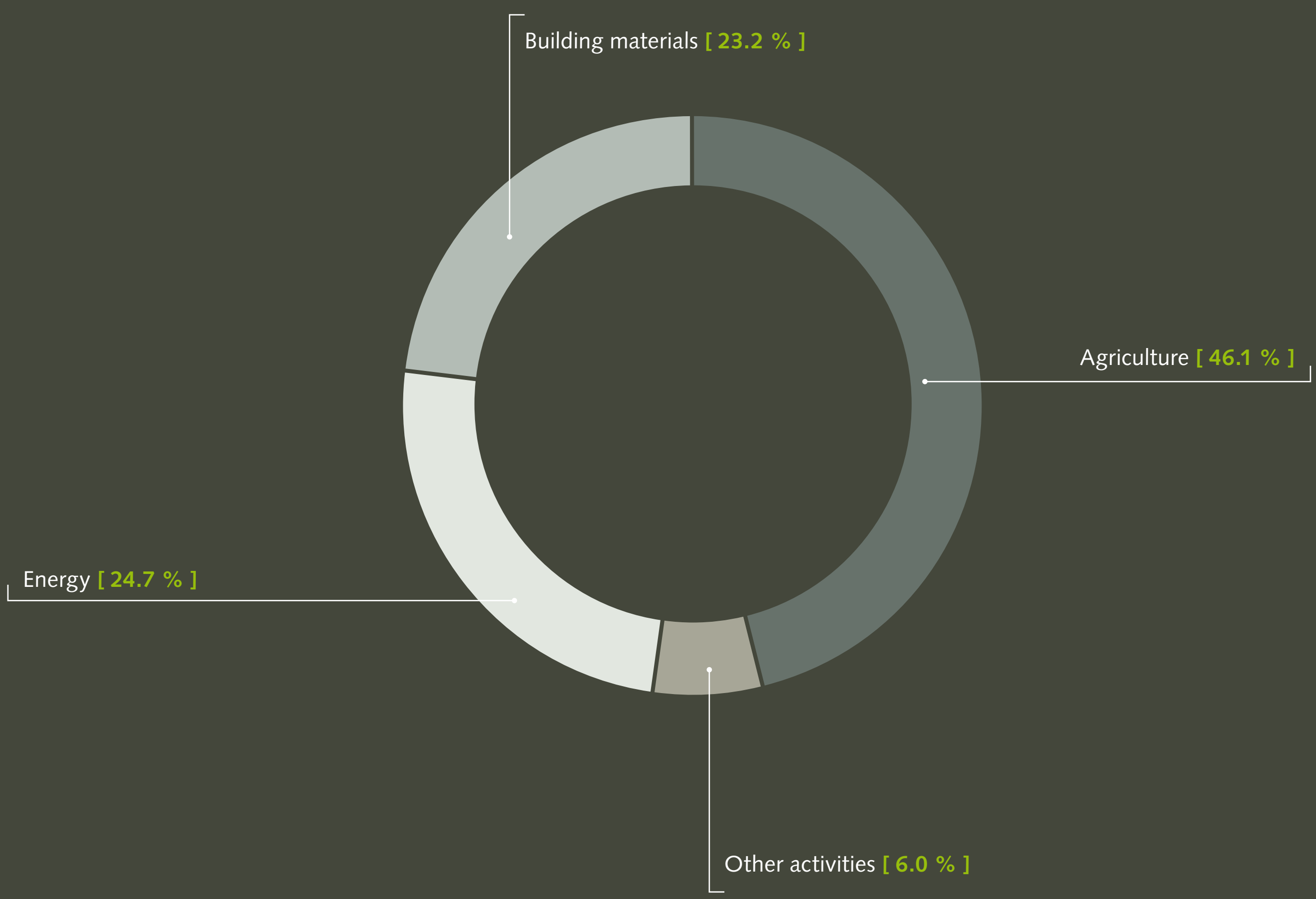
ANNUAL REPORT 2007

BayWa

SHARE IN CONSOLIDATED SALES BY SEGMENT



As per 31 December 2007

ANNUAL REPORT 2007 OF BayWa AG

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2007*

*** 365 DAYS ON THE PATH TO SUCCESS.**
BECAUSE VOLATILE MARKETS ALSO PRESENT OPPORTUNITIES AND RISKS, THE YEAR HAS MANY FACTS FOR THE BayWa GROUP WITH ITS THREE CORE SEGMENTS OF AGRICULTURE, BUILDING MATERIALS AND ENERGY. WHAT MAKES A COMPANY STAND OUT IS IF IT IS FLEXIBLE AND CAN MASTER CHANGING CONDITIONS. THE STRATEGIES PURSUED BY BayWa AND ITS SECRET TO LONG-TERM SUCCESS ARE SHOWN IN A SERIES OF PHOTOGRAPHS IN THE ANNUAL REPORT.

KEY DATA AT A GLANCE

In EUR million	2007	2006
Sales	**7 227.1**	**7 132.8***
Agriculture Segment	**3 330.7**	**2 861.3**
Agriculture	2 594.2	2 096.7
Agricultural Equipment	736.5	764.6
Building Materials Segment	**1 676.3**	**1 764.7***
Building Materials	1 233.4	1 346.5*
DIY & Garden Centers	442.9	418.2
Energy Segment	**1 788.0**	**2 103.3**
Other Activities Segment	**432.1**	**403.5**
EBIT	143.6	111.8
EBITDA	234.6	200.9
Earnings per share (in EUR)	1.36	1.17
Equity ratio (in percent)	27.4	27.7
Employees (as per 31/12)	16 325	16 249

* adjusted for transitory revenues invoiced directly through the Austrian “Lagerhäuser” (Warehouses) (EUR 167 million)

SUMMARISED BALANCE SHEETS AS AT 31 DECEMBER

In EUR million	2007	2006
Assets		
Non-current assets		
Intangible assets	27.1	29.3
Property, plant & equipment	873.8	876.4
Participating interests valued at equity	9.8	15.3
Other financial assets	137.3	124.7
Investment property	82.4	79.0
Receivables and other assets	20.4	27.8
Deferred tax claims	88.5	114.9
	1 239.3	**1 267.4**
Current assets		
Securities	81.0	78.0
Inventories	1 083.2	818.3
Receivables and other assets	692.9	631.8
Cash funds	18.0	17.5
	1 875.1	**1 545.6**
Non-current assets held for sale	**3.6**	**10.4**
Total assets	**3 118.0**	**2 823.4**
Shareholders' equity and liabilities		
Equity		
Subscribed capital	86.7	86.6
Capital reserves	81.1	79.7
Revenue reserves	495.4	449.7
Other reserves	67.6	67.8
Minority interest	123.7	100.2
	854.5	**784.0**
Non-current liabilities	**666.1**	**702.9**
Current liabilities	**1 597.4**	**1 336.5**
Total shareholders' equity and liabilities	**3 118.0**	**2 823.4**

SUMMARISED INCOME STATEMENTS AS AT 31 DECEMBER

In EUR million	2007	2006
Revenues	**7 227.1**	**7 299.8**
Changes in inventory	63.8	– 2.7
Own work capitalised	0.4	0.2
Other operating income	111.2	96.7
Cost of materials	– 6 310.5	– 6 333.6
Gross profit	**1 092.2**	**1 060.4**
Personnel expenses	– 586.9	– 577.6
Depreciation & amortisation	– 91.0	– 89.1
Other operating expenses	– 301.1	– 311.0
Result of operating activities	**113.2**	**82.7**
Financial result	– 22.7	– 12.9
Ordinary profit	**90.5**	**69.8**
Income tax	18.7	– 12.4
Net income for the year	**71.8**	**57.4**
Of which: profit due to minority shareholders	25.8	17.8
Of which: profit due to shareholders of the parent company	46.0	39.6

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

As a strong link between industry and customers, 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

THE AGRICULTURE SEGMENT

With its Agricultural Segment, the BayWa Group is one of Europe's leading trading partners. The Group is focused on numerous trading and other services for the farming community and the food industry. In its classical agricultural trading, the Group markets agricultural products and sells equipment and resources, including advisory services and services in general. It supplies the food industry with agricultural raw materials. The Agricultural Equipment business unit offers equipment, machines and tools to farmers and the forestry sector, as well as to local authorities and industry. Garages which are easily accessible to the customer guarantee service and repair.

THE BUILDING MATERIALS SEGMENT

With its Building Materials and DIY & Garden Center business units, the BayWa Group offers a full range for building, renovating, refurbishment, garden and DIY. Along with a dense network of Group locations, the range of products and services is also offered via franchise partners in wide areas of Germany and Austria. The Group ranks among the largest suppliers in the German-speaking countries in the building materials business. With its DIY & Garden Centers, it is a significant supplier in rural regions.

THE ENERGY SEGMENT

The Group trades in fuel and lubricants in its Energy Segment: Heating oil, diesel and Otto fuel form the core of the product range, along with lubricants, solid fuels and mineral oil equipment. Renewable energies are becoming increasingly important. In the end consumer business, the Group has become a market leader in heating oil and diesel in many regions. The BayWa Group runs fuel station business under its own name as well as under the AVIA brand in Württemberg and GENOL in Austria

LETTER TO THE SHAREHOLDERS

FOREWORD BY WOLFGANG DEML, CHAIRMAN OF THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS,

The year 2007 was a special challenge for the BayWa Group. As expected, some of our business segments operated in environments which had deteriorated in comparison with the previous year. By contrast, we were able to use the very favourable market conditions in the agricultural sector for more improvements. Against this disparate background, we succeeded in achieving our goals and can present you with another very good set of results.

Without a doubt, the extremely robust condition of the agricultural sector played a major role. Moreover, we are reaping the benefit of our global alignment, our leading market position and from the many optimisation strategies in all our business segments. When top performance coincides with a favourable market environment the result is success, as currently exemplified by our Agriculture segment. We were thus able to compensate for the difficult markets of our core Building Materials and Agricultural Equipment business units, which have nonetheless performed well in a peer comparison. The mix of different segment developments enabled the BayWa Group to raise revenues marginally. But what is more important is, however, the considerable increase in profit. An ordinary profit of EUR 90.5 million is the Group's highest pre-tax result ever and a remarkable increase of 30 percent.

The agricultural industry is currently experiencing a powerful upswing. It has been allotted a central role in the solution of huge global challenges. Both the securing of the supply of food for a swiftly growing global population and the rising need for energy have fuelled the demand for agricultural products and raw materials. As one of Europe's leading agricultural trading groups, we have an excellent position in this market constellation. The potential for our Agriculture segment to generate significant growth is great. In tandem with handling the growing market volume, we are extending and optimising the range of our products and services, our customer structure and our sales network. We will continue to expand in this area and to reinforce our good position in the respective regions and in the international arena, as well as winning a greater share of the market. Similarly, optimising locations and logistics remain a key area for measures aimed at improving earnings. All in all, we are strengthening our position as a partner to agriculture and the food industry. Despite critical assessment, bioenergy is also set to drive demand and the prices of agricultural raw materials against the backdrop of climate change. This opens up additional prospects for our Group.

That our agricultural equipment business can also benefit from the boom in the agricultural sector and ebullient sentiment is also gratifying. For farmers, investing in machines and equipment is worthwhile again. The use of technical progress will enable them to raise their agricultural production and their income. Our Agricultural Equipment business unit supports this trend and, in its role as a close partner to the farmers and manufacturers, it generates additional revenues and earnings. We will continue to build up this position while, at the same time, optimising our sales and cost structures.

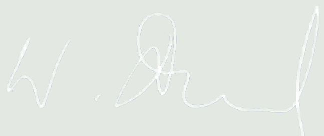
In assessing the results of our Building Materials segment we must remember that 2006 was an exceptional year.

The reasons were the expiry of government subsidies for first-time home owners, the impending increase in VAT and the extremely mild winter temperatures. A slowdown in the economy in 2007 did not therefore come as a surprise to us. Residential construction, which is an important area for our building materials business, was particularly hard hit. Finding incentives and ways of promoting private construction is now the challenge facing the politicians. After all, the ratio of home-owners in Germany is the lowest in the whole of Europe. To bring about the climate goals targeted, the potential for saving energy in buildings must be used more intensively. Renovation with a view to enhancing energy efficiency harbours much potential. BayWa will continue to align and extend its range of products and services to these needs. The expansion strategy of the Building Materials segment and process optimisations in recent years bore fruit. We therefore consider that the opportunities in this business segment will improve in the medium term, which is why we will forge ahead with our building materials growth strategy. The positive effect of the restructuring and sales optimisation measures in DIY & garden centres of the Group were reflected as early as 2007 in a marginal improvement in figures.

Despite the fluctuations, induced by prices, weather conditions and demand, the Energy segment is a stable generator of revenue and a core business of our Group. The notable decline in demand for heating energy seen in 2007 was the reaction of the market to the considerable differences in the temperatures of the two preceding winters. Sales of heating oil which fell by 30 percent are set to regain a more normal market level in the current year. It is evident in the slowing demand for biodiesel that the bioenergy boom has lost momentum. This reflects the effects of regulatory measures which have partly suspended market forces. We were always sceptical about the promotion of certain bioenergies and have therefore not taken any risks in our investments. We will, however, continue to build up our supply and logistics services in the energy business for trade and industry and the consumer.

As you, our valued Shareholders, can see from the picture story of our Annual Report, figures can be a challenge and a puzzle at first glance which also holds the solutions. The key figures of the BayWa Group, however, speak a clear language: Despite a partly unfavourable environment, our diversified Group has been very successful in the financial year 2007. This has also been rewarded by the capital market. The value of the Group on the stock market grew steadily and had reached EUR 1.15 billion by year-end 2007. The BayWa Group is well positioned and has the potential for internal and external growth in the future as well. This was the assessment also made by independent analysts and market observers, as well as being my own personal conviction.

After twenty years of heading up the Group I will be retiring, as announced, at the end of June 2008. I experienced the years I spent at BayWa as a wonderful and challenging task. I wish my successor, Mr Klaus Josef Lutz, who will take over my position as Chief Executive Officer, my colleagues and all the staff in our Group companies much luck and success. My thanks for a fruitful cooperation also go to all who accompanied me throughout my career, and to our shareholders for their much valued trust.



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

*** THIS IS THE ANNUAL INCREASE IN THE GLOBAL POPULATION.**

WHICH MEANS THAT THE NEED FOR FOOD IS GROWING, TOO. AT THE SAME TIME, THE DEMAND FOR ENERGY FROM RENEWABLE PRIMARY PRODUCTS IS RISING: A HUGE CHALLENGE FOR THE GLOBALISED AGRICULTURAL INDUSTRY. AS A MARKET LEADER IN AGRIBUSINESS, THE BayWa GROUP PURSUES A GROWTH STRATEGY WITH GOOD FUTURE PROSPECTS IN THIS SCENARIO AGAINST THIS BACKDROP.

80 million*

EUR 175 billion*

*** CLIMATE GOALS BOOST INVESTMENTS IN THE CONSTRUCTION INDUSTRY.**
CO_2 EMISSIONS SLASHED BY ONE THIRD BY 2020 IS THE GOAL FOR RESIDENTIAL PROPERTY. A GOAL WHICH IS NOT POSSIBLE WITHOUT ENERGY REFURBISHMENT. EXPERTS ANTICIPATE A VOLUME OF EUR 175 BILLION IN THE NEXT TWELVE YEARS. THE PACE OF REFURBISHMENT WILL HAVE TO ACCELERATE. AND THE BayWa GROUP IS MOVING WITH THE TIMES: AS A PROVEN EXPERT IN REFURBISHMENT IN ITS BUILDING MATERIALS SEGMENT.

231,359 km*

* **THE EFFICIENCY OF GERMANY'S ROAD NETWORK IS LIKE NO OTHER IN THE WORLD.** IT SECURES TRANSPORT AND MOBILITY AT A HIGH LEVEL AND CATERS FOR GROWING NEEDS. THE FLOW OF MERCHANDISE FROM A TO B WILL EXPAND THROUGHOUT EUROPE IN THE YEARS AHEAD. FOR BayWa THIS MEANS THAT THE SALE OF DIESEL FUEL IS SET TO GROW. THERE ARE ALSO SUFFICIENT OPPORTUNITIES FOR BUSINESS IN OTHER AREAS AS WELL.

Steady and healthy growth bears a rich harvest. No one knows this better than the BayWa Group which has evolved from a Bavarian agricultural trading company into one of Europe's largest diversified groups. Continuous development in recent years has gained additional momentum through a targeted and profitable growth strategy. The Group has raised its stock market value many times in the last five years by way of acquisitions, cross-border expansion and substantially raising its sales and earnings.

The Group now ranks among Europe's leading companies, a position it has achieved through business combinations and acquisitions, with a dense network of locations in the southern German region and in Austria and market presence in Eastern Europe.

The value chain spans the farmer through to the food industry. Rising demand for agricultural raw materials and renewable energies has emerged as strong growth engine in recent times. This has opened up healthy, long-term prospects for the BayWa Group in the global agribusiness. In the Group's domestic market, rising income and a healthy sentiment in the agricultural industry has boosted investment activities and thus the agricultural equipment business of the Group. This is an area where regional market leadership can be reinforced. The expanding segment of large customers and sub-contractors also harbours market potential, alongside forestry technology.

The Group is pursuing clear growth goals in its building materials business: reinforcing growth in the German-speaking countries beyond its domestic market, especially in areas with brisk building activities. In the last four years, the Group acquired eight building materials trading companies with sales of around EUR 240 million. Efforts to curb CO_2 emissions in households by one third through energy-oriented refurbishment present new growth opportunities. With more than 200 energy experts, the BayWa Group is well positioned. The low ratio of home owners, particularly in Germany, the stock of outdated residential real estate requiring renovation and persistently sluggish new construction open up growth potential for the building sector.

This is also likely to benefit the DIY & Garden Centers which, as part of their realignment, are forging ahead in raising the sales-to-surface ratio.

Even if there is no growth market specifically in the mineral oil sector, the overall need for energy is steadily rising. The BayWa Group is participating in this trend through its sales of renewable energies. Growth in its domestic market has also enabled the Group to take over regional traders or to strengthen its business in Bavarian urban centres, through the planned takeover of the Shell Group, for instance. New service offerings, such as "Wärmeabo", or innovative products, such as gas engine oil, generate additional revenue.

SUPERVISORY BOARD

MANFRED NÜSSEL	*Master of Agriculture (University of Applied Sciences),* *President of Deutscher 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 (until 22 June 2007) · 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*
DR. E. HARTMUT GINDELE	*Master of Agriculture, farmer*
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 (until 11 December 2007; Chairman) · RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung reg.Gen.m.b.H., Vienna (until 12 December 2007; Chairman) · Erste n.oe. Brandschaden-Versicherungsaktiengesellschaft, Vienna

DR. CHRISTIAN KONRAD	*General Attorney of Österreichischer Raiffeisenverband*
Other mandates	· AGRANA Beteiligungs-AG, Vienna (Chairman) · DO & CO Restaurants & Catering AG, Vienna · Leipnik-Lundenburger Invest Beteiligungs AG, Vienna (Chairman) · Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H., Vienna (Chairman) · Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna (Chairman) · RWA Raiffeisen Ware Austria AG, Vienna · Raiffeisen Zentralbank Österreich AG, Vienna (Chairman) · Saint Louis Sucre S.A., Paris · Siemens AG Österreich, Vienna · Südzucker AG Mannheim/Ochsenfurt, Mannheim · SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt · UNIQA Versicherungen AG, Vienna (Chairman)
ERNA KURZWARTH	*Regional Administration Centre Manager*
MARTIN LINSEISEN	*Bank Manager*
Other mandate	· GWS Förderung- u. Beteiligungsgesellschaft für Warenwirtschafts-Systeme eG, Münster (until 12 June 2007)
ALBRECHT MERZ	*Member of the Board of Directors of the DZ Bank AG, Frankfurt a.M*
Other mandates	· Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall · TeamBank AG, Nuremberg · R+V Allgemeine Versicherung AG, Wiesbaden · R+V Lebensversicherung AG, Wiesbaden · VR-LEASING AG, Eschborn
GUNNAR METZ	*Member of the Commercial Staff*
ERICH SCHALLER	*Former Bank Manager, Member of the Board of Directors of Bayerische Raiffeisen-Beteiligungs-AG, Beilngries*
Other mandates	· DG HYP Deutsche Genossenschafts-Hypothekenbank AG, Hamburg (until 8 March 2007) · HFO Telecom AG, Hof (Vice Chairman)
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	*Agricultural Economist & Engineer, Director of Mitteldeutscher Genossenschaftsverband e.V.*
FRANZ BREITENEICHER	*Manager (as from 1 January 2008)*
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	*Agricultural Economist & Engineer, Managing Director*
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.*
FRANZ KUSTNER	*Farmer*

ALOIS PABST	*Farmer*
JOSEF RAFFELSBERGER	*Farmer*
FRANK RENTZSCH	*President of the Sächsischer Landesbauernverband e.V. (until 31 December 2007)*
JOACHIM RUKWIED	*Engineer (University of Applied Sciences), President of the Landesbauernverband in Baden-Württemberg e.V.*
DR. SIGURD SCHACHT	*Lawyer*
RUDOLF SCHWARZBÖCK	*Economic Advisor, former Chairman of the Presidents' Conference of the Austrian Chambers 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*
WOLFGANG VOGEL	*President of the Sächsischer Landesbauernverband e.V. (as from 1 January 2008)*
MAXIMILIAN ZEPF	*Bank Manager, degree in Business Administration*

The Board of Management (left to right):
Roland Schuler, Frank Hurtmanns, Dr. Stefan Bötzel,
Wolfgang Deml (CEO), Klaus Buchleitner, Dr. Josef Krapf

BOARD OF MANAGEMENT

WOLFGANG DEML
(Chief Executive Officer)

Finance, Press & Public Relations, Investor Relations, Audit, 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 until 13 February 2007; Chairman as from 14 February 2007)

Group mandates

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

DR. STEFAN BÖTZEL

Agriculture, Logistics

External mandate

- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

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 (until 6 July 2007)
- Raiffeisen-Lagerhaus GmbH, Bruck a.d. Leitha (Chairman)

GÜNTHER HÖNNIGE
(until 30 September 2007)

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

External mandate

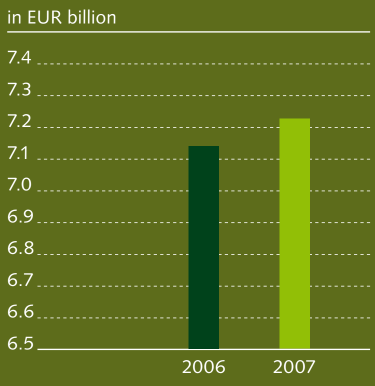
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

FRANK HURTMANNS	*Personnel, Information Systems, Organisation, Regional Administration Centers, Law & Lending, Real Estate, Architectural Management, Insurance*
External mandates	· update software AG, Vienna (Chairman) · R+V Pensionsversicherung a.G., Wiesbaden
Group mandate	· RWA Raiffeisen Ware Austria AG, Vienna
DR. JOSEF KRAPF	*Building Materials, DIY & Garden Centers, Heating & Sanitary Installations, Fruit, Franchise, Marketing/Adverstising*
ROLAND SCHULER	*Agricultural Equipment, Mineral Oils, Automobile, Coordination of the Württemberg Region*

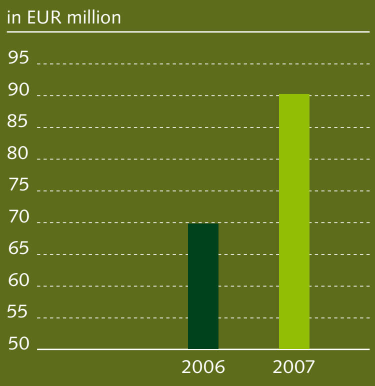
Allocation of operations as per 31 December 2007 and *as per 30 September 2007

DEVELOPMENT OF THE GROUP

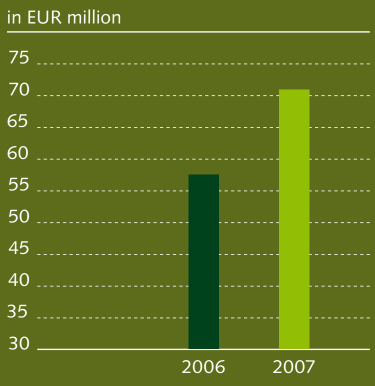
CONSOLIDATED REVENUES*



CONSOLIDATED ORDINARY PROFIT



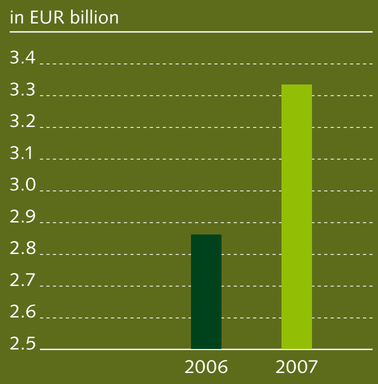
CONSOLIDATED NET INCOME



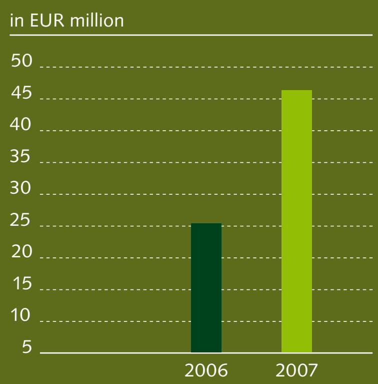
* adjusted for transitory revenues invoiced directly through the Austrian "Lagerhäuser" (Warehouses) (EUR 167 million)

DEVELOPMENT OF THE AGRICULTURE SEGMENT

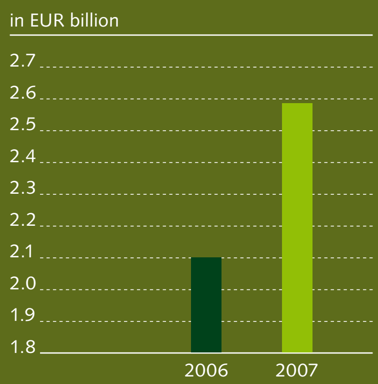
REVENUES OF THE AGRICULTURE SEGMENT



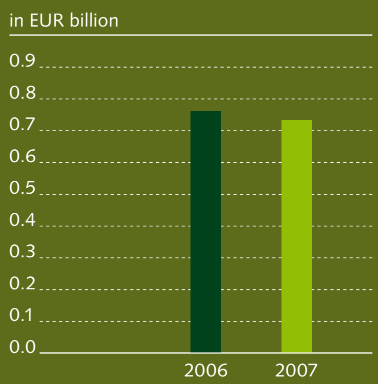
ORDINARY PROFIT OF THE AGRICULTURE SEGMENT



REVENUES OF THE AGRICULTURE BUSINESS UNIT

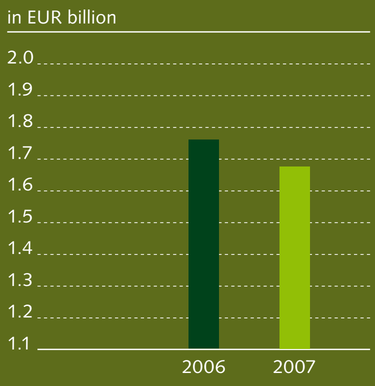


REVENUE OF THE AGRICULTURAL EQUIPMENT BUSINESS UNIT

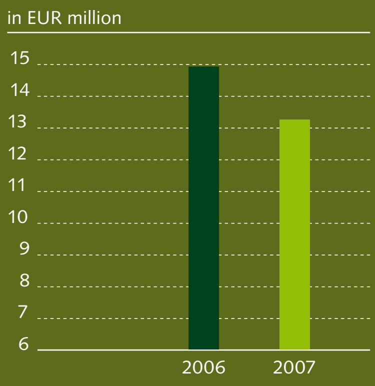


DEVELOPMENT OF THE BUILDING MATERIALS SEGMENT

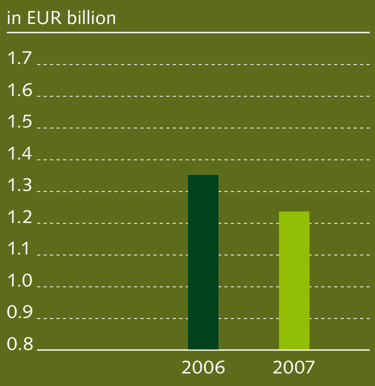
REVENUES OF THE BUILDING MATERIALS SEGMENT*



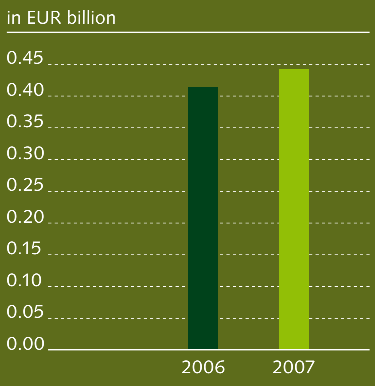
ORDINARY PROFIT OF THE BUILDING MATERIALS SEGMENT



REVENUES OF THE BUILDING MATERIALS BUSINESS UNIT*



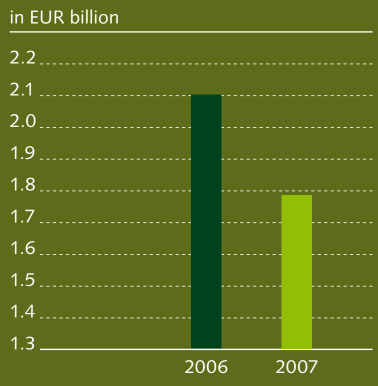
REVENUES OF THE DIY & GARDEN CENTER BUSINESS UNIT



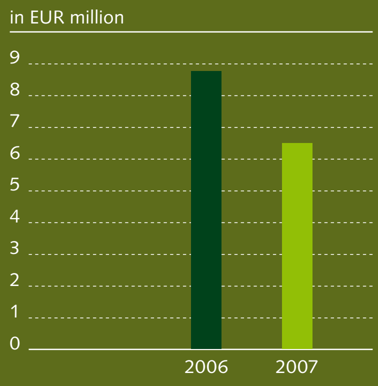
* adjusted for transitory revenues invoiced directly through the Austrian "Lagerhäuser" (Warehouses) (EUR 167 million)

DEVELOPMENT OF THE ENERGY SEGMENT

REVENUES OF THE ENERGY SEGMENT

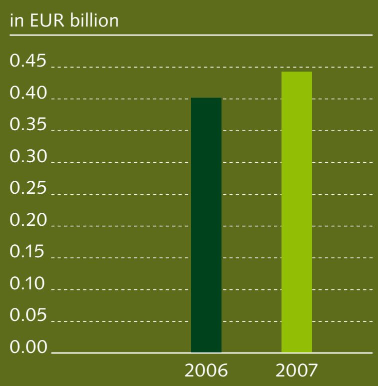


ORDINARY PROFIT OF THE ENERGY SEGMENT

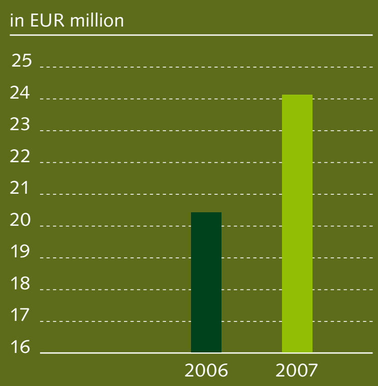


DEVELOPMENT OF THE OTHER ACTIVITIES SEGMENT

REVENUES OF THE OTHER ACTIVITIES SEGMENT



ORDINARY PROFIT OF THE OTHER ACTIVITIES SEGMENT



AT A GLANCE >> GOOD PREVIOUS YEAR'S RESULT OUTPERFORMED > AGRIBUSINESS WITH RECORD HIGHS > UNFAVOURABLE ENVIRONMENT FOR BUILDING MATERIALS AND ENERGY > FURTHER INCREASES IN REVENUE AND PROFIT PLANNED FOR 2008 <<

MANAGEMENT REPORT ON THE COMPANY AND THE GROUP

BOOMING AGRIBUSINESS DELIVERS RECORD YEAR

Brisk agribusiness was one of the main drivers of the exceptionally good performance of the BayWa Group in the financial year 2007. The Group clearly outperformed the previous year's profit despite the weak economy in the construction sector and a marked decline in the demand for heating oil. All segments together generated revenues of EUR 7.227 billion. Net of the effect that, since 2007, all building materials sales formerly treated as transitory transactions, are no longer invoiced via the Vienna-based BayWa subsidiary RWA but directly through the Austrian Lagerhäuser, or warehouses, (2006: EUR 167 million), the Group generated a sales growth of 1.3 percent. The trading and services company raised ordinary profit substantially from EUR 69.8 million to EUR 90.5 million, which corresponds to an increase of almost 30 percent.

