Management Report on the Group in the Financial Year 2013

Background to the Group

Summary of Performance

The financial year 2013 represented a milestone for BayWa in the further expansion and internationalisation of the Group. With the acquisition of the Cefetra Group, a Dutch services, logistics and agricultural trading company, and the Bohnhorst Group based in Lower Saxony, Germany, another huge step forward was taken in the internationalisation of business. The BayWa Group's revenues rose by nearly 52% to €16.0 billion, and the operating result (EBIT) once again significantly outperformed the previous year's figure, rising 18.8% to €221.9 million. Net income for the year increased to €121.3 million in the reporting year, a year-on-year increase of 2.8%. This means that the BayWa Group recorded the best result in its history in the financial year 2013. The shareholders of BayWa AG are also to be given the opportunity of participating in this performance. Consequently, the Board of Management and Supervisory Board will put forward a proposal to the Annual General Meeting of Shareholders to raise the dividend to €0.75 per share.

In the Agriculture Segment, all three business units – Agricultural Trade, Fruit and Agricultural Equipment – recorded revenues growth. The Agricultural Trade business unit was able to significantly expand its processing and sales volumes, particularly in the case of grain and oilseed, through the consolidation of the Cefetra Group and the Bohnhorst Group. Revenues in this business unit have more than doubled, increasing by €5.5 billion to €8,886.8 million. The Fruit business unit increased revenue by 21.2% to €567.7 million, above all as a result of good harvests at New Zealand subsidiary Turners & Growers Limited (T & G) and the company's first full-year inclusion in the BayWa Group. In the Agricultural Equipment business unit, sales of 4,855 new sets of machinery marked a new record for tractor sales and boosted revenues by 5.5% to €1,294.0 million. In terms of the operating result (EBIT), all three business units in the Agriculture Segment experienced substantial growth: The Agricultural Trade business unit increased EBIT by 48.2% to €80.4 million, while the Fruit business unit saw its EBIT rise by 20.9% to €21.6 million and the Agricultural Equipment business unit generated an increase in EBIT of 13.5% to €21.4 million. All in all, revenues in the Agriculture Segment rose by €5,696.6 million to €10,748.5 million. EBIT rose by 35.7% to €123.5 million.

In the Energy Segment's conventional energy business, heating oil and fuel sales volumes were slightly down year on year in the reporting year. The decline was predominantly due to lower international sales volumes. Margins developed positively both in the heating business and in fuel trading. Growth generated in the lubricants business exceeded market growth. Sales of wood pellets also increased by a significant margin. Revenues fell on account of prices and sales volumes by 7.0% to €3,010.4 million. By contrast, the operating result (EBIT) rose by 1.3% to €10.6 million, largely as a result of favourable margin development in the heating oil and fuel businesses. The Renewable Energies business sector (BayWa r.e. renewable energy) saw its revenues increase by 10.2% to €485.9 million thanks to strong project business in the financial year 2013, despite a challenging market environment. EBIT improved by 5.9% to €34.5 million. Revenues in the Energy Segment were down by 4.9% year-on-year at €3,496.3 million; EBIT improved by 4.8% to €45.1 million.

The Building Materials Segment recorded a decline in revenues of 2.1% to €1,703.1 million in the financial year 2013, primarily due to unfavourable weather conditions in the first half of the year. The segment's EBIT declined by 23.6% to €27.0 million, as expenses for further optimisation of the sales organisation through reorientating the business unit's regional structure and sites had a negative impact together with weather-related loss of business.

BayWa Group Business Model

Group structure and business activities

BayWa AG was established in 1923 and has its principal place of business in Munich. Through consistent growth and the continual expansion of its scope of services, BayWa has grown from its humble beginnings in agricultural cooperative trading into one of the world's leading trade, services and logistics companies. Its business focus is Europe, but BayWa also maintains important activities in the USA and New Zealand. It also has an international trade and procurement network. The BayWa Group's business activities are divided into three segments – Agriculture, Energy and Building Materials – and encompass wholesale, retail, logistics, as well as extensive supporting services and consultancy. The BayWa Group has registered places of business in 28 countries, either through itself or through Group holdings.

The BayWa Group

2013	Revenues (in € million)	Employees (annual average)
Agriculture	10,748.5	9,038
Energy	3,496.3	1,720
Building Material	1,703.1	4,718
Other Activities	9.7	498
Total	15,957.6	15,974

Three operating segments
The Agriculture Segment traditionally generates the largest share of the BayWa Group's revenues. In the financial year 2013, this segment's share in consolidated revenues was boosted further to roughly 67% as a result of the recent acquisitions of the Cefetra Group and the Bohnhorst Group. In the agriculture sector, BayWa is becoming increasingly important worldwide through the expansion of its business. The company is also one of Europe's largest full-line suppliers. In its Agricultural Trade business unit, BayWa collects, stores and sells plant-based products and trades in agricultural resources such as seed, fertilisers and crop protection as well as feedstuff for animal husbandry. Through its subsidiary Cefetra, BayWa serves the whole value chain in grain and oilseed trading as a supply chain manager offering procurement, logistics and sales services. BayWa's Fruit business unit has established itself as an important full-line supplier to the food retail and wholesale industry in Germany. Subsidiary Turners & Growers (T & G) is one of New Zealand's leading fruit suppliers and also serves parts of the Asian market and South America. Through the reciprocal marketing of products between Germany and New Zealand, BayWa is in the position to provide partners in the retail industry with fresh merchandise all year round. The Agricultural Equipment business unit operates as a full-line supplier of agricultural equipment for farming and forestry operations, municipalities and commercial customers. For products made by AGCO and CLAAS, this business unit is the world's largest sales partner and it maintains a closely linked network of in-house workshops that are tailored to manufacturer brands.
The range of workshop services is also complemented by mobile service vehicles to provide maintenance and repair services, supply replacement parts and trade in used machinery.

In the financial year 2013, the Energy Segment accounted for around 22% of consolidated revenues. The segment's business activities are divided into conventional energy business and the BayWa r.e. renewable energy business sector. In its conventional energy business, BayWa predominantly sells heating oil, fuels, lubricants and wood pellets in Bavaria, Baden-Württemberg, Hesse, Saxony and Austria. The activities of BayWa r.e. renewable energy comprise trading in photovoltaic components as well as planning, building and selling turnkey wind power, photovoltaic and biomass plants. This business sector has been internationally oriented right from day one, as BayWa pursues a double diversification strategy in order to reduce reliance on certain national markets and respective renewable energy sources. In the financial year 2013, BayWa r.e. renewable energy expanded its activities in Switzerland and Denmark. BayWa is now represented in all major European markets as well as in the USA: a total of 13 countries.
Approximately 11% of consolidated revenues are attributed to the Building Materials Segment. This segment primarily comprises business activities in the building materials trade and providing support to franchise partners in the building materials trade as well as in DIY and garden centres in Germany, Austria and Luxembourg. With a total of 195 locations, the BayWa Group is Germany's number two in the building materials trade and ranks among the leading suppliers in Austria with some 30 sites. The number of franchise locations is currently 1,360.

BayWa AG heads up business operations in three segments, both directly and through its subsidiaries, which are included in the group of consolidated companies. Besides parent company BayWa AG, the BayWa Group comprises 239 fully consolidated companies. Furthermore, 26 companies were included at equity in the financial statements of BayWa.

Services, products and business processes
In the Agriculture Segment, BayWa covers the entire agricultural industry as a full-line supplier in its Agricultural Trade, Fruit and Agriculture Equipment business units. BayWa's Agricultural Trade business unit supplies farmers with operating resources throughout the entire agricultural year and collects, stores and sells harvested produce. For its harvesting activities, BayWa maintains a dense network of high-performance locations with significant transport, processing and storage capabilities that ensure seamless goods delivery, quality assurance, processing, correct storage and handling of agricultural products. For its trading activities, BayWa possesses a global network for the procurement and marketing of produce, which comprises both inland and deepwater ports. BayWa sells products to local, regional and national companies in the foodstuff, wholesale and retail industries through its in-house trade departments. In the case of grain and oilseed, the business has a significant international orientation.

In Germany, BayWa's Fruit business unit is a leading supplier of of dessert fruit to the food retail industry, the largest single seller of dessert pome fruit and the largest supplier of organic pome fruit. Furthermore, BayWa also collects, stores, sorts, packages and trades fruit for customers in Germany and abroad as a marketer under contract at its ten sites. As a market leader in the New Zealand fruit business, subsidiary T & G has extensive trading links to Asia and South America. Thanks to the acquisition of T & G, BayWa is in the position to provide food wholesalers and retailers with fresh fruit the whole year round, expand its product range and seize additional sales opportunities for German fruit in international high-growth markets.

The Agricultural Equipment business unit offers a full line of machinery, equipment and facilities for all areas of agriculture. Aside from tractors and combine harvesters, the range of machinery also includes versatile municipal vehicles, road-sweeping vehicles, mobile facilities for wood shredding and forklift trucks for municipal services and commercial operations. The range on offer for forestry extends from large machinery and equipment such as forestry tractors, wood splitting and chipping machinery, forest milling cutters and mulchers, cable winches, road and path construction machinery right through to small appliances such as chainsaws and brush cutters and the necessary protective clothing. Moreover, servicing machinery and equipment is guaranteed through a large network of workshops.

BayWa's conventional energy business consists of selling fossil-based and renewable heating materials, fuels and lubricants. In the heating business, heating materials are primarily sold through in-house sales offices. Diesel and Otto fuels are sold through over 278 of the Group's fuel stations. In addition, supplies are delivered to the fuel station chains operated by partner companies and wholesalers. BayWa sells lubricants to customers in agriculture, metal-processing trades and industry. BayWa is a market leader for environmentally friendly plant-based lubricants.

Under the umbrella organisation of BayWa r.e. renewable energy, the Group covers the entire value chain when it comes to renewable energy, from planning, development, design and trade to services for the operation of plants in the wind power, photovoltaic and biomass sectors. Moreover, operating resources and services are also offered for wind power, photovoltaic and biomass facilities. This business sector is currently represented in twelve countries around Europe as well as in the USA. By consolidating various affiliates under the umbrella brand BayWa r.e. renewable energy and setting up a clear business structure in the wind power, photovoltaic and biomass sectors, the foundations have been laid to eliminate overlapping activities, take advantage of synergies and thus participate in the anticipated market growth.
In the building materials trade, BayWa mainly caters to the needs of small and medium-sized companies, tradesmen, commercial enterprises and municipalities. Private building companies and house owners are also important customers. The key success factors in this business are physical proximity to the customer, the product mix and the advisory services. BayWa takes these factors into account with a targeted focus on its customer groups when it comes to sales and customer consulting services. In the case of conventional construction materials, being close to the customer is a significant competitive advantage. However, at the same time, the cost of transporting heavy or bulky construction materials with relatively low added value necessitates excellent location structures and optimum logistics.

Sales markets and competitive position
In agricultural wholesale and retail, BayWa is one of Europe's leading companies and, through its international activities, has developed into one of the world's most important trading partners. In its traditional markets, BayWa is anchored in agribusiness as part of the agricultural cooperatives trading structure, where it also has its roots. In Germany and Austria, this business is focused on a variety of regions on account of historical

structures. BayWa has over 1,000 sites, which form part of an extensive and dense network in its regional markets, particularly in Bavaria, Baden-Württemberg, Lower Saxony, Mecklenburg-Vorpommern, Thuringia, Saxony and southern Brandenburg, as well as across the whole of Austria. Through its Austrian subsidiary RWA Raiffeisen Ware Austria AG, BayWa maintains close business relationships with roughly 480 cooperative warehouses in Austria. Numerous privately owned mid-sized trading enterprises, mainly operating locally, make up the competitive environment for agricultural products and agricultural equipment. In contrast, there are a number of wholesalers operating nationwide that offer equipment and resources. All in all, BayWa has established a significant market position for itself in agricultural trading in Germany and Austria. Through the Cefetra Group from the Netherlands and the Bohnhorst Group based in northern Germany, BayWa has expanded its international grain trading activities by a considerably margin. In international terms, BayWa is one of the ten largest agricultural trading companies in the world with access to supplies in both the northern and southern hemispheres. It supplies customers from the UK and Ireland, the Netherlands and Belgium and as far as Eastern Europe and the Balkans. The fruit business was also given a greater international orientation through the acquisition of T & G. The sales structures of T & G and its affiliates offer the potential to open up additional sales markets, particularly in Asia.

In its conventional energy business, BayWa is active principally in southern Germany and Austria, where it has a good market position. The competitive environment is fragmented, and it is shaped mainly by mid-sized fuel traders. In addition, the large mineral oil trading companies also operate in this market. Having developed over time, there is now a close connection with agribusiness, as farmers are among the largest customer groups. The market for renewable energies is a regulated market where energy is produced and fed into the grid at prices set by the government. Developments in the market are therefore largely determined by changes in the structure and size of state subsidies. BayWa is well diversified, both in terms of its products and in its geographical locations, firstly through its offering in the three areas of wind energy, photovoltaics and biomass, and secondly through its activities in Germany, Denmark, France, Greece, the UK, Italy, Austria, Poland, Romania, Switzerland, Spain, the Czech Republic and the USA.

Being active in local markets and maintaining close contacts with commercial customers is of key importance for success in the building materials trade. The building materials market is strongly fragmented both in Germany and in Austria. In Germany, there are around 784 companies in total with some 1,983 sites specialised in the building materials trade. The majority of these are small or medium-sized enterprises, which often join forces in the form of procurement groups and similar organisations. With 195 sites, BayWa takes second place in the German building materials industry and enjoys a strong market position in many regions. It is also on a strong footing in the most attractive regions of the Austrian market thanks to 30 sites of its own and an extensive network of franchise partners in the building materials sector. Moreover, BayWa is also active on a regional scale in DIY and garden centres in Austria. In Germany, Austria, Italy and Luxembourg, BayWa also operates as a franchiser in DIY and garden centres through Group holdings.

