Management Report on the BayWa Group in Financial Year 2012

I. Summary of performance in 2012

BayWa was able to continue its successful development into financial year 2012. An important step forward was made in the internationalisation of the company with the acquisition of New Zealand fruit company Turners & Growers Limited (Ltd). In addition, BayWa significantly strengthened its future position in the global grain trading market with the acquisition of Cefetra and Bohnhorst, which is slated to become effective as of financial year 2013. BayWa Group revenues rose by just under 10% to €10.5 billion, and the operating result (EBIT) significantly outperformed the previous year's figure, rising 25.2% to €186.8 million. Net income increased to €118.0 million in the reporting year, a year-on-year increase of 73.2%. 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 €0.65 per share.

In the Agriculture Segment, the Agricultural Trade, Fruit and Agricultural Equipment business units recorded double-digit revenues growth. Agricultural Trade was able to boost processing and sales volumes in all product areas with the sole exception of the feedstuff business, which remained at the previous year's level. In addition, higher prices for agricultural products and operating resources also made a contribution to the 10.8% increase in revenues to €3,356.9 million. The Fruit business unit saw its revenues almost quadruple to €468.3 million as a result of the first-time inclusion of New Zealand company Turners & Growers Ltd. In the Agricultural Equipment business unit, sales of 4,661 new sets of machinery was a new record for tractor sales and boosted revenues 11.6% to €1,226.7 million. In terms of EBIT, Agricultural Equipment saw a slight year-on-year decline to €54.3 million, due to the fact that the significant margins generated the previous year in trading grain and fertilisers were not quite able to be matched in the reporting year. By contrast, the Fruit business unit's EBIT rose significantly from €4.0 million the previous year to €17.9 million in the reporting year. This development is mainly attributable to Turners & Growers. The Agricultural Equipment business unit was also able to improve its operating result, with a 4.8% increase to €18.9 million. Overall, revenues in the Agriculture Segment increased by 18.6% to €5,051.9 million. EBIT rose by 16.7% to €91.0 million.

In conventional energy business in the Energy Segment, heating oil and wood pellets sales volumes went up significantly during the reporting year, while fuels and lubricants saw moderate rises. Revenues increased during the reporting year by 15.3% to €3,236.0 million due to increases in sales volumes and the fact that heating oil prices remained above the previous year's prices for the entire year. The operating result benefitted particularly from considerably higher demand for heating oil after the early onset of winter, rising by 65.7% to €10.5 million. In financial year 2012, the Renewable Energies business sector benefitted from better-than-anticipated photovoltaic business and significant improvements in project business. The business sector's revenues rose by 44.1% to €440.8 million in financial year 2012. EBIT increased by 20.3% to €32.5 million. Overall, revenues in the Energy Segment rose year on year by 18.2% to €3,676.8 million and EBIT improved by 28.9% to €43.0 million.

In financial year 2012, the Building Materials Segment recorded a 15.7% decline in revenues to €1,740.4 million, mainly as a result of the deconsolidation of German DIY and garden centres effective as of 1 January 2012. EBIT for the segment fell year on year by 3.1% to €35.4 million. However, this decline is due to profit contributions from DIY and garden centres that are no longer included in the segment. By contrast, continued activities in the building materials trade were able to significantly improve their operating result in the reporting year compared to the previous year as a result of the restructuring measures that were implemented.

II. Business and General Conditions

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 to become one of the world's leading trade and logistics companies over the course of its 90-year history. Its business focus is Europe, but BayWa also maintains important activities in the USA and New Zealand and has an international trade network. The Group is structured into three separate segments – Agriculture, Energy and Building Materials – which are oriented toward the Group's scope of services comprising wholesale and retail trade, logistics and extensive associated advisory and general services in the sectors of agriculture, energy and construction. BayWa's core markets are Germany and Austria. Furthermore, BayWa has also opened up new markets such as the UK, USA and New Zealand over the past three years as a result of further strategic growth. Including its franchise and partner companies, the Group has around 3,000 sales locations in 18 countries.

The BayWa Group

	Revenues (in € million)	Employees (annual average)
Agriculture Segment	5,051.9	8,730
Energy Segment	3,676.8	1,564
Building Materials Segment	1,740.4	4,868
Other Activities	61.9	518
Total	**10,531.1**	**15,680**

The Agriculture Segment traditionally generates the largest share of the BayWa Group's revenues. In financial year 2012, this segment accounted for approximately 48% of consolidated revenues. The recent acquisitions will push this revenue share up to around two-thirds of consolidated revenues in 2013. In the agricultural sector, BayWa is one of Europe's largest full-line suppliers and also trades an ever-increasing number of its products worldwide. The Agricultural Trade business unit 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. BayWa's Fruit business unit is an important full-line supplier to the food retail and wholesale industry in Germany. Subsidiary Turners & Growers 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 the retail industry with fresh fruit and dessert fruit all year round. The Agricultural Equipment business unit is a full-line supplier of agricultural equipment for farming and forestry operations, municipalities and commercial customers. Furthermore, the business unit maintains a closely linked network of in-house workshops and mobile service vehicles tailored to manufacturer brands to provide maintenance and repair services and supply replacement parts.

In financial year 2012, the Energy Segment accounted for around 35% of consolidated revenues. Business activities in this segment are divided into conventional energy and the Renewable Energies business sector. In terms of conventional energy, BayWa focuses its activities on heating oil, diesel and Otto fuels, lubricants and wood pellets in the German federal states of Bavaria, Baden-Württemberg, Hessen and Saxony and in Austria. BayWa r.e. focuses on trading, planning, building and subsequently selling turnkey solar plants, wind farms and biogas plants. In the Renewable Energies business sector, BayWa has a double diversification strategy in the renewable energies business in order to reduce reliance on certain renewable energy sources and respective national markets. With business activities in all major European markets as well as in the USA, this business sector is much more internationally oriented than business involving conventional energy carriers.

Approximately 17% of consolidated revenues are attributed to the Building Materials Segment. Following the carve-out of the DIY and garden centre business as of the start of 2012, this segment now mainly consists of 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 a group of international markets. The BayWa Group is Germany's number two in the building materials trade and ranks among the leading suppliers in Austria. In Germany, BayWa has a total of 201 building materials locations together with 29 in Austria. The number of franchisees is currently 1,377.

BayWa AG heads up business operations in three segments, both directly and through its subsidiaries, which are included in the group of consolidated companies. In Eastern Europe, Spain, the UK, Italy, France, Austria, New Zealand and the US, the local subsidiaries are managed independently. Besides BayWa AG, the BayWa Group comprises 157 fully consolidated companies. Furthermore, 27 companies were included at equity in the financial statements of BayWa.

Corporate goals, strategy and management

BayWa sees itself as a strong partner for its customers. The fundamental features of the Group's brand concept are reliability, solidity and innovation.
BayWa's primary corporate goals are to secure the Group's sustainability and independence through responsible corporate governance toward customers, employees, other stakeholders and society as a whole. BayWa achieves these goals by continuing on its path of growth and raising its profitability to expand its competitive position as a leading supplier of products and services in the Agriculture, Energy and Building Materials Segments over the long term.

The key components of BayWa's strategy are derived from its corporate goals:

- Profitable growth of the Group
- Internationalisation of business
- Continuous improvement of cost structures
- Partnerships and cooperations with other enterprises
- Value-driven management of the company based on economic profit
- Sustainability of the Group's activities

BayWa achieves its growth goals by organically developing existing business activities, by opening up new business sectors in domestic and international markets, and by acquiring new companies. By internationalising and geographically diversifying its business activities, BayWa will become more independent from developments in specific markets. At the same time, BayWa is expanding its scope to seize growth opportunities. The BayWa Group is picking up the pace of this strategy, particularly in the Agriculture Segment and with renewable energies. Moreover, BayWa is tapping new business opportunities through partnerships and cooperations with other companies. Further potential for future expansion lies in the development of digital offerings in the e-commerce sector and in the strengthening of the BayWa umbrella brand through the standardised presentation of Group companies.

The Group's expansion will result in economies of scale, which, combined with stringent cost management, will raise profitability. The key focus of strategic measures is the optimisation of on-site structures, the synchronisation of processes by applying best practice models, the greater use of existing sales structures and the strengthening of operating partnerships among Group companies.

On the financing front, the focus is on the efficient management of working capital. By securing longer-term financing for part of its working capital by issuing bonds and loans, BayWa has responded to changes in business structures, in particular to changes resulting from growth in the area of BayWa r.e renewable energy. BayWa remains focussed on maintaining a balanced capital structure. The acquisitions of Cefetra and Bohnhorst, for instance, were chiefly financed by releasing capital from the Group's real estate portfolio. While BayWa fell short of its target equity ratio of 30% as a result of recent acquisitions in order to seize growth opportunities, the Group nevertheless retains this target value over the medium and long term.

The business units are managed and controlled using strategic and operational parameters, by applying a value-driven management approach based on economic profit and by following a strategy of integrated risk management. The key earnings figures EBITDA, EBIT and EBT form the primary basis for short-term operational management and control of the business units. In contrast, 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. Economic profit 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 to safeguard 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.