The seasonal effects on BayWa's business were less pronounced in the financial year 2007.

The typically seasonal business of BayWa in the financial year was less extreme than in the previous year which was impacted by severe weather conditions. The early advent of vegetation boosted the otherwise weak first quarter typical of the business. Especially the fourth quarter contributed above-average earnings in the agribusiness. By contrast, the upfront buying effects from the VAT hike, which had boosted business in the Building Materials and Energy segments in the previous year quarter, were missed in the fourth quarter of 2007.

The greatest influence on the success of the Group in 2007 was the rising volume of agricultural trading.

The greatest influence in 2007 on the excellent performance of the Group was without a doubt the rising volume of agricultural trading and the great propensity of farmers to invest. The Group's strong market position in regional and international agricultural trading delivered renewed proof of its effectiveness, particularly in conjunction with its network which is close to the customer and comprises a recording system for grain and grain storage, as well as sales. There are many who are already calling agricultural raw materials the oil of the 21st century, determined by food as a scarce resource, the rising global population and the demand for bioenergy. As a leading trading partner in the European agricultural sector, this scenario promises an environment rich in opportunities for the BayWa Group, now and in the future.

The generally satisfactory development of the economy in Germany and Austria in 2007 also had a positive effect on the car dealer and food trading operations in the Other Activities segment.

After a temporary high in 2006, the construction sector suffered a renewed decline in the reporting year.

By contrast, following the temporary high in 2006, the construction industry slowed again in the reporting year. The main causes of this decline were the abolition of state subsidies for first-time home owners and the discontinuation of the effect of the VAT hike, as well as brisk building activities through to year-end 2006 owing to the exceptionally mild winter.

The market environment of the Energy segment was less favourable than in the previous year.

The market environment was also less favourable in the Energy segment as compared with the previous year. An extremely warm winter and the VAT effect caused a notable decline in the demand for heat energy. The need for heating is, however, set to rise again, and with it demand.

All in all, the positive factors in the environment prevailed, with pleasing effects on the success of the Group.

Optimisation measures raise profitability.

Similarly, the ongoing measures, initiated in previous years, to reduce costs and optimise processes and locations had a positive effect on earnings in 2007. One example is the rollout of a new inventory control system which will be completed in the first half of 2008. This lowers the implementation costs while enhancing efficiency. In the years ahead as well, these measures will serve to raise the Group's profitability.

Adjusted, a marginal increase in revenues.

Despite partly weak economic conditions in the various sectors in which the Group operates, the scenarios described boosted sales overall in 2007; adjusted, sales rose marginally which is a success given the decline in sales in the Building Materials and Energy sectors.

Ordinary profit rises from EUR 69.8 million to EUR 90.5 million.

The increase which the Group achieved in its result was all the more notable: Ordinary profit climbed from EUR 69.8 million to EUR 90.5 million, which puts growth at almost 30 percent. Annual net income came to EUR 71.8 million, outperforming the previous year's figure by 25 percent. Earnings per share advanced from EUR 1.17 to EUR 1.36 in 2007.

The adjusted pre-tax result comes to EUR 84.5 million.

Adjusted for special effects as well as one-off earnings and expenses, pre-tax profit, an internal parameter for measuring how successful the company has been at the operating level, came to EUR 84.5 million. The Group thus considerably outstripped its own profit target, thereby almost attaining the previous year's record result.

ECONOMIC ENVIRONMENT VERY DISPARATE

AGRIBUSINESS STILL IN AN UPTREND

Strong demand for agricultural raw materials and excellent prospects for the agricultural industry.

The year 2007 was a particularly good year for the agricultural sector. Favourable conditions for vegetation, brisk demand for agricultural raw materials and the positive economic environment boosted business. The sentiment index, which had already peaked in 2006, improved again. Accordingly, the improved prospects of agriculture had the effect of stimulating demand across all sales regions. Declining global grain inventories, forecasts of shortfalls and speculation on the stock markets pushed up grain prices in the international arena. This development, however, has its downsides. The cost of feedstuff for animal husbandry businesses, for instance, rose swiftly and put pressure on this arm of production. Similarly, a number of operators of biogas plants experienced difficulties owing to the high prices of raw materials. This was also true of producers of bioenergy fuels. All in all, however, the agricultural markets were generally perceived positively. In the reporting year, the BayWa Group used the friendly environment and grew considerably, especially in this area.

WEAK HOMEBUILDING HAMPERS SECTOR

Decline in the number of building permissions pares down building material trading volume.

The uptrend in the German construction sector in 2006 proved unfortunately to be short lived. The main causes included the weather and the political environment. For instance, the sharp decline in building permissions, following the slew of applications prior to the VAT hike, and the abolition of state subsidies for first-time home owners had a negative effect throughout the whole of the period under review. This mainly affected one- and two-family houses which recorded the lowest volume since 1949.
The renovation and refurbishing market also fell short of the previous year's figures owing to the market conditions described. Depending on the region, this caused a decline in building materials trading volumes of between 5 and 12 percent. In Austria

the story was quite different: building materials volumes remained stable and reached the previous year's level.

Adjusted for surface area, the revenues of BayWa's DIY & Garden Center business unit stood 0.7 percent above the previous year's level.

Similarly, the year 2007 was also not a favourable one for German builders, do-it-yourselfers and garden centres. In comparison to the previous year, the market volume, adjusted for surface area, fell by around 6 percent. During the course of the year, sales figures continued to decline overall. Particularly investive merchandise, such as wood, building materials and building components suffered an above-average decrease. By contrast, adjusted for surface area, the BayWa DIY & Garden Centers were 0.7 percent above the 2006 revenue figures. The market conditions in Austria were positive, not least owing to the exceptionally good spring business.

MILD TEMPERATURES BRAKE MINERAL OIL SALES

Weak demand for heating energy throughout the whole financial year.

The exceptionally mild weather of winter 2006/2007 affected business throughout the whole reporting year in the form of weak demand for heat energy. This also affected the wood pellets market which declined by 10 percent. Consumer reticence was dampened further by the high price levels. By contrast, business in mineral fuels remained stable. Sales of biodiesel slowed dramatically in the wake of higher taxes.

DEVELOPMENT OF THE GROUP'S BUSINESS SEGMENTS

THE AGRICULTURE SEGMENT GENERATES STRONG GROWTH

The BayWa Group lifts revenues in classical agricultural trading by around 24 percent to a record high of EUR 2.6 billion.

In classical agricultural trading with agricultural products, equipment and resources the BayWa Group lifted sales by around 24 percent to the record level of EUR 2.6 billion. Not only did the early advent of vegetation in spring stimulate business, but also the high prices and brisk demand for grain in the following months through to the last days of December resulted in above-average growth in agricultural produce. As our farmer customers are stepping up their production they also needed more equipment and resources. Sales of crop protection agents, seed and feedstuff were considerably higher year on year. Only fertilizer sales slowed marginally owing to upfront buying in 2006 before the increase in VAT and because of delivery quotas by the industry. In Germany, BayWa's Agriculture business unit closed 21 unprofitable locations and continued to streamline its structure and sales.

The Agricultural Equipment business unit almost repeats the high revenue figures of the previous year and, at EUR 763 million, fell only 3.7 percent short.

The Agricultural Equipment business unit did not quite reach the record level of the year-earlier figures as many farmers in Germany bought their equipment in 2006 before the increase in VAT. Other factors braking sales were the partly longer delivery times and even bottlenecks in the industry. Nonetheless the business unit was able to almost match the high revenue figures of the previous year and, at EUR 736 million, was only 3.7 percent down. All in all, investments in the agricultural industry throughout Europe remained at a high level. As agricultural production is becoming increasingly lucrative farmers are using technological progress to step up cultivation of farm land. Accordingly, the demand for repair work and services rose. The Agricultural Equipment business unit also recorded growth in forestry equipment. The new inventory control system and additional Centres of Competence bolstered the realignment, and in Germany the Agricultural Equipment business unit continued to implement its restructuring measures. The agricultural equipment business in Austria saw sales in tractors fall slightly but nonetheless remain at a high level.

The Agriculture segment sets a new record with revenues of EUR 3.33 billion.

Overall, the Agriculture segment of the Group posted sales of EUR 3.33 billion, which corresponds to an increase of 16.4 percent, thereby setting an new record.

The ordinary profit of the Agriculture segment of EUR 46.7 million is EUR 21 million or 82 percent higher than the previous year's figure.

Ordinary profit of the Agriculture segment rose by EUR 21 million to EUR 46.7 million, which is 82 percent higher in a year-on-year comparison. Grain trading activities in particular raised earnings in the first half of 2007 from selling the 2006 harvest. Business following on from the harvest boosted the positive development in agricultural produce.

Owing to the high propensity of farmers to invest, agricultural equipment also exceeded the previous year's results. Moreover, restructuring measures and process optimisation in the preceding years eased the cost burden and lifted profit.

BUILDING MATERIALS SEGMENT IMPACTED BY A LESS FAVOURABLE ENVIRONMENT

In its building materials business, the Group records a decline in revenues of 8.4 percent to EUR 1.2 billion.

The sharp downtrend in the construction of one- and two-family homes and a weaker renovation market is also reflected by the figures of the BayWa Group. Adjusted for the changed process of recording revenue at the Austrian subsidiary RWA, the Group sustained a decline of 8.4 percent to EUR 1.2 billion in building materials in particular. In view of the trend in the sector, this is, all things considered, a moderate development. Owing to the downtrend in the market volume, the focus in 2007 was on more intensive cost management as well as sales and process optimisation, above all in Germany where the Group generates more than 80 percent of its building materials sales. Revenues, which were invoiced via RWA up until 2006, have been set off directly by the Austrian warehouses since 2007 and are no longer included in the consolidated sales.

Contrary to the trend in the sector, the DIY & Garden Center business raises sales by 5.9 percent to EUR 443 million.

The Group's DIY & Garden Center business fared better than its building materials operations. In contrast to the sector-specific trend which clearly lagged behind the previous year's figures, this business unit achieved an increase in sales of 5.9 percent. Including additional market surface area, revenues in this business unit came to EUR 443 million. The garden and equipment segments in particular contributed to this result. The main reasons for the rising revenue figures were improved space management, conversions and product mix optimisation in many centers. In addition, the business unit also benefited from the brisk spring business. As part of the streamlining process, 14 unprofitable locations were closed. The new procurement cooperation DIYCO, founded together with sector partner Hellweg, will release future synergy potential in respect of procurement.

Total revenues of the Building Materials segment fall 5 percent short of the previous year's figure.
Ordinary profit of the Building Materials segment declines by EUR 1.7 million to EUR 13.3 million.

Revenues of the Building Materials segment total EUR 1.68 billion and, taking account of the adjustment in Austria, were thus 5 percent lower than the previous year's figure.

The slack construction economy is also reflected in the result of the Building Materials segment. Ordinary profit fell by EUR 1.7 million to EUR 13.3 million. The all in all moderate decline is exclusively limited to building materials trading and is the consequence of a lower market volume in comparison with the exceptional year of 2006 and necessary structural adjustments. By contrast, the DIY & garden centre business benefited from good spring business in the garden sector. A further increase in sales resulted from two new centres and measures implemented to optimise existing centres. Despite the costs of winding down unprofitable locations and the slowdown in the retail trade in the second half-year, the business unit nonetheless succeeded in raising profit as against the 2006 figure.

LOW DEMAND FOR HEAT ENERGY OWING TO THE WEATHER

The Group generates revenues of EUR 1.8 billion in the Energy segment, which is just under 15 percent lower than in the previous year.

Whereas the Energy segment benefited from the extremely cold 2005/2006 winter season, demand for heating energy in the financial year fell way short of the previous year's level due to the exceptionally mild winter. This also cut the sales of heating oil by around a third throughout the Group. In contrast, sales of diesel and fuel remained stable for the most part. The sale of bio-diesel declined drastically owing to the higher level of taxation. The pellet market also weakened, losing around 10 percent owing to slack demand for heat energy. Lubricant products, however, recorded an increase of almost 20 percent. Overall the Group generated sales of EUR 1.8 billion in the Energy segment, which is just under 15 percent less than the previous year's figure. Against the background of a weak heat market, the business unit forged ahead with streamlining its sales and logistics and implementing measures to raise earnings in all product segments.

The Energy segment discloses a pre-tax profit of EUR 6.5 million.

Despite an ailing market, the segment was able to make good the shortfall in ordinary profit recorded during the year through a strong fourth quarter when the gas station business in particular saw a sharp increase. The segment disclosed a pre-tax profit of EUR 6.5 million, thus only EUR 2.3 million down on the previous year's figure which was particularly good owing to upfront buying induced by the VAT hike.

OTHER ACTIVITIES SUBJECT TO SPECIAL EFFECTS

The increase of EUR 28.6 million in the revenues of the Other Activities segment to EUR 432 million was mainly attributable to food production.

The Other Activities segment comprises Group companies such as food producers in Austria, car dealer operations and financial participations. Revenues climbed EUR 28.6 million to a total of EUR 432 million, resulting mainly from food production where Ybbstaler, a fruit juice concentrate manufacturer, achieved notable growth.

The ordinary profit of the Other Activities segment came to EUR 24.1 million, which is an increase of EUR 3.7 million as against the previous year's figure.

Ordinary profit of the Other Activities segment came to EUR 24.1 million, up from EUR 3.7 million in 2006. Ordinary profit includes EUR 21.1 million from the sale of shares in the Austrian snack manufacturer Kelly. The 2006 figure included gains in the amount of EUR 21.3 million from the sale of two financial investments. In addition, the operating units of the segments developed well in the course of the financial year. Income from financial participations included in this figure has also risen.

OVERALL INCREASE IN THE EARNINGS OF THE GROUP

The financial position of the BayWa Group improved in the reporting year. Higher profits were mainly attributable to the Agriculture segment, as the slack construction sector was a drag on profit growth.

Gross profit climbs around by EUR 32 million to EUR 1.1 billion.

Gross profit climbed around EUR 32 million to EUR 1.1 billion in the year under review. This growth was primarily attributable to an increase in revenues and gross earnings in the Agriculture segment. Agricultural equipment and trading in agricultural produce also lifted their results.

Other operating income advances by ca. EUR 15 million.

Other operating income advanced by approximately EUR 15 million, with accounting profit from the sale of real estate rising by around EUR 5 million. In addition, there was a notable impact owing to the higher volume of provisions released.

Personnel expenses are approximately 1.6 percent above the previous year's level.

Personnel expenses were approximately 1.6 percent higher than in 2006, mainly because of salary adjustments as part of the collective bargaining process in the individual Group companies. Intensified measures, which included, for instance, employees taking their remaining holiday and overtime, were implemented in the second half of the year, especially in the parent company, to take account of the decline sustained by the Group's building materials operations. This active cost management prevented another increase in personnel costs.

Write-downs of EUR 91.0 million on tangible and intangible assets, mainly scheduled amortisation and depreciation, remained at the previous year's level.

EBITDA grows by EUR 33.6 million to EUR 234.6 million.

Growth in EBITDA stood at EUR 33.6 million, which brings this figure to EUR 234.6 million. The Group's EBIT recorded a similar increase, rising by around EUR 32 million, or 28 percent, to EUR 143.6 million.

At EUR 113.2 million, the result of operating activities was EUR 30.5 million higher than the previous year's figure.

The financial result came in at EUR –22.7 million which is approximately EUR 10 million lower year on year. The rise in interest rates and a substantial increase in financing requirements owing to the harvest- and price-induced higher level of inventories pushed up interest expenses by around EUR 11 million.

The result of operating activities is almost 30 percent higher than in the previous year.

Ordinary profit stood at EUR 90.5 million as compared with the previous year's figure of EUR 69.8 million.

Due to realisable effects from group taxation in Austria and the resulting lower tax burden of 20.6 percent, the income tax rate is still below the tax rate of 25 percent planned for in the budget. Owing to special effects in the previous year, however, the tax expenses rose to EUR 6 million.

The consolidated net income for the year under IFRS comes to EUR 71.8 million.

After deduction of income tax, the BayWa Group closed the financial year 2007 with an annual net income of EUR 71.8 million under IFRS (2006: EUR 57.4 million).

Earnings per share (EPS), calculated on the basis of the proportion of profit due to the shareholders of the parent company and the average number of shares (dividend-bearing shares excluding treasury shares), have risen to EUR 1.36 in the financial year 2007, up from the previous year's EPS of EUR 1.17.

ADJUSTED PROFIT MARGINALLY BELOW THE PREVIOUS YEAR'S LEVEL

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

Income items, such as proceeds from the sale of financial participations (EUR 21 million) or income from the release of provisions (EUR 7 million), are eliminated. On the expenses side, it is mainly closure and restructuring costs (EUR 4 million) and the costs of introducing a new inventory control system (EUR 3 million) which are eliminated.

Adjusted pre-tax operating result of EUR 84.5 million almost at the level of the record year 2006.

The adjusted pre-tax operating result of EUR 84.5 million almost reached the level of the record year of 2006. After tax, adjusted profit comes to EUR 66.5 million as compared with the previous year's figure of EUR 63.2 million. It was thus possible to almost match the results of a year characterised by an exceptional economy, whereby expectations for the financial year were clearly exceeded.

STRONG STOCKPILING IN THE AGRICULTURE SEGMENT RAISES TOTAL ASSETS

Total assets of EUR 3.118 billion exceed the previous year's figure by 10 percent.

The substantial increase in agribusiness inventories caused the total assets of the BayWa Group to reach a new record high at the end of the year. At EUR 3.118 billion, it exceeds the previous year's figure by 10 percent. The good harvest in BayWa's home market resulted in a substantially higher volume of stored grain. At year-end, therefore, inventories in the grain product segment alone doubled. The high level of inventories raises the selling potential in the first half of 2008. So as to minimise risk, around 80 percent of inventories have already been sold by way of contract in the financial year 2008.

Brisk agribusiness swells inventories.

The growing demand for agricultural equipment and resources also caused inventories to rise at year-end, in particular fertilizer products. These inventories will decline with more land taken under cultivation and the stepping up of crop growing activities.

Trade receivables of EUR 501 million remain at the year-earlier level.

Trade receivables of EUR 501 million remained unchanged from the previous year. A strong final quarter in 2007 also triggered greater invoicing activities for selling transactions. Total defaulted receivables are below 0.1 percent of sales and were reduced again in comparison with the previous year. Other assets rose primarily due to higher supplier credits still outstanding and receivables from the sale of real estate assets.

Investments in property, plant and equipment and intangible assets come to around EUR 100 million, which is around EUR 10 million higher than annual depreciation and amortisation.

Investment in property, plant and equipment and intangible assets of EUR 100 million are around EUR 10 million higher than annual depreciation and amortisation. The main bulk concerns scheduled replacement and expansion investments; there are no material acquisitions of real estate or companies reflected in the figure. The investment amount recognised for Kelly GmbH, Vienna, is no longer included in the disclosure of at-equity shares as the company has left the group of consolidated companies. The first-time inclusion of BayWa Finanzbeteiligungs-GmbH has resulted in the disclosure in the consolidated financial statements of the DZ BANK shares which it holds. The valuation is carried out at the current rate, with the difference between the book value and the current value being posted to revaluation reserve without effect on income. After participation in a capital increase of RZB Wien, the book value of the participation has risen EUR 4.1 million to EUR 41.6 million.

The equity capital of the BayWa Group climbs EUR 70.5 million to EUR 854.5 million.

The equity capital of the BayWa Group climbed by EUR 70.5 million to EUR 854.5 million. This figure takes account first and foremost of the annual net income in 2007 (EUR 71.8 million), dividend distribution for 2006 (EUR –13.1 million) and the write-up of the consolidated shares of the DZ Bank due to appreciation (EUR 9.7 million) without effect on income.

The equity ratio comes to 27.4 percent.

Owing to the increase in total assets on the reporting date, the equity ratio of 27.4 percent is marginally lower than in the previous year, when it was 27.7 percent. The target equity ratio of the Group comes to 30 percent. Taking account of the diversified activities and of the Group's ongoing strategy of expansion, there is therefore a sound equity base.

The tax claims and deferred taxes items fell primarily owing to the lowering of domestic corporate tax. In the 2007 financial statements, the mixed tax rate (corporate tax and trade tax) of 37.4 percent applicable to domestic corporations fell to 28.2 percent. As there are no material loss carryforwards at domestic subsidiaries, and thus no deferred tax on the assets side, there is no notable effect from the change in the tax rate.

BALANCE SHEET STRUCTURE OF THE BayWa GROUP

Assets	in EUR million	in percent
Non-current assets		
2007	1 130.428	36.3
2006	1 124.734	39.8
Deferred tax claims		
2007	88.478	2.8
2006	114.949	4.1
Other non-current assets		
2007	23.967	0.8
2006	38.142	1.3
Current assets		
2007	1 875.130	60.1
2006	1 545.554	54.8

Shareholders' equity & liabilities		
Equity		
2007	854.498	27.4
2006	783.969	27.8
Deferred tax liabilities		
2007	90.838	2.9
2006	118.849	4.2
Other non-current liabilities		
2007	575.235	18.5
2006	584.070	20.6
Current liabilities		
2007	1 597.432	51.2
2006	1 336.491	47.4

FINANCING

The financial development of the Group is shown in the table below:

in EUR million	**2007**	**2006**
Cash flow from operating activities	57.4	93.4
Cash flow from investing activities	– 61.7	– 89.2
Cash flow from financing activities	4.8	– 4.7
Cash and cash equivalents at the end of the period	18.0	17.5

The financing structure was mainly short term, thereby matched to funds committed.

Matched to funds committed, the financing structure remains for the most part short term. Interest rate risk is countered partly by hedging 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 50 million (2006: EUR 111.5 million). At year-end, demand for commercial paper had slowed notably in the wake of the US subprime mortgage crisis, which made placement modest. As per the reporting date, EUR 55 million had been financed from the ongoing Asset Backed Securitisation Programme as in the year before.

EMPLOYEE NUMBERS REMAIN STABLE AT THE PREVIOUS YEAR'S LEVEL

The annual average number of employees has risen by 137 to 15,271.

The average number of employees rose slightly by 137 to 15,271 in comparison with the previous year. Upon the opening of new building materials centres in Pfarrkirchen and

Furth, 81 employees joined the BayWa Group. Owing to the weaker economic trend, particularly in the Building Materials segment, a number of targeted adjustments were swiftly taken in the second half of the year.

Vocational training is the basis for the development of the Group.

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 fundamental basis for the successful development of the segments and Group companies. In 2007, the number of trainees starting their training in the various business units in the parent company alone came to 390.

The number of employees holding shares of BayWa AG meanwhile comes to 5,853.

In 2007 as well, the Employees Share Scheme was active. For the seventh 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 4,590 employees took advantage of the opportunity to subscribe, which raises the number of those entitled by 251 as against the previous year. In the meantime, 5,853 active employees of the Group hold shares in BayWa AG.

INVESTMENTS MAINLY IN REPLACEMENT AND EXPANSION MEASURES

The BayWa Group invested approximately EUR 100 million in the financial year.

Investments in the financial year came to around EUR 100 million and are thus approximately EUR 40 million below the previous year's level. Key areas are replacement and expansion investments in all the business units, particularly in "technical facilities" and "fixtures and fittings".

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.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

"Corporate Social Responsibility" has been set in place as a management task.

The Group developed many activities devoted to its economic, environmental and social responsibilities, its employees and to the interaction between its various stakeholders. The aim of these activities is to ensure the Group's sustainable integration within the economy and society, as well as to promote dialogue with the public and with interest groups. Such activities help to enhance the Group's public reputation, to generate additional revenue and to limit entrepreneurial risk. Although they have so far not been subsumed under the term "corporate social responsibility" or set up as a special management function, these activities support the Group's strategies and action in many ways.

Examples of commercial, economic and social responsibility.

The Group observes good corporate governance by applying the rules pertaining to this practice, which is described in a different part of this report. Activities such as promoting transparent investor relations, securing profitable growth in all business units and Group companies as well as carrying out efficient risk management come under the Group's economic responsibility. As regards its environmental responsibility, the Group demonstrates this with its use of renewable energies and resources, environmentally compatible products, energy consumption reduction measures, its waste management system and efficient transportation logistics. In respect of the Group's social responsibility, activities such as continuing professional development and training, occupational health and safety, job security and health management are provided. A prime example which comes under the term "corporate citizenship" is the BayWa Foundation, which supports projects working to secure the world's food supply.

Donations to social and cultural institutions as well as the promotion of employee participation in associations or politics also belong to this category.

"Corporate Social Responsibility" project initiated.

BayWa set up a project to aggregate these CSR activities and to communicate them transparently both within the Group and externally. This project is intended to strengthen the Group's public reputation, its integration within society and thus economic growth.

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

Composition of subscribed capital

The share capital of BayWa AG comes to EUR 86,757,317.12 and is divided into 33,889,577 bearer shares.

The share capital of BayWa AG amounted to EUR 86,757,317.12 on the reporting date and is divided into 33,889,577 bearer shares with an arithmetical portion of EUR 2.56 in the share capital. Of the shares issued, 32,610,206 are registered shares, 36,120 are recently registered shares with restricted transferability (from 1 January 2008: dividend-bearing employee shares) and 1,243,251 shares are non-registered shares with restricted transferability. With regards to the rights and obligations transferred by the shares (e.g. the right to a portion of the unappropriated retained earnings or the right 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 68 para. 2 German Stock Corporation Act (AktG) in conjunction with Section 6 of the Articles of Association of BayWa AG, the purchase of shares by other individuals and legal entities under civil and public law requires the approval of the Board of Management of BayWa AG. We are not aware of other restrictions relating to the voting rights or to 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, Grünwald

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

Appointing of members of the Supervisory Board and Board of Management for five years at the most.

In addition to Sections 84 et seq. German Stock Corporation Act (AktG) relating to the appointment and dismissal of members of the Board of Management, Section 10 of the Articles of Association of BayWa AG requires that members of the Board of Management are appointed by the Supervisory Board. Members of the Board of Management are appointed for a maximum term of five years and may be re-appointed. The Supervisory Board appoints the Chairman and the Vice Chairman of the Board of Management.

Pursuant to Section 179 German Stock Corporation Act in conjunction with Section 22 of the Articles of Association of BayWa AG, amendments to the Articles of Association are always adopted by the Annual General Meeting.

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

With the approval of the Supervisory Board, the Board of Management can raise the share capital by issuing new shares.

