CONSOLIDATED FINANCIAL STATEMENTS 2017

BayWa AG

BayWa

Management Report on the Group in the Financial Year 2017

OVERVIEW

Influenced by heterogeneous underlying conditions marked globally by growing complexity, BayWa once more benefited from its widely diversified business portfolio in 2017. All of the Group's operating segments increased earnings year on year. The Energy Segment once again topped the high level of earnings from the previous year and set a new record. Earnings continued to develop favourably in the Building Materials Segment as well. While performance in the Agriculture Segment was not yet satisfactory overall, steps were taken in 2017 to sustainably boost the profitability of the agricultural trade business. Despite market conditions which continued to be challenging, the BayWa Agri Supply & Trade (BAST) business unit achieved a turnaround and delivered a positive operating result. The medium- to long-term prospects of the Agriculture Segment remain promising. Overall, the Board of Management regards the BayWa Group's business performance in 2017 as positive.

BayWa pressed ahead with its further strategic development in 2017 through a number of measures. As part of the speciality strategy in the Agriculture Segment, BayWa acquired 100% of the shares in Tracomex B.V., Netherlands (formerly: Thegra Tracomex B.V.) in January 2017. Tracomex B.V. trades in barley, oats, legumes and organic produce. The acquisition of Premium Crops Limited, a leading British trader of special types of grain and niche oilseed, followed in December 2017, subject to the approval of antitrust authorities. Focus in the Fruit business unit was on expanding the range of fruit and vegetable specialities. Since 2017, enhancing value creation as regards speciality products for lucrative growth markets with long-term sales prospects has been another one of BayWa's strategic pursuits. To this end, the business unit is investing in industrial agricultural production and developing new production activities with international partners. The first project is a joint venture of BayWa AG with Al Dahra Holding LCC in the United Arab Emirates (UAE) focused on locally producing premium tomatoes using cutting-edge greenhouse technology and marketing them in the region. In the Agricultural Equipment business unit, the focus is on measures designed to strengthen brand-specific sales organisations, division by agricultural and municipal equipment, and the continued internationalisation of business activities. The objective in the Energy Segment is to further advance the expansion of renewable energies as one of Europe's largest providers. The focus here is on scale, continued internationalisation, expanding the service business and providing integrated energy solutions. As a result, BayWa r.e. renewable energy GmbH (BayWa r.e.) strengthened its activities in 2017 through a number of acquisitions: in addition to the Australian project development company BayWa r.e. Wind Pty. Ltd (formerly: Future Energy Pty Ltd), which specialises in wind power, several service companies in the field of commercial and technical management were acquired. The conventional energy business is also making progress with digitalisation. In 2017, for example, BayWa entered into partnerships with Ladenetz.de and Hubject, which enables electric car customers to charge their vehicles using the BayWa filling station card at over 8,000 charge points in Germany. In the lubricant business, BayWa launched the new Interlubes digital platform in 2017. The platform is used for selling lubricants to B2B customers. Development focus in the Building Materials Segment is on enhancing online offers, expanding attractive, high-margin speciality products and vertical integration in select areas. In the Innovation & Digitalisation Segment, BayWa aims to take on a leading role across Europe as a professional partner to the agricultural industry in terms of digital farming solutions. In May 2017, BayWa entered into a partnership with the European Space Agency (ESA) to join forces in advancing the use of satellite information in agriculture. In addition, the BayWa Group obtained valuable expertise for the further development of digital solutions based on satellite information by acquiring 51% of the shares in VISTA Geowissenschaftliche Fernerkundung GmbH, Munich, Germany.

At €10,836.5 million, revenues for the Agriculture Segment in the financial year 2017 were on par with the previous year (€10,884.5 million). Earnings before interest and tax (EBIT) improved by €12.0 million to €82.1 million. At the same time, revenues in the BAST business unit fell by 5.3% to €5,817.8 million in the reporting year due to price and volume factors. Earnings before interest and tax (EBIT) improved by €18.5 million from an €11.5 million shortfall in the previous year to €7.0 million in the financial year 2017, owing mainly to a focus on functional trade and the expansion of the higher-margin speciality business. Earnings also improved thanks to structural optimisation of trading activities in Southern and Eastern Europe, as negative earning contributions, which adversely impacted the previous year's results, were eliminated. Due in particular to lower grain recording volumes, revenues in the BayWa Agricultural Sales (BAV) business unit decreased slightly by 0.4% in the financial year 2017 to €2,812.9 million. Even though the operating resources business saw stable earnings contributions overall, earnings before interest and tax (EBIT) for the BAV business unit stood at €25.7 million in the reporting year, marking a year-on-year decrease of €3.1 million. Apart from the decline in volume, this decrease in earnings is due in particular to pressure on margins in the recording business as a result of unfavourable grain price developments, which primarily affected the Group companies in Eastern Europe. On account of volume and price factors, revenues for the Fruit business unit saw a significant 22.2% increase to €805.5 million. TFC Holland B.V., a trader of tropical fruits from the Netherlands which was included for the first time in the scope of consolidation for the full year, also contributed to this increase. Earnings before interest and tax (EBIT) were down by €12.8 million on the high level seen in the previous year and stood at €29.5 million in the reporting year. The decrease is mainly due to the non-recurring special income of roughly €7.5 million from the sale of the packaging logistics business unit of T&G Global Limited (T&G Global) in the previous year. The bad harvest in Germany also diminished trading revenues. The Agricultural Equipment business unit generated €1,400.3 million in revenues in 2017, marking an 11.4% increase. Earnings before interest and tax (EBIT) saw disproportionate growth in relation to revenues of 87.7% to €19.9 million. In addition to a sunnier investment climate, the earnings increase was driven by the sales organisation's specialisation and the first-time consolidation for the full year of the Agrimec Group B.V. from the Netherlands.

At €3,594.7 million, the Energy Segment's revenues for the financial year 2017 were up year on year by €618.7 million. Earnings before interest and tax (EBIT) increased by 2.3% to a new record of €85.0 million. Revenues in the conventional energy business increased by 9.7% in the reporting year to €2,228.1 million, above all due to oil prices, which were higher on average than in the previous year. Earnings before interest and tax (EBIT) stood at €18.5 million in 2017, up 17.1% on the previous year. Improved margins in the fuel business and volume growth among heating oil and lubricants were key drivers behind this development. Revenues in the Renewable Energies business unit increased by 44.5% in 2017 to €1,366.6 million. This rise is due above all to the greater capacity of the systems sold and growth in the trade in photovoltaic components and the energy trade. Due to pressure on margins in the project business, earnings before interest and tax (EBIT) were down slightly on the record high from the previous year by €0.8 million at €66.5 million. Earnings in 2016 had profited disproportionately from the sale of two geothermal power plants.

In 2017, the Building Materials Segment increased revenues by 5.0% year on year to €1,606.1 million due to volume factors. Earnings before interest and tax (EBIT) recorded disproportionate growth in relation to sales of 5.6% to €30.1 million. In addition to the positive sales development, ongoing optimisation of the network of locations also contributed to the earnings improvement.

The Innovation & Digitalisation Segment generated €6.9 million in revenues in the reporting year, marking a 15.0% increase year on year. Owing to the major investments targeting the development of digital farming solutions and the new BayWa Online World, the Innovation & Digitalisation Segment reported negative earnings before interest and tax (EBIT) as planned of €10.8 million (2016: €–8.6 million).

In total, the BayWa Group generated revenues of €16,055.1 million in the reporting year, marking a 4.2% increase year on year. The BayWa Group's earnings before interest and tax (EBIT) improved by 18.4% to €171.3 million. That figure includes special income from the sale of the BayWa high-rise building. The consolidated net result increased by 27.5% to €67.2 million. Earnings per share attributable to the shareholders of BayWa AG amounted to €1.13 (2016: €0.90). In light of this, the Board of Management and Supervisory Board will propose a €0.05 dividend increase to €0.90 per share to the Annual General Meeting.

BACKGROUND TO THE GROUP

BayWa Group Business Model

Group structure and business activities

The BayWa Group

2017	Revenues (in € million)	Employees (annual average)
Agriculture	10,836.5	10,613
Energy	3,594.7	2,079
Building Materials	1,606.1	4,113
Innovation & Digitalisation	6.9	158
Other Activities	10.9	587
Total	**16,055.1**	**17,550**

BayWa AG was established in 1923 and has its principal place of business in Munich. Through consistent growth and the continual expansion of its scope of services, BayWa has grown from its humble beginnings in agricultural cooperative trading into one of Europe's leading trade, services and logistics companies and an integrated solution provider. Its business focus is on Europe, but BayWa has also established an international trade and procurement network by maintaining important activities in the US and New Zealand and business relations from Asia to South America. The BayWa Group's business activities – divided into the three operating segments Agriculture, Energy and Building Materials, as well as the Innovation & Digitalisation Segment focused on development – encompass wholesale, retail and logistics, as well as extensive supporting services and consultancy. The BayWa Group has registered places of business in 41 countries, either through itself or through Group companies.

BayWa AG conducts its business in the three operating segments and the Innovation & Digitalisation development segment both directly and through its subsidiaries, which are included in the group of consolidated companies. Besides the parent company BayWa AG, the BayWa Group comprises 323 fully consolidated Group companies. Furthermore, 31 companies were included at equity in the financial statements of BayWa.

Agriculture Segment
The Agriculture Segment traditionally accounts for the largest share of revenues at the BayWa Group. In 2017, it accounted for just under 68% of revenues. The segment is divided into four business units – BayWa Agri Supply & Trade (BAST), BayWa Agricultural Sales (BAV), Fruit and Agricultural Equipment – and covers the full range of agricultural products and services.

The Agriculture Segment is strongly influenced by natural phenomena, such as the weather, and the effect these phenomena have on harvests. These factors have a direct impact on the offering and pricing in the markets for agricultural commodities and produce. Globalisation means that international developments, such as record or failed harvests in other parts of the world or changes in exchange rates and transport prices, increasingly affect price development in regional markets. The extent to which the prices of individual agricultural commodities influence one another has increased significantly in recent years and prices have become more volatile. Supply and demand and prices for operating resources such as fertilisers and crop protection products are also increasingly influenced by global and regulatory factors. What is more, changes in the legal conditions can trigger considerable adaptive reactions in the markets trading agricultural products. Finally, regulations – for instance, those issued by the European Union (EU) – exert a major influence on pricing and structures in a number of relevant markets.

BAST
BayWa assumes a leading position in agricultural trade in Europe and has global reach. In the BayWa Agri Supply & Trade (BAST) business unit, BayWa acts as a supply chain manager in the case of grain and oilseed. It covers the entire value chain from procurement and logistics to sales, and it is continuing to expand its international grain trading activities. The business unit pools activities that are not tied to a specific location, particularly national and

international grain trading, and is geared primarily towards grain or oil mills, producers of starch and feedstuffs, malt houses, breweries and biofuel manufacturers. BayWa sells products to local, regional, national and international companies in the foodstuff, wholesale and retail industries through its in-house trade departments. In January 2017, BayWa acquired 100% of the shares in Tracomex B.V., Oosterhout, Netherlands, through its Dutch Group company Cefetra B.V. as part of its specialisation strategy with regard to trade in agricultural produce. Consisting of the three companies Thenergy B.V., Biocore B.V. and RIVEKA BVBA, Tracomex B.V. has locations in the Netherlands and Belgium, and trades in specialities such as barley, oats, legumes and organic produce. In December 2017, BayWa acquired the speciality trader Premium Crops Limited through its UK subsidiary Cefetra Limited. The acquisition is subject to approval by antitrust authorities. Premium Crops is a leading UK specialist crop contracting and supply business whose focus is on sustainable, traceable, and fully risk-managed supply chains for niche oilseeds and grains. The acquisition is part of the BAST business unit's specialisation strategy of further diversifying its portfolio to include special grains and services.

BAV

The BayWa Agricultural Sales (BAV) business unit directly covers the stages of the value chain with farms: recording, sales and service. It supplies farmers with operating resources such as seed, fertilisers, crop protection and feedstuffs throughout the entire agricultural year and collects harvested produce. For its recording activities, BayWa maintains a dense network of high-performance locations in its core regions with significant transport, processing and storage capacities that ensure seamless goods delivery, quality inspection, processing, correct storage and handling of agricultural produce. When it comes to the procurement and marketing of produce, BayWa possesses a global network comprising both inland and deep water ports.

