed components consist of an annual salary and customary fringe benefits which mainly relate to the value recognised for the use of a company car under the prevailing tax directives. The amount of fixed remuneration is measured by the tasks and the area of responsibility of the respective Board member. The performance-related component is measured by the performance of the company and the achieving of individual goals which are newly defined each year. The ratio of fixed to variable remuneration is around 60 to 40. If the targets are achieved the agreed bonuses are paid out in full. If the targets are exceeded, the amount is raised on a pro rata basis. If the targets are not achieved, the performance related component of the remuneration is reduced. There are no components with a long-term incentive effect (for instance, share options). In addition, there are pension commitments for the members of the Board of Management. These commitments are based on the fixed salary last paid and depend on the length of office as a Board member. There are no commitments in the contracts of the Board members in the event of a premature termination of office. There are also no Change of Control clauses.
The total remuneration of the Board of Management comes to EUR 5.5 million (2007: EUR 5.2 million), of which EUR 2.0 million (2007: EUR 1.6 million) is variable. The portion of allocation to pension provisions amounts to EUR 0.9 million (2007: EUR 1.0 million).

The remuneration of the members of the Board of Management is not itemised but divided into fixed and variable (performance-related) payments and disclosed once a year in the Notes to the Consolidated Financial Statements. The respective resolution by the Annual General Meeting of Shareholders was passed in accordance with Section 286 para. 5 of the German Commercial Code on 11 May 2006 (Code Item 4.2.4).

Remuneration of the Supervisory Board

The compensation of the Supervisory Board takes account of the responsibilities and the scope of tasks of the Supervisory Board members as well as the financial situation and performance of the Group.

The total remuneration of the Supervisory Board comes to EUR 0.3 million (2007: EUR 0.3 million), of which EUR 0.1 million (2007: EUR 0.1 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. The amount of the variable component paid to each Supervisory Board member was fixed by way of resolution by the Annual General Meeting of Shareholders on 1 July 2003. The amount of fixed remuneration was determined by a resolution passed by the Annual General Meeting of Shareholders held on the 31 May 2007. Along with his expenses, each Supervisory Board member receives a fixed annual compensation of EUR 8,000 and a variable component of EUR 250 for each cash dividend portion of EUR 0.01 per share approved by the Annual General Meeting of Shareholders which exceeds a proportion of the profit of EUR 0.10 per share distributed to the shareholders. The Chairman of the Supervisory Board receives double and the Vice Chairman one and a half times the aforementioned amounts. A fixed annual component of EUR 2,000 is paid for activities performed on behalf of the committees. The chairmen receive double this amount respectively.

Communication and transparency

BayWa AG communicates regularly and in a timely fashion on the development of business as well as on the earnings, financial position and assets. In order to guarantee a consistent exchange of information with the capital market there are regular events held as part of the company's investor relations work attended by the CEO and the Executive Manager of Finance with analysts and institutional investors organised as road shows and one-to-one discussions. To supplement the results of operations, press conferences and conference calls with analysts are conducted on a quarterly basis. The annual results are released at an Annual Results Press Conference and at an analysts' meeting. All pertinent presentations have been posted on the website of BayWa AG under the Investor Relations heading.

The relevant dates are published in the financial calendar. Developments are reported in press releases and, when appropriate, ad-hoc releases. All information is accessible on the company website under www.baywa.de and www.baywa.com.

Shareholders and the Annual General Meeting of Shareholders

The organising of the Annual General Meeting of the shareholders of BayWa AG is carried out with the aim of informing all shareholders swiftly and extensively prior to and during the event. Shareholders entered into the share register and who have registered in good time are entitled to participate in the meeting. BayWa AG offers its shareholders the possibility of having their votes exercised in accordance with their personal instructions by a proxy appointed by the company. The Annual General Meeting of Shareholders decides on the appropriation of profit, discharges the Board of Management and the Supervisory Board and selects the auditor. Amendments to the Articles of Association and changes to the capital are exclusively decided by the Annual General Meeting of Shareholders. The share capital of BayWa AG is divided into shares with restricted transferability (around 96 percent) and bearer shares (around 4 percent). In formal terms, the share with restricted transferability requires approval by the Board of Management if it is to be transferred. However, this approval has never been withheld in the past. Each share of BayWa AG carries an equal vote and confers the same dividend entitlement. The "one share, one vote, one dividend" principle is thereby adhered to.