Subject to approval by the Supervisory Board, the Board of Management is authorised to increase the share capital in the period to 30 June 2008 by a maximum nominal EUR 10,000,000 via the issuing of new shares registered to bearer against non-cash contribution. Subject to approval by the Supervisory Board, the Board of Management is authorised to increase the share capital in the period to 30 April 2010 one or several times by a maximum nominal EUR 4,547,978.24 via the issuing of new shares registered to bearer with restricted transferability against cash contribution to employees of BayWa AG and to companies affiliated with BayWa AG under Sections 15 et seq. German Stock Corporation Act at purchase prices of no less than 50 percent of the share price established upon exercise of authorisation.

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

The Board of Management was not authorised by the Annual General Meeting to buy back shares. There are no agreements pursuant to Section 289 para. 4 nos 8 and 9 German Commercial Code.

REMUNERATION REPORT

The remuneration of the Board of Management is made up of a fixed and a variable component.

The Supervisory Board's Board of Management Committee is responsible for determining the remuneration of the Board of Management. The structure of the remuneration system is reviewed by the Supervisory Board on a regular basis. The remuneration of the Board of Management is made up of a fixed and a variable component. The fixed components comprise an annual salary and customary fringe benefits, which essentially consist of the value applicable to the use of company cars that is subject to tax directives.

Total remuneration of the Group's Board of Management came to EUR 5.2 million.

The performance-related component is measured by the company's performance and the attainment of individual goals that are re-defined on an annual basis. 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 of BayWa AG amounted to EUR 5.2 million (2006: EUR 6.2 million), of which EUR 1.6 million (2006: EUR 1.7 million) is variable. An amount of EUR 1.0 million (2006: EUR 1.8 million) was transferred to pension provisions.

The remuneration of the Board of Management is not itemised but broken down into fixed and variable/performance-related components and disclosed on an annual basis in the Notes to the Consolidated Financial Statements. Pursuant to Section 286 para. 5 of the German Commercial Code, the relevant resolution was passed by the Annual General Meeting (Code Item 4.2.4). There are no long-term incentive remuneration components such as share options or the like.

The remuneration of the Supervisory Board is not itemised but broken down into fixed and performance-related components and disclosed on an annual basis in the Corporate Governance Report (Code Item 5.4.7 para. 3).

Total remuneration of the Supervisory Board stood at EUR 0.3 million.

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

The total remuneration of the Supervisory Board of BayWa AG amounted to EUR 0.3 million (2006: EUR 0.3 million), of which EUR 0.1 million (2006: EUR 0.1 million) is variable.

RISK MANAGEMENT

Principles of risk management

Risk management is an integral part of the planning and control process.

The risk management policy of the BayWa Group is geared towards assessing the opportunities and risks of entrepreneurship in a responsible and purposeful way. Risk management is an integral component of planning and management processes. Protecting the assets of the company and enhancing its corporate value are the target parameters. The Group's strategies aim to make optimum use of opportunities while limiting business-related risks as far as possible.

Corporate guidelines and a set of ethical principles implemented throughout the Group.

In its "Corporate Guidelines" and "Ethical Principles", the BayWa Group also established binding goals and a code of conduct and implemented them throughout the Group. These guidelines and principles relate to individual employees' action when dealing with corporate values as well as to their fair and responsible conduct towards suppliers, customers and colleagues.

Cyclicality and weather-induced fluctuations have a considerable impact on the core businesses.

As a trading group with international operations, BayWa faces a number of risks arising from its diversified business activities. In particular, fluctuations in the economic cycle and changes in weather conditions have a considerable impact on the Group's core businesses.

Risk Management System of the BayWa Group

A comprehensive risk management system records and monitors both corporate performance and any existing weaknesses on an ongoing basis.

The Risk Management System enables management to act swiftly and effectively.

The BayWa Group's risk management system covers all segments and includes reporting as a key component. This enables the Group's senior management to act swiftly and effectively. All units have risk officers and risk reporting officers who are responsible for implementing the reporting process. The reporting process classifies risks and opportunities into categories, reports on these and estimates their probable occurrence and potential impact in terms of monetary units.

The risk and opportunities management system for the identification and assessment of possible divergences from expected developments supplements the planning process.

The BayWa Group's risk management system is based on individual observations, supported by appropriate management processes, and is integrated within the Group's core activities. It starts with strategic planning and proceeds through to procurement, sales and distribution including the management of accounts receivable. As an extension of the business segments' planning process, procurement, sales and distribution operations as well as centralised operations, the Group's opportunities and risk management system serves to identify and assess potential divergences from expected performance. In addition to identifying and assessing key developments influencing business, this system facilitates the prioritisation and implementation of activities. As a result, the BayWa Group can make better use of opportunities and reduce risks.

The business units regularly prepare risk reports.

The Group's business units prepare risk reports on a periodic basis that form the core component of the risk management system. These reports are subjected to evaluation by the Board of Management and by the heads of the business units.

The systematic development of existing and new early warning systems helps considerably to further strengthen and specifically develop an opportunity and risk culture throughout the Group.

The principles of the BayWa Group's risk management system for identifying and monitoring business-related risks are described in a risk management manual approved by the Board of Management.

In addition, the Group's Internal Audit department regularly audits the internal risk management system supporting the processes. ISO certifications for the standardisation of processes and for risk avoidance, as well as for the taking out of insurance, supplement the Group's management of risk.

MACROECONOMIC RISKS

Economic developments in BayWa's core markets can have both a positive or a negative effect on revenues and profit.

Economic developments in BayWa's core markets may affect the Group's business performance owing to changes in both consumer and investor behaviour. This may impact sales and profit either positively or negatively. Following the German economy's strong economic upturn in 2006, not least owing to upfront buying effects triggered by an increase in VAT, the uptrend continued into 2007, albeit at a somewhat slower pace. All in all, stronger domestic demand is expected in 2008, which should further contribute to the upturn. A similar scenario is also anticipated for the eurozone. Internationally, the cooling U.S. economy, in particular, will point the way. It also remains difficult to estimate the extent to which the turmoil of the US subprime crisis will affect global GDP growth.

SECTOR AND COMPANY-SPECIFIC RISKS

Changes in political conditions, global and volatile markets entail both risks and opportunities.

The exit of competitors from the market opens up growth opportunities for the BayWa Group through takeovers and acquisitions.

Changes in political conditions as well as in global markets and market volatility affect the Group's agribusiness, in particular, and entail risks (e.g. reduction in subsidies). However, they also open up new prospects. Weather-induced extremes can have a direct impact on trading in equipment, resources and products. Changes in the global climate will also affect the Group's agribusiness. Global demand for agricultural products – particularly, grain – continues to grow. This may give rise to a sustained trend that will continue to have a major effect on pricing. Growth in agricultural income will have a direct impact on the sales of high-end capital goods. In Germany, sector-specific risks within the construction industry were clearly evident following the boom in the wake of German reunification. Surplus capacity and declining demand were the order of the day. A growing uncertainty among private investors constrained necessary building measures, particularly homebuilding and residential construction. This long-standing crisis resulted in a phase of market shakeout. However, the exit of competitors also opened up healthy growth opportunities via takeovers and acquisitions. An upturn in the domestic economy will be reflected in corresponding increases in building activity. Sharp price fluctuations characterise the energy sector and its trade in fossil fuels, especially in heating oil. For the BayWa Group, however, both price risk and currency risk are relatively low owing to "straight-through" trading without large-scale proprietary warehousing and to invoicing in euros.

MARKET RISKS

CURRENCY RISK

Currency risk of minor importance.

Currency risk is only of minor importance, as BayWa's operations are largely focused on the eurozone. Nevertheless, all foreign currency positions arising from goods and services transactions must always be hedged as and when they arise. Speculative borrowing or investment of foreign currency funds is strictly forbidden.

The internal exchange of goods and services with Group companies in Eastern Europe plays a wholly insignificant role and does not incur currency risk. Open financing positions must always be hedged by the recipient party.

SHARE PRICE RISK

Direct and indirect investments in listed companies are partly used to secure pension obligations.

The BayWa Group's investment portfolio includes a small volume of direct and indirect investments in listed companies, which are not held for trading purposes. These investments are partly used to hedge pension obligations. External fund managers ensure via a capital stability clause that investments held for the purposes of hedging pension obligations do not fall below a level of 98.5 percent of their value at the start of the year. The Group also continuously monitors its equity investments on the basis of their current market values.

INTEREST RATE RISK

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

OTHER RISKS

Regulatory and legal risks

Regulatory changes harbour both risks and opportunities.

Changes in the regulatory environment can affect the Group's performance. In particular, government intervention in the general regulatory framework for the agricultural industry should be highlighted. Negative effects are associated with the reduction or abolition of subsidies. On the other hand, new regulatory and legislative developments in bioenergetic activities offer favourable opportunities. In the construction sector, changes to building or fiscal regulations may also have an impact on the performance of building materials business.

The companies within 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 future. Law suits come about in the course of normal business activities, particularly with regards to the enforcement of claims arising from services and deliveries that are not up to standard or those arising from payment disputes. BayWa has set up litigation provisions if it is likely that an obligation will arise and the amount can be reliably estimated. In individual cases, the actual amount may exceed the amount provisioned.

Credit risk

A lending and deposit monitoring system ensures that risk is kept to a minimum.

As part of its business activities, the BayWa Group fulfils an important financing role for its agricultural business partners. In the context of so-called cultivation contracts, the Group incurs financing risk arising from the interim financing of agricultural resources and equipment. Settlement is made by acquiring the harvest and placing it on the market. An extensive lending and deposit monitoring system ensures that risks are kept to a minimum in this segment as well as in other segments of the Group. This is done by setting up credit limits and monitoring them on an ongoing basis in conjunction with documented approval procedures.

Liquidity risk

Liquidity risk describes the risk that the BayWa Group may fail to comply with its financial obligations or only comply with them to a limited extent. In the BayWa Group, financial funds are generated by operating business and borrowing from external financial institutions. In addition, financing instruments such as multi-currency commercial paper programmes or asset-backed securitisation financing are used. Existing credit lines are therefore measured to an extent sufficient to guarantee business performance at all times – even in the event of growing volume. Financing structures also provide cover for the seasonality of business activity.

Personnel risk

The Group competes with other companies for qualified managers and expert staff.

As regards personnel, the BayWa Group competes with other companies for highly qualified managers as well as for motivated and able employees. The Group continues to require qualified personnel in order to secure its future success. However, excessively high employee fluctuation, the brain drain and its failure to win junior staff loyalty may have a detrimental impact on business performance.

Aggregate risk

Risks are limited overall and manageable.

An overall risk analysis shows that the Group's material risks are exclusively market and weather-induced ones. These risks specifically include cyclical price fluctuations and the impact of weather-induced extremes on business performance. Organisational processes are supported by an internal control system and thus entail less risk. All in all, the risks to the BayWa Group are limited and manageable. There are currently no identifiable risks that could pose a threat to the Group as a going concern.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Takeover of the building materials trading company VOSS in North Rhine Westphalia.

On 1 January 2008, BayWa AG acquired all the shares in Voss GmbH & Co. KG, Coesfeld and in Voss GmbH, Coesfeld within the framework of a share deal. This company operates a specialist building materials business in North Rhine Westphalia, generating annual sales of some EUR 60 million with a workforce of 200. Approval of this acquisition by the antitrust authorities is currently still outstanding. In view of the seven sites operated by Voss, this acquisition will close the gap in the previous branch network of BayWa/Küppers between Münsterland and the Ruhr. Entering into this agreement with Voss is an important step for the Group in its aspiration of winning market leadership in the Ruhr and in Münsterland. As a result of this acquisition, it will now be represented by a total of 28 building materials plants in this region.

Furthermore, BayWa AG plans to acquire the heating oil and diesel fuels business of the Hamburg-based Shell Direct GmbH for the Bavarian region with effect from 1 April 2008. Around 70 employees at its sites in Munich, Nuremberg, Augsburg, Würzburg and Bayreuth will transfer to the BayWa Group. The acquisition of the business operations of Shell Direct GmbH at important locations in Bavarian conurbations will open up additional market opportunities for the Group.

OPPORTUNITY AND RISK REPORT: GUIDANCE FOR THE FINANCIAL YEAR 2008

AGRIBUSINESS TO REMAIN AT A HIGH LEVEL – SLIGHT DOWNTREND IN BUILDING MATERIALS AND MINERAL OIL TRADING EXPECTED

All in all, the environment is good for a continuation of the positive development of the Group.

The Group assumes that market conditions will improve in the sectors where it operates. The subsidiaries in Eastern Europe are expected to make progress against the backdrop of EU integration. All in all, the environment for business to continue to develop well within the Group is favourable. In comparison with 2007, business in the second half of the year in particular is expected to perform well. The revenue figures of the first weeks have already affirmed this trend.

As described in the Risk Report, there are risks, such as whims of the weather, unforeseeable price and market fluctuations or negative changes from the political environment, but they are not considered a huge threat in the period under review.

POSITIVE SENTIMENT PERSISTS IN AGRIBUSINESS

Good prospects for the agricultural industry.

Global agribusiness is in a very robust condition. Predictions made for the agricultural sector underscore its longer term increasing importance for our economic future in all countries with strong agricultural production. The agricultural markets in Europe and in the BayWa Group's core markets are set to benefit from this trend. Particularly agricultural products will rise in value in the face of the world's growing population, changing eating habits in the emerging markets and declining global grain inventories. This is compounded by the rising consumption of energy with crude oil becoming an increasingly scarce resource. The share of bioenergy, and thus the battle for agricultural land which is in short supply, is accelerating. This will bolster the grain price trend, which may even climb further. As news of an over- or undersupply on the grain markets triggers an immediate reaction on the stock exchange and physical markets, prices may be subject to considerable fluctuations. This harbours increased risks for agricultural trading which are, however, limited by the measures set in place as part of the Group's internal control system. In addition, there is still uncertainty about the political framework conditions which might change factors in the environment of the agricultural sector more in the long term.

The expected increase in income triggers brisker agricultural production and encourages the propensity to invest.

In the BayWa Group's home market the general sentiment in the agricultural sector continued to be good at the start of the current financial year. For most farmers the economic situation is set to remain positive this year, despite the unfavourable situation experienced by some animal producers. The higher levels of income expected will lead to increased agricultural production and continue to bolster the willingness to invest. This positive scenario is also valid for Austria where the environment in which the Group operates in its agricultural business is similar to that of Germany.

AGRICULTURE TO REMAIN THE GROUP'S BUSINESS MAINSTAY

Good prospects for the positive trend of the last two years to continue.

The Group therefore has plans for a substantial increase in revenues, with a slight uptrend in prices.

According to this estimate, the general conditions for the Group's agribusiness are likely to improve in the reporting year as well. In respect of the agricultural trading operations of the BayWa Group, this is a good opportunity for a continuation of the positive trend of the last two years. In addition, the current forecasts for the harvests of Central Europe are positive, which gives rise to expectations of another high volume of trading in grain. Similarly, given higher levels of production the demand for equipment and resources is likely to rise. The Group has therefore planned for a substantial increase in sales against the backdrop of marginal uptrend in prices. Agricultural raw materials, logistics, advisory services and general services deliver additional potential for value added. BayWa's Agriculture segment intends to use market concentration in the sector

BayWa's Agriculture segment plans further acquisitions and growth.

as an opportunity for acquisitions and growth in the future. The Group will press ahead with streamlining locations: Smaller operations will be replaced by new agricultural centres of competence. The eastern European subsidiaries also operating in agricultural trading can also be expected to raise sales. Eastern Europe therefore remains the linchpin of this segment's expansion strategy.

INVESTMENT CLIMATE IN THE AGRICULTURAL INDUSTRY REMAINS FAVOURABLE

The Agricultural Equipment business unit expects revenues to rise.

The Group's Agricultural Equipment business segment can continue to count on the level of investments in the agricultural industry remaining high. Sales still depend on delivery deadlines and bottlenecks in the industry but the business unit is planning to raise results with new products and customer groups. Business segments such as forestry and bioenergy, for instance, provide additional opportunities, as do expanding market shares and the online despatch of spare parts. The optimisation of locations and raising efficiency in sales and services, as well as the use of the new inventory control system, will boost earnings further.

SLIGHT EXPANSION IN THE CONSTRUCTION INDUSTRY

Little impetus from residential construction; more opportunities for energy-related renovation.

Home building is set to slow again in 2008. The inclusion of building one's own home in the government's so-called Riester initiative to encourage retirement provisioning is likely to have more of a medium-term effect. The main opportunities are therefore located in energy-related refurbishment in the coming years. The high cost of energy and the most recent political resolutions as reflected by the German Renewable Energies Act could well boost the sale of the respective products. A strong recovery is, however, unlikely in the first half-year. Positive demand is also anticipated in public-sector civil engineering. We have already established ourselves as a market leader in North Rhine Westphalia. Moreover, as additional sales are expected through further acquisitions, the Group anticipates a slight increase in the revenues of its building materials business. As part of the process of adjusting costs to the low level of home building, the sales network is to be further streamlined. The flexible cost structure enables swifter reactions to changes in the market, with the concurrent positive effects on the business unit.

STRATEGIC REALIGNMENT BOOSTS THE RETAIL MARKETS

Despite reticent consumer behaviour, DIY & Garden Centers expect opportunities for growth.

The do-it-yourself and garden markets sector is expecting sales to remain at the 2006 level due to more reticent consumer behaviour. By contrast, the DIY & Garden Center business unit of the BayWa Group is aiming to raise sales. The reason for this planning is above all the positive effects released by conversions and surface area optimisations made in the German home market. The opening of new locations in Germany and Austria reinforced sales. In its franchising operations, the business unit is planning to forge ahead with its expansion strategy in Germany and upper Italy. Positive stimulus is expected if, other than in the preceding year, climate conditions remain good during the main planting period from April to June. In addition, progress has also been planned in procurement management and logistics, both of which will have a positive impact on profit, along with the considerable restructuring measures implemented in the 2006. The advantages of procurement cooperations with sector partner Hellweg are also aimed at producing this effect.

RECOVERY OF THE HEAT MARKET PROBABLE

Demand for heating energy on the rise again.

In its Energy segment the Group believes that sales will rise substantially in comparison with the 2006. Owing to the extremely mild winter of 2006/2007 consumers have not needed heating oil for their tanks for some long time. The high level of prices caused them to place only part orders in 2007. Subsequently, the filling levels at the start of 2008 were low. This caused consumers to fill their tanks in the first weeks despite the high level of prices. And they will place more orders during the course of the year.

Gas station business and demand for diesel are considered stable.

There is therefore possibility that the Group may well make good the dent in sales in the 2006, especially in the heat market. The gas station business and the demand for diesel are considered stable, as is the sale of wood pellets. Sales of biodiesel, however, are expected to decline due to the price situation and the fact that a number of engine types have not been approved. The acquisition of Shell Direkt GmbH in Bavaria at the start of 2008 raised the market volume and helped reinforce the position of BayWa as a leading regional heating oil dealer in Bavarian conurbations as well. The Group is well positioned throughout Austria through its subsidiary GENOL. With a rising market volume and optimisations on the cost front, the segment is set to generate higher earnings again.

DEVELOPMENT OF THE OTHER ACTIVITIES SEGMENT REMAINS STABLE

In the current financial year, the environment for food trade and car dealing activities is considered to be stable. Special effects from the sale of holdings in 2006 will, however, no longer be applicable in the disclosure of profit.

GROUP PLANS FOR AN OVERALL INCREASE IN SALES AND PROFIT

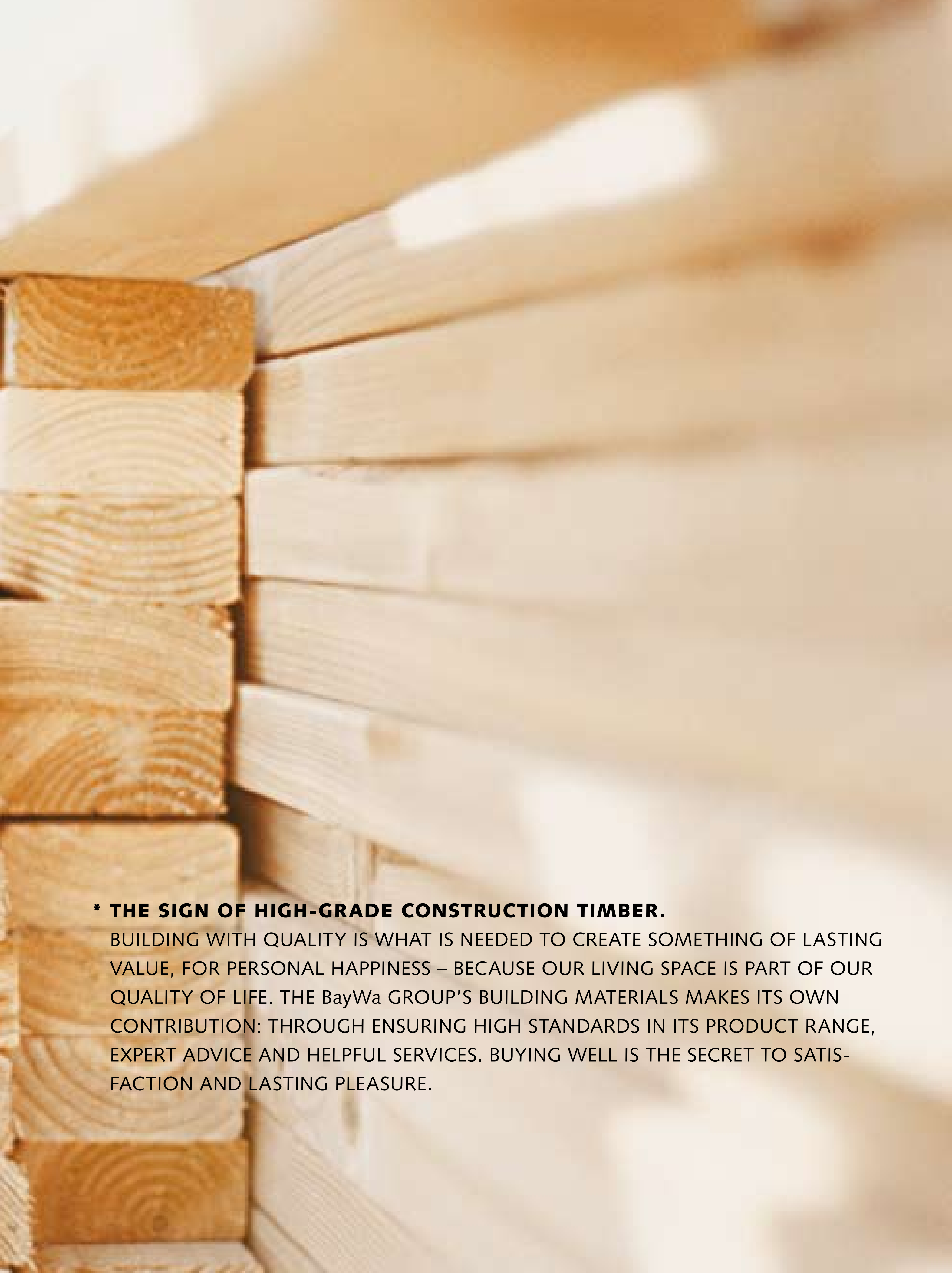
A generally favourable market environment for diversified groups. Plans for further increases in revenues and profit.

The scenarios described above for the individual business units present a generally favourable market environment for the diversified group. The outlook for the Agriculture segment is bright. Building Materials are set to perform better than in the 2006. A greater volume of sales in heating oil will boost the Energy segment. The chances of repeating the generally good performance seen in the past two years are therefore good in 2008. The Group plans to raise sales and profit further. The opportunities for internal and external growth, also in the Building Materials and Energy segments, are deemed realistic. Higher market volumes and measures for optimising costs and processes will lend support to the targeted improvement in profit. Although the aforementioned risks may lead to divergences in the performance of individual segments, the overall prospects for business are good and support the optimistic planning for 2008.

11,100*

*** THE NUMBER OF WHEAT GRAINS IN A SINGLE KILO OF BREAD.**
ONE HECTARE OF AGRICULTURAL LAND PRODUCES ENOUGH FLOUR FOR AROUND 13,000 LOAVES OF BREAD. BUT CONSUMERS EXPECT NOT ONLY EFFICIENT FOOD PRODUCTION BUT ALSO FOOD WHICH IS OF A HIGH QUALITY AND SAFE TO EAT. THIS DEMAND IS FULFILLED BY PROFESSIONAL FARMING. THE AGRICULTURAL AND AGRICULTURAL EQUIPMENT LOCATIONS OF THE BayWa GROUP ARE AN IDEAL PARTNER TO THE AGRICULTURAL AND FOOD INDUSTRIES.

DIN 4074 S13*



*** THE SIGN OF HIGH-GRADE CONSTRUCTION TIMBER.**

BUILDING WITH QUALITY IS WHAT IS NEEDED TO CREATE SOMETHING OF LASTING VALUE, FOR PERSONAL HAPPINESS – BECAUSE OUR LIVING SPACE IS PART OF OUR QUALITY OF LIFE. THE BayWa GROUP'S BUILDING MATERIALS MAKES ITS OWN CONTRIBUTION: THROUGH ENSURING HIGH STANDARDS IN ITS PRODUCT RANGE, EXPERT ADVICE AND HELPFUL SERVICES. BUYING WELL IS THE SECRET TO SATISFACTION AND LASTING PLEASURE.


BayWa
Benzin
Super
Super
Bio
Diesel
Erdgas

24 h*

*** MOBILITY AND CLOSING HOURS DO NOT GO TOGETHER.**
MOTORISTS WELCOME THE CASHLESS OPPORTUNITY OF FILLING THEIR TANKS AROUND THE CLOCK, REGARDLESS OF THE TIME OF DAY, ABOVE ALL IN RURAL REGIONS. 250 FUEL STATIONS IN GERMANY AND AUSTRIA, MOSTLY OUTSIDE URBAN CENTRES, SUPPLY OUR CUSTOMERS WITH FUEL: BayWa AS A LOCAL SUPPLIER – ONE OF MANY KEY SUCCESS FACTORS.

QUALITY OF LIFE

Healthy and in a wide variety, ecologically valuable and easily accessible, a good investment or just simply beautiful – quality of life means different things to different people. If it feels good it is good. In its core segments of agriculture, building materials and energy, the BayWa Group is close to people's basic needs for food, a roof over their heads, mobility and warmth. The tenet in all business segments is that if it makes the customer happy it has a future.

Food, for instance, should be nutritious, appetising and available in a large selection. And even if organic products are not a person's first choice one still has a right to quality. BayWa ensures that seed is healthy and kept available in a wide range, just as it has its collection and selling processes

of agricultural products certified under QC standards. This is how the company contributes to a controlled and thorough quality assurance, from the field through to the shop counter. In fruit trading, the International Food Standard stands for trackable quality, and an organic fruit wholesale market supplies the retail trade with organically grown produce.

A distinct approach to quality determines the overall product range policy of the company. As a professional supplier, the building materials trade is especially obligated to espouse this concept of quality. Renowned manufacturers' goods form the core of a product range which only a major player in the industry can maintain. High standards in the Energy Segment as well:

Heating with wood pellets also means generating the maximum heat while making a contribution to the environment. Supplying only certified products and offering additional quality heating oil products, such as ecotherm and ecoclean – this is what the Mineral Oils business unit stands for. Good products deserve expert advice. Having qualified employees is both a tradition and an anchored value in the BayWa Group and the basis for our operating units in creating concepts tailored to the needs of our customers. Qualification is either carried out within the company or, if outside expertise is needed, with renowned external partners, such as, for instance, the currently over 200 recognised energy experts at BayWa's building materials operations.

Quality of life also needs to be made accessible. For instance, BayWa's cashless gas stations in rural regions, which are open to the customer day and night, or being able to purchase heating oil and technical equipment via Internet comfortably from home. A 24 hour harvesting service for farmers, advice on the construction site, logistics with sophisticated delivery equipment, lending of small engines or trailers, wood cutting services and so much more – all examples of services which, in their totality, achieve a great deal.

CORPORATE GOVERNANCE-REPORT

Through its Corporate Governance, BayWa pursues the goal of raising enterprise value on a sustainable basis through efficient and responsible management and effective control of the company and through fostering the trust of investors, the financial markets, business partners, employees and the public at large.

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

Dual-tier management and monitoring structure through the Board of Management and the Supervisory Board.

As a company with its principal place of business in Munich, BayWa AG is subject to the provisions of German law. A basic principle under German stock corporation law is the dual-tier management and supervisory structure made up of the executive bodies of a management board and a supervisory board. The Board of Management is composed of six members. It heads up the company under its own responsibility and represents BayWa AG in transactions with third parties. Its actions and decisions are geared to the interest of the company and to increasing sustainable enterprise value. It develops the strategy of the company, agrees it with the Supervisory Board and supervises its implementation.

The Board of Management reports to the Supervisory Board on all topics relevant to the Group.

As required under the law, the Board of Management reports to the Supervisory Board regularly, in a timely fashion and extensively on all issues of planning, the development of business, the financial and earnings trend, the risk situation and risk management. Reporting by the Board of Management also covers the issue of compliance, specifically the measures taken by BayWa to ensure that the law and internal guidelines of the company are observed. The Board of Management always makes its decisions by way of simple majority. In the event of an equal number of votes cast, the vote of the Chairman decides. The Supervisory Board is directly involved in all decisions of fundamental importance for the company.

The Supervisory Board of BayWa AG comprises 16 members, divided into equal numbers of representatives from the shareholders and from the employees.