In its traditional core regions, BayWa's agribusiness is embedded in the agricultural cooperatives trading structure. In Germany, this business is focused on specific regions on account of historical structures. BayWa has 212 sites in its regional core markets, particularly in Bavaria, Baden-Württemberg, Mecklenburg-West Pomerania, Thuringia, Saxony, Saxony-Anhalt and southern Brandenburg, which form part of an extensive and dense network. In summer 2017, BayWa took over 51% of the Landhandel Knaup Group in Borchen, North Rhine-Westphalia, to expand its regional agricultural trade activities. BayWa AG holds a 51% share in the joint venture, which focuses on agricultural trade activities involving feedstuff, grain and operating resources. In addition to the Knaup Group's largest area, trading in feedstuff, the partners now also aim to further develop and expand business involving operating resources. Knaup, a family company, has a broad customer base and is well connected in the regional market thanks to its specialised sales team. As a full-line supplier, the company will offer a wider range of products and services in future and will further enhance its core areas of expertise: product management, advisory services, sales and logistics. The partnership comprises five locations in North Rhine-Westphalia, Saxony-Anhalt, Saxony and Brandenburg. Thanks to the joint venture, BayWa is strengthening its presence in western and central Germany. By expanding its digital activities, BayWa is also acquiring new customers beyond its traditional regions. Through its Austrian subsidiary RWA Raiffeisen Ware Austria Aktiengesellschaft (RWA AG), which maintains close business relations across the whole of Austria with 464 cooperative warehouses, BayWa is represented throughout the country. Numerous privately owned medium-sized trading enterprises, mainly operating locally, make up the competitive environment for agricultural produce. In contrast, there are also a number of wholesalers operating nationwide that offer operating resources. All in all, BayWa has established a leading market position for itself in the agricultural trade in Germany and Austria.

Fruit

The Fruit business unit is one of the BayWa Group's business units with the greatest international focus. In 2012, BayWa acquired T&G Global Limited (T&G Global) of New Zealand, which in turn acquired Apollo Apples Limited in 2014. Together with its subsidiary Apollo Apples, T&G is the leading provider of apples in New Zealand, with international trade links to the Americas, Asia, Australia and Europe. Through the reciprocal marketing of dessert fruit and pome fruit between the northern and southern hemispheres, BayWa is in the position to provide trade partners in Europe with fresh produce all year round, expand its product range and seize sales opportunities for German fruit on the international growth markets, which makes BayWa one of the most important pome fruit traders worldwide. The existing sales structures of T&G and its affiliates offer the potential to open up additional sales markets, particularly in Asia. In Germany, BayWa is the leading single seller of dessert pome fruit to wholesalers and retailers in the food industry and the largest supplier of organic pome fruit. BayWa also records, sorts, stores, packages and trades fruit for customers in Germany and abroad as a marketer under contract at its six sites in the Lake Constance, Neckar and Rhineland-Palatinate regions. BayWa expanded its portfolio in the growth market for exotic speciality fruits in the "ready-to-eat" sector in 2016 through the majority interest in the Dutch supplier TFC Holland B.V. (TFC), significantly strengthening its position as a leading international supplier of fruit and pome fruit. TFC has long-standing international trade relations in all procurement markets for tropical fruits – mainly for avocado, mango and citrus fruits – as well as with the European food retail industry. By taking this step, BayWa systematically continued its specialisation in the national and international fruit business. Using an attractive diversified product portfolio featuring specialities to set yourself apart from the competition is also playing an increasingly significant role in the German market, which is marked by a high concentration on the demand side.

In March 2017, BayWa and Al Dahra Holding LCC, Abu Dhabi, a leading agricultural company in the Arab world, founded a joint venture in the United Arab Emirates (UAE) to self-sufficiently provide the region with premium vegetable fruits in an efficient manner that conserves resources. The joint venture is part of BayWa's specialities strategy in a highly profitable growth market, as sustainably produced fruit and vegetables shows tremendous market potential in the United Arab Emirates thanks to a growing, affluent class of consumers. The total investment volume amounts to around €30 million. In a first step, state-of-the art climate-controlled greenhouses were erected on a 10-hectare property, where up to 5,000 tonnes of premium tomatoes will be produced and marketed to the local food retail industry every year from the second quarter of 2018. The greenhouse's controlled climate makes it possible to harvest produce all year long. Its innovative system cuts water consumption by around 60% compared to conventional greenhouses.

Agricultural Equipment

The Agricultural Equipment business unit offers a full line of machinery, equipment and systems for all areas of agriculture. The most important customer groups include those in agriculture and forestry, local government and industry. Aside from tractors and combine harvesters, the range of machinery also includes versatile municipal vehicles, road-sweeping vehicles, mobile systems 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. In addition, an extensive network of workshops and mobile service vehicles provide maintenance and repair services for machinery and equipment. In January 2017, the Agricultural Equipment business unit was reorganised by dividing it into the Agricultural Equipment, CLAAS Affiliated Companies and Special Agricultural Equipment business divisions so as to better meet the varying needs of different customer groups and seize growth potential. The Agricultural Equipment business division comprises product management for new machinery, especially AGCO-brand machinery, as well as international activities. CLAAS sales and service through the joint affiliated companies are equally positioned form an organisational perspective. The Special Agricultural Equipment business division is divided into the product categories municipal services, forestry, indoor equipment and irrigation technologies.

For products made by AGCO – with the brands Fendt, Massey Ferguson, Challenger and Valtra – and CLAAS, BayWa is the world's largest sales partner, and it maintains a closely linked network of in-house workshops in southern and eastern Germany, as well as the Netherlands, that are tailored to manufacturer brands. The range of workshop services is also complemented by mobile service vehicles to provide maintenance and repair services, as well as by the supply of replacement parts and trade in used machinery. BayWa also sells used machinery via an online platform. In Germany, BayWa has significantly expanded sales structures for Massey Ferguson-branded products in recent years to increase their market share. The full line of Massey Ferguson products is exclusively presented and sold at 9 locations. Another 9 locations sell both Fendt and Massey Ferguson products on separate sales floors. In addition, 17 locations have their own sales specialists for Massey Ferguson. In service, however, BayWa remains independent of any one manufacturer. Customers can have equipment from any brand repaired and serviced, and can obtain spare parts at all workshops.

In BayWa's core regions, the market for agricultural equipment is focused primarily on replacement investments and the modernisation of machinery and systems. In light of this, tapping into international markets that harbour above-average growth potential is becoming more important, which is why BayWa has entered into a partnership with CLAAS in Canada. The partnership focuses on marketing CLAAS products in the province of Alberta. BayWa and CLAAS are planning to expand the dealer footprint in the region. The first location opened in 2016, and another one opened in 2017. In July 2016, BayWa also acquired the remaining 51% of the shares in the Agrimec Group B.V., a joint venture established together with the Agrifirm Group B.V. in 2014. The joint venture operates in agricultural machinery sales and service. In 2015, BayWa partnered with Barloworld Limited, Johannesburg, South Africa, to establish the joint venture BHBW Zambia Limited for distributing agricultural equipment in sub-Saharan Africa. This partnership resulted in a second joint venture, BHBW Holding, for agricultural equipment and logistics technology in South Africa and other neighbouring markets in January 2017. BayWa and Barloworld each hold a

50% stake in both joint ventures. BHBW Holding holds licences to distribute AGCO brands Fendt, Massey Ferguson and Challenger in the agricultural division and the Hyster-Yale brands Hyster and UTILEV with regard to lift trucks and materials handling equipment. This marks the systematic continuation of the business unit's path towards internationalisation to secure long-term growth opportunities.

Energy Segment

In the financial year 2017, the Energy Segment accounted for around 22% of consolidated revenues. The segment's business activities are divided into the conventional energy business and the Renewable Energies business unit, which is housed in BayWa r.e. renewable energy GmbH.

Conventional Energy

In its conventional energy business, BayWa predominantly sells heating oil, fuels, lubricants and wood pellets in Bavaria, Baden-Württemberg, Hesse, Saxony and Austria. In the heating business, heating materials are primarily sold through in-house offices. Diesel and Otto fuels, as well as AdBlue, are sold through a total of 245 Group filling stations and partner stations in Germany. In addition, BayWa supplies fuels to resellers and wholesalers. In Austria, more filling stations are managed by subsidiaries. The Group company GENOL Gesellschaft m.b.H. & Co. KG acts as a wholesale fuel supplier to cooperative filling stations. BayWa sells lubricants to commercial and industrial customers, as well as to farmers and operators of combined heat and power plants. BayWa has also positioned itself as a market leader in lubricants for biogas CHP units and with regard to multifunctional oils. The subsidiary BayWa Energie Dienstleistungs GmbH offers extensive and individual solutions for energy provision to residential properties, municipal and commercial buildings and the healthcare and industrial sectors.

Besides the large mineral oil trading companies, the competitive environment is shaped mainly by medium-sized fuel traders. Having developed over time, there is now a close connection with agribusiness, as farmers are among the largest customer groups. In the Energy Segment, conventional energy business is mainly shaped by volatile price trends in the crude oil markets. The prices of fossil-based fuels are also subject to considerable fluctuations, which affect the demand for these products. From a structural perspective, demand for heating oil has been falling for years due to the increasingly widespread use of renewable energy sources and gas, as well as the improvement in energy efficiency in buildings.

Renewable Energies

The Group pools the lion's share of the renewable energy value chain in BayWa r.e. renewable energy GmbH. BayWa r.e. pursues a three-pronged diversification strategy for its business portfolio: by country, by energy carrier and by business activity. Business activities are divided into four areas: project development/implementation, services, photovoltaic trade and energy trade. Worldwide, project development/implementation encompasses project planning, management and the construction of wind and solar power plants through to the sale of finished plants. After entering the growth market Australia in the solar business in 2016 and securing a project pipeline of 300 megawatts (MW), BayWa r.e. continued its expansion strategy in 2017 by acquiring BayWa r.e. Wind Pty. Ltd (formerly: Future Energy Pty Ltd), which is active in the onshore wind sector. Services comprise planning and technical services, the provision of consumables, operational management and maintenance of the turbines and plants. In 2017, BayWa r.e. substantially strengthened its position in the UK by acquiring Green Hedge Operational Services Limited's service business and winning Magnetar Solar's invitation to tender for the support and maintenance of 16 solar farms with a total output of 153 MW in England and Wales. BayWa r.e. already maintains solar and wind energy plants with output of just under 800 MW in the UK. In December 2017, the business was further strengthened through the acquisition of Energy System Services S.r.l. (ESS), a leading provider of management and maintenance for renewable energy plants in Italy. The acquisition made BayWa r.e. the largest service provider in Italy. As a result, it now oversees system output of more than 3 gigawatts (GW) worldwide. In addition, BayWa r.e. sells photovoltaic systems and components and is one of the world's leading wholesalers that is independent of a specific manufacturer in this sector. In July 2017, BayWa r.e. and KOS Energie GmbH (KOS), an alliance of Bavarian municipal utilities providers, concluded an agreement on the joint marketing of photovoltaic and energy storage systems that will allow the members of KOS and the affiliated company Energieallianz Bayern GmbH & Co. KG (EAB) to expand their range of products and services to include attractive photovoltaic and storage solutions as well as additional innovative solutions for the digitalisation of the energy transition in the future. In energy trading, BayWa r.e. markets electricity, gas and heat generated from renewable sources. By acquiring Clean Energy Sourcing (CLENS), a direct distributor of energy and operator of a virtual power plant, BayWa r.e. further expanded its portfolio in the field of direct marketing, supplying green electricity and flexibility management in late 2017. The business operations were transferred to the newly founded trading company C.E.T. Clean Energy Trading GmbH. The Renewable Energies business unit has had a strong international focus since its founding in order to reduce reliance on individual national markets. BayWa r.e. is now represented in all major European markets, in North America, in South East Asia, and in Australia, amounting to a total of 24 countries.

The market for renewable energies is a largely 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. In terms of wind and solar energy, BayWa r.e. operates in Australia, Austria, Croatia, Denmark, France, Germany, Greece, Hungary, Indonesia, Italy, Japan, Luxembourg, Malaysia, Mexico, Poland, the Republic of Singapore, Romania, Spain, Sweden, Switzerland, Thailand, the UK, the US and Zambia. This ensures that BayWa r.e. is highly diversified both in terms of its range of energy carriers and its geographic distribution. By consolidating various Group companies in the umbrella brand BayWa r.e. renewable energy and setting up a clear business structure in the areas of wind energy, solar power and bioenergy, as well as in the Project Development/Realisation, Services and Photovoltaic Trade and Energy Trading functional units, the foundations have been laid to avoid overlapping activities, take advantage of synergies and thus participate in the expected market growth. Generally, investment incentives through guaranteed feed-in tariffs or tax breaks affect demand. In Germany, the structuring of subsidies in the German Renewable Energy Sources Act (EEG) is a major factor influencing demand for wind, solar and bioenergy plants, as the profitability of these turbines and plants is determined by the statutory feed-in tariffs. Similar subsidy mechanisms usually exist in foreign markets. Furthermore, regulatory intervention in free trade also influences prices for systems components. Changes to relevant legislation can therefore have significant effects on investments in renewable energy.