Fundamental legal and economic factors of influence

The Group's Agriculture Segment is strongly influenced by natural phenomena such as the weather and the effect these phenomena have on harvests. These factors have a direct impact on the offering and pricing in the markets for agricultural commodities and natural products. Globalisation means that international developments – such as periods of drought or failed harvests in other parts of the world or changes to exchange rates and transport prices – increasingly affect price development in regional markets This also applies to the extent to which the price trends of individual agricultural commodities influence one another. Moreover, agricultural commodities have also become more important as an asset class. When added together, these factors can lead to a substantial rise in price volatility. Finally, changes in the legal framework conditions, especially in the field of renewable primary products and renewable energies, can trigger considerable adaptive reactions in the markets trading agricultural products. Similarly, regulations, for instance those issued by the EU, exert a major influence on pricing and structures in a number of relevant markets.

The conventional energy business is mainly shaped by volatile price trends in the crude oil markets. The prices of fossil-based heating materials, fuels and lubricants are also subject to considerable fluctuations, which affect the demand for these products. In the case of renewable energies, rising prices for fossil-based fuels generally result in stronger demand. The sale of biodiesel, however, depends to a great extent on fiscal framework conditions and political decisions regarding blending quantities with traditional petroleum. In Germany, the structuring of subsidies in the German Renewable Energies Act (EEG) is a major factor influencing demand for wind power, photovoltaic and biomass plants, as the profitability of these plants is determined by the statutory feed-in tariffs. Similar subsidy mechanisms usually exist in foreign markets. Furthermore, regulatory intervention in free trade also influences prices for systems components. Changes to relevant legislation can therefore have significant effects on investments in renewable energy.

Changes in the economic and political environment in particular may have a positive or negative effect on the Building Materials Segment, especially in the case of subsidy programmes concerning energy-efficient renovation and residential construction. The development of the building materials trade generally follows overall building activity. Civil engineering and road construction depend on public-sector spending. In the area of private construction, incentives such as government subsidies for renovation or refurbishment measures, favourable interest rates for financing, and changes in the feed-in tariffs for electricity generated by photovoltaic plants play a major role in investment decisions. In addition, manifold regulations influence general investment propensity levels and the demand for certain products: construction laws and construction directives, such as energy conservation directives or the introduction of energy certification for buildings, construction approvals, public procurement law, as well as directives on fire and noise insulation are of particular significance.

Management, monitoring and compliance

BayWa is an Aktiengesellschaft (stock corporation) under German law with a dual management structure consisting of a Board of Management and a Supervisory Board.

As at 31 December 2013, the Board of Management consisted of five members: Prof. Klaus Josef Lutz (Chairman, responsible for the Fruit business unit), Andreas Helber (responsible for Finance and the Building Materials segment), Dr. Josef Krapf (responsible for the Agricultural Trade business unit), Roland Schuler (responsible for the Energy Segment and the Agricultural Equipment business unit) and Reinhard Wolf (responsible for RWA Raiffeisen Ware Austria AG). The Board of Management is solely responsible for managing the company with the primary aim of increasing its value over the long term.
The BayWa AG Supervisory Board consists of 16 members. It monitors and consults the Board of Management in its management activities and regularly discusses business development, planning, strategy and risks together with the Board of Management. In accordance with the German Co-determination Act (MitbG), shareholder and employee representatives also sit the Supervisory Board of BayWa AG to ensure co-determination on the basis of parity. The Supervisory Board has formed six committees in order to boost efficiency.

Cooperation between the Board of Management and the Supervisory Board and on corporate governance at BayWa AG is detailed in the Supervisory Board report and the corporate governance declaration.

The new Compliance organisational unit has a preventative function and aims to protect employees and the company as a whole from legal violations relating to antitrust law and corruption. The Chief Compliance Officer reports directly to the Chief Financial Officer. In addition, each business unit has a separate compliance officer. The Compliance organisational unit draws up clear guidelines on the aforementioned issues and communicates the content of these guidelines by means of comprehensive training courses. It is also responsible for developing the compliance management system and provides company employees with a wide range of information and consultancy services. Against the backdrop of the increasing complexity of legislation and regulations, Compliance focuses on preventing corruption and breaches of antitrust law. Data protection and data security are ensured through independent functions. Data protection is managed by the Data Protection Officer; an IT Compliance Manager has been appointed to manage data security.

Corporate goals and strategy

As a partner to its customers, BayWa intends to ensure that the company is fit for the future and independent. Its corporate governance is oriented over the long term and shaped by the company’s responsibility towards customers, employees, other stakeholders and the company as a whole. The environment and the markets in which BayWa operates are subject to wholesale changes. In order to reinforce its position and expand its presence by carving out market opportunities, BayWa acts with entrepreneurial foresight while remaining decisive, quick-thinking and flexible. The internationalisation of the company’s business activities represents a central strategic thrust: Through targeted acquisitions, the development of new business areas and organic growth in agricultural trade, fruit, agricultural equipment and renewable energies, BayWa has succeeded in entering new corporate dimensions over the past few years. The acquisitions of Turners & Growers, the Cefetra Group and the Bohnhorst Group were important milestones on this journey. Internationalisation forms the key foundations for the growth that reinforces BayWa's competitive position and opens up new markets. Other focuses include expanding digital offerings and strengthening the BayWa umbrella brand.

BayWa continually analyses its business portfolio – comprising the Agriculture, Energy and Building Materials Segments and their respective business units and business sectors – in view of future growth and earnings potential. Another important aspect is the further improvement of the business risk profile. The increasing internationalisation of business activities reduces reliance on individual national markets; the development and expansion of the Renewable Energies business sector has seen BayWa expand its business portfolio in a brand-new, profitable area. At the same time, BayWa systematically pursues the strategy of restructuring, adapting or disposing of any business activities with insufficiency growth and/or earnings prospects. For example, by mid-2014, it intends to withdraw its building materials business from regions in which growth has failed to meet expectations over the past few years. BayWa has been counteracting the structurally driven decline in demand for heating oil for years by acquiring smaller competitors; in order to expand its market position moving forward, BayWa is also considering a corporate partnership under BayWa stewardship.

Strengthening the market position, boosting revenues and optimising the business portfolio all serve the same goal: increasing the profitability of business activities. The consolidation of the newly acquired companies opens up a wide range of business opportunities and therefore also earnings opportunities. Revenue growth can generate economies of scale, such as in procurement through the pooling of procurement volume, which leads to more favourable purchasing conditions. The continual improvement of cost structures has always been a core element of the BayWa strategy. The focal point here is on optimising the network of sites, structuring processes efficiently, intensifying the use of existing sales structures and strengthening cooperation between Group companies at an operating level. Continuous development of the Group risk management system is aimed at mitigating risks and minimising risk costs.

The rapid development of the BayWa Group is accompanied by a solid and proactive financing strategy. It is shaped by the caution traditionally exercised by companies in the cooperative and agricultural sectors, but also takes into account the changing requirements of an established international Group. In its corporate financing, BayWa puts its faith in tried-and-tested, reliable partners in the cooperative federation. Furthermore, it makes sure that there is sufficient diversification in terms of financing sources, so as to guarantee its independence and limit risks. Efficient working capital management is of key important at the BayWa Group. This includes the planning, management and optimisation of working capital as a net figure for current assets less current liabilities. BayWa aims to maintain a balanced capital structure. The target equity ratio stands at 30%, but can be temporarily breached when taking advantage of growth opportunities.

Control system

Strategic controlling is carried out through value-oriented corporate governance and integrated risk management. Operating benchmarks, primarily the key earnings figures EBITDA, EBIT and EBT, form the primary basis for short-term operational management and control of the business units.

The value-driven management approach supports the medium- and long-term streamlining of the portfolio and the strategic improvement of capital allocation within the Group. This approach shows whether the ratio between the operating profit achieved and the risk-adjusted cost of capital is appropriate, i.e. whether the segment has earned its cost of capital. Return on average capital invested in the segments is calculated by applying the weighted average cost of capital (WACC) model. The return on invested capital (ROIC) of the segments is then measured against the respective cost of capital. There is economic profit if the return on invested capital is higher than the cost of capital specific to each business unit. The development of an efficient risk management system is particularly important in safeguarding long-term economic success, especially in international business. The risk management system is monitored and managed by a Risk Board established in 2009 and headed up by the Chief Executive Officer.

Financial Report

Macroeconomic and industry-related framework conditions

Macroeconomic development

The global economic climate improved successively over the course of 2013. Industrial nations also contributed to the upswing towards the end of the year. Growth in emerging markets accelerated significantly in the second half of the year. However, according to the German Institute for Economic Research (DIW Berlin), overall economic growth in 2013 remained subdued at 3.0% (2012: 3.1%).

In the euro zone, economic output fell in 2013 for the second year in succession. That being said, according to DIW Berlin, there has been a slowdown in decline with gross domestic product only falling by 0.4% (2012: -0.6%). Provisional calculations by the Federal Statistical Office show that macroeconomic output in Germany rose by 0.4% (2012: 0.7%) in 2013. As in the previous year, Germany remained at the top of the euro zone. However, economic development in Germany was also hampered by continued recession in some countries in southern Europe. As a result, export growth declined considerably to 0.6%. Investing activities were down 0.8% year on year. By contrast, a 0.9% increase in consumer spending and a 1.1% rise in public-sector spending contributed more strongly to economic growth than in 2012.

In Austria, macroeconomic growth fell from 0.6% in 2012 to 0.3% in 2013 according to figures published by the Austrian Institute of Economic Research (WIFO). The 0.1% decline in consumer spending as well as the 1.4% year-on-year decrease in capital investments made a particular contribution to the slowdown in economic growth.

Trends in the agriculture sector

Prices for agricultural products remained at a relatively high level in Europe in 2013. In Germany, the producer price index for agricultural produce saw a year-on-year increase of just under 3% at the end of the third quarter. However, the prices of certain products – above all grain and oilseeds – saw a substantial decline in the second half of the year. As harvest yields were higher than expected, the price of grain, for example, was down by approximately 25% year on year and the price of rapeseed down by roughly 27% at the end of the third quarter of 2013. The harvest yield for the 2013/14 grain year is expected to rise by 7.8% worldwide to 2,432 million tonnes, after production in harvest year 2012/13 was down 2.5% year on year at 2,256 million tonnes. The 2013 grain harvest in Germany was also up on the long-term average at 47.4 million tonnes, a year-on-year increase of 4.4%.

In the dairy industry, production volumes in the European Union (EU) were once again up on the already impressive previous year’s figures. Milk production in Germany rose by just under 2% in 2013. At the same time, milk prices across the EU rose by some 18% year on year as exports remained at a high level due to increasing global demand for dairy products. In Germany, milk prices in 2013 rose on average by 17% after a significant decline in 2012. Global meat production in 2013 rose by approximately 1.4%. In Germany, however, meat production remained at roughly the same level as in 2012. The share of domestic production attributed to pork rose to just under 60%; the share of poultry also increased to around 20%. By contrast, beef production fell to around 14% of total meat production.

Prices for agricultural operating resources were varied in 2013. On average, energy prices in 2013 were slightly higher than in 2012 – although they were subject to less fluctuation. The fertiliser price situation relaxed in 2013 after successive price increases in previous years. Despite a 4.5% rise in demand, prices for calcium, nitrogen, potassium and phosphate fertilisers were lower at the end of 2013 than at the start of the year. Prices of crop protection materials, where sales rose by some 6% as result of weather conditions and cultivation activities, only rose by a moderate margin. In terms of feedstuff, prices for mixed and staple feed decreased significantly up to the end of the third quarter of 2013 after a major increase in 2012. The only prices to increase were those for corn silage, which rose by some 7% as a result of poor harvest in Germany caused by bad weather conditions. Overall, costs for operating resources rose by some 1%. In calendar year 2013, the German agricultural industry’s net value added was down by around 3% year on year at €15.3 billion (2012: €15.8 billion). After an approximately 20% year-on-year increase in net value added per worker to €29,300 in 2012, operating income per worker fell in 2013 by 1.8%. However, at €28,800, this figure remained at a high level.

In terms of fruit growing, the cool, wet weather in Germany during the blooming and fruit-set periods led to below-average harvests for almost all fruit types. The German apple harvest, for instance, dropped by approximately 17% year on year to 802,000 tonnes in 2013 and fell significantly short of the 1 million tonne mark, considered a normal harvest. By contrast, the EU harvest increased by roughly 7% year on year to 10.8 million tonnes. However, EU harvest volume is also down on the long-term average. Supply shortages were reflected in rising fruit prices, meaning that fruit growers' sales proceeds improved year on year. In New Zealand, fruit harvest in 2013 remained at the same level as in 2012 in terms of size. On account of the ideal weather conditions during ripening, the fruit was of above-average quality, which was reflected in positive sales results. Good to very good harvests were also achieved for apple varieties Jazz™, Pacific Rose™ and Envy™.

The ongoing positive revenue and income situation at the majority of agricultural operations continued to have a positive impact on agricultural equipment investments in 2013. In addition, the relatively solid price level for most agricultural products represents a major incentive to increase productivity. In terms of gross value added per worker, the German agricultural sector increased productivity by 86% between 1992 and 2012 according to the latest report published by the German Farmers' Association (DBV).