The Supervisory Board of BayWa AG appoints the members of the Board of Management, supervises and advises it in its task of managing the company. It comprises 16 members and, in accordance with the German Co-Determination Act, is divided into equal numbers of representatives from the shareholders and from the employees. Decisions always require a simple majority. In the event of an equal number of votes being cast, the Chairman of the Supervisory Board has two voting rights if, after a second voting round, there is another tie vote. The Supervisory Board meets without the members of the Board of Management in as much as this is necessary for independent consultation and decision making.

THE COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board has formed five expert committees.

The Supervisory Board of BayWa AG has formed five expert committees: The Board of Management Committee has the task of settling staff matters concerning the Board of Management, such as the appointing of board members, the content of their contracts and the approval of side-line activities. In addition, the nomination of Supervisory Board members from the ranks of the shareholders has been assigned to this committee. In this capacity, it puts forwards potential candidates to the Supervisory Board for the latter's election proposals for the granting of Supervisory Board mandates which it presents to the Annual General Meeting.

The Lending and Investment Committee is tasked with the financing measures requiring approval by the Supervisory Board and supervises the investment activities.

The Standing Committee is mainly concerned with the preparation of Supervisory Board meetings. Moreover, it has the task of preparing the relevant Declaration of Compliance pursuant to Section 161 German Stock Corporation Act (AktG) on the observance of the German Corporate Governance Code.

The Audit Committee concentrates mainly on the documentation of the auditor in respect of the auditing of the annual consolidated financial statements and prepares them for adoption by the Supervisory Board. The Supervisory Board ensures that the committee members can act independently and are familiar with the special know-how and have experience in the application of accounting rules and of internal controlling procedures. According to the German Co-Determination Act, the Mediation Committee, anchored in the law, only meets if, during the voting process on the appointing or dismissal of a Board member, the required two-thirds majority of the votes by the Supervisory Board is not attained.

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

Remuneration of the Board of Management

Total remuneration of the Board of Management is made up of fixed and a variable components.

The total remuneration of the Board of Management is made up of a fixed and a variable component. The structure of the remuneration system is regularly reviewed by the Supervisory Board. The fixed components consist of an annual salary and customary fringe benefits which mainly relate to the value recognised for the use of a company car under the prevailing tax directives. The performance-related component is measured by the 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 5.2 million (of which EUR 1.6 million is variable). An amount of EUR 1.0 million has been transferred to the pension provisions. The Supervisory Board's Board of Management Committee is responsible for determining the details of the adequate remuneration of the Board of Management members.

Compensation of the Supervisory Board

The compensation of the Supervisory Board takes account of the responsibilities and the scope of tasks of members of the Supervisory Board as well as the financial situation and performance of the Group. The remuneration system of the Supervisory Board is described at the end of the Corporate Governance Report under Item 3 "Itemised breakdown of the remuneration of the Supervisory Board". The total remuneration paid to 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 the development of business.

BayWa communicates regularly and in a timely fashion on the development of business as well as the financial and earnings situation. As part of the company's investor relations work, regular events are held for analysts and institutional investors. Furthermore, there are also telephone conferences for analysts. The relevant dates are published in the financial calendar. Current developments are reported in press releases and, when necessary, ad-hoc releases. All information is accessible on the company's web site under www.baywa.de and www.baywa.com.

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The organising of the Annual General Meeting of the shareholders of BayWa AG is carried out with the aim of informing all shareholders swiftly and extensively prior to and during the event. Shareholders entered into the share register and who have registered in good time are entitled to participate in the meeting. Among other decisions, the Annual General Meeting resolves the appropriation of profit, discharges the Board of Management and the Supervisory Board and selects the auditor. Amendments to the Articles of Association and changes to the capital are exclusively decided by the Annual General Meeting. Each share carries a vote according to the principle of one share, one vote.

RESPONSIBLE ACTION

The Ethics Code lays down a code of conduct pertaining to information, business partners and the property of BayWa AG.

The company has drawn up principles for ethical conduct in the form of guidelines which specify the code of conduct in handling information, in dealing with business partners and in treating the property of BayWa AG. This code of ethics is a guideline binding on all employees. In addition, there is an internal control system set up to avoid actions detrimental to business, which also includes prevention, monitoring and intervention. Furthermore, the employees have the option of applying to the in-house legal counsel of BayWa AG in the event of transactions in the company which do not comply with the law or grievances in cooperation with business partners/companies. The risk management system is developed by the Board of Management on an ongoing basis and adjusted to take account of changes in the environment and reviewed by the auditor.

DIRECTORS' DEALINGS BY THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The compliance officer monitors the due and proper keeping of an insider register.

Under Section 15a of the German Securities Trading Act (WpHG), the members of the Board of Management and the Supervisory Board undertake to disclose their own dealings with the shares of BayWa AG if the total amount of the transactions of an individual member of the Board of Management or the Supervisory Board exceeds EUR 5,000 by the end of the calendar year. The compliance officer monitors the regular keeping of an insider list. The following reports were made to BayWa AG in the financial year 2007:

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

Transaction date	First name and surname	Function	Transaction type	Number	Share price in EUR	Total volume in EUR
02/04/2007	Frank Hurtmanns	Board of Management	Sale	194	32.60	6,324.40
02/04/2007	Frank Hurtmanns	Board of Management	Sale	100	32.59	3,259.00
02/04/2007	Frank Hurtmanns	Board of Management	Sale	21	32.57	683.97
25/04/2007	Erich Schaller	Supervisory Board member	Sale	500	34.85	17,425.00
15/06/2007	Günther Hönnige	Board of Management	Sale	2,500	37.00	92,500.00
06/12/2007	Erich Schaller	Supervisory Board member	Purchase	500	37.24	18,620.00
17/12/2007	Erich Schaller	Supervisory Board member	Purchase	350	32.91	11,518.00

The transactions were published on the company web site.

Holding of shares by the Board of Management and the Supervisory Board
On 31 December 2007, the ownership of the shares of BayWa AG of all members of the Board of Management and Supervisory Board came to less than one percent of the shares issued by the company.

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

Declaration of conformity with the German Corporate Governance Code in the version dated 14 November 2007.

On 14 November 2007, BayWa AG submitted its declaration of compliance with the German Corporate Governance Code. It is worded as follows:
The recommendations of the „Government Commission of the German Corporate Governance Code" were (version dated 12 June 2006) and are complied with (version dated 14 June 2007), to the exception of the following:
- BayWa AG has concluded a Directors & Officers (D & O) insurance on behalf of the Board of Management and the Supervisory Board which does not provide for a deductible by executive body members, and there are no plans to amend this current D&O insurance policy (Code Item 3.8 (2)).
- The remuneration of the Board of Management has not been itemised but is disclosed on an annual basis according to the fixed and variable/performance-related components in the Notes to the Consolidated Financial Statements. There are no long-term incentive remuneration components, such as share options or the like. Pursuant to Section 286 para. 5 of the German Commercial Code, the relevant resolution has been passed by the Annual General Meeting. (Code Item 4.2.4).
- The remuneration of the Supervisory Board has not been itemised but is divided up into fixed and performance-related components and disclosed on an annual basis in the Corporate Governance Report. (Code Item 5.4.7 (3)).

DIVERGENCES FROM THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

Departures from the recommendations of the German Corporate Governance Code.

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

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

3. Itemisation of the remuneration of the Supervisory Board
The remuneration of the Supervisory Board has not been itemised in the Notes to the Consolidated Financial Statements. The amount of remuneration paid to the individual Supervisory Board members is regulated by a resolution passed by the Annual General Meeting held on 31 May 2007. Accordingly, along with the reimbursement of his costs, each Supervisory Board member receives a fixed annual salary of EUR 8,000, plus variable compensation of EUR 250 for each cash dividend portion of EUR 0.01 per share 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.

Munich, 26 March 2008
BayWa Aktiengesellschaft
The Board of Management The Supervisory Board

OVERVIEW OF BayWa GROUP

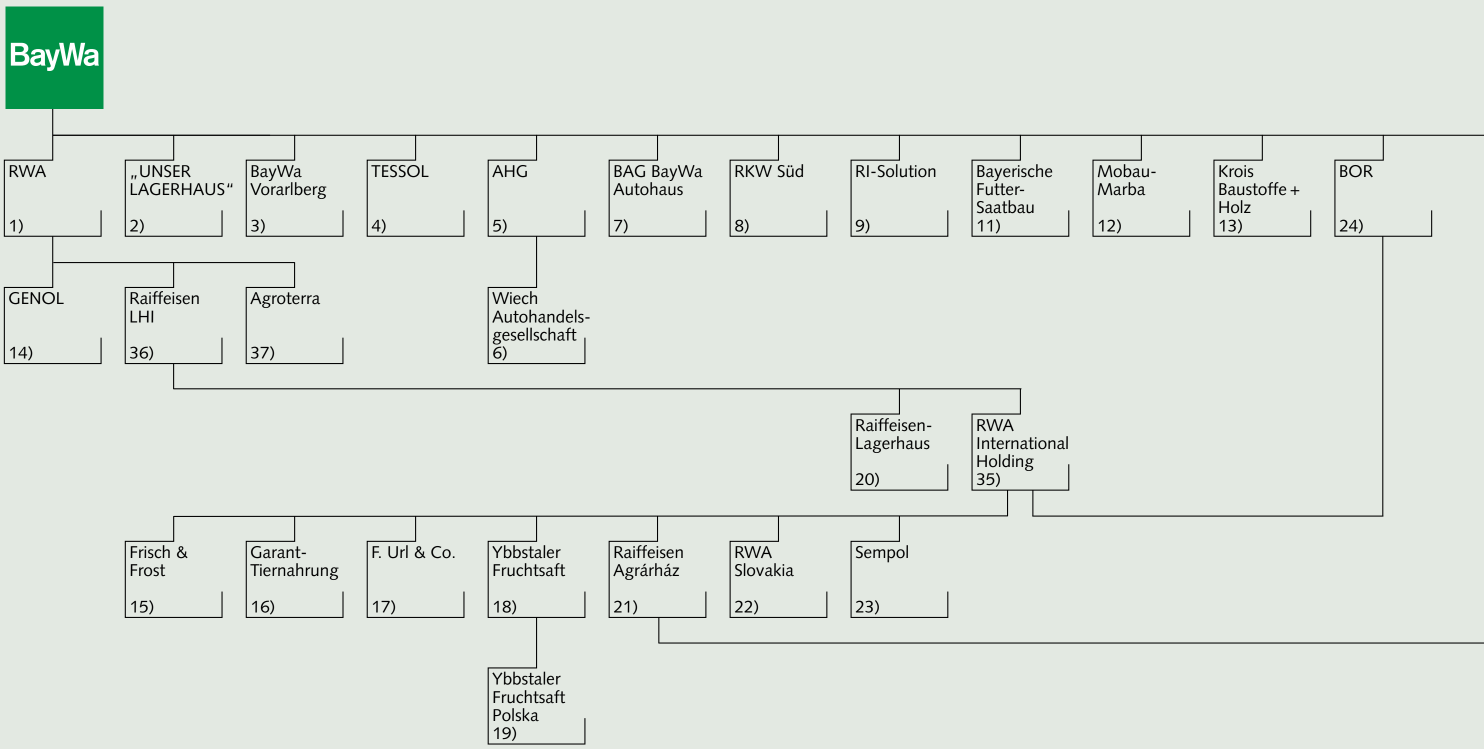
COMPANIES BELONGING TO THE BayWa GROUP

The BayWa Group remained virtually unchanged as to its composition in 2007. Following their acquisition in 2005 and successful integration, the building materials trading companies in particular were transferred to BayWa AG. The companies of the Küppers Group, based in North-Rhine Westfalia, and Württemberg-based BSF-Baucenter GmbH have thus been integrated into BayWa AG. Upon withdrawal of the general partner, the assets of Bruchhof KG, Bendorf, accrued to BayWa AG, thereby concluding the inclusion of the new companies under the law.

Vienna-based Kelly GmbH, an associated company in which a stake was held by RWA Raiffeisen Ware Austria AG left the Group. RWA sold the shares to a company of the Metzler Group which, pending approval by the merger and acquisition authority, intends to sell them on to the Intersnack Group.

BayWa Finanzbeteiligungs-GmbH, formerly not part of the Group, was included in the group of consolidated companies for the first time. The company holds shares in Frankfurt-based DZ BANK purchased as part of the WLZ business combination.

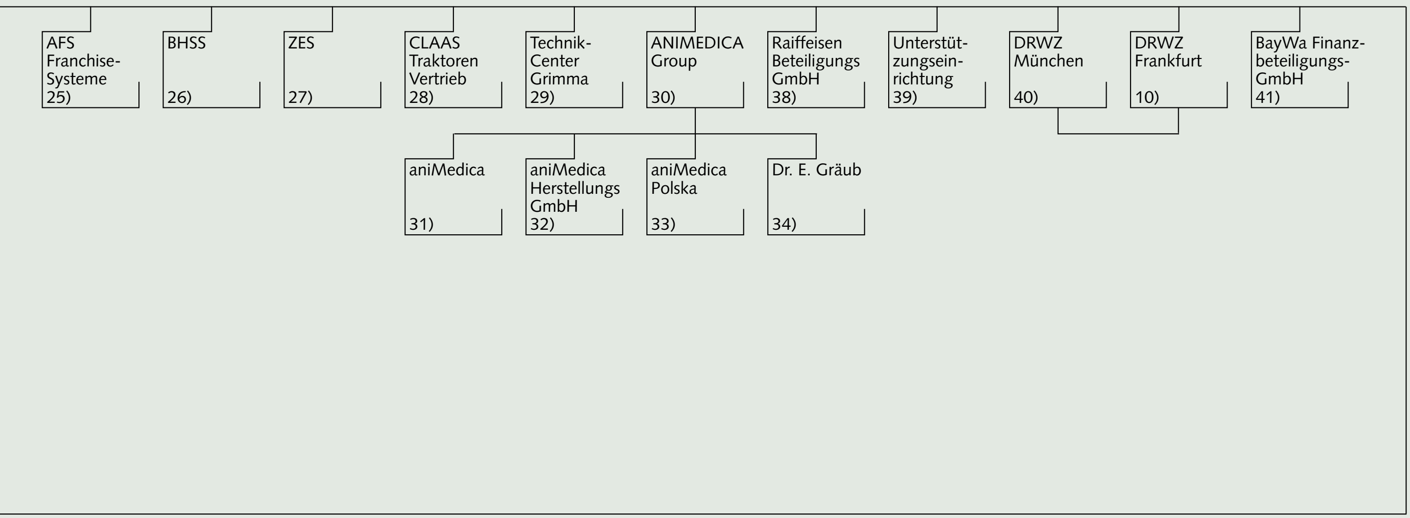
The group of consolidated companies was supplemented by the jointly held company Unterstützungseinrichtung der BayWa AG.



PROFILES OF THE COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

1) RWA RAIFFEISEN WARE AUSTRIA AG, VIENNA

RWA Raiffeisen Ware Austria AG is a wholesale and services company of Lagerhaus (warehousing) cooperatives in Austria. RWA provides these cooperatives with a sophisticated range of services, ranging from the selling of agricultural produce, trading with agricultural resources, building materials and products for house, home and garden, through to a wide spectrum of services. Alongside the tasks performed for the warehouses, RWA has holdings in the country and in neighbouring Central European countries. In the financial year 2007, RWA achieved sales of EUR 873 million. Owing to the direct offsetting of building materials deliveries, this figure is lower year on year, but net of this effect there would have been an increase in sales of around 16 percent. Agricultural operations generated sales of EUR 651 million, with the agricultural equipment business and building materials centres contributing EUR 51 million and EUR 156 million respectively. Operating profit thus rose again in the year 2007.



As per 31 December 2007

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

"Unser Lagerhaus" trading company is one of the largest trading, production and services companies in its core businesses of agriculture, building materials and energy in Carinthia and Tyrol. With 53 outlets, mainly located in rural regions, and a training ratio of around 10 percent, the company plays an important economic role in the regions. Approximately 1,000 employees generated total sales of EUR 428 million in the financial year 2007. The slight decline of 0.8 percent as against the previous year was attributable to slower energy business due to market conditions. The share of the Agriculture business unit in total revenues stood at 27.8 percent. Trading in building materials contributed 16.1 percent, with agricultural equipment making up 10.8 percent of revenues and energy 38.3 percent. The DIY & Garden Center business generated 6.6 percent of total revenues. The share of heating and sanitary installations came to 0.4 percent. Against the backdrop of a generally good business environment, the company repeated the excellent results of 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 2007: Revenues climbed EUR 3 million to a total of EUR 59 million. The increase was attributable to positive performance in all business units, above all in the DIY & Garden Centers and Energy. The company succeeded in maintaining the excellent level of the previous year's result as well.

4) TESSOL KRAFTSTOFFE, MINERALÖLE UND TANKANLAGEN GMBH, STUTTGART

TESSOL, the largest shareholder of the German AVIA Group, sells fuel brands to more than 100 AVIA petrol stations in southern Germany, mainly in the Württemberg region. The company performed well despite the general decline in fuel consumption in Germany. It achieved sales growth, particularly in the diesel product segment, attributable to an overall increase in diesel vehicles and brisker transport activities of the shipping sector. Other areas of activity include a lubricants business specific to the region and the sale of biological fuel and lubricants. With sales remaining stable at EUR 200 million, TESSOL achieved a significant increase in profit owing to the buoyant market.

5) AHG AUTOHANDELSGESELLSCHAFT MBH, HORB A.N.

with

6) WIECH AUTOHANDELSGESELLSCHAFT MBH, ROTTENBURG

Together with Wiech, its subsidiary company, 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 Baden-Württemberg region.

AHG raised its results in the financial year. Together, AHG and Wiech generated sales of EUR 244 million, thereby exceeding the previous year's figure by 9 percent. This positive development is reflected in profit which has again improved.

7) BAG BayWa AUTOHAUS GMBH, BOPFINGEN

Since the end of 2007, the company, formerly known as BAG Autohaus GmbH, has operated under the slightly changed name of BAG BayWa Autohaus GmbH. It rounds up the car dealing business in the Württemberg region and sells brands of the Volkswagen Group and ancillary vehicle services at its two locations.
Revenues of approximately EUR 11 million were 17 percent lower than in the previous year, reflecting the reluctance of private households to purchase new and used vehicles. The company was nonetheless able to achieve a positive result.

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

As one of the largest producers of compound feed, RKW Süd manufactures and sells compound and special feed for all farm animals. With an additional product range, which it buys in, the company also covers horses and small animals.
The company recorded a price-induced increase in sales, which advanced 26.8 percent to EUR 117 million, with volumes virtually unchanged, owing due to higher prices for raw materials. Restructuring measures consistently implemented on the cost and sales front ensured that the company adapted to the persistently difficult market environment. This realignment enabled the company to make a very positive contribution to the consolidated result.

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 2007, DRWZ achieved sales of EUR 217 million which were, as planned, lower (2006: EUR 292 million) as a consequence of ceasing to operate in the fertilizer business.

11) BAYERISCHE FUTTERSAATBAU GMBH, ISMANING

The main business activities of Bayerische Futtersaatbau consist in the production and sale of high-quality seeds and products for agriculture and horticulture.
The company reported a year-on-year increase to EUR 17.5 million, achieving another good result in 2007.

12) MOBAU-MARBA GMBH, HERTEN

Mobau-Marba with its locations in Marl, Herten and Schermbeck operates building materials trade in the southern part of Münsterland and the northerly part of the Ruhr. The company has been part of the BayWa Group since the end of 2006.
Revenues came to EUR 18.5 million in 2007, and were thus around 12 percent lower as against the previous year's figure. The result was additionally burdened by expenses for integration.
The company forms a strong alliance in the region together with the Küppers Group, which has meanwhile been integrated into the BayWa Group.

13) KROIS BAUSTOFFE + HOLZ HANDELSGESELLSCHAFT MBH, BOCHUM

Krois Baustoffe + Holz operates as a building materials trader in the sales region of the Küppers Group. Following the integration of the Küppers companies into BayWa AG, 45 percent of the shares in the company are held directly by the parent company. Krois achieved revenues of EUR 11 million in 2007.

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

Austrian GENOL is specialised in fuel, lubricants and alternative fuels. The company also trades in alternative and renewable energies. The slump in revenues, already experienced in 2006, persisted in 2007 owing to the mild winter, causing sales of biogene fuels and heating oil to decline. Accordingly GENOL's revenues fell 15 percent to EUR 612 million. Towards the end of the year, business began to stabilise increasingly but, for the first time in its history, the company was unable to avoid reporting a negative result.

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

Frisch & Frost produces and markets deep frozen products, especially french fries, potato specialities, sweet and spicy pastry and strudel products, under the Bauernland und Toni Kaiser brands. In 2007, the company raised sales in all segments which came to EUR 59 million and led to an increase in profit.

16) GARANT-TIERNAHRUNG GESELLSCHAFT M.B.H., PÖCHLARN, LOWER AUSTRIA

Garant trades in animal food and offers products which cover all the needs of live-stock keeping. In a difficult environment in the agriculture sector, Garant succeeded not only in raising revenues 21 percent to EUR 86 million but also in lifting profit in the year 2007.

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

F. Url is specialised in trading in food both produced locally and sourced from abroad. The company trades exclusively in high-quality products such DALMOR, 4-Diamanten, CAMPINO, FARINA, HENRY, pumpkin seeds and oil from Styria and YOUR CHOICE. In 2007, the company raised revenues in all segments which came to a total of EUR 63 million, with a concurrent marginal improvement in profit.

18) YBBSTALER FRUCHTSAFT GESELLSCHAFT M.B.H., KRÖLLENDORF, LOWER AUSTRIA

Ybbstaler is a producer and seller of fruit juice concentrates and basic ingredients for beverages with international operations. The company has locations in Austria, Hungary, Poland and Romania and ranks among the 10 largest companies in this sector. Despite a lower harvest yield of apples in Europe, the company raised its sales of concentrate. Revenues came to EUR 110 million and operating profit grew again substantially.

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

Ybbstaler Fruchtsaft Polska produces fruit juice concentrates and sells them mainly via its parent company Ybbstaler Fruchtsaft GmbH. It generated revenues of EUR 17 million in 2007.

20) RAIFFEISEN-LAGERHAUS GMBH (RLG), BRUCK A.D. LEITHA, LOWER AUSTRIA

The business of RLG, which resulted from the combination of two warehouses, developed steadily in 2007 although poorer harvests owing to the heat had to be absorbed in its agricultural business as well as weather-induced declines in the energy sales. Revenues rose overall by 2.6 percent to EUR 109 million.

21) RAIFFEISEN AGRÁRHÁZ KFT., SZÉKESFEHÉRVÁR, HUNGARY

The BayWa Group is represented in Hungary's agricultural market through Raiffeisen Agrárház. Business activities are first and foremost concentrated on trading in agricultural produce, equipment and resources. Revenues stood at EUR 57 million in 2007. The Hungarian company succeeded in raising the result substantially in a year-on-year comparison.

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

The Group is represented through RWA in Slovakia. RWA Slovakia strengthened its position in the agricultural business with grain and agricultural resources and lifted revenues by 18 percent to approximately EUR 39 million in 2007.

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

Sempol has been part of the Group since 2006 and focuses on the production and sale of seed. It supplements the activities of RWA Slovakia which also has operations in the Slovakian market. In 2007, the company's sale of seed came to around EUR 11.5 million.

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

BOR trades in agricultural resources and produce in the Czech Republic. In 2007, the company recorded revenues of EUR 44 million, which is EUR 7.4 million higher than the previous year's figure. The company again disclosed a profit for the year.

25) AFS FRANCHISE-SYSTEME GMBH, VIENNA, AUSTRIA

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

The company generated revenues of EUR 12 million in 2007, which is 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 franchise partners are not included in the result. AFS reported external sales of around EUR 796 million in the financial year 2007.

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

BHSS provides support to all franchisees of BayWa AG in Germany in the building materials and 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 revenues from cooperation agreements, came to a good EUR 3 million. In 2007, BHSS helped boost the external revenues of German franchisees to EUR 123 million.

27) 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 revenues of EUR 3.9 million. The revenues resulted exclusively from fees agreed with services partners.

28) CLAAS TRAKTOREN VERTRIEB BAYERN GMBH, VOHBURG

CLAAS Traktoren Vertrieb Bayern 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, revenues posted EUR 8 million, down from EUR 10 million in 2006.

29) TECHNIKCENTER GRIMMA GMBH, MUTZSCHEN

TechnikCenter Grimma 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 2007, the company generated revenues of EUR 16 million, thus raising its result by 22 percent in comparison with the previous year. Annual profit rose considerably.

30) ANIMEDICA GROUP GMBH, MÜNSTER

with the companies:

31) ANIMEDICA GMBH, SENDEN

32) ANIMEDICA HERSTELLUNGS GMBH, SENDEN

33) ANIMEDICA POLSKA SP. Z O.O., WEIJHEROWO, POLAND

and

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

The ANIMEDICA Group is a company jointly held by BayWa AG and Agravis Raiffeisen AG. The company acts as a holding for the activities in the area of development, manufacturing and sale of veterinary pharmaceutical products and supplementary feedstuff. The Group operates in Germany, Switzerland and Poland through its own companies and exports to 14 countries. Upon conclusion of the integration of Gräub with a realignment of the product portfolio, revenues from the business climbed 14 percent.
The revenues for veterinary pharmaceutical products came to approximately EUR 19 million in the financial year, as in 2006.

35) RWA INTERNATIONAL HOLDING GMBH, VIENNA
and

36) RAIFFEISEN-LAGERHAUS INVESTITIONSHOLDING (LHI) GMBH, VIENNA
and

37) AGROTERRA WARENHANDEL UND BETEILIGUNGEN GMBH, VIENNA
and

38) 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. Raiffeisen Beteiligungs GmbH combines the participations of three German cooperative companies in the A.C.T.I. Group (A.C. Toepfer International).

OTHER COMPANIES

39) UNTERSTÜTZUNGSEINRICHTUNG DER BAYWA AG IN MÜNCHEN GMBH, MUNICH
The Unterstützungseinrichtung der BayWa in München GmbH covers a portion of the split pension commitments 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 allow 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.

40) 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, its only holding being a participation in DRWZ Frankfurt.

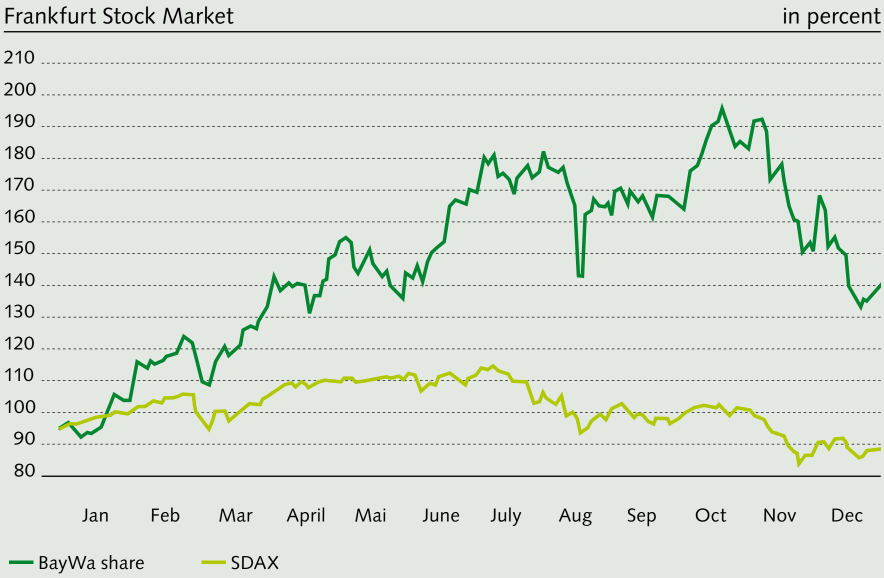
41) BayWa FINANZBETEILIGUNGS-GMBH, MUNICH
The company acts as a pure financial holding and only holds shares in Frankfurt-based DZ BANK purchased as part of the WLZ business combination.

THE BayWa SHARE

The BayWa share rose 42 percent in 2007.

In the year 2007, the condition of the German stock market was robust against the background of the upbeat global economic development. A gratifying uptrend in the first six months was followed by a clearly more volatile phase in the second half of the year. As from mid-year at the latest, the US subprime mortgage crisis caused an increasing amount of uncertainty in the financial markets. An in-depth analysis, however, presents a more detailed picture. Major global companies listed on the DAX recorded substantial increases in their share prices for the most part, with the index resulting in a performance of 22.3 percent in 2007. By contrast, the segment of MDAX mid-sized companies saw an increase of only 4.9 percent. The SDAX, where the BayWa share is listed, even closed 6.8 percent down on previous year's level. The BayWa share, however, did more than decouple from the poor performance of second-line stocks: The share price rose 42 percent in 2007, thus repeating the positive trend of recent years.

THE BayWa SHARE* VERSUS SDAX PERFORMANCE IN 2007



PRICE PERFORMANCE OF THE BayWa SHARE

In autumn, the share peaked at its current all-time high of EUR 47.71.

The price of the BayWa share repeatedly set new records during the year. The share remained more or less unaffected even during the initial weakness in the capital markets triggered by the start of the US subprime crisis. After a short phase of trending sideway, the BayWa share price rose sharply and peaked at the current all-time high of EUR 47.71. In the final quarter, profit taking and the general downtrend in the stock markets triggered a price correction. Having started the year at EUR 23.88, the share recently closed at a level of EUR 34.02. Market capitalisation thus rose by EUR 331 million to EUR 1,154 million. The average trading volume of the BayWa share rose equally well to a good 47,000 as compared with 31,000 in 2006.

