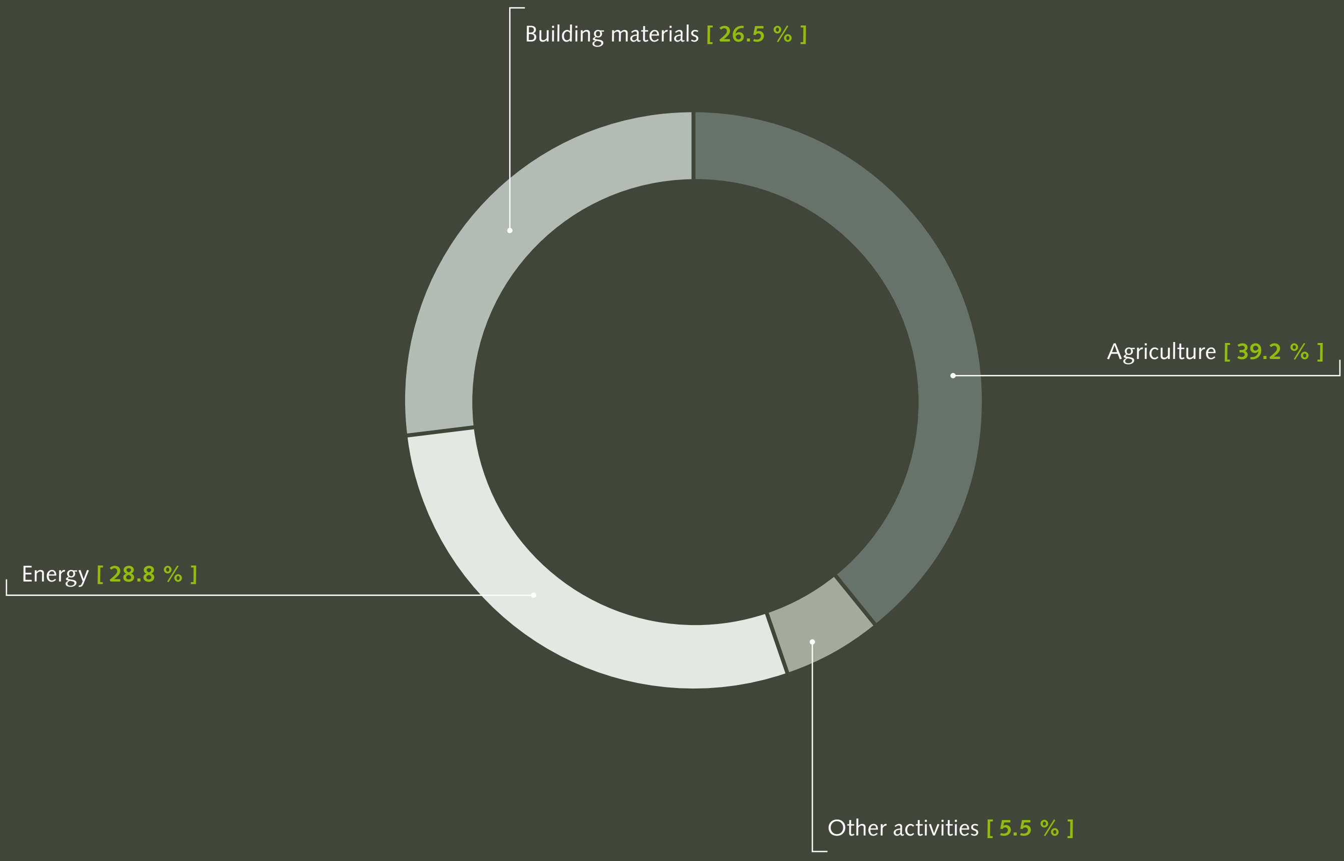
ANNUAL REPORT 2006

SHARE IN CONSOLIDATED SALES BY SEGMENT



As per 31 December 2006

BayWa AG ANNUAL REPORT 2006

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CORPORATE PROFILE

A CHANGE OF PERSPECTIVE CAN REVEAL THE SPECIAL. VIEWED FROM A NEW STANDPOINT, WHAT HAS BECOME FAMILIAR CAN TAKE ON A NEW FACE. THE SUM TOTAL OF THIS PROCESS IS WHAT MAKES THE BayWa GROUP UNIQUE AND GIVES IT ITS UNMISTAKABLE IDENTITY.

KEY DATA AT A GLANCE

	2006	2005
Sales (in EUR million)	7 299.8	6 537.1
Agriculture Segment	**2 861.3**	**2 704.2**
Agriculture	2 096.7	2 046.1
Agricultural Equipment	764.6	658.1
Building Materials Segment	**1 931.7**	**1 704.2**
Building Materials	1 513.5	1 313.6
DIY & Garden Centers	418.2	390.6
Energy Segment	**2 103.3**	**1 848.0**
Other Activities Segment	**403.5**	**280.7**
EBIT	111.8	79.8
EBITDA	200.9	171.7
Equity ratio (in percent)	27.3	28.5
Employees (as per 31/12)	16 249	15 593

SUMMARISED BALANCE SHEETS AS AT 31 DECEMBER

In EUR million	2006	2005
Assets		
Fixed assets		
Intangible assets	29.3	19.5
Property, plant & equipment	876.4	849.0
Participating interests valued at equity	15.3	14.5
Other financial assets	124.7	127.1
Real estate held as a financial investment	79.0	77.8
Receivables and other assets	27.8	9.7
Deferred tax claims	114.9	127.2
	1 267.4	**1 224.8**
Current assets		
Securities	78.0	75.8
Inventories	818.3	741.4
Receivables and other assets	631.8	514.0
Liquid funds	17.5	16.8
	1 545.6	**1 348.0**
Non-current assets held for sale	**10.4**	**24.3**
Total assets	**2 823.4**	**2 597.1**
Shareholders' equity and liabilities		
Equity		
Subscribed capital	86.6	86.5
Capital reserves	79.7	78.5
Revenue reserves	439.9	441.4
Other reserves	65.5	45.3
Minority interest	100.2	89.1
	771.9	**740.8**
Long-term liabilities	**715.0**	**706.1**
Current liabilities	**1 336.5**	**1 150.2**
Total shareholders' equity and liabilities	**2 823.4**	**2 597.1**

SUMMARISED INCOME STATEMENTS AS AT 31 DECEMBER

In EUR million	2006	2005
Sales	**7 299.8**	**6 537.1**
Changes in inventory	– 2.7	17.5
Own work capitalised	0.2	0.2
Other operating income	96.7	98.6
Cost of materials	– 6 333.6	– 5 643.6
Gross profit	**1 060.4**	**1 009.8**
Personnel expenses	– 577.6	– 555.5
Depreciation & amortisation	– 89.1	– 91.8
Other operating expenses	– 311.0	– 294.1
Operating profit	**82.7**	**68.4**
Financial result	– 12.9	– 26.2
Ordinary profit	**69.8**	**42.2**
Income tax	– 12.4	– 3.3
Net income for the year	**57.4**	**38.9**
Of which: Profit due to minority shareholders	17.8	12.7
Of which: Profit due to shareholders of the parent company	39.6	26.2

THE MAINSTAYS OF THE BayWa GROUP

THE CORE SEGMENTS OF AGRICULTURE, BUILDING MATERIALS AND ENERGY

AGRICULTURE SEGMENT

The Agriculture segment comprises a wide range of trading and services for the agricultural industry. In the area of classical agricultural trading, the Group sells agricultural products, along with equipment and resources, including advisory service and services in general. The Agricultural Equipment business unit offers farmers a full range of technical equipment with related maintenance and repair services. In addition, it caters to the needs of local communities and industry for machines and equipment. The BayWa Group's Agricultural segment puts it among leading trading partners in Europe.

BUILDING MATERIALS SEGMENT

The BayWa Group is a one-stop source for building, renovating and refurbishment, home and garden and do-it-yourself products offered in its Building Materials and DIY & Garden Centers business units. This offering is supplemented by a franchise system established in many parts of Germany and Austria. With its building materials trading, the Group is in the top league in the German-speaking countries. Moreover, it is an important supplier in its DIY and garden centre business in rural regions.

ENERGY SEGMENT

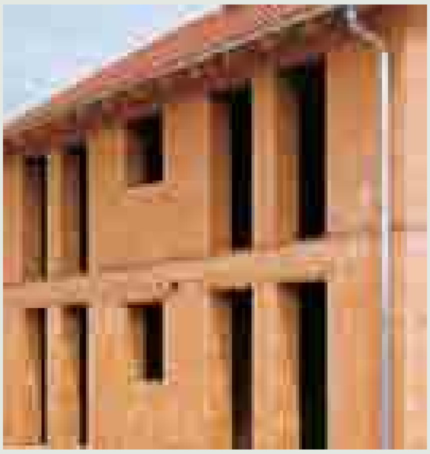
The focus of the Energy segment is on trading in fuel and lubricants: heating oil, diesel and Otto fuel, conventional as well as plant-based lubricants, solid fuels and mineral oil technology, such as pumps and tanks. In its end-consumer business, the Group has positioned itself as a market leader for heating oil and diesel in many regions. It operates its gas station business under its own name as well as under the AVIA brand in Württemberg and GENOL in Austria.

WE ARE ONE OF EUROPE'S LEADING TRADING AND SERVICES COMPANIES IN OUR CORE BUSINESSES OF AGRICULTURE, BUILDING MATERIALS AND ENERGY.

As a link in the chain between industry and the customer, we create maximum benefit for our partners and consistently raise our shareholder value. Customer proximity, flexibility and efficiency are our strengths.

Mission of the BayWa Group

AGRICULTURE SEGMENT



BUILDING MATERIALS SEGMENT

ENERGY SEGMENT

THE BayWa GROUP IN THE YEAR 2006

AN UPWARD DIRECTION STANDS FOR THE STEADY DEVELOPMENT OF THE BayWa GROUP. CLIMBING THIS PATH MEANS THERE ARE TIMES WHEN ONE NEEDS TO RISE ABOVE THINGS: STANDING BACK TO KEEP A CLEAR VIEW – SO THAT WE DO NOT REST ON OUR LAURELS BUT USE OUR SUCCESS TO CREATE NEW PERSPECTIVES.

LETTER TO THE SHAREHOLDERS

FOREWORD BY WOLFGANG DEML, CHAIRMAN OF THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS,

The results we achieved in the financial year 2006 are once again very presentable: The Group clearly exceeded its sales and profit targets. This was made possible through our consistent and successful pursuit of our offensive sales strategy and our implementation of stringent cost-cutting measures against the background of highly volatile markets. In the second quarter, for instance, when there was a race to catch up accompanied by swift growth, we more than made good the shortfall caused by the cold winter weather in the first three months. The economic recovery and the clear trend reversal in the construction industry boosted our business in the second half of the year. Demand remained comparatively high right through to the end of the year owing to the mild weather.

GROUP OUTPERFORMS THE MARKET TREND WITH ITS BUILDING MATERIALS BUSINESS

Economic tailwind posed an additional challenge for us. This is evident in our building materials business which posted high growth rates, thus outperforming the sector in general. The restructuring measures implemented and strategy pursued during the long period of recession enabled the business unit to achieve this success, as it was well positioned to use the recovery in the market. The rising demand for building services, both for new construction and for refurbishment, was used to achieve above average building materials sales and earnings. At the same time, we forged ahead with our expansion in this business unit by acquiring more companies – it is still our firm goal to achieve a leading market position in the German-speaking countries.

STABILITY DESPITE VOLATILE AGRICULTURAL MARKETS

In our agricultural trading business, we already rank among Europe's market leaders. We expanded again in 2006 and generated good earnings. The change in the sentiment of farmers supported us in these tasks. The index indicative of the current and future situation is brighter than it has been for a long time, in this sector in particular. This was instrumental in helping us to limit the negative impact of the record cold weather on our equipment and resources business at the start of the year. All in all, we raised sales and expanded further through our acquisitions of companies in Germany and abroad.

To the advantage of farmers, the competition for agricultural raw materials between producers of bioenergy and food has become fiercer in recent times. As a trading and logistics partner, we serve both parties and use the additional sales and value added potential within the Group to our advantage. We would, however, exercise caution in relation to excessive expectations and risks for the agriculture industry, as market forces often lose their impact if there is much change in the political environment.

The Agricultural Equipment business unit also benefited from improved sentiment and the greater propensity of farmers to invest. After a long period of stagnation, it sold a much greater number of new machines than in the previous years. However, trading in agricultural equipment business remains a cyclical business currently yielding earnings which are still too low. Restructuring measures combined with location and process optimisation are therefore still on the agenda.

GOOD YEAR FOR MINERAL OILS

With our mineral oils and fuels, we provide important supply and logistics services to industry and the consumer. Our strengths are best deployed in the rural regions and in market niches which are markets less covered by the oil giants. Our storage and transport capacities and our sales force have been aligned to this strategy, and we are well able to use it to generate good results. In the reporting year, therefore, we again raised sales and profit.

This business unit is also involved in bioenergy. Whereas, in agriculture, procurement and logistics are at the forefront, the dominant factor in this business is the sale of alternative fuel and lubricants. Other business units within the Group also use the respective business models and strategies to expand their market position. This opens up additional sales and earnings potential. In tapping this potential, we focus primarily on our strengths, which are to offer trading and logistic services to industry, the farmers and consumers.

SHARE PRICE AT RECORD HIGH

At this point I wrote the following last year: “The stock market rewards the positive development of BayWa. The price of our share has reached new highs”. This also applies to the year 2006 where the price trend was a clear indication that financial investors do not consider our success in the market to be of a short-term nature. They appreciate the steady development and the security of our diversified Group, as well as the good prospects which our markets offer. The number of institutional investors belonging to our group of investors, both in Germany and abroad, has been growing for years. They often include our share in their portfolios as a long-term investment, which is a sign of the growing degree to which our shareholders identify with the Group.

CHANGE OF PERSPECTIVE

Dear Shareholders, in the picture story of our annual report this year we have chosen a different approach. You will see BayWa from a different perspective – viewed from a hot-air balloon – nestling in the cultural landscape, located near major traffic arteries, as part of the infrastructure, industry and rural homesteads. Our intention is not only to show how deeply BayWa is rooted in its environment but also to illustrate its ability to adapt to a changing environment. This is what gives our Group its unique profile: proximity, solidarity and reliability, on the one hand, and growth, the willingness to change and ability to master the future on the other. These are the characteristics which underpin and contribute greatly to our success – to the advantage of our customers, suppliers, employers and shareholders. My thanks go to you all for your trust and your cooperation. We will continue to do our best to improve our performance, thereby enhancing the value of the BayWa Group.

Wolfgang Deml
Chairman of the Board of Management of the BayWa Group

SUPERVISORY BOARD

MANFRED NÜSSEL		*Master of Agriculture (University of Applied Sciences), Chairman, President of Deutsche Raiffeisenverband e.V.*
Other mandates		· RWA Raiffeisen Ware Austria AG, Vienna · Volksbank-Raiffeisenbank Bayreuth eG, Bayreuth (Chairman) · Bayerische Raiffeisen-Beteiligungs-AG, Beilngries (Chairman) · Südfleisch Holding AG, Munich · DG HYP Deutsche Genossenschafts-Hypothekenbank AG, Hamburg · R+V Lebensversicherung AG, Wiesbaden · R+V Allgemeine Versicherung AG, Wiesbaden · Kravag-Logistic Versicherungs-AG, Hamburg · Kravag-Sachversicherung des Deutschen Kraftverkehrs VaG, Hamburg · Landwirtschaftliche Rentenbank, Frankfurt a.M. (Board of Administration) · Vereinigte Tierversicherung Gesellschaft a.G., Wiesbaden
ERNST KAUER		*Master of Agriculture, Vice Chairman, Chairman of the Main Works Council*
KLAUS AUHUBER		*Deputy Director of ver.di, District of Munich*
THEO BERGMANN		*Driver*
GEORG FISCHER		*Master Mechanic for Agricultural Machinery*
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*
Other mandates		· RWA Raiffeisen Ware Austria AG, Vienna (Chairman) · RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung reg. Gen.m.b.H., Vienna (Chairman) · Erste n.oe. Brandschaden-Versicherungsaktiengesellschaft, Vienna
DR. E. HARTMUT GINDELE		*Master of Agriculture, farmer*

DR. CHRISTIAN KONRAD — *General Attorney of Österreichischer Raiffeisenverband*

Other mandates

- AGRANA Beteiligungs-AG, Vienna (Chairman)
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna (until 29 November 2006; Chairman)
- A-WAY Holding und Finanz AG, Spittal an der Drau (until 8 August 2006; Chairman)
- STRABAG SE, Villach (until 29 November 2006; Chairman)
- DO & CO Restaurants & Catering AG, Vienna
- FIMAG Finanz Industrie Management AG, Spittal an der Drau (until 5 August 2006; Chairman)
- Leipnik-Lundenburger Invest Beteiligungs AG, Vienna (Chairman)
- Mediaprint Zeitungs- und Zeitschriftenverlag Gesellschaft m.b.H., Vienna (until 4 April 2006; 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)
- Z & S Zucker und Stärke Holding AG, Vienna (until 8 December 2006; Chairman)

ERNA KURZWARTH — *Regional Administration Centre Manager*

MARTIN LINSEISEN — *Bank Manager*

Other mandates

- Bayerische Raiffeisen-Beteiligungs-AG, Beilngries (until 13 July 2006)
- GWS Förderung- u. Beteiligungsgesellschaft für Warenwirtschafts-Systeme eG, Münster

ALBRECHT MERZ — *Chairman of the DZ Bank AG, Frankfurt a.M.*

Other mandates

- Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall (as from 16 May 2006)
- DZ BANK Ireland plc, Dublin (from 10 March 2006 until 31 December 2006)
- TeamBank AG (formerly norisbank AG), Nürnberg (as from 4 May 2006)
- R+V Allgemeine Versicherung AG, Wiesbaden
- R+V Lebensversicherung AG, Wiesbaden
- VR-LEASING AG, Eschborn (as from 7 June 2006)

GUNNAR METZ — *Member of the Commercial Staff*

ERICH SCHALLER — *Bank Manager, Chairman of Bayerische Raiffeisen-Beteiligungs-AG, Beilngries*

Other mandates

- DG HYP Deutsche Genossenschafts-Hypothekenbank AG, Hamburg
- HFO Telecom AG, Hof (Vice Chairman as from 23 August 2006)

WERNER WASCHBICHLER — *Member of the Commercial Staff/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.*
MARTIN LINSEISEN	*Bank Manager*

	OTHER MEMBERS
HELMUT HAUN	*Chairman, Bank Manager*
DIETMAR BERGER	*Master of Agriculture & Economics, Director of Mitteldeutscher Genossenschafts-verband e.V.*
JOSEF BREUN	*Agricultural Engineer, farmer (until 11 May 2006)*
LEONHARD DUNSTHEIMER	*Bank Manager*
WOLFGANG ECKERT	*Bank Manager, Degree in Business Administration*
MARTIN EMPL	*Master of Agriculture, Farmer*
ERHARD GSCHREY	*Certified Public Accountant/Tax Advisor, Member of the Board of Directors of Genossenschaftsverband Bayern e.V.*
LORENZ HEBERT	*Bank Manager*
LOTHAR HERTZSCH	*Master of Agriculture & Economics, Managing Director (as from 11 May 2006)*
GERD HOCKENBERGER	*President of the Landesbauernverband in Baden-Württemberg e.V. (until 31 December 2006)*
KONRAD IRTEL	*Bank Manager*
MARTIN KÖRNER	*Engineer (University of Applied Sciences), farmer/fruit cultivator*
ERWIN KUHN	*Economist, Certified Public Accountant/Tax Advisor, President of Württembergischer Genossenschaftsverband e.V. (as from 1 January 2007)*
FRANZ KUSTNER	*Farmer*

ALOIS PABST	*Farmer*
JOSEF RAFFELSBERGER	*Farmer*
FRANK RENTZSCH	*President of the Sächsischer Landesbauernverband e.V.*
JOACHIM RUKWIED	*Engineer (University of Applied Sciences), President of the Landesbauernverband in Baden-Württemberg e.V. (as from 1 January 2007)*
DR. SIGURD SCHACHT	*Lawyer*
RUDOLF SCHWARZBÖCK	*Economic Advisor, Chairman of the Presidents' Conference of the Austrian Chamber of Commerce*
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*
MAXIMILIAN ZEPF	*Bank Manager, Degree in Business Administration*

Front (left to right): Roland Schuler, Ralf Trager;
Middle (left to right): Frank Hurtmanns, Wolfgang Deml (CEO), Günther Hönnige;
Back (left to right): Dr. Josef Krapf, Klaus Buchleitner, Dr. Stefan Bötzel.

MEMBERS OF THE BOARD OF MANAGEMENT

WOLFGANG DEML
(CEO and Chairman of the Board of Management)
Finance, Press & Public Relations, Investor Relations, Audit Department, Central Controlling

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

Group mandates
- RWA Raiffeisen Ware Austria AG, Vienna (First Vice Chairman)
- »UNSER LAGERHAUS« WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt (Vice Chairman)

DR. STEFAN BÖTZEL
(as from 1 January 2007)
*Agriculture, Logistics**

External mandate
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (as from 6 December 2006)

Group mandate
- RWA Raiffeisen Ware Austria AG, Vienna (as from 14 February 2007)

KLAUS BUCHLEITNER
RWA Raiffeisen Ware Austria AG, Vienna

External mandate
- Raiffeisen Zentralbank Österreich AG, Vienna

Group mandates
- Kelly GmbH, Vienna
- Raiffeisen Agrárház Kft., Székesfehérvár (Chairman)
- AGROKER Mezögazdasági Termelöseszköz Kereskedelmi Kft., Kecskemét
- Raiffeisen-Lagerhaus GmbH, Bruck a.d. Leitha, Austria (Chairman)

GÜNTHER HÖNNIGE
Real Estate, Architectural Management, Coordination of the Württemberg Region, Insurance, Business Activities in Hungary

External mandate
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

Group mandates
- AGROKER Mezögazdasági Termelöseszköz Kereskedelmi Kft., Kecskemét (Chairman)
- Raiffeisen Agrárház Kft., Székesfehérvár

FRANK HURTMANNS
Personnel, Information Systems, Organisation, Regional Administration Centres, Law & Lending

External mandates
- Update.com software AG, Vienna (Chairman)
- R+V Pensionsversicherung a.G., Wiesbaden

Group mandate
- RWA Raiffeisen Ware Austria AG, Vienna

DR. JOSEF KRAPF
Mineral Oils, Heating & Sanitary Installations, Fruit, DIY & Garden Centres, Franchise, Logistics, Marketing/Advertising

ROLAND SCHULER
Agricultural Equipment, Automobiles

RALF TRAGER *(until 31 Dec. 2006)*
Agriculture

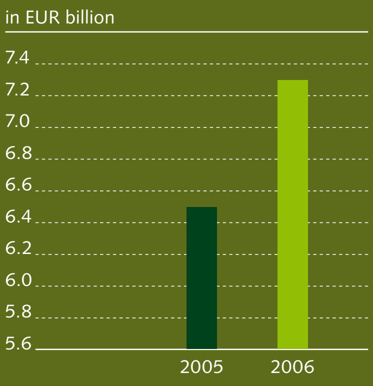
KARL-ALBRECHT BRUHNS
(Executive Manager)
Building Materials

Allocation of operations as per 31 December 2006; *as from 1 January 2007

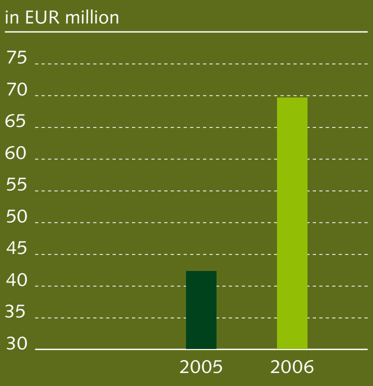
AT A GLANCE >> CONSOLIDATED SALES > CONSOLIDATED ORDINARY PROFIT > CONSOLIDATED NET INCOME FOR THE YEAR > SEGMENT SALES > ORDINARY PROFIT BY SEGMENT > BUSINESS UNIT SALES<<

PERFORMANCE OF THE GROUP

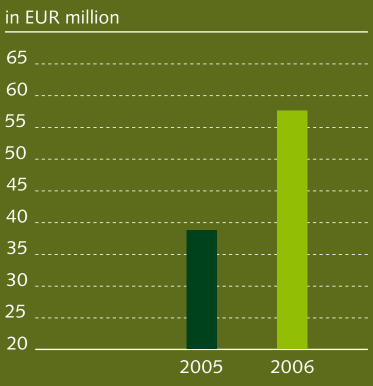
CONSOLIDATED SALES



CONSOLIDATED ORDINARY PROFIT

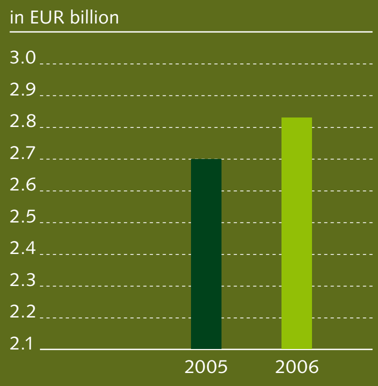


CONSOLIDATED NET INCOME FOR THE YEAR

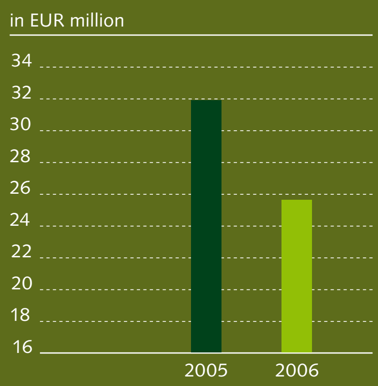


PERFORMANCE OF THE AGRICULTURE SEGMENT

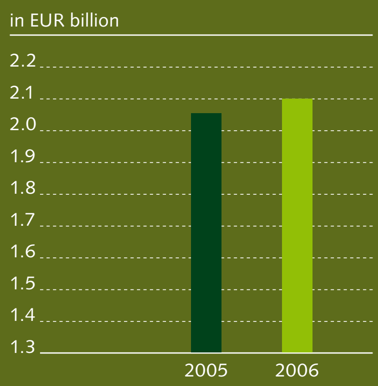
SALES OF THE AGRICULTURE SEGMENT



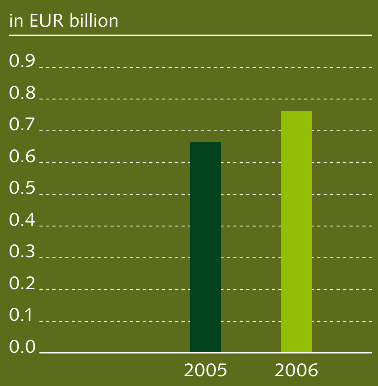
ORDINARY PROFIT OF THE AGRICULTURE SEGMENT



SALES OF THE AGRICULTURE BUSINESS UNIT

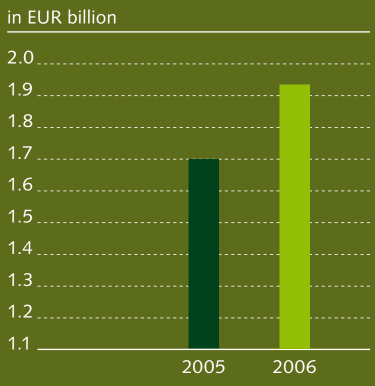


SALES OF THE AGRICULTURAL EQUIPMENT BUSINESS UNIT

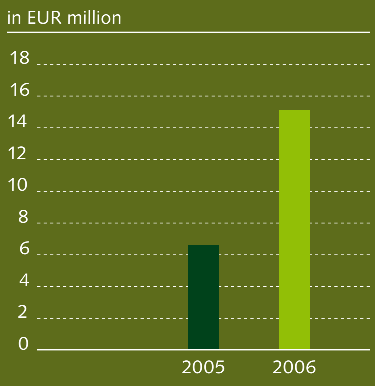


PERFORMANCE OF THE BUILDING MATERIALS SEGMENT

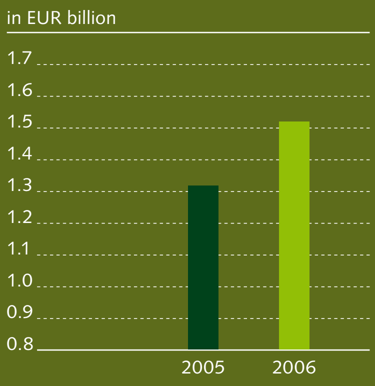
SALES OF THE BUILDING MATERIALS SEGMENT



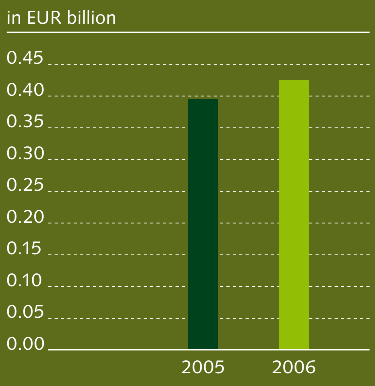
ORDINARY PROFIT OF THE BUILDING MATERIALS SEGMENT



SALES OF THE BUILDING MATERIALS BUSINESS UNIT

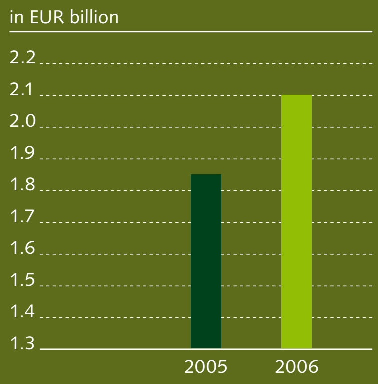


SALES OF THE DIY & GARDEN CENTER BUSINESS UNIT

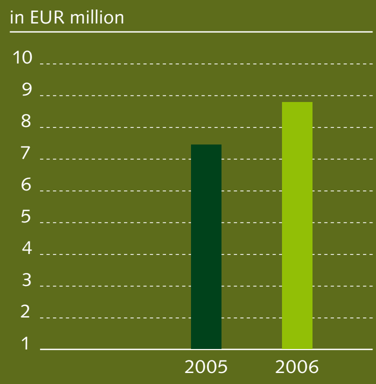


PERFORMANCE OF THE ENERGY SEGMENT

SALES OF THE ENERGY SEGMENT

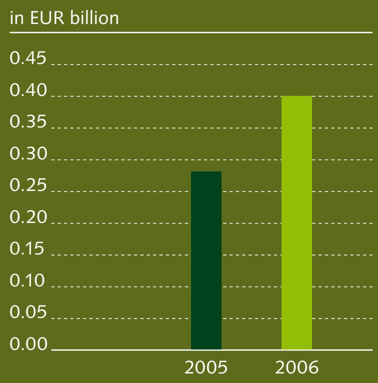


ORDINARY PROFIT OF THE ENERGY SEGMENT

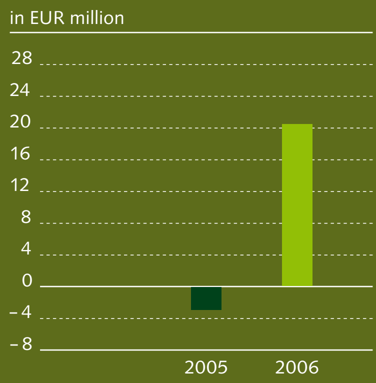


PERFORMANCE OF THE OTHER ACTIVITIES SEGMENT

SALES OF THE OTHER ACTIVITIES SEGMENT



ORDINARY PROFIT OF THE OTHER ACTIVITIES SEGMENT



AT A GLANCE >> RENEWED INCREASE IN SALES > CONSIDERABLE GROWTH IN EARNINGS > TRENDS IN THE AGRICULTURAL SECTOR VARY > BUILDING MATERIALS ABOVE SECTOR AVERAGE > TREND IN ENERGY STILL POSITIVE <<

MANAGEMENT REPORT

PROGRESS IN GROWTH AND PROFITABILITY

The BayWa Group can look back on a good financial year in 2006. After a number of years of weak economic activity, the economy has started to pick up momentum again, which was particularly helpful to the building materials business. The Group mastered the difficulties in its agribusiness caused by the weather. Sales climbed to EUR 7.3 billion which corresponds to an increase of 11.7 percent. The trading and services company raised ordinary profit from EUR 42.1 million to EUR 69.8 million. The Group also made headway in implementing its strategies in the individual segments, which included focusing on expansion, process optimisation and restructuring.