Building Materials Segment

Approximately 10% of consolidated revenues are generated in the Building Materials Segment. The segment primarily comprises building materials trading activities in Germany and Austria. In addition, BayWa serves a number of franchise partners in the building materials and retail business in Austria through its Austrian subsidiary AFS Franchise-Systeme GmbH. The BayWa Group is one of Germany's market leaders in the building materials trade with a total of 127 locations and also ranks among the leading suppliers in Austria with 28 sites. The number of franchise locations currently totals 1,002.

In the building materials trade, BayWa mainly caters to the needs of small and medium-sized construction companies, tradesmen, commercial enterprises and municipalities. Private developers and homeowners are also important customers. The key success factors in this business are physical proximity to the customer, the product mix, advisory services and close relations with commercial customers. BayWa takes these factors into account with a targeted focus on its customer groups when it comes to sales and customer consulting services. One example of this is the online portal for building materials, launched in January 2017, which enables business customers to place orders 24/7. Customers also have the option to schedule delivery dates online as well. If customers choose to collect the goods themselves, they can create their own delivery note after completing their order. This enables them to pick up the materials straightaway without any wait. The online range was also expanded by adding a room designer and the "Mr+Mrs Homes" property configurator. The property configurator allows private developers and construction firms to plan and calculate homes online in various configurations and realise them right through to the turnkey handover of the finished house by drawing on a connected network of partners. Further areas of focus include healthy construction and energy efficiency. BayWa offers a wide range of emissions-tested building materials plus solutions for energy-efficient construction or renovation. Thanks to its private brand lines casafino for construction components and landscaping; Formel Pro for structural and chemical products, as well as insulation materials; Formel Pro Green for healthy-living building materials and cleaning agents; as well as Valut for roofing accessories, BayWa is increasingly becoming an initiator of new products. In the case of conventional construction materials, being close to the customer is a significant competitive advantage. 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.

The building materials market is strongly fragmented both in Germany and in Austria. In Germany, there are 877 companies in total with 2,285 locations specialised in the building materials trade. The majority of these are small or medium-sized enterprises, which often join forces in the form of procurement groups and similar organisations.

Changes in the economic and political environment in particular may have a positive or negative effect on the Building Materials Segment, especially in the case of subsidy programmes concerning energy-efficient renovation and residential construction. The development of the building materials trade generally follows overall building activity. Civil engineering and road construction depend greatly on public-sector spending. In the area of private construction, incentives such as government subsidies for renovation or refurbishment measures and favourable interest rates for financing play a major role in investment decisions. In addition, manifold regulations influence general investment propensity levels and the demand for certain products. Construction laws and directives, such as the German Energy Saving Ordinance (EnEV) or the introduction of energy certification for buildings, construction permits, public procurement law, as well as directives on fire and noise insulation are of particular significance. Finally, the building materials business depends on weather conditions. In particular, heavy precipitation and periods of frost can significantly limit construction activities.

Innovation & Digitalisation Segment

Digitalisation is changing agriculture as we know it. Nowadays, potential for sales at farms is more about optimising whole processes instead of implementing individual measures. For example, site-specific farm management allows costs for operating resources to be reduced significantly. Machinery and system maintenance costs can also be reduced through the rapid collection, transmission and assessment of technical data. BayWa has plotted a clear course into the digital future through the independent Innovation & Digitalisation Segment, which is responsible for developing and marketing digital products and services for enhancing productivity in agriculture. It also pools the BayWa Group's e-commerce activities in the BayWa Online World. With its software product Agrar Office, the Group company FarmFacts GmbH offers farmers a future-oriented and interoperable farm management system. A number of modular tools and solutions are also available. The next innovative step is the networking of entire areas of farms and processes with upstream and downstream stages. To this end, FarmFacts offers an overall concept for medium-sized and small farms with the NEXT Farming product family. In addition, FarmFacts has teamed up with the agricultural equipment manufacturers AGCO, Krone, Kuhn, Lemken, Pöttinger and Rauch to develop the web-based, open NEXT Machine Management machine data management software as a new module for NEXT Farming that makes it possible to process all data generated by machinery and equipment regardless of the manufacturer. This enables farmers to seize the opportunities of smart farming across all types of machinery and operating resources, irrespective of the type of farm or farm size. BayWa is striving to secure a leading market role in this field across Europe.

In May 2017, BayWa entered into a partnership with the European Space Agency (ESA) to push forward the assessment of satellite data in the farming industry. The goal is to optimally incorporate satellite data into agriculture processes in order to create positive effects regarding the use of resources and water, as well as for harvest yields. For example, the Sentinel-2 satellite will provide images for monitoring plant growth and is capable of differentiating between various agricultural crops in the process. In addition, the BayWa Group has obtained valuable expertise for the further development of digital solutions by acquiring 51% of the shares in VISTA. Using satellite data, VISTA develops digital solutions for agriculture, water management and the environment. BayWa has already been working with VISTA since 2008 through its subsidiary FarmFacts.

To accelerate the development of innovative ideas for agriculture, BayWa and RWA Raiffeisen Ware Austria have created the Agro Innovation Lab (AIL) innovation platform. Start-ups with innovative business ideas for agriculture had the opportunity to apply for the acceleration programme organised by AIL. The six best start-ups were selected out of 265 applications from 61 countries and will now have the chance to advance their submitted concepts using the international network of BayWa and RWA.

Management, Monitoring and Compliance

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

As at 31 December 2017, the Board of Management consisted of five members: Prof. Klaus Josef Lutz (Chairman, responsible for BayWa Agri Supply & Trade and Fruit), Andreas Helber (responsible for Finance and the Building Materials Segment), Roland Schuler (responsible for BayWa Agricultural Sales and the Innovation & Digitalisation Segment), Matthias Taft (responsible for the Energy Segment) and Reinhard Wolf (responsible for RWA Raiffeisen Ware Austria Aktiengesellschaft).

Effective 1 January 2018, Marcus Pöllinger took over responsibility for the Building Materials Segment as Executive Manager. Marcus Pöllinger is set to join the BayWa AG Board of Management on 1 November 2018; the appointment will come into effect when Board of Management member Roland Schuler goes into retirement at the end of 2018. From 1 January 2019, Marcus Pöllinger will also take over the responsibility for the Agri Trade &

Service and the Agricultural Equipment business units from Roland Schuler, in addition to the Building Materials Segment. Prof. Klaus Josef Lutz will take over the management of the Innovation & Digitalisation Segment.

The Board of Management is solely responsible for managing the Aktiengesellschaft with the primary aim of increasing its value over the long term.

The BayWa AG Supervisory Board consists of 16 members. It monitors and consults the Board of Management in its management activities and regularly discusses business development, planning, strategy and risks together with the Board of Management. In accordance with the German Codetermination Act (MitbestG), shareholder and employee representatives also sit on the Supervisory Board of BayWa AG to ensure codetermination on the basis of parity. The Supervisory Board has formed six committees in order to boost its efficiency.

Details on cooperation between the Board of Management and the Supervisory Board and on corporate governance at BayWa AG are presented in the Supervisory Board report and the corporate governance declaration. These are publicly available at: www.baywa.com/en/investor_relations/financial_reports/consolidated_financial_statements/.

The main task of the Corporate Compliance organisational unit is to perform preventive duties. Corporate Compliance particularly draws on training courses and an extensive range of consultancy and information services to prevent breaches of the law. Its activities are focused on corruption prevention, antitrust law and combating money laundering. Comprehensive frameworks have been developed and implemented across the Group on these issues. Since 2017, Corporate Compliance has also been responsible for issues such as customs/export control, IT security and data protection and has implemented appropriate management systems.

A Group-wide code of conduct was introduced in 2015, creating a uniform set of values which apply to the entire BayWa Group. Employees who wish to report potential breaches of compliance regulations are now able to register their suspicions through an anonymous tip-off system in addition to existing possibilities, such as the ombudsman. Reported information is assessed and followed up in conjunction with Corporate Audit. Corporate Compliance and Corporate Audit work together closely in internal investigations of an antitrust or criminal nature. There is also an extensive range of compliance controls to review and guarantee adherence to compliance principles. Corporate Compliance is managed by the Chief Compliance Officer, who reports directly to the Chief Executive Officer. Compliance Officers are also appointed in BayWa's business units, as well as at all significant affiliated companies. They are available to employees as additional contact partners and act as conduits.

Corporate Goals and Strategy

The environment and the markets in which BayWa operates are subject to constant and increasingly serious changes. New technologies and advancing digitalisation in all areas of business and society are resulting in the appearance of new competitors on the market who are having a disruptive impact on a number of existing business models. At the same time, new data-driven business models are developing, which are prompting companies to transform their activities. Sustainability as regards climate protection and the conservation of resources is growing in social importance virtually all across the world. Globalisation is increasing competitive pressure, on the one hand, while creating access to international markets on the other. The independence of both producers and customers is on the rise due in particular to the opportunities provided by digitalisation. Despite the existing framework of complex business structures, the pace of change in business is constantly accelerating. More and more, young, flexible start-ups are developing business ideas into fully fledged products ready to be marketed. As a result, company lifespan is dropping, as many new business forms are ousting established companies.

BayWa is remaining true to its roots while continuing to evolve. The fundamental changes in the value chain call for adjustments or even entirely new business models. In keeping with the guiding principle "We meet basic needs through leading solutions for food, energy and shelter", BayWa is becoming a trusted partner to its customers when it comes to integrated solutions. The aim is to ensure the success of BayWa customers by combining products with advisory and other services and to make their work easier. As a strong partner to its customers, BayWa seeks to ensure that the company remains independent and competitive. True to the current motto, "Connections are the Foundation for Success", BayWa's corporate conduct has always had a long-term focus and been shaped by the company's responsibility towards customers, employees, other stakeholders and society as a whole.

BayWa is taking two market-driven approaches with regard to its further strategic development: ensuring business continuity by enhancing competitive strength and consequently maintaining its leading position in core business endeavours, as well as growth in new business areas by way of innovative, customer-focused business models.

The strategic pursuits at a functional level are fourfold: Within business models and the organisation, the objective is to press ahead with digitalisation. In operating business, the plan is to optimise management and expand the points of customer contact to strengthen Group brands. Particular focus is being placed at Group level on strengthening the BayWa umbrella brand across all segments and business units. Achieving an excellent organisational set-up marked by close collaboration across divisions and high-performing employees and managers will improve corporate performance. Finally, BayWa plans to continuously analyse its business portfolio for future growth and earnings potential with the aim of ensuring and sustainably increasing the profitability of the BayWa Group's business operations.

In the agricultural division, the Group is affirming its aim of becoming Europe's leading agricultural trade, distribution and logistics provider with global reach. BayWa aims to deepen existing customer ties and attract new customers by seizing opportunities to export to international markets, expanding the range through the addition of speciality produce such as malting barley, hops and legumes, and presenting new service offerings. By taking these steps, BayWa will be further developing its core business on a functional and cost-efficient basis. BayWa is also looking to diversify its portfolio through international partnerships. In the recording and operating resources business, the location structure is undergoing consolidation and optimisation, and sales are being geared towards integrated solutions. The diversification of the product portfolio through specialities and the expansion of the private brand business are helping to stabilise profitability.

The BAST business unit's domestic marketing activities were transferred to the BAV business unit effective 1 January 2018. This step was the result of an analysis of business structures with a view to best meeting the future challenges in the agricultural trade markets. The aim is to manage national trade in produce, from recording to marketing, under one roof and to successfully further develop the business model. In the course of these efforts, the BAV business unit was renamed the Agri Trade & Service business unit. These measures are helping BayWa to strengthen its integrated business, from the farmer to the processor, with one common trading book, so that the necessary trading strategies arise from the close collaboration among the efforts concerning buying up, marketing, logistics and portfolio and risk management. The Fruit business unit was renamed Global Produce effective 1 January 2018 in order to adequately take account of the increase in product diversity and the business's stronger international focus. In the Global Produce business unit, BayWa's objective is to offer retailers in Europe a diverse and attractive range of produce throughout the year by systematically expanding its procurement base in the southern hemisphere. The focus is on expanding the range of fruit and vegetable specialities. In addition, New Zealand Group company T&G Global Limited is being used as a platform for expanding exports to countries in Asia and tapping into new national markets. Since 2017, enhancing value creation as regards speciality products for lucrative growth markets with long-term sales prospects has been another one of BayWa's strategic pursuits. To this end, the business unit is investing in industrial agricultural production and developing new production activities with international partners. BayWa handles project planning and construction of the related systems and facilities, which are sold to investors upon completion. However, BayWa is in charge of long-term operational management. This set-up facilitates independent business models that meet local supply needs, reduce dependence on imports and ensure reliable sourcing of premium products. The first project is a joint venture of BayWa AG with Al Dahra Holding LCC in the United Arab Emirates (UAE) focused on locally producing premium tomatoes using cutting-edge greenhouse technology and marketing them in the region. In addition to already implemented measures to strengthen brand-specific sales organisations and the division by agricultural equipment and special equipment for municipalities, industry and forestry, the focus in the Agricultural Equipment business unit is on the development of cross-vendor digital interfaces and the development of a new Water Management business division.