PRICE PERFORMANCE OF THE BayWa SHARE* IN 2007

LONG-TERM PRICE PERFORMANCE OF THE BayWa SHARE*

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

Measured by market capitalisation, the BayWa share takes 59th place in the MDAX ranking.

THE BayWa SHARE IN THE SDAX

The BayWa share is traded on all important German stock exchanges and in the electronic trading system Xetra. Since the end of 2003, the registered share with restricted transferability of BayWa (securities code no. 519 406) is listed in the second-line SDAX index. In the most recent MDAX ranking list of the financial year 2007, the BayWa share took 59th place measured in terms of market capitalisation and, in terms of stock market turnover, came 79th in the list of second-line stocks.

The BayWa share is listed on the official markets of the stock exchanges of Frankfurt, Munich and OTC in the stock markets of Berlin-Bremen, Düsseldorf, Hamburg und Stuttgart. It has been admitted to Prime Standard and thus complies with the international requirements for transparency.

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

The share capital comprises 33, 889, 577 registered shares.

ALLOCATION OF SHARE CAPITAL

The share capital of BayWa comes to EUR 86,757,317.12. As against the previous year, the liable equity capital rose by EUR 92,467.20 owing to subscription for employee shares. The share capital comprises 33,889,577 registered shares, divided into two classes of shares: registered shares with restricted transferability, more fungible owing to their number which comes to 32.6 million (security code no. 519 406), and a second class of 1.2 million of shares with unrestricted transferability (security code no. 519 400). The latter resulted primarily through the issuing of unencumbered paper in the context of business combinations. Owing to the low number of units, the "smaller" class of shares has a limited trading volume. The closing price of shares not subject to restricted transferability were quoted at EUR 35 as per 28 December 2007 as compared with a year-end 2006 closing price of EUR 25.40.

In the summer of 2007, BayWa launched an employee share programme.

EMPLOYEES USE SHARE SCHEME

For many years the Employee Share Scheme has promoted entrepreneurial thinking and action among the workforce. It also enables employees to participate in the development of the value of the BayWa share. In the summer of 2007, employees of BayWa AG and of Group companies were again given the opportunity of acquiring BayWa shares at special conditions. Within the limits permissible for wage and salaries income tax, eligible employees were able to subscribe shares in BayWa at an employee discount of 40 percent. All in all 36,120 shares with restricted transferability (2006: 63,621) were issued under this Employee Share Scheme. These shares are subject to a lock-up period (imposed by the company) until 31 December 2009. The capital increase from approved capital was entered into the Register of Companies on 26 October 2007. The company received funds of EUR 887,829.60 through this measure. The discount of EUR 795,362.40 Euro was allocated to capital reserve.

SHAREHOLDER STRUCTURE REMAINS STABLE

BayWa AG's three largest shareholders left their shareholdings virtually unchanged in the financial year 2007. As per the entry in the share register on 31 December 2007, Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, held 32.3 percent of the shares, unchanged from the previous year. The share of St. Wolfgang Beteiligung GmbH remained constant at 11.1 percent as did the 10.2 percent holding of RWA Deutschland GmbH. Free float on the reporting date thus came to 46.4 percent.

The BayWa share in demand by international investors.

Within the free float, however, the proportion of institutional investors has risen, boosted in particular by brisk demand of international investors for the BayWa. This group of investors meanwhile holds between 20.7 percent of the BayWa shares as compared with 17.5 percent in the previous year.

Another dividend is to be proposed to the Annual General Meeting.

DIVIDEND SET TO RISE AGAIN

The Board of Management and the Supervisory Board have resolved to put forward a proposal to the Annual General Meeting that dividend be raised by 2 cents to EUR 0.32 for each dividend-bearing share. The Management and Supervisory boards intend to use this measure to enable the shareholders to participate in the positive development of the BayWa Group. The company thus continues to pursue its policy of raising dividend on an ongoing basis.

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 is made. These are shares which, pursuant to Section 71b of the German Stock Corporation Act, are not entitled to dividend. This portion will be carried forward to new account.

CAPITAL MARKET COMMUNICATION STEPPED UP

The focus of investor relations work is on providing timely information and fostering open communication with shareholders, analysts, potential investors and lenders.

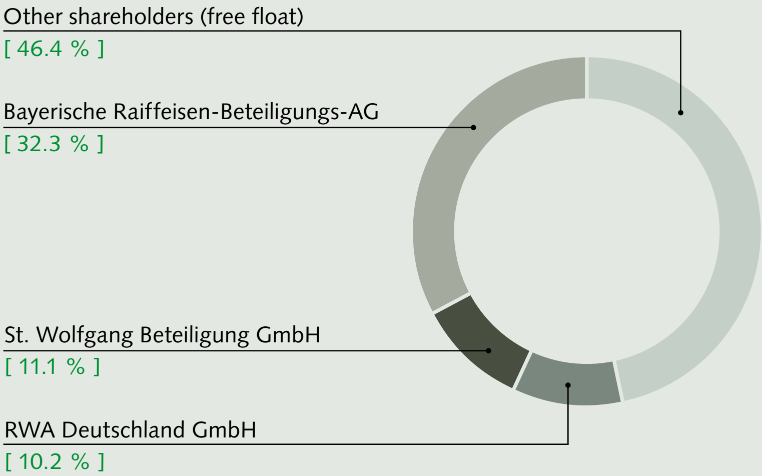
Building up of communication activities in the area of Investor Relations.

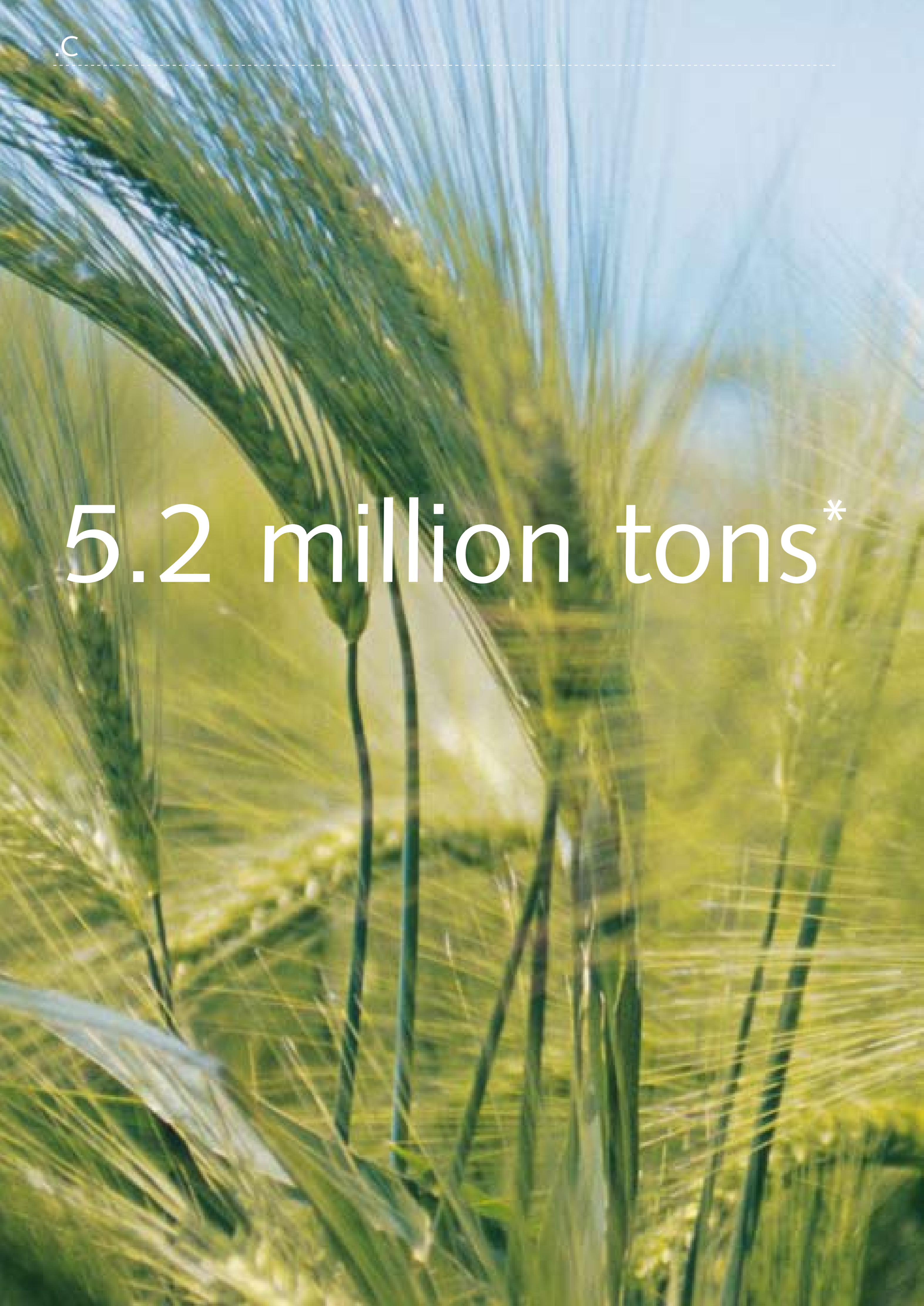
Presentations and road shows in all Europe's important financial centres kept analysts and investors informed about the strategy and development of the BayWa Group in 2007 as well. The Group reported on the development of business at the Analysts' and Financial Results Press Conference held once a year in Munich as well as through three telephone conferences which are conducted when the quarterly figures are released. In addition, more than 100 one-to-one discussions were held with fund managers and financial analysts. BayWa AG presented itself to institutional investors participating in a total of nine road shows in the Benelux countries, Germany, France, Great Britain and Scandinavia. Above and beyond this, the company participated in the following national and international capital market conferences:

- Cheuvreux European Small and Mid Cap Conference 2007, London
- M.M. Warburg German Mid Cap Conference 2007, London
- Unicredit German Investment Conference, Munich
- German Equity Capital Forum 2007, Frankfurt

Detailed information in the form of financial reports and company presentations, for instance, are published on the company's web site under the Investor Relations heading, www.baywa.de/www.baywa.com.

SHAREHOLDER STRUCTURE OF BayWa AG AS PER 31 DECEMBER 2007



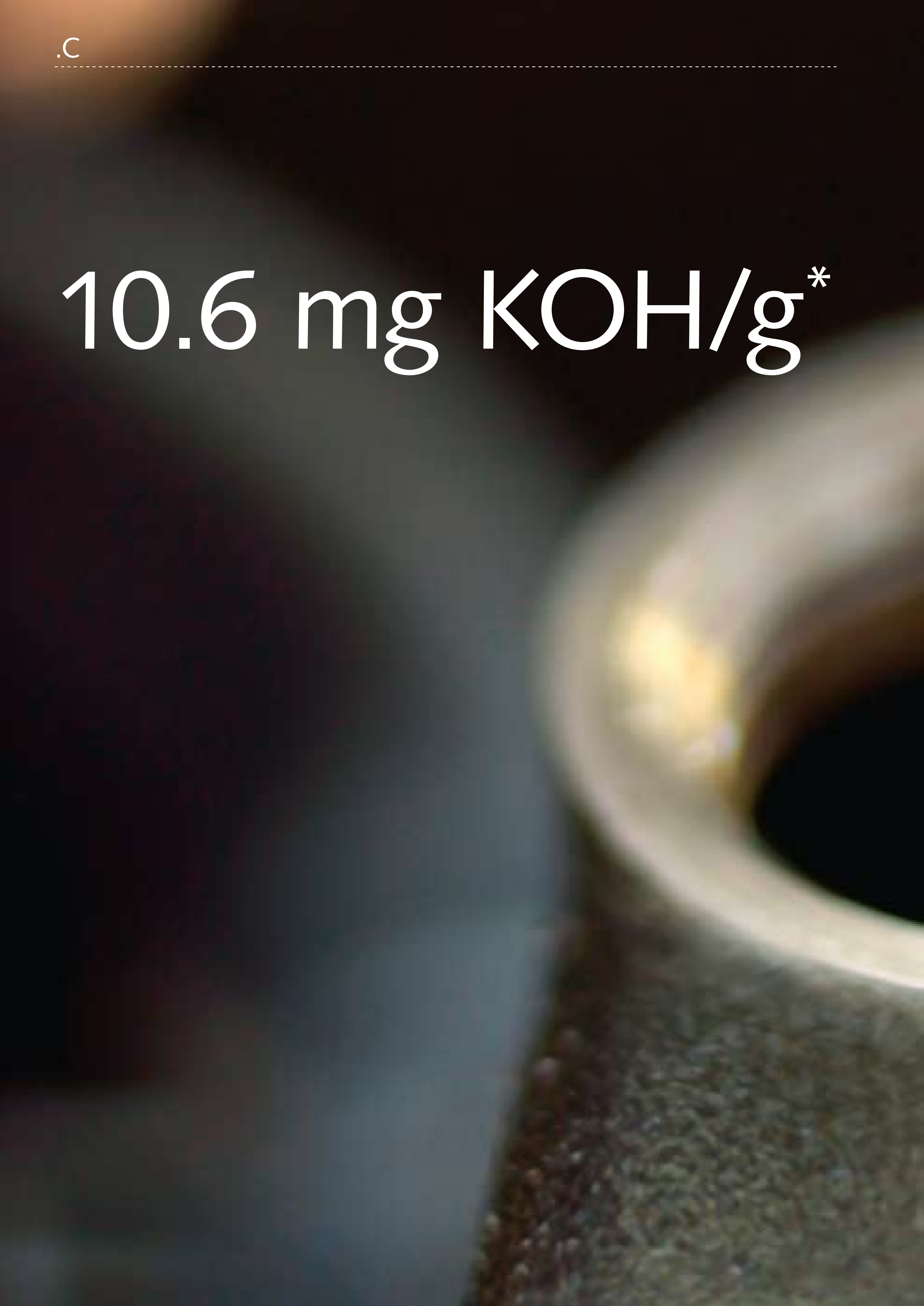


5.2 million tons*

*** ANNUAL GROWTH IN EARNINGS FROM GRAIN THROUGH GROWING.**
THE AGRICULTURAL INDUSTRY RAISES ITS GRAIN YIELD BY AROUND 2 PERCENT A YEAR THROUGH PROGRESS IN GROWING. IN THE SPACE OF 50 YEARS, THE AVERAGE HARVEST YIELD HAS MORE THAN DOUBLED. ALONG WITH PROGRESS MADE IN GROWING TECHNOLOGIES, INNOVATIONS IN AGRICULTURAL TECHNOLOGY, THE USE OF EQUIPMENT AND RESOURCES, IN LOGISTICS AND WORK PROCEDURES RESULT IN EFFICIENCY BEING ENHANCED LONG TERM. BayWa SUPPORTS THIS DEVELOPMENT THROUGH INNOVATIVE SOLUTIONS.

15 kWh/(m^2a)*

* **THE ANNUAL ENERGY CONSUMPTION OF PASSIVE HOUSES SHOULD NOT BE HIGHER.** THIS IS 90 PERCENT LESS HEATING THAN THE AVERAGE CONSUMPTION OF EXISTING BUILDINGS. A POWERFUL IDEA FOR THE FUTURE, BUT COSTLY TO IMPLEMENT. WHAT IS NEW TAKES TIME. THE BayWa GROUP REMAINS ON THE BALL WITH ITS BUILDING MATERIALS SEGMENT. AND IT GIVES INNOVATIONS A CHANCE THROUGH MAKING THEM AND PROGRESS AVAILABLE TO EVERYONE. AFTER ALL, AS A LARGE TRADING PARTNER IT CAN AFFORD TO DO THIS.



10.6 mg KOH/g*

* **IF THE ALCALINE CONTENT IN ENGINE OIL IS RIGHT, THE ENGINE WILL STAY CLEAN.** SPECIAL LUBRICANTS FOR BIOGAS PLANTS AND INTELLIGENT SERVICES, SUCH AS DATABASE-SUPPORTED OIL ANALYSES AND EVALUATIONS, SECURE THE EFFICIENCY OF THE AGRICULTURAL EQUIPMENT BUSINESS UNIT. BY PLACING HIGH DEMANDS ON PRODUCTS AND SERVICES BayWa KEEPS ABREAST OF TECHNICAL PROGRESS.

INNOVATION

Always on the ball, moving with and shaping progress: BayWa's focus is on innovative technologies, products and services in its segments. This is how ecological, economic and global challenges can be mastered. Right at the top of the list: climate protection. BayWa is active in this field in many ways. It gives farmers new sources of income from crop-growing contracts for renewable resources and, at the same time, promotes renewable energies. The Agriculture business unit brings special seed types for the cultivation of rape and ethanol wheat to the market, delivers seed and equipment and resources, as well as selling energy raw materials. With more than 500,000 tons of rape in the year 2007, the BayWa Group is one of the biggest traders of rape in Europe.

It builds the bridge to the end consumer in its role as a supplier of alternative fuel and heating materials, such as bio diesel, bio ethanol, autogas or wood pellets. In 2007 and 2008, the Mineral Oils business unit opened five fuel stations for autogas, mainly in the region of Saxony.

Alternative means of producing electricity successfully include biogas plants which produce electricity and warmth from biomass. They have meanwhile become an integral part of the Agricultural Equipment business unit's portfolio. Specially developed engine oils cater to the demands placed on the efficiency of biogas engines. Extensive service packages take account of the greater requirements for maintenance and repair of the engines. Photovoltaics is most definitely on the rise and increasingly in demand by private individuals. For, against the backdrop of newly defined climate goals of the European Union, alternative sources of energy are becoming increasingly important for private households. From the production to the consumption of energy: Another approach to the subject of energy is to cut consumption. This is made possible by innovative products and concepts. So-called passive houses enable heating energy to be cut by up to 90 percent. Modern insulating materials and building components can also help to considerably lower the energy balance of existing property.

Remaining fit for the future – valid to both the BayWa Group and its customers.

Unabated structural change in the agricultural industry presents new challenges for agricultural production. Resources, technical equipment and know-how must keep pace with swift developments. New types of grain, tested and marketed by BayWa in cooperation with growers, can raise productivity and quality. The harvest yield of wheat, for instance, has more than doubled over the last 50 years. Bigger harvests go hand in hand with efficient production. Especially today's farming units would be unthinkable without high-tech equipment and special services. This is particularly valid in labour-intensive husbandry where equipment needs not only to cater to the rising demand for quality but also to ease the burden of work.

AFFIRMATION BY THE LEGALLY AUTHORIZED REPRESENTATIVES

We hereby affirm that, to the best of our knowledge and in accordance with the generally accepted accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and the results of operations of the Group, and that the Group Management Report gives an apt description of the development of the Group's business, including its performance and financial position, as well as elaborating the material risks and opportunities inherent in the prospective development of the Group.

Munich, 29 February 2008

BayWa Aktiengesellschaft
The Board of Management

Wolfgang Deml	Dr. Stefan Bötzel	Klaus Buchleitner
Frank Hurtmanns	Dr. Josef Krapf	Roland Schuler

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BayWa AG

AS AT 31 DECEMBER 2007

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

in EUR million	Note	2007	2006
Assets			
Fixed assets			
Non-current assets			
Intangible assets	(C.1.)	27.108	29.307
Property, plant and equipment	(C.2.)	873.779	876.406
Participating interests valued at equity	(C.3.)	9.843	15.302
Other financial assets	(C.3.)	137.345	124.739
Investment property	(C.4.)	82.353	78.980
Tax claims	(C.5.)	7.403	7.937
Other receivables and other assets	(C.6.)	13.002	19.857
Deferred tax claims	(C.7.)	88.478	114.949
		1 239.311	**1 267.477**
Current assets			
Securities	(C.3.)	80.979	78.001
Inventories	(C.8.)	1 083.235	818.272
Tax claims	(C.5.)	19.456	8.472
Other receivables and other assets	(C.6.)	673.474	623.349
Cash and cash equivalents	(C.9.)	17.986	17.460
		1 875.130	**1 545.554**
Non-current assets held for sale	(C.10.)	**3.562**	**10.348**
Total assets		**3 118.003**	**2 823.379**
Shareholders' equity and liabilities			
Equity	(C.11.)		
Subscribed capital		86.707	86.615
Capital reserve		81.097	79.710
Revenue reserves		495.416	449.687
Other reserves		67.550	67.794
Equity net of minority interest		**730.770**	**683.806**
Minority interest		**123.728**	**100.163**
		854.498	**783.969**
Non-current liabilities			
Pension provisions	(C.12.)	425.934	427.682
Other non-current provisions	(C.13.)	62.620	67.319
Financial liabilities	(C.14.)	42.485	40.993
Financial leasing obligations	(C.15.)	0.112	4.759
Trade creditors and liabilities and inter-group business relationships	(C.16.)	39.666	39.701
Other liabilities	(C.17.)	4.418	3.616
Deferred tax liabilities	(C.18.)	90.838	118.849
		666.073	**702.919**
Current liabilities			
Other current provisions	(C.13.)	109.227	110.726
Financial liabilities	(C.14.)	844.400	636.286
Financial leasing obligations	(C.15.)	0.145	0.235
Trade creditors and liabilities and inter-group business relationships	(C.16.)	536.144	493.439
Tax liabilities		26.597	14.908
Other liabilities	(C.17.)	80.919	80.897
		1 597.432	**1 336.491**
Total shareholders‘ equity and liabilities		**3 118.003**	**2 823.379**

CONSOLIDATED INCOME STATEMENT FOR 2007

in EUR million	Note	2007	2006
Continued operations			
Sales revenues	(D.1.)	**7 227.158**	**7299.772**
Changes in inventories		63.785	– 2.666
Own work capitalised		0.406	0.168
Other operating income	(D.2.)	111.259	96.697
Cost of materials	(D.3.)	– 6 310.490	– 6333.584
Gross profit		**1 092.118**	**1060.387**
Personnel expenses	(D.4.)	– 586.925	– 577.586
Depreciation and amortisation		– 90.968	– 89.096
Other operating expenses	(D.5.)	– 301.064	– 310.995
Result of operating activities		**113.161**	**82.710**
Income from participating interests recognised at equity	(D.6.)	0.430	1.299
Other income from shareholdings	(D.6.)	29.996	27.810
Interest income	(D.7.)	6.654	6.335
Interest expense	(D.7.)	– 59.740	– 48.351
Financial result		**– 22.660**	**– 12.907**
Ordinary profit		**90.501**	**69.803**
Income tax	(D.8.)	– 18.680	– 12.397
Consolidated net income		**71.821**	**57.406**
of which: profit share of minority shareholders	(D.9.)	25.792	17.787
of which: profit share of the shareholders of the parent company		46.029	39.619
EBIT		**143.587**	**111.819**
EBITDA		**234.555**	**200.915**
Basic earnings per share (EPS); (in EUR)	(D.10.)	**1.36**	**1.17**
Diluted earnings per share (EPS); (in EUR)	(D.10.)	**1.36**	**1.17**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note (C.11.)

In EUR million	Subscribed capital	Capital reserve	Revenue reserves revaluation
As per 01/01/2006			
original carrying amount	**86.452**	**78.530**	**17.467**
adjustments owing to changes in the accounting and valuation methods, changes in estimates and errors	–.––	–.––	–.––
corrected as per 01/01/2006	**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 "available-for-sale" assets carried at fair value	–.––	–.––	– 13.770
Dividend distribution	–.––	–.––	–.––
Differences resulting from foreign currency translation	–.––	–.––	–.––
Transfer to revenue reserves	–.––	–.––	–.––
Net income	–.––	–.––	–.––
As per 31/12/2006 // 01/01/2007	**86.615**	**79.710**	**3.697**
Differences resulting from changes in the group of consolidated companies	–.––	–.––	10.245
Capital increase against cash/"share-based payment"	0.092	1.387	–.––
Changes in "available-for-sale" assets carried at fair value	–.––	–.––	– 0.584
Dividend distribution	–.––	–.––	–.––
Differences resulting from foreign currency translation	–.––	–.––	–.––
Transfer to revenue reserves	–.––	–.––	–.––
Net income	–.––	–.––	–.––
As per 31/12/2007	**86.707**	**81.097**	**13.358**

Other revenue reserves	Other reserves	Equity net of minority interest	Minority interest	Equity
423.925	**45.284**	**651.658**	**89.101**	**740.759**
9.808	2.257	12.065	–.––	12.065
433.733	**47.541**	**663.723**	**89.101**	**752.824**
– 1.619	3.272	1.653	– 0.484	1.169
–.––	–.––	1.343	–.––	1.343
–.––	–.––	– 13.770	0.059	– 13.711
–.––	– 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
445.990	**67.794**	**683.806**	**100.163**	**783.969**
–.––	–.––	10.245	–.––	10.245
–.––	–.––	1.479	–.––	1.479
–.––	–.––	– 0.584	– 0.037	– 0.621
–.––	– 10.132	– 10.132	– 3.013	– 13.145
–.––	– 0.073	– 0.073	0.823	0.750
36.068	– 36.068	–.––	–.––	–.––
–.––	46.029	46.029	25.792	71.821
482.058	**67.550**	**730.770**	**123.728**	**854.498**

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES (-)

in EUR million	2007	2006
Changes in the „available-for-sale assets“ carried at fair value		
Write-downs/write-ups	– 0.681	0.400
Disposals	0.004	– 14.149
Deferred tax on “available-for-sale“ assets carried at fair value	0.056	0.038
Differences resulting from foreign currency translation	0.750	0.672
Income and expenses reported directly in equity	**0.129**	**– 13.039**
of which share of minority interest	0.786	0.059
of which share of the shareholders of the parent company	– 0.657	– 13.098
Net income	**71.821**	**57.406**
Sum total of net income and expenses without effect on income		
Income and expenses	**71.950**	**44.367**
of which share of minority interest	26.578	17.846
of which share of the shareholders of the parent company	45.372	26.521

CONSOLIDATED CASH FLOW STATEMENT FOR 2007

Note (E.1.)

in EUR million	2007	2006
Consolidated net income	71.821	57.406
Write-downs/write-ups of non-current assets		
Intangible assets	6.097	5.735
Property, plant and equipment	82.190	81.011
Other financial assets	0.267	0.138
Investment property	2.184	2.350
Other non-payment related expenses/income		
Change in deferred taxes	– 1.343	9.739
Equity results minus dividend	– 0.430	– 0.521
Expenses relating to pro-rata compensation through profit and loss	0.591	0.537
Other	–.—	– 1.755
Increase/decrease in non-current provisions	– 6.447	– 0.717
Payment-related expenses/income from special effects affecting payments		
Gain from the sale of financial investments	– 21.090	– 21.318
	133.840	**132.605**
Increase/decrease of current- and medium-term provisions	– 1.501	5.972
Gains/losses from the disposal of assets	– 18.643	– 13.487
Increase/decrease in inventories/trade receivables as well as other assets not allocable to investing or financing activities	– 302.161	– 137.273
Increase/decrease in trade payables as well as other liabilities not allocable to investing or financing activities	245.912	105.621
Cash flow from operating activities	**57.447**	**93.438**
Payments for company acquisitions	– 3.871	– 4.370
Incoming payments for the disposal of intangible assets, property, plant and equipment and investment property	17.891	24.616
Outgoing payments for investments in intangible assets, property, plant and equipment and investment property	– 100.600	– 133.385
Incoming payments from the disposal of other financial assets	30.345	32.462
Outgoing payments for investments in other financial assets	– 5.491	– 8.495
Cash flow from investing activities	**– 61.726**	**– 89.172**
Incoming payments from equity financing	0.888	0.805
Dividend payments	– 13.145	– 15.734
Incoming payment from borrowings	17.061	10.233
Cash flow from financing activities	**4.804**	**– 4.696**
Payment-related changes in cash and cash equivalents	**0.525**	**– 0.430**
Cash and cash equivalents at the start of the period	17.460	16.753
Outgoing/incoming funds from changes in the group of consolidated companies	0.001	1.137
Cash and cash equivalents at the end of the period	**17.986**	**17.460**

Additional information

in EUR million	2007	2006
The following cash flows are included under cash flow from operating activities:		
Income tax payments	– 18.784	– 14.415
Interest received	6.654	6.335
Interest paid	– 39.305	– 27.252
Dividend received	12.489	9.111
The cash flow from investing activities include outgoing payments		
for company acquisitions as follows:		
Purchase price for company acquisitions (in the current financial year)	–.––	7.954
Purchase price eligible for payment (for company acquisitions in the previous year)	– 3.871	– 4.381
Cash and cash equivalents assumed from company acquisitions	–.––	0.011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BayWa AG

AS AT 31 DECEMBER 2007

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.) BACKGROUND INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BayWa GROUP

(A.1.) GENERAL INFORMATION, ACCOUNTING AND VALUATION METHODS

BayWa AG has its principal place of business in D-81925 Munich, Arabellastraße 4. The BayWa Group is a group of trading and services company with core activities in agriculture, building materials and energy. Alongside trading in agricultural products and resources, the Agriculture segment covers the whole range of agricultural equipment. The Building Materials segment comprises the Building Materials, DIY & Garden Center and Heating & Sanitary Installations business units. The Energy segment has an extensive network which ensures the supply of heating oil, fuel, lubricants and pellets to commercial and individual customers.

The consolidated financial statements as at 31 December 2007 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as applicable within the European Union. The International Accounting Standards Board (IASB), London, as well as the applicable Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) were fully taken account of. The consolidated financial statements thus give a true and fair view of the assets, financial position and results of operations of the BayWa Group.