Responsible action and risk management

BayWa AG's Ethics Code lays down a code of conduct pertaining to information, business partners and the property of BayWa AG. The Ethics Code is a guideline binding on all employees. In addition, there is an internal control system set up to avoid actions detrimental to business (compliance), which also includes prevention, monitoring and intervention. Furthermore, the employees have the option of applying to the in-house counsel of BayWa AG in the event of transactions in the company which do not comply with the law or grievances in cooperation with business partners/companies.

In order to avoid a breach of the prohibition on insider trading pursuant to Section 14 of the German Securities Trading Act, there is an insider guideline in the company which regulates trading in the shares of the company. All persons who, owing to their activities and authorisations, may have access to potential insider information are listed in the groupwide Insider Register. The aim of the risk management of BayWa AG is to weigh up the risks and opportunities of entrepreneurial action. Risk management is an integral part of the planning as well as of the management and control processes. The risk management system is developed by the Board of Management on an ongoing basis and adjusted to changes in the environment and subject to review by the independent auditor. More information on the structure and the processes of the risk management system is included in the Management Report of this Annual Report.

Directors' dealings by the Board of Management and the Supervisory Board

Under Section 15a of the German Securities Trading Act (WpHG), the members of the Board of Management and the Supervisory Board undertake to disclose their own dealings in the shares of BayWa AG if the total amount of the transactions of an individual member of the Board of Management or the Supervisory Board exceeds EUR 5,000 by the end of the calendar year. This also applies to certain employees with managerial tasks (for instance, the Executive Manager). The compliance officer monitors the regular keeping of the Insider Register. The following reports were made to BayWa AG in the financial year 2008:

Transactions relate exclusively to BayWa shares (ISIN: DE0005194062 / securities code no. 519 406). The purchase and sale was always settled via XETRA.

The transactions are also published on the company website.

Transaction date	First name and surname	Function	Transaction type	Number	Share price in EUR	Total volume in EUR
17/01/2008	Frank Hurtmanns	Board of Management	Purchase	165	31.49	5,195.85
17/01/2008	Frank Hurtmanns	Board of Management	Purchase	310	31.50	9,765:00
08/07/2008	Margit Jaeschke	Party related to Dr. Hans-Dieter Jaeschke	Purchase	240	40.75	9,780.00
14/07/2008	Andreas Helber	Executive Manager	Purchase	150	36.88	5,532.00
19/09/2008	Andreas Helber	Executive Manager	Purchase	406	24.51	10,000.00
23/09/2008	Manfred Nüssel	Supervisory Board	Purchase	1,000	23.84	23,839.34
23/09/2008	Klaus Josef Lutz	Board of Management	Purchase	11,000	23.76	261,404.00
02/10/2008	Gunnar Metz	Supervisory Board	Purchase	240	20.27	4,864.80
06/10/2008	Gunnar Metz	Supervisory Board	Purchase	270	18.49	4,992.30
06/10/2008	Gunnar Metz	Supervisory Board	Purchase	270	18.48	4,989.60
13/10/2008	Ute Kentzler	Party related to Supervisory Board member Otto Kentzler	Purchase	500	19.40	9,700.00

Holding of shares by the Board of Management and the Supervisory Board

On 31 December 2008, the ownership of the shares of BayWa AG of all members of the Board of Management and the Supervisory Board came to less than one percent of the shares issued by the company. Ownership subject to reporting under Code Item 6.6 of the German Corporate Governance Code was therefore not constituted.

Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act

On 12 November 2008, BayWa AG submitted its Declaration of Conformity with the German Corporate Governance Code. It is worded as follows:

The recommendations of the "Government Commission of the German Corporate Governance Code" were (version dated 14 June 2007) and are complied with (version dated 6 June 2008), to the exception of the following:

- BayWa AG has concluded a Directors & Officers (D&O) insurance on behalf of the Board of Management and the Supervisory Board which does not provide for a deductible by executive body members, and that there are no plans to amend this current D&O insurance policy (Code Item 3.8 para. 2).
- The remuneration of the Board of Management has not been itemised but is disclosed on an annual basis according to the fixed and variable/performance-related components in the Notes to the Consolidated Financial Statements. There are no long-term incentive remuneration components such as share options or the like. Pursuant to Section 286 para. 5 German Commercial Code, the relevant resolution has been passed by the Annual General Meeting of Shareholders (Code Item 4.2.4).
- The remuneration of the Supervisory Board has not been itemised but is divided up into fixed and performance-related components and disclosed on an annual basis in the Corporate Governance Report (Code Item 5.4.6 (3).).

Divergences from the recommendations of the German Corporate Governance Code

Deductible in the D&O insurance policy

- BayWa does not consider that having a deductible in the D&O insurance policy is necessary to improve the motivation and the responsibility with which the members of the Board of Management and the Supervisory Board discharge their duties.

Itemisation of the remuneration of the Board of Management

- The remuneration of the members of the Board of Management has not been itemised as, in the medium term, this would lead to a levelling of board member remuneration which would no longer take account of the performance of individual board members.

Itemisation of the remuneration of the Supervisory Board

- An itemised disclosure of the remuneration of the Supervisory Board in the Notes to the Consolidated Financial Statements is not provided as the structure of the remuneration of the Supervisory Board is disclosed in detail in the remuneration report of the Corporate Governance Report.

Munich, 25 March 2009
BayWa Aktiengesellschaft

The Board of Management The Supervisory Board

EDITORIALS

EDITING AND COORDINATION

BayWa AG, Munich
Press and Public Relations

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This Annual Report is also available in German.
The German is the legally binding version.

The BayWa Group is represented in nine countries.

PRESENT IN GERMANY AND AUSTRIA IN ALL THREE CORE SEGMENTS OF AGRICULTURE, BUILDING MATERIALS AND ENERGY.

REPRESENTED MAINLY THROUGH THE AGRICULTURE SEGMENT IN EASTERN EUROPE, NAMELY IN THE CZECH REPUBLIC, SLOVENIA, CROATIA, POLAND, SLOVAKIA, HUNGARY AND SERBIA.

FINANCIAL CALENDAR/DATES IN 2009

ANNUAL RESULTS PRESS CONFERENCE

26 March 2009, 10.30 a.m.
BayWa Building

ANALYSTS' CONFERENCE

27 March 2009, 11 a.m.
Frankfurt a.M.

FIRST QUARTER RESULTS

14 May 2009
press release

ANALYSTS' CONFERENCE CALL ON THE FIRST QUARTER

15 May 2009, 10.00 a.m.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

4 June 2009, 10 a.m.
ICM, Munich Trade Fair Centre

PRESS CONFERENCE FIRST HALF-YEAR: SECOND QUARTER RESULTS

6 August 2009, 10.30 a.m.
BayWa Building

ANALYSTS' CONFERENCE CALL ON THE SECOND QUARTER

6 August 2009, 2.00 p.m.

PRESS CONFERENCE: THIRD QUARTER RESULTS

12 November 2009, 10.30 a.m.
BayWa Building

ANALYSTS' CONFERENCE CALL ON THE THIRD QUARTER

12 November 2009, 2.00 p.m.

BayWa AG
Annual Report 2008

Heritage
Future
08

BayWa