The objective in the Energy Segment is to further advance the expansion of renewable energies as one of Europe's largest providers in the field of renewable energies. The focus here is on scale, continued internationalisation and expanding the service business. Providing integrated energy solutions represents another strategic direction. Examples include the combination of installations for generating renewable energy with efficient energy storage systems, as well as the cross-segment development of innovative products and services, for example with regard to agrophotovoltaics. The conventional energy business is making progress with digitalisation. In 2017, for example, BayWa entered into partnerships with Ladenetz.de and Hubject, which enables electric car customers to charge their vehicles using the BayWa filling station card at over 8,000 charge points in Germany. These efforts enhance the appeal of strategic partnerships in the filling station business and with regard to integrated energy solutions. In the lubricant business, BayWa launched the new Interlubes digital platform in 2017. The platform is used for selling lubricants to B2B customers.

In the Building Materials Segment, the extensive restructuring measures taken in the past years have created the conditions necessary for successfully continuing business. In addition to ongoing measures to enhance efficiency, development focus is on enhancing online offers, expanding attractive, high-margin speciality products and vertical integration in select areas.

The Innovation & Digitalisation Segment encompasses the fields of digital farming and e-business. In terms of digital farming, BayWa's goal is to assume a leading role as a professional partner for agriculture. With its software products Agrar Office and NEXT Farming, the subsidiary FarmFacts is the market leader in Germany and serves as the driving force behind smart farming at the BayWa Group. In addition, the subsidiary FarmFacts is generating opportunities for growth on the international markets. eBusiness, featuring the BayWa Online World, encompasses the platform for online trade. It plays a cross-cutting role at the BayWa Group concerning the digitalisation of interfaces and processes between BayWa and its customers.

The development of the BayWa Group is accompanied by a solid and proactive financing strategy. It is shaped by the caution traditionally exercised by companies in the cooperative and agricultural sectors, but also takes into account the changing requirements of an established international group. With its corporate financing, BayWa puts its faith in tried-and-tested, reliable partners in the cooperative federation. Furthermore, it makes sure that there is sufficient diversification in terms of financing sources, so as to guarantee its independence and limit risks. Efficient management of working capital is vital at the BayWa Group as it represents a net figure for current assets less current liabilities. BayWa aims to maintain a balanced capital structure.

Control System

Strategic controlling of the corporate divisions is based on value-oriented corporate governance and integrated risk management. Operational management of the corporate divisions is conducted based on targets; the key earnings figures EBITDA, EBIT and EBT are primarily used as the most significant financial performance indicators. The development of financial performance indicators in the financial year 2017 is described in the Financial Report in the section “Financial Performance Indicators”. Non-financial performance indicators are of secondary importance at BayWa.

The value-driven management approach supports the medium- and long-term streamlining of the portfolio and the strategic orientation of capital allocation within the Group. This approach shows whether the ratio between the operating profit achieved and the risk-adjusted cost of capital is appropriate, i.e. whether the segment has earned its cost of capital. Interest on average capital invested in the corporate divisions is charged by applying the weighted average cost of capital (WACC) model. The return on invested capital (ROIC) of the corporate divisions 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 division. The further development of an efficient risk management system is particularly important in safeguarding long-term economic success, especially in international business. The risk management system is monitored and managed by a Risk Board established in 2009 and headed up by the Chief Executive Officer. In addition, the Global Book System (GBS) has been in place to coordinate trade management in grain, oilseed and co-product trade since 2014. The GBS reconciles and optimises trade and risk positions of individual product lines across the board for national and international divisions. Fundamental market analyses are performed within the scope of the market research activities to estimate the global supply and demand situation; these analyses are discussed in weekly meetings with the trade departments.

Research and Development

	2016	**2017**
Non-capitalised research and development expenses (in €)	157,000	255,000
Number of employees	35	48
Own work capitalised (in €)	1,536,000	1,885,000

The BayWa Group's research and development activities relate primarily to the formation and further development of the new Innovation & Digitalisation Segment and take place at the subsidiaries FarmFacts GmbH and VISTA Geowissenschaftliche Fernerkundung GmbH.

Research focuses primarily on pilot projects on the topics of site-specific sowing and fertilisation, as well as satellite-based remote sensing services and applications for agriculture, water management and the environment. Development pertains mainly to software and digital applications for digital farming.

FarmFacts GmbH focuses first and foremost on software modules for controlling agricultural processes, as well as telematic applications and management software for the automated steering of agricultural machinery. In the reporting year, FarmFacts teamed up with the agricultural equipment manufacturers AGCO, Krone, Kuhn, Lemken, Pöttinger and Rauch to start development on the web-based, open NEXT Machine Management machine data management software as a new module for NEXT Farming that makes it possible to process all data generated by machinery and equipment regardless of the manufacturer. This interface is also open to other agricultural equipment manufacturers to allow farmers to digitally connect their machinery in future despite a growing number of manufacturers. VISTA Geowissenschaftliche Fernerkundung GmbH implements the latest scientific methods in operational services and applications and develops digital solutions on the basis of satellite data, including hydrology, agriculture and environmental applications such as accurate local forecasts of nutrient and water requirements or harvest forecasts for research and commercial applications. To do so, optical and radar satellite images in various resolutions, as well as additional geodata, are combined.

As at 31 December 2017, 48 employees worked in research and development. The BayWa Group's research and development expenses totalled €255,000 in the financial year 2017. Own work capitalised with regard to new digital farming products amounted to just under €1.9 million.

FINANCIAL REPORT

Operative Business Development

Agriculture Segment

Market and industry development 2017/18

According to the Federal Ministry of Food and Agriculture (BMWL), the agricultural industry is an international growth market. By 2050, the planet will be home to more than 9 billion people, who will need more food. As their prosperity grows, their food expectations will rise too, creating greater demand for meat and milk products. In order to meet these demands, agricultural production will have to increase by about two-thirds by 2050. Until now, around 12 million hectares of agricultural land have been lost worldwide every year through overgrazing, unsuitable cultivation methods, erosion or road and urban planning. The decline in the amount of land available for cultivation per capita necessitates constant increases in yield per hectare, which can only be achieved through further increases in productivity in the agricultural sector. The degree of mechanisation in agricultural production will therefore increase over the medium term. In addition, the digitalisation of agriculture, which is expanding at a dynamic rate, is having a significant impact on the optimisation of workflows, the increase in yields and the careful use of natural resources. At the same time, the need for operating resources is growing in order to improve yields per hectare. On the one hand, the global interlinking of agricultural produce markets is broadening the procurement and sales basis. On the other hand, particularly good or poor harvests of certain agricultural products and in certain regions can cause strong fluctuations in global market prices over the short term. That being said, a stable to positive price trend for agricultural produce can be assumed over the medium and long term (BMEL, Understanding global food security and nutrition, 2015, p. 2).

The global markets for grain and oilseed were again characterised by very strong harvests in 2017. The harvest volume for grain – excluding rice – amounted to 2,116 million tonnes in the grain year 2016/17, according to data published by the United States Department of Agriculture (USDA). This means the harvest volume reached a new record high and exceeded the expectation at the beginning of 2017 by 39 million tonnes. Even though worldwide consumption rose strongly by more than 6% to 2,095 tonnes, demand was fully met by the current harvest season. Stocks were up by 21 million tonnes as at the end of 2017. Of this amount, 11 million tonnes were attributable to wheat, as 750 million tonnes of wheat were harvested while only 739 million tonnes were consumed. Even though the consumption of corn increased strongly by nearly 10% to 1,061 million tonnes, stocks at the end of the year were 15 million tonnes higher because the harvest volume, at 1,076 million tonnes, reached a record level (USDA, Grain: World Markets and Trade, 2018, p. 29 et seqq.). According to the German Farmers' Association (Deutscher Bauernverband – DBV), there was a particularly strong increase in the demand for feedstuff grain in the grain year 2016/17, but this demand was met from current production. Stocks at the end of the year increased by 10 million tonnes to 262 million tonnes (DBV, Situationsbericht 2017/18, p. 154). The same was true for the harvest volume of oilseed, which amounted to 741 million tonnes globally in the harvest year 2016/17 and significantly surpassed the expectation of 712 million tonnes. At nearly 302 million tonnes, the grain harvest in the European Union was only slightly better in 2017 than in the previous year because of the dry and hot summer in southern Europe. Overall, however, the supply situation remained positive, with a self-sufficiency rate of more than 100% (USDA, Grain: World Markets and Trade, 2018, p. 40). At 45.6 million tonnes, the German grain harvest was largely unchanged year on year in 2017 and was around 3% below the average for 2011 to 2016. The below-average harvest was primarily due to low hectare yields and a slight decline in land available for cultivation. In addition, regional quality trends varied considerably due to weather conditions (DBV, Situationsbericht 2017/18, p. 156).

The USDA's current forecasts indicate that global grain production – excluding rice – will amount to around 2,080 million tonnes in the grain year 2017/18, which is nearly 2% below the record volume of the previous year. While the harvest volume for wheat of about 758 million tonnes is expected to be 1% higher, the corn harvest is forecast to decrease by 3% to roughly 1,042 million tonnes. Worldwide consumption is anticipated to be roughly similar to the previous year, at 2,099 million tonnes. As a result, stocks will probably decline by around 19 million tonnes to 496 million tonnes. The coverage of inventory stocks at the end of the year will therefore decline marginally to 86 days. It is important to note, however, that wheat production is expected to exceed consumption, whereas for corn the lower harvest volume will probably reduce stocks by 27 million tonnes. In the EU, the wheat supply situation is good for 2018 (USDA, Grain: World Markets and Trade, 2018, p. 54 et seqq.). By contrast, the corn harvest in 2017 was weak in all major EU producer countries. This makes it likely that imports will rise significantly (Agrarzeitung, Brüssel verteuert Maisimporte, 2017). It is anticipated that stocks of feedstuff grains will decline significantly in the grain year 2017/18; consumption is expected to reach 1,352 million tonnes, which would exceed the production forecast of 1,323 million tonnes by more than 2% (DBV, Situationsbericht 2017/18, p. 154 et seq.). In oilseed, supply is expected to rise marginally by 1% to 751 million tonnes in 2017/18. This means the sharply rising global demand will probably just barely be met (USDA, Oilseeds: World Markets and Trade, 2018, p. 8).

International grain prices remained under pressure in 2017 and hovered at levels far below the highs reached between 2011 and 2013 due to the generally comfortable supply situation (DBV, Situationsbericht 2017/18, p. 157 et seq.). At an average of 151.6 points for the year, the grain price index of the Food and Agriculture Organization of the United Nations (FAO) saw a 3.2% improvement on the previous year's average (FAO, Monthly Food Price Indices, 2018). However, the price trend for the individual types of grain varied. The prices for milling wheat on the MATIF commodity futures exchange fell from just under €168 per tonne to €159.25 per tonne in 2017 due to stronger competition from exports resulting from good harvests in the Black Sea region and the strength of the euro exchange rate against the US dollar. The price of grain maize on the MATIF also decreased in 2017, from €166 per tonne at the beginning of the year to €157 per tonne as at the end of the year. This price pressure resulted in the automatic application of a customs duty on corn imports into the EU for the first time since 2014. By contrast, expectations of a lower global harvest for feedstuff grains in the grain year 2017/18 led to higher prices. While the prices for oilseed decreased moderately in 2017, price volatility was significantly lower compared with the previous year (DBV, Situationsbericht 2017/18, p. 157 et seqq.).

Prices are expected to trend sideways in 2018 in light of the ample supply of wheat. By contrast, the global supply situation for both feedstuff grains and oilseed is much tighter in 2018. This creates greater leeway for rising prices (DBV, Situationsbericht 2017/18, p. 158 et seq.).