By contrast, the number of agricultural operations in Germany fell by 33,400 or 10.4% to 288,200 between 2007 and 2012. This equates to an annual decline of 2.2%. In the same period, the average area of land under cultivation increased by 48.5 hectares to 57.8 hectares per agricultural operation. The growth threshold now stands at roughly 100 hectares of agricultural land per agricultural operation: Under this threshold, the number of agricultural operations is declining, while the number of operations with more than 100 hectares of agricultural land is increasing. This trend is also contributing to an increased level of mechanisation in agriculture. At the end of the third quarter of 2013, total revenues in the German agricultural equipment sector rose by 9.4% year on year, setting a new record at €6.6 billion. Tractor sales recorded particularly strong growth of 15.9%, while agricultural machinery sales rose by just 4.2%.

Trends in the energy sector

The price of crude oil in 2013 remained in the range between USD97 and USD116 per barrel. The average price remained at a similar level to 2012 at just under USD106 per barrel – although the range of price fluctuation was significantly lower. By contrast, the price of heating oil was below 2012 levels almost throughout 2013. The heating business profited from this with a 6.4% rise in heating oil sales in 2013. Total fuel sales increased by 2.1% in 2013. While the sales of Otto fuels remained stable year on year, diesel fuels sales rose by some 3%. In the case of lubricants, the positive economic climate was of particular benefit to the metal-processing industry and mechanical engineering in Germany, which saw sales rise by 2.4%.

The large-scale global expansion of renewable energies continues at a fast pace. According to a report published by the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety halfway through the year entitled "Renewables Global Status Report 2013", renewable energies covered approximately 19% of global energy consumption in 2012. Investment in renewable energies stood at roughly USD244 billion. Just under half of total investment was made in developing and emerging markets. Solar power plant capacity expansion in 2013 is estimated at roughly 35 gigawatts (GW) worldwide, equating to growth of approximately 13%. According to the Federal Energy Regulatory Commission (FERC), installed output of solar power plants in the USA had almost doubled year on year to 1.9 GW by the end of the third quarter of 2013. By contrast, provisional figures suggest that solar power plant capacity expansion in Europe in 2013 more than halved. The reason for this trend is the tense budgetary situation, particularly in southern European countries, which is leading to drastic cuts in renewable energy subsidies. In Germany, new solar power systems with a capacity of roughly 3.3 GW were installed in 2013, after 7.6 GW in 2012; this figure was within the range targeted by policymakers in terms of capacity expansion of between 2.5 GW and 3.5 GW. This trend is due to the monthly 1.0% reductions in feed-in tariffs that have been in place since May 2012 as well as the flexible cap that was introduced in November 2012. Under the flexible cap, feed-in tariffs are increased or decreased every three months depending on the level of capacity expansion. In addition, the Europe-wide introduction of punitive tariffs on Chinese solar modules has had a negative impact since the summer of 2013.

In terms of wind power plants, the World Wind Energy Association (WWEA) anticipates further growth in installed capacity in 2013 of just under 13% to approximately 318 GW. As a result, the rate of growth has fallen by just under 19% year on year. Fewer new wind power plants in the USA, which recorded a record volume of 13 GW in the previous year, is one of the factors behind this change. Here, uncertainty over whether tax incentives for the wind industry, the so-called Production Tax Credit (PTC), would be extended for 2013 led to general caution in the planning of new plants. In Europe, the largest markets for wind power plants are Germany, Spain, the UK, Italy and France. The UK recorded particularly strong growth with capacity expansion of 1.3 GW in the first half of 2013, most of which was attributed to the commissioning of large offshore plants. In Europe, investment in wind power was 20% to 30% down on the 2012 investment volume. This was mainly due to cutbacks in subsidies in southern European countries. By contrast, the expansion of onshore wind power plants in Germany reached the highest level seen in the past decade with a year-on-year rise of 29% to just under 3.0 GW. Total installed output increased in 2013 by 8.8% to 33.7 GW.

The subsidisation of biomass plants was regulated extensively in the German Renewable Energies Act (EEG) in 2012: Plant operators receive a staggered feed-in tariff for generated electricity depending on the size of their plant. Furthermore, incentives were introduced to increase energy efficiency and to intensify the use of biogenic residual and waste materials in lieu of corn, and the so-called “heat-power coupling bonus” was increased considerably. New plants with an output of over 5 megawatts (MW) were only eligible for EEG subsidies for electricity generated in heat-power coupling systems, in order to increase the percentage of these plants. Lastly, producers of biogas to be fed into the public grid received a gas treatment bonus. These regulations and uncertainty in the industry caused by the so-called brake mechanism for electricity prices mean that the number of new biomass plants in Germany fell by around 40% to 205 in 2013. Installed output may have increased by approximately 194 MW to 3,547 MW, but this rise is primarily due to the repowering of existing plants.

Trends in the construction industry

The German construction industry was hampered in the first half of 2013 by the prolonged winter and unfavourable weather conditions. However, investment in residential construction – boosted by an increasing number of building permits – rose over the year by 0.3%. The proportion of residential construction increased further to 58.7% of overall construction investment in 2013 (2012: 58.3%). In contrast, investment volume in non-residential construction fell by 1.7%. The decline was due to the 2.2% fall in commercial investment, while public-sector building recorded a slight increase of 1.0%. Investment in civil engineering also fell slightly year on year, recording a decline of 0.3%. With a decrease of 0.6%, public-sector construction investment fell more sharply than commercial investments, which only fell by 0.1%. Overall, construction investment in 2013 was 0.3% down year on year in real terms.

In Austria, there was a notable loss in growth momentum in 2013 over the course of the general downturn in the economic climate, as well as in the construction industry. However, with an increase of 0.5% in real terms, construction investment outperformed the economy as a whole. Austrian residential construction saw above-average development: The 2.0% rise is primarily due to a population increase and – particularly in metropolitan areas – an increase in the number of households as well as the relatively favourable situation on the employment market. In addition, the rise in property prices also had a positive impact on investment in new residential units. By contrast, other construction activities and civil engineering decreased.

Business development

Development of the Agriculture Segment in 2013

In the Agricultural Trade business unit, the revenues of the BayWa Group generated through agricultural produce and operating resources rose by €5,529.9 million or 164.7% to €8,886.8 million in the financial year 2013. The increase in revenues is largely due to the significant rise in sales volume as a result of the initial consolidations of the Cefetra Group and the Bohnhorst Group in 2013. This caused grain and oilseed turnover to almost quintuple in the reporting year from 5.4 tonnes in 2012 to roughly 25.5 million tonnes in 2013. „However, a year-on-year decline in sales prices had an offsetting effect.” At just under 2.1 million tonnes, fertiliser sales went up by 5.9%, while prices fell on average by 5.5%. At 2.5 million tonnes, sales of feedstuffs increased approximately 6.8% year on year with falling prices. In terms of seed, sales were down 6.5% year on year despite prices remaining stable due to changes to the product range. EBITDA (earnings before interest, tax, depreciation and amortisation) in the Agricultural Trade business unit improved considerably by €29.6 million or 36.5% to €110.6 million. Depreciation and amortisation fell to a lesser extent than EBITDA by

€3.4 million, or 12.7%, to €30.2 million, meaning that EBIT (earnings before interest and tax) increased year on year by 48.2% or €26.2 million to €80.4 million. At €-22.3 million, net interest rose by €1.2 million from €-23.5 million in 2012. All in all, earnings before tax of the Agricultural Trade business unit in 2013 rose by €27.4 million, or 89.0%, to €58.1 million year on year.

The Fruit business unit increased total revenues by €99.3 million or 21.2% to €567.7 million in 2013. Revenues growth in this business unit was mainly due to the full-year consolidation in the reporting year of the business of Turners & Growers Limited (T & G) in the BayWa Group, while, in the financial year 2012, T & G was only consolidated for the period between April and December. Total fruit sales of the BayWa Group rose by 0.7% year on year. Higher sales volumes in New Zealand were offset by a considerable decline in sales volumes in Germany. EBITDA rose by €6.0 million, or 21.3%, to €33.9 million. At 22%, depreciation and amortisation of €12.3 million rose more sharply than EBITDA, resulting in an increase in EBIT of €3.7 million or 20.9% to €21.6 million. Financial expenses went up from €1.2 million to €4.2 million. This rise mainly reflects the financing of the increase in T & G's working capital. Earnings before tax of the Fruit business unit grew by €2.6 million or 17.2% in the financial year 2013 to €17.4 million.

Business in tractors and other agricultural machinery profited from the continuously positive income situation of farmers, the high level of orders on hand from 2012 and the implementation of the two-brand strategy with CLAAS and AGCO. Tractor sales rose by 4.2% to a new record of 4,855 new sets of machinery. All in all, revenues in the Agricultural Equipment business unit increased by €67.3 million, or 5.5%, to €1,294.0 million in 2013. EBITDA improved to a greater extent than revenues by 13.4%, or €4.0 million, to €34.0 million. The sharper increase as compared to revenues was due to the decline in follow-up costs from the development of the CLAAS business structure, which had a strongly negative impact in 2012. Depreciation and amortisation increased by €1.5 million to €12.6 million in 2013 due to the high investment volume in the previous year. This resulted in an increase in EBIT by 13.5% or €2.6 million to €21.4 million. Financing costs fell in the reporting year by €1.9 million to €9.8 million. This decline – in spite of an increase in the sales of new machinery – was caused by advance sales in connection with the change in production of one tractor manufacturer as well as an increased amount of machinery in inventories at the end of the year leading to a rise in funds committed. Earnings before tax of the Agricultural Equipment business unit rose to a greater extent than revenues by 62.5%, or €4.5 million, to €11.6 million in 2013.

Total revenues in the Agriculture Segment grew by 112.8%, or €5,696.6 million, to €10,748.5 million in the financial year 2013. EBITDA increased by 28.5% or €39.5 million to €178.6 million. Adjusted for depreciation and amortisation of €55.0 million, the segment's EBIT climbed by 35.7% or €32.5 million to €123.5 million. The segment's financing costs fell in the reporting year by €1.9 million to €36.4 million. All in all, the Agriculture Segment generated earnings before tax in the financial year 2013 of €87.2 million, up 65.2% or €34.4 million year on year.

Development of the Energy Segment in 2013

In the conventional energy business, sales of heating oil and fuel increased marginally year on year in the financial year 2013. The volume of heating oil sales fell by 0.9%. This decline was the result of falling sales in Austria, while sales volumes in Germany climbed by 3.1%. Sales of wood pellets increased by 25.7%. At 15.6%, growth in lubricant sales outperformed market growth by a considerable margin. BayWa recorded a 4.0% decrease in fuel sales. Revenues in conventional energy fell on account of prices and sales volumes by 7.0% to €3,010.4 million. By contrast, EBITDA rose by 5.6% to €20.8 million, largely as a result of the positive margin trend in heating oil and fuel business throughout 2013. Adjusted for depreciation and amortisation, which increased year on year by €1.0 million to €10.2 million, EBIT climbed slightly by €0.1 million to €10.6 million. As the financial result fell by €0.1 million year on year to €0.3 million, earnings before tax decreased slightly to €10.7 million (2012: €10.9 million).

In the BayWa r.e. renewable energy business sector, the international diversification of activities is bolstering the positive business development. Planned output rose once again in the reporting year by some 13% to 221.6 MW. Although trading in photovoltaic components declined due to subsidy cuts in continental European markets, the US holding Focused Energy LLC continued to record high demand for solar modules. In addition, when it comes to project management and the maintenance of wind and solar parks, the Group's project pipeline is dominated by international orders. In the reporting year, work started on a number of solar parks in France and the UK with total output of 83.3 MW. BayWa r.e. renewable energy also began construction of a biomethane plant in Dessau, which will in future generate biomethane for 2,800 households and feed into the natural gas grid of the project partner Stadtwerke Dessau. Completed systems were sold in Germany and in the UK during the reporting year: In Germany, BayWa r.e. renewable energy sold the Speckberg and Everswinkel wind parks with an output of 28 MW and 16 MW, respectively; in the UK, the Earls Hall Farm and Cotton Farm wind parks with a total output of 26.7 MW were sold to an institutional investor. Total revenues in the Renewable Energies business sector increased by 10.2% to €485.9 million in 2013. EBIT rose by 7.8% to €57.0 million. Adjusted for depreciation and amortisation, which increased by 10.9% to €22.6 million as a result of business expansion, BayWa r.e. renewable energy generated EBIT of €34.5 million. This equates to a year-on-year increase of 5.9%. As financing costs fell by roughly €2.8 million to €14.1 million as a result of systems sales, the business sector's earnings before tax saw an above-average increase of 29.8% to €20.4 million.

In total, revenues of the Energy Segment fell by €180.5 million or 4.9% year on year to €3,496.3 million in the financial year 2013. The segment's EBITDA improved by 7.2% to €77.8 million. Adjusted for depreciation and amortisation, which increased by €3.1 million year on year to €32.7 million, EBIT rose by 4.8% to €45.1 million. Financing costs decreased by €2.5 million to €14.0 million, largely as a result of cash inflows from system sales. Earnings before tax of the Energy Segment climbed by 17.0%, or €4.5 million, to €31.1 million.

Development of the Building Materials Segment in 2013

The Building Materials Segment was strongly impacted by the unfavourable weather conditions in the first half of 2013. Building activity had a poor start to the year, but recovered in the second half of 2013. However, the revenues of the segment remained down 2.1% year on year at €1,703.1 million in the financial year 2013. The EBITDA of the segment stood at €38.4 million, down 27.2% year on year mainly as a result of costs relating to the optimisation of the sales organisation through the re-orientation of the business unit region and location structure. In addition, there were also structural changes in terms of business activities, as the main beneficiary of recovery effects in the second half of 2013 was low-margin transport business, while shortfalls in the higher-margin warehouse business were unable to be compensated to the same extent. Depreciation and amortisation fell more sharply than EBITDA by 34.5% and stood at €11.4 million in the reporting year. As a result, there was a 23.6%, or €27.0 million, decrease in EBIT. By optimising working capital, capital employed could be reduced meaning that financing costs fell by 37.7% to €5.9 million. The 18.4% drop in earnings before tax to €21.1 million was therefore lower than the fall in the operating result (EBIT).