Financial year characterised by strong fluctuations.

The typically seasonal business of BayWa in the financial year was impacted by unusually sharp fluctuations. The winter 2005/2006, with its extremely long cold spells, resulted in a record minus in the Group's result in the first quarter of 2006, as work on agricultural land and building sites was virtually impossible up until and including some of April. As expected, this period was followed in the second quarter by a swift race to make up ground which pushed profit up to high levels. The weaker quarters, typical of the Group's business and which fall in the second half of the year, generated results in 2006 which exceeded the previous year's figures. Business, especially in the construction sector where the economy was good, in Germany in particular, was much better than in previous years, also owing to the mild weather at the end of the year.

Economic recovery creates favourable conditions.

The greatest impact on performance in 2006 was without a doubt the recovery in Germany's economy and, specifically, the clear turnaround staged in the construction industry. In the reporting year, the business environment in the Energy segment was also favourable. By contrast, however, agricultural trading was not quite able to compensate for the weather-induced delay to the blossoming of vegetation at the start of 2006 over the course of the year.

Optimisation measures have a strong impact.

Under the auspices of an economic uptrend, the cost cutting and process optimisation measures undertaken in the previous years even had a stronger impact. First and foremost, this benefited the building materials business which recorded a sales increase way above the average for the sector. Similarly, the investments and restructuring activities carried out in times when the business environment was more difficult bore fruit in the reporting year.

Expansion in the financial year 2006 continues.

BayWa again concentrated on expansion in the financial year 2006. In the foreground were activities aimed at strengthening the Group's market position in German building material trading. Two new companies were acquired in North Rhine-Westfalia and Baden-Württemberg. With the economic recovery in the building industry, however, building material traders are now not as willing to sell as they were, and prices for takeovers are starting to rise. Irrespective of this, however, the goals for growth will be pursued, as before.

Agribusiness confirms its importance as a mainstay of the Group.

The Agriculture segment has decades of experience in dealing professionally with volatile markets. This know-how stood the Group in good stead in the reporting year when the weather conditions were so extreme. Despite the lower volume of the harvest in the previous year and sluggish demand for operating resources due to the late vegetation, agricultural trading once again proved its importance as a stable mainstay of the Group by making a substantial contribution to a successful consolidated result. After a longer period when business was slack, the Agricultural Equipment business unit again made progress in the sale of equipment. The improvement in the sentiment of farmers drove demand for tractors in particular.

Agricultural activities in Eastern Europe are also beginning to pick up momentum. The Group's presence in Slovakia was strengthened by the purchase of a company specialised in seed production in this country.

Impact of harsh winter.

The extreme winter of 2005/2006 hampered the business of the Building Materials and Agriculture segments considerably but, conversely, was good for the Energy segment. Above all, the greater need for heating oil pushed up sales volumes in Germany and Austria and, in the wake of higher oil prices, there was a substantial increase in sales.

Total sales of the BayWa Group grow to EUR 7.3 billion.

Favourable overall conditions and the good development of all business units raised the total sales of the BayWa Group to EUR 7.3 billion, which corresponds to an increase of 11.7 percent in a year-on-year comparison.

Ordinary profit climbs to EUR 69.8 million.

However, the Group's increase in earnings was even greater: Ordinary profit soared from EUR 42.1 million to EUR 69.8 million, which is a rise of 65.7 percent. Consolidated net income for the year outperformed the previous year's figure by 47.8 percent and came to EUR 57.4 million. Earnings per share, net of minority interest, climbed from EUR 1.15 in 2005 to EUR 1.70 in the period under review. Net of minority interest, earnings per share stood at EUR 1.17 as compared with EUR 0.78 in 2005.

Group outperforms its targets.

Adjusted for special effects as well as one-off earnings and expenses, operating profit – the internal parameter which measures how successful a company has been at the operating level – advanced from EUR 52.0 million to EUR 63.2 million after tax. The Group thus exceeded its planned target. Special effects burdening the result relate to expenses due to participations and precautionary measures to take account of ongoing restructuring and tax risks. Adjusted one-off amounts were generated, in particular by the sale of financial participations.

IMPROVED GENERAL CONDITIONS

SENTIMENT OF FARMERS BOOSTS INVESTMENT ACTIVITIES

Upbeat sentiment of farmers boosts demand.

For many years, the sentiment index of the agriculture industry stagnated at a low level, especially in Germany. There was a decisive change in 2006: Farmers were again much more optimistic about their situation. The relevant index reached a new all-time high in the reporting year, which encouraged the investment propensity of many farmers. In Austria as well the sentiment in the agriculture industry was good. Accordingly, taking sales regions as a whole, the improved prospects of agriculture had the effect of stimulating demand.

Battle between energy and food industries for agricultural raw materials pushes up grain prices.

Upside potential and forecasts mainly spur production of renewable resources as alternative sources of income for "energy farmers". This trend, compounded by a poorer harvest, a low level of global grain reserves and the battle between energy and food for raw materials, has pushed up the prices of grain worldwide and in the European Union in particular. There are, however, some who warn of the potential downside of this development. For instance there are risks if the political environment and the directives for promoting renewable resources and bioenergy change. In the case of some production lines in the food industry, farmers are going to have to factor in rising costs.

All in all, income in the agriculture industry rose for the second year in a row. The agricultural markets were generally perceived positively. The Group is positioned to respond swiftly to changed market conditions, to seize opportunities and analyse risks.

CONSTRUCTION SECTOR OUT OF THE DOLDRUMS

German construction sector experiences uptrend after years of recession.

In 2006, the construction industry finally saw a trend reversal and an end to the crisis of many years. Building investments have risen 3.6 percent, which is the first time for six years. The abolition of the home allowance caused a flurry of applications which, in turn, led to a considerable increase in the number of building permits. Commercial and public-sector construction activities also improved. After ten years of declining sales, the building materials trade experienced booming demand, with a growth rate of 14 percent. The Austrian building industry also gained momentum. Residential construction and housing development in particular were substantially above the previous year's level. In all home markets, sales therefore continued to rise steadily after the hard winter of 2005/2006, a pace which had not slowed by the end of the year. In Germany, upfront buying effects caused by the imminent increase in value added tax (VAT) also had a positive impact on sales.

Building materials and DIY and garden centre business falls short of the previous year's level.

The trend in the building materials, DIY and garden centre business was characterised at the start of 2006 by a slump in sales caused by the long, hard winter. Although the decline in Germany came to a halt in the second and third quarter, the sector nonetheless fell short overall of the previous year's figure. Adjusted for surface area, the decline came to 2.6 percent. In Austria consumption lagged somewhat behind the general economic upswing, which was mirrored by modest demand in the retail sector.

MINERAL OIL SALES STABLE, WITH HIGH CRUDE OIL PRICES

Mineral oil sector sells more heating oil and diesel.

Despite the discussion about CO_2 emission and the climate change, as well as higher oil prices, there is still no sign of a significant alternative to mineral oils in Europe in the medium term. Although substitutes in the form of bio raw materials have been developed and promoted for the heating, electricity and fuel markets, it looks as if our dependency on crude oil and natural gas is set to remain in the decades ahead. For this reason, there are currently no serious changes discernible in demand for mineral oil products. In 2006, for instance, the sale of Otto fuel at gas stations declined marginally, in line with a long-term trend. Just as demand for heating oil rose the wake of the cold weather, so did the sale of diesel, driven by the economic upswing. However, upon the introduction of taxation as from August, sales fell dramatically in Germany. By contrast, the industry recorded strong growth in the sale of wood pellets.

DEVELOPMENT OF THE GROUP'S SEGMENTS

AGRICULTURE SEGMENT WITH VARYING MARKET TRENDS

Group agribusiness generates sales of EUR 2.1 billion.

In the first half year, the agriculture trading operations of the BayWa Group were affected by the long, cold winter and the delay of some weeks in the flowering of vegetation. This put a considerable damper on the sale of resources and equipment group-wide in particular. The decline was only made good to a certain extent in the course of the remaining year. The agribusiness generated an increase in trading with grain and oil seed: In the first half of 2006, grain still stocked from the 2005 harvest was sold and, in the second half-year, higher prices had a positive impact. The expansion of the group of consolidated companies also lifted sales. All in all, the agricultural sales of the Group in Germany, Austria and Eastern Europe came to a total of EUR 2.1 billion, up around 2.5 percent as against 2005.

Buoyant sentiment releases long-standing backlog of investment requirements. Agricultural Equipment business unit sells significantly more tractors.

The Agricultural Equipment business unit benefited most from the improved sentiment of farmers and, as a result, their greater willingness to invest. Germany saw the investment backlog of many years released, with tractors in particular selling well and additional support coming from upfront buying in connection with the VAT hike. The sale of tractors thus rose by more than 25 percent. In 2006, two holdings in agricultural equipment companies were consolidated for the first time in the Group. The Agricultural Equipment business unit took advantage of additional growth opportunities in forestry equipment. Investment in the new inventory control system, combined with new centres of competence with a more professional image in the market, bolstered the new strategic realignment while, at the same time, restructuring measures progressed. Sales in Austria were raised as well. All in all, EUR 765 million worth of agricultural equipment was sold, which is 16.2 percent more than in 2005.

Seen as a whole, the Agriculture segment of the Group posted sales of EUR 2.86 billion, which corresponds to an increase of 5.8 percent.

A number of special effects lowers the positive operating profit in the Agricultural Equipment business unit. Level of agricultural trading unchanged from the previous year.

The ordinary profit of the Agriculture segment, which came to EUR 25.7 million, fell 19.2 percent short of the previous year's figure owing to a number of special effects. These included restructuring costs for the streamlining of the German Agricultural Equipment business unit as well as inventory devaluations in the wake of introducing the new inventory control system. These special effects lower the positive operational performance of the Agricultural Equipment business unit which came about through increased sales of new machines. Despite weaker business in resources and equipment, agricultural trading was able to bring the year to a close at the high level of the previous year. One-off burdens from the introduction of the inventory control system had to be absorbed. The Agriculture segment was last in line with the implementation of the new system which it began to introduce in the reporting year.

PERFORMANCE OF THE BUILDING MATERIALS SEGMENT CONSIDERABLY HIGHER YEAR ON YEAR

Group building materials business outperforms the sector and generates sales of EUR 1.5 billion.

In the building materials trading business, the Group used the upswing in Germany's construction sector to its best advantage. The Group made 80 percent of its sales of building materials in this industry and expanded its market position, both through internal and external growth. Two newly acquired companies in North Rhine-Westfalia and Württemberg joined the business unit, which also lifted sales in the eastern Federal States above the sector average. Sales specialisation through concentrating on target groups in commercial building, civil engineering, dry wall construction and private customers had a positive impact on performance. With the training of 120 energy consultants, the business unit has positioned itself more firmly in the growing market of energy conserving. Additional approaches to improvements were released through the optimisation of procurement management. In Austria, the Group generated building materials sales mainly in wholesale trading with cooperatives or in the form of franchise fees. The resulting revenue was also above the previous year's figures.

Overall the Group's Building Materials business unit generated sales of EUR 1.51 billion in 2006, which is an increase of 15.2 percent.

Streamlining and optimising measures in DIY & Garden Center business successful.

Contrary to the trend in the sector, the DIY and Garden Centers business unit in Germany and Austria expanded marginally with sales of EUR 418 million, thus exceeding the consolidated figure of 2005 by 7.1 percent. In the German market, the introduction of category management and its implementation in the first test markets had already delivered initial success in 2006. At the same time, the refurbishing and optimisation concept initiated in 2005 was pursued further.

Building Materials segment raises sales to EUR 1.9 billion.

Total sales in the Building Materials segment came to EUR 1.9 billion, up 13.3 percent over 2005.

Profit boosted to EUR 14.9 million.

The ordinary profit of the Building Materials segment saw the greatest leap in profit: following EUR 6.5 million in the previous year, profit rose sharply to EUR 14.9 million. The large increase is primarily attributable to brisker trading in business materials. The DIY and Garden Center raised results marginally at the operating level but, for reason of closure costs and one-off burdens, remained unchanged from the previous year. Moreover, the good segment result is burdened by costs from the early integration of the newly acquired building materials companies. This measure, however, has opened up additional market potential and delivered synergies which will have a positive impact, particularly if the buoyant economy in the construction sector holds steady in the time to come.

ENERGY SEGMENT CONTINUES TO DEVELOP WELL

Sales in the Energy segment climbs to EUR 2.1 billion.

As in 2005, the Mineral Oil business unit disclosed significant growth rates in sales in the reporting period. Sales climbed 13.8 percent to EUR 2.1 billion. A considerable part of this increase was due to higher oil prices which filtered through to consumer prices as well. Nonetheless, this business unit also saw sales for heating oil, diesel and fuel rise substantially. The sale of fuel at gas stations remained within the long-term trend and was slightly on the decline in the reporting year. Conversely, consumer demand for heating oil ran high after the hard winter of 2005/2006. The Group generated sales which were substantially higher than in the previous year. In tandem with the economic recovery, the sale of diesel also increased. The revenue of the lubricants business was also higher. Renewable energies from biomass also experienced another upswing throughout the whole German-speaking sales region.

Profit grows to EUR 8.8 million.

With its ordinary profit, the Energy segment outperformed the good result of 2005, even though the conditions in the final quarter of the financial year with a very mild winter were much more unfavourable. The segment's ordinary profit of EUR 8.8 million was around EUR 1.4 million higher year on year.

OTHER ACTIVITIES SUBJECT TO SPECIAL EFFECTS

Significant growth in sales to EUR 403 million in the Other Activities segment.

The Other Activities segment comprises Group companies such as food producers in Austria, car dealer operations and financial participations. The sizeable jump in sales from EUR 281 million to EUR 403 million was attributable not only to the food production but also to the car dealership business.

Gains from sales and excellent operating performance lifts profit.

The Other Activities segment achieved an ordinary profit of EUR 20.4 million which is a sharp increase as against 2005 (EUR –3.5 million). Three reasons exercised a significant influence. The result includes, on the one hand, proceeds from the sale of two financial investments: Along with the sale of a block of shares held in R+V Allgemeine Versicherung AG, the participation in the Austrian company ATYS GmbH was sold at the start of the financial year. The two disinvestments yielded a one-off amount of EUR 21.3 million. The operating units of the segment performed very well in the financial year. Income from financial participations has also risen. On the other hand, however, the Group formed provisions for the assumption of losses in connection with its holdings.

SUBSTANTIAL IMPROVEMENT IN THE EARNINGS POSITION OF THE COMPANY

Overall operating gross earnings of the segment post significant increase.

The gross profit of EUR 1,060.4 million was around EUR 51 million higher year on year. Approximately half of this increase was generated by the companies which have now been included in the Group of consolidated companies. The operating gross earnings of the individual business segments also increased significantly overall. Higher gross earnings were recorded by the building materials, agricultural equipment and mineral oil businesses in particular. Despite weaker equipment and resources activities, the Agriculture segment fell only marginally short of 2005.

Other operating earnings of EUR 96.7 million remained at the previous year's level. The Group raised the proceeds from the disposal of assets from EUR 6.9 million to EUR 14.7 million on the back of a healthier real estate market. By contrast, earnings fell as scheduled due to income from deferrals for competitive prohibition no longer being applicable as well as to the lower level of income from associated companies following the inclusion of new companies in the group of consolidated companies.

More than half the increase in personnel expenses attributable to newly consolidated companies.

Of the disclosed increase in personnel expenses, which rose by EUR 22.0 million to EUR 577.6 million, more than half is accounted for by the newly consolidated companies. In addition, expenses incurred through overtime and vacation taken in lieu owing to brisk business, in particular at year-end, were partly compensated by the decline in social security expenses.

Scheduled depreciation and amortisation unchanged from the previous year's level.

Due to non-scheduled write-downs undertaken in 2005 no longer being applicable, write-downs on tangible and intangible assets of EUR 89.1 million were EUR 2.8 million lower year on year. Around EUR 1.4 million in additional write-downs from the new Group companies were included. The scheduled write-downs thus remain at the level of the previous year.

Other operating expenses rise primarily due to growth in the group of consolidated companies.

Other operating expenses rose by EUR 16.9 million to EUR 311.0, mainly owing to the expansion of the group of consolidated companies. Adjusted for the new Group companies, other operating expenses were around EUR 6 million as against 2005. Factors influencing this result were the increase in energy and vehicle fleet costs (up EUR 5.6 million) as well as higher structural costs and risk provisions (up EUR 5.8 million). By contrast, non-personnel costs, including IT applications in particular, declined. Costs for maintenance, resulting from the refurbishment measures in individual locations as part of the strategic realignment of the DIY and Garden Centers business unit, also increased (up EUR 5.3 million).

Ordinary profit rises 21 percent.

At EUR 82.7 million, the result of operating activities was 21 percent up on the previous year's figure.

Financial result partly impacted by series of counter trends.

The result of financial activities was partly influenced by a series of counter trends: Compared with 2005, income from participations rose by EUR 18.0 million. The increase was primarily attributable to proceeds from the sale of the two financial participations. At the same time, however, provisions were set up to account for takeover losses from two participations which had ceased to operate, either partially or fully, in the context of portfolio streamlining. Interest rate increases, inventory which ran at higher levels over the course of the year due to the weather, and a greater acquisition cash flow have resulted in an increase in financing expenses of around EUR 5 million.

Ordinary profit up by 65.7 percent.

Ordinary profit stood at EUR 69.8 million, thus outperforming the previous year's figure by 65.7 percent.

Taking account of deferred tax, the tax burden for the financial year came to EUR 12.4 million. This figure is discernibly higher than in 2005, but with a tax rate of 17.8 percent, nonetheless substantially below the customary figure. This was mainly influenced by lower tax rates in other countries and the tax-free sale of participations. In addition, following the amendment of the German Corporate Income Tax Act (KStG) by the so-called SE-Introductory Act (SEStEG) as per 31 December 2006 regulating the application of income tax credit, a discounted refund claim amounting to around EUR 8 million was capitalised. However, tax expenses of EUR 7.8 million for the ongoing audit had to be taken into account.

Net income of EUR 57.4 million in 2006 is a new all-time high.

The annual net income of the BayWa Group came to EUR 57.4 million in 2006, thus reaching a new, all-time high. In comparison with 2005, after-tax profit rose by 47.8 percent.

CONSIDERABLE INCREASE IN ADJUSTED PROFIT

Adjusted profit is an internal parameter used for control in the company. In this figure, all income and expenses of a one-off or special nature are eliminated, taking account of the tax effect.

Earnings items such as book gains from the sale of participations (EUR 21.3 million) or in income tax relating to the corporate income refund claim (EUR 8.7 million) were eliminated.

On the expenditure front, this mainly applies to participation risks and expenses of a special nature (introduction of the inventory control system, closure costs, restructuring measures).

Overall BayWa AG raised adjusted operating profit after tax to EUR 63.2 million, up from EUR 52.0 million in 2005 .

SEASONALLY-INDUCED INCREASE IN TOTAL ASSETS

Notable rise in total assets to more than EUR 2.8 billion.

Brisk business at year-end in the fourth quarter, combined with substantially higher inventory volumes in the Agriculture segment were the reason, along with the additions to the group of consolidated companies, for a notable increase in total assets to more than EUR 2.8 billion. Of this EUR 226 million increase, EUR 68.5 million were attributable to the assets of the acquired companies or to first-time consolidated companies.

Accounts receivable grow with the expanding business.

On the reporting date, trade receivables in particular, adjusted for additions of newly consolidated companies, climbed approximately EUR 75 million in a year-on-year comparison, with the main impact being the seasonally atypical building materials business which had already slowed by mid-November 2005 due to the advent of winter. Meanwhile, the year 2006 came to a close with brisk building activity. Invoicing for agricultural equipment was also much higher than in 2005 owing to farmers' growing willingness to invest.

The accounts receivable portfolio of EUR 496 million must ultimately be viewed in connection with the reporting date. In addition, a comprehensive internal control system ensures that debtor risk is kept to a minimum. Seen in relation to the sales volume, the default rate of 0.1 percent remained at the low level of the previous year. The discounted refund claim of the corporate income tax credit under the SE-Introductory Act (SEStEG) was also capitalised.

Higher inventory levels to be used to generate earnings in 2007.

The increase in goods inventory was mainly due to higher volumes of grain in storage and a larger inventory of equipment and resources. The stockpiling of grain was both price and volume induced. The weaker harvest of 2006 resulted in growing demand of processors in the first half of 2007 and gave the Group additional sales potential. A similar scenario for opportunities was also given as regards crop protection inventories. As, in 2006, stocks were drawn on to lower extent because of the weather, the inventory levels will be a useful potential in 2007. Nonetheless, the high level of inventories were a burden on profit of the financial year because of the greater reduction in value.

Assets on the rise.

Fixed assets increased mainly due to investments in locations which are to be completed in 2007. In addition, intangible assets grew through additions of industrial property rights and goodwill, based on IFRS 3, from the acquisitions made in the financial year. In respect of financial assets, the value of cooperative participations advanced EUR 4.3 million owing to participation in a capital increase in Vienna-based Raiffeisen Zentralbank AG. Conversely, the financial portfolio no longer included profit sharing certificates of EUR 3.3 million of Bayerische Raiffeisen-Beteiligungs-AG which had fallen due.

The market value of the financial participations sold in 2006 was deducted from assets held for sale. The revaluation reserves formed in 2005 under equity declined in the amount of the proceeds from sale. The book values of two properties in Rosenheim worth EUR 7.8 million, for which purchase contracts had already been concluded, with the transfer of all benefits and burdens in the following year, were reposted to the balance sheet item.

Group equity climbs to EUR 771.9 million.

Group equity climbed EUR 31.1 million to EUR 771.9 million; along with equity transfers from annual net income (plus EUR 57.3 million), account must also be taken in this figure mainly of dividend payout by the Group (minus EUR 15.7 million) and the decrease in the revaluation reserve (minus EUR 13.8 million).

Equity ratio slightly lower than in 2005.

Owing to the increase in total assets on the reporting date, the equity ratio of 27.3 percent is marginally lower than in the previous year, when it was 28.5 percent. The target equity ratio of the Group is still 30 percent. A sound fund base has therefore been established, taking account of the diversified activities and of the Group's ongoing strategy of expansion.

Around 50 percent of total funds are at the Group's disposal on a long-term basis.

Taking account of long-term debt, the Group has 47.9 percent of total funds at its disposal on a long-term basis. The fixed assets are thus financed by way of matched maturities through equity and long-term debt. Beyond this, 12.5 percent of current assets are covered by capital which is at the Group's disposal on a long term basis. As against the previous year (16.8 percent), this excess cover has been reduced due to the seasonal increase in working capital.

The deferred tax claims item was reduced first and foremost as a result of the increase in the recognition of pension provisions in the tax balance sheet in BayWa AG as well as the scheduled utilisation of loss carryforwards in Austria. Accordingly, the deferred tax claim was set off in the amount of the difference, with the concurrent effect on net income. The amount of deferrals on the liabilities side was only marginally below the previous year's level.

BALANCE SHEET STRUCTURE OF THE GROUP

Assets	In EUR million	in percent
Fixed assets		
2006	1 124.734	39.8
2005	1 087.825	41.9
Deferred tax claims		
2006	114.949	4.1
2005	127.217	4.9
Other non-current assets		
2006	38.142	1.3
2005	33.993	1.3
Current assets		
2006	1 545.554	54.8
2005	1 348.019	51.9

Shareholders' equity & liabilities		
Equity		
2006	771.904	27.3
2005	740.759	28.5
Deferred tax liabilities		
2006	130.914	4.7
2005	132.460	5.1
Other long-term liabilities		
2006	584.070	20.6
2005	573.606	22.1
Current liabilities		
2006	1 336.491	47.4
2005	1 150.229	44.3

INCREASE IN CASH EARNINGS

Cash earnings raised to EUR 132.6 million.

The positive profit trend is reflected in the cash flow statement as well. Higher net income for the year caused cash earnings to rise to EUR 132.6 million. However, the reporting-date related increase of committed funds in receivables and goods had an impact on the operating cash flow which came to EUR 93.4 million. Cash outflow for investments of EUR 89.2 million was around EUR 18.5 million lower than in 2005. Alongside the investment amount marginally below the previous year's figure, factors of influence were, in particular, one-off funds received from the sale of financial participations. Together with dividend payment, the financing cash flow represents the cash inflow from the Employee Share Scheme as well as from long-term financing.

Financing structure remains primarily short-term, similar to funds committed.

Similar to funds committed, the financing structure remains for the most part short term. Interest rate risk is countered by hedging partly with derivatives. Alongside term and overnight money, the company finances itself by way of a EUR 300 million multi-currency Commercial Paper Programme; on the reporting date, drawdowns came to EUR 111.5 million. As per the reporting date, EUR 63.3 million had been financed from the ongoing Asset Backed Securitisation Programme.

SLIGHT CHANGE IN THE NUMBER OF EMPLOYEES

The number of employees remained virtually unchanged as per the reporting date. Taking account of the changes in the group of consolidated companies, closures and takeovers, the number of employees came to 15,626, which is only 33 employees more

Number of employees in the Group, including changes to the group of consolidated companies, closures and takeovers, only marginally above the previous year's level.

than in 2005. The recovery in business was thus not accompanied by a concurrent increase in resources. As before, the Group still focuses on the measures necessary to cut costs and optimise process efficiency. The Group continues to play an important role in the vocational training of young people. The training of qualified and motivated junior staff is a cornerstone for the successful development of the segments and Group companies.

In 2006, Employee Share Scheme measure carried out for the sixth time.

The purpose of the Employee Share Scheme is to involve the workforce more in the success of the company and to promote entrepreneurial thinking. For the sixth time, employees of the Group had the option of buying employee shares of BayWa AG at a lower price. Shares were offered at an employee discount of 40 percent within the scope of the valid and permissible tax exemption level in Germany, in relation to the share price on the reporting date. A total of 4,339 employees of the Group subscribed to the shares. In the meantime, 6,219 employees of the Group hold shares in BayWa AG.

HIGH REPLACEMENT AND EXPANSION INVESTMENTS

Investments in 2006 still at a high level.

Investments in tangible assets of around EUR 126 million, adjusted for additions from changes in the group of consolidated companies, fell only marginally short of the purchase level of 2005. Replacement and expansion investments in all the business units, particularly in “technical facilities” and “fixtures and fittings” were the focus of investment activities. In addition, around EUR 51 million were invested in real estate, including the acquisition of companies in building materials trading as well as new locations in the building materials and agriculture businesses.