Demand for agricultural operating resources is highly dependent on the weather, among other factors. In 2017, the use of fertilisers and crop protection in Germany was primarily affected by late frosts during the bloom phase, drought in early summer and heavy rainfall in late summer. The short winter enabled an earlier start to the fertiliser season compared with the previous year, which led to higher sales of fertilisers in the first half of 2017. After successively increasing at the beginning of the year, fertiliser prices dipped again towards the end of the fertiliser-application period. This resulted in attractive storage prices for farmers at the start of the harvest year 2017/18, which they increasingly used for early procurement of fertilisers (Agrarzeitung, Düngelmittel: Mehr Stickstoff eingelagert, 2017). However, autumn fertilisation was possible to only a limited extent in many regions due to high rainfall and the impassibility of fields. Overall, as expected, around 2% more fertiliser was sold in Germany in 2017 than in the previous year (Destatis, Düngemittelversorgung, 2018). On average, prices for all types of fertiliser declined by 1.7% in 2017 compared to the previous year (Destatis, Landwirtschaftliche Betriebsmittel, 2018). Sales are expected to decrease by 5% to 10% in 2018, particularly for nitrogen fertilisers, due to the requirements stipulated in the German Fertiliser Ordinance (DüV) regarding nutrient quantities and blackout periods (Agrarzeitung, Düngerpreise fest gestimmt, 2017). However, fertiliser prices are expected to be stable to rising in 2018 if weather and vegetation conditions are normal during the year. This development is anticipated because China and Ukraine, the largest exporters to date, are no longer exporting urea fertiliser, resulting in a supply deficit. In addition, higher energy costs will probably lead to higher prices, particularly for nitrogen fertilisers (Agrarzeitung, Hohe Eneregiekosten sprechen für einen festen Stickstoffpreis, 2018). Sales of crop protection products declined in Germany in 2017 by 2.1% year on year, contrary to the expectation that they would grow slightly. The decline was attributable to two factors. First, the late frosts in April and May damaged crops, especially in fruit and vineyard cultivation. In some regions, the harvest was largely ruined. Second, plant diseases were not as widespread as in the previous year due to the dry summer. Accordingly, one crop protection application fewer than normal is likely to have sufficed to treat crops (IVA, Markt für Pflanzenschutzmittel 2017 weiter rückläufig, 2018). The prices for crop protection products increased by 1.2% on average in 2017 (Destatis, Landwirtschafliche Betriebsmittel, 2018). Assuming largely unchanged cultivation structure, normal weather conditions and stable prices, the use of crop protection is expected to increase marginally year on year in 2018. Overall, seed sales in the industry probably fell slightly in Germany during 2017. This development, which is less than the forecast, is primarily attributable to two factors. First, there was largely no winter kill due to severe frost in January and February 2017. Such damage would have required resowing. Second, the wet weather in autumn 2017 hampered sowing in many regions. As a result, the area under cultivation for just winter grains alone decreased by 2.3% year on year (Destatis, Autumn sowing for 2018 harvest, 2017). Seed prices increased by an average of 1.0% year on year in 2017 (Destatis, Landwirtschaftliche Betriebsmittel, 2018). Seed sales are expected to recover in 2018. It is likely, for example, that land not cultivated in the autumn of 2017 will be sown with summer wheat in the spring of 2018. In addition, the demand for seed for winter grains in the autumn of 2018 should be above the level of the previous year, assuming normal weather and vegetation conditions. The feedstuff industry produced 23.9 million tonnes of mixed feed throughout Germany in the harvest year 2016/17. This corresponds to a year-on-year rise of 2.1%. Quantity volumes increased in the dairy and pork sector in particular (DRV, Jahresbilanz 2017, p. 2 et seq.). In 2017, the prices for feedstuff in Germany were 0.7% below the previous year's level (Destatis, Landwirtschaftliche Betriebsmittel, 2018). The market is expected to decrease for 2018 as a whole because stricter environmental legislation might lead to a decline in animal stocks (DRV, Jahresbilanz 2017, p. 3 et seq.). Fundamentally, the prices of seed, as well as of staple and mixed feed, follow the grain and oilseed markets, meaning that the price trend over the course of the year will be increasingly influenced by the harvest expectations for the grain year 2017/18.

In Germany, the spring of 2017 was sunnier and much warmer compared with the previous year and the long-term average. The plants in fruit cultivation responded with very early blooming and leaf development. Accordingly, plant growth at Easter was around two weeks ahead of the average year. This made it all the more devastating when cold air surged across the country in the second half of April: night frosts destroyed so much of the blossoms of nearly all types of fruit plants that fruit was unable to develop. As the year progressed, additional volume and quality losses were caused by variable weather conditions as well as heavy regional rainfall and hail storms (BMEL, Ernte 2017, p. 3). As a result, the supply of German soft and stone fruit was very low overall; for example, 44% fewer sweet cherries were harvested in 2017 compared with the average of the past 10 years. The harvest volume of apples in Germany amounted to 596,666 tonnes, a decrease of 42% on the previous year's harvest of 1,032,912 tonnes and therefore significantly below the expected normal harvest. In southern Germany, the crop failures were even greater: in Baden-Württemberg, for example, 60% fewer apples were produced than in the previous year (Destatis: Land- und Forstwirtschaft, Baumobst, 2018). In the EU, the harvest volume also fell substantially year on year in 2017 by around 18% to 9.2 million tonnes. Pronounced periods of hot weather during the summer in Southern and eastern Europe had a particularly negative effect on apple production in the large producer countries of Italy and Poland, although the harvests in Belgium and Austria were very weak too (FreshPlaza, Übersicht Weltmarkt Äpfel, 2017). Against this backdrop, the prices for apples rose sharply as the year progressed. In October 2017, for example, they were above the respective five-year average by 38% in the EU and by 91% in (EU Apple Dashboard, 2017). The level of self-supply with apples in Germany will probably reach only about 40% in 2018 (AMI, Wenig Äpfel für die zweite Saisonhälfte, 2017). This means more apples from abroad will likely be needed to meet demand. Assuming weather conditions are normal, and assuming that the land under cultivation remains largely unchanged, Germany's harvest of apples, the most important of the pome fruits, is expected to achieve an above-average yield in 2018. This is expected because fruit trees will react to the low fruit content of the previous year with stronger blooming in the current year (Itz, Existenzbedrohende Frostschäden, 2017). The limited pome fruit harvest in 2017 makes it likely that the marketing period for domestic apples will end early in the first half of 2018, leading to correspondingly high purchases of imported produce. Prices, which are already above average, will therefore probably rise further as the year progresses.

In the southern hemisphere, the harvest volume of apples rose by around 8% to 5.3 million tonnes in 2017, a level which was slightly below expectations. Brazil and Argentina recorded particularly strong gains (WAPA, forecast apple production, 2018). In New Zealand, on the other hand, the apple harvest amounted to 542,000 tonnes in 2017, a 1% decrease compared with the previous year; at the start of 2017, apple production had been expected to increase by roughly 6% to a new record volume of 572,000 tonnes. The decline was caused by delayed fruit development due to cold and wet weather conditions during the bloom phase. As a result, both quantity and quality were worse than in the previous year, especially for later-ripening apple varieties. In addition, Cyclone Cook in April 2017 damaged fruit and increased the amount of fruit that fell from the trees. Although exports of New Zealand apples declined by about 2% compared to the previous year, the export quota remained very high at 61% in 2017. While volumes exported to Asia were lower year on year, deliveries to Europe and the UK increased because prices were more favourable there due to the expected poor harvest (USDA, GAIN Report Number NZ1708, 2017, p. 4). Based on the current status of fruit development, the World Apple and Pear Association (WAPA) forecasts that the apple harvest in the southern hemisphere will match the previous year's level of about 5.3 million tonnes in 2018 (WAPA, forecast apple production, 2018). In New Zealand, apple production is expected to rise by nearly 6% to reach a new record harvest of 573,000 tonnes due to new plantations entering production and good weather conditions during the bloom phase (USDA, GAIN Report, Number NZ1708, 2017, p. 4). Exports are anticipated to rise to 376,000 tonnes and therefore grow faster than the volume of production (USDA, GAIN Report, Number NZ1708, 2017, p. 9). Apple prices are expected to remain at least stable or increase moderately given the low level of stocks from the previous harvest and the expected good quality of the new harvest (WAPA, Birnenernteprognose der südlichen Hemisphäre, 2018).

The revenue and income situation of German farmers improved noticeably in the harvest year 2016/17, following two years of significant declines. Farming income improved by more than 34% on average across all sizes and forms of farms (DBV, Situationsbericht 2017/18, p. 138). Accordingly, sentiment in the agricultural sector recovered in 2017 from the multi-year low it reached in March 2016 (DBV, Konjunkturbarometer Agrar, 2018, p. 1 et. seq.). According to estimates from the VDMA (German Mechanical Engineering Industry Association), revenues in the agricultural equipment sector rose by around 6% to €7.6 billion in 2017, as compared to the expectation at the beginning of 2017 that they would decline by 1%. Lucrative harvests and adequate producer prices, especially for milk and forage crops, led to strong demand for innovative agricultural equipment and tractors (VDMA, Industry growing steadily in key international markets, 2017). Specifically, new tractor registrations increased year on year in Germany by more than 19% to 33,695 machines (VDMA, Traktoren-Zulassungen in Deutschland, 2018). At 32%, the propensity of farmers to make investments in the first half of 2018 is up on the previous-year figure of 29%. The planned investment volume has risen significantly from €3.6 billion in the previous year to €4.0 billion. The strongest growth is attributable to machinery and equipment, followed by investments in farm buildings. Volumes for farm and animal equipment are expected to remain stable, whereas investments in renewable energies are likely to be lower than in the previous year (DBV, Konjunkturbarometer Agrar, 2018, p. 5 et. seq.). Against this backdrop, the industry association VDMA Agricultural machinery expects revenues in Germany to increase by about 4% to €7.9 billion in 2018 (VDMA, Industry growing steadily in key international markets, 2017). The business with forage harvesters, loader wagons and field choppers, which is benefitting from the improved price situation on global dairy markets, is expected to see particularly strong growth. Positive momentum is also expected to have resulted from the Agritechnica trade show in November 2017. In the medium and long term, the growth in the agricultural equipment industry will be driven by the trend towards further professionalisation and the associated mounting use of technology to intensify agricultural production and increase efficiency (Agrarzeitung, Ende der Rezession, 2017).

Business Development

In contrast to the expectation that volumes would increase slightly, trading volumes with grain and oilseed in the BayWa Agri Supply & Trade (BAST) business unit decreased by around 1% to 33.4 million tonnes in 2017. This decline was caused primarily by a reduction of about 6% in the handling volume of oilseed as a consequence of the less risky trading strategy in soya. By contrast, trading volumes in grain rose by almost 2% due to growth in the international speciality business. Overall, the revenues of the BAST business unit decreased by 5.3% to €5,817.8 million in the reporting year due to price and quantity factors. Earnings before interest and tax (EBIT) improved by €18.5 million in the financial year 2017, rising from €–11.5 million in the previous year to €7.0 million. This is primarily due to the focus on functional trading and the expansion of the higher-margin speciality business. The initial consolidation of Tracomex B.V. from the Netherlands had a particularly positive effect. In addition, earnings improved thanks to the structural optimisation of trading activities in Southern and Eastern Europe, which ensured that the losses realised in the previous year were no longer incurred.

In the BayWa Agricultural Sales (BAV) business unit, revenues fell slightly by 0.4% to €2,812.9 million in the financial year 2017. The decrease is mainly the result of lower grain recording quantities due to below-average harvest volumes. Demand for operating resources was largely positive in the German sales regions, whereas some Group companies in Eastern Europe were unable to match the volumes generated in the previous year. At around 2.4 million tonnes, sales of fertiliser were nearly unchanged year on year. In crop protection and seed, sales quantities normalised compared with the weak levels in the previous year. Compared with 2016, 3.4% more seed was sold in the reporting year, due primarily to stronger demand for sowing grain. Feedstuff sales increased by 25.6% from the low volume seen in the previous year to 2.1 million tonnes on account of the improved earnings position of dairy and meat producers. Although the business with operating resources generated stable earnings overall in 2017, the EBIT of €25.7 million realised in the BAV business unit was down €3.1 million year on year. Apart from a decrease in volumes, this decline in earnings is particularly the result of margin pressure in the recording business resulting from the unfavourable trend for grain prices.

At 348,644 tonnes, the BayWa Group's total fruit sales were up 5% year on year in 2017. This growth was driven primarily by a 39% increase in the marketing volume of apples in New Zealand, which was mainly due to higher quantities of the Jazz and Envy varieties from new plantings in previous years. Sales of fruiting vegetables also rose by 4.9% in 2017. By contrast, the harvest and sales volumes for all types of fruit in Germany were considerably below the previous year's level due to damage from frost and hail storms. The marketed volumes of German dessert pome fruit decreased by 13.3%, and the total volume for soft and stone fruit was down 44%. Sales volumes for tropical fruit declined by 29.1% because the quantities marketed by T&G were limited due to reductions in quality caused by weather-related factors. Overall, the revenues of the Fruit business unit increased by 22.2% to €805.5 million in 2017 due to price and quantity effects. The first full-year consolidation of TFC Holding B.V., a Dutch distributor of tropical fruits, also contributed to this increase. EBIT decreased from the high previous-year value by €12.8 million to €29.5 million in the reporting year. This decline is attributable to three factors. First, the New Zealand Group company T&G was not able to fully offset the negative effects in the business with tropical fruit through positive performance in the business with pome fruit. In addition, the previous year's result benefited from extraordinary income of around €7.5 million associated with the sale of T&G's business unit for packaging logistics. Finally, trading income in Germany was lower due to the poorer quality of dessert pome fruit and weather-related crop failures in soft and stone fruit.