Development of the Other Activities Segment in 2013

Revenues in the Other Activities Segment fell by €52.2 million to €9.7 million in the financial year 2013. This was due to the fact that fruit juice concentrate company Ybbstaler was part of the BayWa group of consolidated companies in the previous year until 31 May 2012. In the financial year 2013, revenues of the Other Activities Segment only included service companies that are of secondary importance in the BayWa Group. At €78.1 million, the EBITDA of the Other Activities Segment in the financial year 2013 remained at the previous year's high level of €78.9 million. Earnings were shaped in 2013 by disposal gains from the sale of three real estate portfolios, after profit from the sale of the multi-storey building of BayWa Headquarters was generated in 2012. On account of the fall in depreciation and amortisation, EBIT fell by €0.5 million to €62.5 million. Earnings before tax climbed to €66.9 million (2012: €62.9 million).

Earnings, financial position and assets of the BayWa Group

Earnings position

in € million	2009	2010	2011	2012	2013	2013/2012 change in %
Revenues	7,260.2	7,903.0	9,585.7	10,531.1	15,957.6	51.5
EBITDA	209.7	228.2	251.3	306.6	360.4	17.6
EBITDA margin (in %)	2.9	2.9	2.6	2.9	2.3	–
EBIT	115.4	128.9	149.2	186.8	221.9	18.8
EBIT margin (in %)	1.6	1.6	1.6	1.8	1.4	–
EBT	75.1	87.1	95.4	122.6	168.3	37.2
Consolidated net income	59.4	66.8	68.1	118.0	121.3	2.8

The BayWa Group increased its revenues in the financial year 2013 by 51.5% or €5,426.5 million to €15,957.6 million. The Agriculture Segment was the primary source of revenue growth, which was due to the initial consolidation of the Cefetra Group and the initial inclusion of Bohnhorst Group in the consolidated financial statements of BayWa since 1 June 2013. The Agricultural Trade business unit generated revenue growth of €5,529.9 million alone.

In addition, the increase in revenues was driven by organic growth in the Agriculture Segment's Fruit and Agricultural Equipment business units.

Other operating income rose by a total of €54.2 million to €259.7 million in the reporting year. This increase was due, in particular, to a higher income from asset disposals of €114.3 million (2012: €45.2 million) – including accounting profit from the disposal of three real estate portfolios –, the release of provisions of €17.9 million (2012: €8.2 million) as well as income from receivables written down at €11.3 million (2012: €4.8 million). Other income fell in 2013 to €43.2 million; the previous year's figure of €49.0 million included the deconsolidation gains of Ybbstaler companies. Income from price gains came to €12.9 million, up from €11.5 million the previous year. Income from letting and leasing decreased to €31.4 million (2012: €44.5 million), as part of the leased real estate was sold. Furthermore, income from regular cost reimbursement declined to €20.3 million (2012: €23.4 million) and income from advertising subsidies fell to €2.5 million (2012: €5.0 million). At €5.9 million, remaining other income declined year on year by €8.0 million.

Compared to revenue growth, there was a disproportionately high increase in the cost of materials in the reporting year to €14,668.0 million due to the fact that, as a trading company, Cefetra has a greater cost of materials ratio than the rest of the BayWa Group. Net of the cost of materials, gross profit went up by €153.6 million, or 10.8%, to €1,578.9 million in the financial year 2013.
Personnel expenses climbed by 8.7% or €62.6 million to €781.4 million, principally owing to rising employee numbers as well as adjustments under collective bargaining agreements in the Group.

Other operating expenses amounted to €469.3 million in the financial year 2013, up €50.7 million, or 12.1%, year on year. The main items leading to this rise were: rental and lease income of €60.9 million (2012: €37.8 million), costs for the vehicle fleet of €72.1 million (2012: €63.4 million), amortisation of receivables and other value adjustments of €18.7 million (2012: €13.0 million), other expenses of €25.7 million (2012: €22.3 million) and insurances of €16.3 million (2012: €13.8 million). Total remaining other operating expenses came to €275.5 million, up €7.3 million year on year.

EBITDA rose by €53.8 million, or 17.6%, to €360.4 million in the financial year 2013 (2012: €306.6 million).

Scheduled depreciation and amortisation of the BayWa Group increased in the reporting year by €18.7 million to €138.5 million (2012: €119.8 million), primarily due to unscheduled write-downs on goodwill and the additions to the group of consolidated companies.

As a result, the operating result (EBIT) generated by the BayWa Group in the financial year 2013 was up by €35.1 million or 18.8% to €221.9 million.

The financial result comprises income from participating interests, which is allocated to EBITDA and EBIT, and net interest. Income from shareholdings improved in the reporting year due to higher equity results above all from AUSTRIA JUICE GmbH (formerly Ybbstaler) as well as a €13.5 million increase in collected dividends to €32.1 million. The €10.5 million improvement to net interest to €-53.6 million was predominantly the result of cash inflows from the disposal of real estate portfolios.

The BayWa Group's earnings before tax (EBT) increased by €45.6 million, or 37.2%, to €168.3 million. €34.4 million of this rise was attributable to the Agriculture Segment, while the Energy Segment contributed €4.5 million. The Building Materials Segment's earnings contribution dropped by €4.8 million year on year. The earnings contribution from the Other Activities Segment was down €4.0 million year on year, primarily owing to accounting profits from the disposal of real estate portfolios.

The BayWa Group's income tax stood at €47.0 million in the financial year 2013 (2012: €4.6 million). The tax rate therefore came to 27.9% in the reporting year (2012: 3.8%). The lower tax rate in the previous year was the result of the increase in pension provisions at their fair value over the course of the joint liability declared by BayWa Pensionsverwaltung GmbH in 2012, which was able to be structured as a tax deductible.

After deduction of income tax, the BayWa Group generated net income of €121.3 million in the financial year 2013 (2012: €118.0 million); compared with the previous year's figure, this represents an increase of 2.8%. The share in profit due to shareholders of the parent company went up by 1.5% from €96.7 million in the previous year to €98.2 million in the reporting year.

Earnings per share (EPS), which is calculated from the portion of the result attributable to the shareholders of the parent company in relation to the average number of shares outstanding of 34,432,612 (dividend-bearing shares less treasury shares), climbed from €2.82 in the previous year to €2.85 in the financial year 2013.

Comparison of forecast business development with actual business development
The BayWa Group's business development in the Agriculture and Energy Segments was within the expectations formulated in the forecast for the financial year 2013. No forecast adjustments were necessary during the year. Only in the Building Materials Segment did earnings figures fall short of forecast expectations due to unfavourable weather conditions. The forecast for this segment was corrected halfway through the year and after nine months after it became clear that the weather-related shortfalls from the first half of the year would no longer be able to be recovered over the rest of the year.
Financial position

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

Forward exchange transactions and swaps are used selectively to hedge receivables and liabilities denominated in a foreign currency. These forward exchange transactions and swaps serve exclusively to hedge existing and future receivables and liabilities from underlyings in the purchase and sale of merchandise within the scope of customary business operations. Hedging transactions in the BayWa Group are designed to reduce the risks from fluctuating exchange rates. The volume of open positions arising from the respective underlyings and the resulting cash flows form the basis for currency hedges. Terms reflect those of the underlyings.

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

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

The procurement of funds is organised decentrally and based on the principle that the national entities refinance in the local currency of the respective country. This applies mainly to activities in Eastern Europe, the USA and New Zealand. Apart from this, however, the BayWa Group conducts its business mainly in euros. Treasury is responsible for the centralised monitoring of Group-wide financial exposures.

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

The most important financing principle of the BayWa Group consists in observing the principle of matching maturities. Short-term debt is used to finance the working capital. Investments in property, plant and equipment as well as acquisitions are funded from equity, bonded loans and other long-term loans. In addition, the project companies in the Renewable Energies business sector have access to separate non-recourse financing (without the lenders having access to the BayWa Group's assets and cash flows).

The management of working capital is a focal point at BayWa and comprises the planning, management and optimisation of working capital as a net figure for current assets less current liabilities. For years, BayWa has placed great importance on the best possible working capital performance. Furthermore, in 2013, a Group-wide project began to further optimise working capital management. The aim of the project is to continue to drive forward the continual reduction of the current assets employed in the company and the resulting release of liquidity without jeopardising the company's profitability. Consistent process management along the entire turnover chain is the key to success. To this end, working capital responsibilities have been redefined, the systematic inclusion of relevant parameters has been anchored in internal reporting systems, specific training and coaching programmes have been carried out and existing guidelines and process descriptions have been adapted.

Interest rate risks inherent in short-term debt are covered by BayWa in the context of its risk management through the use of simple derivative instruments. Around 50% of the borrowings portfolio is to be secured against interest rate risk through the respective hedging instruments. This partial hedging takes account of the seasonally-induced strong fluctuations in financing requirements.
Long-term interest rates were hedged naturally by issuing bonded loans in 2011, as a fixed-interest as well as a variable-interest rate tranche was issued and the interest rate risk was reduced as a result.

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

Along with its integration into the cooperative financial association, the broad transnational diversification of the bank portfolio and the financial instruments, in particular, lower the financing risk within the BayWa Group.

Capital structure and capital base

in € million	2009	2010	2011	2012	2013	2013/2012 change in %
Equity	957.5	987.7	1,045.2	1,078.0	1,182.0	9.6
Equity ratio (in %)	32.6	30.3	26.6	24.2	23.6	—
Short-term borrowing[1]	1,290.0	1,366.7	1,697.4	1,974.2	2,414.2	22.3
Long-term borrowing	691.8	905.9	1,179.4	1,408.0	1,419.0	0.8
Debt	1,981.8	2,272.6	2,876.8	3,382.2	3,833.2	13.3
Debt ratio (in %)	67.4	69.7	73.4	75.8	76.4	—
Total capital (equity plus debt)	2,939.3	3,260.3	3,922.0	4,460.2	5,015.1	12.4

1) including liabilities from non-current assets held for sale

BayWa is striving to achieve an equity ratio of at least 30% in the medium to long term. The equity base is a very sound foundation for a trading company and a stable platform for business to develop. In the reporting year, this threshold was breached with an equity ratio of 23.6%. Despite the acquisitions of Cefetra B.V. and Bohnhorst Agrarhandel GmbH, as well as ongoing investment in the BayWa Group's infrastructure, the equity ratio only fell slightly from 24.2% in 2012, as the investments could be covered by disposal gains from the sale of BayWa AG real estate. The method in which actuarial gains and losses from provisions for pensions and severance pay are offset against equity without affecting profit or loss once again led to reduction in equity. The reserve for actuarial losses stood at €-124.5 million as at 31 December 2013. As this reserve results from a change of parameters not within the company's control when calculating provisions for pensions and severance pay, BayWa's capital management uses an equity ratio of 26.1%, which has been adjusted for this effect.

Short-term borrowing is used exclusively to finance short-term funds tied up in working capital. The status of short-term borrowing disclosed at year-end regularly reflects the highest level of utilisation. Due to seasonal influences, borrowings rise through preliminary storing of operating resources and through buying up harvest produce in the fourth quarter of the financial year. The €238.1 million year-on-year rise in current financial liabilities primarily owes to the initial inclusion of Cefetra B.V. and Bohnhorst Agrarhandel GmbH, together with their respective subsidiaries, in BayWa AG's consolidated financial statements. On the assets side of the balance sheet, the ensuing increase in business volume is reflected particularly in the "inventories" and "other receivables and other assets" items. By contrast, non-current financial liabilities fell slightly, as the majority of investments and acquisitions during the financial year could be financed through proceeds accrued from the disposal of BayWa AG real estate inventories.
As at 31 December 2013, the BayWa Group's total assets climbed by €554.9 million in comparison with the previous year's figure. Non-current liabilities increased by €11.0 million, above all due to a rise in deferred tax liabilities, while non-current liabilities rose by €440.0 million. The main reason for the increase in current liabilities was the acquisitions of the Cefetra Group and the Bohnhorst Group, which led to an increase in liabilities from operating activities.

Cash flow statement and development of cash and cash equivalents

in € million	2009	2010	2011	2012	2013
Cash flow from operating activities	243.9	– 9.4	– 27.5	150.0	219.3
Cash flow from investing activities	– 127.5	– 113.5	– 222.6	– 193.7	15.6
Cash flow from financing activities	– 112.8	131.6	273.9	37.4	– 217.1
Cash and cash equivalents at the end of the period	19.7	28.2	87.0	83.2	92.1

Cash flow from operating activities increased by €69.3 million in the financial year 2013 to €219.3 million. With consolidated net income increasing by €3.3 million year on year, declining non-cash income and, in particular, a significantly lower increase in inventories compared to the previous year – excluding the increase in inventories through acquisitions – as well as decrease in trade payables were contributing factors to this development. This was, however, offset by a reduction in trade liabilities.

Cash flow from investing activities increased considerably with cash inflow of €15.6 million (2012: €-193.7 million). Payments for company acquisitions of €175.0 million and investments in intangible assets, property, plant and equipment and financial assets of €228.6 million were offset by incoming payments from the disposal of intangible assets and property, plant and equipment of €337.4 million. This rise in cash inflow from divestment of €207.5 million was due in particular to the disposal of BayWa AG real estate inventories. Payments for company acquisitions were largely the result of the acquisitions of Cefetra B.V. and Bohnhorst Agrarhandel GmbH. These were offset by incoming payments from the disposal of project companies related to renewable energies, which led to cash inflows of €39.4 million.