Economic profit

in € million 2012	Agricultural Trade	Fruit	Agricultural Equipment	Conventional Energy	Renewable Energies	Building Materials
Net operating profit	54.3	17.9	18.9	10.5	32.6	35.4
Average capital invested [1]	828.7	199.7	351.5	0.7	363.9	477.2
ROIC (in %)	6.55	8.97	5.37	1,413.58	8.94	7.41
Weighted average cost of capital (WACC) (in %)	5.60	6.70	6.90	6.10	7.10	6.60
Difference (ROIC/WACC) (in %)	0.95	2.27	-1.53	1,407.48	1.84	0.81
Economic profit by business unit	7.9	4.5	-5.4	10.5	6.7	3.9

	Agriculture	Energy	Building Materials
Economic profit by segment	7.0	17.2	3.9

1 Intangible assets + property, plant and equipment + net working capital

In financial year 2012, all three BayWa Group segments achieved positive economic profit (in other words, positive net income after respective capital costs). The Agriculture Segment recorded an economic profit of €7.0 million, of which Agricultural Trade contributed €7.9 million and Fruit €4.5 million. By contrast, the Agricultural Equipment business unit generated a negative economic profit of €5.4 million, as significant investments in restructuring CLAAS sales continued to have a burdening effect. The Energy Segment reached net income after capital costs of €17.2 million, €10.5 million from the conventional energy business and €6.7 million from the Renewable Energies business sector. The Building Materials Segment also recorded positive economic profit of €3.9 million in financial year 2012 as a result of successful restructuring measures.

Services, products and business processes

BayWa's Agricultural Trade business unit supplies the agricultural sector with seed, feedstuffs and 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. Products are sold through in-house trade departments to local companies in the foodstuff, wholesale and retail industries and – particularly in the case of grain – to firms worldwide.

In the Fruit business unit, BayWa is Germany's leading supplier of dessert fruit to the food retail industry and, with 10 locations, the largest single seller of dessert pome fruit and the largest supplier of organic pome fruit. Furthermore, BayWa also collects, stores, sorts, packages and sells fruit for customers in Germany and abroad as a marketer under contract. Subsidiary Turners & Growers (T & G) is a market-leading New Zealand fruit company and has a large network of trade partnerships to Asia and South America. Thanks to the acquisition of T & G, BayWa is in the position to provide food wholesalers and retailers with fruit the whole year round and seize additional sales opportunities for German fruit in international high-growth markets.

The Agricultural Equipment business unit is a full-line supplier of agricultural machinery, equipment and facilities for farming, stabling equipment, and cultivating grain and fodder products. Moreover, the Agricultural Equipment business unit also supplies 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 heating materials, fuels and lubricants. As these business activities consist purely of logistics and distribution without any large inventories, price changes only have a limited effect on the valuation of inventories. 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 and trade to services for the operation of plants in the photovoltaic, wind power and biomass sectors. Its offerings comprise photovoltaic plants and wind farms as well as plants for generating energy from biomass. BayWa also offers the operating resources and services associated with these plants. This business sector is currently represented in 11 countries around Europe as well as in the USA. By consolidating business activities and setting up separate management teams in the photovoltaic, wind power 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. Against this backdrop, BayWa positions with a targeted focus on its customer groups when it comes to customer consulting services. The key success factors in this business are physical proximity to the customer, the product mix and the advisory 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.

One of the leading companies in agricultural wholesale and retail

BayWa ranks among Europe's leading companies in agricultural wholesale and retail trading. It is anchored in agribusiness as part of the agricultural cooperatives trading structure, where it also has its roots. Shaped by their development over time, these structures cater to the needs of different regions in Germany and Austria. BayWa has approximately 1,000 locations, which form part of an extensive and dense network in its regional markets, particularly in Bavaria, Baden-Württemberg, Thuringia, Saxony and southern Brandenburg, as well as across the whole of Austria. The company maintains close business relations with around 500 cooperative warehouses in Austria. Numerous 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, represented nationwide, offering equipment and resources. All in all, BayWa has established a significant market position for itself in agricultural trading in Germany and Austria. BayWa has internationalised its fruit business even more through the acquisition of Turners & Growers (T & G), a producer and global exporter of fresh fruit based in New Zealand. T & G's existing sales structures 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 photovoltaics, wind energy and biogas, and secondly through its activities in Germany, Denmark, France, the UK, Italy, Austria, Poland, Slovakia, Spain, the Czech Republic, Hungary 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 840 companies in total with some 2,100 locations specialised in the building materials trade. The majority of suppliers are mid-sized companies that work together in different types of cooperation partnerships. With 201 locations, BayWa takes second place in Germany 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 29 locations of its own and an extensive network of franchise partners in the building materials trade. Moreover, BayWa is also active on a regional scale in DIY and garden centres in Austria. In Germany, Austria and Italy, BayWa also operates as a franchiser in DIY and garden centres.

Fundamental legal and economic factors of influence

The Group's Agriculture Segment is strongly influenced by natural phenomena such as the weather. These phenomena are key determinants for the success of the harvest. This sensitivity has a direct impact on the offering and pricing in the markets for agricultural commodities and natural products. In recent years, the degree to which price trends in regional markets depend on international influences, such as droughts or poor harvests in other parts of the world, has become more marked. This also applies to the extent to which the price trends of individual agricultural commodities influence one another. Moreover, fluctuating exchange rates and transport prices are exerting a greater influence on pricing in regional markets due to increasing levels of international integration. The growing significance of agricultural commodities has also exacerbated price volatilities. 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 influenced 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 naturally affect the demand for these products. In the case of renewable energies, rising prices for fossil-based fuels generally result in stronger demand. The sale of biodiesel, however, depends to a great extent on fiscal framework conditions and political decisions regarding blending quantities with traditional petroleum. This applies analogously to the demand for photovoltaic, wind power and biogas plants where, until the systems reach grid parity, return calculated from an economic standpoint is largely determined by the feed-in tariffs prescribed by law. 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 government policies on residential construction subsidies or subsidy programmes to promote energy-efficient renovation. The development of the building materials trade generally follows overall building activity. Civil engineering and road construction in particular 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 are what influence investment patterns. In addition, manifold regulations enshrined in 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, influence general investment propensity levels and the demand for certain products.

Slowdown in global economic development worsens in 2012

The rate of the global economy's growth experienced a further slowdown in 2012. Global economic output rose by a mere 3.2% following 3.9% the previous year. Expansion in the gross domestic product of industrial nations averaged a mere 1.3%. Weak development as a result of the sovereign debt crisis in southern Europe had a particularly noticeable effect on the eurozone, which saw economic output fall by 0.4%. In the USA, economic growth quickened from 1.8% in 2011 to 2.3% in 2012. However, this growth was primarily driven by a stronger first half of the year, and the economy lost momentum in the second half-year on account of fiscal restrictions. Emerging and developing countries continued to generate above-average economic growth of 5.1%, with China leading the field with growth of 7.8%.

The German economy grew by 0.8% in 2012 and was therefore the most successful in the eurozone. However, the resurgence of the European sovereign debt crisis in the middle of the year and an unexpected slowdown in the global economy curbed economic development over the course of the second half of the year to a considerable extent. Exports increased by 4.1%, as the slowdown in the eurozone was countered by strong demand from other countries. Imports increased too, but, at 2.3%, their growth was not as significant as exports, primarily as a result of a 2.4% fall in investment activity. While public-sector spending increased by 1.2%, somewhat more than the previous year, consumer spending made a disproportionately low contribution to economic growth in 2012, as it grew by just 0.7%.

In Austria, macroeconomic growth in 2012 slowed to 0.6% following 2.7% in 2011. The low level of growth is predominantly down to the fact that capital investments and exports only increased moderately by 0.8% after the previous year's high growth rates of 7.3% and 7.9% respectively.

Trends in the agriculture sector

Prices for agricultural products remained at a relatively high level in Europe in 2012. 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. The main cause of this price development was the increasing scarcity of agricultural commodities around the world. In 2011/12, global grain production volumes increased year on year by a mere 5.2% to 2,316 million tonnes. However, in the second half of the year, severe droughts in important production regions such as the USA, Russia, Kazakhstan, Ukraine, Brazil and Argentina led to significant declines in harvests and a corresponding scarcity of supply. In Germany, the total grain harvest volume fell a good 6% year on year in grain year 2011/12. In regional terms, yields in the south and west of the country were more favourable than those in the north and east. Above-average price increases were seen with plant-based products in particular. As a result, the grain price index increased by some 17% year on year as of the end of September 2012.

With high production volumes across the EU, producer prices in the dairy industry were down around 5% year on year as of the end of September 2012. In Germany, the amount of milk collected by creameries increased year on year by around 1%. After they had fallen sharply by over 10% in the first half of 2012, milk prices recovered in the third quarter and, in October, more or less reached the price level seen at the beginning of the year. Whereas global meat production in 2012 rose by around 1%, Germany saw a 2% decline in its meat production levels. The production of pork and beef in particular saw negative development, while poultry production experienced a slight increase. Meat prices remained relatively stable between January and October 2012, maintaining the same high levels as the previous year. Marginal declines in price were only observed with poultry.

Prices for agricultural operating resources continued to rise in 2012. Energy and feedstuff prices increased particularly sharply, although increases in crop protection prices were more moderate. By contrast, prices for fertiliser developed inconsistently. With calcium fertilisers, increasing demand led to moderate price increases. However, nitrogen, potassium and phosphate fertilisers were available at more or less the previous year's prices. One of the likely reasons for this is less demand as a result of extreme weather conditions in North America, southern Europe and parts of Australia and India. Overall, substantially higher income in the agricultural sector more than compensated for cost increases in operating resources. According to preliminary figures produced by the German Farmers' Association, the German agricultural industry's net value added increased by around 10% to €14.5 billion in 2012. Operating income per worker rose to €27,100, up from €24,500 the previous year.