The Group operates its core business mainly on its own land and property. By contrast, real estate assets not crucial to operations are systematically sold. The funds thus gained are then used primarily for the purpose of paying back debt or financing the expansion strategy.

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 86,664,849.92 on the reporting date and is divided into 33,853,457 bearer shares with an arithmetical portion of EUR 2.56 in the share capital. Of the shares issued, 32,546,585 are registered shares and 63,621 are recently registered shares with restricted transferability (from 1 January 2007 onwards, dividend-bearing employee shares). 1,243,251 are not registered shares with restricted transferability. BayWa AG holds 19,500 shares in its portfolio, with a portion of the share capital amounting to EUR 49,920. 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), 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 6 of the Articles of Association of BayWa AG, the purchase of shares by individuals and legal entities under civil and public law requires the approval of the Board of Management of BayWa AG. The Board of Management is not aware of 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 exceeded 10 percent of the voting rights:
Bayerische Raiffeisen-Beteiligungs-AG, Beilngries,
St. Wolfgang Beteiligung GmbH, Vienna,
RWA Deutschland GmbH, Munich.

Legal provisions and the provisions of the Articles of Association on the appointing and dismissing of members of the Board of Management and on amendments to the Articles of Association
Alongside Sections 84 et seq. of the German Stock Corporation Act pertaining to the appointing and dismissing of members of the Board of Management, Section 10 of the Articles of Association of BayWa AG stipulates that members of the Board can be appointed by the Supervisory Board. Board members are appointed for a maximum term of office of five years; re-appointing of a Board member is permitted. 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, the Annual General Meeting always resolves amendments to the Articles of Association.

Authorisation of the Board of Management in particular in relation to the option of issuing or buying back shares
Pending approval by the Supervisory Board, the Board of Management is authorised to raise the share capital in the period up to 30 June 2008 by up to a nominal EUR 10,000,000 through the issuing of new registered shares against non-cash contribution.

Pending 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 up to a nominal EUR 4,640,445.44 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. of the German Stock Corporation Act, at purchase prices of up to at least 50 percent of the share price ascertained at the time when this authorisation is exercised.

In addition, pending 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 up to a nominal EUR 12,500,000 through the issuing of new registered shares with restricted transferability against non-cash contribution.

The Board of Management has not been authorised by the Annual General Meeting to buy back shares.

REMUNERATION REPORT
The Supervisory Board's Board of Management Committee is responsible for establishing the remuneration of the Board of Management. The remuneration of the Board of Management is made up of a fixed and a variable 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.

Total remuneration of the Board of Management comes to EUR 4.4 million (of which EUR 1.7 million is variable).

The performance-related component is measured by the performance of the company and the achieving of individual goals set 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 total remuneration of the Board of Management comes to

EUR 4.4 million (of which EUR 1.7 million is variable). An amount of EUR 1.8 million has been transferred to the pension provisions.

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. Pursuant to Section 286 para. 5 of the German Commercial Code, the relevant resolution has been passed by the Annual General Meeting. There are no long-term incentive remuneration components such as share options or the like.

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

The remuneration of the Supervisory Board has not been itemised. The amount of the remuneration paid to the individual Supervisory Board members has been regulated by a resolution passed by the Annual General Meeting held on 1 July 2003. Accordingly, along with the reimbursement of his costs, each Supervisory Board member receives a fixed annual salary of EUR 6,000, plus variable compensation of EUR 250 for each cash dividend portion of EUR 0.01 per share resolved by the Annual General Meeting which exceeds a profit share of EUR 0.10 per share and is distributed to the shareholders. The Chairman of the Supervisory Board receives double the amount, and the Vice Chairman one and a half times the aforementioned amounts. A fixed annual remuneration of EUR 2,000 is paid for committee activities. The chairmen receive double the amount respectively.

The total remuneration of the Supervisory Board comes to EUR 0.3 million (of which EUR 0.1 million is variable).

The total remuneration paid to the Supervisory Board amounts to EUR 0.3 million (of which EUR 0.1 million is variable).

RISK MANAGEMENT

The risk management of the BayWa Group has been designed to take account and weigh up the opportunities and risks of entrepreneurial activity in a responsible manner and with a view to the goals to be achieved. Risk management is an integral part of the planning as well as the management and control processes. Securing the assets of the company and raising its enterprise value are the parameters targeted. The strategies of the Group are geared towards exploiting opportunities to the full while limiting the risks inherent to its business to the greatest extent possible.

Moreover, the BayWa Group has established binding goals and a code of conduct in its "Corporate Guidelines" and in a set of "Ethics Principles", and implemented them group-wide. These guidelines and principles lay down an approach to applying corporate values for the individual employee as well as fair and responsible behaviour towards suppliers, customers and colleagues.

As a trading group with international operations, BayWa is confronted with a number of risks arising from its diversified entrepreneurial activities. Cyclically-induced fluctuations in the market and changes in weather conditions in particular have a considerable impact on the Group's core businesses.

THE RISK MANAGEMENT SYSTEM OF THE BayWa GROUP

Risk management records and monitors the development of the company on an ongoing basis.

A comprehensive risk management system records and monitors the development of the Group, along with any existing weak points, on an ongoing basis.

The opportunities and risk management system covers all segments and includes reporting as a key component. This enables Group 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 puts risks and opportunities into clusters, reports on these clusters and estimates the probability with which they could occur and their possible impact, measured in monetary units.

So that opportunities can be optimally used and risks kept to a minimum.

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 planning process in the various business segments, along with procurement, sales and distribution operations and centralised operations, the risk and opportunity management system serves to identify and assess potential deviations from expected performance. Apart from the identification and evaluation of developments which could exert a considerable impact on business, the system facilitates the prioritisation and implementation of activities. This enables opportunities to be used to better advantage and risks to be kept to a minimum.

The business units regularly prepare risk reports which are the core component of the risk management system. The reports are subject to evaluation by the Board of Management and the heads of the various business units.

System-supported risk monitoring with early-warning component.

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 group-wide opportunity and risk culture.

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.

Risk management system as part of the audit of the financial statements of BayWa AG.

The independent auditor has audited the risk management system in the context of the annual audit of BayWa AG's annual accounts. The auditor has ascertained that the Board of Management has taken all appropriate measures, as prescribed by Section 91 para. 2 of the German Stock Corporation Act (AktG), for the setting in place of a monitoring system. Furthermore, in the opinion of the auditor, the monitoring system is suitable for identifying developments at an early stage which could pose a threat to the company as a going concern.

ISO certification supplements risk management.

In addition, the Internal Audit department regularly audits the internal risk management system which supports processes. ISO certification for the standardisation of workflows and for the avoidance of risk, as well as the taking out of insurance, supplement the risk management of the Group.

GENERAL ECONOMIC RISKS

Cyclical trends in BayWa's core markets can have a potential impact on the course of business owing to changes in consumer behaviour and investment propensity. This may have either a positive or a negative impact on sales and profit.

No risks from the economic environment are expected in 2007.

In 2007, the global economy is expected to remain robust. Global economic growth, estimated at 4.5 percent, may well be somewhat lower than that of 2006 but the long-term growth trend will nonetheless again be exceeded. The euro zone is also likely to emulate this development. Particularly in Germany, domestic demand may cool slightly due to the increase in value added tax at the start of 2007. From a world-wide perspective, however, economic momentum is expected to slow only slightly.

SECTOR- AND COMPANY-SPECIFIC RISKS

Changes in the political environment, global markets and volatility in these markets are the main factors affecting the agribusiness and are the cause of risk (e.g. curtailment of subsidies). However, they also open up possibilities (e.g. cultivation of non-food crops on fallow land). Extreme weather conditions can have a direct impact on both the operating resources business as well as on products trading. The effect of climate change will also influence the Agriculture segment. An example is bad harvests in the southern hemisphere, which is a factor influencing the pricing of grain. The development of income in the agriculture sector filters through directly to sales of high-end capital goods.

Market consolidation effects open up opportunities for growth and profitability through takeovers and acquisitions.

Sector-specific risks in the construction industry emerged strongly following the boom in the wake of German reunification. Surplus capacity and declining demand were the order of the day. Tangible uncertainty felt by investors hindered necessary building measures, in particular in housing and residential construction. The crisis, which lasted for many years, led to consolidation in the market. The withdrawal of competitors from the market constituted, at the same time, a growth opportunity in the form of takeovers and acquisitions. The recovery in the domestic economy will also be reflected in commensurate, brisker building activity.

Sharp price fluctuations are characteristic of the energy sector and its trading in fossil fuels, especially in heating oil. Owing to “straight-through” trading without a great deal of storage and invoicing in euros, however, both the price and the currency risks are relatively low for the BayWa Group.

MARKET RISKS

CURRENCY RISK MANAGEMENT

Currency risk insignificant.

Currency risk plays only a minor role as BayWa’s operations are located mainly in the euro zone. All positions in a foreign currency arising from goods and services must always be hedged at the time when these transactions occur. Speculative borrowing or investing funds in foreign currencies is prohibited. The exchange of goods and services with Group companies in eastern Europe plays an insignificant role and does not incur currency risk. Open positions in financing are always to be hedged by the receiving party.

SHARE PRICE RISK

Securing of pension commitments.

The investment portfolio of the BayWa Group comprises to a small extent direct and indirect investments in listed companies which are not held for trading purposes. They are partly used to hedge pension obligations. An external fund management ensures, via a stable-value clause, that the assets do not fall below a value of 98.5 percent of the given value at the start of the year. In addition, the Group monitors equities investments by way of their current market value on an ongoing basis.

INTEREST RATE RISK

The interest rate risk positions result mainly from the issuing of short-dated commercial paper and borrowing. Short-term debt is 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.

FINANCING RISK

Financing structures also cover the strong seasonality of business.

The BayWa Group borrows from external financial institutions. In addition, it draws on financial instruments such as a multi-currency Commercial Paper Programme or financing in the form of asset-backed securitisation. The existing credit lines have been set up in such a way that operations can be financed at any time, even if the level of activity should rise. The financing structure also covers strong seasonally induced effects on business.

REGULATORY AND LEGAL RISKS

Opportunities and risks from changes in the regulatory environment.

Changes in the regulatory environment can influence the development of the Group. Examples of this are government intervention in the framework conditions applicable to the agricultural industry. Negative impact emanates from the reduction or abolition of subsidies. Conversely, new regulatory and legislative developments influencing bio-energy can be viewed as 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

A comprehensive debtor and creditor monitoring system keeps risk to a minimum.

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 incurring a financing risk arising from the upfront financing of resources for agroeconomic production. Settlement is effected by way of taking over the harvest and selling it in the market. An extensive lending and deposit 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.

PERSONNEL RISK

As regards personnel, the BayWa Group is in competition with other companies for highly qualified managers and employees who are motivated and perform well. In order to safeguard its future success, the company needs a qualified workforce. Unusually high fluctuation, the exit of high performance, expert personnel and the failed attempt to bind junior staff to the company can exert a negative influence on business development.

OVERALL RISK

All in all, the risks of the BayWa Group are limited and manageable and do not endanger the company as a going concern.

In an overall consideration of the risks, market and weather-induced risks emerge as the most significant risks for the Group: These risks include specifically price fluctuation triggered by the economic environment as well as the impact of extreme weather conditions on the course of business. Organisational processes and workflows are supported by an internal control system and are thus less the cause of risk. All in all, the risks of the BayWa Group are limited and manageable and do not endanger the Group as a going concern. There are also no risks discernible which could pose a threat to the existence of the Group in future.

OUTLOOK FOR THE FINANCIAL YEAR 2007

ECONOMIC ENVIRONMENT TO REMAIN FAVOURABLE IN 2007 AS WELL

Favourable economic conditions in 2007 provide a sound basis for good business performance.

The corporate planning of the Group assumes that the economic recovery in Germany and Austria is set to persist, albeit at a slightly slower pace. The subsidiaries of the Group in eastern Europe do not have a major influence on the business situation of the Group. Nonetheless, progress is also anticipated in these companies. Generally the improved economic sentiment, the higher level of investment activities, the more favourable condition of the labour markets, along with the marginal increase in consumption in 2007 form a sound basis for the BayWa Group's business to develop well.

The increase in value added tax, compounded with upfront buying in Germany in 2006, will, however, in part brake investment and consumer decisions, particularly in the first half of the year. However, the Group does not anticipate that this will cause any major decline.

Despite positive expectations for the economy, there are still risks for the BayWa Group, such as erratic weather conditions, unforeseeable price and market fluctuations or negative impacts from changes in the political environment.

POSITIVE SENTIMENT PERSISTS IN AGRIBUSINESS

Income of farmers in an uptrend.

The generally upbeat sentiment in the agriculture industry and the financial position of agricultural operations remains positive overall. Whereas the average income of agricultural operations in Germany was already above the average of the last five years in 2005/2006, the government expects the economic situation to improve further in the current financial year and estimates an increase in income of between 5 and 10 percent. This forecast is based on higher revenues for grain, oil seed, potatoes and vegetables. Given that industrial consumption is on the rise and global grain stocks are on the wane, there are predictions that the price of grain will remain at a high level. Conversely, there is uncertainty surrounding the WTO negotiations, the impact of EU agricultural policy and changes in the national agriculture and fiscal policies. In Austria, the general conditions for the agribusiness of the Group are similar to those in Germany.

AGRICULTURE TO REMAIN THE GROUP'S BUSINESS MAINSTAY

Along with traditional trading, agricultural raw materials as well as logistics and services generate additional value-added potential.

According to this forecast, the general conditions for agribusiness in the sales region are set to remain stable. As, in the first quarter of 2007, extreme weather conditions did not materialise as they did in the winter before, the start to the season and the environment for equipment and resources are better in the current financial year. Given normal harvest and weather conditions, agricultural trading will expand again in 2007. Along with classical trading activities, agricultural raw materials as well as logistics and services deliver additional value added potential. BayWa agricultural trading will be using market concentration in the sector as an opportunity for acquisitions and growth in the future.

The eastern European subsidiaries also operating in agricultural trading can be expected to make progress as well. For instance, the purchase of Sempol, a company located in Slovakia, has made the Group market leader in the country's local seeds business. Eastern Europe therefore remains at the forefront of this segment's expansion strategy.

Improvement in sales and profit planned.

All in all, the Group has planned for a slight increase in sales, the scope of which will, however, depend on fluctuations in the market, prices and the weather.

Progress is planned for profit as well. With the implementation of the new inventory control system and the IT-supported “Marketing Manager”, state-of-the-art systems are available for management and control, as well as for process optimisation. The Group will also press ahead with the streamlining of locations as part of adjusting to structural changes in the agriculture segment. In essence, this means the closure of unprofitable operations and investment in new agriculture centres of competence.

CLIMATE FOR FARMERS‘ INVESTMENT UNCHANGED FROM THE PREVIOUS YEAR

The “Forest“ and “Bioenergy“ businesses to be an additional source of profit.

In 2006, the agricultural equipment sector experienced a genuine boom in Germany and Austria, especially for tractors. These growth rates will not be repeated in these dimensions due to the increase in value added tax in Germany. Nonetheless, the German speaking region anticipates a stabilisation of agricultural investment at the high level of the previous year. Additional sales will be generated by the “Forestry” and “Bioenergy” businesses which have meanwhile been established. With this market development in mind, the Group anticipates a slight increase in sales in these businesses. Higher earnings have been planned in the wake of the implementation of restructuring measures in German sales regions, where the focus is on streamlining locations and enhancing efficiency in sales and services. The newly introduced inventory control system supports these goals.

CONSTRUCTION SECTOR HAS STAGED A TURNAROUND

Good start to the season in the first quarter of 2007.

In 2006, the construction sector came out of the doldrums and, according to a forecast for the sector, the uptrend is set to stabilise in 2007. This statement applies to the Group’s sales region as a whole. In any event, in the first few months of 2007, building activities on many building sites progressed unabated as the construction companies had full order books to take into the new year. The greatest stimulus came from commercial construction, with lower growth rates posted by residential and public-sector construction. There are growth opportunities, especially in Germany in the market for energy-conserving refurbishment owing to the introduction of the energy pass at the start of 2008.

BayWa building materials business set to pursue its growth course.

Overall the Group anticipates that its building materials business will generate more sales in 2007. However, account must be taken of the fact that, in the financial year 2006, the mild weather at year-end resulted in an above-average sales and earnings effect which, given normal weather conditions, is unlikely to be repeated. Sales will again focus on renovation and refurbishment in view of the fact that new construction constituted the major part of building activities in 2006. With energy prices on the rise and the promotion of measures to conserve energy, the prospects of the modernisation market in particular – traditionally one of the strengths of the Group’s building materials business – for profitable growth in the longer term are good. If the economy continues to improve, the chances of higher margins will also be greater. The deployment of energy expert consultants and modernisation experts underpins this strategy. BayWa’s Building Materials segment also intends to pursue its growth path outside the region of southern Germany. Negotiations are under way with a number of companies. Upon the integration of building materials companies already taken over, synergies, with the concurrent effect on profit, will be stepped up in 2007.

STRATEGIC REALIGNMENT IN THE RETAIL TRADE

Do-it-yourself market considered stable.

The German DIY and garden center sector considers the effect of the VAT hike to be a brake on consumption but not necessarily a serious restriction. In Austria as well, the trend in the retail business is moderate. Of great significance, however, is the weather in the spring which, in 2006, had a considerable “diluting” effect on the business of garden centres. All in all, the sector views the DIY market as stable.

DIY & Garden Centers business unit plans to optimise and expand the surface area of 25 locations in the next two years.

On the basis of its estimate of the market and normal weather conditions, the Group has planned for a slight increase in sales in this business unit. Particularly in Germany, plans are supported by the strategic realignment of the business unit. As early as 2006, the test markets geared to the new Category Management succeeded in raising their sales with the aid of an optimised presentation of goods, and achieved a higher surface area productivity. Plans have been made to optimise and extend the surface area of 25 locations. Furthermore, measures to enhance the quality of advisory service and service in general have been implemented. Further progress has also been planned in procurement management and logistics. In 2007, the business unit is to start operations in a new logistic centre.

THE OIL PRICE, THE ECONOMY AND THE WEATHER INFLUENCE THE DEMAND FOR MINERAL OIL

Demand for fuel and lubricants is subject to economic influence, the oil price trend and the weather. An ongoing healthy economy will keep fuel and diesel sales at a steady level in 2007. Conversely, the demand for heating oil will fall short of the level of 2006 due to the mild winter, as already evidenced in the first months of the current financial year. The sale of biodiesel at German gas stations has more or less come to a standstill due to taxation and lack of automotive manufacturers' permission for biodiesel operation.

Given the unfavourable conditions in the heat market, the Energy segment plans to keep results at the previous year's level in 2007.

Given the more unfavourable conditions for the heating market and that oil prices remain at a high level, the Group anticipates that the overall sales and profit of the Energy segment will stay at the previous year's level.

DEVELOPMENT OF THE OTHER ACTIVITIES SEGMENT MORE MODERATE

In the year 2006, this segment was characterised by particularly buoyant conditions for food and car dealer activities. In 2007, the Group expects the business trend of these operations to be more moderate. Special effects from the sale of holdings in 2006 will no longer be applicable in the disclosure of profit.

THE BayWa GROUP CONTINUES TO PERFORM WELL

Group expects its upbeat performance to continue.

Seen as a whole, the Group anticipates that it will repeat its good performance of 2006 in the current financial year. A renewed increase in sales and profit has been planned, based on the general framework conditions and detailed plans of the Group's segments. Part of this is also the assumption that opportunities for internal and external growth will be exploited, as well ongoing progress in cost and process optimisation. The political environment and the weather are a source of additional opportunities and risks.

OVERVIEW OF THE BayWa GROUP

COMPANIES BELONGING TO THE BayWa GROUP

In 2006, the BayWa Group expanded further. A total of 14 companies have been included for the first time in the group of consolidated companies. The new companies include these companies newly acquired in the financial year 2006: Mobau-Marba GmbH, Herten, Sempol spol. s r.o., Slovakia, and Dr. E. Gräub AG, Switzerland.

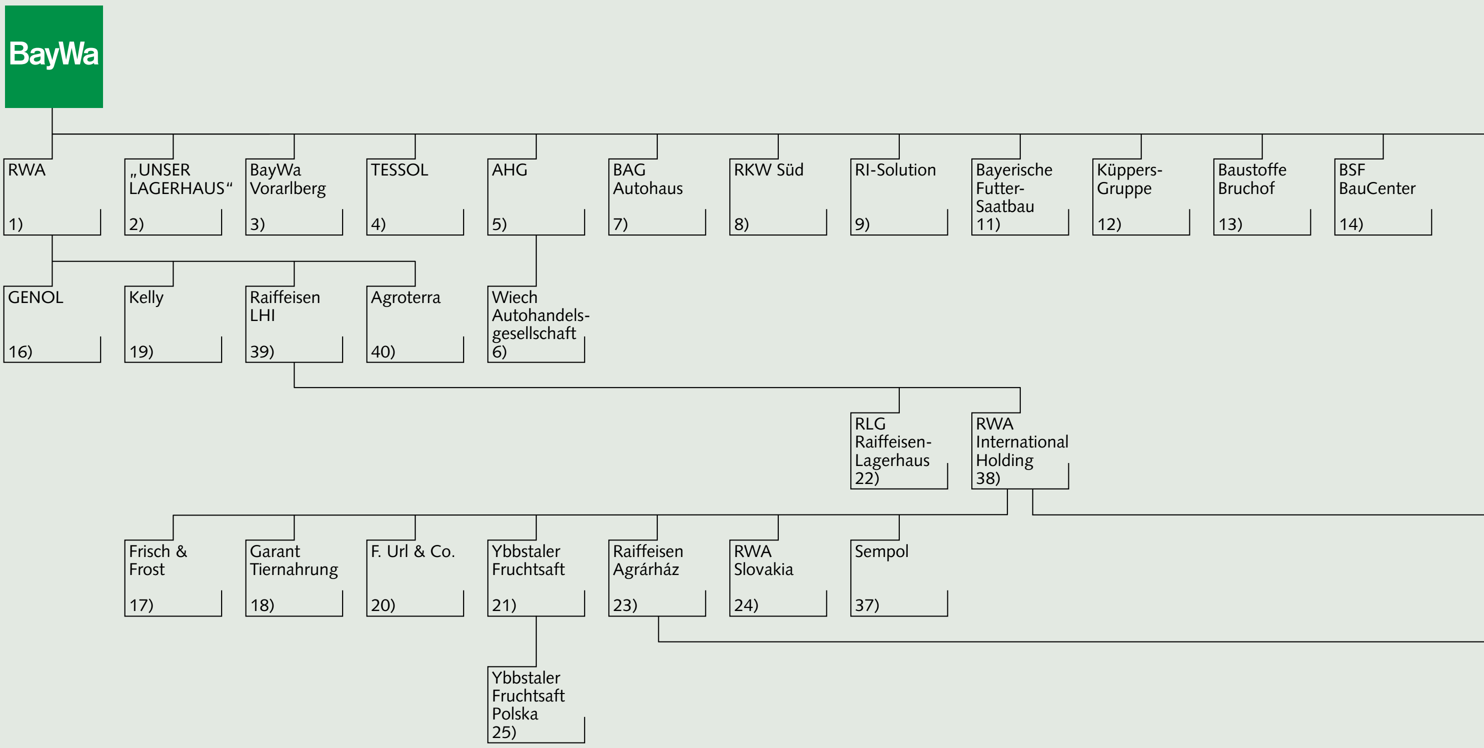
The acquisition of Mobau-Marba was part of the ongoing expansion in the Building Materials segment. Another acquisition in Württemberg was integrated directly into BayWa AG as part of an asset deal.

Following the takeover of Dr. E. Gräub AG, the BayWa Group restructured its veterinary business together with Münster-based Agravis Raiffeisen AG. Both companies have combined their activities in the field of animal generics under the newly founded VETINVEST GmbH located in Münster.

The inclusion of BAG Autohaus GmbH, Bopfingen, and the newly acquired Wiech Autohandelsgesellschaft, Rottenburg, rounds off the vehicle trading activities in Württemberg.

In addition, a number of newly founded companies which, for reason of materiality were formerly not consolidated, were included.

The group of consolidated companies was supplemented by the jointly held company Unterstützungseinrichtung der BayWa AG.

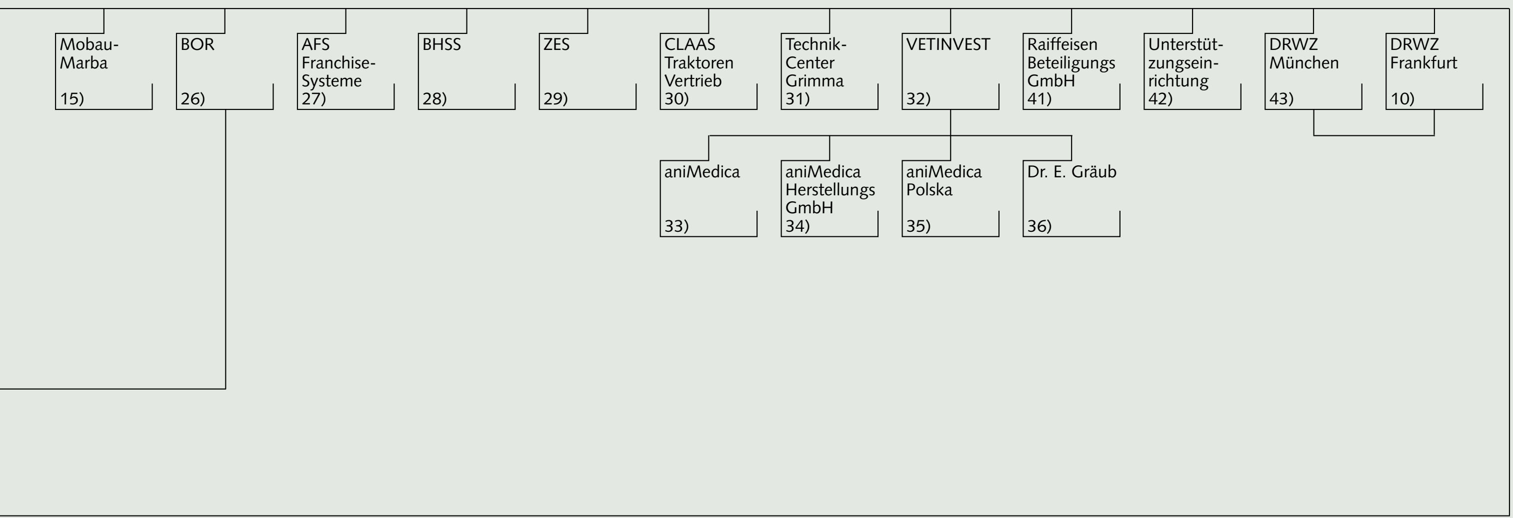


PROFILES OF THE COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

1) RWA RAIFFEISEN WARE AUSTRIA AG, VIENNA

RWA Raiffeisen Ware Austria heads up the trading and services business in the core activities of agriculture, building materials and energy in the regions of Lower Austria, Upper Austria and Styria. Having emerged from the combination of regional cooperative merchandise associations, RWA has meanwhile taken its place as one of the leading companies in Austria. Its business activities are currently expanding to cover the Eastern European countries. RWA also focuses on the development of a profitable participation portfolio in its core business.

In the financial year 2006, RWA generated sales of EUR 923 million, thus outperforming the previous year's figure by EUR 86 million. The company's agribusiness contributed EUR 534 million, with the main increase recorded in trading in feedstuff and wood. Agricultural equipment activities rose by EUR 6 million to EUR 51 million. Trading in building materials lifted sales by 16 percent to EUR 171 million. DIY & garden centre operations saw sales rise by EUR 16 million to EUR 144 million. Sales in the Energy segment came to EUR 18 million. RWA raised its profit once again.



As per 31 December 2006

2) "UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT M.B.H. (WHG), KLAGENFURT, CARINTHIA

"Unser Lagerhaus" Warenhandelsgesellschaft m.b.H. represents the Group's business activities in Carinthia and Tyrol. The company is an important trading partner in these regions in all the Group's core activities. WHG uses its favourable geographical location to selectively build up options in Eastern Europe such as, for instance, its compound feedstuff business in Slovenia.

In 2006, WHG repeated its positive performance of the preceding years. The company raised both sales and profit contribution again. Total sales stood at EUR 432 million, which is 12 percent higher than in the previous year.

3) BayWa VORARLBERG HANDELSGMBH, LAUTERACH

BayWa Vorarlberg rounds off the Austrian trading activities of the Group. Its home market covers the west part of Austria. In accordance with a uniform strategy for the Group, its business also includes all three core activities.

BayWa Vorarlberg performed well in 2006: Sales rose EUR 5 million to a total of EUR 55 million, boosted mainly by the energy business. The company also made good progress in terms of its profit.

4) TESSOL KRAFTSTOFFE, MINERALÖLE UND TANKANLAGEN GMBH, STUTTGART

Tessol trades in fuel and lubricants in the Württemberg region. It operates around 120 gas stations in southern Germany under the AVIA brand, and is thus the second largest shareholder within the AVIA Group.

In 2006, Tessol's sales revenue reached EUR 201 million, which corresponds to an increase of 9 percent. The stable market environment for fuel and lubricants also had a positive impact on the earnings situation of the company. The company raised profit marginally as compared with 2005.

5) AHG AUTOHANDELSGESELLSCHAFT MBH, HORB A. N.

and

6) WIECH AUTOHANDELSGESELLSCHAFT MBH, ROTTENBURG

Together with Wiech, a subsidiary consolidated for the first time, AHG ranks among the leading car dealer operations in southern Germany. With a total of 16 locations, both companies sell vehicles made by BMW, Mini, Peugeot and Land Rover, with affiliated vehicle maintenance garages. The regional expansion of its sales network secures its market position in the Württemberg region.