In its agricultural equipment business, BayWa benefited in 2017 from farmers' increased willingness to invest. Furthermore, sales of equipment were also higher because the portfolio was expanded to include Fendt forage harvesters. Overall, BayWa sold 3,659 tractors in 2017, a 3.7% increase on the previous year. In the business with used equipment, the Group increased sales of tractors by 12.6% to 1,873 units. The service and repair business also recorded a significant rise in demand for customer services on account of higher tractor and combine harvester sales. The business with indoor livestock systems benefited from an improved environment in the dairy and meat industry, which mainly resulted in a rebound in demand for animal buildings and equipment. The Agricultural Equipment business unit generated total revenues of €1,400.3 million in 2017, which equates to a year-on-year increase of 11.4%. Earnings before interest and tax (EBIT) improved disproportionately to revenues by 87.7% to €19.9 million. Earnings increased not only because of a better investment climate, but also due to a wide range of structural changes in the Agricultural Equipment business unit. These included the specialisation of the sales force to focus on municipal business, forestry, indoor livestock systems and irrigation, as well as through a new sales organisation in southern Germany for products under the Massey Ferguson brand. In addition, the business of Agrimec, a Dutch subsidiary that has been fully consolidated since 1 July 2016, performed very well in 2017 and contributed for the first time to full-year revenues and earnings. BHBW Holdings (Pty) Ltd, the joint venture established with Barloworld Limited in the first quarter of 2017, also performed in line with planned expectations.

Overall, revenues in the Agriculture segment amounted to €10,836.5 million in the financial year 2017, which was largely in line with the previous year (2016: €10,884.5 million). Earnings before interest and tax (EBIT) improved by €12.0 million to €82.1 million.

Energy Segment

Market and industry development 2017/18

Although the Organization of the Petroleum Exporting Countries (OPEC) began reducing oil production in November 2016 for the first time since 2008, the supply situation on the global market has remained relaxed to begin with (Handelsblatt, OPEC beschließt erste Förderkürzung seit 2008, 2016). Prices for crude oil decreased from almost USD57 per barrel at the beginning of 2017 to just over USD44 per barrel in June, temporarily dropping to a price level even lower than that of the previous year. The resolution passed by OPEC and Russia in late May 2017 to extend production cuts by another nine months led to a significant increase in the crude oil price in the second half of the year to over USD65 per barrel (TECSON, Rohölmarkt, 2018). This meant that the oil price had exceeded the predicted range of USD50 to USD60 as the year drew to a close. The price of heating oil largely followed this trend and exceeded 2016 levels virtually throughout 2017 (TECSON, Heizölpreise, 2018). In the German heating market, heating oil sales increased slightly year on year by 0.3% in 2017 (BAFA, Amtliche Mineralöldaten, 2018). This sales increase can be attributed in large part to the comparatively cold winter of 2016/17. The average temperature in Germany in January 2017 was 1.8 degrees below the 30-year average, while the temperature in January 2016 had been 1.7 degrees above the long-term average (Heizöl24, Heizölverbrauch ein Drittel höher, 2017). Generally speaking, demand for fossil fuels in the heating business is subject to fluctuations in consumption determined by weather conditions. Purchasing behaviour is also influenced by the heating oil price trend, which, in turn, is highly dependent on the price of crude oil. Forecasts made by the US Energy Information Administration (EIA) about the development of crude oil prices predict that the oil price will hover around USD62 per barrel in 2018. An expected increase in consumption due to positive global economic developments and the OPEC production cuts that were extended until the end of 2018 in November 2017 is likely to have a stabilising effect. On the other hand, higher oil production in non-OPEC states could lead to price-lowering effects. Generally speaking, prices will be very volatile in the short term subject to the development of inventories (EIA, Short Term Energy Outlook, 2018, p. 3 et seqq.). Structural factors such as the rise of renewable energies, the increased use of gas, and cuts to consumption due to modern technologies and energy-efficient building renovations have resulted in a long-term decline in heating oil consumption in core BayWa regions. This trend is also likely to continue going forward. Moreover, the winter season 2017/18 was relatively mild – measured by long-term average values – meaning that demand for heating oil in 2018 is likely to decline year on year. Wood pellet sales have been benefiting from a continuous increase in the number of wood pellet-based heating systems being installed in recent years. In 2017, the consumption of wood pellets in Germany increased by around 5% to 2.1 million tonnes. Renewed growth of around 5% is expected for 2018, as the increased installation of pellet heating systems looks set to continue (DEPV, Entwicklung Pelletproduktion in Deutschland, 2018). However, the growth potential of this environmentally-friendly heating source is limited by the regional availability of the raw material and limited transportation distances. Total fuel sales in Germany rose by 1.8% (KBA, Fahrzeugbestand, 2018) in 2017 against the backdrop of a 1.7% increase in vehicle stock between January and December 2017. Sales of Otto fuels increased by 1.6%, while sales of diesel increased by 2.0%. In 2017, total lubricant sales increased slightly by 0.5% due to the positive economic environment in Germany. In particular, base oils, lubricating greases and water-miscible metalworking fluids for use in industry and commerce recorded double-digit sales percentage increases. Overall sales volumes for fuels and lubricants therefore developed as predicted (BAFA, Amtliche Mineralöldaten, 2018). The demand for fuels and lubricants is dependent above all on economic developments. In light of expected overall economic growth of 2.5% in Germany, a moderate increase in demand is expected in 2018 (Bundesbank, Monatsbericht Dezember 2017, p. 15).

In 2017, global investments in renewable energies recorded an increase of 3% to USD333.5 billion. This was predominantly due to falling global plant prices, which have made renewable energies an affordable option for energy production in many countries. In China in particular, investments grew by 51% to USD132.6 billion. The People's Republic of China therefore accounts for almost 40% of global investments in renewable energies. Australia also recorded a boom in 2017 with investments in renewable energies of around USD9 billion (BNEF, Clean Energy Investment Trends 2017). The Australian project pipeline for solar power plants and wind turbines will generate around 3.6 GW in 2018 (BNEF, Global capacity growth wind and solar, 2018). In contrast, investments in a number of other industrialised countries were down year on year. In the US, the withdrawal from the Paris Climate Agreement and the 2017 tax reform led to a 3% decrease in investments to USD56.9 billion (BNEF, Erneuerbaren-Investitionen in Deutschland, 2018). In Europe, investments dropped by 19% to USD 57.4 billion (BNEF, European Wind-Power Investments, 2017). As the largest single market in Europe, Germany recorded investment volumes 26.3% lower year on year of USD14.6 billion (BNEF, Clean Energy Investment Trends 2017).

In 2018, global investment volumes in renewable energies are likely to remain at a similar level to those of the previous year due to a continuing decrease in plant prices. China is set to remain the largest driver of growth in the renewable energies sector with expansions to capacity on the same scale as in the previous year. Strong growth is expected for markets such as Latin America, Southeast Asia, the Middle East and Africa (BNEF, 10 predictions for 2018).

Global wind farm capacity grew by 57.6 GW in 2017. This is the equivalent of a 7% increase compared with 2016, making it higher than the expansion of 54 GW predicted by Bloomberg New Energy Finance (BNEF). Half of this capacity was installed in the Asia-Pacific region. With a share of around 75%, China dominated expansion in this region. However, at 21.2 GW, around 8% less capacity was installed in 2017 than in the previous year. China's share in global wind farm capacity growth therefore dropped to 37% in 2017. At 7.4 GW, the US – which, as in the previous year, is still the second largest wind farm market – installed around 13% less year on year in (BNEF, Global capacity growth wind and solar, 2018). The main reason for this decline was uncertainty in the industry regarding the political framework in the US. In Europe, around 28% more wind farms were connected to the grid in 2017 than in the previous year. This meant that its share in global capacity expansion rose to 28%, after reaching 23% the previous year. As the Europe-wide funding framework has switched to the auction process, a number of project developers have secured themselves the state feed-in tariffs that are being phased out, which means that some of the expansion in 2017 was due to anticipatory effects (BNEF, European Wind-Power Investments, 2017). Established markets such as the UK and Germany displayed strong growth. In the onshore wind farm segment, the UK recorded 75% more growth year on year in 2017 at 1.9 GW. Most of this is due to projects that were completed in the reporting year after long construction periods. In Germany, capacity growth from onshore wind farms reached roughly 5.0 GW (2016: 4.6 GW), which was significantly higher than the target of 2.8 GW set by the German federal government. This corresponds to a total year-on-year increase of around 8% (BNEF, Global Wind Market Outlook, 2017). At the close of 2017, there were onshore wind farms with a total output of 50.8 GW installed in Germany (BWE, Installierte Windenergieleistung in Deutschland, 2017).

According to estimates made by the BNEF, total global capacity in the wind power segment is likely to increase by 59 GW in 2017, which corresponds to growth of about 3%. It is primarily China and Latin America that will account for this growth. Expected to expand its installed capacity by 22.7 GW, China will remain the largest single market. Compared with 2017, this corresponds to an increase of 7%. The US looks set to expand its wind farm capacity by 9 GW in 2018. This will correspond to an increase of 22% year on year. Strong growth is also expected in Australia, as its wind farm capacity is likely to nearly double in 2018. In Germany, the largest European market, the newly installed capacity for onshore wind farms will be much lower than the previous year's level at only 3.4 GW, as a majority of the projects funded in accordance with the 2014 German Renewable Energy Sources Act (EEG) have already been implemented (BNEF, Global capacity growth wind and solar, 2018). Moreover, it was above all projects with longer construction deadlines that dominated the first two auction rounds for onshore wind power in 2017. This means that policymakers have come a lot closer to achieving their goal of slowing down capacity expansion. Although the EEG was intended to maintain the variety of potential bidders in wind farm project planning in 2017, it did not achieve this goal due to contracts being awarded almost exclusively to citizens' energy companies. More diversity could be achieved in 2018 by adjusting the bidding conditions for the first two auction rounds (BMWi, EEG-Novelle 2017).

In 2017, global photovoltaic capacity expansion was 30% higher year on year at an estimated 97 GW. Whereas the growth rates of newly installed capacities in many developed countries are decreasing or the absolute added volume is below the levels of the previous year, a number of new markets, such as India, Latin America and the Middle East, have been increasingly contributing to global market growth. At 53 GW, 54% of newly installed capacity was accounted for by China, followed by the US, which, at 10.7 GW, achieved a share of 11% (BNEF, Global capacity growth wind and solar, 2018). In the US, planned trade sanctions meant that there was a sharp decline in demand for private solar roof systems. In Japan, newly installed capacity decreased by 6% to around 7.5 GW. At 8.3 GW, capacity expansion in Europe was 9% higher year on year. The European market's share in global expansion therefore reached 8%. At 1.6 GW, new installations in Germany slightly exceeded the previous year's level (BNEF, Global capacity growth wind and solar, 2018). The German Solar Association believes that this was due to the reduced cost of solar power systems. Medium-sized companies and home owners in particular were once again the ones installing more photovoltaic systems (BSW-Solar, Solarstrom-Nachfrage 75 Prozent über Vorjahr, 2017). In spite of this positive development, the expansion corridor of 2.4 GW to 2.6 GW defined by the EEG could not be achieved in 2017.

In 2018, a global capacity expansion of 113 GW is forecast in the photovoltaic segment; this corresponds to growth of 16%. With a share of 72%, most of this expansion will take place in the Asia-Pacific region. As in 2017, China, India and Japan will remain the dominant markets in this region. With approx. 56 GW, China will have the largest share of global growth. With an estimated 8.3 GW of newly installed capacity, India could extend its lead over Japan, the world's fourth-largest photovoltaic market, in 2018. A capacity expansion of 7.2 GW is forecast for Japan in 2018. Established markets like the US and Europe are collectively set to contribute almost 16% to global expansion in 2018. For the US, an increase in installed capacity of 8.8 GW is expected (BNEF, Global capacity growth wind and solar, 2018). For the European market, a phase of sustainable growth is expected that will be no longer be due to feed-in tariffs, but rather to photovoltaics' ability to compete on the energy market. This means that some European countries are expecting significant growth in the photovoltaic segment: this includes above all France, with a year-on-year increase of 136% to 1.5 GW; the Netherlands, with growth of around 1 GW; and Spain, where contracts for photovoltaic plants have been awarded to the tune of 3.9 GW, which will be connected to the grid in the years to come (BNEF, Huge comeback for solar in Spain, 2017). In Germany, newly installed capacity is expected to increase by 2.0 GW in 2018 due to the fall in prices for system components. Alongside these established markets, new growth markets are also developing: for example, capacity in Mexico is expected to expand by 2.5 GW in 2018, while the BNEF has predicted growth of 3.0 GW in Australia (BNEF, Global capacity growth wind and solar, 2018).