After the record fruit harvests of the previous year, poor weather conditions in Germany in the first half of 2012 – particularly the late frost during the blooming period – led to harvest yields falling for almost all fruit types. The German apple harvest, for instance, dropped by approximately 2% year on year to 933,000 tonnes and fell short of the 1 million tonne mark, considered a normal harvest, by 7%. The stone fruit harvest in 2012 also fell significantly. A similar trend was seen in other EU countries. A high-quality harvest coupled with scarce supply resulted in higher fruit prices, meaning that sales revenues for fruit farmers rose year on year. In New Zealand, the 2012 fruit harvest was average in terms of size, and sales revenues were positive.

The predominantly positive revenue and income situation at many agricultural operations was good for investments in agricultural equipment in 2012. The ongoing structural change also tended to lead to greater demand for agricultural equipment. The number of agricultural operations fell by 0.5% to 299,100, another decline, but the average area of land under cultivation rose by 0.1% to 55.9 hectares per agricultural operation. Total revenues in the agricultural equipment sector increased by 9.7% in 2012 to around €7.7 billion. Agricultural machinery saw a particularly sharp rise, posting a 14.6% increase in revenues.

Trends in the energy sector

Alongside the structurally driven decline in the consumption of crude oil, the high heating prices during 2012 also restricted demand. Aside from the periods between April and the end of July and mid-October until mid-December, the price of crude oil was higher during 2012 that it had been the previous year, when prices had already been elevated. Reaching a peak of USD122 per barrel and a low of USD87 per barrel, price fluctuations were up year on year. At the start of 2012, the price initially rose sharply from USD105 per barrel to USD122 per barrel. From April, prices started to fall on the back of the resurgent European sovereign debt crisis and modest prospects for global economic growth, and it reached an all-year low of USD87 per barrel in June. From this level, the price of oil rapidly recovered to around USD110 per barrel.

Heating oil prices developed largely in line with oil prices; however, they outperformed previous year's prices throughout 2012. Overall sales of heating oil were therefore sluggish in the first nine months of 2012. In the fourth quarter of the year, demand increased significantly due to seasonal effects and on the back of slight declines in heating oil prices. Total fuel sales fell slightly in 2012, despite a 1.3% increase in the stock of vehicles. Sales of diesel fuels rose by around 1%, whereas sales of Otto fuels fell by 5%. Declines in fuel sales are likely to be linked to high prices. Moderate increases were observed in lubricant sales, mainly due to the positive economic environment for the metal-processing industry and, in particular, mechanical engineering in Germany.

The expansion of wind power, photovoltaic and biomass capacities continued as a result of the German government's policy to promote renewable energy. Major energy companies are also reviewing their business models and offering decentralised supply solutions using renewable energy on an increasing basis. While wind power and biogas plants tend to be limited to large-scale commercial projects, demand for photovoltaic plants is increasing among commercial customers and, in particular, private households. Despite the gradual cuts to feed-in tariffs for photovoltaic energy, due to furthers significant drops in module prices in 2012, newly installed output, at 7,600 MW, was far higher than the target range of 2,500 MW to 3,500 MW aimed for by policymakers. Bottleneck factors in the expansion of renewable energies are the financing of overheads through energy customers and the transfer capacity of the power grids. Following an initial cut to subsidies on 1 January 2012, they were reduced even further on 1 April in order to prevent an uncontrolled increase in EEG (German Renewable Energy Sources Act) allocation. From May, the feed-in tariff fell by 1.0% per month. In November 2012, a flexible cap was introduced whereby the monthly cuts to feed-in tariffs are increased or decreased every three months. These adjustments are made on the basis of the rate of new plant construction. Moreover, a total expansion target for subsidised photovoltaic energy of 52 GW was stipulated.

In terms of wind energy, around 2,439 MW of capacity was added in Germany in 2012 through new projects or repowering measures. This equates to a year-on-year increase of approximately 20%. The European wind power market also experienced further growth in 2012. In the USA, total output of newly installed wind power plants came to an estimated 13,200 MW in 2012, almost double the previous year's output of 6,800 MW. Government subsidisation of biomass energy was increased to up to _500 million for the period between 2009 and 2012. One key focus for subsidies is investing in existing housing stock and, by doing so, making a contribution to increasing the share of renewable energies in the overall heating supply. In the area of biomass energy, incentives are being offered to increase energy efficiency and to intensify use of biogenic residual and waste materials, and the so-called "heat-power coupling bonus" is being increased considerably. At the same time, for new plants with an output of over 5 MW, only energy generated as part of a heat-power coupling system is eligible for EEG remuneration. The aim of this restriction is to increase the amount of energy generated in this manner. For biomass, the aim is to cover 6% of total natural gas requirements in Germany with biomethane by 2020 and to increase this to 10% by 2030.

Trends in the construction industry

The construction industry benefited from a recovery in the residential construction sector in 2012, which remains the most important sector in the German construction industry, accounting for 58% of total business. The number of building permits rose by just under 11% to 246,600 units from 222,600 in 2011. The strongest growth was seen in the area of multi-family housing. Overall, real investment in residential construction was up 2.5% year on year. In contrast, non-residential construction saw activity fall by 3.8%. Investment in commercial building declined by 1.5% and in public-sector building by 14.0% in real terms in 2012 after a sharp rise the previous year. This significant decline is primarily due to the expiry of the subsidy programme that was part of the government's second economic stimulus package in 2011. Real civil engineering investment was down 6.1% year on year. Overall, commercial civil engineering fell 4.0%, and public-sector civil engineering by 8.0%. In total, real construction investment in Germany in 2012 fell 0.6% year on year, as construction activities took a major hit as a result of the early onset of winter in November.

In Austria, the growth dynamics of the construction sector dwindled noticeably in 2012 following the sharp 4.4% increase in construction investment in 2011. However, with an increase of 1.1%, construction investment outperformed the economy as a whole. The main growth factor was residential construction, which increased by 2.4%. After very strong growth in 2011, other construction activities stagnated in 2012 (+0.1%). The worsening downturn in macroeconomic prospects over the course of 2012 had a particular impact on this area. In terms of civil engineering, construction investment declined slightly by 0.2% as a result of government austerity measures.

III. Earnings, Financial Position and Assets

Earnings position

Development of the Agriculture Segment in 2012
The revenues of the BayWa Group, generated through agricultural produce and operating resources in its Agricultural Trade business unit, rose by 10.8% to €3,356.9 million in financial year 2012. The increase in revenues is due to both volume and price. Grain turnover, for instance, increased by 9.9% to approximately 5.4 million tonnes, and sales prices were up year-on-year. At just under 2 million tonnes, fertiliser sales went up by 3.1%; prices remained stable at the same time. Animal feed sales amounted to just under 2.4 million tonnes, on par with the previous year; revenues increased due to a rise in market prices. Prices increased moderately due to persistent cold weather in the spring. EBITDA (earnings before interest, taxes, depreciation and amortisation) of the segment declined slightly by some €1.0 million, or 1.2%, to €81.1 million as the grain and fertiliser sales margin did not reach last year's very high level. EBIT (earnings before interest and taxes) decreased by 3.2% year on year to €54.3 million due to depreciation and amortisation increasing by €0.8 million to €26.8 million. Net interest dropped by €3.0 million to €-23.5 million compared to the previous year, owing to the significantly higher trading volume requiring financing. All in all, earnings before tax of the Agricultural Trade business unit dropped by €4.8 million, or 13.6%, to €30.7 million year on year.

The Fruit business unit increased total revenues by €338.6 million to € 468.3 million in 2012. The majority of revenues growth in this business unit is attributable to the initial consolidation of Turners & Growers (T & G) since 9 March 2012. In addition, the Group managed to expand the original revenues in the fruit business. Dessert fruit as well as soft and stone fruit sales more than doubled compared to 2011. EBITDA climbed by €22.0 million to €28.0 million. Depreciation and amortisation went up from €1.9 million to €10.1 million, resulting in EBIT growing by €4.0 million to €17.9 million. Financial expenses went up from €0.4 million to €3.0 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 from €3.6 million to €14.9 million in 2012.

Business in tractors and other agricultural machinery profited from the continuously positive income situation of farmers, the high level of orders on hand from 2011 and the implementation of the two-brand strategy with CLAAS and AGCO. Tractor sales reached a new record level, with 4,661 new machinery sold. This corresponds to a 21.1% rise compared to the previous year. All in all, revenues in the Agricultural Equipment business unit increased by €127.2 million, or 11.6%, to €1,226.7 million in 2012. EBITDA rose by €2.5 million, or 9.2%, to €30.0 million. This growth rate, which is slightly lower than that of revenues, is caused by both subsequent costs from the development of the CLAAS sales structure and upfront costs for Massey Ferguson sales. Depreciation and amortisation increased by €1.7 million to €11.1 million in 2012 due to the high investment volume in the previous year. EBIT therefore went up by 4.8%, or €0.9 million, to €18.9 million. Financing costs rose by €1.8 million to €11.1 million on account of the rise in sales of new machinery. In addition, 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 due to the early onset of winter resulted in a rise in funds committed. At €7.2 million, earnings before tax of the Agricultural Equipment business unit in 2012 therefore were €1.5 million down year on year.