AHG grew strongly in the financial year 2006. In particular in the second half of the year, the impending rise in VAT on 1 January 2007 led to increased buying of vehicles. Together, AHG and Wiech generated sales of EUR 224 million, exceeding the previous year's figure by 43 percent. This positive development is reflected in profit which has greatly improved.

7) BAG AUTOHAUS GMBH, BOPFINGEN

BAG Autohaus rounds off the vehicles business in the Württemberg region. Through its two locations, the company sells brands of the Volkswagen Group and ancillary vehicle services.

Sales of around EUR 14 million were consolidated by the first-time inclusion of the company. The company has reached breakeven.

8) RAIFFEISEN-KRAFTFUTTERWERKE (RKW) SÜD GMBH, WÜRZBURG

RKW Süd is southern Germany's largest manufacturer of feedstuff. The company produces and sells special and compound feedstuff for cattle, pigs and poultry at a number of locations. Beyond this, it is a full supplier for horses and small animals.
Primarily price-induced, sales of EUR 92 million were slightly higher than in the previous year. Owing to the difficult market environment and internal special burdens, the company again suffered a loss. Efforts stepped up in sales and the partial realigning of processes and activities should, however, ensure that the company returns to the profit zone.

9) RI-SOLUTION GMBH GESELLSCHAFT FÜR RETAIL-INFORMATIONSSYSTEME, SERVICES UND LÖSUNGEN MBH, MUNICH

As a non-profit company, RI Solution provides IT services to the whole of the BayWa Group. The company enables the realisation of synergies within the Group as well as harmonising and standardising IT processes.
The company generates sales solely within the Group, which are eliminated in the process of consolidation.

10) DEUTSCHE RAIFFEISEN-WARENZENTRALE (DRWZ) GMBH, FRANKFURT AM MAIN

Frankfurt-based DRWZ is a trading and services company specialised in the agriculture and building materials businesses. The company has been included in the group of consolidated companies of BayWa under the equity method. In 2006, DRWZ achieved sales of EUR 292 million which were, as planned, lower (2005: EUR 345 million) as a consequence of the changed processes in the conducting of the fertilizer business.

11) BAYERISCHE FUTTERSAATBAU GMBH, ISMANING

The main business activities of Bayerische Futtersaatbau consist in the sale and distribution of high-quality seeds and products necessary for agriculture and horticulture. Sales of EUR 17 million remained stable in a year-on-year comparison. Despite the difficult weather conditions, the company raised profit again.

12) KÜPPERS-GRUPPE, HATTINGEN

The Küppers Group operates in the building materials trade and comprises 15 companies which were consolidated under the BayWa Group for the first time in 2005. With the purchase of the Group, BayWa has taken the first step into the regional market of North Rhine-Westphalia.
In the financial year 2006, the Group generated sales of EUR 56 million. The result was boosted above all by the general uptrend in the construction industry. Nonetheless, profit disclosed was burdened by integration costs in the following year. In the course of 2007, the individual companies will be combined with BayWa AG, which will mean that the integration of the companies will have been completed under the law as well.

13) WILHELM BRUCHOF GMBH & CO. KG, BENDORF

The building materials trading company Wilhelm Bruchof was also acquired in 2005. The company operates a wholesale business in a number of locations in Rhineland-Palatinate. Bruchof attained sales of EUR 22 million in 2006. Profit rose substantially because there were no integration costs as in the previous year. On 2 January 2007, the assets of the company grew due to the exit of the Komplementär-GmbH (general partner) of BayWa AG. Integration under law has therefore also been concluded.

14) BSF BAUCENTER GMBH, WEINSBERG

BSF BauCenter GmbH is a building materials company with locations in Württemberg. The company was purchased in 2005. In the financial year 2006, sales of EUR 28 million were generated. The integration of the company into BayWa AG progressed at a rapid pace but nonetheless burdened the result in 2006. BSF Baucenter GmbH is to be combined with BayWa AG in the first half of 2007.

15) MOBAU-MARBA GMBH, HERTEN

The most recent building materials acquisition is Mobau-Marba GmbH which has its headquarters in Herten. In line with the expansion strategy of the Building Materials business unit, the company supplements the regional presence of the Group in North Rhine-Westphalia. As from 1 September 2006, the company was consolidated. In this period, Mobau-Marba recorded sales of EUR 7 million. The result for the short financial year was positive.

16) GENOL GESELLSCHAFT M.B.H. & CO., VIENNA

The Austrian company GENOL trades in mineral oil products as well as in fossil and biogene fuel. In line with expectations, the strong first half-year of 2006 was followed by a somewhat slacker phase in the remaining months of the year. The mild final quarter in particular caused sales in the oil business to fall well below the level of the previous year. Persistently high prices up until August drove sales to a new level of EUR 712 million, with volumes remaining virtually stable. Wood pellets were greatly in demand in the course of the year.

17) FRISCH & FROST NAHRUNGSMITTEL-GESELLSCHAFT M.B.H., HOLLABRUNN, LOWER AUSTRIA

Frisch & Frost is a producer of frozen goods, especially of french fries, and market leader in Austria. A higher market share in Germany and successful snack promotion campaign were the main reasons for sales which reached EUR 54 million. This more than compensated for the impact of a poor potato harvest on the production of french fries.

18) GARANT-TIERNAHRUNG GMBH, PÖCHLARN, LOWER AUSTRIA

Garant is Austria’s only full-line supplier of animal feedstuff. Products range from feedstuff for small animals through to high-performance feedstuff. Despite the negative impact of Avian flu at the start of 2006, the company repeated its sales performance of the previous year. The financial year recorded sales of EUR 71 million, with stable profit again unchanged from the good level of previous year.

19) KELLY GMBH, VIENNA

Kelly is a subsidiary in which a stake of 25.1 percent is held. The company was included in the group of consolidated companies under the equity method. The company is Austria’s market leader for snacks. Sales, which came to EUR 64 million, remained stable in comparison with 2005. Profit has slightly improved.

20) F. URL & CO. GESELLSCHAFT M.B.H., UNTERPREMSTÄTTEN, STYRIA

In 2006, the company generated sales of EUR 47 million through the trading of grain and seeds, which is an increase of EUR 3 million over 2005. Profit also rose, with the result that the positive trend of previous years was repeated.

21) YBBSTALER FRUCHTSAFT GMBH, KRÖLLENDORF, LOWER AUSTRIA

Ybbstaler Fruchtsaft GmbH is one of Europe's leading manufacturers of fruit juice. An extremely strong financial year, with a substantial increase in sales volumes, in particular for apple juice concentrate, lifted sales by EUR 21 million to EUR 94 million. The company raised operating profit substantially as well. The result also includes proceeds from the sale of the stake held in ATYS Austria GmbH.

22) RLG RAIFFEISEN-LAGERHAUS GMBH, BRUCK/LEITHA, LOWER AUSTRIA

As early as the second year after integration, RLG, which emerged from the business combination of Lagerhäuser Niederösterreich Süd and Industrieviertel Nordost, was making a very positive contribution to profit. This gratifying development of the agricultural trading company is the result of a stringent restructuring programme. Overall, RLG achieved sales of EUR 106 million in 2006.

23) RAIFFEISEN AGRÁRHÁZ KFT., SZÉKESFEHÉRVÁR, HUNGARY

The BayWa Group is represented in Hungary's agricultural market through Raiffeisen Agrárház. The performance of the company in 2006 was not yet satisfactory owing to the difficult commercial and political conditions. Sales revenues of EUR 62 million were much higher than in 2005 owing to prices. The Hungarian company increased profit slightly.

24) RWA SLOVAKIA SPOL. S R.O., BRATISLAVA, SLOVAKIA

The Group is represented through RWA Slovakia in Slovakia. In 2006, RWA Slovakia was able to repeat its successful performance of the previous year. Having withdrawn from the agricultural equipment business in 2005, sales revenues dropped by around EUR 8 million to EUR 30 million. At the same time, however, the company raised profit.

25) YBBSTALER FRUCHTSAFT POLSKA SP. Z O.O., CHELM, POLAND

As a subsidiary of Ybbstaler Fruchtsaft GmbH, Ybbstaler Fruchtsaft Polska produces and sells fruit juice concentrates. The company achieved sales of EUR 10 million in 2006, thus improving on its positive profit contribution of 2005.

26) BOR S.R.O., CHOCEN, CZECH REPUBLIC

BOR sells agricultural products in the Czech Republic. Its sales came to EUR 32 million which is EUR 4 million higher in a year-on-year comparison. The company again disclosed a profit for the year.

27) AFS FRANCHISE-SYSTEME GMBH, VIENNA

AFS is entrusted with the support of Austrian franchisees of BayWa AG and of RWA AG in the building materials and DIY & Garden Center businesses. This support includes purchasing, product mix, marketing services and advisory services for the franchise partners in Austria.

The company generated sales of EUR 10 million in 2006, thus unchanged from the previous year's level. The revenue of the company consists mainly of franchise fees and charge transfers to the franchise partners. The external sales of the franchise partners, which came to around EUR 194 million in the financial year 2006, are not part of this revenue.

28) BayWa HANDELS-SYSTEME-SERVICE GMBH (BHSS), MUNICH

BHSS provides support to all franchisees of BayWa AG outside Austria in the building materials along with the DIY and garden centre businesses. These activities are focused in particular on the partners of Raiffeisen trading cooperatives.
The sales revenues of this company which, similar to AFS, are primarily composed of franchise fees, stood at around EUR 3 million. In 2006, BHSS helped boost the external sales of German franchisees to EUR 132 million.

29) ZES ZENTRALE EINKAUFS-SERVICE GMBH, MUNICH

As a services company, ZES is responsible for procurement logistics relating to retail activities on behalf of the companies of the BayWa Group and for franchise operations. The company enhances the optimisation of the procurement process and, at the same time, ensures that there is functional segregation in the context of the internal control system of the Group on the procurement front.
The company generated sales of EUR 4 million, with revenue accruing exclusively from the fees agreed for services with the service partners.

30) CLAAS TRAKTOREN VERTRIEB BAYERN GMBH, VOHBURG

CLAAS Traktoren Vertrieb Bayern GmbH has been the sales and distribution channel for new CLAAS tractors in central and northern Bavaria since 2004. The company is run jointly by BayWa AG and CLAAS Vertriebsgesellschaft mbH based in Harsewinkel.
In the financial year, sales revenues posted EUR 10 million, up from EUR 6 million in 2005.

31) TECHNIKCENTER GRIMMA GMBH, MUTZSCHEN

TechnikCenter Grimma GmbH's operations are concentrated on the sale, letting and maintenance services for the CLAAS brand in the region of western Saxony. Similar to its Bavarian sister company, it is also held jointly by BayWa AG and CLAAS Vertriebsgesellschaft mbH, Harsewinkel.
In 2006, the company generated sales of EUR 13 million, thus raising revenue by 9 percent in comparison with the previous year.

32) VETINVEST GMBH, MÜNSTER

with the companies of aniMedica:

33) ANIMEDICA GMBH, SENDEN

34) ANIMEDICA HERSTELLUNGS GMBH, SENDEN

35) ANIMEDICA POLSKA SP. Z O.O., WEIJHEROWO, POLEN

and

36) DR. E. GRÄUB AG, BERN, SWITZERLAND

VETINVEST GmbH is a company jointly held by BayWa AG and Agravis Raiffeisen AG. The company's activities are focused on the development, manufacturing and sale of veterinary pharmaceutical products and supplementary feedstuff. VETINVEST was founded following the purchase of Dr. E. Gräub AG. In addition, the aniMedica companies were partly newly founded or restructured under company law.

The sales revenue for veterinary pharmaceutical products totalled EUR 19 million in 2006.

37) SEMPOL SPOL. S R.O., TRNAVA, SLOVAKIA

The takeover of plant rights and the production facilities of Sempol in 2006 is another step in the expansion in Eastern Europe. The company operates as a producer of seed and is the ideal supplement to the activities of RWA Slovakia, a company already active in the market, in resources and grain. The takeover is intended to lift the sales of the seed business in Slovakia by up to EUR 10 million.

38) RWA INTERNATIONAL HOLDING GMBH, VIENNA

and

39) RAIFFEISEN-LAGERHAUS INVESTITIONSHOLDING (LHI) GMBH, VIENNA

and

40) AGROTERRA WARENHANDEL UND BETEILIGUNGEN GMBH, VIENNA

and

41) RAIFFEISEN BETEILIGUNGS GMBH, FRANKFURT AM MAIN

The four companies listed above fulfil the function of pure holding companies for the shares in the respective operating units. They do not generate any notable external sales themselves.

OTHER COMPANIES

42) UNTERSTÜTZUNGSEINRICHTUNG DER BayWa AG IN MÜNCHEN GMBH, MUNICH

The Unterstützungseinrichtung der BayWa in München GmbH covers a portion of the split benefit obligations of the employees of the individual group companies who are entitled to these benefits. It has been equipped with its own assets for this purpose. The assets brought into the company are deemed not funded within the meaning of IAS 19, which has led to the full disclosure of all obligations arising from commitments in the consolidated balance sheet. In order to enable the disclosure of all released assets and earnings portions of the Unterstützungseinrichtung in the consolidated balance sheet, the company was included in the group of consolidated companies by way of full consolidation.

43) DRWZ-BETEILIGUNGSGESELLSCHAFT MBH, MUNICH

The subsidiary is to be included through the direct and indirect holdings in Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main. It acts as a pure interim holding company with its only holding being a participation in DRWZ Frankfurt.

THE BayWa SHARE

NEW BENCHMARKS SET ON THE MDAX AND THE SDAX

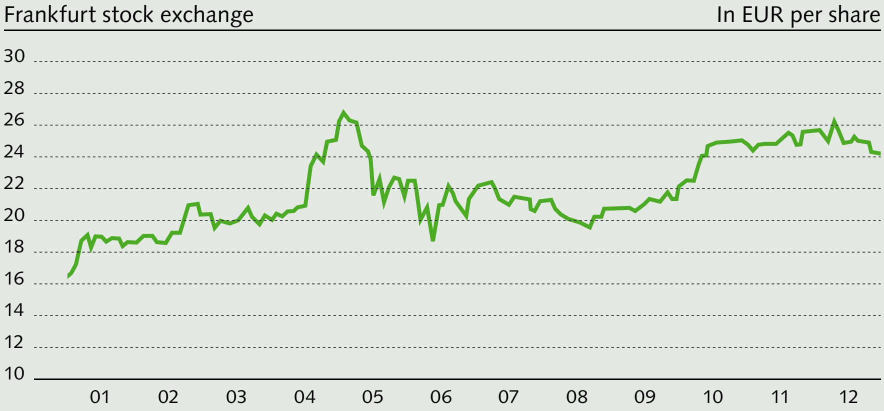
The year 2006 was a good stock market year for investors. After an ambitious start, May and June saw sharp price corrections. On occasion, Germany's DAX even fell below its level at the start of the year. Only after concerns about inflation and interest rates had been put to rest did the leading index return to the growth path observed as from mid-July. From this time onwards, there was a steep uptrend. Important factors driving this trend were expectations for considerably improved company results. In Germany, the opinion that economic growth in 2006 would turn out to be more robust than originally thought became widespread. At year-end, the DAX closed at just under 6,600 points, which was an increase of 22 percent as against 2005, with the second-line stock indices MDAX and SDAX again outperforming Germany's most significant leading index. New benchmarks were set on the MDAX and the SDAX, with growth of 29 percent and 31 percent respectively.

PRICE PERFORMANCE OF THE BayWa SHARE

BayWa share price performance up 49.9 percent.

The BayWa share developed exceedingly well in 2006. With an increase of 49.9 percent, it outperformed both the DAX and the second-line stock indices. The registered share (securities ID no. 519 406) peaked at EUR 26.29 on 5 May 2006. Following corrections on the markets throughout the year, the share price rose again swiftly at the end of the year and closed at EUR 24.28 on 30 December 2006. In the financial year 2006, market capitalisation climbed EUR 275 million to EUR 823 million. Long-term investors in particular can be very pleased about the development in recent years: The BayWa share has risen by a weighted 46 percent every year since 2002.

PRICE PERFORMANCE OF THE BayWa SHARE* IN 2006



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

LONG-TERM PRICE PERFORMANCE OF THE BayWa SHARE*

In EUR	2002	2003	2004	2005	2006
High	6.50	13.70	15.80	18.35	26.29
Low	4.60	4.60	11.62	12.70	16.51
Closing price	5.20	13.21	13.40	16.20	24.28
Market capitalisation (in EUR million)	176.3	443.4	452.9	548.6	823.2

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

THE BayWa SHARE ON THE SDAX

The BayWa share is traded on all Germany's important stock exchanges as well as in the electronic trading system Xetra. Since the end of 2003, BayWa's share with restricted transferability (sec. ID no. 519 406) is also listed on the SDAX, a German index for second-line stocks. In the most recent MDAX ranking list for 2006, BayWa ranked in 69th place measured by market capitalisation and, in terms of stock trading volume, was 89th among listed second-line companies. BayWa's weighting in the index came to 2.1 percent.

The BayWa share fulfils international transparency requirements.

The BayWa share is listed on the official markets on the Frankfurt and Munich stock exchanges as well as being traded OTC on the Berlin, Bremen, Düsseldorf, Hamburg and Stuttgart stock exchanges. The company has been admitted to Prime Standard and thus fulfils the international standards on transparency.

ALLOCATION OF SHARE CAPITAL

The share capital of BayWa amounts to EUR 86,664,849.92. As against 2005, liable capital rose by EUR 162,869.76 owing employees subscribing to shares. The share capital comprises 33,853,457 registered shares, divided up into two different classes of shares: shares with restricted transferability (securities ID no. 519 406), more fungible owing to units numbering 32.6 million, and a second class of 1.2 million registered shares not subject to transfer restrictions (securities ID no. 519 400), the latter being primarily issued by way of unencumbered paper in the context of business combination procedures. Due to its lower unit number, the "smaller" class of shares is subject to a limited trading volume. The closing price on 30 December 2006 for shares not subject to transfer restrictions stood at EUR 25.40 as compared with year-end 2005 when it posted EUR 16.95.

EMPLOYEES SHARE SCHEME ELICITS POSITIVE RESPONSE AGAIN

For years, the employee share scheme has promoted entrepreneurial thinking and action.

The employee share scheme has promoted the entrepreneurial thinking and actions of the workforce for many years and gives our employees the possibility of participating in the development of the BayWa share. In summer 2006, the employees of BayWa AG and staff belonging to Group companies were again able to purchase BayWa shares under special conditions. Within the scope permitted by income tax, employees entitled to subscribe to shares of BayWa AG could purchase them at a discount of 40 percent. All in all, 63,621 registered shares with restricted transferability were issued under this share scheme (2005: 76,830), whereby all shares are subject to restrictions on selling (company holding period) up until 31 December 2008. The carrying out of a capital increase from approved capital was entered into the Commercial Register on 19 October 2006. Overall the company received funds amounting to EUR 805,441.86 through these measures. The premium of EUR 642,572.10 was transferred to the capital reserve.

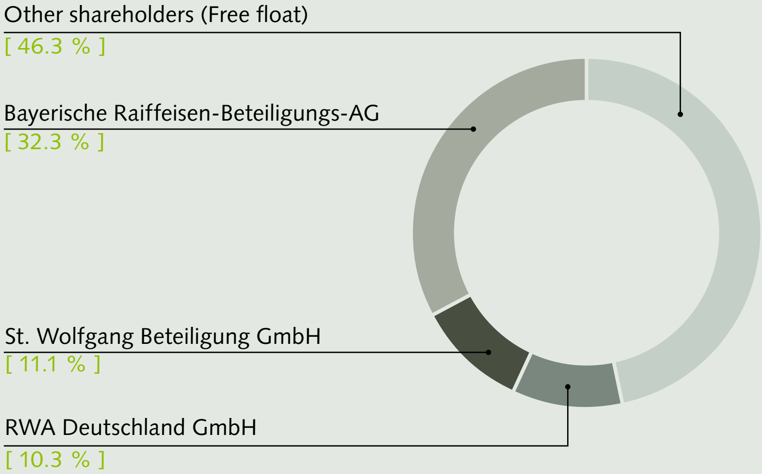
SHAREHOLDER BASE INCREASINGLY INTERNATIONAL

The structure of the shareholders of BayWa AG has remained for the most part unchanged in comparison to the previous year. As per 31 December 2006, Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, held a stake of 32.3 percent of the shares, unchanged from 2005. The portion held by St. Wolfgang Beteiligung GmbH also remained unchanged at 11.1 percent, as did that of RWA Deutschland GmbH which still holds 10.3 percent. The remaining shareholders (free float) came to 46.3 percent on the reporting date.

Increase in the share of institutional investors.

The proportion of institutional investors, however, has risen within free float, with primarily international investors wanting BayWa shares. In the meantime, this investor group holds around 17.5 percent of the shares, which is an increase of 3.5 percent compared with 2005.

SHAREHOLDER STRUCTURE OF BayWa AG AS PER 31 DECEMBER 2006



INCREASE IN DIVIDEND

Proposal for sixth dividend increase in eight years.

As part of the company's steady dividend policy, the Board of Management and the Supervisory Board will propose to the Annual General Meeting (AGM) that dividend for the financial year 2006 be raised again by 2 cent to EUR 0.30 for each dividend-bearing share. Pending approval by the AGM, this would be the sixth increase in eight years. With this measure, Management and BayWa's governing bodies wish to give the shareholders the opportunity of participating in the positive development of the BayWa Group.

The amount of dividend to be paid to the shareholders will be reduced by the part amount which would be payable on the shares held by the company at the time of when the resolution on the appropriation of profit is passed. Under Section 71b of the German Stock Corporation Act (AktG), these shares are not entitled to dividend. This portion will be carried forward to new account.

INVESTOR RELATIONS PROMOTES DIALOGUE WITH THE CAPITAL MARKET

Investor relations activities stepped up.

At the heart of Investor Relations work is timely information and open communication with shareholders, analysts, potential investors and lenders of capital.

Presentations and road shows staged in all the important financial centres of Europe gave information to analysts and investors on the strategy and development of the BayWa Group in 2006. The Group reported on current business developments at the annual analysts' and Annual Results Press Conference in Munich as well as through telephone conferences held when the quarterly figures and financial data were released. As a flanking measure, 70 one-on-one discussions with fund managers and financial analysts were conducted in the financial centres of Frankfurt, Munich, London and Vienna. In addition, the Group made company presentations at equity forums in Frankfurt as well as the German Investment Conference in Munich.

Detailed material, such as financial reports and current company presentations, is published on internet in German and English under www.baywa.de, under the Investor Relations heading.

CORPORATE GOVERNANCE REPORT

BayWa's corporate governance pursues the goal of raising enterprise value on a sustainable basis through an efficient and responsible management of the company, in conjunction with effective control, and of fostering the trust of investors, financial markets, business partners, employees and the public.

MANAGEMENT AND CONTROL STRUCTURE OF THE COMPANY: THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

Two-tier management and supervision structure in the Board of Management and the Supervisory Board.

As a company with its headquarters in Munich, BayWa AG is subject to German law. A fundamental principal of German stock corporation law is the two-tier structure of management and monitoring as implemented through the executive bodies of the Board of Management and the Supervisory Board.
The Supervisory Board of BayWa AG appoints the members of the Board of Management, supervises and acts in the capacity of advisor to the Board of Management. The Board comprises 16 members and, in accordance with the German Co-Determination Act, is divided equally into representatives of the shareholders and of the employees. The Supervisory Board convenes without the members of the Board of Management in as much as is deemed necessary for carrying out its independent consultation and for making decisions.

The Board of Management, which comprises seven members, is the executive body which heads the Group and, as such, is bound by the interests of the company and to promote the sustained increase in the company's value. It develops the corporate strategy, coordinates it with the Supervisory Board and ensures that it is implemented. Under the provisions laid down by law, the Board of Management reports to the Supervisory Board in a regular, timely and comprehensive manner on all issues relevant to the company concerning planning, the development of business, the financial and earnings trends, the risk position and risk management. The Supervisory Board is directly involved in all decisions of fundamental importance for the company.

THE COMMITTEES OF THE SUPERVISORY BOARD

Five expert committees of the Supervisory Board.

The Supervisory Board of BayWa AG has set up five committees with expert qualifications:
The Board Committee is concerned with all matters affecting the individual members of the Board of Management, for example, the appointing of such members, the drawing up of contracts for members and the approval of sideline activities.
The Lending & Investment Committee deals with all financing measures requiring approval by the Supervisory Board and monitors investment activities.
The Standing Committee is entrusted with the task of preparing the meetings of the Supervisory Board. In addition, this committee is responsible for drawing up the respective Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) pertaining to compliance with the German Corporate Governance Code. The Audit Committee is mainly involved in examining the documents of the independent auditor relating to the audit of the annual financial statements of the company and of the Group and in preparing them for adoption by the Supervisory Board. The Supervisory Board ensures that the members of the committees are independent and are familiar with the principles of accounting and the internal control procedures. The Mediation Committee prescribed under the law only convenes under the Co-Determination Act if, in the first voting round of the Supervisory Board, the required two-thirds majority is not reached when the latter decides on the appointing or withdrawal of a member of the Board of Management.

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

Compensation of the members of the Board of Management

Remuneration made up of a fixed and a variable component.

The Board Committee of the Supervisory Board is responsible for determining the compensation of the Board of Management. The compensation of members of the Board of Management is made up of a fixed portion and a variable portion. The fixed component comprises an annual fixed salary and customary fringe benefits which mainly consist of the value to be applied under the German tax guidelines for the use of a company car. The performance-related component is based on the commercial success of the company and the achieving of individual goals which are newly defined once a year. There are no stock options. In addition, individual members of the Board of Management are entitled to pensions. The total compensation of the members of the Board of Management comes to EUR 4.4 million (of which EUR 1.7 million is variable), and an amount of EUR 1.8 million has been transferred to pension provisions.

Compensation of the Supervisory Board

The system for the compensation of the Supervisory Board is described under Item 3 of the Corporate Governance Report on "Itemisation of compensation received by the Supervisory Board". The total compensation received by the Supervisory Board amounts to EUR 0.3 million (of which EUR 0.1 million is variable).

COMMUNICATION AND TRANSPARENCY

Transparency through regular and timely communication on performance.

BayWa communicates on a regular and up-to-date basis on the development of the company and its financial and earnings position. Information on the quarterly results and the annual financial statements is given at press conferences and analysts meetings. The dates of these events are published in the financial calendar. Current developments are reported in the form of ad-hoc and press releases. All information is made available on the web site of the company under www.baywa.de. The German Transparency Directive Implementation Act (TUG), published in the German Federal Gazette on 10 January 2007, also contributes to comprehensive information being provided to shareholders and the public.

RESPONSIBLE ACTION

Ethics Code as a binding guideline for all employees.

As a guideline for an approach to ethical action, the company has established a set of principles which serve as a code of conduct when dealing with information, business partners and the property of the company. This ethics code is binding for all employees. In addition, employees have the option of consulting BayWa AG's in-house legal counsel, in good faith, in matters within the company which may go against the law, or in grievances in cooperation with business partners/companies.

In August 2006, the new German General Equal Treatment Act (AGG) came into force. Information on the content of the Act and the resulting rules of conduct was given to the employees of BayWa AG and all German companies. In addition, all managers of BayWa AG absolved a training course on the topic of AGG.

SECURITIES DEALING BY THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

Pursuant to Section 15a of the German Securities Trading Act (WpHG), members of the Board of Management and of the Supervisory Board are obliged to disclose their transactions with the shares of BayWa AG if the sum total of all the transactions of a member of the Board of Management or Supervisory Board has exceeded the amount of EUR 5,000 by the end of a calendar year. The Compliance Officer monitors the due and proper keeping of an insider register. The following reports were submitted to BayWa AG for the financial year 2006:
Erich Schaller, member of the Supervisory Board, sold BayWa shares (securities ID no.: 519 406): on 8 May; 2,400 units at a price of EUR 26.01 and 600 units at a share price of EUR 26.03; on 9 May: 500 units at a share price of EUR 25.81 and 500 units at a share price of EUR 25.76.

Erich Schaller, member of the Supervisory Board, bought BayWa shares (securities ID no.: 519 406): on 18 May, 500 units at a share price of EUR 21.00.

DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

On 14 November 2006, BayWa AG submitted its Declaration of Conformity with the German Corporate Governance Code. It is worded as follows:

The recommendations of the "Government Commission on the German Corporate Governance Code", as stipulated in the version dated 2 June 2005, have been complied with, apart from the following exceptions:

Declaration of Conformity in the version dated 2 June 2005.

- BayWa AG has taken out a Directors' & Officers' (D & O) insurance covering the Board of Management and the Supervisory Board which does not provide for a deductible to be paid by the member of these bodies; the company does not intend to change its current D & O policy (Code Item 3.8 (2)).
- Compensation received by the individual members of the Board of Management is not itemised but divided up according to fixed and variable/performance-related components and disclosed annually in the Notes to the Consolidated Financial Statements. Compensation does not include any long-term incentive components such as stock options or any other similar instruments (Code Item 4.2.4).
- Compensation received by the individual members of the Supervisory Board is not itemised but divided up according to fixed and performance-related components and disclosed annually in the Notes to the Consolidated Financial Statements (Code Item 5.4.7 (3)).