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

The financial year of the BayWa Group covers the period from 1 January until 31 December. The financial statements of BayWa AG and its subsidiaries are prepared in accordance with the balance sheet date of the consolidated financial statements. An exception are the financial statements of Deutsche Raiffeisen-Warenzentrale GmbH and Raiffeisen Beteiligungs GmbH which were accounted for using the at-equity method. Both companies have a different reporting date, which is 30 June. The interim financial statements of both companies as of 31 December 2007 form the basis for consolidation.

The accounting applied within BayWa AG is carried out according to accounting and valuation principles used uniformly by the whole Group; they are described under Notes C. and D. in the explanations on the balance sheet and the income statement. For the purpose of enhancing 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 consolidated financial statements have been prepared in euros. If not otherwise indicated, amounts are in millions of euros (EUR million; rounded up to three decimal points).

(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 expenses, and the contingent liabilities. Estimates are necessary for the valuation of property, plant and equipment and intangible assets in particular, in connection with purchase price allocation, the recognition and valuation of deferred tax claims, the recognition and valuation of pension and other reserves and the carrying out of impairment tests in accordance with IAS 36.

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

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

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

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

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

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

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

(A.3.) IMPACT OF NEW ACCOUNTING STANDARDS

The adoption of the following standards, interpretations and changes to disclosure standards was mandatory for the first time in the financial year 2007. The table below shows the most important effects of the standards and interpretations on the consolidated financial statements:

Standard/Interpretation		Main impact on the BayWa Group
IFRS 7	Financial Instruments: Information	Extensive changes in the Notes to the Consolidated Financial Statements
IFRIC 7	Application of the Restatement Approach pursuant to IAS 29 Financial Reporting in Hyperinflationary Economies	None
IFRIC 8	Scope of Application of IFRS 2	None
IFRIC 9	Renewed Assessment of embedded Derivatives	None
IFRIC 10	Interim Financial Reporting and Impairment	None

IFRS 7 "Financial instruments: disclosures" have incurred extensive additions to the Notes to the Consolidated Financial Statements. The standard does not affect the calculation of the assets, financial position and results of operations.

The following standards, amendments to standards and interpretations have already been resolved but are to be applied for the first time in the reporting periods starting with 1 January 2008 and thereafter; a voluntary earlier application was abstained from.

Standard/Interpretation		Mandatory as from	Probable significant effects on the BayWa Group
IFRS 2 (2008)	Share-based Payment	01/01/2009	None
IFRS 3 (2008)	Business Combinations	01/07/2009	Under review
IFRS 8 (2006)	Business Segments	01/01/2009	Segment reporting
IAS 1 (2007)	Presentation of Financial Statements	01/01/2009	Presentation of the income statement and the statement of changes in equity
IAS 23 (2007)	Borrowing Costs	01/01/2009	Under review
IAS 27 (2008)	Consolidated and Separate Financial Statements under IFRS	01/07/2009	Under review
IFRIC 11	Questions in the Assessment of Share-based Payments	01/03/2007	Under review
IFRIC 12	Service Concession Arrangements	01/01/2008	None
IFRIC 13	Customer Loyalty Programmes	01/07/2008	Under review
IFRIC 14	Interaction of the limit on a defined benefit asset from defined benefit plans and the obligation to pay additional amounts	01/01/2008	None

IFRS 8 (2006) "Operating Segments" has an impact on segment reporting which is to be prepared in future according to the "Management Approach". Under this approach, the definition of the segments and statements are based on the information used internally by management for control purposes. This has incurred changes in the presentation of the segment report of the BayWa Group.

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

The changes relating to IAS 32/IAS 1 "Instruments puttable at Fair Value and Obligations arising on Liquidation" were approved in February 2008 but have not yet, however, been adopted under European law. A significant objective of the changes is the disclosure of certain puttable instruments which, at the same time, constitute shares in the company. Under the former definition prescribed by IAS 32, these financial instruments were to be disclosed as debt. The new provision provides, among other things, for a disclosure as equity in as much as a claim to the proportionate net assets in the event of liquidation accrues to the shareholder. BayWa AG is currently reviewing the possible effects of changes to IAS 32/IAS 1.

(B.) INFORMATION ON CONSOLIDATION

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

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

	Share of 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	
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	
TechnikCenter Grimma GmbH, Mutzschen	70.0	
Building Materials segment		
AFS Franchise-Systeme GmbH, Vienna, Austria	100.0	
BayWa Handels-Systeme-Service GmbH, Munich	100.0	
Mobau-Marba GmbH, Herten	100.0	
ZES Zentrale Einkaufs-Service GmbH, Munich	100.0	
Energy segment		
GENOL Gesellschaft m.b.H. & Co., Vienna, Austria	71.0	
TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, Stuttgart	100.0	
Other Activities segment (including financial participations)		
Agroterra Warenhandel und Beteiligungen GmbH, Vienna, Austria	100.0	
AHG Autohandelsgesellschaft mbH, Horb a.N.	100.0	
BAG BayWa Autohaus GmbH (formerly: BAG Autohaus GmbH), Bopfingen	100.0	
BayWa Finanzbeteiligungs-GmbH (formerly: WLZ Raiffeisen Versicherungsagentur GmbH), Munich	100.0	First-time consolidation on 01/01/2007
DRWZ-Beteiligungsgesellschaft mbH, Munich	64.3	
Frisch & Frost Nahrungsmittel-Gesellschaft m.b.H., Hollabrunn, Austria	100.0	
Raiffeisen-Lagerhaus Investitionsholding GmbH, Vienna, Austria	100.0	
RI-Solution GmbH Gesellschaft für Retail-Informationssysteme, Services und Lösungen mbH, Munich (for short: RI-Solution)	100.0	
RWA International Holding GmbH, Vienna, Austria	100.0	
Unterstützungseinrichtung der BayWa AG in München GmbH, Munich	100.0	
Ybbstaler Fruchtsaft Gesellschaft m.b.H., Kröllendorf, Austria	100.0	
Ybbstaler Fruchtsaft Polska Sp. z o.o., Chelm, Poland	99.9	
Wiech Autohandelsgesellschaft mbH, Rottenburg	100.0	

	Share of capital in percent	Comment
Cross-segment subsidiaries		
»UNSER LAGERHAUS« WARENHANDELSGESELLSCHAFT m.b.H.,		
Klagenfurt, Austria (for short: UNSER LAGERHAUS)		
(Segments: Agriculture, Building Materials, Energy)	51.1	
BayWa Vorarlberg HandelsGmbH, Lauterach, Austria		
(Segments: Agriculture, Building Materials, Energy)	51.0	
Raiffeisen Agrárház Kft., Székesfehérvár, Hungary		
(Segments: Agriculture, Energy)	100.0	
Raiffeisen-Lagerhaus GmbH, Bruck an der Leitha, Austria		
(Segments: Agriculture, Building Materials, Energy)	89.9	
RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria (for short: RWA AG)		
(Segments: Agriculture, Building Materials, Energy, Other Activities)	50.0	
RWA SLOVAKIA spol. s r.o., Bratislava, Slovakia		
(Segments: Agriculture, Energy)	100.0	

BayWa Finanzbeteiligungs-GmbH has been included in the group of consolidated companies for the first time. First-time consolidation took place on 1 January 2007. BayWa Finanzbeteiligungs-GmbH holds shares in DZ Bank AG Deutsche-Zentralgenossenschaftsbank and does not have business operations itself. Owing to a profit and loss transfer agreement between BayWa Finanzbeteiligungs-GmbH and BayWa AG, net income in previous years was transferred to the parent company. Through the first-time consolidation of the company, the assets and liabilities in the consolidated financial statements rose upon the first-time consolidation, as shown in the following table; goodwill in connection with the first-time consolidation was not identified due to the company not having its own operations.

	In EUR million
Assets	
Non-current assets	
Other financial assets	11.130
Current assets	
Cash and cash equivalents	0.001
Shareholders' equity and liabilities	
Current liabilities	
Other provisions	0.002

The profit contribution of this subsidiary, included for the first time in the financial year 2007, came to EUR 0.117 million.

With effect from 1 January 2007 and 3 May 2007, BSF BauCenter GmbH, Wilhelm Bruchof GmbH & Co. KG and Jochen Küppers GmbH & Co Holding KG, as well as Küppers Gesellschaft mit beschränkter Haftung and Küppers Verwaltungs GmbH Emsdetten were amalgamated with and integrated into BayWa AG. The companies have thus been combined with BayWa AG.

Prior to this, the operating companies of the Küppers Group, which comprises 7 joint-stock companies located in Hagen, Iserlohn, Witten, Hattingen, Wuppertal, Ratingen and Dortmund, and 6 limited partnership companies located in Münster, Waltrop, Essen, Emsdetten, Gütersloh and Sprockhövel, were amalgamated and integrated into Jochen Küppers GmbH & Co. Holding KG. To the exception of Sprockhövel, all companies were fully consolidated in the preceding years.

Owing to their overall minor importance, 15 domestic and 27 foreign subsidiaries were not included in the group of consolidated companies. The recognition of these companies in the group of consolidated companies was carried out at cost. The accumulated annual results and accumulated equity (unconsolidated original value) of these companies in the financial year 2007 are set out below:

Unconsolidated affiliated companies (HB 1 values)	in EUR million	Share in percent in relation to the total of all companies on which control is exercised
Net income	3.551	3.2
Equity	7.923	1.7

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

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

The companies below were included in the group of consolidated companies of BayWa AG pursuant to the standards applying to proportionate consolidation:

	Percentage share in capital	Comment
Agriculture segment		
Animedica Group		
ANIMEDICA Group GmbH		
(formerly: VETINVEST GmbH), Senden	50.0	
aniMedica GmbH, Senden	50.0	
aniMedica Herstellungs GmbH, Senden	50.0	
aniMedica Polska Sp. z o.o., Weijherowo, Poland	50.0	
Dr. E. Gräub AG, Bern, Switzerland	50.0	

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

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

In EUR million	**2007**
Non-current assets	12.683
Current assets	13.036
Non-current liabilities	4.396
Current liabilities	11.832
Sales	28.683
Gross earnings	7.793
Result of operating activities	0.852
Ordinary profit	1.026
Net income for the year	0.936

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

The following 3 (2006: 4) associated companies, over which the BayWa Group has a controlling influence, i.e. a proportion of voting rights of at least 20 percent and a maximum of 50 percent, and which are not jointly held companies or companies of minor importance, were recognised under the equity method.

	Percentage share in capital	Comment
Building Materials segment		
Krois Baustoffe + Holz Handelsgesellschaft mbH, Bochum	45.0	
Other Activities segment (including financial participations)		
Deutsche Raiffeisen-Warenzentrale (DRWZ) GmbH,		
Frankfurt am Main	37.8	
Raiffeisen Beteiligungs GmbH, Frankfurt am Main	47.4	

Apart from the participation, there are no significant business relations with Deutsche Raiffeisen-Warenzentrale GmbH and Raiffeisen Beteiligungs GmbH. There is the customary trading in goods with Krois Baustoffe + Holz Handelsgesellschaft mbH to a minor extent.

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

With effect from 6 July 2007, RWA Raiffeisen Ware Austria AG sold all shares in Kelly Gesellschaft mit beschränkter Haftung, Vienna, which therefore 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 21.090 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	Raiffeisen Beteiligung
Total assets	3.114	29.333	12.148
Sales revenues	11.628	117.654	–.––
Net income	0.187	0.070	0.561
Assets	3.114	29.333	12.148
Liabilities	2.250	21.323	0.073
Share in annual result	0.084	0.026	0.266
Book value of the financial asset	0.483	3.009	6.351

A total of 28 associated companies (2006: 24) of overall minor importance for the consolidated financial statements have not been recognised under the equity method but at the net book value.

(B.4.) SUMMARY OF THE CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES OF BayWa AG

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

	Germany	International	Total
Included as per 31 December 2006	**38**	**21**	**59**
Changes in the financial year 2007:			
Additions	1	0	1
Disposals	– 17	– 1	– 18
Included as per 31 December 2007	**22**	**20**	**42**
of which fully consolidated	16	18	34
of which proportionately consolidated	3	2	5
of which consolidated at equity	3	0	3

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

(B.5.) BUSINESS COMBINATIONS

With effect from 1 January 2008, BayWa AG purchased all the shares in Voss GmbH & Co. KG, Coesfeld, and in Voss GmbH, Coesfeld. With a workforce of just under 200 employees, the company generates annual sales of around EUR 60 million. At the time when the consolidated financial statements were drawn up, the purchase was still subject to approval by the antitrust authorities. All enforcement effects of the contract under the law of obligations and in rem are linked to the suspensory condition of the antitrust approval under Section 36 German Principles governing the Antitrust Assessment of Business Combinations (GWB).

With effect from 1 April 2008, BayWa AG plans to take over the heating and diesel oil business of Hamburg-based Shell Direct GmbH for the region of Bavaria in the context of an asset deal. Negotiations for the fixing of the purchase price for the assets (tankers and customer base) had not been concluded by the reporting date when the consolidated financial statements were drawn up, as the estimate of the current market value for the tankers acquired had not yet been agreed. At the time when the consolidated financial statements were prepared, the purchase was still subject to approval by the antitrust authorities.

With effect from 1 January 2008, BayWa AG took over the assets (inventories and receivables worth around EUR 1.0 million, property, plant and equipment of around EUR 0.3 million and a customer base of around EUR 1.0 million) of Gebrüder Stark GmbH & Co. KG located in Ravensburg and Aulendorf, at a price of EUR 2.3 million in the context of an asset deal.

Owing to still outstanding approval by the antitrust authorities, information within the meaning of IFRS 3 has been refrained from. Final purchase price allocations relating to these purchase have not yet been made.

(B.6.) PRINCIPLES OF CONSOLIDATION

Capital consolidation at the time of first 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, unscheduled amortisation is applied; otherwise goodwill remains unchanged. If the cost of purchase is lower than the attributable value of the identifiable assets, liabilities and contingent liabilities, the difference is immediately posted to income.

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. Intra-group sales, expenses and earnings are netted off.

(B.7.) CURRENCY TRANSLATION

The translation of the financial statements prepared in a foreign currency into euros is carried out by applying the concept of functional currency set forth under IAS 21 ("The Effect of Changes in Foreign Exchange Rates"). The companies of the BayWa Group operate independently. Accordingly they can be considered "foreign operations". The functional currency is the respective national currency. Assets and liabilities are converted at the exchange rate on the reporting date. With the exception of income and expenses reported directly in equity, equity is carried at historical rates. The translation of the income statement is carried out using the average rate for the year. The differences resulting from foreign currency translation are treated without affecting the result, until such time as the subsidiary is disposed of, and set off against other reserves. The difference resulting from currency translation rose by EUR 0.750 million in the reporting year.

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

	EUR 1	Balance sheet middle rate on		Income statement average rate	
		31/12/2007	31/12/2006	2007	2006
Poland	PLN	3.594	3.830	3.777	3.894
Switzerland	CHF	1.655	1.606	1.643	1.575
Slovakia	SKK	33.580	34.560	33.822	37.126
Czech Republic	CZK	26.620	27.495	27.701	28.308
Hungary	HUF	253.350	252.300	251.424	262.894

(B.8.) IAS 8 "CHANGES IN ACCOUNTING AND VALUATION METHODS, CHANGES IN ESTIMATES AND ERRORS"

Deferred taxes liabilities, the amount of which was set too high in connection with the first-time preparation of the BayWa consolidated financial statements under IAS in the financial year 2002, were corrected with retrospective effect in the reporting year. The correction was carried out in accordance with IAS 8 "Changes in Accounting and Valuation Methods, Changes in Estimates and Errors" without effect on income in favour of the consolidated equity capital; there were the following adjustments:

	As per 31 December 2005			As per 31 December 2006		
In EUR million	Prior to correction	Adjustment	After correction	Prior to correction	Adjustment	After correction
Revenue reserves	441.392	9.808	451.200	439.879	9.808	449.687
Other reserves	45.284	2.257	47.541	65.537	2.257	67.794
Deferred tax liabilities	132.460	– 12.065	120.395	130.914	– 12.065	118.849

(C.) NOTES TO THE BALANCE SHEET

(C.1.) INTANGIBLE ASSETS

Intangible assets purchased against payment are capitalised at cost and, with the exception of goodwill, amortised, as scheduled, on a straight-line basis over their useful lives (generally 3-5 years). Intangible assets which have been created in house have been capitalised in accordance with IAS 38 ("Intangible Assets") if it is likely that future economic advantage will accrue from the use of the assets and if the cost of the assets can be reliably ascertained. These assets have been recognised at the cost of purchase or of production, with an appropriate portion of the overheads relating to their development, and amortised, as scheduled, on a straight-line basis according to their useful lives. The calculation of unscheduled amortisation has been carried out in consideration of IAS 36 "Impairment of Assets". Unscheduled amortisation in the reporting year came to EUR 0.685 million (2006: EUR 0.122 million). Among other things, this relates to license rights to a seed type due to changed demand and to a software license owing to curtailed useful life. Impairment is attributable as follows: EUR 0.616 million to the Agriculture segment and EUR 0.069 million to the Other Activities segment.

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

In EUR million	2007	2006
UNSER LAGERHAUS	0.624	0.624
BayWa Bau und Gartenmarkt Weinsberg GmbH & Co. KG (integrated into BayWa AG)	1.008	1.008
BSF BauCenter GmbH (integrated into BayWa AG)	0.492	0.492
Küppers-Unternehmensgruppe (integrated into BayWa AG)	1.378	1.323
Mobau-Marba GmbH	2.477	2.694
MTZ Baustoffe GmbH & Co. KG (integrated into BayWa AG)	–.––	0.413
Raiffeisen-Kraftfutterwerke Süd GmbH	0.409	0.409
RWA SLOVAKIA	0.152	0.152
Sempol spol. s r.o.	0.245	0.245
Wilhelm Bruchof GmbH & Co. KG (integrated into BayWa AG)	1.364	0.827
Other	0.867	0.860
	9.016	**9.047**

The changes in the financial year relate mainly to subsequent (agreed variably) purchase price payments and reimbursements. The goodwill of MTZ Baustoffe GmbH & Co. KG, Kiel, no longer exists.

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 units (CGU) 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 legally independent companies, the respective operating unit or the respective geographically defined segment of the incorporating entity 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 cash flow forecast is derived from current planning prepared by management with 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 9.25 percent has been applied to the cash flow series The growth rates are the expected average for the sector. For the purpose of extrapolation of the forecast, an expected growth rate of 2 percent has been assumed in the period of development in the third budget year. The impairment test did not result in any unscheduled impairment on goodwill in the financial year.

ANALYSIS OF FIXED ASSETS IN 2006

Note (C.1. – C.4.)

In EUR million

	Acquisition/production costs						
	01/01/2006	**Currency differences**	**Changes in consolid. group**	**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	**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	95.815	–.—	0.144	4.763	1.452	–.—	99.270
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**
Investment property							
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**

The additions in intangible assets are distributed as follows:

In EUR million	**2007**	**2006**
Addition from in-house development	1.306	0.434
Addition from special acquisition	3.711	8.789
Addition from business combinations	0.443	8.437
	5.460	**17.660**

Depreciation/amortisation								Book values	
01/01/2006	**Currency differences**	**Change in consolid. group**	**Write-downs in the financial year**	**Disposal-related depreciation**	**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
– 1.305	–.—	0.028	0.141	0.329	0.461	– 0.028	– 1.954	101.224	97.120
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**

ANALYSIS OF FIXED ASSETS IN 2007

Note (C.1. – C.4.)

In EUR million

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

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

(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 subsequent purchase costs, less any price reductions received. If there is an obligation to decommission an asset which is part of non-current assets at the end of its useful life, or to dismantle or rebuild a location, the estimated costs of these activities will raise the cost of purchasing the asset. Property, plant and equipment is written down on a straight-line basis over the course of 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 property, plant and office equipment	3 – 11

The calculation of unscheduled depreciation has been carried out in consideration of IAS 36 "Impairment of Assets". In the reporting year, there was no unscheduled depreciation (2006: EUR 0.063 million).

Borrowing costs in connection with the purchase of property, plant and equipment are not capitalised in the consolidated financial statements.

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

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

Property, plant and equipment comprise property which qualifies as finance leases in the amount of EUR 0.6 million (2006: EUR 5.3 million) and EUR 0.2 million (2006: 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 as per 31 December 2007 (2006: EUR 0.6 million) relate to the administrative building of UNSER LAGERHAUS. The leasing agreement has a term which runs until 2008; there is an option to buy. The leasing agreement with VR-LEASING NEMOROSA GmbH & Co. Immobilien KG, Eschborn, pertaining to real estate qualifying as finance leases (EUR 4.7 million) was prematurely terminated in the financial year and the real estate repurchased.

The future leasing instalments of the respective leasing agreements are as follows:

In EUR million	**2007**	**2006**
Total amount of future minimum lease payments		
Not later than one year	0.160	0.555
Later than one year and not later than five years	0.141	2.240
Later than five years	–.––	6.759
	0.301	**9.554**
Interest portion included in future minimum lease payments		
Not later than one year	0.015	0.320
Later than one year and not later than five years	0.029	1.178
Later than five years	–.––	3.062
	0.044	**4.560**
Present value of future minimum lease payments		
Not later than one year	0.145	0.235
Later than one year and not later than five years	0.112	1.062
Later than five years	–.––	3.697
	0.257	**4.994**

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

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

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

The financial assets of the BayWa Group comprise interests in non-consolidated affiliated companies, interests in associated companies and other holdings, credit balances at 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 under other income from shareholdings through profit and loss.

The "financial assets held for trading" category consists of securities with an attributable fair value totalling EUR 80.979 million (2006: EUR 78.001 million). Owing to the fact that they are held for trading they are disclosed under current assets.

Assets allocated to the "available-for-sale" category are recognised at fair value and otherwise carried at net book value in as much as there is an active market or fair value can be reliably ascertained with a reasonable amount of effort. In the case of assets carried at fair value, the difference between the originally recognised cost of purchase and the fair values on the reporting date are set off under equity without effect on income.

In the reporting year, impairment on assets classified as "available for sale" and carried at fair value came to EUR 0.681 million.

Participating interests classified as "available for sale" held in Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, and in Raiffeisen Zentralbank AG, Vienna, were reported at their net book value as there was no active market for the securities and no market fair value could therefore be ascertained. Owing to the fact that both companies belong to an association of cooperatives, the marketability of the participating interests also is limited. Similarly, all participating interests held in non-consolidated subsidiaries are recognised at net book value. Currently no sale is planned in the case of financial assets measured at net book value

Associated companies included in the group of consolidated companies are always recognised in their proportionate equity pursuant to the equity method.

Financial assets held to maturity are disclosed exclusively at their carrying cost of purchase. In the BayWa Group there are currently no assets belonging to the "held to maturity" category.

(C.4.) INVESTMENT PROPERTY

The „Investment property" item comprises 208 buildings (2006: 213) 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, garden centres, farm buildings, silos and other undeveloped land as well as, to a minor extent, office and residential buildings.

Pursuant to the option under IAS 40, these properties are recognised solely at net book value and written down over their periods of useful life as indicated under Note C.2. The book value on the reporting date came to EUR 82.353 million (2006: EUR 78.980 million). In the financial year, write-ups on land came to EUR 0.497 million. The gain is included in the same amount in the income statement under other operating income.

The fair value of this property was set at EUR 152.870 million (2006: EUR 138.023 million). Fair value was not calculated by an appraiser. Generally, the calculation of the income value is carried out to ascertain the attributable fair value on the reporting date. The value of the land is calculated using current, official standard land values. Location-related advantages and disadvantages are suitably taken into account. In the case of buildings let, the income value was calculated by taking the actual rent generated during the year, less management expenses and residual useful life.

The rental income came to EUR 6.258 million (2006: EUR 5.613 million), operating expenses (excluding depreciation) for the properties for which rental income was realised came to EUR 0.840 million (2006: EUR 0.646 million). In respect of properties for which no rental income was generated operating expenses came to EUR 0.158 million (2006: EUR 0.149 million).

(C.5.) TAX CLAIMS

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

In EUR million	2007	2006
Long-term tax claims		
(with a residual term of more than one year)	7.403	7.937
Current tax claims		
(with a residual term of less than one year)	19.456	8.472
	26.859	**16.409**

(C.6.) OTHER RECEIVABLES AND OTHER ASSETS

Receivables and other assets are recognised at net book value. All discernable risks have been taken account of by appropriate valuation adjustments. 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.

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

In EUR million	2007	2006
Long-term receivables		
(with a residual term of more than one year)		
Trade receivables	0.437	1.012
Other receivables, including deferred income	12.565	18.845
	13.002	**19.857**
Short-term receivables		
(with a residual term of less than one year)		
Trade receivables	501.136	495.776
Receivables from affiliated companies	14.409	19.164
Receivables from companies		
in which a participating interest is held	11.067	8.340
Derivatives with positive market value	3.610	0.320
Other receivables, including deferred income	143.252	99.749
	673.474	**623.349**

The following table shows the amount of credit risks contained in the trade receivables.

In EUR million	Gross value 2007	Specific adjustment on receivables	Receivables neither overdue nor with value adjustments	Overdue receivables without value adjustments	Of which: without value adjustments on the reporting date and overdue in the following time bands			
					less than 30 days	between 31 and 60 days	between 61 and 90 days	91 days and over
Trade receivables	523.996	32.672	427.166	64.158	47.412	12.581	3.181	0.984

In EUR million	Gross value 2006	Specific adjustment on receivables	Receivables neither overdue nor with value adjustments	Overdue receivables without value adjustments	Of which: without value adjustments on the reporting date and overdue in the following time bands			
					less than 30 days	between 31 and 60 days	between 61 and 90 days	91 days and over
Trade receivables	519.927	29.841	425.312	64.774	46.443	10.739	5.481	2.111

The customer structure in the BayWa Group is diversified both regionally and in terms of the specific segments. The receivables portfolio is made up of a number of smaller receivables. The continual analysis of the receivables portfolio enables early identification and valuation of concentration risks (risk clusters). As per 31 December 2007, the credit risk positions of the 10 largest debtors were clearly below 5.0 percent of the portfolio of trade receivables and are therefore not deemed significant.

Adjustment account

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

The value adjustment account has developed as follows:

In EUR million	2007	2006
Status of value adjustments as per 1 January	23.138	20.813
Price differences	– 0.235	0.154
Change in specific value adjustments	0.938	– 1.431
Change in lump-sum specific value adjustments	– 1.418	3.602
Status of value adjustments as per 31 December	**22.423**	**23.138**

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

Other assets comprise first and foremost supplier credits not yet settled as well as receivables from the sale of property. In addition, prepayments on account for inventories amounting to EUR 27.1 million (2006: EUR 15.9 million) are included.

In order to enhance its financing structure, the Group has securitised receivables with a total volume of EUR 150.0 million in the context of Asset-Backed Securitisation (ABS measure). Utilisation is adjusted to the variable and seasonal conditions and came to EUR 63.0 million (2006: EUR 63.3 million).

(C.7.) DEFERRED TAX CLAIMS

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

(C.8.) INVENTORIES

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

Inventories of raw materials, consumables and supplies as well as merchandise are always valued at their average cost of purchase, taking account of lower net realisable value. In some cases the Fifo (first in first out) method was applied. Semi-finished and finished goods are recognised at their cost of production. They comprise all costs directly allocable 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	**2007**	**2006**
Raw materials, consumables and supplies	33.247	26.721
Semi-finished goods/services	85.732	37.267
Finished goods/services and merchandise	964.256	754.284
	1 083.235	**818.272**

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. On the reporting date, impairment through profit and loss had risen from EUR 52.490 million in 2006 to EUR 55.822 million in the reporting year. There were no reversals through profit and loss in the reporting year.

The book value of the inventories carried at fair value minus costs to sell came to EUR 718.459 million (2006: EUR 570.282 million).

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

(C.9.) CASH AND CASH EQUIVALENTS

Cash and cash equivalents worth EUR 17.986 million (2006: EUR 17.460 million) comprise cash on hand, cheques and deposits in banks falling due within one year.

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

On the reporting date, a sum total of 19 (2006: 15) buildings and plots of land intended for sale were disclosed under the non-current assets held for sale item. These are primarily properties with warehouses, silos, markets or office/residential buildings.

The assets of the BayWa Group are classified as non-current assets held for sale if there is a Board resolution on the sale and the sale is more than 50 percent probable within the following year (2008).

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

In the financial year 2007, assets (mainly property, plant and equipment and investment property) with book values totalling EUR 2.571 million were additionally classified as non-current assets held for sale. A total book value of EUR 3.562 million (2006: EUR 10.348 million) has been disclosed. The fair value, less estimated costs to sell, comes to EUR 11.888 million (2006: EUR 28.892 million). As per 31 December 2007, all book values were below the respective attributable fair values. As a result, there were no unscheduled write-downs from impairment.

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

In EUR million	**2007**	**2006**
Agriculture	0.545	4.329
Building Materials	0.782	5.915
Energy	0.025	0.065
Other	2.210	0.039
	3.562	**10.348**

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

(C.11.) EQUITY

The detailed development of equity is shown in the Statement of changes in equity.

Share capital

On 31 December 2007, the share capital of BayWa AG in the amount of EUR 86.757 million (2006: EUR 86.665 million) was divided into 33,889,577 ordinary registered shares with an arithmetical portion of EUR 2.56 per share.

Of the shares issued, 32,610,206 are registered shares and 36,120 are recently registered shares with restricted transferability (from 1 January 2008 onwards, dividend-bearing employee shares). 1,243,251 are not registered shares with restricted transferability.