Revenues in the Agriculture Segment grew by 18.6%, or €793.0 million, to €5,051.9 million in financial year 2012. There was an above-average increase in EBITDA, which soared by €23.6 million to €139.0 million,
up 20.5%. Adjusted for depreciation and amortisation of €48.0 million, the segment's EBIT climbed by €13.0 million, corresponding to 16.7%, to €91.0 million. The segment's financing costs climbed by €8.1 million to €38.3 million. Overall, earnings before tax of the Agriculture Segment came to €52.8 million, up 10.4%, or €5.0 million, on the previous year's figure.

Development of the Energy Segment in 2012
Sales of the Energy Segment through business with conventional sources of energy rose across almost all product categories in financial year 2012. Heating oil sales volumes grew by 18.8% and that of wood pellets by 18.0% compared with the previous year. Particularly in the case of heating oil, the early onset of winter and low household supplies combined with simultaneous slightly lower prices created a sudden boost in demand. Fuel sales went up by 13.8% and lubricant sales fell slightly by 0.2%. Total revenues from conventional energy increased by 15.3% to €3,236.0 million. The large sales volumes as well as the annual average increase in prices – particularly of heating oil and fuels – contributed to this revenues growth.

EBITDA amounted to €19.7 million, which is 27.8% higher than the previous year's figure. Adjusted for depreciation and amortisation, which was only slightly up year-on-year, EBIT increased by 65.7% to €10.5 million.

The Renewable Energies business sector, pooled under BayWa r.e. renewable energy, profited from stable solar and growing project business in 2012. In view of announced further cuts in feed-in tariffs, solar trading performed better than originally expected, with 147 megawatts (MW) in output sold. Demand was particularly high until mid-2012, whereas the feed-in tariff cuts resulted in a slowdown in the second half of the year. The project business focused on plant sales in 2012. Institutional investors' interest in renewable energies with stable and attractive long-term returns is continuously growing on account of low capital market returns.
The second-largest solar park in Mecklenburg-Vorpommern in Stralsund-Barth, with a nominal output of 31.5 MW, is one example of the sale of completed systems in the solar business. This plant started operations in September 2012 and was sold at a profit in the fourth quarter. The solar park has around 130,000 solar modules on 40 hectares of land and produces electricity for around 7,600 households. In addition, Windpark Gunzenhausen in Central Franconia, Bavaria, with total installed output of 18 MW, was sold to an infrastructure fund for institutional investors. In the biomass business, Bavaria's largest biogas plant in Pliening was sold at the beginning of 2012. The plant feeds 38 million kilowatt hours of gas into Munich's municipal gas network, enough for around 2,000 households. Total revenues in the Renewable Energies business sector increased by 44.1% to €440.8 million in 2012. In terms of EBITDA, the business sector reported growth of 45.1% to €52.9 million. Depreciation and amortisation of the business sector went up from €9.3 million in 2011 to €20.3 million in financial year 2012 – primarily because of the consolidation for the full year of the numerous newly acquired companies. At 20.3%, EBIT therefore grew disproportionally lower than revenues. However, the BayWa r.e. renewable energy business sector generated EBIT of €32.5 million – the highest figure since it was established.

Total revenues of the Energy Segment increased by €565.0 million, or 18.2%, to €3,676.8 million in financial year 2012. The segment's EBITDA climbed by 40.0% to €72.6 million. Adjusted for depreciation and amortisation, which at €29.6 million were up €11.1 million year on year, EBIT rose by 28.9% to €43.0 million. Financing costs went up by €6.2 million to €16.5 million. The main reasons for this development were the full-year refinancing of the company acquisitions, which were included in 2011's figures only on a pro rata basis, and the additional shares acquired in RENERCO Renewable Energy Concepts in 2012. Working capital also increased due to growth in the project development business. Earnings before tax of the Energy Segment climbed by 14.7%, or €3.4 million, to €26.6 million.

Development of the Building Materials Segment in 2012

Revenues of the Building Materials Segment decreased by 15.7% to €1,740.4 million in financial year 2012, mainly on account of the deconsolidation of the German DIY and garden centre business as of 1 January 2012. The continued operations in the Building Materials business unit improved year on year, on the other hand. However, the earnings contributions from the DIY and garden centre business, which are no longer included in the segment, were higher than the increase in operating result in the building materials trade, meaning that the segment's EBITDA and EBIT were down year on year. EBITDA of the Building Materials Segment therefore went down by 19.6% to €52.8 million. As depreciation and amortisation declined disproportionately by €11.7 million to €17.4 million, EBIT came to €35.4 million, just 3.1% less than in the previous year. The segment's financing costs also decreased considerably by 24.0%, or €3.0 million, to €9.5 million due to the drop in tied capital. Earnings before tax of the segment therefore increased by 7.8% to €25.9 million.

Development of the Other Activities Segment in 2012

In financial year 2012, Other Activities mainly comprised BayWa's participation Ybbstaler until 31 May 2012. Effective 1 June 2012, the Ybbstaler companies were integrated in a joint venture under the management of AGRANA Juice Holding GmbH. Ybbstaler was consequently also deconsolidated at BayWa as of 1 June 2012. Revenues of the Other Activities Segment therefore decreased by 58.5% to €61.9 million. EBITDA, on the other hand, went up by 41.9% to €78.9 million due to the disposal of the multi-storey building in which BayWa Headquarters was located. As a result, EBIT amounted to €62.1 million, a rise of 57.9%. Earnings before tax grew by 59.7% to €62.9 million.

Earnings position of the BayWa Group

In € million	2008	2009	2010	2011	**2012**	Change in % 2012/11
Revenues	8,794.6	7,260.2	7,903.0	9,585.7	10,531.1	9.9
EBITDA	258.1	209.7	228.2	251.3	306.6	22.0
EBITDA margin (in %)	2.9	2.9	2.9	2.6	2.9	–
EBIT	161.9	115.4	128.9	149.2	186.8	25.2
EBIT margin (in %)	1.8	1.6	1.6	1.6	1.8	–
EBT	103.5	75.1	87.1	95.4	122.6	28.5
Consolidated net income	76.7	59.4	66.8	68.1	118.0	73.2

The BayWa Group raised its revenues by €945.4 million, equivalent to 9.9%, to €10,531.1 million in financial year 2012. At €338.6 million, revenues growth is attributable to the fruit business, with the initial consolidation of Turners & Growers having a particular effect. Organic growth in the Agricultural Equipment business unit within BayWa r.e. renewable energy of €262.1 million was another main contributor to consolidated revenues growth. In the Agricultural Trade business unit and conventional energy business, revenues growth was generated by a rise in sales volumes as well as, in particular, increased market prices for agricultural produce, operating resources and mineral oil products.

Other operating income rose by a total of €75.5 million to €205.4 million year on year. This increase resulted in particular from the rise in other income of €49.6 million (previous year: €37.7 million) – including profit from the deconsolidation of the Ybbstaler companies – as well as a rise in income from asset disposals of €45.2 million (previous year: €23.4 million). The latter includes the accounting profit from the sale of the multi-storey building of BayWa Headquarters. In addition, income from letting and leasing rose to €44.5 million (previous year: €27.1 million), mainly on account of the leasing of DIY and garden centre properties. Furthermore, income from price gains went up to €11.5 million (previous year: €4.1 million), income from regular cost reimbursement to €23.4 million (previous year: €16.0 million), income from payments received on receivables written down to €4.8 million (previous year: €2.9 million) and income from recurring advertising subsidies to €5.0 million (previous year: €3.6 million). Total remaining other income came to €22.2 million, up €3.5 million year on year, and included gains from negative goodwill from the recognition of the acquisition of Turners & Growers Ltd amounting to €9.1 million.

Cost of materials increased by €852.5 million to €9,355.6 million in the reporting year due to the initial consolidation of Turners & Growers as well as the rise in market prices in the agricultural and energy business. Net of the cost of materials, gross profit went up by €121.6 million, or 9.3%, to €1,425.3 million in 2012.

Personnel expenses rose by 5.4%, equivalent to €36.7million, to €718.7 million, principally owing to rising employee numbers as well as adjustments under collective bargaining agreements in the Group.

Other operating expenses amounted to €418.6 million in 2012, up €36.2 million, or 9.5%, year on year. The main items leading to this rise were: cost of legal and professional advice and audit fees of €34.4 million (previous year: €22.6 million), costs for the vehicle fleet of €63.4 million (previous year: €54.2 million), rental and lease income of €37.8 million (previous year: €32.2 million), currency-induced losses of €9.7 million (previous year: €4.2 million) and expenses for staff hired externally of €22.4 million (previous year: €18.5 million). Total remaining other operating expenses came to €250.9 million, up €0.2 million year-on-year.

EBITDA rose by €55.2 million, or 22.0%, to €306.6 million in financial year 2012.

At €119.8 million, scheduled depreciation and amortisation in the BayWa Group was €17.6 million higher than in 2011 owing to the greater investment volume and additions to the group of consolidated companies.

The BayWa Group's EBIT increased by €37.6 million to €186.8 million, which is an increase of 25.2%.

The financial result comprises income from participating interests, which is allocated to EBITDA and EBIT, and net interest. Income from participating interests went up by €6.5 million to €18.6 million in financial year 2012 due to the income from the joint ventures Ybbstaler and collected dividends being included for the first time. Lower net interest, down €10.4 million to €-64.1 million, is essentially due to the financing of ongoing investments and acquisitions, and higher working capital due to the market price hikes for agricultural produce and operating resources.

The BayWa Group's earnings before tax increased by €27.2 million to €122.6 million, which is an increase of 28.5%. The Agriculture Segment contributed €5.0 million, the Energy Segment €3.4 million and the Building Materials Segment €1.9 million to this rise. Other Activities' contribution to income was up €23.5 million year on year, primarily due to the profit from the disposal of BayWa Headquarters and the deconsolidation of the Ybbstsaler companies.