The recommendations of the "Government Commission on the German Corporate Governance Code", as stipulated in the version dated 12 June 2006, have been complied with, apart from the following exceptions:

Declaration of Conformity in the version dated 12 June 2006.

- BayWa AG has taken out a Directors' & Officers' (D & O) insurance covering the Board of Management and the Supervisory Board which does not provide for a deductible to be paid by the member of these bodies (Code Item 3.8 (2)).
- Compensation received by the individual members of the Board of Management is not itemised but divided up according to fixed and variable/performance-related components and disclosed annually in the Notes to the Consolidated Financial Statements. Compensation does not include any long-term incentive components such as stock options or any other similar instruments.

Pursuant to Section 286 para. 5 of the German Commercial Code, a resolution was passed accordingly by the Annual Shareholders Meeting (Code Item 4.2.4).

- Compensation received by the individual members of the Supervisory Board is not itemised but divided up according to fixed and performance-related components and disclosed annually in the Notes to the Consolidated Financial Statements (Code Item 5.4.7 (3)).

DEVIATIONS FROM THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

1. D & O policy deductible
BayWa is not of the opinion that the motivation and the responsibility with which the members of the Board of Management and the Supervisory Board fulfil their duties has to be prompted by having a deductible as part of the D & O insurance.

2. Individually itemised compensation received by the Board of Management
An itemised disclosure of the compensation received by the Board of Management has been refrained from as this would lead to a levelling out of remuneration to individual members of the Board in the medium term and not take account of the performance of the individual board members.

3. Itemisation of compensation received by the Supervisory Board
There is no itemised disclosure of the compensation of the Supervisory Board in the Notes to the Consolidated Financial Statements. The amount of compensation paid to the individual members of the Supervisory Board was resolved by way of resolution passed by the Annual General Meeting on 1 July 2003. Accordingly, each member of the Supervisory Board will receive fixed compensation in the amount of EUR 6,000 a year, in addition to his expenses, and variable compensation of EUR 250 for each cash dividend portion of EUR 0.01 per share resolved by the Annual General Meeting which is distributed to the shareholders in excess of a profit share of EUR 0.10 per share. The Chairman of the Supervisory Board will receive double and his deputy one and a half times the aforementioned amount. Activities carried out on behalf of committees will be compensated in the amount of EUR 2,000. The respective Chairman will receive double this amount.

GROUP TOPICS

THE ABILITY TO RECOGNISE THAT SPECIAL SOMETHING NEEDS AN OPEN MIND AND A WATCHFUL EYE. THIS IS HOW THE UNEXPECTED CAN COMBINE WITH TRIED-AND-TESTED INSIGHTS TO MAKE UP A CONVINCING PICTURE.

WEINSBERG. NEAR HEILBRONN. BADEN-WÜRTTEMBERG.

49° 08' 43'' N, 09° 18' 23'' E

BayWa IS CLOSE TO THE CUSTOMER WHENEVER NEEDED: IN THE NEIGHBOURHOOD WITH A RANGE OF PRODUCTS AND SERVICES WHICH COVERS THE BASIC NEEDS, SUCH AS FOOD, BUILDING, A PLACE TO LIVE AND MOBILITY. THIS IS THE BASIS FOR SOUND DEVELOPMENT AND IS THE ENGINE OF CONSTANT CHANGE: AT THE PACE OF OUR CUSTOMERS, WITH A FEELING FOR GLOBAL AND LOCAL TRENDS. THE BUILDING CENTRE IN WEINSBERG IS AN EXAMPLE OF THIS. IT STANDS FOR EXPANSION, FOR EASY ACCESSIBILITY AND AN OFFERING WHICH IS CLOSELY ALIGNED TO CUSTOMER NEEDS.

BUILDING MATERIALS CENTRE AT THE MOTORWAY JUNCTION.

Tradition and reputation oblige. They drive the development towards internationalisation. But BayWa still has its distinctiveness – under modern auspices: Anchored strongly in its regional orientation, whether in Chiemgau, Carinthia or the Kiel region.

FOR EVERYONE

Similar to cooperative warehouses, BayWa has its roots in regionality: as an idea geared towards supplying the local population with their basic needs for house and home. The segments of BayWa still reflect this philosophy today: with products and services for farmers, building materials and products for house and garden, as well as heating oil and fuel. This all serves to bring the BayWa Group to the various regions with operations in small and larger urban centres which are close to the customer. Often in the form of a full product range combined in one location. The Group's approximately 1,500 sales outlets are tangible proof.

Everything from one source and not far to go – customers appreciate this. And here are a few examples: food for your pet or horse in the pets department in the agriculture section. Not only farmers buy here. The plan is for the younger generation to move into attic? BayWa Building Materials will deliver whatever you need for a professional extension – directly to the building site. The conservatory is to dazzle with its Mediterranean flair? The DIY & Garden Centers have everything at hand, from paint through to plants. The heating tank is a bit low on oil? Order delivery comfortably from home – from one of the Group's locations in your vicinity.

Whether office equipment, personnel, product or service – the expectations our customers place on professional service and quality are high. An example: centres of competence for the agribusiness. Farmers need high-performance facilities with a high storage and turnover capacity and workspace suitable for large pieces of agricultural equipment. They need this special service in order to be able to work economically. At the BayWa Group's locations, the staff know about the potential of the local market and what is needed: in some cases, it might be the classical regional supplier and elsewhere special operations.

What remains constant and unchanged is closeness to the land and its inhabitants: the special ability to relate to the region resides in customers and BayWa employees sharing the same social and cultural background. This finds expression in small things such as specialities typical of the region on the shelves of the DIY & Garden Centers or how BayWa employees and customers pool their resources by working in the voluntary fire brigade or playing in the local music band. The effect is great though difficult to measure.

.C

MUNICH. BAVARIA'S CAPITAL CITY. UPPER BAVARIA

48° 09' 11'' N, 11° 37' 01'' E

CAPITAL MARKETS REFLECT THE VALUE OF COMPANIES. TODAY MORE THAN EVER. SOUND INVESTMENTS IN COMPANIES WITH A SUSTAINABLE ASSET BASE ARE IN DEMAND. FINANCIAL INVESTORS REWARD STABILITY AND STEADY DEVELOPMENT, ABOVE ALL WHEN THERE IS ADDITIONAL GROWTH POTENTIAL. THE BayWa GROUP, WITH MUNICH-BASED BayWa AG AT THE HELM AND A DENSE SALES AND LOGISTICS NETWORK WITH A RANGE OF INTERESTING PRODUCTS AND SERVICES, IS A POPULAR OPTION AMONG INVESTOR GROUPS.

The steady uptrend of the BayWa Group correlates with the share price performance. In the course of 2006, the share price soared 49.9 percent to reach EUR 24.28, thus considerably outperforming the average of companies listed on the DAX and SDAX.

FOR INVESTORS

In the year 2006, there were basically two developments which spurred investors: one was the recovery in the building industry which boosted the growth and profit of the Group in its capacity of one of the leading building materials trading companies; the other was the demand for renewable energies which favoured companies trading in these commodities. Apart from the Group's Building Materials business unit, its Agricultural Equipment and Mineral Oils business units also had economic tailwind behind them in 2006, with a concurrent, very positive impact on the Group.

In addition, diversified groups, often valued in the past at a discount by analysts, are now at a much higher valuation level on the stock exchange. This is because, in the longer term, they deliver better performance than specialized companies. The BayWa Group is a prime example: with its core businesses of agriculture, building materials and energy, it ranks among the leading trading partners. Its strong presence on a number of different markets and cross selling effects widen its opportunities and lower its risks.

Investors have followed the expansion path of the Group with great interest. For more than a decade, the sales and earnings of the Group have been steadily rising. The subsidiaries and Group segments intend to pursue this successful growth strategy.

Financial strength, a leading market position in core businesses and international market experience are a sound basis for future profitable expansion.

This unusual combination of market strength, international and regional presence, broad diversification, a large sales network, intrinsic value and security, all grouped under the strong "BayWa" brand, ensures that the Group has its own unique and unmistakable identity on the capital market.

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MARKT INDERSDORF. UPPER BAVARIA.

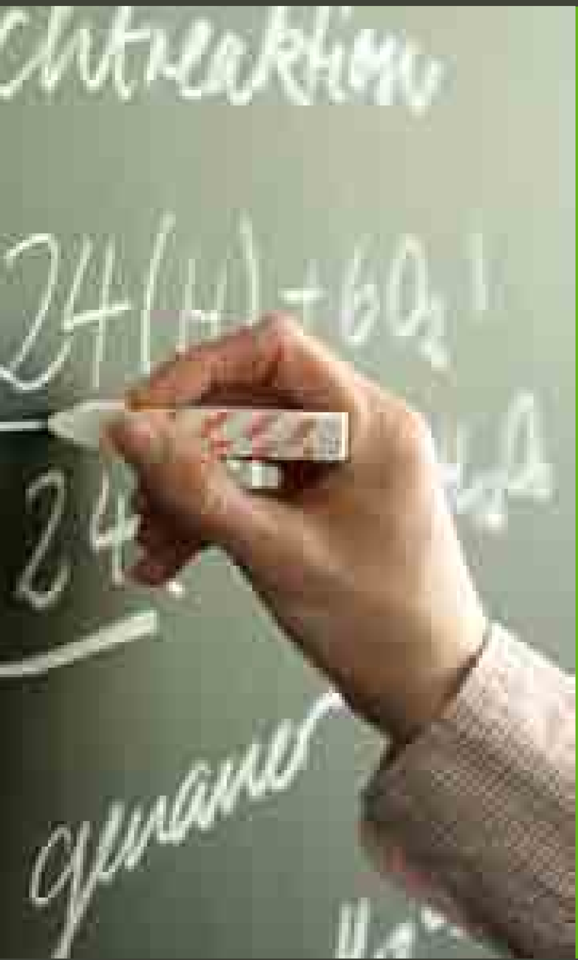
THE FIRST YEAR FOR THE EMPLOYEES IN A NEW LOCATION BELONGING TO THE AGRICULTURE SEGMENT.

48° 20′ 47′′ N, 11° 22′ 41′′ E

THE BayWa GROUP HAS MORE THAN 16,000 EMPLOYEES. EACH INDIVIDUAL EMPLOYEE COUNTS, WITH HIS OR HER CONTRIBUTION AND ABILITIES. AS HERE IN MARKT INDERSDORF, THE NEW LOCATION WHERE THE TEAM STARTED OPERATIONS THE AGRIBUSINESS IN 2006 FOR THE FIRST TIME: AS AN INTEGRAL PART OF THE RURAL REGION, WITH A MODERN WORKING ENVIRONMENT AND A GREATLY IMPROVED OFFERING FOR THE CUSTOMER.

The BayWa Group's approach is to convince by its steady development and through trends which are not fast lived. This gives its employees a chance to take an active part in and contribute to this process: to ensure the successful future of the company and their own prospects. It is a strong company which can offer many different career paths: embedded in a trustful combination of community and closeness to the region.

In many areas, BayWa is a significant and, often, the largest employer in the region: acknowledged as such and as a reliable economic factor important for the community at large. Working for a company with a positive image creates identity and pride. Pride which promotes pleasure in work done and encourages exceptional performance. But, in its interaction with customers and business partners as well, the BayWa Group is a special company. Experienced employees guarantee stable customer relationships and steady market development. They have learnt the

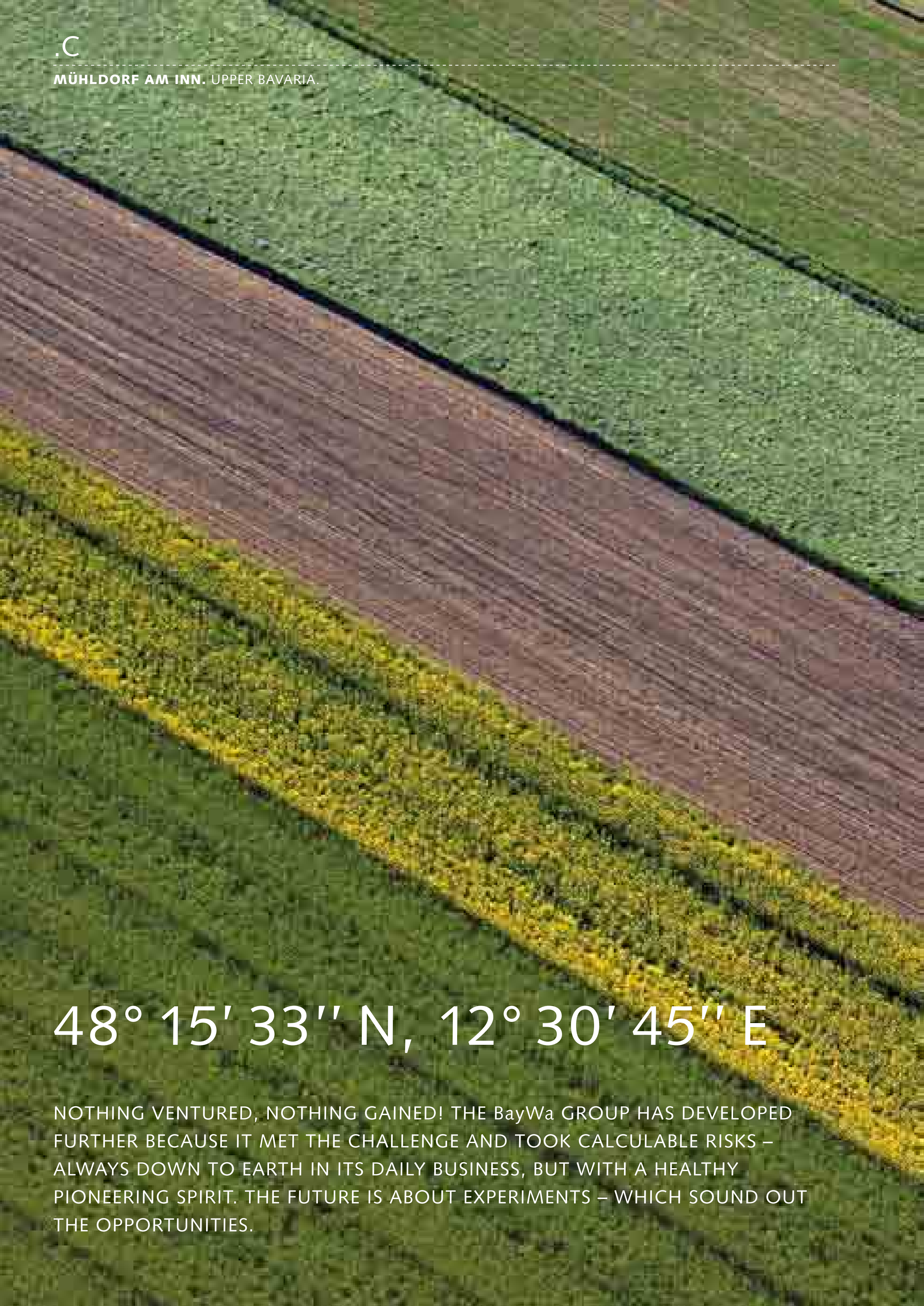


trading business in the traditional sectors of agriculture, building materials and energy through and through. In their profession they act with vision, expert knowledge and a feeling for the interests and needs of their customers. This understanding enables them to solve problems and build a sustainable network of relationships.

Junior staff and their future: The BayWa Group invests much more than other companies in training and thus in the future. It offers young people career prospects, especially in rural areas with a relatively undeveloped infrastructure. In these areas, it opens up employment opportunities for all those who are willing to make a strong contribution and develop themselves further.

The BayWa Group has established a set of corporate guidelines and a code of ethics for its employees which are designed to regulate fair conduct between colleagues, customers, suppliers and other business partners. Responsible leadership and a practices which are free of prejudice and promote partnership – also within the meaning of Corporate Governance – are core features of the corporate culture.

Values-oriented practice fosters trust in all ways: internally, with the employees, externally in relation to all those who have contact with BayWa in a variety of different ways. And, after all, good relationships are the essence of all successful business.



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MÜHLDORF AM INN. UPPER BAVARIA.

48° 15' 33'' N, 12° 30' 45'' E

NOTHING VENTURED, NOTHING GAINED! THE BayWa GROUP HAS DEVELOPED FURTHER BECAUSE IT MET THE CHALLENGE AND TOOK CALCULABLE RISKS – ALWAYS DOWN TO EARTH IN ITS DAILY BUSINESS, BUT WITH A HEALTHY PIONEERING SPIRIT. THE FUTURE IS ABOUT EXPERIMENTS – WHICH SOUND OUT THE OPPORTUNITIES.

THE FUTURE-ORIENTED MARKET OF AGRICULTURAL RAW MATERIALS: BayWa IS AN IMPORTANT TRADING AND LOGISTICS PARTNER.

In the more than eighty years of its existence, BayWa has not only experienced the highs. What is remarkable, however, is how it has always mastered difficult times - with fundamental confidence in its abilities and the knowledge of its great potential, the BayWa Group greets the future.

FOR THE FUTURE

A company which ranks among the market leaders in its core activities is a sure sign of an enterprise that knows its business – like the BayWa Group. The ability of a company to develop profitably, even in a generally difficult environment, is what is special. The key success factors are experience, knowledge of the market and intuition about future business trends which can enhance profitability. And last but not least, having the know-how which can turn an innovative idea into a marketable one. The BayWa Group identifies new needs in the market through its sales network and the resulting proximity to its customers. It then sets about developing concepts to serve these needs effectively. Conversely, a dense network of sales locations is the prerequisite for creating acceptance in the market for alternative products.

An example is plant-based lubricants: Today there is a range of around 20 biologically degradable lubricants on offer. In the case of non-encapsulated lubricants, the ecological product has long been a prime choice. The triumph of wood pellets: The modest-looking compressed wood pellet has climbed the rungs within the shortest period to a fuel which is in great demand. And the BayWa Group is an innovator in this field. But, ultimately, it is the customer's choice: between conventional and alternative products, as the Group offers both in the customary, reliable quality.

The BayWa Group is not only a trend setter – it is also a pathfinder: bio-diesel, biogas plants, bioethanol, photovoltaics, solar thermals, geothermal heat pumps and natural building materials are more examples of this. The Group has already set its sights on the next challenge: agricultural raw materials count among the mega trends in the years ahead.

Wheat, maize and many agricultural products, used to date mainly in the food industry, now stand in competition with renewable energies - against the background of rising demand in the growing economies in Asia, such as China for instance. Prosperity brings with it new demands placed on food and nutrition, as exemplified by the growing consumption of meat.

The prerequisite underlying the trend is the use of agricultural raw materials where demand outstrips supply: on the one hand, we have the food producer and, on the other, the energy farmer. A huge arena with a promising future for the BayWa Group as one of Europe's leading agricultural trading companies.

CONSOLIDATED FINANCIAL STATEMENTS

TO ARRIVE AT THE GOAL AFTER A JOURNEY RICH IN NEW EXPERIENCES – WITH BOTH FEET ON THE GROUND. IN THOUGHT WITH NEW CHALLENGES TO COME. ALWAYS PREPARED TO QUESTION WHAT IS TAKEN FOR GRANTED AND TO MAKE NEW DISCOVERIES.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BayWa AG

AS AT 31 DECEMBER 2006

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

In EUR million	Note	2006	2005
Assets			
Fixed assets			
Intangible assets	(C.1.)	29.307	19.505
Property, plant and equipment	(C.2.)	876.406	848.996
Participating interests valued at equity	(C.3.)	15.302	14.479
Other financial assets	(C.3.)	124.739	127.034
Real estate held as a financial investment	(C.4.)	78.980	77.811
Tax claims	(C.5.)	7.937	–.––
Receivables and other assets	(C.6.)	19.857	9.698
Deferred tax claims	(C.7.)	114.949	127.217
		1 267.477	**1 224.740**
Current assets			
Securities	(C.3.)	78.001	75.815
Inventories	(C.8.)	818.272	741.422
Tax claims	(C.5.)	8.472	6.937
Receivables and other assets	(C.6.)	623.349	507.092
Liquid funds	(C.9.)	17.460	16.753
		1 545.554	**1 348.019**
Non-current assets held for sale	(C.10.)	**10.348**	**24.295**
Total assets		**2 823.379**	**2 597.054**
Shareholders' equity & liabilities			
Equity	(C.11.)		
Subscribed capital		86.615	86.452
Capital reserve		79.710	78.530
Revenue reserve		439.879	441.392
Other reserves		65.537	45.284
Equity net of minority interest		**671.741**	**651.658**
Minority interest		**100.163**	**89.101**
		771.904	**740.759**
Long-term liabilities			
Pension provisions	(C.12.)	427.682	427.750
Other long-term provisions	(C.13.)	67.319	70.556
Financial liabilities	(C.14.)	40.993	30.023
Financial leasing obligations	(C.15.)	4.759	4.891
Trade payables and liabilities from inter-group business relationships	(C.16.)	39.701	37.047
Other liabilities	(C.17.)	3.616	3.339
Deferred tax liabilities	(C.18.)	130.914	132.460
		714.984	**706.066**
Current liabilities			
Short-term other provisions	(C.13.)	110.726	93.716
Financial liabilities	(C.14.)	636.286	509.289
Financial leasing obligations	(C.15.)	0.235	0.137
Trade payables and liabilities from inter-group business relationships	(C.16.)	493.439	468.037
Tax liabilities		14.908	10.520
Other liabilities	(C.17.)	80.897	68.530
		1 336.491	**1 150.229**
Total shareholders' equity and liabilities		**2 823.379**	**2 597.054**

CONSOLIDATED INCOME STATEMENT FOR 2006

In EUR million	Note	2006	2005
Sales revenue	(D.1.)	7 299.772	6 537.072
Inventory changes		– 2.666	17.523
Own work capitalised		0.168	0.238
Other operating income	(D.2.)	96.697	98.574
Cost of materials	(D.3.)	– 6 333.584	– 5 643.566
Gross profit		**1 060.387**	**1 009.841**
Personnel expenses	(D.4.)	– 577.586	– 555.572
Depreciation & amortisation		– 89.096	– 91.855
Other operating expenses	(D.5.)	– 310.995	– 294.091
Result of operating activities		**82.710**	**68.323**
Income from participating interests recognised at equity	(D.6.)	1.299	1.680
Other income from shareholdings	(D.6.)	27.810	9.814
Interest income	(D.7.)	6.335	6.037
Interest expenses	(D.7.)	– 48.351	– 43.717
Financial result		**– 12.907**	**– 26.186**
Ordinary profit		**69.803**	**42.137**
Income tax	(D.8.)	– 12.397	– 3.287
Net income for the year		**57.406**	**38.850**
Of which: Profit due to minority shareholders	(D.9.)	17.787	12.656
Of which: Profit due to the shareholders of the parent company		39.619	26.194
EBIT		**111.819**	**79.817**
EBITDA		**200.915**	**171.672**
Undiluted earnings per share (EPS)	(D.10.)	**1.17**	**0.78**
Diluted earnings per share (EPS)	(D.10.)	**1.17**	**0.78**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Note (C.11.)

In EUR million	Subscribed capital	Capital reserve	Revenue reserves Revaluation
As per 1 January 2005	**86.255**	**77.385**	**–.—**
Differences resulting from changes in the group of consolidated companies	–.—	–.—	–.—
Capital increase against cash contribution/ "share-based payment"	0.197	1.145	–.—
Revaluation of financial assets	–.—	–.—	17.467
Dividend distribution	–.—	–.—	–.—
Differences resulting from foreign currency translation	–.—	–.—	–.—
Transfer to revenue reserves	–.—	–.—	–.—
Net income	–.—	–.—	–.—
As per 31 December 2005/1 January 2006	**86.452**	**78.530**	**17.467**
Differences resulting from changes in the group of consolidated companies	–.—	–.—	–.—
Capital increase against cash contribution/ "share-based payment"	0.163	1.180	–.—
Changes in revaluation reserve			
Disposals from sale	–.—	–.—	– 14.149
Write-ups/write-downs	–.—	–.—	0.379
Dividend distribution	–.—	–.—	–.—
Differences resulting from foreign currency translation	–.—	–.—	–.—
Transfer to/withdrawal from revenue reserves	–.—	–.—	–.—
Net income	–.—	–.—	–.—
As per 31 December 2006	**86.615**	**79.710**	**3.697**

Other revenue reserves	Other reserves	Equity net of minority interest	Minority interest	Equity
415.360	**34.195**	**613.195**	**81.369**	**694.564**
– 0.311	2.069	1.758	– 0.166	1.592
–.—	–.—	1.342	–.—	1.342
–.—	–.—	17.467	–.—	17.467
–.—	– 8.737	– 8.737	– 4.758	– 13.495
–.—	0.439	0.439	–.—	0.439
8.876	– 8.876	–.—	–.—	–.—
–.—	26.194	26.194	12.656	38.850
423.925	**45.284**	**651.658**	**89.101**	**740.759**
– 1.619	3.272	1.653	– 0.484	1.169
–.—	–.—	1.343	–.—	1.343
–.—	–.—	– 14.149	–.—	– 14.149
–.—	–.—	0.379	0.059	0.438
–.—	– 9.434	– 9.434	– 6.300	– 15.734
–.—	0.672	0.672	–.—	0.672
13.876	– 13.876	–.—	–.—	–.—
–.—	39.619	39.619	17.787	57.406
436.182	**65.537**	**671.741**	**100.163**	**771.904**

CONSOLIDATED CASH FLOW STATEMENT FOR 2006

Note (E.1.)

In EUR million	2006	2005
Consolidated net income (incl. profit due to other shareholders)	57.406	38.850
Write-downs/write-ups of fixed assets		
Tangible and intangible assets	89.096	91.225
Financial assets	0.138	3.330
Increase/decrease in long-term provisions	– 0.717	0.029
Other income/expenses not affecting payments		
Changes in deferred tax	9.739	– 12.199
Equity results minus dividend	– 0.521	0.864
Share-based payments	0.537	0.536
Other	– 1.755	– 3.549
Other income/expenses from special items affecting payments		
Gains from the sale of financial assets	– 21.318	–.—
Cash earnings	**132.605**	**119.086**
Increase/decrease in short- and medium term provisions	5.972	9.745
Income/loss from the disposal of fixed assets	– 13.487	– 8.452
Increase/decrease in inventories, trade receivables and		
other assets which cannot be allocated to investment or financing activities	– 137.273	4.048
Increase/decrease in trade payables and other		
liabilities which cannot be allocated to investment or financing activities	105.621	– 13.844
Cash flow from operating activities	**93.438**	**110.583**
Payments for company acquisitions	– 4.370	– 4.678
Incoming payments from the disposal of tangible and intangible assets	24.616	24.858
Payments for investments in tangible and intangible assets	– 133.385	– 128.628
Incoming payments from the disposal of financial assets	32.462	5.132
Payments for investments in financial assets	– 8.495	– 4.389
Cash flow from investment activities	**– 89.172**	**– 107.705**
Proceeds from injection of equity	0.805	0.806
Dividend distribution for the previous year	– 15.734	– 13.494
Income from borrowing (financing loans)	10.233	6.817
Cash flow from financing activities	**– 4.696**	**– 5.871**
Changes in cash and cash equivalents affecting payments	**– 0.430**	**– 2.993**
Cash and cash equivalents at the start of the period	16.753	19.790
Outflow/inflow of funds owing to changes in the group of		
consolidated companies and business combinations	1.137	– 0.044
Cash and cash equivalents at the end of the period	**17.460**	**16.753**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BayWa AG

AS AT 31 DECEMBER 2006

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

(A.1.) General information

The consolidated financial statements as at 31 December 2006 of BayWa AG, headquartered in D-81925 Munich, Arabellastraße 4, were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, which were mandatory and applicable on the reporting date, in conjunction with the supplementary provisions application under Section 315a para. 1 of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS) binding for the financial year 2006, the still valid International Accounting Standards (IAS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as well as those of the former Standing Interpretations Committee (SIC) have been applied accordingly.

If not otherwise indicated, amounts are in millions of euros (EUR million; rounded up to three decimal points). For the purpose of achieving better clarity, individual items in the income statement and in the balance sheet have been combined. These items have been disclosed separately in the Notes to the Consolidated Financial Statements and explained.

The BayWa Group is a group of trading and services company with core activities in agriculture, building materials and energy. The Agriculture segment covers the whole range of agricultural equipment as well as trading in agricultural products and resources. The Building Materials segment comprises activities in the Building Materials, DIY & Garden Center and Heating & Sanitary Installations business units. The Energy segment has a dense network which ensures supplies of heating oil, fuel, lubricants and coal to commercial customers and individual customers.

(A.2.) ESTIMATES AND ASSESSMENTS BY MANAGEMENT

(A.2.) Estimates and assessments 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 expenditure, and the contingent liabilities in the reporting period. The assumptions and estimates relate mainly to establishing the useful lives of property, plant and equipment and leased assets, the collectability of receivables, and accounting for and valuing provisions which are uniformly applicable throughout the whole Group. The assumptions and estimates are based on premises which draw on the knowledge currently available. Due to the development of general conditions beyond the scope of influence of management which depart from these assumptions, the amounts which ultimately result may diverge from the originally estimated figures. If actual developments depart from those anticipated, the assumptions and, if necessary, the book values of the assets and liabilities affected will be adjusted accordingly.

(A.3.) ACCOUNTING AND VALUATION PRINCIPLES

(A.3.) Accounting and valuation principles

The accounting applied within BayWa AG is carried out according to accounting and valuation principles used uniformly by the whole Group; they are explained in the following (Notes C. and D.) in the notes to the income statement. With the exception of Deutsche Raiffeisen-Warenzentrale GmbH and Raiffeisen Beteiligungs GmbH, all companies which belong to the Group drew up their annual financial statements as per the reporting date on 31 December 2006. In the case of the Group companies which had a different reporting date, the interim financial statements as at 31 December 2006 formed the basis for consolidation.