In 2017, the development of biogas production in Germany stagnated. Reforms in the political framework in recent years mean that it is now only profitable for a small number of plants to develop new plants. Due to its complex regulations, there have been few incentives for new bioenergy projects since the new German Renewable Energy Sources Act (EEG) came into force on 1 January 2017. Existing plants that use at least 50% slurry and residual materials are set to receive different fixed feed-in tariffs based on their size for another 10 years. The industry's first reaction to these changes in 2017 was one of restraint – the auction volumes were not achieved. The auction system, which auctions a set amount of biogas power once a year, has also led to higher price pressure in the biogas sector. The lowest offers receive the contract, securing the subsidy extension. For existing plants, this period is 10 years. A regular remuneration period of 20 years is granted for new plants, which can also participate in the auction process (BMWi, EEG-Novelle 2017). According to information from the German Biogas Association, there were around 9,346 biogas plants in operation Germany at the end of 2017 with a total output of around 4.5 GW. Based on forecasts made by the German Biogas Association, only 137 new plants were connected to the grid in the 2017 reporting year, following 195 plants in 2016 (Fachverband Biogas, Prognose der Branchenentwicklung 2017).

The subsidy extension has opened up at least one new prospect for the industry going forward. This should once again make it financially attractive to invest in the continued operation of plants following the end of subsidisation under the EEG through the reorientation towards peak power requirements and the full use of heat energy. Many biogas plant operators are therefore increasing their efficiency and flexibility and improving nutrient management. This is likely to lead to a slight improvement in sentiment in the biogas industry. However, according to the German Biogas Association, there will not be any general relaxation until political stability has been restored and a reliable political framework has been created (Fachverband Biogas, Biogasbranche rechnet 2018 mit mehr Geschäft, 2017).

Business performance

Sales of heating oil in BayWa's Conventional Energy business increased by 1.1% in 2017 due to the significantly colder winter compared with the previous year, which meant that it developed better than expected. Sales volumes of wood pellets rose by 14.0%, in particular due to the continued expansion of sales activities in Germany and Austria, as well as in the field of eBusiness. This increase in volume was therefore considerably higher than the market average. Group fuel sales increased by 1.5% year on year, remaining within the forecast range. Increased diesel sales played the main role in this growth due to the addition of further filling station cards for BayWa filling station in supply activities for construction sites and the fleet business with freight forwarders. Lubricant sales increased by 5%, slightly exceeding expectations, which was due in particular to the expansion of sales activities. This meant that BayWa achieved above-average growth compared with the overall market. BayWa was able to obtain new properties for its heating contracting business and to continue developing its existing projects. For example, the local heating supply was expanded in Parsberg (Upper Palatinate). In particular, BayWa was able to expand the supply of heating based on certified quality woodchips. Overall, revenues in the conventional energy business increased by 9.7% to €2,228.1 million during the reporting year, above all due to the above-average oil prices year on year. Earnings before interest and tax (EBIT) were 17.1% higher year on year in 2017 and came in at €18.5 million. This was mainly due to margin improvements in the fuel business and an increase in volumes for heating oil and lubricants.

In 2017, the international focus of activities in the Renewable Energies business unit proved successful once again. The output generated by all wind and solar power plants achieved a new record value in the reporting year at 404.9 megawatts (MW) (2016: 265.0 MW). Of that, 182.6 MW (2016: 121.1 MW) was attributable to wind farms and 222.3 MW (2016: 141.3 MW) to solar energy plants. In the reporting year, completed systems with an installed capacity of 414.5 MW were sold in Germany, France, the UK, Italy and the US: four solar power projects with a total output of 147.7 MW – 119.8 MW of that in the UK and 27.9 MW in the US – were sold in the reporting year. Twelve wind power plants with a total output of 260.2 MW were sold: of those, 78.0 MW was accounted for by the US, 70.2 MW by Italy, 52.6 MW by Germany, 43.0 MW by France and 16.4 MW by the UK. In addition, two biogas plants with 6.6 MW of electrical output were sold in Germany. BayWa r.e. will also assume responsibility for the commercial and technical management and maintenance of most of these plants going forward. The service business was strengthened once more in September 2017 with the takeover of the management and maintenance of 16 solar plants in the UK with an output of 153 MW, and through the acquisition of the Italian provider Energy Systems Services in December 2017. Worldwide, the total plant capacity under the management of BayWa r.e. now stands at over 3 GW. In the photovoltaic module trade, sales in the reporting year increased by over 56% to 425.4 megawatt peak power output (MWp) due, in particular, to new locations in Poland, France, Thailand and the Netherlands. This can also be attributed to increased demand in Germany as a result of new, more affordable systems solutions. Biomethane sales volumes rose by almost 16% to 1,550 gigawatt hours (GWh) in 2017 due to the increased use of direct marketing for alternative applications in the heating market and for biofuels. Moreover, direct marketing activities for green energy were further expanded by the takeover of Clean Energy Sourcing (CLENS). In sum, the revenues generated by the Renewable Energies business unit in 2017 increased by 44.5% to €1,366.6 million. This increase can be attributed above all to the growth in trade with photovoltaic components and in the energy trade. At €66.5 million, earnings before interest and tax (EBIT) were €0.8 million and therefore slightly below the value of the previous year. Earnings in 2016 had profited disproportionately from the sale of two geothermal power plants.

Altogether, at €3,594.7 million, the Energy segment's revenues for financial year 2017 were €618.7 million above the previous year's revenues of €2,976.0 million. Earnings before interest and tax (EBIT) increased by 2.3% to €85.0 million.

Building Materials Segment

Market and industry development 2017/18

The German construction industry experienced a positive development in 2017 as predicted at the beginning of the year. Companies in the construction sector recorded revenue growth of 5.0% to €112.8 billion. Driving this development was demand for additional housing due to ongoing domestic migration into major urban metropolitan areas, which led to revenues in residential construction increasing by 4.0% to €41.6 billion. However, a 7.0% increase in residential construction investments had been predicted at the beginning of the year (ZDB, Entwicklung der Baukonjunktur, 2018). Including renovations and conversions of existing housing stock, it is likely that some 300,000 residential units were completed last year. However, this still means that completions continued to lag well behind the forecast requirement of at least 350,000 per year. Growth was primarily due to strong activity in the construction of new multi-storey residential properties – in 2017, building completions rose by approximately 15.8% year on year. In the redevelopment, renovation and modernisation business, strong new construction activity and accompanying high levels of capacity utilisation in 2017 meant that growth was down slightly year on year. This was also influenced by contractors facing capacity constraints as a result of the good employment situation in the construction sector (Heinze, Monatspräsentation Februar 2018, p. 14 et seqq.). In the commercial construction sector, revenues increased by 6.0% to around €39.6 billion, thereby experiencing much stronger growth than the growth rate of 3% forecast at the beginning of the year. Construction activity benefited from the sharp increase in the number of building permits that had been granted the previous year. Revenues in public construction increased sharply by 5.5% to €31.6 billion, also outperforming the 5.0% forecast at the beginning of the year. Investments primarily rose due to an increase in modernisation measures and the expansion of transport infrastructure in the field of federal road transport (ZDB, Entwicklung der Baukonjunktur, 2018).

According to the Central Association of the German Construction Sector, growth in the German construction industry in 2018 is likely to be able to virtually follow on from the growth of the previous year; overall, a 4.0% increase to €117.2 billion is expected in construction sector revenues (ZDB, Entwicklung der Baukonjunktur, 2018). This expectation is based on the level of orders that, by October 2017, had once again exceeded the already high level of the previous year. In residential construction, revenues are expected to increase by 3.5% to €43.1 billion, in spite of a decline in the number of building permits granted in 2017 compared with 2016 (Heinze, Monatspräsentation Februar 2018, p. 18). This increase is also attributable to the very positive development in multi-storey residential construction, while conventional owner-occupied home construction is likely to stagnate (ZDB, Entwicklung der Baukonjunktur, 2018). The growth rate for new construction activity is set to weaken somewhat compared with the previous year. In contrast, strong growth is forecast for modernisation measures (Heinze, Monatspräsentation Februar 2018, p. 15). The commercial construction sector is set to continue the positive trend observed the previous year with revenues increasing by 4.0% to €41.2 billion. Continuing increases in industrial capacity utilisation are probably driving investments in this area. Public construction revenues are expected to rise by 4.0% to €32.9 billion. An increase in federal investments in transport infrastructure is contributing to this trend. Moreover, the German federal states' positive fiscal balances are opening up new scope for investment, and local authorities are benefiting from the fact that the Local Authority Investment Fund has been extended until 2020 and its volumes doubled to €7.0 billion (ZDB, Entwicklung der Baukonjunktur, 2018).

In Austria, construction activity picked up noticeably in 2017 after years with low to no growth rates. According to the Austrian Institute of Economic Research (WIFO), construction investments increased by 2.8% in real terms, at the same pace as overall economic growth (WIFO, Prognose für 2017 und 2018, 2017). Structural engineering enjoyed a good economic climate in 2017, mainly as a result of momentum in new residential construction, which was due to population growth in particular. In contrast, there had only been moderate revenue growth in the commercial construction sector by mid-year. However, the good order situation and a significant increase in anticipated orders resulting from the industry's upward revision of its investment plans meant that construction activity picked up in the second half of the year. Civil engineering gained momentum in 2017, as the number of orders received began to increase sharply from the third quarter (Bank Austria, Branchen Überblick Österreich, 2017, p. 12).

In 2018, growth in the construction industry is likely to slow down noticeably year on year. According to the WIFO, real investments in construction are only expected to increase by 1.5% (WIFO, Prognose für 2017 und 2018, 2017). At the same time, growth, above all in residential construction, is likely to lose momentum in 2018 as the Austrian federal government's residential construction offensive stagnates and because construction has only begun on one fifth of the residential units planned within the scope of the second residential construction package, which had envisaged the construction of 10,000 residential units through the Bundesimmobiliengesellschaft, the Austrian federal property company (Dorffmeister, Länderübergreifender Aufschwung der europäischen

Bauwirtschaft, 2017, p. 34). However, with a share of 45%, residential construction remains the most significant segment in the Austrian construction industry (Branchenradar, Wohnbau bleibt bis auf weiteres Stütze der österreichischen Konjunktur, 2018). A much sharper increase in building activity is expected for civil engineering than for residential construction and commercial construction due to plans for additional state spending on roads and railways (WIFO-Investitionstest Herbst 2017 Bauwirtschaft, 2018, p. 4).

Business performance

In 2017, the building materials business reaped the rewards of a relatively short winter, ongoing positive developments in German construction activity and high capacity utilisation in construction companies throughout the course of the year. Sales volumes for the entire building materials portfolio largely benefited – as expected – from the positive development in multi-storey residential construction. This meant that, in particular, there was a sharp increase in demand for mass-produced items in the structural engineering product range, such as steel, ready-mix concrete, bricks, façade components and insulation materials, as well as for pre-fabricated construction components, flat roofs and garages. In addition, the use of specialist sales teams has also been having a positive impact in these product areas. The increase in the repairs and modernisations being performed on motorways, bridges and tunnels buoyed demand for the product ranges for civil engineering and road construction work. On account of sales volumes, revenues in the Building Materials segment increased by 5.0% in 2017 to €1,606.1 million year on year in spite of continued price competition in the building materials sector. Earnings before interest and tax (EBIT) for the segment increased by 5.6% to €30.1 million and therefore to a greater extent than revenues. Alongside the positive sales development, the continuous optimisation of BayWa's network of locations and the successful expansion of its high-margin range of in-house brands contributed to the improvement in earnings.

Innovation & Digitalisation Segment

Market and industry development 2017/18

Digitalisation has long been a fixed part of supporting day-to-day agricultural operations. Agriculture's ratio of investment to annual revenues of roughly 10% puts it in the top one-third of all industries according to PricewaterhouseCoopers (PwC). Digitalisation is primarily being fuelled by the optimisation of the value chain (PwC, Quo vadis, agricola, 2016). According to a survey carried out by Bitkom and the German Farmers' Association (DBV), around 53% of German farmers are already using digital technologies, while 6% of the farmers surveyed are planning investments and about 24% are still considering them. Digitalisation focuses on high-tech agricultural machinery, feeding machines and intelligent control software (Bitkom, Digitalisierung in der Landwirtschaft, 2016).

The market for digital applications in the farming industry (digital farming) largely comprises the business areas of precision farming and smart farming. Precision farming focuses on the automation of processes and the optimisation of the use of operating resources. Information is processed digitally and made available from farm management systems, weather apps and online platforms to help farmers make decisions. Building on this, smart farming makes it possible to connect all areas of operations, from logistics to getting in contact with the customer via online interfaces for the electronic ordering of spare parts or operating resources. Here, machines and systems process information independently and make decisions with at least some degree of autonomy. Examples of this include autonomous soil cultivation and harvesting machines, real-time soil analysis and site-specific farm management. This process optimisation not only results in cost savings, but also improves efficiency in the use of operating resources. The best possible use of operating resources ultimately boosts yields. The digital integration of supply chain partners, customers and suppliers also creates the possibility for new services and data-driven business models. Interconnectivity between online stores and applications enables operating resources and spare parts to be provided as and when needed or allows electronic troubleshooting to be carried out in the case of machine failure, with the results sent directly to the responsible service technician (PwC, Quo vadis, agricola, 2016).