The BayWa Group paid €4.6 million in income taxes, €22.7 million less than in the previous year as the reduction of the pension fund interest rate was able to be structured as a tax deductible. The tax rate therefore comes to 3.8% in the reporting year (previous year: 28.6%).

After deduction of income taxes, the BayWa Group generated net income of €118.0 million in financial year 2012 (previous year: €68.1 million); compared with the previous year's figure, this represents an increase of 73.2%. The share in profit due to shareholders of the parent company went up from €50.5 million in the previous year to €96.7 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 34,324,520 (dividend-bearing shares minus treasury shares), climbed from €1.48 in the previous year to €2.82 in the reporting year.

Financial position

Financial management

The aim of financial management within the BayWa Group is to secure 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 derivatives instruments.

Forward exchange transactions and swaps are used selectively to hedge receivables and liabilities denominated in a foreign currency. These measures served exclusively to hedge underlyings from customary business.

Forward exchange transactions and swaps are used solely to hedge existing and future receivables and liabilities denominated in foreign currency from the purchase and sale of goods. 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 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).

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 the bonded loan in 2011, as a fixed-interest as well as a variable-interest rate tranche was issued.

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	2008	2009	2010	2011	**2012**	Change in % 2012/11
Equity	915.1	957.5	987.7	1,045.2	1,085.1	3.8
Equity ratio (in %)	29.8	32.6	30.3	26.6	24.3	—
Short-term borrowing[1]	1,505.8	1,290.0	1,366.7	1,697.4	1,974.2	16.3
Long-term borrowing	644.9	691.8	905.9	1,179.4	1,398.0	18.5
Debt	2,150.7	1,981.8	2,272.6	2,876.8	3,372.3	17.2
Debt ratio (in %)	70.2	67.4	69.7	73.4	75.7	—
Total capital (equity plus debt)	3,065.8	2,939.3	3,260.3	3,922.0	4,457.4	13.7

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, the equity ratio of 24.3% fell below this threshold due to the borrowing of additional capital to finance running investments and the acquisitions to realise future opportunities for growth. In addition, the equity ratio declined as a result of a change in the measurement of pension provisions, which was implemented against the backdrop of the substantial reduction in interest rate level for the benefit of a more relevant balance sheet. The corridor method previously applied for the recognition of actuarial gains and losses was replaced by a method in which actuarial gains and losses are offset against equity without affecting profit or loss, and a new reserve for accrued actuarial losses of €-124.8 million was recognised. As this reserve results from a change of parameters not within the Company's control when calculating personnel provisions, and pension provisions in particular, BayWa's capital management uses an equity ratio of 27.1%, 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 rise in current financial liabilities by €311.3 million year-on-year is mainly attributable to the increase in inventories alongside a higher price level for agricultural produce and operating resources as well as the initial inclusion of Turners & Growers in BayWa'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.
The increase in non-current liabilities must be seen mainly in connection with the financing of investments in growth and acquisitions in the financial year.

As of 31 December 2012, the BayWa Group's total assets climbed by €535.4 million in comparison with the previous year's figure. Non-current liabilities rose by €218.6 million in the reporting year. The main reasons for this rise were the €100.4 million increase in the cash value of pension provisions on account of lower interest rates as well as the rise of €75.8 million in non-current financial liabilities, including around €50.0 million from the initial inclusion of Turners & Growers Ltd in the consolidated financial statements.

Cash flow statement and development of cash and cash equivalents

In € million	2008	2009	2010	2011	**2012**
Cash flow from operating activities	215.5	243.9	-9.4	-27.5	150.0
Cash flow from investing activities	-143.9	-127.5	-113.5	-222.6	-193.7
Cash flow from financing activities	-73.5	-112.8	131.6	273.9	37.4
Cash and cash equivalents at the end of the period	16.1	19.7	28.2	87.0	83.2

Cash flow from operating activities increased by €177.5 million in financial year 2012 to €150.0 million. Alongside the substantially higher consolidated net income, other factors in the increase of cash flow were the lower year-on-year increase in inventories and receivables and the increase in liabilities not allocable to investing or financing activities. A counter-effect was an increase in non-cash income.

In the reporting year, cash outflow from investing activities remained at a high level of €197.3 million; however, this figure fell slightly year on year by €29.0 million. Outgoing payments for investments in property, plant and equipment and intangible assets, investments in financial assets, and for company acquisitions increased by €53.8 million in 2012 to €340.4 million. Due to minor payments for investments in intangible assets, property, plant and equipment and investment property, this effect is mainly the result of the acquisition of Turners & Growers. This was offset by higher incoming payments compared to the previous year's figure of €146.8 million (previous year: €64.0 million) from the disposal of intangible assets and property, plant and equipment. This rise is primarily due to the sale of the BayWa Headquarters.

The cash flow from financing activities fell year on year by €236.5 million to €37.4 million, chiefly as a result of much lower utilisation of borrowed funds from long-term borrowing and bonded loans. The positive balance was achieved through the utilisation of €61.3 million of borrowed funds and equity contributions of €2.0 million, despite distribution of dividends of €25.9 million in financial year 2012.

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 activities was largely covered by the incoming cash flow from operating activities and financing activities. As a result, cash and cash equivalents at the end of the reporting year came to €83.2 million, which is €3.8 million lower 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, market-price-induced funds committed to inventories and to receivables portfolios were compensated by greater utilisation of external financing. 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.

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 in an amount of €300 million; on the reporting date, drawdowns with an average term of 114 days came to €276.0 million (2011: €130 million). At the end of 2012, demand in the commercial paper segment was stronger than in the previous years. Investors requested terms of up to six months. In response to the rise in demand for commercial papers issued by BayWa, the programme was increased from €300 million to €400 million in September. By the end of the reporting period, €135.5 million (2011: €113.7 million) had been financed from the ongoing Asset Backed Securitisation Programme.

Investments

In financial year 2012, the BayWa Group invested around €156.8 million in intangible assets (€11.7 million) and property, plant and equipment (€145.1 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.

In spite of the real estate portfolio released for sale in 2012, BayWa will, in future, continue to invest in modern site infrastructure. 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. The proceeds accruing from these transactions are used to reduce debt or to finance the Group's growth.

Investments of around €24.6 million were made in new business premises, focused on the completion of these locations in 2012. BayWa invested around €3.2 million in the second construction phase of the new agricultural centre in Rain am Lech with grain warehousing capacity of 19,000 tonnes and fertiliser warehousing capacity of 5,000 tonnes. The intake capacity for grain is now 150 tonnes per hour. In addition, the site also has a fertiliser mixing plant, two crop protection facilities, a multi-purpose building and a modern office building.

Around €2.4 million was invested in the expansion of the Schweinfurt Hafen site in the reporting year. This investment allowed crop and fertiliser warehousing capacity to be significantly increased. Local farmers now have access to a grain warehouse with a 26,000-tonne capacity and a fertiliser warehouse with a 7,000-tonne capacity.

Furthermore, €4.2 million was also invested in expanding the grain facilities at the Heilbronn agricultural site.

The Building Materials business unit built a building materials store in the town of Kitzingen in Lower Franconia, Germany. The site includes a 1,100-m^2 packaged goods warehouse and a 400-m^2 showroom. Total investment volume was around €1.9 million. In the financial year, outgoing payments of €130.6 million were made for company acquisitions.

Around 68% of the BayWa Group's total investment volume was attributable to the Agriculture Segment. The large share of investment in the Agriculture Segment is reflected in the international expansion of the Fruit business unit. Just over 23% and just under 4% of total investment volume flowed into the Energy Segment and the Building Materials Segment respectively. Just under 5% of total investment was attributable to Other Activities.

Asset position

In the reporting year, non-current assets increased year on year by 9.7%, or €157.1 million, to €1,780.5 million. Additions to intangible assets and property, plant and equipment amounting to €368.8 million within the scope of investment activities and changes to the group of consolidated companies in core business were offset by disposals of €49.1 million and transfers into investment property and the sale of non-current assets amounting to €225.6 million. Together with the write-downs during the financial year of €115.7 million, intangible assets and property, plant and equipment were reduced by a total of €20.6 million. Shares in companies recognised at equity increased by €76.4 million to €92.9 million largely as a result of shares in YBBSTALER AGRANA JUICE GmbH and in BayWa Bau- & Gartenmärkte GmbH & Co. KG as well as of equity shares added as a result of the initial consolidation of T & G. The increase in investment property to €86.2 million is due to the addition of property leased by BayWa Bau- & Gartenmärtke GmbH & Co. KG. Furthermore, the increase in non-current assets was caused by a €34.1-million rise in deferred tax assets. Through the expansion of business activities, both current and non-current liabilities and other assets rose to €963.1 million. Inventories rose to €1,432.6 million, primarily as a result of market prices.

There was an overall increase in the BayWa Group's balance sheet which had risen 13.7% or €535.3 million to €4,457.4 million by the reporting date of 31 December 2012.