(A.4.) IMPACT OF NEW ACCOUNTING STANDARDS

(A.4.) 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 2006. The table below sets out the impact of the standards and interpretations on the consolidated financial statements.

Standard/Interpretations		Mandatory adoption	Impact
IFRS 6	Exploration and evaluation of mineral resources	01/01/2006	none
IAS 21	The effect of changes in foreign exchange rates – net investment in a foreign operation	01/01/2006	none
IAS 39	Financial instruments: Recognition and measurement of the cash-flow hedge Accounting and Fair Value Option	01/01/2006	none
IAS 39	Financial instruments: Recognition and measurement IFRS 4; insurance contracts – financial guarantee contracts	01/01/2006	none
IFRIC 4	Determining whether an arrangement contains a lease	01/01/2006	none
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation	01/01/2006	none
IFRIC 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment	01/12/2005	none

The following standards, amendments to standards and interpretations have already been resolved but are to be applied for the first time to the reporting periods which begin with 1 January 2007 and thereafter. There are no standards applied at a premature point in time to the consolidated financial statements on a voluntary basis.

Standard/Interpretations		Mandatory adoption	Feasible impact
IFRS 7	Financial instruments: information	01/01/2007	Notes
IFRS 8	Operating segments	01/01/2009	Segment reporting
IAS 1	Presentation of financial statements – capital disclosures	01/01/2007	Notes
IFRIC 7	Applying the restatement approach under IAS 29 accounting for high inflation countries	01/03/2006	none
IFRIC 8	Scope of application of IFRS 2	01/05/2006	none
IFRIC 9	Reassessment of embedded derivatives	01/06/2006	none
IFRIC 10	Interim financial reporting and impairment	01/11/2006	not foreseeable
IFRIC 11	Intragroup transactions and transactions with treasury shares under IFRS 2	01/03/2007	none
IFRIC 12	Service concession arrangements	01/01/2009	none

(B.) INFORMATION ON CONSOLIDATION

(B.1.) GROUP OF CONSOLIDATED COMPANIES – FULLY CONSOLIDATED COMPANIES PURSUANT TO IAS 27

(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 and where the subsidiaries are not of minor importance, have been included in the consolidated financial statements, alongside BayWa AG.

	Share in capital in percent	Comment
Agriculture segment		
Bayerische Futtersaatbau GmbH, Ismaning	64.9	
BOR s.r.o., Chocen, Czech Republic	92.8	
CLAAS Traktoren Vertrieb Bayern GmbH, Vohburg	70.0	First-time consolidation on 01/01/2006
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	
Sempol spol. s.r.o., Trnava, Slovakia	100.0	First-time consolidation on 01/07/2006
TechnikCenter Grimma GmbH, Mutzschen	70.0	First-time consolidation on 01/01/2006
Building Materials segment		
AFS Franchise-Systeme GmbH, Vienna, Austria	100.0	First-time consolidation on 01/01/2006
BayWa Handels-Systeme-Service GmbH, Munich	100.0	First-time consolidation on 01/01/2006
BSF BauCenter GmbH, Weinsberg	100.0	
Wilhelm Bruchof GmbH & Co. KG, Bendorf	100.0	
Küppers Group (15 legally independent companies):		
Jochen Küppers GmbH & Co. Holding KG, Hattingen	100.0	
Heitmann Baustoffe + Holz GmbH & Co. KG, Gütersloh	100.0	
Küppers Baustoffe GmbH, Hattingen, Hattingen	100.0	
Küppers Baustoffe GmbH, Wuppertal, Wuppertal	100.0	
Küppers Baustoffe GmbH, Witten, Witten	100.0	
Küppers Baustoffe GmbH, Dortmund, Dortmund	100.0	
Küppers Baustoffe GmbH, Ratingen, Ratingen	100.0	
Küppers Baustoffe GmbH & Co. KG, Münster, Münster	100.0	
Küppers GmbH Münster, Münster	100.0	
Küppers Baustoffe GmbH Iserlohn, Iserlohn	100.0	
Küppers Baustoffe GmbH, Hagen, Hagen	100.0	
Küppers GmbH & Co. Fliesen & Baustoffe KG, Waltrop, Waltrop	100.0	
Küppers Baustoffe GmbH & Co. KG Essen-Kettwig, Essen-Kettwig	100.0	
Küppers Baustoffe GmbH & Co. KG, Emsdetten, Emsdetten	100.0	
Küppers Verwaltungs GmbH, Emsdetten, Emsdetten	100.0	
Mobau-Marba GmbH, Herten	100.0	First-time consolidation on 01/09/2006
ZES Zentrale Einkaufs-Service GmbH, Munich	100.0	First-time consolidation on 01/01/2006
Energy segment		
GENOL Gesellschaft m.b.H. & Co., Vienna, Austria	71.0	
TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, Stuttgart	100.0	

	Share in capital in percent	Comment
Other Activities segment (including financial participations)		
Agroterra Warenhandel und Beteiligungen GmbH, Vienna, Austria	100.0	
AHG Autohandelsgesellschaft mbH, Horb a.N.	100.0	
BAG Autohaus GmbH, Bopfingen	100.0	First-time consolidation on 01/01/2006
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	First-time consolidation on 01/01/2006
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)	50.0	
RWA SLOVAKIA spol. s r.o., Bratislava, Slovakia		
(Segments: agriculture, energy)	100.0	

Owing to their growing significance for the consolidated financial statements, the subsidiaries listed as follows, which were formerly not included in the financial statements, have been consolidated since 1 January 2006: BAG Autohaus GmbH (BAG), Wiech Autohandelsgesellschaft mbH (Wiech), AFS Franchise-Systeme GmbH (AFS), BayWa Handels-Systeme Service GmbH (BHSS), ZES Zentrale Einkaufs-Service GmbH (ZES), CLAAS Traktoren Vertrieb Bayern GmbH (CLAAS) and TechnikCenter Grimma GmbH (TCG).

Through the first-time consolidation of these companies, the assets and liabilities included in the consolidated financial statements (prior to consolidation) rose as follows; goodwill connected with their first-time consolidation was not identified (see Note B.5.):

In EUR million	BAG	Wiech	AFS	BHSS	ZES	CLAAS	TCG
Assets							
Fixed assets							
Intangible assets	0.011	0.004	0.002	0.016	0.099	–.—	–.—
Property, plant and equipment	0.287	0.079	0.294	0.026	0.048	0.102	0.173
Financial assets	0.001	–.—	0.220	–.—	–.—	–.—	–.—
Long–term liabilities	–.—	–.—	–.—	–.—	–.—	–.—	–.—
Deferred tax claims	0.003	–.—	0.119	–.—	0.034	–.—	0.041
Current assets							
Inventories	3.010	2.197	–.—	–.—	–.—	1.989	3.026
Current receivables and assets	0.724	0.490	26.475	5.525	7.247	0.825	2.334
Liquid funds	0.180	0.310	–.—	–.—	0.002	0.196	0.017
Shareholders' equity & liabilities							
Long-term liabilities							
Long-term provisions	–.—	–.—	–.—	–.—	0.455	–.—	–.—
Long-term provisions	–.—	–.—	1.115	–.—	0.080	–.—	–.—
Financial liabilities	0.205	–.—	–.—	–.—	–.—	–.—	0.494
Other liabilities	–.—	–.—	0.043	–.—	–.—	–.—	–.—
Deferred tax liabilities	0.027	0.001	0.019	0.072	0.001	–.—	0.003
Current liabilities							
Short-term tax provisions	–.—	–.—	1.295	–.—	0.301	0.093	0.066
Short-term provisions	0.059	0.036	0.721	0.116	0.260	0.109	0.120
Financial liabilities	1.120	2.085	–.—	–.—	–.—	0.551	–.—
Trade payables	2.449	0.824	2.351	0.119	0.690	2.241	2.370
Other liabilities	0.053	0.034	21.015	4.878	5.546	0.015	2.265

Sales revenue (prior to consolidation) of these first-time consolidated subsidiaries in the financial year 2006 came to a total of EUR 66.9 million, and contribution to profits amounted to EUR 1.3 million.

With notarised purchase agreement of 17 August 2006, BayWa AG acquired all the shares in Mobau-Marba GmbH, a building materials trading company. First-time consolidation took place on 1 September 2006.

The purchase price of the shares (including transaction costs incurred) amounted to EUR 3.666 million. Along with the contractually agreed fixed purchase price component (EUR 3.440 million), paid out in February 2007, this includes the anticipated (discounted) variable purchase price portion (EUR 0.133 million) which, depending on the average gross earnings of Mobau-Marba GmbH in the years 2006 and 2007, will become due and payable in the financial year 2008, as well as the ancillary purchase costs of EUR 0.093 million.

The net assets acquired through the purchase of Mobau-Marba GmbH break down as follows:

Mobau-Marba In EUR million	**Book value**	**Adjustments to the attributable fair value**	**Attributable fair value**
Concessions, industrial property rights and similar rights and assets	0.008	0.549	0.557
Property, plant and equipment	1.056	– 0.079	0.977
Financial assets	0.115		0.115
Inventories	1.570		1.570
Receivables	3.177		3.177
Deferred tax claims	–.––	0.030	0.030
Bank balance and cash in hand	0.011		0.011
Financial liabilities	2.802		2.802
Liabilities	2.371		2.371
Deferred tax liabilities	–.––	0.202	0.202
Contingent liabilities	0.090		0.090
	0.674	**0.298**	**0.972**
Goodwill			**2.694**
Total purchase price			**3.666**

The acquired goodwill primarily comprises anticipated synergy effects with Mobau-Marba released through combination with our activities in the building operations in North Rhine-Westphalia.

If the purchase of Mobau-Marba had been concluded by the first day of the financial year, Mobau-Marba would have contributed a share of EUR 20.8 million to consolidated sales and would have raised the share in consolidated profit of investors by EUR 0.1 million.

Since first-time consolidation into the group of consolidated companies, Mobau-Marba GmbH has generated sales of EUR 7.300 million and an annual net income of EUR 0.047 million.

With notarised agreement of 30 June 2006, RWA International Holding GmbH took over, through Sempol Holding spol. s r.o., a company which it had originally founded, the individual assets and liabilities as well as the staff of Sempol Holding spol. s r.o. by way of a so-called asset deal. First-time consolidation took place on 1 July 2006.

Sempol operates in seed production in four locations in Slovakia. The purchase price for the assets thus taken over, minus the liabilities also assumed, came to EUR 4.043 million. The transaction costs amounted to EUR 0.245 million.

The net assets acquired through the purchase of Sempol spol. s r.o. break down as follows:

Sempol In EUR million	Book value/ purchase price	Adjustments to the attributable fair value	Attributable fair value
Concessions, industrial property rights			
and similar rights and assets	0.366	–.—	0.366
Property, plant and equipment	3.514	–.—	3.514
Financial assets	0.322	–.—	0.322
Inventories	–.—	–.—	–.—
Receivables	–.—	–.—	–.—
Deferred tax claims	–.—	–.—	–.—
Bank balance and cash in hand	–.—	–.—	–.—
Deferred tax liabilities	–.—	–.—	–.—
Financial liabilities	–.—	–.—	–.—
Liabilities	0.006	–.—	0.006
Deferred tax liabilities	–.—	–.—	–.—
Contingent liabilities	0.153	–.—	0.153
	4.043	**–.—**	**4.043**
Goodwill			**0.245**
Total purchase price			**4.288**

The purchased goodwill includes above all expected market opportunities in the seed business in Slovakia.

Sempol spol s r.o generated sales of EUR 3.161 million and posted an annual net loss of EUR 0.567 million.

As per 30 September 2006, BayWa Hungária Kft, Székesfehérvár, was deconsolidated. Through the transfer of shares held in Raiffeisen Agrárház Kft., Székesfehérvár, to BayWa AG, the holding function of the company is no longer valid. BayWa Hungária Kft. did not generate any notable external sales.

Owing to their overall minor importance, 26 domestic and 26 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 annual profit and the equity (unconsolidated HB 1 value) of these companies in 2006 are set below:

Affiliated companies not consolidated (HB 1 value)	In EUR million	Share in percent in relation to the total of all companies in which a controlling interest is held
Net loss for the year	– 1.868	3.3
Equity	17.500	3.9

(B.2.) GROUP OF CONSOLIDATED COMPANIES – JOINTLY HELD COMPANIES UNDER IAS 31

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

Jointly held companies are companies which the Group manages together with one or several other partners. These companies 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 proportion of the share held by the Group in the consolidated financial statements.

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
Agriculture segment		
VETINVEST Group		
VETINVEST GmbH, Münster	50.0	First-time consolidation on 01/06/2006
aniMedica GmbH, Senden	50.0	First-time consolidation on 01/08/2006
aniMedica Herstellungs GmbH, Senden	50.0	First-time consolidation on 01/08/2006
aniMedica Polska Sp. z o.o.,		
Weijherowo, Poland	50.0	First-time consolidation on 01/08/2006
Dr. E. Gräub AG, Bern, Switzerland	50.0	First-time consolidation on 01/06/2006

The VETINVEST Group is a group of companies jointly held in equal portions by BayWa AG and AGRAVIS Raiffeisen AG and which combines the animal generics business of both trading companies. BayWa AG has held a stake in VETINVEST GmbH since 23 January 2006; the latter is the controlling company of the VETINVEST Group and does not have operations itself. With the agreement of 5 April 2006, and upon approval by the antitrust authorities, VETINVEST GmbH purchased all shares in Dr. E. Gräub AG. Subsequently – BayWa AG having raised its stake in aniMedica GmbH to 50 percent – the shareholders of BayWa AG and AGRAVIS Raiffeisen AG integrated the aniMedica companies into VETINVEST GmbH.

In connection with the first-time proportionate consolidation of the VETINVEST Group, negative goodwill of EUR 2.267 million was posted to other operating income.

The table below shows the fixed and current assets and liabilities as well as the sales, gross earnings and the profit figures of the jointly held companies included in the group of consolidated companies. These amounts are disclosed in the individual lines of the consolidated balance sheet and income statement:

In EUR million	**2006**
Fixed assets	11.863
Current assets	7.340
Long-term liabilities	3.443
Current liabilities	6.516
Sales	9.569
Gross earnings	3.754
Result of operating activities	0.115
Ordinary profit	0.351
Annual net income	0.365

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

(B.3.) Group of consolidated companies – associated companies under IAS 28

Under the equity method, the following 4 (2005: 5) associated companies on which BayWa exerts a major influence, i.e. holds at least 20 percent of the shares, and which are neither a subsidiary nor a jointly held company nor of minor importance, were capitalised.

	Share in capital in percent	Comment
Building Materials segment		
Baustoffe Krois GmbH & Co. KG, Bochum	45.0	
Other Activities segment		
(including financial participations)		
Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main	37.8	
Kelly Gesellschaft mit beschränkter Haftung, Vienna, Austria	25.1	
Raiffeisen Beteiligungs GmbH, Frankfurt am Main	47.4	

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

With effect from 1 January, 2006, Ybbstaler Fruchtsaft GmbH sold all shares held in Atys Austria GmbH, Kröllendorf which, accordingly, no longer belongs to the group of consolidated companies of BayWa AG. The sale of the company resulted in proceeds for the Group of EUR 7.169 million which has been disclosed as part of the financial result under the "other income from shareholdings" item.

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

In EUR million	Krois	Deutsche Raiffeisen Warenzentrale	Kelly	Raiffeisen Beteiligung
Total assets	2.921	25.950	57.962	12.186
Sales revenue	11.791	238.562	63.959	–.––
Net income for the year	– 0.089	0.647	3.299	0.563
Assets	2.895	25.950	57.962	12.186
Liabilities	2.210	18.723	32.540	0.108
Share in annual result	– 0.039	0.245	0.833	0.260
Book value of the financial asset	0.324	6.352	6.014	2.612

A total of 24 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

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

As against the previous year, the group of consolidated companies, including the parent company, jointly held 5 companies (2005: 0) and 4 associated companies (2005: 5), changed as shown below:

	Germany	International	Total
Included as per 31 December 2005	**28**	**19**	**47**
Changes in the financial year 2006:			
Additions	10	4	14
Disposals		– 2	– 2
Included as per 31 December 2006	**38**	**21**	**59**
of which fully consolidated	32	18	50
of which consolidated proportionately	3	2	5
of which consolidated at equity	3	1	4

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

(B.5.) CONSOLIDATION PRINCIPLES

(B.5.) Consolidation principles

Capital consolidation is carried out through offsetting the cost of purchase against the portion of the Group at the fair value attributable to identifiable assets, liabilities and contingent liabilities of the subsidiaries and jointly held companies at the time of acquisition (purchase method). If the cost of purchase exceeds the fair value of the identifiable assets, liabilities and contingent liabilities purchased, the difference is disclosed as goodwill under non-current intangible assets. Goodwill is subject to an annual impairment test (Impairment-only-Approach). If there are impairment losses, straightline 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.

Positive or negative differences connected with first-time consolidation of the companies to date not included due to their minor significance (see Note B.1.) were set off against the revenue reserve of the BayWa Group without affecting income. In as much, goodwill and negative goodwill were not ascertained.

All receivables and liabilities as well as provisions within the group of consolidated companies are set off against each other and interim results of significance eliminated. Intragroup sales, expenses and earnings are netted off.

(B.6.) CURRENCY TRANSLATION

(B.6.) Currency translation

The concept of functional currency has been applied in the translation of the statements prepared by group companies which are in their respective foreign currencies. The companies of the BayWa Group operate independently. Accordingly they can be considered "foreign operations" within the meaning of IAS 21 (Effects of Changes in Foreign Exchange Rates). Under this standard, the assets and liabilities must be converted at the exchange rate on the reporting date and income and expenses at the annual average rate. With the exception of income and expenses included directly under equity, equity is carried at historical rates. The differences resulting from foreign currency translation are treated without affecting the result until such time as the subsidiary is disposed of and set off against other reserves. In the year under review, the difference amounting to EUR 0.672 million was set off against other reserves without affecting the result.

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

	1 EUR	**Balance sheet middle rate on**		**Income statement average rate**	
		31/12/2006	**31/12/2005**	**2006**	**2005**
Poland	PLN	3.830	3.860	3.894	4.024
Switzerland	CHF	1.606	1.555	1.575	1.547
Slovakia	SKK	34.560	37.880	37.126	38.585
Czech Republic	CZK	27.495	29.005	28.308	29.839
Hungary	HUF	252.300	252.730	262.894	248.410

(C.) NOTES TO THE BALANCE SHEET

(C.1.) INTANGIBLE ASSETS

(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 lives (generally 3 – 5 years). Development costs for future software products and other intangible assets which have been created in house have been capitalized in accordance with IAS 38 (Intangible Assets) if it is likely that there will be a future economic advantage accruing 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 on Impairment of Assets. Unscheduled amortisation in the reporting year came to EUR 0.122 million (2005: EUR 0.0 million) attributable to a plant variety right to a seed type owing to changed demand.

Moreover, goodwill amounting to EUR 9.0 million from company purchasing transactions (2005: EUR 5.3 million) was disclosed under Intangible assets. This related to the following company acquisitions:

In EUR million	**2006**	**2005**
"UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria	0.624	0.624
Formerly BayWa Bau und Gartenmarkt Weinsberg GmbH & Co. KG	1.008	–.––
BSF BauCenter GmbH, Weinsberg	0.492	0.492
Küppers-Gruppe	1.323	1.323
Mobau-Marba GmbH, Herten	2.694	–.––
Formerly MTZ Baustoffe GmbH & Co. KG, Kiel	0.413	0.413
Raiffeisen-Kraftfutterwerke Süd GmbH, Würzburg	0.409	0.622
RWA spol. s r.o., Bratislava, Slovakia	0.152	0.152
Sempol spol. s r.o., Trnava, Slovakia	0.245	–.––
Wilhelm Bruchof GmbH & Co. KG, Bendorf	0.827	0.827
Other	0.860	0.830

Goodwill and intangible assets with a useful life which cannot be ascertained 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 companies 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 independent companies, the respective operating unit or the respective geographically defined segment of the incorporating company 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 past experience. A discount factor of an unchanged average 9.4 percent has been applied to the cash flow series. The growth rates are the expected average for the sector.

The changes in goodwill in the reporting year of EUR 2.9 million are due to the acquisition of Mobau-Marba and Sempol and EUR 1.0 million from the integration of BayWa Bau and Gartenmarkt Weinsberg GmbH & Co. KG into BayWa AG, two companies which had formerly not been included in the group of consolidated companies for reason of their minor importance. The impairment tests resulted in unscheduled amortisation of goodwill amounting to EUR 0.2 million at Raiffeisen-Kraftfutterwerke Süd GmbH owing to the difficult market environment and special burdens within the company.

CONSOLIDATED SCHEDULE OF FIXED ASSET MOVEMENTS 2005

Note (C.1. - C.5.)

In EUR million	Cost of acquisition/production						
	01/01/2005	Exchange differences	Change from con-solidation	Additions	Disposals	Transfers	31/12/2005
Intangible assets							
Industrial property rights,							
similar rights and assets	42.259	0.026	0.327	4.657	0.183	0.721	47.807
Goodwill	5.891	–.—	2.991	–.—	1.004	– 0.210	7.668
Prepayments on account	0.264	–.—	–.—	0.057	–.—	– 0.266	0.055
	48.414	**0.026**	**3.318**	**4.714**	**1.187**	**0.245**	**55.530**
Property, plant and equipment							
Land, similar rights and buildings,							
including buildings on leasehold land	1 209.792	0.324	10.124	62.005	22.722	4.057	1 263.580
Plant and machinery	472.446	0.506	0.627	16.665	15.400	3.058	477.902
Other facilities, fixtures, furniture							
and office equipment	299.275	0.021	10.038	28.386	25.231	0.880	313.369
Prepayments and construction in progress	11.474	– 0.010	–.—	14.938	2.109	– 12.187	12.106
	1 992.987	**0.841**	**20.789**	**121.994**	**65.462**	**– 4.192**	**2 066.957**
Participating interests valued at equity							
Participations in associated companies	**13.081**	**–.—**	**–.—**	**7.809**	**4.782**	**– 2.370**	**13.738**
Financial assets							
Shareholdings in affiliated companies	33.889	–.—	5.339	3.842	16.152	0.374	27.292
Loans to affiliated companies	1.040	–.—	–.—	–.—	0.087	–.—	0.953
Holdings in other companies	31.729	–.—	0.349	14.227	4.679	– 0.378	41.248
Credit balance with cooperatives	50.036	–.—	–.—	4.584	0.057	0.004	54.567
Securities held as fixed assets	15.747	–.—	–.—	3.207	3.156	–.—	15.798
Other loans	0.516	–.—	0.183	–.—	0.116	–.—	0.583
	132.957	**–.—**	**5.871**	**25.860**	**24.247**	**–.—**	**140.441**
Real estate held as a financial investment							
Land	53.560	–.—	–.—	1.856	0.461	–.—	54.955
Buildings	57.730	–.—	–.—	1.452	1.524	–.—	57.658
	111.290	**–.—**	**–.—**	**3.308**	**1.985**	**–.—**	**112.613**
Consolidated fixed assets	**2 298.729**	**0.867**	**29.978**	**163.685**	**97.663**	**– 6.317**	**2 389.279**

Depreciation/amortisation								Book values	
01/01/2005	**Exchange differences**	**Change from consolidation**	**Write-downs current year**	**Write-downs current year**	**Write-ups**	**Transfers**	**31/12/2005**	**31/12/2005**	**31/12/2004**
27.831	0.026	0.167	5.748	0.157	–.—	0.025	33.640	14.167	14.428
3.256	–.—	–.—	–.—	0.846	–.—	– 0.025	2.385	5.283	2.635
–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	0.055	0.264
31.087	**0.026**	**0.167**	**5.748**	**1.003**	**–.—**	**–.—**	**36.025**	**19.505**	**17.327**
571.598	0.084	3.846	38.609	8.106	0.630	0.002	605.403	658.177	638.194
377.058	0.186	0.083	18.227	12.789	–.—	0.006	382.771	95.131	95.388
218.045	0.014	8.680	26.295	23.239	–.—	– 0.008	229.787	83.582	81.230
–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	12.106	11.474
1 166.701	**0.284**	**12.609**	**83.131**	**44.134**	**0.630**	**–.—**	**1 217.961**	**848.996**	**826.286**
– 0.742	**–.—**	**–.—**	**0.001**	**–.—**	**–.—**	**–.—**	**– 0.741**	**14.479**	**13.823**
4.610	–.—	3.114	2.745	0.099	–.—	0.374	10.744	16.548	29.279
–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	0.953	1.040
2.087	–.—	0.008	0.151	0.017	3.329	– 0.374	– 1.474	42.722	29.642
0.172	–.—	–.—	–.—	0.003	–.—	–.—	0.169	54.398	49.864
3.592	–.—	–.—	0.436	0.041	0.019	–.—	3.968	11.830	12.155
–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	0.583	0.516
10.461	**–.—**	**3.122**	**3.332**	**0.160**	**3.348**	**–.—**	**13.407**	**127.034**	**122.496**
1.724	–.—	–.—	1.679	0.134	–.—	–.—	3.269	51.686	51.836
31.650	–.—	–.—	1.297	1.414	–.—	–.—	31.533	26.125	26.080
33.374	**–.—**	**–.—**	**2.976**	**1.548**	**–.—**	**–.—**	**34.802**	**77.811**	**77.916**
1 240.881	**0.310**	**15.898**	**95.188**	**46.845**	**3.978**	**–.—**	**1 301.454**	**1 087.825**	**1 057.848**

CONSOLIDATED SCHEDULE OF FIXED ASSET MOVEMENTS 2006

Note (C.1. - C.5.)

In EUR million	Cost of acquisition/production						
	01/01/2006	Exchange differences	Change from con-solidation	Additions	Disposals	Transfers	31/12/2006
Intangible assets							
Industrial property rights, similar rights and assets	47.807	0.027	3.375	8.835	1.285	0.143	58.902
Goodwill	7.668	–.—	–.—	3.977	–.—	–.—	11.645
Prepayments on account	0.055	0.003	1.085	0.388	0.069	– 0.298	1.164
	55.530	**0.030**	**4.460**	**13.200**	**1.354**	**– 0.155**	**71.711**
Property, plant and equipment							
Land, similar rights and buildings, including buildings on leasehold land	1 263.580	0.457	4.457	42.706	18.275	– 6.721	1 286.204
Plant and machinery	477.902	0.202	3.718	24.410	16.182	6.759	496.809
Other facilities, fixtures, furniture and office equipment	313.369	0.076	5.631	32.278	25.198	– 1.360	324.796
Prepayments and construction in progress	12.106	0.004	–.—	26.391	0.123	– 12.568	25.810
	2 066.957	**0.739**	**13.806**	**125.785**	**59.778**	**– 13.890**	**2 133.619**
Participating interests valued at equity							
Participations in associated companies	**13.738**	**–.—**	**–.—**	**1.694**	**0.871**	**0.741**	**15.302**
Financial assets							
Shareholdings in affiliated companies	27.292	–.—	3.086	1.112	2.281	–.—	29.209
Loans to affiliated companies	0.953	–.—	–.—	–.—	0.086	–.—	0.867
Holdings in other companies	41.248	–.—	0.143	0.473	1.448	–.—	40.416
Credit balance with cooperatives	54.567	–.—	0.001	4.290	0.004	–.—	58.854
Securities held as fixed assets	15.798	–.—	0.231	2.604	11.221	– 0.320	7.092
Other loans	0.583	–.—	–.—	–.—	0.093	–.—	0.490
	140.441	**–.—**	**3.461**	**8.479**	**15.133**	**– 0.320**	**136.928**
Real estate held as a financial investment							
Land	54.955	–.—	–.—	–.—	0.838	2.657	56.774
Buildings	57.658	–.—	–.—	–.—	1.883	3.062	58.837
	112.613	**–.—**	**–.—**	**–.—**	**2.721**	**5.719**	**115.611**
Consolidated fixed assets	**2 389.279**	**0.769**	**21.727**	**149.158**	**79.857**	**– 7.905**	**2 473.171**

(C.2.) PROPERTY, PLANT AND EQUIPMENT

(C.2.) Property, plant and equipment

All plant, property 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, ancillary costs and

Depreciation/amortisation								Book values	
01/01/2006	Exchange differences	Change from consolidation	Write-downs current year	Write-downs current year	Write-ups	Transfers	31/12/2006	31/12/2006	31/12/2005
33.640	0.040	1.960	5.522	1.228	–.—	– 0.149	39.785	19.117	14.167
2.385	–.—	–.—	0.213	–.—	–.—	–.—	2.598	9.047	5.283
–.—	–.—	0.021	–.—	–.—	–.—	–.—	0.021	1.143	0.055
36.025	**0.040**	**1.981**	**5.735**	**1.228**	**–.—**	**– 0.149**	**42.404**	**29.307**	**19.505**
605.403	0.195	1.710	34.358	12.101	–.—	– 0.789	628.776	657.428	658.177
382.771	0.151	2.921	19.103	13.725	–.—	1.597	392.818	103.991	95.131
229.787	0.066	3.694	27.550	23.716	–.—	– 1.762	235.619	89.177	83.582
–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	25.810	12.106
1 217.961	**0.412**	**8.325**	**81.011**	**49.542**	**–.—**	**– 0.954**	**1 257.213**	**876.406**	**848.996**
– 0.741	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**0.741**	**–.—**	**15.302**	**14.479**
10.744	–.—	2.924	0.372	0.219	–.—	–.—	13.821	15.388	16.548
–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	0.867	0.953
– 1.474	–.—	0.028	0.134	0.329	0.461	–.—	– 2.102	42.518	42.722
0.169	–.—	–.—	0.007	–.—	–.—	– 0.028	0.148	58.706	54.398
3.968	–.—	0.011	0.112	3.771	0.026	0.028	0.322	6.770	11.830
–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	0.490	0.583
13.407	**–.—**	**2.963**	**0.625**	**4.319**	**0.487**	**–.—**	**12.189**	**124.739**	**127.034**
3.269	–.—	–.—	–.—	0.016	–.—	0.026	3.279	53.495	51.686
31.533	–.—	–.—	2.350	1.492	–.—	0.961	33.352	25.485	26.125
34.802	**–.—**	**–.—**	**2.350**	**1.508**	**–.—**	**0.987**	**36.631**	**78.980**	**77.811**
1 301.454	**0.452**	**13.269**	**89.721**	**56.597**	**0.487**	**0.625**	**1 348.437**	**1 124.734**	**1 087.825**

subsequent purchase costs, less any price reductions received. If there is an obligation to decommission an asset which is part of fixed 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 their 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 equipment, factory and office equipment	3 – 11

The calculation of unscheduled amortisation has been carried out in consideration of IAS 36 Impairment of Assets. Unscheduled depreciation in the reporting year came to EUR 0.063 million (2005: EUR 3.5 million) and was attributable to a machine for loading marc resulting from changed workflows.