Cash flow from financing activities came to €-217.1 million for the financial year 2013 and was mainly due to the reduction of BayWa AG's financial liabilities from disposal gains from the sale of real estate. In addition, dividend distribution of €25.4 million led to cash outflows. A counter-effect was the issuing of a bonded loan with a nominal value of €50.0 million as well as equity contributions of €2.3 million.

In an overall analysis of the incoming and outgoing cash payments from operating activities, investment and financing activities, and in consideration of changes to the group of consolidated companies and changes in foreign exchange rates, cash outflow from investing and financing activities was compensated by the incoming cash flow from operating activities. As a result, cash and cash equivalents at the end of the reporting year came to €92.1 million, which is €8.8 million higher than in the previous year.

Financial base and capital requirements

The BayWa Group's financial base is primarily replenished by funds from operating activities. In the reporting year, additions to inventories and receivables from company acquisitions led to a corresponding increase in short-term funding. By contrast, falling prices meant that the utilisation of external financing for the financing of existing Group companies' inventories was lower. Moreover, the Group receives funds from measures to streamline portfolios, such as the disposal of real estate not essential to operations or non-strategic financial participation and sale-and-leaseback transactions. The disposal gains generated in the financial year from the disposal of BayWa AG real estate were used to repay existing financial liabilities.

Capital requirements are defined by investment financing and the ongoing financing of operations, the repayment of financial liabilities and ongoing interest payments. The overall view of liquidity and debt is determined through the calculation of adjusted net liquidity or net debt and used for internal financial management as well as for external communication with financial investors and analysts. Net liquidity and net debt is calculated from the sum total of cash and cash equivalents less outstanding commercial paper, bank debt and finance lease obligations, as reported in the balance sheet.

Matched to funds committed, the financing structure remains largely short term. Along with short-term borrowing, the Group finances itself by way of a multi-currency Commercial Paper Programme with a total volume of €400.0 million; on the reporting date, drawdowns with an average term of 121 days came to €343.5 million (2012: €276.0 million). By the end of the reporting period, €139.3 million (2012: €135.5 million) had been financed from the ongoing Asset Backed Securitisation Programme.

Investments

In the financial year 2013, the BayWa Group invested around €109.3 million in intangible assets (€8.4 million) and property, plant and equipment (€100.9 million) together with its acquisitions. These investments were primarily for the purpose of repair and maintenance of buildings, facilities and office fixtures and fittings, as modern locations and seamlessly operating facilities are a precondition for efficient logistics processes.

BayWa will continue to invest in modern site infrastructure in future. This includes investments in land and buildings, wherever such investments are expedient and prudent. By contrast, real estate no longer used for operations is consistently sold off, as was the case in the financial year 2013. The proceeds accruing from these transactions are used to reduce debt or to finance the Group’s growth.

In 2013, roughly €49.0 million was invested in new business premises. The main focus was on the completion of company locations and investment in sites’ technical facilities. For example, BayWa invested approximately €14.3 million in the modernisation of the port facilities at Osthafen in Regensburg. The expansion of the port here means that customers now have access to a grain warehouse that has increased in capacity from 21,000 tonnes to 71,000 tonnes. Total grain intake capacity was increased from 150 tonnes per hour to 500 tonnes per hour and drying output for wet corn was almost doubled to 1,600 tonnes per day. Moreover, ship loading capacity was expanded to 550 tonnes of grain per hour. This makes the Regensburg Osthafen site the largest operation in Bavaria in terms of grain and oilseed coverage and handling.

In Öhringen, a total of €3.8 million was invested in redeveloping, expanding and renovating the fruit wholesale site. This investment resulted in storage capacity being increased from 2,500 tonnes to 4,700 tonnes and the cold storage areas, including the refrigeration and conveyor systems, being renovated.

Investment totalling €3.2 million was made in the Römhild site for the replacement of the seed silo and the construction of an agricultural hall. In addition, an agricultural site was acquired in Wiernsheim-Pinache at a cost of €2.3 million.

The Building Materials Segment invested €1.8 million at the Regen site in a compact building materials centre, two building materials warehouses of 1,800m^2 and 2,500m^2 respectively as well as an outdoor shop area of roughly 300m^2.

Moreover, investments totalling €6.6 million were made in the financial year 2013 through WHG “UNSER LAGERHAUS”; these mainly concerned investments in a rail terminal in Klagenfurt, the acquisition of a petrol station and the renovation of another petrol station with an on-site tyre centre.

A number of investment measures began in the financial year totalling €15.1 million and concerning locations in the Agricultural Trade and Agricultural Equipment business units; these are set to be completed in the financial year 2014.

Payments for company acquisitions came to €190.2 million in the financial year 2013 and mainly related to the acquisitions of Cefetra B.V. and Bohnhorst Agrarhandel GmbH.

Roughly 63% of total investment in non-current assets (including acquisitions) in the BayWa Group was attributed to the Agriculture Segment. The high share of investment in the Agriculture Segment reflects the international expansion in agricultural trade with the acquisition of the Cefetra Group and the Bohnhorst Group. Approximately 25% and just under 5% of total investment volume flowed into the Energy Segment and the Building Materials Segment respectively. Just under 7% of total investment was attributable to the Other Activities Segment.

Asset position

In the reporting year, non-current assets increased year on year by 7.4%, or €131.5 million, to €1,914.7 million. Additions to intangible assets and property, plant and equipment amounting to €231.4 million within the scope of investment activities and changes to the group of consolidated companies in core business were offset by disposals of €29.4 million and transfers into investment property and the sale of non-current assets amounting to €37.0 million. Adjusted for scheduled depreciation and amortisation in the financial year of €135.1 million and exchange rate induced decreases of €7.0 million, intangible assets and property, plant and equipment increased by a total of €22.9 million. Shares in companies recognised at equity increased by €8.7 million to €101.6 million largely as a result of the shares in AUSTRIA JUICE GmbH being recognised at equity. Moreover, an €87.6 million increase in other financial assets on account of rising valuations of affiliated companies and loans to affiliated companies contributed to an increase in non-current assets. In addition, deferred tax assets increased by €12.7 million. As a result of the addition to the group of consolidated companies of Cefetra B.V. and Bohnhorst Agrarhandel GmbH, each including subsidiaries, and the expansion of business activities, current liabilities and other assets increased by €199.9 million to €1,125.9 million. These include positive market values from commodity futures concluded by Cefetra B.V., which are to be recognised as financial instruments on the balance sheet as they are held for trading. The changes to the group of consolidated companies also led to a rise in inventories in the Agricultural Trade business unit. Developments in renewable energies projects also contributed to an increase in inventories. All in all, inventories stood at €1,836.0 million, up €403.5 million year on year. By contrast, non-current assets and disposal groups held for sale fell by €189.1 million to €43.4 million. The main reason for this was the disposal of BayWa AG real estate and of two wind parks, which had been classified the previous year as non-current assets held for sale due to the intention to sell. Aside from real estate, this item also included assets and inventories at BayWa AG building materials sites as at 31 Dezember 2013 that are held for sale in 2014. There was an overall increase in the BayWa Group's balance sheet which had risen by 12.4% or €554.9 million to €5,015.1 million as at the reporting date of 31 December 2013.

Traditionally, BayWa has always placed an emphasis on ensuring matching maturities in the financing of assets. Current liabilities of €2,414.2 million – consisting of current financial liabilities, trade payables, tax and other liabilities along with current provisions – are offset by current assets of €3,057.0 million. By the same token, there is around 136% coverage for non-current assets amounting to €1,914.7 million through equity and long-term borrowing of €2,601.0 million. Ensuring matched maturities in financing is an important quality criterion for the financing partners of BayWa in the context of raising short-term funds.
Composition of assets

in € million	2009	2010	2011	2012	2013	2013/2012 change in %
Non-current assets	1,427.2	1,434.4	1,623.4	1,783.3	1,914.7	7.4
of which land and buildings	663.3	650.1	642.0	530.1	545.9	
of which financial assets	226.5	212.6	210.6	232.8	320.4	
of which investment property	78.8	71.6	63.6	86.2	82.4	
Non-current asset ratio (in %)	48.6	44.0	41.4	40.0	38.2	
Current assets	1,507.4	1,776.8	2,039.8	2,444.4	3,057.0	25.1
of which inventories	905.0	1,062.3	1,165.4	1,432.6	1,836.0	
Current asset ratio (in %)	51.3	54.5	52.0	54.8	61.0	
Assets held for sale/disposal groups	4.7	49.1	258.8	232.5	43.4	
Total assets	2,939.3	3,260.3	3,922.0	4,460.2	5,015.1	12.4

General statement on the business situation of the Group
At the time the Management Report of the BayWa Group was drawn up, the Board of Management continued to view the development of business as positive. In the Agriculture Segment, performance in 2013 benefited from the expansion of the international business and good prices for agricultural products. In the energy business, both the conventional energy business and the Renewable Energies business sector (BayWa r.e. renewable energy) boosted EBIT. By contrast, the Building Materials Segment's EBIT fell substantially short of the previous year's figure as a result of the costs of site optimisation and unfavourable weather conditions in the first half of 2013. In the financial year 2013, the BayWa Group recorded the best result in its history; it has a well-balanced, fit-for-the-future business portfolio to underpin its success in the future.

Financial performance indicators
BayWa orients the short-term management of its business with the development of key earnings indicators EBITDA, EBIT and EBT. Key earnings indicators for the segments of the BayWa Group developed as follows in the financial year 2013:

Financial performance indicators

	Earnings before interest, tax, depreciation and amortisation (EBITDA)			Earnings before interest and tax (EBIT)			Earnings before tax (EBT)		
In € million 2013		Change	Change in %		Change	Change in %		Change	Change in %
Agricultural Trade	110.6	29.6	36.5	80.4	26.2	48.2	58.1	27.4	89.0
Fruit	33.9	6.0	21.3	21.6	3.7	20.9	17.4	2.6	17.2
Agricultural Equipment	34.0	4.0	13.4	21.4	2.6	13.5	11.6	4.5	62.5
Agriculture Segment	178.6	39.5	28.5	123.5	32.5	35.7	87.2	34.4	65.2
Energy	20.8	1.1	5.6	10.6	0.1	1.3	10.7	–0.2	–1.5
Renewable Energies	57.0	4.1	7.8	34.5	1.9	5.9	20.4	4.7	29.8
Energy Segment	77.8	5.2	7.2	45.1	2.1	4.8	31.1	4.5	17.0
Building Materials	38.4	–14.3	–27.2	27.0	–8.3	–23.6	21.1	–4.8	–18.4

The difference in the contributions from each segment to the total earnings of BayWa Group in all three key earnings indicators, EBITDA, EBIT and EBT, is calculated from the earnings contribution of the Other Activities Segment as well as on the basis of economic influence factors at Group level. BayWa does not perform any entrepreneurial management in the Other Activities Segment, as this segment encompasses minority interests in companies that are of secondary importance in the BayWa Group. Group-wide economic influence factors are circumstances not attributable to the operative management of the segments.

Medium- to long-term portfolio optimisation in the BayWa Group is carried out through value-oriented management. Using economic profit as a basis, this system calculates the surplus return on invested capital (ROIC) of the segments by means of their risk-weighted costs of capital.

Economic profit

in € million 2013	Agricultural Trade	Fruit	Agricultural Equipment	Conventional Energies	Renew-able Energies	Building Materials
Net operating profit	80.4	21.6	21.4	10.6	34.5	27.0
Average invested capital [1]	966.4	229.9	360.6	-13.2	436.1	340.1
ROIC (in %)	8.32	9.41	5.94	-80.74	7.90	7.95
Weighted average cost of capital (WACC)	6.00	7.70	7.80	6.20	7.00	6.60
Difference (ROIC/WACC) (in %)	2.32	1.71	-1.86	-86.94	0.90	1.35
Economic profit by business unit	22.5	3.9	-6.7	11.5	3.9	4.6
			Agriculture		Energy	Building Material
Economic profit by segment			19.7		15.4	4.6

1 intangible assets + property, plant and equipment + net working capital.

In the financial year 2013, all three BayWa Group segments achieved positive economic profit (in other words, positive net income after respective capital costs). The Agriculture Segment posted total economic profit of €19.7 million. The Agricultural Trade and Fruit business units contributed €22.5 million and €3.9 million, respectively. The Agricultural Equipment business unit recorded negative economic profit of €6.7 million, which was the result of considerable investment in the expansion of the CLAAS business and the restructuring of Massey Ferguson sales. The Energy Segment reached net income after capital costs of €15.4 million, €11.5 million from the conventional energy business and €3.9 million from the Renewable Energies business sector (BayWa r.e. renewable energy). The Building Materials Segment generated positive economic profit of €4.6 million in the financial year 2013, as restructuring measures were successfully completed and the segment's capital employed fell significantly through the sale of real estate.

Employees

The number of employees at BayWa increased further in 2013: as at the end of the year, the BayWa Group had a workforce of 16,834 (2012: 16,559). In terms of an annual average, the number of employees rose year on year by 294 to 15,974, equating to an increase of 1.9%. The main factors behind the growth in the workforce were the addition of the Cefetra Group and the Bohnhorst Group to the group of consolidated companies as well as expansion in the Renewable Energies business sector. In addition, the number of employees in the Agricultural Equipment business unit increased through the organic growth of the business. The focus in 2013 was on the integration of the new companies and their employees into the BayWa Group. One particular focal point here was improving information sharing in order to leverage synergies and reinforce economic success.