Traditionally, BayWa has always placed an emphasis on ensuring matching maturities in the financing of assets. Current liabilities of €1,947.3 million, consisting of current financial liabilities, trade payables, tax and other liabilities along with current provisions, are offset by current assets of €2,444.4 million. By the same token, there is around 140% coverage for non-current assets amounting to €1,780.5 million through equity and long-term borrowing of €2,483.1 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	2008	2009	2010	2011	**2012**	Change in % 2012/11
Non-current assets	1,305.6	1,427.2	1,434.4	1,623.4	1,780.5	9.7
of which land and buildings	680.6	663.3	650.1	642.0	530.1	
of which financial assets	172.6	226.5	212.6	210.6	232.8	
of which investment property	75.2	78.8	71.6	63.6	86.2	
Non-current asset ratio (in %)	42.6	48.6	44.0	41.4	39.9	
Current assets	1,755.5	1,507.4	1,776.8	2,039.8	2,444.4	19.8
of which inventories	1,101.3	905.0	1,062.3	1,165.4	1,432.6	
Current asset ratio (in %)	57.3	51.3	54.5	52.0	54.8	
Assets held for sale/disposal groups	4.7	4.7	49.1	258.8	232.5	
Total assets	3,065.8	2,939.3	3,260.3	3,922.0	4,457.4	13.7

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 2012 benefitted 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 boosted EBIT considerably. The Building Materials Segment achieved a considerably higher result on account of the launched restructuring measures. In financial year 2012, the BayWa Group performed extremely well overall, achieving an excellent result; it has a well-balanced forward-looking business portfolio to underpin its success in the future.

Employees

As in the previous year, the reporting year 2012 was also marked for the BayWa Group by new company acquisitions and spin-offs both in Germany and abroad. The integration of 1,109 T & G employees and the hiving off of BayWa DIY and Garden Centres in Germany had a significant effect on BayWa's personnel structure. On 31 December 2012, there were therefore 16,559 employees in the service of the Group, which corresponds to a year-on-year decrease of 275 employees (-1.6%). In terms of an annual average, the number of employees rose year on year by 89 to 15,680.

Development of the average number of employees in the BayWa Group

					Change		
	2009	2010	2011	**2012**	2012/11		in %
Agriculture	6,486	6,637	6,859	8,730	1,871		27.3
Energy	972	1,192	1,387	1,564	177		12.8
Building Materials	6,463	6,562	6,698	4,868	-1.830		-27.3
Other Activities	1,391	829	647	518	-129		-19.9
BayWa Group	15,312	15,220	15,591	15,680	89		0.6

Personnel management instruments

BayWa uses a system of cutting-edge analyses and indicators to manage and control its capacities and to optimise the deployment of its workforce. These instruments are a cornerstone for planning but are also used by personnel management to control operational workflows. Over the past few years, the BayWa Group has gradually expanded, and so have the requirements and challenges BayWa Group employees and managers have to fulfil and overcome. In an international Group, both opportunities to improve foreign language skills and training courses to systematically develop intercultural competencies are of great importance. The necessary personnel development measures were incorporated into the BayWa seminar programme this year.

Achieving a work-life balance and occupational health

Achieving a balance between professional and private life is a huge challenge for many people in modern society. For this reason, a work-life balance is strongly promoted at BayWa through the offering of multiple options for part-time work for fathers and mothers. Enabling parents to return to working life is supported through a childcare subsidy of up to €200 a month. In financial year 2012, it was decided to once again considerably expand these offers as from 1 January 2013. In the past, childcare was subsidised until the age of three; now this will be expanded to also include children between three and six. It was further decided to grant part-time employees the same subsidy as full-time employees. The maximum childcare subsidy for children up to the age of three is €200, and an additional €100 is paid for children between three and six who do not yet have to attend school. In addition, the BayWa Group offers support for home care and elder care together with pme Familienservice GmbH, its cooperation partner. The offer of support ranges from information about the topic of nursing care insurance and the search for and selection of various care offerings through to recommending professional carers. Even more emphasis was placed on the issue of promoting the health of employees in 2012. The conceptual foundations were laid for integrating occupational welfare into everyday working life, a key topic being a prophylactic approach to promoting good health. Various models in the context of health protection were offered in training sessions and seminars. Managerial staff can take part in one-day workshop to sensitise them to the issue of work-life balance, stress management and healthy eating habits. The seminar content was supplemented by adding modules to promote well-being for staff. With the appointment of an addiction officer, BayWa employees now have an expert to go to should they need advice or even professional assistance on this issue.

Further training as a key success factor

The training and achieving of qualifications by employees is an integral part of the BayWa Group's personnel strategy. With trainee numbers averaging around 950 and a consistent trainee ratio of around 9%, the parent company BayWa in particular belongs to the group of large companies that offer many training programs in German-speaking countries. The proportion of employees who have completed their training at BayWa in managerial positions is 45%, which is above average. Through the integration of national participations into the BayWa online career portal, applicants have much easier access to job offers throughout the BayWa Group. In 2012, BayWa received over 20,000 applications.

Integration of employees with serious disabilities within the Group

The integration of employees with serious disabilities into the working world is part of the corporate social responsibility particularly incumbent on large companies, which can make a special contribution. BayWa fulfils this responsibility by offering suitable positions to more than 300 employees with serious disabilities. Moreover, BayWa maintains a partnership with a rehabilitation centre for severely disabled people.

Corporate social responsibility (CSR) activities

BayWa is committed to its social responsibility. The guidelines on social responsibility are defined in the company’s Articles of Association, its corporate guidelines, ethical principles and under its regulations on corporate governance.

BayWa practices values accepted in society 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. For example, 60 BayWa volunteers helped out at the Special Olympics 2012 in Munich within the scope of a corporate volunteering project. This project allowed BayWa to offer its employees the chance to become involved in volunteer work for the first time. This ultimately serves to enhance the image and the value of the BayWa brand and to limit entrepreneurial risk. CSR measures therefore underpin the business development of the Group.

Good corporate management is ensured throughout the Group by applying the recommendations set out under the German Corporate Governance Code. BayWa’s understanding of economic responsibility includes transparent communication as part of its investor relations activities, maintaining ongoing dialogue with the various stakeholders, securing profitable growth in all business units and subsidiaries, as well as having an 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 primary materials as well as environmentally compatible products, measures to curb the consumption of energy, waste management and efficient transport logistics. The customers and suppliers of BayWa are given support in their observance of environmentally sound principles through consultancy and other services.

Sustainable personnel development, employment and job security, as well as health management, are an integral part of the social responsibility of the 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 BayWa Foundation places special importance on sustainability in its educational products which focus on renewable energies, food and nutrition in Germany, Romania, Asia and Africa. The guiding principle behind these projects is helping others to help themselves in order to ensure that the outcome and impact of projects do not simply dissipate, but that the foundations are laid for better, sustainable and long-term potential for further development. The BayWa Foundation receives 100% of all donations, as BayWa assumes its administration costs. Moreover, each euro donated is matched by BayWa and therefore doubled so that as many projects as possible can be implemented. In addition to its support of the BayWa Foundation, BayWa donates to social and cultural facilities and promotes the involvement of employees in associations, politics and society.

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

The subscribed capital of BayWa AG amounted to €88,197,406.72 on the reporting date and is divided up into 34,452,112 registered shares with an arithmetical portion of €2.56 each in the share capital. Of the shares issued, 33,100,769 are registered shares with restricted transferability and 108,092 recently registered shares with restricted transferability (dividend-bearing employee shares from 1 January 2013 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, 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.

Holdings that exceed 10% of the voting rights

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

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

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

Subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital on or before 29 May 2013 by up to a nominal 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 and conditions under which the shares are to be issued.

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 €4,110,215.68 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 and conditions under which the shares are to be issued.

Moreover, subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital one or several times on or before 31 May 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 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.

IV. Opportunity and Risk Report

Opportunity and risk management

The policy of the BayWa Group is geared toward weighing 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 Group's decentralised regional organisation and management structure enables it to identify trends, requirements, and the opportunities and risk potential of frequently fragmented markets at an early stage, analyse them and take action that is both flexible and market oriented. 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 that 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 that 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

At 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 hand, identifying 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 Group management to react swiftly and effectively. All units have risk officers and risk reporting officers who are responsible for implementing the reporting process.

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

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 the management of receivables.

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 evaluating 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 reducing the risks.

Macroeconomic opportunities and risks

General economic factors have an influence on consumer behaviour and investment patterns in BayWa's core markets. However, these environmental factors exert less of an impact on BayWa than on other companies. The BayWa Group's business model is geared primarily 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. At the same time, a company as well positioned as BayWa is even able to turn certain opportunities arising in times of crisis to its advantage through, for instance, the identification and acquisition of takeover candidates 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 an escalation of the eurozone 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. Global climate changes also have a long-term effect on agriculture. The global demand for agricultural products, particularly grain, continues to grow, which may give rise to a sustained price uptrend. As a result of its agricultural activities in fruit farming, the Group is exposed to a financial risk from the difference in time between cash outflow for purchasing, farming and maintenance of trees or vines as well as the costs for harvesting, and cash inflow from the sale of fruit. This risk is taken into consideration through active monitoring and controlling of 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 energy carriers are particularly affected by changes in promotion measures. Following several cuts to feed-in tariffs for photovoltaic electricity in 2012, further adjustments have been discussed for the second half of 2013 alongside ongoing monthly reductions. Against this backdrop, developing revenues and profit is facilitated through risk diversification in markets that still depend on subsidy policies.

Price opportunities and risks

BayWa trades in merchandise that displays very high price volatility, such as grain, 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 the future means that BayWa is also exposed to the risk of prices fluctuating. Whereas the risk inherent in mineral oils is relatively low due to BayWa's pure distribution function, fluctuations in the price of grain and fertilisers may incur greater risks, also owing to their warehousing, if there is no maturity matching in the agreements on the buying and selling of merchandise. If there are no hedging transactions existing at the time when 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 eurozone. 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 funds in foreign currencies is prohibited.