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

In the reporting year, EUR 8.325 million were reposted from property, plant and equipment to “non-current assets held for sale”. This item comprises warehouses, silos, offices, farm buildings, residential real estate and a piece of undeveloped land where the probability of these assets being sold in the following year (2007) is more than 50 percent.

Assets from leasing are also disclosed under fixed assets. These assets 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 5.3 million (2005: EUR 5.5 million) and EUR 0.1 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 book values of EUR 0.6 million and EUR 4.7 million as per 31 December 2006 relate to the administrative building of “UNSER LAGERHAUS” and Nemorosa respectively. The lease of “UNSER LAGERHAUS” will run until 2008, and a purchase option has been agreed.

The book values of the technical facilities qualifying as finance leases come to EUR 0.1 million, which pertains to laboratory equipment and the production facilities of aniMedica GmbH.

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

In EUR million	2006	2005
Total amount of future minimum lease payments		
Not later than one year	0.6	0.5
Later than one year and not later than five years	2.1	2.0
Later than five years	6.8	7.3
	9.5	**9.8**
Interest portion included in future minimum lease payments		
Not later than one year	0.3	0.3
Later than one year and not later than five years	1.2	1.2
Later than five years	3.0	3.3
	4.5	**4.8**
Present value of future minimum lease payments		
Not later than one year	0.3	0.2
Later than one year and not later than five years	0.9	0.8
Later than five years	3.8	4.0
	5.0	**5.0**

(C.3.) PARTICIPATING INTERESTS RECOGNISED AT EQUITY, OTHER FINANCIAL ASSETS AND SECURITIES

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

The financial assets of the BayWa Group mainly comprise interests in non-consoldated 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 with the concurrent effect on net income.

The "held for trading" category consists of securities with an attributable fair value of a total EUR 78.001 million (2005: EUR 75.815 million). Owing to the fact that they are held for trading they are disclosed under current assets. Funds from the reinvestment of dividend totalling EUR 3.214 million are offset by an adjustment due to changes in the market value which came to EUR 1.028 million (2005: write-up of EUR 2.932 million) which, in accordance with IAS 39, has been taken account of in the profit for the period in 2006 with the concurrent effect on net income. The attributable fair value used is determined by the stock market closing price on the reporting date.

Financial assets held to maturity are disclosed exclusively at their carrying cost of acquisition.

The shares assigned to the "available for sale" category are shown at their attributable fair value, in as much as there is an active market. The difference between the originally recorded carrying cost of purchase and the attributable fair value (stock market closing price on the reporting date) of EUR 3.697 million in total (after consideration of deferred tax) was recognised under equity not affecting income in accordance with IAS 39. Participating interests held in Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, and in Raiffeisen Zentralbank AG, Vienna, were capitalised at their carrying cost of purchase as there was no active market for the securities and, therefore, no market fair 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.

In the reporting year, EUR 0.320 million relating to the capitalised market value of interest rate hedging transactions were reposted from securities held as fixed assets to other non-current assets.

Associated consolidated companes are always recognised under the equity method in proportion to equity.

Participating interests in non-consolidated subsidiaries and associated companies are also deemed financial assets available for sale. They are, however, valued at their respective cost of acquisition as there is no active market for the companies and the fair value cannot be reliably ascertained without incommensurate effort.

(C.4.) REAL ESTATE HELD AS A FINANCIAL INVESTMENT

(C.4.) Real estate held as a financial investment

The "Real estate held as a financial investment" (investment property item) comprises 213 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 green field 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, 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 depreciated cost and written down during the periods of useful life as shown under Note C.3. The book value on the reporting date came to EUR 78.980 million (2005: EUR 77.811 million).

The attributable fair value of this property was set at EUR 138.023 million; this fair value was not calculated by way of obtaining an external appraisal. 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, less management expenses and residual useful life, and a corresponding multiplier of the income value of the structural works.

(C.5.) TAX CLAIMS

(C.5.) Tax claims

Tax claims comprise a long-term corporate tax credit and, for the rest, short-term tax reimbursement claims.

The tax claims item breaks down as follows:

In EUR million	2006	2005
Long-term tax claims		
(with a residual term of more than one year)	7.937	–.––
Current tax claims (with a residual term of less than one year)	8.472	6.937
	16.409	**6.937**

(C.6.) RECEIVABLES AND OTHER ASSETS

(C.6.) Receivables and other assets

Receivables and other assets are recognised at their cost of purchase. All discernable risks have been taken account of by appropriate provisions for loss. If a receivable shows signs of impairment, a valuation 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.

Receivables and other assets break down as follows; the attributable fair value does not diverge materially from the book values disclosed:

In EUR million	2006	2005
Long-term receivables		
(with a residual term of more than one year)		
Trade receivables	1.012	0.308
Other receivables, including deferred income	18.845	9.390
	19.857	**9.698**
Short-term receivables		
(with a residual term of less than one year)		
Trade receivables	495.776	375.959
Receivables from affiliated companies	19.164	33.242
Receivables from companies		
in which a participating interest is held	8.340	9.498
Other receivables, including deferred income	100.069	88.393
	623.349	**507.092**

In the financial year, valuation allowances rose by EUR 2.3 million to EUR 23.1 million, up from EUR 20.8 million in 2005.

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

Other assets comprise primarily supplier credits not yet settled in the financial year, open guarantees and "free-of-charge" cases. In addition, payments on account for inventories amounting to EUR 15.9 million (2005: EUR 15.1 million) are included.

In the BayWa Group, trade receivables worth EUR 150.0 million (2005: EUR 150.0 million) were securitised in the context of an Asset-Backed Securitisation (ABS) measure where the delcredere risks are transferred to the purchaser. Utilisation fluctuates and depends on seasonal influences. As per 31 December 2006, utilisation stood at EUR 63.3 million (2005: EUR 63.7 million).

(C.7.) DEFERRED TAX CLAIMS

(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

(C.8.) Inventories

Inventories of raw materials, consumbables 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.

Unfinished and finished goods are recognised at their cost of production. They comprise all costs directly allocable from the production process, as well as an appropriate share 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 sales proceeds have been accounted for.

The following is a breakdown of inventories:

In EUR million	2006	2005
Raw materials, consumables and supplies	26.721	20.484
Unfinished and finished goods/services	37.267	42.294
Merchandise	754.284	678.644
	818.272	**741.422**

In the case of lower net realisable value, write-downs are generally carried out in the form of individual adjustments. Only in exceptional cases was there a flat rate calculation.
In the financial year, depreciation rose by EUR 5.233 million to EUR 38.056 million, up from EUR 32.823 million in 2005, with the concurrent effect on net income. Write-ups from sale activities affecting the current result were not realised.

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

(C.9.) LIQUID FUNDS

(C.9.) Liquid funds

Liquid funds worth EUR 17.5 milion (2005: EUR 16.8 million) comprise cash on hand, cheques and deposits in banks falling due within one year.

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

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

On the reporting date, a sum total of 15 (2005: 22) buildings and plots of land intended for sale were disclosed under the non-current assets held for sale item. This real estate comprises warehouses, silos, offices, farm buildings, residential real estate and a piece of undeveloped land.

As concerns the aforementioned, the BayWa Group has established that, for reclassification, there must be a Board Resolution on the sale, and that there is a more than 50 percent likelihood that sale itself will take place within the following year (2007).

The valuation provision under IFRS 5 stipulates that no scheduled write-downs be made on the relevant properties. On the reporting date the book value is compared with the attributable fair value, less the anticipated cost of sale. Whichever is the lower is recognised.

A total book value of EUR 10.348 million (2005: EUR 3.435 million) has been disclosed for this real estate portfolio. As against with this value, the attributable fair value, minus the anticipated cost of sale, comes to EUR 28.892 million (2005: EUR 16.892 million). As per 31 December 2006, all book values were below the respective attributable fair value, minus the anticipated cost of sale. As a result, there were no unscheduled write-downs from impairment.

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

In EUR million	**2006**
Agriculture	4.329
Building Materials	5.915
Energy	0.065
Other	0.039

The participating interests in ATYS Austria GmbH and R+V Allgemeine Versicherung AG disclosed in 2005 were sold with effect from 1 January 2006. The proceeds from the sale came to EUR 9.540 million and EUR 18.490 million respectively. Gains from the sale of the participations stood at EUR 21.318 million, which is included under other income from shareholdings.

(C.11.) EQUITY

(C.11.) Equity

The Consolidated statement of changes in equity shows the development of the BayWa Group's equity in detail.

Subscribed capital (share capital)
The share capital of BayWa AG amounted to EUR 86,664,849.92 on the reporting date and is divided into 33,853,457 bearer shares with an arithmetical portion of EUR 2.56 in the share capital. Of the shares issued, 32,546,585 are registered shares and 63,621 are recently registered shares with restricted transferability (from 1 January 2007 onwards, dividend-bearing employee shares). 1,243,251 shares are not registered shares with restricted transferability.

Pursuant to IAS 32, the share capital disclosed declined by the nominal value of the shares bought back (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 financial year under review.

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

	Registered shares with restricted transferability	Registered shares not with restricted transferability
As per 1 January 2006	1 243 251	32 527 085
Issuing of employee shares	–	63 621
As per 31 December 2006	**1 243 251**	**32 590 706**

Pursuant to Section 21 para. 1 of the German Securities Trading Act, Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, has announced that it holds more than one quarter (but less than one half) of the shares of BayWa AG.

Pursuant to Section 21 para. 1 of the German Securities Trading Act, St. Wolfgang Beteiligung GmbH, Vienna, and RWA Deutschland GmbH, Munich, have announced that they hold more than 10 percent respectively (but less than 25 percent) of the voting rights of BayWa AG.

Pending approval by the Supervisory Board, the Board of Management is authorised to raise the share capital in the period up to 30 June 2008 by up to a nominal EUR 10,000,000 through the issuing of new registered shares against non-cash contribution.

Furthermore, pending 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 up to a nominal EUR 4,640,445.44 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. of the German Stock Corporation Act at purchase prices of up to at least 50 percent of the share price ascertained at the time when this authorisation is exercised.

In addition, pending 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 up to a nominal EUR 12,500,000 through the issuing of new registered shares against non-cash contribution.

Capital reserve

The capital reserve worth EUR 79.7 million is derived mainly from the premiums in the amount of EUR 52.2 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 2006, BayWa issued 63,621 new registered shares with restricted transferability (dividend bearing as from 1 January 2007) as part of its Employee Share Scheme. The exercise price of employee shares came to EUR 12.66, and was thus 60 percent of the stock market price of registered BayWa shares with restricted transferability which, on the day preceding the resolution passed by BayWa's Board of Management on the capital increase required for this measure, had stood at EUR 21.10. The advantage granted, which is 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 (EUR 0.537 million).

Revenue reserve
On the reporting date, the revenue reserve of the Group totalled EUR 439.9 million, of which EUR 5.6 million was apportioned to statutory reserves and EUR 3.7 million to the revaluation reserve (available for sale), as well as EUR 430.6 million to other revenue reserve. Transfers to and withdrawals from the revenue reserve 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 affecting the result.

Minority interests
Minority interests in equity are expecially attributable to banks which hold stakes in the subsdiaries in Austria.

(C.12.) PENSION PROVISIONS

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

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

The amount of the pension obligations (defined benefit obligation) has been calculated using actuarial methods where estimates are indispensible. 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 December	**2006**	**2005**
Discount factor	4.25	4.25
Salary trend	1.0	1.7
Pension trend	1.0	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 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 losses (2005: EUR 42.1 million), accumulated due to changes in the discount factor and not set off, posted EUR 38.3 million as per 31 December 2006.

Total expenses from pensions defined in the performance-oriented benefit plans amounted to EUR 24.5 million (2005: EUR 25.5 million) and comprise the following:

In EUR million		2006	2005
	Ongoing service cost	5.729	5.411
+	share of interest	18.760	20.099
=	**Total amount affecting the current result**	**24.489**	**25.510**

The expenses arising from the accrued interest on rights aquired in the past are disclosed under the financial result. Rights accrued in the respective financial year are included under personnel expenses. During the period under review, the net value of the amounts capitalised at Group level has changed, as shown in the table below:

In EUR million		2006	2005
	Net value of amounts capitalised as per 1 January	427.750	425.072
+	Changes in the group of consolidated companies	0.650	2.270
+	Total of amounts affecting the current result	24.489	25.510
–	Pension payments during the reporting period	– 25.617	– 24.979
+/–	Assumption of obligations	0.410	– 0.123
=	**Net value of amounts capitalised as per 31 December**	**427.682**	**427.750**

The net present value of pension obligations (including actuarial gains/losses not recorded) has changed as follows:

In EUR million	2002	2003	2004	2005	2006
	434.438	399.271	430.449	470.179	465.905

(C.13.) OTHER PROVISIONS

(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	2006	2005
Long-term provisions		
(with a maturity of more than one year)		
Obligations from personnel and employee benefits	59.451	60.955
Other provisions	7.868	9.601
	67.319	**70.556**
Short-term provisions		
(with a maturity of less than one year)		
Obligations from personnel and employee benefits	44.493	37.294
Other provisions	66.233	56.422
	110.726	**93.716**

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 part-time service in age.

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	As per 01/01/2006	Allo-cations	Reclassi-fication	Compound interest	Utili-sation	Release	Price dif-ferences	As per 31/12/2006
Long-term provisions								
Obligations from personnel and employee benefits	60.955	5.548	– 0.005	1.049	6.245	1.851	–.––	59.451
Other provisions	9.601	0.161	0.564	–.––	1.036	1.422	–.––	7.868
	70.556	**5.709**	**0.559**	**1.049**	**7.281**	**3.273**	**–.––**	**67.319**
Short-term provisions								
Obligations from personnel and employee benefits	37.294	38.449	0.005	–.––	28.413	2.875	0.033	44.493
Other provisions	56.422	37.389	– 0.564	–.––	22.285	4.779	0.050	66.233
	93.716	**75.838**	**– 0.559**	**–.––**	**50.698**	**7.654**	**0.083**	**110.726**

(C.14.) FINANCIAL LIABILITIES

(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	2006				2005
	Residual term of up to one year	**Residual term of up to five years**	**Residual term of over five years**	**Total**	**Total**
Financial liabilities					
Due to banks	523.095	18.673	22.320	564.088	490.121
Commercial paper	111.500	–.––	–.––	111.500	47.500
Profit-sharing capital	1.691	–.––	–.––	1.691	1.691
	636.286	**18.673**	**22.320**	**677.279**	**539.312**

The BayWa Group finances itself mainly through credit on current account and short-term loan. In individual cases, long-term bank loans are used.

The credit on current account of EUR 474.8 million is due and payable at any time. The annual effective interest rate on credit on current account came to around 4.3 percent (2005: 3.6 percent) per year.

The Group has disclosed the following material bank loans under long-term financial liabilities:

a) A loan of EUR 12.0 million (2005: EUR 12.0 million). The bullet loan matures on 4 November 2012. The interest rate on the loan is 3.900 percent.
b) A loan of EUR 2.6 million (2005: EUR 2.6 million). The loan was taken out on 29 December 2000 and will have been redeemed by 29 December 2008. The interest rate on the loan is 0.4 percent above LIBOR.
c) A loan of EUR 2.6 million (2005: EUR 2.6 million). The loan was taken out on 29 December 1998 and will have been redeemed by 29 December 2008. The interest rate on the loan is 0.6 percent above LIBOR.
d) A loan of EUR 3.0 million (2005: EUR 3.0 million). The loan will have been redeemed by 31 October 2012. The interest rate on the loan is 4.020 percent.
e) A loan of EUR 2.1 million (2005: EUR 0.0 million). The loan was taken out on 1 July 2006. Redemption will begin on 31 July 2008 and will run until 31 December 2014. The interest rate on the loan is 2.000 percent.
f) A loan of EUR 2.0 million (2005: EUR 3.5 million). The loan was taken out on in 2004. Redemption began on 1 January 2007 and will run until 7 July 2012. The interest rate on the loan is 2.000 percent.

No collateral was provided for the aforementioned loans.

Of the Commercial Paper Programme set up by BayWa AG with a total volume of EUR 300.0 million, EUR 111.5 million worth of Commercial Paper with a term of 31 days and an average weighted effective interest rate of 3.07 percent had been issued as per the reporting date.

Of the liabilities due to banks, EUR 8.4 million at Group level have been secured by a charge over property. The fair value of the financial liabilities does not diverge materially from the book values disclosed.

(C.15.) FINANCIAL LEASING OBLIGATIONS

(C.15.) Financial leasing obligations

The amounts disclosed as financial leasing obligations exclusively comprise obligations from finance leases carried as liabilities (see also Note C.3.). Liabilities arising from finance leasing agreements are disclosed in the present value of future leasing instalments.

In EUR million	2006				2005
	Residual term of up to one year	**Residual term of up to five years**	**Residual term of over five years**	**Total**	**Total**
Financial leasing obligations					
Other financial leasing liabilities	0.235	1.062	3.697	4.994	5.028

(C.16.) TRADE PAYABLES AND LIABILITIES FROM INTER-GROUP BUSINESS RELATIONSHIPS

(C.16.) Trade payables and liabilities from intergroup business relationships

Long-term 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 creditors but also liabilities arising from financings. Liabilities due to companies in which a participating interest is held consist of financial liabilities of EUR 38.3 million due to KIRKA.

As per 31 December 2006 In EUR million	**Residual term of up to one year**	**Residual term of up to five years**	**Residual term of over five years**	**Total**
Trade payables	434.374	1.365	0.005	435.744
Liabilities due to affiliated companies	8.809	–.––	–.––	8.809
Liabilities due to companies in which a participating interest is held	32.982	–.––	38.331	71.313
Bills and notes payable	1.441	–.––	–.––	1.441
Payments received on orders	15.833	–.––	–.––	15.833
	493.439	**1.365**	**38.336**	**533.140**

As per 31 December 2005 In EUR million	Residual term of up to one year	Residual term of up to five years	Residual term of over five years	Total
Trade payables	354.128	–.—	–.—	354.128
Liabilities due to affiliated companies	30.557	–.—	–.—	30.557
Liabilities due to companies in which a participating interest is held	57.685	–.—	37.043	94.728
Bills and notes payable	6.019	–.—	–.—	6.019
Payments received on orders	19.648	0.004	–.—	19.652
	468.037	**0.004**	**37.043**	**505.084**

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

(C.17.) OTHER LIABILITIES

(C.17.) Other liabilities

The table below shows a breakdown of other liabilities:

As per 31 December 2006 In EUR million	Residual term of up to one year	Residual term of up to five years	Residual term of over five years	Total
Tax	18.081	–.—	–.—	18.081
Social security	2.329	–.—	–.—	2.329
Allowances received	0.348	1.384	0.484	2.216
Other liabilities including deferred income	60.139	1.748	–.—	61.887
	80.897	**3.132**	**0.484**	**84.513**

As per 31 December 2005 In EUR million	Residual term of up to one year	Residual term of up to five years	Residual term of over five years	Total
Tax	18.865	0.037	–.—	18.902
Social security	12.994	–.—	–.—	12.994
Allowances received	0.588	1.479	0.601	2.668
Other liabilities including deferred income	36.083	1.222	–.—	37.305
	68.530	**2.738**	**0.601**	**71.869**

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 0.452 which is disclosed under other operating income.

(C.18.) DEFERRED TAX LIABILITIES

(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

(C.19.) Contingent liabilities

In EUR million	2006	2005
Bills and notes payable	8.903	8.467
(of which to affiliated companies)	(–.––)	(–.––)
Guarantees	19.296	8.345
(of which to affiliated companies)	(16.366)	(6.274)
Warranties	1.483	3.476
(of which to affiliated companies)	(1.483)	(3.476)
Collateral for liabilities of third parties	0.717	11.855
(of which to affiliated companies)	(–.––)	(–.––)

(C.20.) OTHER FINANCIAL LIABILITIES

(C.20.) Other financial liabilities

Apart from liabilities, provisions and contingent liabilities, there are no other financial obligations arising in particular from rental and leasing agreements for machines, tools, office and other equipment as well as buyback obligations. The following table shows a breakdown of financial liabilities:

In EUR million	2006	2005
Other financial liabilities		
from buyback obligations	8.080	10.896
from property rental agreements	72.117	53.600
from movables rental agreements	2.542	2.106
from amounts guaranteed for interests		
in cooperative companies	13.634	8.379

(C.21.) FINANCIAL INSTRUMENTS

(C.21.) Financial instruments

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 transactions are closed, they are hedged by the respective forward deals. Such financial instruments are used solely for the purpose of hedging existing underlying transactions or planned transactions. As per 31 December 2006, there were derivative transactions denominated in Czech krona and the Hungarian forint.

In the context of financial management, the Group is active on the capital market primarily in borrowing short-term time 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. The volume-related hedging always comprises only a base amount of the borrowed funds. As there is no clear hedging connection 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 nominal value of derivative financial instruments and their credit risk within the BayWa Group as per 31 December 2006 is shown in the table below:

In EUR million			Market value		
	Nominal volume	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	197.000	0.789	–.—	0.152	0.637
Currency hedging transactions	7.354	7.016	7.016	–.—	–.—
	204.354	**7.805**	**7.016**	**0.152**	**0.637**
Liabilities					
Interest rate hedging transactions	11.500	–.—	–.—	0.370	–.—
Currency hedging transactions	–.—	–.—	–.—	–.—	–.—
	11.500	**–.—**	**–.—**	**0.370**	**–.—**

Nominal volume
The nominal volume of a derivative financial instrument is the mathematical reference figure from which payments are derived. Any hedging result and risk do not constitute the nominal value itself but only the price changes (e.g. interest rate changes) relating to the nominal value.

Market value
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.

Interest rate risk
Interest rate risk, i.e. fluctuations in the value of a financial instrument owing to changes in the market interest rates, can pose a threat, especially in the case of medium- and long-term fixed-rate receivables and liabilities. In order to hedge against these risks, interest rate swaps or caps are closed, depending on the market situation.

The Group discloses the following swaps and caps under interest rate hedging transactions:

a) Two swaps each of EUR 2.5 million	with a term up until 29 December 2008.
b) One swap of EUR 1.5 million	with a term up until 3 December 2009.
c) One swap of EUR 2.5 million	with a term up until 18 July 2008.
d) One swap of EUR 2.5 million	with a term up until 25 June 2009.
e) One cap of EUR 2.0 million	with a term up until 9 February 2009.
f) One cap of EUR 25.0 million	with a term up until 23 July 2008.
g) One cap of EUR 20.0 million	with a term up until 9 February 2009.
h) One cap of EUR 10.0 million	with a term up until 9 February 2009.
i) One cap of EUR 40.0 million	with a term up until 19 August 2010.
j) One cap of EUR 30.0 million	with a term up until 22 December 2010.
k) One cap of EUR 20.0 million	with a term up until 13 July 2012.
l) One cap of EUR 20.0 million	with a term up until 19 July 2011.
m) One cap of EUR 20.0 million	with a term up until 7 September 2006.

Currency risk
Currency hedging deals are used to hedge against currency risks. These deals cover all cash flows denominated in a foreign currency from operations and hedge financing transactions with matching currencies.

The Group has the following currency hedging transactions for Hungarian forint and Czech krona: total nominal volume: EUR 7.354 with a residual term of up to one year.

Default risk
Irrespective of any collateral, the amount of financial assets capitalised represents the maximum default risk should business partners not be able to fulfil their contractual payment obligations. In the case of all sourced products and services underlying the original financial instruments the following applies: Credit information has been obtained or historical data on the former business relationship used, in particular in respect of payment morale, in order to minimise the default risk, depending on the type and the amount of the product or service, with a view to avoiding payment default. The Group has set up a comprehensive debtor management system for this purpose. In as much as default risk is discernible for individual financial assets, these risks are taken account of by valuation reserves. The specific customer structure of the Group avoids risk clusters. There is currently no discernible concentration of default risk from business relationships with the individual debtors or groups of debtors.

(D.) NOTES TO THE INCOME STATEMENT

The breakdown of the income statement was based on the "total cost"-type of short-term accounting.

(D.1.) SALES REVENUE

(D.1.) Sales revenue

The recording of sales revenue is only carried out once the service has been provided or the goods or products have been delivered, i.e. once the transfer of risk to the customer has taken place.

The breakdown of the divisions and regions can be seen in the segment report (Note E.2.).

(D.2.) OTHER OPERATING INCOME

(D.2.) Other operating income

In EUR million	**2006**	**2005**
Rental income	18.864	22.083
Reimbursement of expenses	12.243	10.832
Income from the release of provisions	10.511	11.581
Income from the disposal of assets	14.696	6.873
Income from the release of negative differences	2.267	–.––
Sourcing of employees	5.425	5.807
Advertising allowance	3.602	5.098
Price gains	2.300	1.107
Other income	26.789	35.193
	96.697	**98.574**

Other income comprises the reimbursement of expenses by third parties, receipts from written off receivables, licences and a number of other individual positions.

Income owing to a prohibition of competition came to EUR 0.6 million in the financial year 2006 (2005: EUR 3.6 million).

(D.3.) COST OF MATERIALS

(D.3.) Cost of materials

In EUR million	**2006**	**2005**
Expenses for raw materials, consumables and supplies and for goods sourced	6 210.703	5 544.935
Expenses for products/services sourced	52.306	33.888
Selling expenses	70.575	64.743
	6 333.584	**5 643.566**

(D.4.) PERSONNEL EXPENSES

(D.4.) Personnel expenses

In EUR million	2006	2005
Wages and salaries	466.049	441.434
Share-based payments	0.537	0.536
Expenses for old-age pension provisions,		
support and service units	41.646	46.754
(of which ongoing service cost)	(5.729)	(5.411)
Social insurance levies	69.354	66.848
	577.586	**555.572**

After calculation of the pension provisions under IAS 19, total expenses for old-age pension provisions came to EUR 24.5 million (2005: EUR 25.5 million). Of this amount, a portion of EUR 5.7 million has been disclosed under personnel expenses and a portion of EUR 18.8 million under interest expenses.

Number	2006	2005
Employees		
Annual average (Section 267 para. 5 of the		
German Commercial Code (HGB))	15 134	14 645
of which jointly held companies	131	0
As per: 31 December	16 249	15 593
of which jointly held companies	128	0

(D.5.) OTHER OPERATING EXPENSES

(D.5.) Other operating expenses

In EUR million	2006	2005
IT costs	7.314	9.464
Rent	28.774	30.936
Advertising	30.283	28.859
Vehicle fleet	38.266	35.016
Energy	26.724	24.308
Expenses for staff hired externally	19.670	15.992
Depreciation/valuation adjustment of receivables	7.897	7.364
Information expenses	13.852	14.493
Maintenance	35.118	29.771
Insurance	10.813	9.072
Costs of legal and professional advice, audit fees	7.569	8.482
Travel expenses	6.377	6.046
Office supplies	6.424	6.220
Other tax	5.382	4.869
Induction and further training	4.551	3.842
Price gains	1.304	1.160
Loss from the disposal of assets	1.446	3.394
Commission	15.693	16.359
Other expenses	43.538	38.444
	310.995	**294.091**

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

(D.6.) INCOME FROM PARTICIPATING INTERESTS RECOGNISED AT EQUITY AND OTHER INCOME FROM SHAREHOLDINGS

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

In EUR million	2006	2005
Profit/loss from participating interests recognised at equity	**1.299**	**1.680**
Income from affiliated companies	1.542	4.433
Other income from holdings and similar income	29.986	6.844
Write-downs of financial assets and other expenses	– 3.363	– 0.868
Other expenses from the disposal of financial assets	– 0.355	– 0.595
Other income from shareholdings	**27.810**	**9.814**
	29.109	**11.494**

(D.7) INTEREST INCOME AND EXPENSES

(D.7.) Interest income and expenses

In EUR million	2006	2005
Interest and similar income	6.335	6.037
(of which from affiliated companies)	(0.814)	(1.598)
Interest income	**6.335**	**6.037**
Interest and similar expenses	– 27.252	– 21.273
(of which to affiliated companies)	(– 0.212)	(– 0.511)
Interest portion of finance leasing	– 0.371	– 0.398
Interest portion of allocations to pension		
provisions and other personnel provisions	– 20.728	– 22.046
Interest expenses	**– 48.351**	**– 43.717**
Net interest expense	**– 42.016**	**– 37.680**

(D.8) INCOME TAX

(D.8.) Income tax

According to where it originates, the tax on income and profit of the BayWa Group breaks down as follows:

In EUR million	2006	2005
Ongoing tax	– 2.899	– 15.406
Deferred tax	– 9.498	12.119
	– 12.397	**– 3.287**

Expenses for deferred tax in the income statement do not comprise deferred tax on the assets and liabilities side added or subtracted due to first-time consolidation or deconsolidation. Moreover, deferred tax on the assets side of EUR 0.018 million was set off without effect on the result with the revaluation reserve under equity.