Development of the average number of employees in the BayWa Group

					Change	
	2010	2011	2012	2013	2013/12	in %
Agriculture	6,637	6,859	8,730	9,038	308	3.5
Energy	1,192	1,387	1,564	1,720	156	10.0
Building Material	6,562	6,698	4,868	4,718	-150	-3.1
Other Activities	829	647	518	498	-20	-3.9
BayWa Group	15,220	15,591	15,680	15,974	294	1.9

Extensive training concept as the basis for a successful future
With staff development concepts and measures, BayWa offers its employees the chance to develop their skills. To strengthen employee loyalty, staff and managers are offered targeted seminars with qualified trainers. Training courses were focused on accompanying BayWa's internationalisation strategy. A variety of language and training courses were offered to strengthen intercultural competences. Well over 11,000 employees took part in specialist training courses or cross business unit training courses in 2013.

International cooperation in personnel
Last year, further synergies were utilised in relation to Group personnel. For example, the job portals of national and international affiliates were integrated into the company website. In addition, the careers portal was updated with English-language menu navigation, Group-wide liaison concerning applications was intensified and the applicant management and appliance correspondence systems were structured as bilingual systems.

Securing young talent through quality training
Extensive, professional training provides the best platform for a promising future – both for trainees and for the BayWa Group. With a total of 1,040 trainees and a consistent trainee ratio of around 9%, BayWa ranks among the largest companies offering training programmes in Germany. The quality of the training is just as high: 90% of all trainees would recommend training at BayWa to others. In 2013, BayWa received more than 6,400 applications for around 480 training positions. That equates to an average of 13 applications for each position.

BayWa Foundation supports committed students
Countless students at the Technische Universität München, the Weihenstephan-Triesdorf secondary school, the University of Hohenheim and the Nürtingen-Geislingen secondary school who have received support from the BayWa Foundation within the scope of the Germany Scholarship were given the chance to take a closer look at the BayWa Group in April 2013 during two scholarship events in Munich and Kressbronn. Scholarship recipients had the opportunity to take a look behind the scenes at BayWa, find out about starting their careers at the company and establish a network of contacts. For BayWa, this was a good chance to touch base with the highly qualified and talented personnel and managers of tomorrow.

Healthy staff in safe workplaces
Occupational safety is a key aspect in the BayWa Group. Investment in safe workplaces serves to protect the health of staff. The right protective equipment, relevant training and safe production processes are a matter of course at BayWa. The number of occupational accidents at BayWa has been falling consistently for years – a trend that continued in 2013. Last year, BayWa also offered staff the chance to improve their health actively: A variety of events took place for staff and managers focussing on healthy eating and exercise.

Sustainability at BayWa
BayWa is aware of its social responsibility. The guidelines on social responsibility are defined in the company's Articles of Association, its corporate guidelines, ethical principles and under its regulations on corporate governance.

BayWa practices fundamental social values in its daily activities throughout the whole Group and ensures their sustainable integration into business and society through ongoing dialogue with the public at large, stakeholders and interested parties. BayWa shows its regional ties through its support of the Bavarian Football Association (BFV), which is focused on promoting young sporting talent. Specific activities, such as the "HeimVorteil" competition, are aimed at encouraging BFV members to show how important the BFV's work is to the region. Every BFV member club had the chance to win €10,000 simply by taking part in a charitable project.

BayWa's understanding of economic responsibility includes transparent communication as part of its investor relations activities, maintaining ongoing dialogue with the various stakeholders, securing profitable growth in all business units and subsidiaries, as well as having efficient risk and complaints management. Fair conduct towards one another, both within the company as well as with business partners, has been anchored in a set of ethical principles and is lived throughout the group.

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

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

The BayWa Foundation, established in 1998, is an example of BayWa AG's commitment to society and the environment. The Foundation commits to long-term educational projects in Germany and abroad. In Germany, the focus is on projects surrounding healthy eating and renewable energies. In 2013, the BayWa Foundation built vegetable gardens at primary schools in Germany to teach children the value of healthy eating. In addition, the BayWa Foundation also supports needy children by organising healthy school breakfasts or therapeutic horse riding courses to promote their personal development. In terms of its international projects, the focus is on helping others help themselves: In Romania, the BayWa Foundation built and opened an educational children's farm in cooperation with the Peter Maffay Foundation in summer 2013 aimed at traumatised children. BayWa AG supports the BayWa Foundation by doubling any donation made to the BayWa Foundation and covering all administrative costs. This ensures that all donations go directly to BayWa Foundation projects. In addition to its support of the BayWa Foundation, BayWa donates to social and cultural facilities and promotes the involvement of employees in associations, politics and society.

Takeover-relevant information

Composition of subscribed capital

The subscribed capital of BayWa AG amounted to €88,459,125.76 on the reporting date and is divided up into 34,554,346 registered shares with an arithmetical portion of €2.56 each in the share capital. Of the shares issued, 33,208,861 are registered shares with restricted transferability and 102,234 recently registered shares with restricted transferability (dividend-bearing employee shares from 1 January 2014 onwards). 1,243,251 shares are not registered shares with restricted transferability. With regard to the rights and obligations transferred by the shares (e.g. the right to a portion of the unappropriated retained earnings or to participate in the Annual General Meeting of Shareholders), reference is made to the provisions laid down under the German Stock Corporation Act (AktG). There are no special rights or preferences.

Restrictions on voting rights and the transfer of shares

Pursuant to Section 68 para. 2 of the German Stock Corporation Act (AktG), in conjunction with Article 6 of BayWa AG's Articles of Association, the purchase of shares with restricted transferability by individuals and legal entities under civil and public law requires the approval of the Board of Management of BayWa AG. BayWa holds a small portfolio of registered shares (19,500 units), which, pursuant to Section 71b of the German Stock Corporation Act, do not carry voting rights as long as they are in BayWa's possession. There are no other restrictions that relate to the voting rights or the transfer of shares.

Affiliated companies with over 10% of voting rights

On the reporting date, the following affiliated companies held stakes in the capital that exceeded 10% of the voting rights:

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

Legal requirements and provisions of the Articles of Association on the appointment or dismissal of members of the Board of Management and on amendments to the Articles of Association

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

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

Authorisation of the Board of Management relating in particular to the option of issuing or buying back shares
Furthermore, subject to the approval of the Supervisory Board, the Management Board is authorised to raise the share capital one or several times on or before 31 May 2015 by up to a nominal amount of €3,848,496.64 through the issuance of new registered shares with restricted transferability against cash contribution to the employees of BayWa AG and of affiliated companies within the meaning of Section 15 et seq. of the German Stock Corporation Act. Shareholders' subscription rights are excluded. Subject to approval by the Supervisory Board, the Board of Management is authorised to determine the further content of share rights and conditions under which the shares are to be issued.

Subject to approval by the Supervisory Board, the Board of Management is also authorised to raise the share capital one or several times on or before 31 May 2016 by up to a nominal amount of €12,500,000 through the issuance of new registered shares with restricted transferability against cash contribution. The authorisation can be used in part amounts. Shareholders' subscription rights are excluded. Subject to approval by the Supervisory Board, the Board of Management is authorised to determine the further content of share rights and conditions under which the shares are to be issued.

Furthermore, subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital on or before 31 May 2018 by up to a nominal amount of €10,000,000 through the issuance of new registered shares against cash contribution. The authorisation can be used in part amounts. Shareholders' subscription rights are excluded. Subject to approval by the Supervisory Board, the Board of Management is authorised to determine the further content of share rights and conditions under which the shares are to be issued.

Furthermore, the Board of Management is authorised to offer held shares to third parties within the framework of the acquisition of or investment in companies or the combinations of business and to withdraw part or all of the shares without requiring a further resolution to be passed by the Annual General Meeting.

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

Significant events after the reporting date
Subject to approval by the German Federal Cartel Office, BayWa AG, Munich, sold its building materials stores in North Rhine-Westphalia to BAUEN+LEBEN team baucenter GmbH & Co. KG (B+L) effective as at 1 June 2014. Within the scope of this transaction, both the assets and inventories of 26 building materials stores mainly located in the Rhine-Ruhr and Münsterland areas were transferred to the buyer. The roughly 440 employees in building materials and administrative functions will continue to be employed by B+L. As at the balance sheet date, assets with book values of €26.0 million were attributed to the affected sites. Given that the final purchase price had yet to be confirmed at the time the consolidated financial statements were approved for publication, no further information can be provided on the implications of the disposal on the net assets, financial position and the result of operations. The disposal of building materials stores in North Rhine-Westphalia is to be considered independent from all other building materials activities in the BayWa Group. B+L is a jointly held company of two established building materials companies Team AG and BAUEN+LEBEN GmbH & Co. KG.

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

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

Since 1 January 2010, the remuneration of members of the Board of Management has comprised an annual fixed salary, a short-term variable component (annual bonus) and a long-term variable component (known as the bonus bank). The ratio of fixed to variable short-term remuneration and long-term variable remuneration is roughly 50 to 20 to 30 based on full (100%) achievement of goals. The non-performance-related component comprises an annual fixed salary and benefits, such as the use of a company car and contributions to accident and health insurance. Short-term variable remuneration takes the form of an annual bonus. The amount of this bonus depends on the extent to which objectives, determined by the Supervisory Board and geared to individually agreed goals and to the successful development of the company's business (earnings before tax), are achieved. If the targets are achieved, the agreed bonuses are paid out in full. If the targets are exceeded, the bonus will be increased but only up to a maximum amount (cap) of 150%. If the targets are not fulfilled, the bonus will be reduced proportionately. Both negative and positive developments are therefore taken into account in calculating short-term variable remuneration.

The long-term variable component takes the form of what is known as a bonus bank. The bonus bank will be supplemented or charged on a yearly basis depending on the extent to which objectives, linked to the success of the company (earnings before tax) and determined by the Supervisory Board for three years in advance, have been achieved, overachieved or underachieved. If objectives are overachieved, the amount which can be transferred to the bonus bank is capped at 150% of the target figure. If there is a credit balance on the bonus bank, one third will be provisionally paid out for the financial year 2013 to the respective member of the Board of Management. The remaining two thirds of the credit balance on the bonus bank remain in the bonus bank. However, in contrast to previous years, the amount will now be paid linearly; in other words, the amount carried in the bonus bank will be paid out provisionally to members of the Board of Management in equal instalments across three financial years, provided there is a sufficient credit balance on the bonus bank and after calculating negative bonuses. If, owing to payments made in previous years or a charge reducing the bonus bank, there is a negative balance on the bonus bank, the respective Board members are obliged to pay back the provisional payments made in the two preceding years. Both negative and positive developments are therefore also taken into account in calculating long-term variable remuneration. Alongside the agreed cap on both components of remuneration, there is also a cap imposed for extraordinary developments.
In addition, there are pension commitments for the members of the Board of Management. These commitments are based partly on the most recent fixed salary (30%), and partly on the number of years of service to the company (with increases limited to 35% and 50% of the salary most recently received). The retirement age has been set at 65 years (full year). Since 1 December 2012, all obligations from pension commitments have been transferred to an external pension fund in the form of an earned entitlement, or to a provident fund. Running payments made to the pension fund or provident fund are included in the overall remuneration disclosed for the Board of Management.

There are no commitments in the employment contract of the Board members if service to the company is prematurely terminated. There are also no change of control clauses.

The total remuneration of the Board of Management for the financial year 2013 came to €5.811 million (2012: €5.140 million); of this amount, €2.505 million (2012: €2.342 million) is variable. Contributions amounting to €0.881 million (2012: €0.670 million) were paid in benefits after termination of the employment contract (pensions).

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

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

Since 1 January 2010, members of the Supervisory Board have received fixed annual remuneration of €10,000, payable at the end of the year, plus variable remuneration of €250 for each cash dividend portion of €0.01 per share approved by the Annual General Meeting of Shareholders which is distributed in excess of a share in profit of €0.10 per share. Variable remuneration is due and payable at the end of the Annual General Meeting of Shareholders which has passed a resolution on the aforementioned cash dividend portion.

The Chairman of the Supervisory Board receives three times the amount and the Vice Chairman twice the amount of remuneration paid as described in the paragraph above. Additional fixed remuneration of €2,500 is paid for committee work. The chairmen receive three times the respective amount.

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

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

The total remuneration of the Supervisory Board comes to €0.683 million (2012: €0.562 million), of which €0.322 million is variable (2012: €0.275 million).

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

Opportunity and risk report

Opportunity and risk management

The corporate policy of the BayWa Group is geared toward weighing up the opportunities against the risks of entrepreneurship in a responsible way. The management of opportunities and risks is an ongoing task of entrepreneurial activity designed to ensure the long-term success of the Group. This enables the BayWa Group to innovate, secure and improve what is already in place. The management of opportunities and risks is closely aligned to the BayWa Group's long-term strategy and medium-term planning. The decentralised regional organisation and management structure of operating business enables the Group to identify trends, requirements, and the opportunities and risk potential of frequently fragmented markets at an early stage, analyse them and take action which is both flexible and market oriented. Through internationalisation, BayWa also opens up new business opportunities which also decrease reliance on individual country markets and the associated risks. Moreover, the systematically intense screening of the market and of peer competitors is carried out with a view to identifying opportunities and risks. This is flanked by ongoing communication and the goal-oriented exchange of information between the individual parts of the Group, which leverages additional opportunities and synergy potential.

Principles of opportunity and risk management

BayWa exploits opportunities that arise in the context of its business activities but, at the same time, also enters into entrepreneurial risks. The identification of entrepreneurial opportunities, the safeguarding of the assets and the enhancing of enterprise value therefore necessitate an opportunity and risk management system.

The principles underlying the system set in place within the BayWa Group to identify and monitor risks specific to the 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 the processes. ISO certifications for the standardisation of workflows and for risk avoidance, and the concluding of insurance policies supplement the Group's management of risk.