Share price opportunities and risks

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

Interest rate opportunities and risks

Interest rate 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 derivatives instruments in the form of interest rate caps and swaps.

Legal and regulatory opportunities and risks

Changes in the regulatory environment can affect the Group's performance. Changes to legal frameworks in the agricultural industry and business with renewable energies are particularly of note here. Negative impacts emanate from the rearrangement, 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.

The companies of the Group are exposed to a number of risks in connection with litigation in which they are currently involved or may be involved in the future. Lawsuits come 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 legal disputes if the occurrence of an obligation event is probable and the amount can be adequately estimated. In the individual case, actual utilisation may exceed the reserve amount.

Credit 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 that spans all business units. To this end, credit limits are defined through a documented process of approval and monitored on an ongoing basis.

Liquidity risks

The liquidity risk is the risk that the BayWa Group may not – or only to a limited extent – be able to fulfil its financial obligations. In the BayWa Group, funds are generated by operations and by borrowing from external financial institutions. In 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 predominantly 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 of the company as well as to its long and successful history and high enterprise value, underpinned by assets such as real estate. In 2012, 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 companies continue to require qualified personnel in order to secure their 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 of 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 more than a thousand trainees as of the end of 2012, the Group ranks among the most important training providers, specifically at the regional level. 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 IT 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, having work processes supported electronically is imperative. The continuous monitoring and reviewing of processes mapped electronically, however, involves more than the mere implementation of new IT components. It is always accompanied by an optimisation of process workflows,
as a result of which opportunities in the form of synergies 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 consistently kept at the highest 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.

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 that 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 for monitoring accounting processes

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 that 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. Suitable control mechanisms, such as strict compliance with the principle of dual control and analytical analyses, 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 quarter 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 employing of highly qualified specialist personnel, specific and regular training and continuous professional development, as well as stringent functional segregation in financial accounting in the preparing and booking of vouchers and in controlling guarantee compliance with local and international accounting rules in the annual and consolidated financial statements.

V. Significant Events after the Reporting Date

Following the approval of the respective anti-trust authorities in December 2012, BayWa AG, Munich, acquired 100% of shares in global grain trading company Cefetra B.V., Rotterdam, the Netherlands, effective as of 3 January 2013, the day the purchase price was paid. Cefetra B.V. shares were previously held by ForFarmers Group B.V., Lochem, the Netherlands; agricultural cooperative Agrifirm Group B.V., Apeldoorn, the Netherlands; and AgruniekRijnvallei Holding B.V., Wageningen, the Netherlands. The company trades grain on a global scale with its subsidiaries in the UK, Poland and Hungary and is a market leader in the compound feed sector (soy, grain and rapeseed meals). The company has storage and port sites throughout Europe, as well as a sourcing network in Poland. Cefetra Group revenues in 2012 amounted to €4.9 billion, and the company employed 210 people, with an average EBIT over the last five years of around €26 million. The purchase price for 100% of shares in Cefetra B.V. amounted to around €125 million. For BayWa AG, the acquisition of Cefetra B.V. is a significant milestone in its international growth strategy in the Agriculture Segment. This acquisition is a further step towards expanding BayWa AG's global position as a European grain trader.

BayWa AG, Munich, is also to acquire a majority stake in the northern German agricultural trading group Bohnhorst Argrarhandel GmbH, Steimbke. Approval was granted by the respective anti-trust authority on 7 February 2013. BayWa AG will acquire a 60% stake in Bohnhorst Agrarhandel GmbH for around €36 million. €12 million of the purchase price is based on long-term profit-related earn-out agreement. 40% of Bohnhorst's shares will remain with the seller, Helmut Bohnhorst jr., who will also continue as the company's managing director. Bohnhorst Agrarhandel GmbH is an international agricultural trading group with a large presence and sourcing, warehousing and logistics sites in northern and eastern Germany and Poland. Two sites are located on the Baltic coast, and others are on important waterways such as the Weser, Elbe and the Mittelland Canal. The company generated revenues of around €486 million in 2011 with an average EBIT over the last five years of €13 million. The company's business activities are focused on grain trading, which accounted for €310 million of revenues in 2011 alone. It also trades operating resources and feedstuff. By acquiring shares in Bohnhorst Agrarhandel GmbH, the BayWa Group is expanding its business activities in the agricultural sector in the areas of northern and eastern Germany in particular.

VI. 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 financial year 2012 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 financial year 2012 comes to €5.140 million (2011: €5.238 million); of this amount, €2.342 million (2011: €2.268 million) is variable. Contributions amounting to €0.670 million (2011: €0.402 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).

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 situation 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 €0.562 million (2011: €0.538 million), of which €0.275 million is variable (2011: €0.250 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).

VII. Outlook

Macroeconomic outlook

The global economy is expected to experience an accelerated rate of growth in 2013 and 2014. According to the most recent forecasts published by the International Monetary Fund (IMF), global economic performance is set to rise by 3.5% in 2013 and 4.1% in 2014. In industrial nations, macroeconomic growth will remain modest at around 1.4% in 2013 and only increase in tempo to 2.2% in 2014. In the USA, overall growth of 2.0% in 2013 will be weaker than in the previous year. The reason behind this development in the USA is that a noticeable improvement in the US economy is only expected in the second half of the year. An accelerated rate of growth of 3.0% is forecast for 2014. Within the eurozone, negative effects such as those emanating from southern Europe will continue to hamper development, meaning that a 0.2% decline in economic output is anticipated for 2013. Only in 2014 is an increase of 1.0% expected. In contrast, emerging and developing countries are forecast to grow more rapidly than the global economy as a whole, with growth rates of 5.5% and 5.9% in 2013 and 2014 respectively.

According to the German Institute for Economic Research (DIW Berlin), the German economy is only due to expand by 0.9% in 2013 as a result of a weak start to the year. More dynamic economic development is expected over the course of the rest of the year, as German exports will be boosted by improved framework conditions. USA, Asia and – albeit to a lesser extent – eastern Europe should have positive effects on German exports, as current fiscal policy in many of these countries is expansionary. In 2014, the rate of macroeconomic growth is forecast to increase to 2.2%. Rising employment levels and increasing real income are set to have a positive effect on consumer spending in 2013, with an increase of 1.1% anticipated for 2013. This trend will continue into 2014 and trigger a further 1.5% rise in consumer spending. In 2013 and 2014, public-sector spending is expected to grow by 1.5% and 1.3% respectively. After DIW Berlin only forecast a moderate increase in capital investment of 0.9% in 2013, this figure is expected to rise considerably to 5.4% in 2014.

The Austrian economy is expected to recover over the course of 2013 and 2014 after the period of stagnation in the second half of 2012. It is likely to achieve real growth of 1.0% in 2013, rising to 1.8% in 2014. Positive impulses are set to come from exports, which are expected to increase by 3.8% in 2013 and 6.0% in 2014. Against this backdrop, it is also anticipated that investment activity will pick up momentum; increases in gross capital investment of 1.5% and 2.0% are forecast for 2013 and 2014 respectively. Consumer spending is also expected to contribute to economic growth in 2013 and 2014, with growth rates of 0.7% and 1.0% respectively.

Outlook for the development of the industries

Outlook for the agricultural industry

Long-term prospects for the agricultural industry are characterised by the constant increase in global demand for agricultural products. Population growth is leading to a decline in available agricultural land per capita. Meeting global food requirements therefore necessitates an increase in yield per hectare and agricultural productivity. Business with agricultural operating resources and equipment has also benefitted from this development. Global agricultural stocks are declining overall, and, in such an environment, a relatively stable price trend for agricultural commodities can be expected in normal grain years. However, due to globalisation and the increasing interconnection of markets for agricultural products, unusually good or poor harvests in certain regions and certain years lead to an increased range of price fluctuation.

Current forecasts for grain year 2012/13 show a decline in global harvest volumes compared with grain year 2011/12. A grain harvest of 2,241 million tonnes is expected, a 3% fall year on year (previous year: 2,316 million tonnes). Due to the increase in consumption to an estimated 2,284 million tonnes, inventories will decrease by around 43 million tonnes to 423 million tonnes. This means that the coverage of the inventory stocks will be reduced from 74 days to 68. In the European Union, consumption (including exports of 22.6 million tonnes) is forecast to decline by 2% to 294.6 million tonnes in grain year 2012/13. As the volume of available grain (initial inventories plus harvest volume and imports) decreases by around 3% to 327.0 million tonnes, inventory stocks in the EU will continue to fall by around 4.5 million tonnes to 32.4 million tonnes. In Germany, current forecasts for grain year 2012/13 show a year-on-year increase in grain production of around 8%.

Despite the significant year-on-year increase in prices, feedstuff is expected to show a relatively stable development as alternative uses in energy production lead to additional demand and falling prices at the same time.

In terms of agricultural operating resources, demand is forecast to remain stable for seed and crop protection. Previous experience shows that slight price fluctuations can be expected, and price increases should be slightly greater than increases in relation to inflation. Due to the high producer prices, more extensive use of fertilisers can be anticipated in 2013, with prices either remaining stable or rising slightly. However, price developments could be irregular – just as in the previous year – depending on the type of fertiliser.