Tax expenses comprise corporate and business tax of the companies in Germany as well as comparable income tax of the foreign companies. Other tax is included under other operating expenses.

In accordance with IAS 12, tax on the assets and liabilities side were formed for all temporary differences between the tax recognition and recognition under IAS as well as on consolidation measures affecting the result. The tax on the assets side include tax-reducing claims which arise from the expected utilisation of loss carryfowards in the years ahead, the realisation of which is assured with sufficient probability. Deferred tax is 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 tax is levied.

The following positions are to be allocated to tax deferral amounts on the assets and liabilities side as per 31 December:

	Deferred tax on the assets side		Deferred tax on the liabilities side	
In EUR million	2006	2005	2006	2005
Intangible assets and property, plant and equipment	0.726	0.770	89.942	94.353
Financial assets	20.433	22.128	5.554	2.601
Current assets	3.362	1.633	0.616	1.407
Other assets	0.262	–.––	0.633	–.––
Tax loss carryforwards	1.746	5.783	–.––	–.––
Provisions	70.909	81.785	4.111	3.422
Liabilities	14.449	14.440	0.001	0.272
Other	0.505	–.––	0.794	3.377
Consolidation	2.557	0.678	29.263	27.028
	114.949	**127.217**	**130.914**	**132.460**

The capitalisation of tax claims from unutilised tax carryforwards is only carried out if squaring out in future is probable. Deferred tax on the assets side from the loss carryforwards of subsidiaries amount to EUR 1.7 million (2005: EUR 5.8 million). In the context of company planning, the time horizon assumed for this was three years. No deferred tax on the assets side was formed for the loss carryforwards of subsidiaries which came to EUR 3.6 million.

The actual tax expenses are EUR 13.7 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 business tax on the profit of the Group before tax. The mathematical tax rate of 37.42 percent is calculated on the basis of the uniform corporate tax rate of 25.0 percent, plus the solidarity surcharge of 5.5 percent, and an average effective business tax of 15.0 percent, which has been applied as follows:

In EUR million	2006	2005
Consolidated result before income tax	**69.803**	**42.137**
Mathematical tax rate given a tax rate of 37.42 percent	26.120	15.768
Difference when compared with tax rates abroad	– 5.440	– 3.250
Amortisation of goodwill/release of negative goodwill	– 0.904	0.186
Tax not relating to the period	1.587	0.258
Permanent difference changes	1.028	– 4.353
Tax effect due to non-tax deductible expenses	1.952	1.586
Tax-exempt income	– 6.093	– 3.236
Changes in the valuation of loss deductions	2.311	– 3.793
Corporate tax credit, Germany (2005: tax reform, Austria)	– 7.937	– 0.784
Tax effect from equity results	– 0.195	1.153
Other tax effects	– 0.032	– 0.248
Income tax	**12.397**	**3.287**

(D.9.) PROFIT SHARE OF MINORITY SHAREHOLDERS

(D.9.) Profit share of minority shareholders

Profit of EUR 17.8 million (2005: EUR 12.7 million) due to other shareholders is mainly attributable to minority shareholders of individual associated companies in Austria.

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

(D.10.) Earnings per share (EPS)

Earnings per share takes account of the respective average dividend-bearing share for the financial year.

		2006	**2005**
Net income adjusted for minority interest	in EUR million	39.619	26.194
Average number of shares issued	Shares	33 783 060	33 727 109
Undiluted earnings per share (EPS)	EUR	1.17	0.78
Diluted earnings per share (EPS)	EUR	1.17	0.78
Proposed dividend per share	EUR	0.30	0.28

(E.) OTHER INFORMATION

(E.1.) EXPLANATIONS ON THE CASH FLOW STATEMENT

(E.1.) Explanations on the cash flow statement

The cash flow statement shows how the liquid funds of the BayWa Group have changed due to cash inflow and outflow during the year under review. In accordance with IAS 7 (Cash Flow Statements), a difference has been made between cash flows from operating activities, from investment activities and from financing activities.

The cash flow from operating activities is derived indirectly from the consolidated net income for the year. This cash flow is ascertained by adjusting it for non-payment-related expenses (mainly depreciation and amortisation) and income. The cash flow from investment activities is calculated on a payment-related basis and comprises changes in consolidated fixed assets affecting payments. The cash flow from financing activities is also ascertained on a payment-related basis and comprises primarily changes affecting payments in the financing of operations and payment disbursed for dividend.

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

The cash and cash equivalents shown in the cash flow statement comprise all liquid funds, i.e. cash on hand, cheques and deposits in banks. Owing to the fact that the Group conducts its business mainly in the euro zone, the impact of exchange-rate induced changes in liquid funds is of secondary importance and is therefore not disclosed separately. The cash is not subject to any restraints on disposal.

The cash flow from operating activities also comprises the following:

In EUR million	2006	2005
Interest received	6.335	6.037
Interest paid	– 27.252	– 21.273
Dividend received	9.111	14.352
Cash flow from income tax	– 14.415	– 7.663

The cash flow from investment activities comprises payments for company acquisitions which are as follows:

In EUR million	2006	2005
Total purchase price	7.954	6.103
of which already paid	4.381	6.103
Funds taken over from company acquisitions	0.011	1.425

(E.2.) EXPLANATIONS ON SEGMENT REPORTING

(E.2.) Explanations on segment reporting

Dividing up of operations into segments
Pursuant to IAS 14 (Segment Reporting), segment reporting in the BayWa Group is carried out according to business regions and segments and is thus aligned to the internal management and control of the Group. The BayWa Group operates in the following four business segments:

The Agriculture segment comprises the Group's activities in agricultural resources and products, as well as in the fruit business and 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, the DIY and garden centre retail trade, and services related to heating and sanitary installations.

The Energy segment mainly comprises trading activities in mineral oil, fuel and lubricants as well as the gas station business.

The Other Activities segment comprises all other activities which do not belong to the core business of the Group, including the car dealership business in particular, as well as the production and sale of food.

Segment Report by business
The information contained in the segment reports is subject to the same disclosure and valuation methods as the consolidated financial statements.

Along with ordinary profit, the operating results are disclosed after consideration of depreciation, together with the financial result (income from shareholdings and interest). This is also applicable to the assets and liabilities of the respective segment. Investments made 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.

SEGMENT REPORT BY BUSINESS

	Agriculture	
In EUR million	2006	2005
Sales	2 861.322	2 704.249
Year-on-year change in percent	(5.8)	
Depreciation & amortisation	41.596	41.887
Operating result	44.132	46.472
Financial result	– 18.452	– 14.668
Of which: Equity result	–.––	–.––
Ordinary profit	25.680	31.804
Assets	1 281.819	1 158.908
Inventories	495.991	454.428
Liabilities	914.864	798.151
Investments	64.372	59.672
Employees annual average	6 607	6 434

Segment Report by region
External sales are allocated according to where the customer has his principal place of business, whereby the Group's core markets are in Germany and Austria. Accordingly, these countries are shown separately. Other international operations mainly include activities of the Group in Eastern Europe.

SEGMENT REPORT BY REGION

	External sales		Investments		Assets	
In EUR million	2006	2005	2006	2005	2006	2005
Germany	4 765.897	4 207.648	109.171	128.545	1 942.214	1 773.146
Austria	2 153.335	1 984.395	24.032	25.638	790.065	760.908
Other international operations	380.540	345.029	6.782	2.003	91.100	63.000
Group	**7 299.772**	**6 537.072**	**139.985**	**156.186**	**2 823.379**	**2 597.054**

Building Materials		Energy		Other		Total	
2006	2005	2006	2005	2006	2005	2006	2005
1 931.679	1 704.174	2 103.281	1 847.977	403.490	280.672	7 299.772	6 537.072
(13.3)		(13.8)		(43.8)		(11.7)	
30.766	33.924	7.859	7.857	8.875	8.187	89.096	91.855
28.490	16.068	9.299	7.565	0.789	–1.782	82.710	68.323
– 13.553	– 9.613	– 0.520	– 0.155	19.618	– 1.750	– 12.907	– 26.186
– 0.039	0.069	–.—	–.—	1.338	1.611	1.299	1.680
14.937	6.455	8.779	7.410	20.407	– 3.532	69.803	42.137
903.271	780.533	227.261	228.148	411.028	429.465	2 823.379	2 597.054
189.844	177.446	28.215	23.091	104.222	86.457	818.272	741.422
564.181	477.867	174.976	183.444	397.454	396.833	2 051.475	1 856.295
50.963	77.217	8.409	8.634	15.241	10.663	138.985	156.186
6 214	6 090	995	939	1 318	1 182	15 134	14 645

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

(E.3.) Material events after the reporting date

There were no material events after the reporting date.

(E.4.) LITIGATION

(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 impoact 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.) RELATED PARTIES

(E.5.) 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 a 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 governing bodies, but also by participation in the policy-making process, material intercompany transactions, interchange of managerial personnel or dependence on technical information. Significant influence may be gained by share ownership, statute or contractual agreement. With share ownership, significant influence is presumed in accordance with the definition under IAS 28 (Accounting for Investments in Associates) if a shareholder owns 20 percent or more of the voting rights, either directly or indirectly, unless this supposition is clearly refuted. Significant influence can be deemed irrefutable if the policy of a company can be influenced, for instance, by the corresponding appointing of members to the supervisory executive bodies.

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

Transactions with related parties are shown in the table below:

2006 In EUR million	**Supervisory Board**	**Board of Management**	**Bayerische Raiffeisen-Beteiligungs-AG**	**Non consolidated companies**
Receivables	0	0	0	28
Liabilities	0	0	0	80
Interest income	0	0	0	1
Interest expenses	0	0	0	0

2005 In EUR million	**Supervisory Board**	**Board of Management**	**Bayerische Raiffeisen-Beteiligungs-AG**	**Non consolidated companies**
Receivables	0	0	0	43
Liabilities	0	0	0	125
Interest income	0	0	0	2
Interest expenses	0	0	0	1

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

(E.6.) FEES OF THE GROUP AUDITOR

(E.6.) Fees of the group auditor

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

In EUR million	**2006**	**2005**
For audits carried out	0.532	0.533
For other certification or valuation services	0.021	0.004
For tax consultancy services	0.044	0.028
For other services provided to the parent		
company or to the subsidiaries	0.020	0.022

(E.7.) EXECUTIVE BODIES OF BayWa AG

(E.7.) Executive bodies of BayWa AG

Information on the members of the Supervisory Board, the Cooperative Council and the Board of Management is shown on pages 12 to 17.

(E.8.) TOTAL REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BODIES

(E.8.) Total remuneration of the Board of Management and the supervisory bodies

The remuneration of the Cooperative Council of the BayWa Group comes to EUR 0.1 million. The total remuneration paid to the Supervisory Board amounts to EUR 0.3 million (of which EUR 0.1 million is variable). The remuneration of the Board of Management totals EUR 6.2 million (2005: EUR 5.2 million) and breaks down as follows:

In EUR million	**2006**	**2005**
Total remuneration of the Board of Management	6.163	5.205
of which:		
ongoing remuneration	4.323	3.708
non-cash benefits	0.065	0.061
transfers to pension provisions	1.775	1.436
The ongoing remuneration of the Board of		
Management is split up into:		
fixed salary components	2.610	2.513
variable salary components	1.713	1.195

EUR 2.8 million has been set aside for former members of the Board of Management of the BayWa Group and their dependents. The respective pension provisions are disclosed in an amount of EUR 22.3 million.

(E.9.) GERMAN CORPORATE GOVERNANCE CODE

(E.9.) 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 14 November 2006, and have made it readily accessible to the shareholders on the company's web site under www.baywa.de.

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

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

On 28 March 2007, the Supervisory Board ratified the consolidated financial statements of BayWa AG as at 31 December 2006. The consolidated financial statements will be made available to shareholders and the public on 29 March 2007 and can be downloaded from the web site under www.baywa.de. The consolidated financial statements will be published in the German Federal Gazette and filed with the Register of Companies at the District Court of Munich, HRB 4921.

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

- AHG Autohandelsgesellschaft GmbH, Horb
- TESSOL Kraftstoff, Mineralöle und Tankanlagen GmbH, Stuttgart
- BAG Autohaus GmbH, Bopfingen
- BayWa Handels-Systeme Service GmbH, Munich

(E.11) PROPOSAL FOR THE APPROPRIATION OF PROFIT

(E.11) Proposal for the appropriation of profit

As the company which heads up the BayWa Group, BayWa AG discloses profit available for distribution of EUR 15,142,410.80 in its financial statements as at 31 December 2006 which were drawn up in accordance with German accounting standards (German Commercial Code) and adopted by the Supervisory Board on 28 March 2007. The Board of Management and the Supervisory Board will propose the following use of this amount to the Annual General Meeting on 31 May 2007:

Dividend of EUR 0.30 per share	EUR 10,136,950.80
Transfer to other revenue reserve	EUR 5,005,460.00
	EUR 15,142,410.80

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. This portion will be carried forward to new account.

Munich, 9 March 2007
BayWa Aktiengesellschaft
The Board of Management

Wolfgang Deml

Dr. Stefan Bötzel

Klaus Buchleitner

Günther Hönnige

Frank Hurtmanns

Dr. Josef Krapf

Roland Schuler

GROUP HOLDINGS OF BayWa AG AS PER 31 DECEMBER 2006

Company name and principal place of business	Share in capital in percent
SUBSIDIARIES INCLUDED IN THE GROUP OF CONSOLIDATED COMPANIES	
“UNSER LAGERHAUS“ WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria	51.1
AFS Franchise-Systeme GmbH, Vienna, Austria	100.0
Agroterra Warenhandel und Beteiligungen GmbH, Vienna, Austria	100.0
AHG Autohandelsgesellschaft mbH, Horb a.N.	100.0
BAG Autohaus GmbH, Bopfingen	100.0
Bayerische Futtersaatbau GmbH, Ismaning	64.9
BayWa Handels-Systeme-Service GmbH, Munich	100.0
BayWa Vorarlberg HandelsGmbH, Lauterach, Austria	51.0
BOR s.r.o., Chocen, Czech Republic	92.8
BSF BauCenter GmbH, Weinsberg	100.0
CLAAS Traktoren Vertrieb Bayern GmbH, Vohburg	70.0
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
Heitmann Baustoffe + Holz GmbH & Co. KG Gütersloh, Gütersloh	100.0
Jochen Küppers GmbH & Co. Holding KG, Hattingen	100.0
Küppers Baustoffe GmbH & Co. KG Münster, Münster	100.0
Küppers Baustoffe GmbH & Co. KG Emsdetten, Emsdetten	100.0
Küppers Baustoffe GmbH & Co. KG Essen-Kettwig, Essen-Kettwig	100.0
Küppers Baustoffe GmbH Dortmund, Dortmund	100.0
Küppers Baustoffe GmbH Hagen, Hagen	100.0
Küppers Baustoffe GmbH Hattingen, Hattingen	100.0
Küppers Baustoffe GmbH Iserlohn, Iserlohn	100.0
Küppers Baustoffe GmbH Ratingen, Ratingen	100.0
Küppers Baustoffe GmbH Witten, Witten	100.0
Küppers Baustoffe GmbH Wuppertal, Wuppertal	100.0
Küppers GmbH & Co. Fliesen & Baustoffe KG Waltrop, Waltrop	100.0
Küppers GmbH Münster, Münster	100.0
Küppers Verwaltungs GmbH Emsdetten, Emsdetten	100.0
Mobau-Marba GmbH, Herten	100.0
Raiffeisen Agrárház Kft., Székesfehérvár, Hungary	100.0
Raiffeisen-Kraftfutterwerke Süd GmbH, Würzburg	85.0
Raiffeisen-Lagerhaus GmbH, Bruck an der Leitha, Austria	89.9
Raiffeisen-Lagerhaus Investitionsholding GmbH, Vienna, Austria	100.0
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
Wiech Autohandelsgesellschaft mbH, Rottenburg	100.0
Wilhelm Bruchof GmbH & Co. KG, Bendorf	100.0

Company name and principal place of business	Share in capital in percent
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
SUBSIDIARIES NOT INCLUDED IN THE GROUP OF CONSOLIDATED COMPANIES	
Agrarproduktenhandel GmbH, Klagenfurt, Austria	100.0
AGROKER Mezögazdasági Termelöseszköz Kereskedelmi Kft., Kecskemét, Hungary	77.8
AgroMed Austria GmbH, Kremsmünster, Austria	80.0
Agrosaat d.o.o., Ljubljana, Slovenia	100.0
AHG Automobilcenter GmbH, Horb a. N.	100.0
AHG Servicegesellschaft mbH, Horb a. N.	100.0
Baustoffe Krois GmbH & Co. KG Herne, Herne	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, 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, Merklingen	100.0
Bruchof Baustoffhandel GmbH, Bendorf	100.0
Computer Center Auerbach GmbH, Auerbach	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
Heitmann Baustoffe + Holz Verwaltungs GmbH Gütersloh, Gütersloh	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
Jochen Küppers Verwaltungs- und Beteiligungs GmbH, Hattingen	100.0
Karl Theis GmbH, Munich	100.0
Kittner & Maigler GmbH, Burgrieden	70.0
Küppers Baustoffe GmbH & Co. KG Sprockhövel, Sprockhövel	100.0
Küppers Baustoffe Vewaltungs-GmbH Essen-Kettwig, Essen-Kettwig	100.0
Küppers Verwaltungs GmbH Sprockhövel, Sprockhövel	100.0
Küppers Verwaltungs GmbH Waltrop, Waltrop	100.0
Lagerhaus Koordinierungs GmbH, Wels, Austria	100.0
Lesia a.s., Stražnice, Slovenia	100.0
Magyar “Agrár-Ház“ Kft., Budapest, Hungary	100.0
Raiffeisen Trgovina d.o.o., Lenart, Slovenia	100.0
RI-Solution Data GmbH, Vienna, Austria	100.0
RUG Raiffeisen Umweltgesellschaft m.b.H., Korneuburg, Austria	75.0

Company name and principal place of business	Share in capital in percent
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
Taxis Verwaltungs-GmbH, Weinsberg	100.0
VR-LEASING NEMOROSA GmbH & Co. Immobilien KG, Eschborn	94.0
WHG Liegenschaftsverwaltung GmbH, Klagenfurt, Austria	100.0
WLZ Raiffeisen Versicherungsagentur GmbH, Munich	100.0
Ybbstaler Hungaro Kft., Veszprém, Hungary	100.0
Ybbstaler Romania SRL, Oradea, Romania	100.0
Yo-Pol Sp. z o.o., Warszawa, Poland	60.0
ASSOCIATED COMPANIES INCLUDED IN THE FINANCIAL STATEMENTS UNDER THE EQUITY METHOD	
Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main	37.8
Kelly Gesellschaft mit beschränkter Haftung, Vienna, Austria	25.1
Krois Baustoffe + Holz Handelsgesellschaft mbH Bochum, Bochum	45.0
Raiffeisen Beteiligungs GmbH, Frankfurt am Main	47.4
ASSOCIATED COMPANIES OF SECONDARY IMPORTANCE NOT INCLUDED IN THE FINANCIAL STATEMENTS UNDER THE EQUITY METHOD	
"Das Agenturhaus" Werbe- und Marketing GmbH (insolvence), Klagenfurt, Austria	40.0
Ba-Rie Grundstücksgesellschaft mbH, Landsberg	50.0
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
Chemag Agrarchemikalien GmbH, Frankfurt am Main	30.0
ERNTEGOLD GmbH, Marketinggesellschaft für Getreide, Ölsaaten und nachwachsende Rohstoffe i.L., Stuttgart	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
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
LG-Immobilien-Leasing Gesellschaft m.b.H, Graz, Austria	25.0
LLT Lannacher Lager- und Transport Ges. m.b.H., Korneuburg, Austria	50.0
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	26.3
Raiffeisen-Landhandel GmbH, Emskirchen	23.4
Wechselgau, Landwirtschaftliche Ein- und Verkaufsgenossenschaft registrierte Genossenschaft mit beschränkter Haftung, Hartberg, Austria	39.0

Company name and principal place of business	Share in capital in percent
COMPANIES INCLUDED ON THE BASIS OF SHARES HELD	
aniMedica GmbH, Senden	50.0
aniMedica Herstellungs GmbH, Senden	50.0
aniMedica Polska, Sp. z o.o. Wejherowo, Poland	50.0
Dr. E. Gräub GmbH, Bern, Switzerland	50.0
VETINVEST GmbH, Münster	50.0
PARTICIPATIONS HELD IN LARGE CORPORATIONS	
Südstärke GmbH, Schrobenhausen	6.5
Equity in EUR thousand: 103 107	
Net income for the year in EUR thousand: 6 338	
VK Mühlen AG, Hamburg	10.0
Equity in EUR thousand: 98 768	
Net income for the year in EUR thousand: 10 077	
Deutsche AVIA Mineralöl-Gesellschaft mbH, Munich	12.3
Equity in EUR thousand: 7 132	
Net income for the year in EUR thousand: 255	

INDEPENDENT AUDITOR'S REPORT

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 Notes to the Financial Statements and the management report on the Group for the financial year starting 1 January and ending 31 December 2006. The preparation of the consolidated financial statements and the management report on the Group pursuant to the International Financial Reporting Standards (IFRS), as applicable in the EU, and, in addition, in accordance with the provisions under Section 315a para. 1 of the German Commercial Code (HGB), is the responsibility of the Board of Management of the company. It is our task to make an audit judgement of the consolidated financial statements and the management report on the Group based on our audit examination.

We have performed our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the principles of regular financial auditing as stipulated by the Institute of German Public Accountants. Under these principles, the audit is to be planned and executed in such a way that it can be stated with sufficient certainty whether inaccuracies and misstatements can be identified which have a major impact on the true and fair view given by the consolidated financial statements and the management report on the Group, in consideration of the accounting standards to be applied, of the net worth, financial position and earnings situation of the Group. The planning of the audit procedure drew on knowledge of the Group's business and the economic and legal environment in which the Group operates as well as on the expectations of possible errors. Within the scope of the audit, the effectiveness of the accounting standards-related internal control systems, along with evidence upon which the information in the consolidated financial statements and the Group management report is based, is assessed predominantly on the basis of sample checks. The scope of the audit comprised the assessment of the annual financial statements of the companies included in the Group financial statements, of the definition of the group of consolidated companies, of the accounting and consolidation policies applied and of the substantive estimates of the Board of Management, as well as an appraisal of the overall presentation of the consolidated financial statements and the Group management report. We are of the opinion that our audit provides a sufficiently secure basis for our audit judgement.

Our audit did not give rise to any objections.

In our opinion, based on the outcome of the audit, the consolidated financial statements of Munich-based BayWa Aktiengesellschaft comply with IFRS, as applicable within the EU, and with the supplementary provisions which are applicable pursuant to Section 315a para. 1 of the German Commercial Code (HGB) and, in observance of these standards, give a true and fair view of the net worth, financial position and earnings situation of the Group. The Group management report accords with the consolidated financial statements and reflects an overall accurate view of the situation of the Group as well as giving an appropriate account of the opportunities and risks inherent in its future development.

Munich, 20 March 2007

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Steppan	Götz
Certified Public Accountant	Certified Public Accountant

REPORT BY THE SUPERVISORY BOARD

The Supervisory Board of BayWa AG has carried out the tasks entrusted to it under the law and the Articles of Association. In five meetings held together with the Board of Management, it reviewed the business and financial development in the financial year 2006 in detail, the development of each individual segment, the financial and investment planning, the staffing and the outlook of the company and discussed each issue in depth.

Between the meetings, the Board of Management provided written information on material transactions. In addition, the Chairman of the Supervisory Board was kept informed of significant developments and pending decisions.

The Supervisory Board has set up a total of five committees which prepare the resolutions of the Board and the issues to be discussed. In individual cases, decision-making authorities of the Supervisory Board were transferred to the committees.

The Chairman of the Supervisory Board also chairs all committees, with the exception of the Audit Committee. The Audit Committee convened twice during the reporting year. In the presence of the independant auditor, the Chairman of the Board of Management and Chief Financial Officer, it discussed the annual financial statements of BayWa AG and of the Group, the audit reports and the proposal for the appropriation of profit. Other central tasks included monitoring the independency of the auditor, granting audit assignments, ascertaining key audit areas, as well as assessing risks and the current risk management system.

The Board of Management Committee which represents the company in relation to members of the Board of Management and whose tasks are to settle matters relating to the individual members of Board of Management, convened three times during the reporting period.

The Standing Committee whose main tasks are to prepare the meetings of the whole Supervisory Board and review issues in detail and the Lending & Investment Committee convened twice in the reporting year.

Pursuant to Section 27 para. 3 of the German Co-Determination Act (MitBestG), the Mediation Board was not called upon to convene in the past financial year.

The chairmen of the respective boards reported in detail on the work of the committees in the Supervisory Board meetings.

The Supervisory Board was involved directly in all decisions of significant importance for the company. The measures requiring prior approval were reviewed and the required resolutions were passed both in meetings and by way of circulars.

The Supervisory Board is of the opinion that Corporate Governance is of fundamental importance for the success of BayWa AG. It regularly reviews the German Corporate Governance Code and actively monitors its implementation. The Declaration of Conformity by the Board of Management and the Supervisory Board of BayWa AG in accordance with Section 161 of the German Stock Corporation Act (AktG) was passed in a joint motion in the Supervisory Board meeting on 14 November 2006 and has been printed as part of the Corporate Governance Report and posted on the web site of BayWa AG.

The annual financial statements of BayWa AG and of the Group for the financial year 2006, and the report of Management on BayWa AG and the Group have been audited by Munich-based Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, and each set of statements was granted an unqualified opinion by the independent auditor. The Supervisory Board ratifies the findings of these audits.

The Supervisory Board carefully examined the annual financial statements of BayWa AG and of the Group, together with the Management Report on BayWa AG and on the Group, and discussed them in the presence of the auditor. The Supervisory Board has approved the annual financial statements of BayWa AG and of the Group respectively. In accordance with Section 172 of the German Stock Corporation Act (AktG) the annual financial statements of BayWa AG are thereby adopted.

The Supervisory Board has reviewed the proposal of the Board of Management for the appropriation of profit and accords with the proposal. Its review did not give rise to any objections.

In an extraordinary meeting of the Supervisory Board, the Board gave its approval to the appointing of Dr. Stefan Bötzel to the Member of the Board of Management of BayWa AG with effect from 1 January 2007.

Upon his own request, Ralf Trager withdrew from the Board of Management on 31 December 2006 to go into retirement. The Supervisory Board wishes to thank Mr Trager for his commitment and successful work as a member of the Board of Management of BayWa AG.

Moreover, the Supervisory Board expresses its thanks to the members of the Board of Management, the employees and the employee representatives for their dedicated work and their contribution towards another successful financial year for BayWa AG.

Munich, 28 March 2007
On behalf of the Supervisory Board

Manfred Nüssel
Chairman of the Supervisory Board

FINANCIAL CALENDAR 2007

ANNUAL RESULTS PRESS CONFERENCE	29 March 2007, 10 a.m., BayWa Building
ANALYSTS' CONFERENCE	29 March 2007, 2 p.m., BayWa Building
FIRST QUARTER FINANCIAL DATA	10 May 2007, Press Release
CONFERENCE CALL* ON THE FIRST QUARTER	10 May 2007, 2 p.m.
ANNUAL GENERAL MEETING	31 May 2007, 10.00 Uhr, ICM, Trade Fair Centre, Munich-Riem
INTERIM RESULTS PRESS CONFERENCE SECOND QUARTER FINANCIAL DATA	9 August 2007, 10.30 a.m., BayWa Building
CONFERENCE CALL* ON THE SECOND QUARTER	9 August 2007, 2 p.m.
PRESS CONFERENCE: THIRD QUARTER FINANCIAL DATA AND ANNUAL FORECAST	15 November 2007, 10.30 a.m., BayWa Building
CONFERENCE CALL* ON THE THIRD QUARTER	15 November 2007, 2 p.m., BayWa Building

**for analysts*

EDITORIAL DETAILS

EDITING AND COORDINATION	BayWa AG, Munich Press & Public Relations
TRANSLATION	Diana Polkinghorne DP Business & Financial Translations
CONCEPT AND DESIGN	Peter Schmidt Group
TYPESETTING AND LAYOUT	BayWa AG, Munich Marketing/Advertising
PRINTING AND BINDING	Druckhaus König, Munich
IMAGE SOURCES	BayWa Archive Andreas Pohlmann Klaus Leidorf Bavaria Luftbild Gettyimages Royaltyfree Shotshop

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

Both versions are available on the company web site under **www.baywa.de** and **www.baywa.com.**

BayWa AG

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BayWa