Moreover, the BayWa Group has established binding goals and a code of conduct in its corporate policy which have been implemented throughout the Group. They regulate the individual employees' actions when applying the corporate values as well as their fair and responsible conduct towards suppliers, customers and colleagues.

Opportunity and risk management within the BayWa Group

In the BayWa Group risk management is an integral component of the planning and management and control processes. The Group's strategy aims, on the one hand, to make optimum use of opportunities while, on the other, identifying and limiting business-related risks. A comprehensive risk management system records and monitors both the development of the Group and any existing weak points on an ongoing basis. The risk management system covers all segments and is included as a key component of reporting. A particularly important task of risk management is to guarantee that risks to the Group as a going concern are identified and kept to a minimum. This enables the management of Group companies to react swiftly and effectively. All units have risk officers and risk reporting officers who are responsible for implementing the reporting process.

The reporting process classifies opportunities and risks into categories and estimates their probable occurrence and potential financial impact. 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 counterparty risk management. As an extension of the planning process that takes place in the business sectors and in procurement, sales organisations and centralised functions, the opportunity and risk management system serves to detect and assess potential divergences from expected developments. In addition to identifying and assessing key developments influencing business, this system facilitates the prioritisation and implementation of activities. As a result, the BayWa Group can make better use of the opportunities while averting or reducing the risks.

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

A key component and, at the same time, an evolution of the opportunity and risk management is the Risk Board which has been in place since the financial year 2009. Presided over by the Chief Executive Officer, the Risk Board, which consists of operations managers and support staff, meets regularly to discuss and assess operational opportunities and risks on an ongoing basis. Minuted meetings are used to develop an understanding of the opportunities and risks and form the basis of the risk measurement applied to operational decisions.

In order to take into consideration the development of the business model in agricultural trade from a coverage-based business to an international agricultural commodities trading company, a Group-wide risk management system for agricultural trade was implemented in 2013 that monitors the agricultural trading activities of BayWa, the Cefetra Group and the Bohnhorst Group in accordance with standardised principles. A key cornerstone of this project was the creation of an Agricultural Risk Committee, which decides on risk guidelines and particularly on limits in agricultural trade. The Agricultural Risk Committee meets on a regular basis and reports directly to the Risk Board.

Alongside this risk control committee, a Risk Controlling function – a so-called middle office – was also created independently of trading activities. Risk Controlling provides an overview of the risk situation of agricultural trading activities by means of regular analysis and monitors compliance with limits. A standardised IT system solution for agricultural trade was implemented last year to support the risk management system; it calculates the risk position within the Agricultural Trade business unit on a daily basis. Furthermore, an Agricultural Coordination Center (ACC) was also set up with the aim of improving the commercial coordination of agricultural trading activities. The ACC'S tasks include global market analysis as well as the optimisation of the trading portfolio in line with opportunities and risks.

Macroeconomic opportunities and risks
General economic factors have an influence on consumer behaviour and investment patterns in BayWa's core markets. However, these factors have less of an influence on BayWa than on other companies. BayWa's business model is primarily geared to satisfying fundamental human requirements, such as the need for food, shelter, mobility and the supply of energy. Accordingly, the impact of cyclical swings is likely to be less strong than in other sectors. As a result, BayWa is even able to turn certain opportunities arising in times of crisis to its advantage through, for instance, the identification and acquisition of suitable companies with a view to building up or expanding existing or new areas of business. BayWa is, however, unable to fully decouple from any severe setbacks to international economic development such as the potential for further escalation in the euro zone sovereign debt crisis.

Sector and Group-specific opportunities and risks
Changes in the political framework conditions such as, for example, changes in the regulation of markets for individual agricultural products or tax-related government subsidies of energy carriers, as well as volatile markets harbour risks. At the same time, however, they open up new prospects. Extreme weather conditions can have a direct impact on offerings, pricing and trading in agricultural produce and also downstream on the operating resources business. However, the enhanced level of diversification in the Agriculture Segment in terms of the product range and the segment's geographic presence can counteract these effects, as there is less reliance on individual markets and greater flexibility in terms of procurement and marketing. Global climate changes also have a long-term effect on agriculture. The global demand for agricultural products, particularly grain, continues to grow. This may give rise to a sustained price uptrend. The agricultural fruit growing activities pose a financial risk to the Group, which arises from the delay between cash outflow for buying, growing and maintaining the trees and vines on the one hand as well as, on the other hand, the costs of the harvest and cash inflow from the sale of the fruit. This risk is managed by actively monitoring and controlling net working capital. The development of income in the agriculture sector filters through directly to investment capacity and propensity and therefore to the sale of high-end agricultural machinery. Political and economic factors exert the main influence on demand in the construction sector. Political factors of influence are, for instance, special depreciation for listed buildings and measures to promote energy efficiency. At the same time, the ageing housing stock in Germany will encourage growing demand for modernisation and renovation.

In the energy business, renewable energies are particularly affected by changes in promotion measures. Against this backdrop, geographic diversification stabilises the development of revenues and income and diversification across a number of different energy carriers – above all wind energy, solar power and biomass – mitigates risk in certain markets that remain strongly dependent on subsidisation.

Opportunities and risks from financial instruments
Together with fixed and variable interest-bearing financing instruments, which are subject to interest rate risks to a varying extent, the BayWa Group also uses derivative hedges such as options and forward contracts to hedge its trading business. In addition to interest rate risk, these derivative hedges are also subject to the risk of price changes in the underlying and, depending on the base currency in which the derivative hedge is denominated, currency risk. Provided these transactions are not concluded through a stock exchange, there is also a counterparty risk. By the same token, changes to interest rates, currency exchange rates or forward market prices can lead to unplanned opportunities.

Price opportunities and risks
BayWa trades in merchandise that displays very high price volatility, such as grain, oilseed, fertilisers and mineral oil, especially in its Agriculture and Energy segments. The warehousing of the merchandise and the signing of delivery contracts governing the acquisition of merchandise in future means that BayWa is also exposed to the risk of prices fluctuating. Whereas the risk inherent in mineral oils is relatively low due to BayWa's pure distribution function, fluctuations in the price of grain, oilseed and fertilisers may incur greater risks, also owing to their warehousing, if there is no matching maturity in the agreements on the buying and selling of merchandise. Aside from absolute price risks, different developments in terms of local premiums, the price curve over time and in product quality can also influence the course of business. If there are no hedging transactions existing at the time when agreements are signed, the ensuing risk is monitored on an ongoing basis and controlled by the respective executive bodies. Whenever necessary, appropriate measures to limit risk are initiated. BayWa also operates as a project developer in the field of renewable energies. This business harbours a risk that, for instance, the planning and building of solar power plants, wind farms and biogas plants are delayed and that they may be connected to the grid later than originally planned. In such cases, if the deadline for the further reduction in feed-in tariffs is not adhered to there is a price risk, as the plant can no longer be sold at the price originally envisaged because the economic parameters have changed.

Currency opportunities and risks
BayWa's activities are largely located in the euro zone. If foreign currency positions arise from goods and services transactions, these are always hedged without delay. Payment obligations from company acquisitions denominated in a foreign currency are hedged at the time when they arise. Speculative borrowing or investing bonds denominated in foreign currencies is prohibited.

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

Interest rate opportunities and risks
Interest rate risks result from the Group's floating-rate financing, particularly from the issuing of short-dated commercial paper and short-term loans. Short-term debt is used mainly to finance working capital. To reduce the interest rate risk, BayWa uses derivative instruments in the form of futures, interest rate caps and swaps.

Legal and regulatory opportunities and risks
The companies of the Group are exposed to risks in connection with litigation in which they are currently involved or may be involved in the future. This kind of litigation comes about in the course of normal business activities, in particular in relation to the assertion of claims from services and deliveries that are not up to standard or from payment disputes. BayWa forms reserves for the event of such litigation risks if the occurrence of an obligation event is probable and the amount can be adequately estimated. In the individual case, actual utilisation may exceed the reserve amount.

Changes in the regulatory environment can affect the Group's performance such as, in particular, government intervention in general framework conditions for the agricultural industry and the renewable energies business. Negative impacts emanate from the adjustment, reduction or abolition of funding measures. Conversely, new regulatory and legislative developments influencing bioenergy can also result in opportunities. In the construction sector, changes to building or fiscal regulations may also have an impact on the development of business.

Plant efficiency in terms of energy generation using renewable energy carriers is strongly reliant on regulatory frameworks and government subsidies. Politically motivated changes to subsidy frameworks – particularly the retroactive reduction or abolition of feed-in tariffs – can have a major impact on the value of these plants: Either through a fall in potential disposal gains in the future or through lower incoming cash flow from the operation of the plants. BayWa combats the potential implications of such risks on earnings by pursuing a dual diversification strategy in its Renewable Energies business sector. The portfolio is diversified both in terms of countries and in terms of energy carriers.

Credit and counterparty risks
As part of its entrepreneurial activities, the BayWa Group has an important function as a source of finance for its agricultural trading partners. In the context of so-called cultivation contracts, the Group is exposed to a financing risk arising from the upfront financing of agricultural resources and equipment, the repayment of which is made through acquiring and selling the harvest. Moreover, BayWa grants financing to commercial customers particularly in the construction sector in the form of payment terms of a considerable scope. Beyond this, there are the customary default risks inherent in trade receivables. Risks are kept to a minimum by way of an extensive debt monitoring system which spans all business units. To this end, credit limits are defined through a documented process of approval and monitored on an ongoing basis.

Alongside credit risks, counterparty risks are also reviewed on a regular basis in the Agricultural Trade business; this way, changes in market prices relating to outstanding sales and procurement contracts are measured in order to manage the risk of non-fulfilment of contractual obligations.

Liquidity risks
The liquidity risk is the risk that the BayWa Group may not – or only to a limited extent – be able to fulfil its financial obligations. In the reporting year, for instance, market-price-induced higher levels of funds committed to inventories and receivables portfolios were compensated by greater utilisation of external sources of finance. In the reporting year, for instance, market-price-induced higher levels of funds committed to inventories and receivables portfolios were compensated by greater utilisation of external sources of finance. In addition, financing instruments, such as multi-currency commercial paper programmes or asset-backed securitisation, are used as well as bonded loans. Existing credit lines are therefore measured to an extent deemed sufficient to guarantee business performance at all times – even in the event of growing volume. The financing structure therefore takes account of the pronounced seasonality of business activities. Owing to the diversification of the sources of financing, the BayWa Group does not currently have any risk clusters in liquidity. The BayWa Group's financing structure with its mostly matching maturities ensures that interest-related opportunities are reflected within the Group.

Rating of the BayWa Group
The banking sector has awarded the BayWa Group a very positive rating. This achievement is due to the solidity as well as to the long and successful history of the company and its high enterprise value, underpinned by assets such as real estate. In 2013, the BayWa Group was able to raise its credit facilities. For reasons of cost effectiveness, BayWa deliberately dispenses with the use of external ratings.

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

At the same time, BayWa AG promotes the ongoing vocational training and development of its employees. With 1,040 trainees in 2013, the Group ranks among the largest companies offering training specifically in rural areas. BayWa recruits a large majority of its future specialist and managerial employees from the ranks of these trainees. Long years of service to the company are testament to the great loyalty shown by BayWa personnel to "their" company. This attitude creates stability and continuity and also secures the transfer of expertise down the generations.

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

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

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

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

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

The annual consolidated financial statements are drawn up through a centralised process. Compliance with legal provisions and regulations pertaining to the Articles of Association during this process is guaranteed by the prescribed accounting standards. Corporate Accounting acts as a direct point of contact for the managers of the subsidiaries in matters pertaining to reporting and the annual and interim financial statements and draws up the consolidated financial statements in accordance with IFRS.

A control system which monitors the accounting process ensures the complete and timely capturing of all business transactions in accordance with the statutory provisions and the regulations laid down under the Articles of Association. Moreover, it serves to guarantee that stocktaking is duly and properly performed and that assets and liabilities are recognised, valued and disclosed appropriately. The control system uses both IT-based and manual control mechanisms to fully ensure the regularity and reliability of accounting. Beyond this, suitable control mechanisms, such as strict compliance with the principle of dual control and analytical reviews, have been installed in all processes relevant for accounting. In addition, Internal Audit, which is independent of these processes, audits all accounting-related processes.

The obligation of all subsidiaries to report their figures every month on an IFRS basis in a standardised reporting format to BayWa enables target performance divergences to be identified swiftly, thereby offering an opportunity of taking action at short notice.

Corporate Accounting monitors all processes relating to the consolidated financial statements as part of quarterly reporting, such as the capital, liabilities, expenses and income consolidation and the elimination of inter-company results, in conjunction with the reconciliation of the Group companies.

The departments and units of the Group involved in the accounting process are suitably equipped in terms of quantity and quality, and training courses are regularly conducted.

The integrity and responsibility of all employees in respect of finance and financial reporting is ensured through taking each employee under obligation to observe the code of conduct adopted by the respective company.

The employment of highly qualified personnel, concerted and regular training and continuous professional development, along with stringent functional segregation in financial accounting in the preparing, booking and controlling vouchers is guaranteed through compliance with local and international accounting rules in the annual and consolidated financial statements.

Outlook

Macroeconomic outlook

According to the International Monetary Fund (IMF), the global economy is set to experience growth of 3.7% in 2014, slightly up on 2013 growth. Economic growth in industrial countries is set to increase considerably from 1.3% in 2013 to 2.2% in 2014. In the USA, macroeconomic output is forecast to rise by 2.8% in 2014. The euro zone is to overcome the recession it has suffered over the past few years and likely record economic growth of 1.0% in 2014. In emerging markets, growth will continue to outpace that of industrial countries. However, with a rise in GDP growth rates from 4.7% in 2013 to 5.1% in 2014, momentum is likely to fall short of figures observed in previous years.