Following a smaller harvest in the reporting year, it is expected that the fruit harvest in Germany will normalise in 2013. This also applies to other western European countries. Slight declines in fruit prices are anticipated as a result of an average harvest in Europe. Revenues and profit are forecast to develop stably overall. In New Zealand, harvest volume is anticipated to increase moderately year on year. Due to increasing exports to Asia, fruit prices are expected to either remain stable or rise slightly.

Medium- and long-term prospects for agricultural production and agricultural trade remain favourable. Europe is benefitting from balanced climatic conditions, high levels of expertise in production technology and well-equipped farms.

The agricultural-equipment environment is likely to remain positive in Germany in 2013. Based on the current price development trends for important agricultural products, farms can be expected to remain on stable, clearly positive financial footing for 2013. With 38% of farms intending to invest in the near future, investment propensity is slightly down year on year from 40%. However, aggregated investment volume has increased by approximately €1.2 billion to €6.7 billion. Investments in farm buildings have seen the most significant rise, followed by farm and animal housing equipment. Investment in machinery and equipment and in renewable energies has remained at the same level as the previous year. Medium- and long-term prospects also continue to be positive for agricultural equipment, as the ongoing intensification of agricultural production will also require the increased use of technology if the necessary improvements in efficiency are to be achieved.

Outlook for the energy industry

Sales of fuels and lubricants in the conventional energy sector are chiefly reliant on the respective economic climate. By contrast, demand for fossil fuels is subject to fluctuations significantly influenced by weather conditions and price levels. In terms of the price of crude oil, it is expected that price fluctuations will range between USD100 and USD120 per barrel in 2013. The ongoing modest global economic climate should contribute to the crude oil price tending to remain in the lower part of the range, at least in the first half of the year. The slight increase in demand and boosts in supply from non-OPEC nations – such as the USA – are likely to limit the upwards price trend in the second half of the year, which could lead to families increasing their stock levels. However, a structural decline, particularly in terms of heating oil, in the upper single-digit percentive range per year has been observed over the past few years. This can be traced back to improvements in energy efficiency in housing stock and the increasing use of gas and renewable energies for heating and hot water supply. The sale of wood pellets is likely to rise further in 2013, boosted by an increase in the number of heating systems installed and ongoing brisk interest in this sort of environmentally compatible energy.

The primary factor behind the positive development in renewable energies in Germany is the "Energy Concept 2050" launched by the German government, which aims to increase the proportion of power generated from renewable sources to 80% by the year 2050. This policy has laid the foundations for sustainable development. Similar policies exist at a EU-wide level, such as the plan to cover 30% of energy generation requirements through renewable sources by the year 2020.

These policies necessitate significant investment, which opens up further potential for growth for the Renewable Energies business sector. Short-term fluctuations on this growth path will emanate from political adjustments to subsidies to limit the effects on energy prices. After 7.6 gigawatts of photovoltaic plants were constructed in 2012, exceeding the political goal of 2.5 to 3.5 gigawatts by a significant margin, the monthly reductions in feed-in tariffs that have been in effect since November 2012 will cause photovoltaic plants to lose their appeal over the course of 2013. Against this backdrop, it can be expected that photovoltaic plant construction volume will return towards the range targeted by policymakers and the trend towards off-grid, autonomous solutions could intensify. Following considerable growth of around 20% in Germany in 2012, the volume of wind farm construction is expected to remain at similar levels in 2013. After installed capacity of new wind farms almost doubled in 2012, a moderate decline is forecast in the USA for 2013.

Outlook for the construction industry

Prospects are likely to improve for the construction sector in Germany in 2013. Against the backdrop of further increases in building permits in 2012, a real growth in investment in residential construction of around 3.5% is expected over the course of 2013 – albeit with strong regional differences. This will cause the proportion of residential construction to rise to around 59% of overall construction investment. Moderate growth of 1.1% is expected in non-residential construction. This recovery will be carried forward by public-sector construction and civil engineering, which, after a considerable decline in 2012, is expected to expand by 5.0% in 2013. In contrast, commercial construction and civil engineering will remain stable year on year. Overall, building investment in 2013 will increase by 2.5%.

In Austria, building activity is only expected to rise by 0.6% in 2013. Growth in residential construction and other construction of 1.0% and 0.8% will be the primary contributing factors. Civil engineering activity is expected to contract by 0.6%.

Anticipated development of BayWa's segments

Outlook for the Agriculture Segment

The market and price situation of agricultural products is expected to remain stable over the first half of 2013. Prices, particularly grain prices, will stay at a high level in the second half of the year given the forecast average harvest volume as global grain stocks are likely to remain scarce.

For BayWa, the key focus of 2013 following the acquisitions of T & G, Cefetra and Bohnhorst will be the integration of these companies into the Group. Collection, trade and operating resources volumes will increase considerably through the incorporation of Cefetra and Bohnhorst. As a result, additional market opportunities will arise through close cooperation between BayWa trade departments and Cefetra and Bohnhorst, particularly when it comes to grain trading. Furthermore, Cefetra opens the door for further marketing opportunities on the UK feedstuff market.

For BayWa's Agricultural Trade business unit, the integration of Cefetra and Bohnhorst up to 2014 will result in grain processing volume expanding to around 28 million tonnes. This will be coupled with a corresponding increase in revenues. Since both Cefetra and Bohnhorst are profitable companies, the operating result in this business unit will also increase. At Cefetra, gross income from existing stocks from the previous year's harvest is still to be allocated to 2012 in accordance with the purchase agreement. Furthermore, costs attributed to the integration of the new companies will have a certain negative impact on 2013. The full extent of the two acquisitions' effect on earnings will therefore be determined in 2014.

The full-year inclusion of T & G in 2013 after slightly less than 10 months of inclusion in 2012, as well as the continued organic growth of the company, will also result in additional contributions to revenues and profit. Overall, increased revenues and an improved operating result (EBIT) for the Fruit business unit are anticipated for 2013. This trend will continue in 2014.

Over the first half of 2013, agricultural equipment will benefit from the high level of orders from the previous year. In addition, the early onset of winter in 2012 led to deliveries being shifted into 2013. A moderate decline is expected in the second half of the year compared with the record figures from the second half of 2012. The realignment of the business, with separate brand management of AGCO (with the Fendt, Massey Ferguson, Valtra and Challenger brands) and CLAAS, chiefly implemented during 2012, has provided BayWa with positive impetus. Furthermore, the sales territory was able to be expanded through the assumption of business activities of individual agricultural machinery traders. BayWa is anticipating that revenues and the operating result in agricultural equipment will remain stable at a high level over the course of 2013 throughout the entire product range. In view of medium-term trends for the agricultural industry as a whole, high agricultural investment propensity can also be expected in the future, in which BayWa will be able to participate in 2014 thanks to its established market position.

Overall, BayWa is anticipating significant increases in sales volumes of around €10 billion in 2013 in the Agriculture Segment. The operating result will also rise. A further improvement in operating result is also expected in 2014, as the measures to integrate the new companies will have been concluded by then. Revenues and profit expectations are primarily dependent on the development of agricultural commodity prices, over which BayWa only has limited influence.

Outlook for the Energy Segment

Against the backdrop of relatively positive economic framework conditions, it is expected that consumption levels in the fuel business will remain stable at least. The robust development of the German economy means that slight increases in lubricant sales are anticipated. In addition, BayWa is opening up new customer groups by offering highly specialist TECTROL multifunctional oils and lubricants. Overall, the lubricant business will continue to grow in 2013. In the sale of heating oil, BayWa is counteracting the structural decline in demand by expanding its market share to retain its sales volume at a stable level. A further focus has been put on improving flexibility of supply capacities in order to reduce costs. Based on current prices, revenues and profit across all product areas in the conventional energy business are expected to remain stable year on year in 2013.

The Renewable Energies business sector will continue on its growth path in 2013. This business unit benefits from its international orientation, as declines in the photovoltaic industry in Germany and other European countries are able to be compensated for by growth in other markets such as Denmark. In the USA, BayWa will continue expanding in 2013 through the completion of two large-scale wind park projects and through Focused Energy LLC, Santa Fe entering the photovoltaic system project business. Furthermore, positive impetus can be anticipated from planned subsidies to promote renewable energy. In the UK, the expansion of the wind power project business will contribute to further growth of the business sector.

In the Energy Segment, further revenues and operating result growth is forecast for 2013 and 2014 on the basis of the anticipated developments in individual areas.

Outlook for the Building Materials Segment

The Building Materials Segment will be able to benefit from the favourable development of the industry in Germany and moderate growth in Austria, in 2013, meaning that revenues can be expected to increase. The building materials trade at BayWa in 2013 is well set-up to increase the result thanks to the restructuring programmes and measures to improve results that have already been initiated. As a result of the progressive implementation of the measures, a further improvement of the operating result is likely in 2014.

Outlook for the BayWa Group

Prospects for the BayWa Group continue to be positive for 2013 and 2014. The Group's revenues will increase considerably in 2013. The primary reason for this will be the inclusion of new companies Cefetra and Bohnhorst. Other business units will also develop positively and contribute to the growth of the company. At the same time, 2013 will also be a year of consolidation for BayWa. The key focus is on the integration of newly acquired companies into Group processes and structures. BayWa has set itself ambitious goals, however its main target is to strengthen profitability sustainably in order to safeguard the independence and future viability of the company over the long term. The Group's operating result (EBIT) is to be consistently increased over the course of 2013 and 2014. That being said, 2013 will be a transitional year as adjustment costs will arise to a certain extent during the integration of the new Group companies. The non-recurrence of the adjustment costs in 2014 as well as continued organic growth will increase the operating result even more in 2014.