Pursuant to IAS 32, the share capital disclosed declined by the nominal value of the shares bought back (19,500 or 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 outstanding has changed in the period under review as follows:

	Registered shares without restricted transferability	Registered shares with restricted transferability
As per 1 January 2007	1 243 251	32 590 706
Issuing of employee shares	–	36 120
As per 31 December 2007	**1 243 251**	**32 626 826**

Subject to 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, subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital in the period up to 30 April 2010 one or several times by up to a nominal EUR 4,547,978.24 (2006: 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. German Stock Corporation Act (AktkG) 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, subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital in the period up to 30 April 2011 one or several times by 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 81.097 million (2006: EUR 79.710 million) is derived mainly from the premiums in the amount of EUR 52.977 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 2007, BayWa issued 36,120 new registered shares with restricted transferability (dividend bearing as from 1 January 2008) as part of its Employee Share Scheme. The exercise price of employee shares came to EUR 24.58, and was thus 60 percent of the stock market price of registered BayWa shares with restricted transferability which, on the preceding day, had stood at EUR 40.97; BayWa's Board of Management had passed the resolution on the capital increase required for this measure. The advantage granted of EUR 0.591 million, which is the difference between the actual purchase price and the stock market price, was posted to capital reserve under IFRS 2 and reported as an expense.

Revenue reserves

On the reporting date, the revenue reserve of the Group totalled EUR 495.416 million (2006: EUR 449.687 million), of which EUR 5.657 million was apportioned to statutory reserves, EUR 13.358 million to the revaluation reserve and EUR 476.401 million to other revenue reserves. Transfers to and withdrawals from the revenue reserves were recorded both at the parent company BayWa AG and at the consolidated subsidiaries.

Other reserves

Other reserves mainly comprise unappropriated retained earnings as well as currency differences disclosed without affecting the result.

Minority interest

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

Capital management

The capital structure of the Group comprises debt and equity, and is described in detail in Notes C.11 to C.18. Equity capital comes to around 27 percent of total equity. The aim in the capital management process of the BayWa Group is to achieve a ratio of equity to debt of 30 to 70 percent.

Gearing

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

In EUR million	**31/12/2007**	**31/12/2006**
Non-current and current financial liabilities	886.885	677.279
./. cash and cash equivalents	– 17.986	– 17.460
Net financial liabilities	868.899	659.819
Equity	854.498	783.969
Net financial liabilities versus equity (in percent)	**102**	**84**

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

In EUR million	30/06/2007	30/06/2006
Non-current and current financial liabilities	540.361	449.276
./. cash and cash equivalents	– 13.494	– 15.789
Net financial liabilities	526.867	433.487
Equity	791.916	747.259
Net financial liabilities versus equity (in percent)	**67**	**58**

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

In percent, 31 December	2007	2006
Discount factor	5.50	4.25
Salary trend	3.0	1.0
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 defined benefit 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 net 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 accumulated actuarial gains not set off following the change in the discount factor and the counteractive increase of the salary trend came to EUR 8.6 million (2006: loss EUR 38.2 million).

Total expenses from pensions in the defined benefit plans amounted to EUR 24.3 million (2006: EUR 24.5 million) and comprise the following:

In EUR million		2007	2006
	Ongoing service cost	5.233	5.729
+	interest portion	19.097	18.760
=	**Total amount through profit and loss**	**24.330**	**24.489**

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

In EUR million		2007	2006
	DBO per 1 January	465.905	470.179
+	Changes in the group of consolidated companies	–.––	0.650
+	Sum total through profit and loss	24.330	24.489
+ / –	Changes in non-realised actuarial gain/loss	– 46.826	– 4.206
–	Pension payments during the reporting period	– 25.954	– 25.617
+ / –	Assumption of obligations	– 0.124	0.410
=	**DBO as per 31 December**	**417.331**	**465.905**

In EUR million		2007	2006
	DBO as per 31 December	417.331	465.905
+ / –	non-realised actuarial gain/loss	8.603	– 38.223
=	**Net value of amounts capitalised as per 31 December**	**425.934**	**427.682**

The DBO of pension obligations (including actuarial gains/losses not realized) has changed as follows:

In EUR million	2003	2004	2005	2006	2007
	399.271	430.449	470.179	465.905	417.331

In the financial year 2008, we expect that a probable amount of EUR 26,452 million will be recorded through profit and loss for defined pension plans.

(C.13.) OTHER PROVISIONS

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

Other provisions are mainly attributable to:

In EUR million	2007	2006
Non-current provisions		
(with a maturity of more than one year)		
Obligations from personnel and employee benefits	57.276	59.451
Other provisions	5.344	7.868
	62.620	**67.319**
Current provisions		
(with a maturity of less than one year)		
Obligations from personnel and employee benefits	44.911	44.493
Other provisions	64.316	66.233
	109.227	**110.726**

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

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

In EUR million

2006	As per 01/01	Allo-cations	Reclassi-fication	Compound interest	Utili-sation	Release	Price dif-ferences	As per 31/12
Non-current provisions								
Obligations from personnel and employee benefits	60.955	4.629	– 0.005	1.968	6.245	1.851	–.––	59.451
Other provisions	9.601	0.161	0.564	–.––	1.036	1.422	–.––	7.868
	70.556	**4.790**	**0.559**	**1.968**	**7.281**	**3.273**	**–.––**	**67.319**
Current 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

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

2007 In EUR million	**Residual term of up to one year**	**Residual term of up to five years**	**Residual term of over five years**	**Total**
Financial liabilities				
Due to banks	792.709	35.262	7.223	835.194
Commercial paper	50.000	–.––	–.––	50.000
Participatory capital	1.691	–.––	–.––	1.691
	844.400	**35.262**	**7.223**	**886.885**

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**
Financial liabilities				
Due to banks	523.095	18.673	22.320	564.088
Commercial paper	111.500	–.––	–.––	111.500
Participatory capital	1.691	–.––	–.––	1.691
	636.286	**18.673**	**22.320**	**677.279**

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

The credit on current account of EUR 728.814 million is due and payable at any time. The difference of EUR 63.895 million relates to the short-term portion of long-term liabilities due to banks. The annual effective interest rate on credit on current account came to around 4.5 percent (2006: 3.8 percent) per year.

Of the Commercial Paper Programme set up by BayWa AG with a total volume of EUR 300.0 million, EUR 50.0 million worth of Commercial Paper with a term of 31 days and an average weighted effective interest rate of 4.23 percent had been issued as per the reporting date.

Of the liabilities due to banks, EUR 10.0 million at Group level have been secured by a charge over property.

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

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

(C.15.) FINANCIAL LEASING OBLIGATIONS

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

As per 31 December 2007 In EUR million	Residual term of up to one year	Residual term of up to five years	Residual term of over five years	Total
Financial leasing obligations	0.145	0.112	–.——	0.257

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
Financial leasing obligations	0.235	1.062	3.697	4.994

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

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

Liabilities due to affiliated companies and companies in which a participating interest is held 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 39.664 million due to KIRKA.

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

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**

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

(C.17.) OTHER LIABILITIES

The table below shows a breakdown of other liabilities:

As per 31 December 2007 In EUR million	**Residual term of up to one year**	**Residual term of up to five years**	**Residual term of over five years**	**Total**
Social security	2.276	–.––	–.––	2.276
Allowances received	0.410	0.903	0.924	2.237
Other liabilities including deferred income	78.233	2.591	–.––	80.824
	80.919	**3.494**	**0.924**	**85.337**

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**
Social security	2.329	–.––	–.––	2.329
Allowances received	0.348	1.384	0.484	2.216
Other liabilities including deferred income	78.220	1.748	–.––	79.968
	80.897	**3.132**	**0.484**	**84.513**

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 0.067 million which is disclosed under other operating income.

(C.18.) DEFERRED TAX LIABILITIES

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

(C.19.) CONTINGENT LIABILITIES

In EUR million	**2007**	**2006**
Bills and notes payable	7.049	8.903
(of which to affiliated companies)	(–.––)	(–.––)
Guarantees	41.388	19.296
(of which to affiliated companies)	(32.594)	(16.366)
Warranties	0.042	1.483
(of which to affiliated companies)	(0.042)	(1.483)
Collateral for liabilities of third parties	0.589	0.717
(of which to affiliated companies)	(0.142)	(–.––)

(C.20.) OTHER FINANCIAL OBLIGATIONS

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

In EUR million	2007	2006
Other financial obligations		
from buyback obligations	7.744	8.080
from amounts guaranteed for interests in cooperative companies	13.297	13.634

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

(C.21.) FINANCIAL INSTRUMENTS

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

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

Loans and receivables (LaRs): After first-time recognition, loans and receivables are carried in the balance sheet exclusively at net book value. At the BayWa Group, they mainly have short residual terms. The book value is thus a reasonable approximation of the attributable value. Profit and loss are recorded directly in the consolidated result when the loans and receivables are charged off or impairment carried out.

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

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

The option of recording financial assets at their attributable value upon their first-time recognition was not selected by the BayWa Group.

The financial assets cover the following categories:
Financial assets measured at amortised cost (FLAC): Financial assets measured at amortised cost are measured at net book value after their first-time recognition. They mainly have short residual terms. The book value is thus a reasonable approximation of the attributable value. Gains and losses are recorded directly in the consolidated result.

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

The option of recording financial assets at their attributable value through profit and loss upon their first-time recognition was not selected by the BayWa Group.

Derivative financial instruments are used in the BayWa Group in particular to hedge the interest rate and currency risks arising from the operating activities. Caps, swaps and commodities futures are the main instruments used. Derivative financial instruments for the purpose of speculation are not held and not issued. Upon their first-time recognition and on each subsequent reporting date derivative financial instruments are carried at fair value. The fair value corresponds to the positive or negative market value.

The BayWa Group transacts its business mainly in the euro region. Accordingly, foreign currencies are of secondary importance within the Group. The business activities of the consolidated Hungarian companies are restricted almost without exception to the Hungarian currency area. A few transactions in foreign currencies are carried out in agricultural trading, and purchasing activities predominantly in the common currency. If foreign currency transactions are concluded, 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 2007, there were derivative transactions denominated in Czech krona, Hungarian forint, US dollar and Canadian dollar to hedge currency risks.

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, caps or collars. 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 within the meaning of IAS 39. As a result, interest rate derivatives are marked to market separately on the reporting date. The market values are ascertained on the basis of market information available on the reporting date.

Besides this, the BayWa Group also uses fair value hedges in relation to inventories. Changes in the market valuation of derivative financial instruments and the respective underlying transactions are recorded through profit and loss.

Book and fair values of financial instruments

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

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

As per 31/12/2006 In EUR million	**IAS 39 category and IFRS 7 class**	**Book value 31/12/2006**	**Measurement subsequent to initial recognition** **Net book value**	**Fair value without effect on income**	**Fair value through profit and loss**	**Not IFRS 7 class**
Non-current financial assets						
Participating interests valued at equity	AfS	15.302	15.302	–.—	–.—	–.—
Other financial assets	AfS	123.382	119.784	3.598	–.—	–.—
Other financial assets	LaR	1.357	1.357	–.—	–.—	–.—
Other receivables and other assets						
– trade receivables	LaR	1.012	1.012	–.—	–.—	–.—
Other receivables and other assets						
– other assets	LaR	18.845	18.737	–.—	–.—	0.108
Current financial assets						
Securities	FAHfT	78.001	–.—	–.—	78.001	–.—
Other receivables and other assets						
– trade receivables	LaR	523.280	523.280	–.—	–.—	–.—
Other receivables and other assets						
– other assets	LaR	99.749	96.440	–.—	–.—	3.309
Other receivables and other assets						
– derivatives	FAHfT	0.320	–.—	–.—	0.320	–.—
Cash and cash equivalents	Cash	17.460	17.460	–.—	–.—	–.—
Non-current financial liabilities						
Financial liabilities	FLAC	40.993	40.993	–.—	–.—	–.—
Liabilities from finance leasing	FLAC	4.759	4.759	–.—	–.—	–.—
Trade creditors and liabilities from						
inter-group business relationships	FLAC	39.701	39.701	–.—	–.—	–.—
Other liabilities	FLAC	3.616	1.149	–.—	–.—	2.467
Current financial liabilities						
Financial liabilities	FLAC	636.286	636.286	–.—	–.—	–.—
Liabilities from finance leasing	FLAC	0.235	0.235	–.—	–.—	–.—
Trade creditors and liabilities from						
inter-group business relationships	FLAC	493.439	493.439	–.—	–.—	–.—
Other liabilities	FLAC	80.897	56.484	–.—	–.—	24.413
Derivatives	FLHfT	0.555	–.—	–.—	0.555	–.—
Aggregated pursuant to IAS 39 category/IFRS 7 class						
Assets available for sale	AfS	138.684	135.086	3.598	–.—	
Loans and receivables	LaR	640.826	640.826	–.—	–.—	
Cash in hand and bank deposits	Cash	17.460	17.460	–.—	–.—	
Financial assets held for trading	FAHfT	78.321	–.—	–.—	78.321	
Financial assets measured at amortised cost	FLAC	1 273.046	1 273.046	–.—	–.—	
Financial liabilities held for trading	FLHfT	0.555	–.—	–.—	0.555	

Net gain and net loss

The following table shows the net gain/loss from financial instruments in the income statement. Dividend payments are included in income from participating interest.

As at 31/12/2007		Assets			Shareholders' equity and liabilities			Total	Transition	
Category	FAHfT	AfS	LaR	Cash			No allo-		Not an FI	Finan-
In EUR million					FLHfT	FLAC	cation			cial result
1. Net gain/loss in the financial result										
Equity valuation of participating interests	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**0.430**	**–.—**
Income from participating interests	–.—	5.710	–.—	–.—	–.—	–.—	–.—	5.710	–.—	5.710
Expenses from participating interests	–.—	– 3.684	–.—	–.—	–.—	–.—	–.—	– 3.684	–.—	– 3.684
Value adjustments	–.—	– 0.308	–.—	–.—	–.—	–.—	–.—	– 0.308	–.—	– 0.308
Result from disposals	–.—	21.474	–.—	–.—	–.—	–.—	–.—	21.474	–.—	21.474
Result of participating interests	**–.—**	**23.192**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**23.192**	**–.—**	**23.192**
Income from other financial assets	2.978	3.836	–.—	–.—	–.—	–.—	–.—	6.814	–.—	6.814
Income from disposals	–.—	– 0.010	–.—	–.—	–.—	–.—	–.—	– 0.010	–.—	– 0.010
Result of other financial assets	**2.978**	**3.826**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**6.804**	**–.—**	**6.804**
Interest income	–.—	–.—	0.567	5.876	–.—	–.—	–.—	6.443	–.—	6.443
Interest income from fair value measurement	0.211	–.—	–.—	–.—	–.—	–.—	–.—	0.211	–.—	0.211
Sum total of interest income	0.211	–.—	0.567	5.876	–.—	–.—	–.—	6.654	–.—	6.654
Interest expenses	–.—	–.—	–.—	–.—	–.—	– 39.670	–.—	– 39.670	–.—	– 39.670
Interest portion in personnel provisions	–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	– 20.049	–.—
Interest expenses from fair value measurement	–.—	–.—	–.—	–.—	– 0.021	–.—	–.—	– 0.021	–.—	– 0.021
Sum total of interest expenses	–.—	–.—	–.—	–.—	– 0.021	– 39.670	–.—	– 39.691	– 20.049	– 39.691
Net interest	**0.211**	**–.—**	**0.567**	**5.876**	**– 0.021**	**– 39.670**	**–.—**	**– 33.037**	**– 20.049**	**– 33.037**
Sum total net gain/loss	**3.189**	**27.018**	**0.567**	**5.876**	**– 0.021**	**– 39.670**	**–.—**	**– 3.041**	**– 19.619**	**– 3.041**
Financial result										**– 22.660**
2. Net gain/loss in operating result										
Income from currency gains	–.—	–.—	–.—	–.—	–.—	–.—	2.389	2.389		
Income from the receipt of written-off receivables/release of receivables value adjustments	–.—	–.—	4.611	–.—	–.—	–.—	–.—	4.611		
Currency losses	–.—	–.—	–.—	–.—	–.—	–.—	– 3.235	– 3.235		
Value adjustments/write-downs of receivables	–.—	–.—	– 7.747	–.—	–.—	–.—	–.—	– 7.747		
Sum total net gain/loss	**–.—**	**–.—**	**– 3.136**	**–.—**	**–.—**	**–.—**	**– 0.846**	**– 3.982**		
3. Net gains/losses in equity										
Changes in the fair value from the market valuation of securities	–.—	– 0.677	–.—	–.—	–.—	–.—	–.—	– 0.677		
Currency translation	–.—	–.—	–.—	–.—	–.—	–.—	0.750	0.750		
Sum total net gain/loss	**–.—**	**– 0.677**	**–.—**	**–.—**	**–.—**	**–.—**	**0.750**	**0.073**		

As at 31/12/2006	Assets				Shareholders' equity and liabilities			Total	Transition	
Category	FAHfT	AfS	LaR	Cash	FLHfT	FLAC	No allocation		Not an FI	Financial result
In EUR million										
1. Net gain/loss in the financial result										
Equity valuation of participating interests	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**1.299**	**–.—**
Income from participating interests	–.—	3.091	–.—	–.—	–.—	–.—	–.—	3.091	–.—	3.091
Expenses from participating interests	–.—	– 2.737	–.—	–.—	–.—	–.—	–.—	– 2.737	–.—	– 2.737
Value adjustments	–.—	– 0.377	–.—	–.—	–.—	–.—	–.—	– 0.377	–.—	– 0.377
Result from disposals	–.—	21.318	–.—	–.—	–.—	–.—	–.—	21.318	–.—	21.318
Result of participating interests	**–.—**	**21.295**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**21.295**	**–.—**	**21.295**
Income from other financial assets	2.186	3.834	–.—	–.—	–.—	–.—	–.—	6.020	–.—	6.020
Income from disposals	–.—	0.495	–.—	–.—	–.—	–.—	–.—	0.495	–.—	0.495
Result of other financial assets	**2.186**	**4.329**	**–.—**	**–.—**	**–.—**	**–.—**	**–.—**	**6.515**	**–.—**	**6.515**
Interest income	–.—	–.—	0.814	5.521	–.—	–.—	–.—	6.335	–.—	6.335
Interest income from fair value measurement	–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—
Sum total of interest income	–.—	–.—	0.814	5.521	–.—	–.—	–.—	6.335	–.—	6.335
Interest expenses	–.—	–.—	–.—	–.—	–.—	– 27.623	–.—	– 27.623	–.—	– 27.623
Interest portion in personnel provisions	–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	– 20.728	–.—
Interest expenses from fair value measurement	–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—	–.—
Sum total of interest expenses	–.—	–.—	–.—	–.—	–.—	– 27.623	–.—	– 27.623	–20.728	– 27.623
Net interest	**–.—**	**–.—**	**0.814**	**5.521**	**–.—**	**– 27.623**	**–.—**	**– 21.288**	**– 20.728**	**– 21.288**
Sum total net gain/loss	**2.186**	**25.624**	**0.814**	**5.521**	**–.—**	**– 27.623**	**–.—**	**6.522**	**– 19.429**	**6.522**
Financial result										**– 12.907**
2. Net gain/loss in operating result										
Income from currency gains	–.—	–.—	–.—	–.—	–.—	–.—	2.300	2.300		
Income from the receipt of written-off receivables/release of receivables value adjustments	–.—	–.—	3.180	–.—	–.—	–.—	–.—	3.180		
Currency losses	–.—	–.—	–.—	–.—	–.—	–.—	–1.304	– 1.304		
Value adjustments/write-downs of receivables	–.—	–.—	– 7.897	–.—	–.—	–.—	–.—	– 7.897		
Sum total net gain/loss	**–.—**	**–.—**	**– 4.717**	**–.—**	**–.—**	**–.—**	**0.996**	**– 3.721**		
3. Net gains/losses in equity										
Changes in the fair value from the market valuation of securities	–.—	– 13.749	–.—	–.—	–.—	–.—	–.—	– 13.749		
Currency translation	–.—	–.—	–.—	–.—	–.—	–.—	0.672	0.672		
Sum total net gain/loss	**–.—**	**– 13.749**	**–.—**	**–.—**	**–.—**	**–.—**	**0.672**	**– 13.077**		

The table below shows the analysis of the maturity dates of financial liabiities under IFRS 7 classes.

2007 In EUR million	**Residual term of up to one year**	**Residual term of up to five years**	**Residual term of more than five years**	**Total**
Financial liabilities measured at amortised cost (FLAC)	1 461.608	39.794	46.887	1 548.289
Financial liabilities held for trading (FLHfT)	3.094	0.161	–.––	3.255
	1 464.702	**39.995**	**46.887**	**1 551.544**

2006 In EUR million	**Residual term of up to one year**	**Residual term of up to five years**	**Residual term of more than five years**	**Total**
Financial liabilities measured at amortised cost (FLAC)	1 210.857	28.418	60.651	1 299.926
Financial liabilities held for trading (FLHfT)	0.555	–.––	–.––	0.555
	1 211.412	**28.418**	**60.651**	**1 300,481**

The following schedule of maturities shows how the forecast cash flows of the contractually agreed, not discounted interest and redemption payments in the IFRS 7 category "Liabilities measured at amortised cost (FLAC)" are distributed as per 31 December 2007.

In EUR million	**Total**	**Until 6/2008**	**7–12/2008**	**2009–2013**	**> 2013**
Interest portion	47.993	24.892	0.556	6.088	16.457
Redemption portion	1 548.289	1 271.599	190.009	39.794	46.887
Total	**1 596.282**	**1 296.491**	**190.565**	**45.882**	**63.344**

Information on derivative financial instruments

Derivatives in the context of fair value hedges for commodities futures are used in the BayWa Group as hedging transactions under IAS 39 as well as hedging transactions for interest rate and currency risks in the form of collars, caps and swaps. The fair values are shown in the table below. In the reporting year, losses of EUR 0.346 million were recorded as part of the calculation of fair value in the income statement under other operating expenses.

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

Market value 31/12/2007 In EUR million	**Total**	**Residual term of up to one year**	**Residual term of up to five years**	**Residual term of more than five years**
Assets				
Interest rate hedging transactions	0.935	–.—	–.—	0.935
Commodity and currency hedging transactions	2.675	2.675	–.—	–.—
	3.610	**2.675**	**–.—**	**0.935**
Shareholders' equity and liabilities				
Interest rate hedging transactions	0.161	–.—	0.161	–.—
Commodity and currency hedging transactions	3.094	3.094	–.—	–.—
	3.255	**3.094**	**0.161**	**–.—**

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

(C.22) RISK MANAGEMENT

Principles of risk management
The risk management of the BayWa Group is 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 "Ethical 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 exposed to 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
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. 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 systems 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. They are the core of the risk management systems. The reports are subject to evaluation by the Board of Management and the heads of the various business units. The systematic development of existing and new systems with a built-in early warning component makes an indispensable contribution to strengthening and consistently building up a 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.

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.

The statements on the risks are based on the IFRS 7 standard which provides for allocation to credit risks, liquidity risks and market risks. The explanations are supplemented by other risks.

Credit Risk

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

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

Loans and receivables (LaRs): As part of its entrepreneurial activities, the BayWa Group has an important function as a source of finance for 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 debt monitoring system ensures that risks are kept to a minimum in this business, as well as in other segments of the Group. This is performed through establishing and consistently monitoring credit limits, flanked by a documented approval procedure. Adjustments are made in respect of the residual risk of receivables. 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. The maximum credit risk exposure on the reporting date corresponds to the book value of this class.

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

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

Liquidity risks
The liquidity risk is the risk that the BayWa Group may not – or only to a limited extent – be able to fulfil its financial obligations. Financial funds are generated in the BayWa Group through its operations and borrowings from external financial institutions. In addition, financial instruments such as a multi-currency Commercial Paper Programme or financing in the form of asset-backed securitisation are also used. 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. Detailed information on the financial liabilities of the Group can be found in Notes C.14 to C.17. Owing to the diversification of the sources of financing, the BayWa Group is also not subject to any concentration risk in respect of liquidity.

Market Risks

Macroeconomic 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. After the German economy experienced a strong upswing in 2006, not least owing to upfront buying before the VAT hike, the uptrend persisted into 2007, albeit at a slower pace.

All in all, however, 2008 is expected to see stronger domestic demand which should bolster the upswing. A similar scenario can also be expected for the eurozone. In the international arena, the cooling economy in the USA is likely to leave its mark. It remains difficult to estimate how the turbulence caused by the US subprime crisis will affect international economic development.

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 new prospects. Weather-induced extremes can have a direct impact on trading in equipment, resources as well as products. The effect of climate change will also influence the Group's agribusiness. Global demand for agricultural products, particularly grain, continues to grow. This may give rise to a sustained trend that will continue to have a major impact on pricing. Growth in agricultural income will have a direct impact on the sales of high-end capital goods. In Germany, sector-specific risks in the construction industry were clearly evident following the boom in the wake of German reunification. Surplus capacity and declining demand were the order of the day. A growing uncertainty felt by private investors constrained necessary building measures, particularly homebuilding and residential construction. This long-standing crisis resulted in a phase of market shakeout. However, the exit of competitors from the market also opened up healthy growth opportunities via takeovers and acquisitions. An upturn in the

domestic economy will be reflected in corresponding increases in building activity. Sharp price fluctuations characterise the energy sector and its trade in fossil fuels, especially in heating oil. For the BayWa Group, however, both price risk and currency risk are relatively low owing to “straight-through” trading without large-scale proprietary warehousing and to invoicing in euros.

Foreign currency management/currency risk
Currency risk plays only a minor role as BayWa’s operations are located mainly in the euro-zone. Nevertheless, all foreign currency positions arising from goods and services transactions must always be hedged as and when they arise.

Speculative borrowing or investment of foreign currency funds is prohibited. The exchange of goods and services with Group companies in Eastern Europe plays a wholly insignificant role and does not incur 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 is disclosing currency hedging transactions for Hungarian forint, Czech krona, US dollar and Canadian dollar with a residual term of up to one year.

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

Share price risk
The investment portfolio of the BayWa Group comprises direct and indirect investments in listed companies. They are partly used to hedge pension obligations. An external fund management ensures, via a stable-value clause, that the assets of BayWa Unterstützungseinrichtung 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.

Share price risk sensitivity analysis: Based on a stable value agreement, a value-at-risk approach is applied by external fund management which allows both the risk capital to be calculated accurately at any time and its management. BayWa waives its own calculation of sensitivities and values the maximum possible loss at 1.5 percent of the respective fund volume.

Interest rate risk
The interest rate risk positions result mainly from the issuing of short-dated commercial paper and borrowings. 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, swaps and collars.

Interest rate risk analysis: In the financial year, the average interest rate stood at around 4.5 percent (2006: 3.8 percent). A change in this interest rate of plus 1.0 percent to 5.5 percent would cause interest expenses to rise by EUR 11.797 million, whereas the reverse, i.e. a change in this interest rate of minus 1.0 percent to 3.5 percent, would lead to interest expenses falling by EUR 11.797 million.

Other risks

Regulatory and legal risks

Changes in the regulatory environment can influence the development of the Group. Examples of this are especially government intervention in the framework conditions applicable to the agricultural industry. Negative effects are associated with the reduction or abolition of subsidies. Conversely, new regulatory and legislative developments influencing bioenergy can be viewed as opportunities. In the construction sector, changes to building or fiscal regulations may also have an impact on the performance 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 from payment disputes. BayWa sets up litigation provisions if there is a possibility of an obligation arising and the amount can be adequately estimated. In the individual case, actual utilisation may exceed the reserved amount.

Personnel risk

As regards personnel, the BayWa Group competes with other companies for highly qualified managers as well as able and motivated employees. The Group continues to require qualified personnel in order to secure its future success. Excessively high fluctuation, the "brain drain" and its failure to win junior staff loyalty may have a detrimental impact on business performance.

Aggregate risk

A risk analysis shows that the Group's material risks are market and weather-induced ones. These risks specifically include cyclical price fluctuations and the impact of weather-induced extremes on the business performance. Organisational processes and workflows are supported by an internal control system and thus entail less risk. All in all, the risks of the BayWa Group are limited and manageable and do not pose a threat to the Group. There are also no discernible risks which could endanger the Group as a going concern.

(D.) NOTES TO THE INCOME STATEMENT

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

(D.1.) SALES REVENUE

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

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

The sales revenues break down as follows:

In EUR million	**2007**	**2006**
Goods	7 002.838	7 114.829
Services	224.320	184.943
	7 227.158	7 299.772

(D.2.) OTHER OPERATING INCOME

In EUR million	**2007**	**2006**
Rental income	20.638	18.864
Income from the disposal of assets	19.285	14.696
Income from the release of provisions	15.979	10.511
Reimbursement of expenses	12.346	12.243
Sourcing of employees	6.132	5.425
Advertising allowance	4.722	3.602
Price gains	2.389	2.300
Income from the release of negative differences	–.––	2.267
Other income	29.768	26.789
	111.259	**96.697**

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

(D.3.) COST OF MATERIALS

In EUR million	**2007**	**2006**
Expenses for raw materials, consumables and supplies and for goods sourced	6 182.248	6 210.703
Expenses for purchased services	53.277	52.306
Selling expenses	74.965	70.575
	6 310.490	**6 333.584**

(D.4.) PERSONNEL EXPENSES

In EUR million	2007	2006
Wages and salaries	471.582	466.049
Share-based payment	0.591	0.537
Expenses for pension schemes, maintenance and handling	42.259	41.646
(of which ongoing service cost)	(5.233)	(5.729)
Social insurance levies	72.493	69.354
	586.925	**577.586**

After calculation of the pension provisions under IAS 19, total expenses for old-age pension provisions came to EUR 24.3 million (2006: EUR 24.5 million). Of this amount, a portion of EUR 5.2 million has been disclosed under personnel expenses and a portion of EUR 19.1 million under interest expenses.