DIW Berlin forecasts an increase in macroeconomic output in Germany of 1.6% in 2014 (2012: 0.4%). Growth is set to be driven by private consumption, which will continue to benefit from the positive employment situation, and an increase in investment as a result of the improving global economic climate.

The Austrian Institute of Economic Research (WIFO) anticipates increased economic growth in 2014 of 1.7% in Austria, which is also based on recovery in terms of private consumption and investing activity.

Outlook for the development of the industries

Outlook for the agricultural industry

The long-term growth drivers for the agricultural industry remain valid: Above all, consistent population growth continues to cause food demand to rise, and the decline in available agricultural land per capita necessitates constant increases in yield per hectare. Continual productivity improvements in the agricultural industry are required to meet these standards. This will lead to a further increase in technological progress in agriculture.

At the same time, increasing yields per hectare are also leading to a growing need for operating resources. The increasing interconnection of agricultural product markets around the world is widening the procurement basis and influencing pricing. In addition, unusually good or poor harvests of certain agricultural products or in certain regions can cause strong fluctuations in prices over the short term. That being said, a stable to positive price trend for agricultural produce can be assumed over medium- and long-term perspectives. In Europe, the agricultural industry is benefitting from comparatively favourable climatic conditions, high levels of expertise in production technology and well-equipped farms.

According to the latest forecasts for the 2013/14 grain year, global harvest volume is set to increase by just under 8% to 2,432 million tonnes (2012: 2,256 million tonnes). By contrast, global consumption is only expected to rise by some 5% to 2,396 million tonnes, meaning that inventories are likely to increase by approximately 36 million tonnes to 483 million tonnes. As a result, the coverage of the inventory stocks will increase slightly from 72 days in the 2012/13 grain year to 74 days in the 2013/14 grain year. In the EU, consumption in the grain year 2013/14 is expected to remain at roughly the same level as the previous year at approximately 302.1 million tonnes (2012: 302.6 million tonnes). The volume of available grain (initial inventories plus harvest volume and imports) is set to rise by roughly 3% to 341.9 million tonnes, meaning that inventory stocks in the EU will also increase by around 12.2 million tonnes to 39.8 million tonnes. In Germany, current forecasts for the grain year 2013/14 show a year-on-year increase in grain production of around 4% to 47.4 million tonnes. Due to the current supply situation around the world, it is expected that grain prices will tend to fall further. However, this situation can change over the rest of the year in view of changes to harvest volume forecasts and on account of political and economic turbulence. Compared over several years, grain prices remain at a high level.

In terms of feedstuffs, the US Department of Agriculture (USDA) anticipates a substantial increase in inventories in the grain year 2013/14. The reason for this is a 5% rise in oilseed harvest volume to 499 million tonnes. After the significant increases last year, this grain year may see the price situation ease somewhat. However, falling prices often lead to increased demand for alternative usages – such as for energy generation.

In terms of agricultural operating resources, demand is forecast to remain stable at least for seed and crop protection. Following the noticeable price increases over the course of 2013, the upward price trend let up towards the end of the year. All in all, prices are expected to remain relatively stable in 2014. Fertiliser prices dropped considerably in the second half of 2013, which is expected to lead to rising demand in 2014. As in previous years, prices for different types of fertiliser may develop differently.

After a fall in harvest volumes in the previous year, fruit harvest yields are expected to rise in Germany in 2014 on the condition that weather conditions are normal. Similar development is expected for the rest of western Europe. If harvest volumes are to rise in Europe, fruit prices can be expected to fall marginally. In the southern hemisphere, current fruit development in New Zealand means that a good apple harvest is expected. Due to increasing exports to Asia, prices are expected to either remain stable or rise slightly.

The German agricultural machinery sector is set to remain favourable in 2014 – although the record figures in 2013 aren't likely to be matched. Given the positive income situation in many parts of the agricultural industry, the agricultural sector's sentiment barometer is nearing the record levels observed in 2007. With 40% of farms intending to invest in the near future, investment propensity is up year on year from 38%. However, planned investment volume is down to roughly €6.3 billion (2012: €6.7 billion). The reason for this is the lower share in investments for the construction of farm buildings and renewable energy facilities, whereas investment in machinery and equipment as well as in farm and animal equipment could match the high volumes of previous years. One positive effect on agricultural investment in 2014 is likely to emerge from technological innovations unveiled at the Agritechnica in autumn 2013. Over the medium and long term, the agricultural industry will benefit from the increasing use of technology to intensify agricultural production and boost efficiency.

Outlook for the energy industry

Sales of fuels and lubricants in the conventional energy sector are primarily dependent on economic development. Demand for fossil fuels in the heating sector is subject to fluctuations in consumption determined by weather conditions. Order patterns are also influenced by the heating oil price trend. Forecasts for the price of crude oil suggest a sideward trend over the course of 2014 at a moderate level of USD114 per barrel. This scenario is based on the expectation that shale oil production in the USA will rise, and that there will also be an increase in the supply of crude oil over the course of the year due to the latest political developments in Iran and Libya. Nonetheless, demand for crude oil may rise considerably in line with a revitalised global economic climate. Overall, structural factors such as the rise of renewable energies, the increasing use of gas and energy savings through the use of modern technologies and energy-efficient renovation will continue to have a negative impact on heating oil consumption. Wood pellets are benefitting from the substantial rise in the number of wood pellet-based heating systems installed over the past few years. The growth potential of this energy carrier is, however, limited by the regional availability of raw materials and the limited transportation distance.

In terms of renewable energies, the course has been set for long-term development: The “Energy Concept 2050” introduced by the German government aims to increase the proportion of power generated from renewable sources to 80%. In the EU, the proportion of energy consumed from renewable sources is to rise to at least 20% by 2020. However, it is still unclear how these development targets will be achieved – for the time being at least. In the EU, renewable energy subsidies have been cut back or abolished in many countries on account of the European sovereign debt crisis. Germany has also seen wholesale changes through the adjustment of German Renewable Energies Act with the aim of controlling expansion volume and restricting energy price hikes.

In Germany, the monthly reductions in feed-in tariffs introduced in November 2012 and import duties on low-cost solar modules from China in 2013 resulted in photovoltaic systems becoming less attractive, leading to a considerable decline in the construction of such systems. The impending amendment to the German Renewable Energies Act provides for further restrictions to subsidies and for energy-independent households to share the costs of grid expansion. Furthermore, in its current form, the amendment to the German Renewable Energies Act will abolish all premiums beyond basic compensation for biomass plants with an output of over 75 kilowatts (KW). This will make the construction, renovation or expansion of biomass plants increasingly unattractive from a financial perspective. Given the lack of planning security for investments, there is likely to be a distinct slowdown in photovoltaic, wind power and biomass capacity expansion in Germany. In some southern European countries, the expansion of renewable energies will also decrease due to cuts to or the abolition of subsidisation. That being said, expansion is still expected to rise in Europe in 2014 after the slump in the previous year. Investments in renewable energies are also expected to rise globally. In certain countries, such as the United Kingdom, the expansion of wind power plants will increase significantly. In the USA, it is expected that the positive trend in terms of photovoltaic plants will continue. A further increase in investment in wind power plants in the USA is also expected in 2014, as production tax credits (PTC) have been extended.

Outlook for the construction industry

Prospects are likely to improve for the construction sector in Germany in 2014. The further increase in the number of building permits in 2013 is set to be reflected in the financial year 2014 with a roughly 4.0% rise in investment in residential construction. Investment in non-residential construction and civil engineering is also expected to grow in 2014 – after falling in 2013 – from 1.7% to 4.2% against the backdrop of a recovering economic climate. All in all, the ifo Institute expects investment in construction to increase by 4.0% in real terms in 2014. Against this backdrop, prices for building materials will also develop positively.

In Austria, the Austrian Institute of Economic Research (WIFO) expects construction activity to increase by 1.2% in real terms in 2014 on the back of general economic recovery. Residential construction is set to make a major contribution to this increase – as was the case in 2013.

Anticipated development of BayWa’s segments

Outlook for the Agriculture Segment

According to current forecasts, there will be a global rise in grain and oilseed harvest volumes in the first half of 2014. Against the backdrop of substantial price decreases in the previous year, changes to forecasts could open up the chance of price rises in 2014. The implications of factors such as the hard winter in the USA or political turbulence in Ukraine on the agricultural markets cannot be estimated at the current time. Over the long term, the relatively poor supply situation could lead to rising prices for agricultural products.

BayWa trading volumes for agricultural products – particularly grain and oilseed – and in the operating resources business will continue to rise in 2014 as a result of the full-year consolidation of the Bohnhorst

Group. Furthermore, there will be additional possibilities to take advantage of market opportunities arising through the expanded logistics network and close cooperation between the trade departments of BayWa, the Cefetra Group and the Bohnhorst Group. In terms of the BayWa Group's agricultural trade, this is likely to lead to an expansion of grain and oilseed handling volume to 28 million tonnes, which will cause a corresponding rise in revenues. In the operating resources business, sales volume will be boosted considerably by the rise in the BayWa Group's market share, anticipated market growth and the strengthening of own brands. BayWa functions profitably, as do the companies of the Cefetra Group and the Bohnhorst Group. There is further potential for an increase in revenues through closer cooperation among the companies. As a result, revenues will also rise considerably in the Agricultural Trade business unit. Scheduled depreciation and amortisation is likely to rise by a smaller margin than EBITDA, resulting in an above-average improvement in the operating result (EBIT) in 2014.

In the fruit business, marketing volumes are set to rise in 2014 on the basis current harvest forecasts, which suggest that harvest volume will rise in Germany and remain stable at a high level in New Zealand. In structural terms, the Fruit business unit's revenues are likely to increase as a result of the acquisition of T & G in New Zealand. High harvest volumes – particularly in the southern hemisphere – will be absorbed by increased exports to emerging markets, so price development can be expected to remain stable. Against this backdrop, it is expected that the operating result (EBIT) of the Fruit business unit will improve significantly in 2014.

Over the first half of 2014, agricultural equipment will benefit from the high level of orders. In the second half of the year, the industry is likely to experience a moderate slowdown in relation to the record figures of the same period in the previous year. However, high sales of new machinery in previous years will lead to a considerable increase in sales volume in the service business and higher margins. All in all, BayWa expects agricultural equipment revenues to remain stable year on year in 2014 and the operating result (EBIT) to increase moderately.

In the Agriculture Segment, BayWa anticipates a considerable rise in sales volumes overall. Based on current prices for agricultural products, 2014 is also likely to see a corresponding rise in revenues. The operating result (EBIT) is also expected to profit from the positive revenue development and increase considerably from the 2013 figure.

Outlook for the Energy Segment

Against the backdrop of relatively positive economic framework conditions, it is expected that sales will remain at the previous year's level at least. Positive development of the German economy and the acquisition of new customers means that lubricant sales and revenues are expected to rise further in 2014. In the heating oil business, the structural decline in demand is expected to continue. BayWa is counteracting this development by expanding its market share to retain its sales volume at a stable level. Sales in conventional energy and trading in fossil and renewable fuels and lubricant are expected to remain stable year on year across all product areas in 2014 on the basis of current prices. In terms of the operating result (EBIT), a marginal improvement is expected due to the reorganisation according to product groups.

The Renewable Energies business sector will benefit from the consolidation of activities under the BayWa r.e. renewable energy umbrella brand and the reorganisation according to fields of activity. In addition, BayWa will continue to pursue its international expansion strategy by identifying and developing suitable projects. The business sector's international orientation will be able to at least partially compensate for declines in individual European markets or technology industries, such as in German photovoltaic and biomass business or in the Spanish photovoltaic and wind power markets – caused by significant cuts to subsidies – through growth in other markets such as the UK and Denmark. In the USA, BayWa will be able to drive forward growth in 2014 through the anticipated recovery in wind power business. In addition, solar business is also showing very positive development. Revenues in this business sector are likely to remain at the previous year's level in 2014, as increases in solar module sales are to be evened out for the most part by falling prices. By contrast, the operating result (EBIT) from project business should improve as a result of rising systems sales.

Overall, the Energy Segment is aiming to generate revenues on par with the previous year in 2014 on the basis of anticipated development in individual areas and increase the operating result (EBIT) by a moderate margin.

Outlook for the Building Materials Segment
The construction industry began 2014 in considerably better shape than in 2013 on account of the mild winter. In 2014, the Building Materials Segment will be able to benefit from more favourable framework conditions in Germany and moderate growth in Austria. The segment's revenues are likely to fall by roughly €190 million year on year due to the sale of building materials locations in North Rhine-Westphalia and the sales of further locations in Rhineland-Palatinate and two others in Württemberg. Organic growth of activities in core regions and higher prices will offset this decline. Due to measures already implemented to restructure the segment and boost profitability, as well as the non-recurrence of costs relating to the optimisation of sales structures, the operating result (EBIT) of BayWa's building materials trading activities is likely to improve considerably in 2014.

Outlook for the BayWa Group
Prospects for the BayWa Group in 2014 remain positive. Group revenues are expected to increase by a moderate margin in 2014, assuming that prices are stable. This is due to the full-year consolidation of the Bohnhorst Group as well as planned acquisitions in New Zealand in the fruit business. The Group's key earnings indicators, EBITDA, EBIT and EBT, are likely to increase noticeably in 2014 on account of the growth of the company and positive earnings development in all segments. BayWa is continuing its strategy of strengthening profitability sustainably in order to safeguard the independence of the company over the long term and ensure it is fit for the future.