Number	**2007**	**2006**
Employees		
Annual average (Section 267 para. 5		
German Commercial Code (HGB))	15.271	15.134
of which jointly held companies	137	131
As per 31 December	16.325	16.249
of which jointly held companies	139	128

(D.5.) OTHER OPERATING EXPENSES

In EUR million	2007	2006
Vehicle fleet	37.396	38.266
Maintenance	34.575	35.118
Advertising	33.444	30.283
Energy	28.475	26.724
Rent	27.601	28.774
Expenses for staff hired externally	19.343	19.670
Information expenses	13.795	13.852
Commission	11.949	15.693
Insurances	10.643	10.813
Costs of legal and professional advice, audit fees	8.158	7.569
Depreciation/valuation adjustment of receivables	7.747	7.897
IT costs	7.719	7.314
Travel expenses	6.670	6.377
Office supplies	6.500	6.424
Other tax	5.841	5.382
Induction and further training	5.174	4.551
Currency-induced losses	3.235	1.304
Loss from the disposal of assets	0.937	1.446
Other expenses	31.862	43.538
	301.064	**310.995**

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 SHARE-HOLDERS

In EUR million	2007	2006
Gain/loss from participating interests recognised at equity	**0.430**	**1.299**
Income from affiliated companies	3.920	1.542
Other income from holdings and similar income	30.078	29.986
Write-downs of financial assets and other expenses	– 3.992	– 3.363
Other expenses from the disposal of financial assets	– 0.010	– 0.355
Other income from shareholdings	**29.996**	**27.810**
	30.426	**29.109**

Dividend is recorded as and when claim to payment arises.

(D.7.) INTEREST INCOME AND EXPENSES

In EUR million	2007	2006
Interest and similar income	6.654	6.335
(of which from affiliated companies)	(0.568)	(0.814)
Interest income	**6.654**	**6.335**
Interest and similar expenses	– 39.305	– 27.252
(of which to affiliated companies)	(– 0.311)	(– 0.212)
Interest portion of finance leasing	– 0.386	– 0.371
Interest portion of the transfers to pension provisions and other personnel provisions	– 20.049	– 20.728
Interest expense	**– 59.740**	**– 48.351**
Net interest	**– 53.086**	**– 42.016**

(D.8.) INCOME TAX

Income tax breaks down as follows:

In EUR million	2007	2006
Actual tax	– 20.023	– 2.899
Deferred taxes	1.343	– 9.498
	– 18.680	**– 12.397**

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

Deferred taxes are formed for all temporary differences between the tax-related assigned value and IFRS values as well as for consolidation measures through profit and loss. Moreover, deferred tax on the assets side of EUR 0.056 million was set off against revaluation reserve in equity without effect on income. 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. These come to EUR 0.3 million (2006: EUR 1.7 million). As part of corporate planning, a time horizon of three years has been assumed here. No deferred tax on the assets side was formed for the loss carryforwards of subsidiaries, which came to EUR 3.2 million.

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. Upon ratification by the German Parliament of the 2008 Corporate Tax Reform Act on 6 July 2007, new tax legislation will come into force in Germany on 1 January 2008. The tax rate of the BayWa Group will be reduced accordingly from 37.42 percent to 28.18 percent. The recalculation of deferred tax of German corporations has resulted in a substantial reduction of taxes on the assets and on the liabilities side on the reporting date. All in all, recalculation has resulted in tax revenue of EUR 0.6 million. There were no significant deferred tax claims on loss carryforwards which would have to be released, with the concurrent effect on income, owing to changes in the tax rates.

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

In EUR million	**Deferred tax assets**		**Deferred tax liabilities**	
	2007	**2006**	**2007**	**2006**
Intangible assets and property, plant and equipment	1.318	0.726	69.779	89.942
Financial assets	14.977	20.433	2.746	5.554
Current assets	1.961	3.362	0.461	0.616
Other assets	0.370	0.262	1.318	0.633
Tax loss carryforwards	0.277	1.746	–.––	–.––
Provisions	57.303	70.909	2.540	4.111
Liabilities	10.881	14.449	0.001	0.001
Other assets	0.439	0.505	0.794	0.794
Consolidation	0.952	2.557	13.199	17.198
	88.478	**114.949**	**90.838**	**118.849**

The actual tax expenses are EUR 15.2 million below the expected amount which would have been incurred if the German corporate tax rate had been applied under the currently prevailing law, plus the solidarity surcharge and the trade tax on the profit of the Group before tax. The mathematical tax rate of 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 trade tax of 15.0 percent.

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

In EUR million	2007	2006
Consolidated result before income tax	**90.501**	**69.803**
Computed tax expense given a tax rate of 37.42 percent	33.865	26.120
Difference against tax rates abroad	– 8.761	– 5.440
Amortisation of goodwill/release of negative goodwill	–.––	– 0.904
Tax not relating to the period	1.433	1.587
Permanent difference changes	– 6.799	1.028
Tax effect due to non-tax deductible expenses	1.477	1.952
Final consolidation effect	0.808	–.––
Tax-exempt income	– 2.939	– 6.093
Changes in the valuation of loss deductions	0.007	2.311
German Tax reform (2006: corporation tax credit/Germany)	– 0.573	– 7.937
Tax effect from equity results	– 0.159	– 0.195
Other tax effects	0.321	– 0.032
Income tax	**18.680**	**12.397**

(D.9.) PROFIT SHARE OF MINORITY SHAREHOLDERS

Profit of EUR 25.8 million (2006: EUR 17.8 million) due to other shareholders is mainly attributable to minority shareholders of the Austria subsidiaries.

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

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

		2007	2006
Net income adjusted for minority interest	In EUR million	46.029	39.619
Average number of shares issued	Number of shares	33 833 957	33 783 060
Basic earnings per share (EPS)	EUR	1.36	1.17
Diluted earnings per share (EPS)	EUR	1.36	1.17
Proposed dividend per share	Euro	0.32	0.30

(E.) OTHER NOTES

(E.1.) EXPLANATIONS ON THE CASH FLOW STATEMENT OF THE BayWa GROUP

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

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

The cash flow from operating activities is calculated indirectly based on consolidated net income. This cash flow is ascertained by adjusting it for non-payment-related expenses (mainly depreciation and amortisation) and income. The cash flow from investing activities is calculated on a payment-related basis and comprises payment-related changes in consolidated non-current assets. The cash flow from financing activities is also ascertained on a payment-related basis and comprises primarily payment-related changes in the financing of operations and 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 figures with the corresponding figures in the consolidated balance sheet is not possible.

(E.2.) EXPLANATIONS ON THE SEGMENT REPORT

Dividing up of operations into segments
The segment report provides an overview of the important segments of the BayWa Group. In accordance with the standards set forth under IAS 14, it is divided up into a primary reporting format by line of business and a secondary reporting format by geographical area. The structure is aligned to internal control operations of the BayWa Group and takes account of the varying risk and earnings structures of the segments and regions.

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

Segment report by business line
The Agriculture segment comprises the Group's activities in agricultural resources and products, as well as in the Fruit operations 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, especially the car dealership business as well as the production and sale of food.

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

Segment Report by business line

	Agriculture	
In EUR million	2007	2006
External sales	**3 330.649**	**2 861.322**
(Year-on-year change in percent)	(16.4)	
Write-downs/write-ups	42.556	41.596
Operating result	74.931	44.132
Financial result	– 28.268	– 18.452
of which: equity result	–.––	–.––
Ordinary profit	46.663	25.680
Assets	1 497.891	1 281.819
Inventories	681.755	495.991
Liabilities	1 118.561	914.864
Investments	37.803	64.372
Employees annual average	6 568	6 607

Segment Report by region

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

Segment Report by region

	External sales		Investments		Assets	
In EUR million	2007	2006	2007	2006	2007	2006
Germany	4 733.070	4 765.897	76.138	109.171	2 075.776	1 942.214
Austria	1 988.822	2 153.335	21.949	24.032	930.619	790.065
Other international operations	505.266	380.540	2.513	6.782	111.608	91.100
Group	**7 227.158**	**7 299.772**	**100.600**	**139.985**	**3 118.003**	**2 823.379**

Building Materials		Energy		Other Activities		Total	
2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
1 676.349	**1 931.679**	**1 788.023**	**2 103.281**	**432.137**	**403.490**	**7 227.158**	**7 299.772**
(– 13.2)		(– 15.0)		(7.1)		(– 1.0)	
31.641	30.766	7.779	7.859	8.495	8.875	90.471	89.096
28.737	28.490	8.872	9.299	0.621	0.789	113.161	82.710
– 15.479	– 13.553	– 2.368	– 0.520	23.455	19.618	– 22.660	– 12.907
0.089	– 0.039	–.––	–.––	0.341	1.338	0.430	1.299
13.258	14.937	6.504	8.779	24.076	20.407	90.501	69.803
864.379	903.271	229.103	227.261	526.630	411.028	3 118.003	2 823.379
194.153	189.844	26.224	28.215	181.103	104.222	1 083.235	818.272
544.034	564.181	194.645	174.976	406.265	385.389	2 263.505	2 039.410
44.445	50.963	7.129	8.409	11.223	16.241	100.600	139.985
6 379	6 214	860	995	1 464	1 318	15 271	15 134

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

On 1 January 2008, BayWa AG acquired all shares in Voss GmbH & Co. KG, Coesfeld, and in Voss GmbH, Coesfeld, as part of a share deal. The company, situated in North Rhine-Westphalia, operates a specialised building materials business and generates annual sales of around EUR 60 million with a workforce of just under 200 employees. Approval by the antitrust authorities of this acquisition is still pending. With its seven Voss locations, the gap in the branch network of BayWa/Küppers between Münsterland and the Ruhr has been closed. Entering into this agreement with Voss is an important step towards winning market leadership in the Ruhr and in Münsterland. The Group is meanwhile represented by a total of 28 building materials outlets in this region.

With effect from 1 April 2008, BayWa AG plans to take over the heating and diesel oil business of Hamburg-based Shell Direct GmbH for the region of Bavaria in the context of an asset deal. Around 70 employees at its sites in Munich, Nuremberg, Augsburg, Würzburg and Bayreuth will transfer to the BayWa Group. The acquisition of the business operations of Shell Direct GmbH at important locations in Bavarian conurbations will open up additional market opportunities for the Group.

With effect from 1 January 2008, BayWa AG took over the assets of Gebrüder Stark GmbH & Co. KG, Aulendorf and Gebrüder Stark GmbH + Co. KG, Ravensburg, as part of an asset deal.

More information on company acquisitions after the reporting date can be found under Note B.5. "Business combinations".

(E.4.) LITIGATION

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

(E.5.) INFORMATION PURSUANT TO SECTION 160 PARA. 1 NO. 8 GERMAN STOCK CORPORATION ACT (AKTG)

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

Pursuant to Section 41 para. 2 in conjunction with Section 21 para. 1 German Securities Trading Act (WpHG), St. Wolfgang Beteiligung GmbH, Vienna, informed the company on 2 April 2002 that the proportion of its voting rights in BayWa AG came to 11.08 percent on 1 April 2002.

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

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), RWA Management, Service und Beteiligungen GmbH, Vienna, informed the company on 18 December 2002 that its voting rights in BayWa AG exceeded the threshold of 10 percent on 10 December 2002 and, at this time, came to 10.14 percent. The voting rights are fully attributable to it pursuant to Section 22 para.1 sentence 1 no. 1.

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), RWA Handel und Vermögensverwaltung reg.Gen.m.b.H, Vienna, informed the company on 18 December 2002 that its voting rights in BayWa AG exceeded the threshold of 10 percent on 10 December 2002 and, at this time, came to 10.14 percent. The voting rights are fully attributable to it pursuant to Section 22 para. 1 sentence 1 no. 1.

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), Capital Research and Management Company, Los Angeles (USA), informed the company on 5 July 2007 that on 29 June 2007 the share of Capital Research and Management Company in the voting rights of BayWa AG had exceeded the threshold of 5 percent and came to

5.006 percent (1,694,935 voting rights) at that time. Of this amount 5.006 percent (1,694,935 voting rights) of the voting rights are attributable to Capital Research and Management Company pursuant to Section 22 para. 1 sentence 1 no. 6. Of these, 1,593,485 voting rights are attributable to Smallcap World Fund, Inc., Los Angeles (USA), which thus holds a proportion of the voting rights of BayWa AG of more than 3 percent.

On 12 November 2007, we were informed by SKAGEN AS, Stavanger (Norway) that the funds of Fonds SKAGEN Global which are under management by SKAGEN AS, had exceeded the threshold of 3 percent of the voting rights in BayWa AG on 9 November 2007 and that the proportion of voting rights at this time came to 3.180 percent (1,076,340 voting rights).

(E.6.) RELATED PARTIES

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

A significant influence within the meaning of IAS 24 is constituted by participation in the financial and operating policies of 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 management and/or supervisory bodies, but also by participation, for instance, 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 refutable supposition of a significant influence is given due to the position of Beilngries-based Bayerische Raiffeisen-Beteiligungs-AG. Evidence can, however, be provided that Bayerische Raiffeisen-Beteiligungs-AG is a pure financial holding, the organisation and structure of which is not in any way designed to exert and influence on BayWa AG. In addition, the Group has not carried out any business transactions in the current year with Bayerische Raiffeisen-Beteiligungs-AG within the meaning of IAS 24 which need to be reported here.

Transactions with related parties are shown in the table below:

In EUR million

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

In EUR million

2006	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

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

Members of the Board of Management or of the Supervisory Board of BayWa AG are members in supervisory boards or board members of other companies with which BayWa AG maintains business relations in the course of normal business. All transactions with the aforementioned companies are conducted applying the terms and conditions which are also valid for third parties.

(E.7.) FEES OF THE GROUP AUDITOR

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

In EUR million	2007	2006
For audits carried out	0.566	0.532
For other certification or valuation services	0.004	0.021
For tax consultancy services	0.004	0.044
For other services provided to the parent company or to the subsidiaries	0.074	0.020

(E.8.) EXECUTIVE BODIES OF BayWa AG

Information on the members of the Supervisory Board, the Cooperative Council and the Board of Management can be found on pages 18 to 25.

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

The remuneration of the Advisory Council amounts to EUR 0.1 million (2006: EUR 0.1 million). The total remuneration paid to the Supervisory Board amounts to EUR 0.3 million (2006: EUR 0.3 million) of which EUR 0.1 million is variable. The remuneration of the Board of Management totals EUR 5.2 million (2006: EUR 6.2 million) and breaks down as follows:

In EUR million	**2007**	**2006**
Total remuneration of the Board of Management	5.242	6.163
of which:		
ongoing remuneration	4.132	4.323
non-cash benefits	0.099	0.065
transfers to pension provisions	1.011	1.775
The ongoing remuneration of the Board of Management is split up into		
fixed salary components	2.504	2.610
variable salary components	1.628	1.713

Payments of EUR 2.9 million (2006: EUR 2.8 million) were made to former members of BayWa AG's Board of Management and their dependents. Pension provisions for former members of the Board of Management and their dependents are disclosed in the amount of EUR 27.6 million (2006: EUR 22.3 million).

Pursuant to Section 286 para. 5 German Commercial Code (HGB), in its meeting of 11 May 2006, the Annual General Meeting resolved that, in the preparation of the financial statements of the Group and of BayWa AG, the information required under Section 285 sentence 1 no. 9 letter a sentence 5 to 9 German Commercial Code (HGB) and pursuant to Section 314 para. 1 no. 6 letter a sentence 5 to 9 German Commercial Code (HGB) in the notes to the financial statement at company and at group level shall be waived in respect of an itemised disclosure of the remuneration of the Board of Management for the financial year 2006 and for the next four years.

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

On 26 March 2008, the Supervisory Board adopted the consolidated financial statements of BayWa AG as at 31 December 2007. The consolidated financial statements will be made available to shareholders and the public on 27 March 2008. They can be downloaded from the company's website at www.baywa.de. The consolidated financial statements are published in the electronic German Federal Gazette and in the Register of Companies.

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

- AHG Autohandelsgesellschaft GmbH, Horb a.N.
- TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, Stuttgart
- BAG BayWa Autohaus GmbH, Bopfingen
- BayWa Handels-Systeme-Service GmbH, Munich
- Wiech Autohandelsgesellschaft mbH, Rottenburg
- BayWa Finanzbeteiligungs-GmbH, Munich

(E.11) PROPOSAL FOR THE APPROPRIATION OF PROFIT

As the company which heads up the BayWa Group, BayWa AG discloses profit available for distribution of EUR 10,833,106.24 in its financial statements as at 31 December 2007 which were drawn up in accordance with German accounting standards (German Commercial Code) and adopted by the Supervisory Board on 26 March 2008. The Board of Management and the Supervisory Board will propose the following use of this amount to the Annual General Meeting on 30 May 2008:

Dividend of EUR 0.32 per share	**EUR 10,833,106.24**

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

(E.12.) GERMAN CORPORATE GOVERNANCE CODE

The Board of Management and the Supervisory Board of BayWa AG submitted the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) on 14 November 2007, and have made it readily accessible to the shareholders on the company's web site under www.baywa.de.

Munich, 29 February 2008
BayWa Aktiengesellschaft
The Board of Management

Wolfgang Deml

Dr. Stefan Bötzel

Klaus Buchleitner

Frank Hurtmanns

Dr. Josef Krapf

Roland Schuler

GROUP HOLDINGS OF BayWa AG AS PER 31 DECEMBER 2007

Name and principal place of business	Share in capital %
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 BayWa Autohaus GmbH (formerly: BAG Autohaus GmbH), Bopfingen	100.0
Bayerische Futtersaatbau GmbH, Ismaning	64.9
BayWa Finanzbeteiligungs-GmbH (formerly: WLZ Raiffeisen Versicherungsagentur GmbH), Munich	100.0
BayWa Handels-Systeme-Service GmbH, Munich	100.0
BayWa Vorarlberg HandelsGmbH, Lauterach, Austria	51.0
BOR s.r.o., Chocen, Czech Republic	92.8
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
Mobau-Marba GmbH, Herten	100.0
Raiffeisen Agrár-Ház 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
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 Kereskedelmi es Logistikai Kft., Kecskeme´t, Hungary	95.6
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
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

Name and principal place of business	Share in capital %
BKN TechnikCenter GmbH, Ulm	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
HERA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna, Austria	51.0
IFS Franchise-Systeme GmbH, Bozen, Italy	51.0
Immobilia plus s.r.o., Chocen, Czech Republic	100.0
Immobilienvermietung Gesellschaft m.b.H., Linz, Austria	100.0
Karl Theis GmbH, Munich	100.0
Lagerhaus Koordinierungs GmbH, Wels, Austria	100.0
Lesia a.s., Stražnice, Slovakia	100.0
Magyar "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
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
VR-LEASING NEMOROSA GmbH & Co. Immobilien KG, Eschborn	94.0
WHG Liegenschaftsverwaltung GmbH, Klagenfurt, Austria	100.0
Ybbstaler Hungaro Kft., Vesprém, 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
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	
Ba-Rie Grundstücksgesellschaft mbH, Landsberg	50.0
Baustoffe Krois GmbH & Co. KG Herne, Herne	45.0
Bautrak GmbH, Münster	25.0
Bavaria-Saat-Zuchtbetriebs GmbH & Co., Stretense KG, Pelsin	22.5
Berner Veterinärprodukte AG, Bern, Switzerland	50.0
BHG Bau-Heimwerker-Garten-Center Landsberg GmbH, Landsberg/Lech	50.0
BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH, Munich	25.0
BRVG Bayerischer Raiffeisen- und Volksbanken Verlag GmbH, Munich	25.0
BVG Beton Vertrieb GmbH & Co. KG, Dortmund	29.7
Chemag Agrarchemikalien GmbH, Frankfurt am Main	30.0
DIYCO Einkaufsgesellschaft mbH, Munich	50.0
H-Ppack cvba, Sint-Truiden, Belgium	50.0
InterSaatzucht GmbH & Co. KG, Munich	40.0
Intersaatzucht Verwaltungs GmbH, Munich	40.0
Kärntner Saatbaugenossenschaft reg.Gen.m.b.H., Klagenfurt, Austria	33.3

Name and principal place of business	Share in capital %
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
MTV Mörtel- & Transportbeton Vertrieb GmbH, Hamm	25.0
Obst vom Bodensee Vertriebsgesellschaft mbH, Oberteuringen	50.0
Raiffeisen- und Volksbanken Touristik GmbH, Munich	25.5
raiffeisen.com GmbH & Co. KG, Frankfurt am Main	30.0
Raiffeisen-BayWa-Waren GmbH Lobsing-Siegenburg-Abensberg-Rohr, Lobsing	22.8
Raiffeisen-Landhandel GmbH, Emskirchen	23.4
Wechselgau, Landwirtschaftliche Ein- und Verkaufsgenossenschaft	
registrierte Genossenschaft mit beschränkter Haftung, Hartberg, Austria	39.0
COMPANIES INCLUDED ON THE BASIS OF SHARES HELD	
ANIMEDICA Group GmbH (formerly: VETINVEST GmbH), Senden	50.0
aniMedica GmbH, Senden	50.0
aniMedica Herstellungs GmbH, Senden	50.0
aniMedica Polska Sp. z o.o., Weijherowo, Poland	50.0
Dr. E. Gräub AG, Bern, Switzerland	50.0
PARTICIPATIONS HELD IN LARGE CORPORATIONS	
Südstärke GmbH, Schrobenhausen	6.5
Equity capital in EUR thousand: 108 140	
Annual net income in EUR thousand: 5 033	
VK Mühlen AG, Hamburg	10.0
Equity capital in EUR thousand: 100 017	
Annual net income in EUR thousand: 7 937	
Deutsche AVIA Mineralöl-Gesellschaft mbH, Munich	12.3
Equity capital in EUR thousand: 7 135	
Annual net income in EUR thousand: 653	

AUDITOR'S OPINION

We have audited the consolidated financial statements prepared by BayWa Aktiengesellschaft, Munich, comprising the balance sheet, the income statement, cash flow statement, statement of changes in equity, statement of recognised income and expense and the notes to the consolidated financial statements, together with the Group Management Report for the financial year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the Group Management Report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and supplementary provisions of the articles of incorporation agreement are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, 11 March 2008

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Steppan	Götz
Certified Public Accountant	Certified Public Accountant

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of BayWa AG has fulfilled the tasks entrusted to it under the law and the Articles of Association. It regularly advised and monitored the Board of Management in respect of its management of the company. In the year 2007, it met four times with the Board of Management to discuss in detail the economic and financial development, on how the individual business units of the company were developing, as well as on finance and investment planning, personnel developments, the risk situation and the ongoing strategic development of the company.

In the intervals between the meetings the Board of Management submitted written reports on the events of special significance. Furthermore, the Chairman of the Supervisory Board was kept informed on an ongoing basis of important developments and impending decisions.

In order to be able to discharge its duties efficiently, the Supervisory Board has set up a total of five committees whose tasks include the preparation of Supervisory Board resolutions as well as the issues to be dealt with. The Supervisory Board‘s decision-making authority was transferred to the committees on a case-by-case basis.

Supervisory Board Chairman Manfred Nüssel and the Supervisory Board members Erna Kurzwarth, Albrecht Merz and Stephan Götzl belong to the Audit Committee. The Chairman of the Committee is Albrecht Merz. The Audit Committee held two meetings in the reporting year. In the presence of the independent auditor, the Chairman of the Board of Management and the Chief Financial Officer, the Committee discussed the financial statements of BayWa AG and the Group, the audit reports as well as the proposal for the appropriation of profit in its meeting on 25 March 2008. Other core tasks of its work included the monitoring of the independence of the external auditor, responsibility for audit assignments, the establishing of key audit areas and the audit fees, as well as the assessment of the risk situation and the risk management system.

Supervisory Board Chairman Manfred Nüssel, Albrecht Merz and Erich Schaller belong to the Board of Management Committee.

The Committee held three meetings in the reporting year. Its activities center around personnel issues relating to the members of the Board of Management and a pre-selection of candidates for the position of Chairman of the Board of Management. Furthermore, the Committee reviewed the remuneration of the members of the Board of Management and gave its approval to external mandates exercised by members of the Board of Management on a case-by-case basis.

In the Supervisory Board meeting held 14 November 2007, the Board of Management Committee was entrusted with the nomination of Supervisory Board members of the shareholders. In this capacity, it puts forwards potential candidates to the Supervisory Board for the latter’s election proposals which it presents to the Annual General Meeting for the granting of Supervisory Board mandates.

Supervisory Board Chairman Manfred Nüssel, Ernst Kauer, Dr. E. Hartmut Gindele, Dr. Christian Konrad, Erich Schaller, Klaus Auhuber and Gunnar Metz belong to the Standing Committee.

The Committee held two meetings in the reporting year. It is mainly concerned with the detailed preparation of Supervisory Board meetings and issues relating to Corporate Governance. In its meeting on 13 November 2007, the Committee was informed in detail by the head of Internal Audit about BayWa's anti-fraud management.

Supervisory Board Chairman Manfred Nüssel and the Supervisory Board members Ernst Kauer, Stephan Götzl, Michael Hülmbauer, Martin Linseisen, Theo Bergmann and Werner Waschbichler belong to the Lending and Investment Committee. The Committee held two meetings in the reporting year. The Committee monitors investment activities and reviews lending activities in line with the authorisations it has been granted.

The Mediation Committee, set up pursuant to Section 27 para. 3 German Co-determination Act (MitBestG), the members of which are Supervisory Board Chairman Manfred Nüssel and members Ernst Kauer, Martin Linseisen and Bernhard Winter, did not have to be convened in the financial year 2007.

The composition of the Supervisory Board and the five committees remained unchanged in the past financial year.

The chairs of the committees reported in detail on the committee work in the Supervisory Board meetings.

The Supervisory Board was involved directly in all decisions of fundamental importance for the company. The measures requiring approval were examined and the requisite resolutions passed, both in the meetings and by way of circular.

There were no conflicts of interests relating to the persons of individual members of the Supervisory Board or its committees.

The Supervisory Board is regularly concerned with matters relating to Corporate Governance which is an important basis for the success of BayWa AG. It regularly reviews the Corporate Governance Code and its implementation. The Declaration of Conformity by the Board of Management and the Supervisory Board of BayWa AG pursuant to Section 161 German Stock Corporation Act (AktG) was approved at the meeting of the Supervisory Board held on 14 November 2007 and has been included in the Corporate Governance Report as well as posted on the web site of BayWa AG for ready accessibility.

The Supervisory Board has also reviewed the efficiency of its own work in the Supervisory Board and in the committees. It regards improving cooperation as a permanent and ongoing process.

The financial statements of BayWa AG and of the Group for the financial year 2007, as well as the Management Report on BayWa AG and on the Group have been audited by Munich-based Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, and were both approved without qualification. The result of these audits were ratified by the Supervisory Board in its meeting on 26 March 2008.

The Supervisory Board has carefully examined the financial statements of BayWa AG and of the Group prepared by the Board of Management as well as the Management Report on BayWa AG and on the Group and discussed them in detail in the presence of the independent auditor. The Supervisory Board ratifies the annual financial statements of BayWa AG both at company and at Group level. Pursuant to Section 172 German Stock Corporation Act (AktG), the financial statements of BayWa AG are hereby adopted.

The proposal of the Board of Management concerning the appropriation of disposable profit with distribution of dividend of EUR 0.32 per share has been reviewed and approved by the Supervisory Board. Upon the final results of the audit, the Supervisory Board sees no reason to raise objections against the management of the company and the financial statements submitted.

On 30 September 2007 and at his own wish, Günther Hönnige ended his activity as a member of the Board of Management to go into retirement. He had been a member of the Board since the business combination with Stuttgart-based WLZ Raiffeisen AG in 2002.

Günther Hönnige will advise the company until further notice in the capacity of a consultant. The Supervisory Board thanks him for his good and trustful cooperation.

In its meeting on 28 March 2007, the Supervisory Board renewed the terms of office of Dr. Josef Krapf and Roland Schuler as members of the Board of Management of BayWa AG until 30 September 2012, and in its meeting on 14 November 2007, it renewed that of Klaus Buchleitner as a member of the Board of Management of BayWa AG until 28 February 2013.

The Supervisory Board would like to thank the members of the Board of Management, the employees and the workforce representatives for their committed work during the financial year 2007.

Munich, 26 March 2008
On behalf of the Supervisory Board

Manfred Nüssel
Chairman

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FINANCIAL CALENDAR/DATES IN 2008

ANNUAL RESULTS PRESS CONFERENCE	27 March 2008, 10.00 a.m., BayWa Building
ANALYSTS' CONFERENCE	28 March 2008, 11.00 a.m., Frankfurt a.M.
FIRST QUARTER FIGURES	8 May 2008, press release
CONFERENCE CALL* ON THE FIRST QUARTER	9 May 2008, 10.00 a.m.
ANNUAL GENERAL MEETING	30 May 2008, 10.00 a.m., ICM, Messe München
PRESS CONFERENCE FIRST HALF-YEAR: SECOND QUARTER FIGURES	7 August 2008, 10.30 a.m., BayWa Building
CONFERENCE CALL* ON THE SECOND QUARTER	7 August 2008, 2.00 p.m.
PRESS CONFERENCE: THIRD QUARTER FIGURES	13 November 2008, 10.30 a.m., BayWa Building
CONFERENCE CALL* ON THE THIRD QUARTER	13 November 2008, 2.00 p.m.

**for analysts*

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BayWa AG

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