There is a wide range of statements being made about the global market volume for digital farming. Differences between these statements mean that market observers have differing opinions about how to define the market. For 2016, figures were somewhere between USD6.6 billion and USD11.3 billion. Similarly, 8 to 10-year forecasts also diverge greatly, ranging from USDS23.4 billion to USD40.0 billion (Bharat Book Bureau, Smart Agriculture Market to 2025, 2017; Transparency Market Research, Global Smart Agriculture Market, 2017; Prognostix, Smart Agriculture: 13 trends to watch out for, 2017). In light of this, BayWa expects a mean value of around USD10 billion of global market volume in 2017 and expects medium to long-term annual market growth on a scale of at least 10%. Germany was the largest single market in Europe in 2017 with a volume of around USD394 million and a more than 35% share in total investments in precision farming. By 2022, this investment volume is expected to have almost doubled to around USD695 million. This corresponds to an average annual growth rate of 12.2% (Handel & Service Agrartechnik, Ausgabe 9, 2017). Alongside potential cost advantages, drivers of growth include further consolidation in the agriculture sector, which is leading to ever-larger farms. At the same time, qualified personnel is in ever-shorter supply, resulting in the need to manage larger farms with fewer staff. The provider structure in this market is highly fragmented. On the one hand, every manufacturer of agricultural equipment already offers a wide range of electronic components to support farmers. On the other hand, new companies – software start-ups – that are making it possible to professionally use the opportunities offered by information technology in agriculture are joining established IT providers in the market. Here, the spectrum ranges from satellite-based soil analysis for precision agriculture to business analysis software. Combining satellite data and physical plant growth models makes it possible to provide farmers with specific field work recommendations. Satellite data can be used to carry out vitality analyses for each field in order to determine a location's potential. This makes it possible to assess the economic advantages of site-specific farming. The challenge is to connect the technological possibilities to create an overall system. Continuing high investment costs, insufficient internet access and some aspects of data security are proving to be obstacles (Bitkom, Digitalisierung in der Landwirtschaft, 2016).

In Germany, market volume in interactive retail (online and mail-order retail) and e-commerce grew by 7.9% in 2017, reaching around €78.1 billion for all goods and services. According to estimates made by the German E-Commerce and Distance Selling Trade Association (bevh), e-commerce grew by 10.9% to €58.5 billion – therefore within the scope of the forecast. Multi-channel retailers recorded above-average growth and, at €20.1 billion, were able to generate revenues around 21% higher year on year. Providers with their origins in brick-and-motor retail had the largest share. For 2018, bevh expects another 9.3% in market growth in the German e-commerce sector, taking it to €63.9 billion. Overall, interactive retail is expected to grow by 8.3% to around €84.6 billion (bevh, Zweistelliges Wachstum in 2017, 2018).

Business performance

The Innovation & Digitalisation Segment pools all of the BayWa Group's activities in the fields of digital farming and e-business. BayWa has set itself the target of taking on a leading role as a component partner to the agricultural industry when it comes to digital farming and farm management solutions. Its offerings include the Agrar Office and NEXT Farming software products, digital map material, analyses and advisory services as well as hardware components. eBusiness brings together all of the BayWa Group's online activities. However, the revenues and income from the activities are attributed to the business unit responsible for the respective sold product. In addition to product revenues with external customers, the segment plays a service role within the Group. In 2017, the Innovation & Digitalisation Segment generated revenues of €6.9 million, which were therefore 15.0% higher year on year. At 45%, the largest share came from software licences and software maintenance contracts, followed by digital map material, including analyses and advice, and soil sampling, with a share of 44%. Sensors and other hardware accounted for 11% of revenues. As predicted, the Innovation & Digitalisation Segment recorded negative earnings before interest and tax (EBIT) of €10.8 million (2016: €–8.6 million). The main reason for this was, on the one hand, a high level of investment in the development of digital farming solutions such as new software modules and hardware components. On the other hand, the segment also carries out a service role for the operating business units by hosting and providing ongoing support to BayWa Online World, which does not generate any direct income.

Development of Other Activities in 2017

At €10.9 million, the Other Activities Segment's revenues in the reporting year were essentially on par with 2016 (€13.3 million). Earnings before interest and tax (EBIT) resulting from Other Activities consist of the Group's administration costs, as well as consolidation effects; in 2017, this came to €–15.2 million following €–28.6 million in the previous year. In particular, improved earnings in the reporting year can be attributed to the sale of the BayWa Tower in 2012. The almost complete sale of shares in BayWa Hochhaus GmbH & Co. KG, Grünwald, in 2017 was used to realize the remaining part of the interim profits eliminated back then.

Assets, Financial Position and Earnings Position of the BayWa Group

Asset position

Composition of assets

in € million	2013	2014	2015	2016	**2017**	Change in % 2017/16
Non-current assets	2,094.0	2,261.7	2,287.2	2,355.8	2,396.9	1.7
of which land and buildings	775.4	814.4	845.4	850.4	854.6	0.5
of which financial assets	251.5	181.5	168.2	189.1	232.6	23.0
of which investment property	82.4	72.8	55.9	41.6	40.9	- 1.7
Non-current asset ratio (in %)	40.3	40.2	37.9	36.4	36.9	–
Current assets	3,061.8	3,371.8	3,739.7	4,094.2	4,077.4	- 0.4
of which inventories	1,836.0	1,986.3	2,141.5	2,380.7	2,322.7	- 2.4
Current asset ratio (in %)	58.9	59.5	61.9	63.2	62.8	–
Assets/disposal groups held for sale	43.4	18.5	9.8	24.9	13.7	- 45.0
Total assets	**5,199.3**	**5,652.0**	**6,036.7**	**6,474.9**	**6,488.0**	**0.2**

Non-current assets grew by 1.7% or €41.1 million year on year, totalling €2,396.9 million at the end of the financial year 2017. Additions to intangible assets and property, plant and equipment amounting to €229.1 million within the scope of investing activities and changes to the group of consolidated companies in core business were offset by disposals of €26.2 million and transfers amounting to €9.2 million. Adjusted for scheduled depreciation and amortisation in the financial year of €145.6 million and exchange rate-induced reductions of €23.8 million, intangible assets and property, plant and equipment increased by a total of €24.3 million.

The significant increase of €43.5 million, or 23.0%, in financial assets can be attributed to, firstly, increases in credit balances with cooperatives (an increase of €27.2 million), which were due in large part to improvements in the market value of shares in Raffeisen Bank International AG, Vienna, Austria. Secondly, loans to Group companies also grew by €7.2 million, while Group companies themselves grew by €5.5 million. Growth in Group companies was mainly due to partial sales of shares in companies that had previously been included in the group of consolidated companies using the equity method. These companies – such as BayWa Bau- und Gartenmärkte GmbH & Co. KG, Dortmund, and BayWa Hochhaus GmbH & Co. KG, Grünwald – were listed as Group companies as at 31 December 2017. In contrast, at €214.6 million, shares in companies recognised at equity were virtually on par with the previous year.

Investment properties were also at the same level as the previous year. In contrast, non-current liabilities and other assets declined by €13.9 million, and deferred tax assets by €11.5 million.

Year on year, current assets dropped by €16.8 million, totalling €4,077.4 million as at the reporting date. Inventories decreased by €57.6 million, while current receivables and other assets increased by €21.5 million. The decrease in inventories was due to two opposing developments: unfinished goods declined due to the wind and solar projects in the field of renewable energies that were completed in the financial year 2017. This was offset by an increase in inventories that affected the Agriculture Segment in particular.

There was also a decline in non-current assets and disposal groups held for sale, which fell by €11.2 million to €13.7 million. As at the reporting date, this item predominantly contained real estate inventories, which are intended to be sold in the subsequent year.

Traditionally, BayWa has always placed a special emphasis on ensuring matching maturities in the financing of assets. Current liabilities of €2,986.8 million – consisting of current financial debt, trade payables, financial liabilities, tax, other liabilities along with current provisions and liabilities from disposal groups – were offset by current assets and assets held for sale/disposal groups of €4,091.1 million. By the same token, there is roughly 146% coverage for non-current assets amounting to €2,396.9 million through equity and long-term borrowing of €3,501.2 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.

Financial position

Financial management

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

Forward exchange transactions and swaps are used selectively to hedge receivables and liabilities denominated in a foreign currency. These forward exchange transactions and swaps serve exclusively to hedge existing and future receivables and liabilities from underlyings in the purchase and sale of merchandise within the scope of customary business operations. Hedging transactions in the BayWa Group are designed to reduce the risks associated with 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.

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

The procurement of funds is decentralised. It is based on the principle that the national entities refinance in the local currency of the respective country. This applies mainly to activities in Eastern Europe, the USA, New Zealand and the UK. Apart from this, however, the BayWa Group conducts its business mainly in euros. Corporate 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, middle 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. This includes issued bonded loans, long-term loans from banks and associated companies as well as the hybrid bond issued in October 2017. Capital market measures replace financing from short-term credit lines, but without clearing or terminating them, and diversify the refinancing portfolio.

In addition, the project companies in the Renewable Energies business unit have access to separate non-recourse financing (without the lenders having access to the BayWa Group's assets and cash flows).

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

Interest rate risks inherent in short-term debt are covered by BayWa in the context of its risk management through the use of simple derivative instruments. Long-term interest rates were hedged naturally by issuing bonded loans in 2015, 2014, 2011 and 2010, as both fixed-interest and variable-interest rate tranches were issued and the interest rate risk was reduced as a result. The fixed coupon of the hybrid bond that was issued led to an increase in the hedge ratio by means of natural hedging.

Around 50% of the total borrowing portfolio is to be secured against interest rate risk through the respective hedging instruments. This partial hedging takes account of the strong, seasonally induced fluctuations in financing requirements.

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	2013	2014	2015	2016	**2017**	Change in % 2017/16
Equity	1,115.0	1,050.4	1,075.9	1,098.3	1,435.5	30.7
Equity ratio (in %)	21.4	18.6	17.8	17.0	22.1	–
Short-term borrowing[1]	2,421.7	2,493.5	2,769.3	3,084.4	2,986.8	- 3.2
Long-term borrowing	1,662.5	2,108.1	2,191.5	2,292.2	2,065.7	- 9.9
Debt	4,084.2	4,601.6	4,960.8	5,376.6	5,052.5	- 6.0
Debt ratio (in %)	78.6	81.4	82.2	83.0	77.9	–
Total capital (equity plus debt)	5,199.3	5,652.0	6,036.7	6,474.9	6,488.0	0.2

1 Including liabilities from non-current assets held for sale

As at the reporting date of 31 December 2017, the BayWa Group's total assets had only increased marginally year on year by €13.1 million. The €337.2 million equity increase was offset by nearly equal decreases in debt to the tune of €324.1 million.

As at the balance sheet date, the BayWa Group equity ratio stood at 22.1%. The equity base is a rock solid foundation for a trading company and a stable platform for business to develop. However, a rigid equity ratio is only of limited use as an indicator for the BayWa Group. In particular, the change in current assets with the storage of inventories in the form of agricultural commodities, as well as the acquisition of project licences in the area of renewable energies, has a direct influence on the balance sheet total and equity ratio, but actually forms the basis for trading activities in the subsequent year. As a result, the BayWa Group uses equity-to-fixed-assets ratio II as a target in its capital management process. Equity and long-term borrowing should cover at least 90% of non-current assets. As at 31 December 2017, the equity-to-fixed-assets ratio II was more than 140%.

With virtually unchanged total assets, there was an inverse development for equity and debt compared with the previous year. The 5.1% equity ratio increase can be attributed in particular to the bond issued in October 2017 in the form of what is referred to as a hybrid bond (hereinafter also referred to as "hybrid capital") with a total nominal amount of €300 million. The subordinate bond, which meets equity instrument criteria pursuant to IAS 32.11, has an indefinite term and can ordinarily only be terminated by BayWa and can also be terminated extraordinarily if certain events occur.

In contrast, the method with which actuarial gains from provisions for pensions and severance are offset against equity without affecting profit or loss once again led to an increase in equity in the financial year 2017. The reserve for actuarial losses from pension and severance pay obligations less deferred taxes came to €–234.0 million as at 31 December 2017 following €–245.4 million in the previous year. As this reserve results from a change of parameters not within the company's control when calculating provisions for pensions and severance pay, BayWa's capital management uses an equity ratio of 25.7% (2016: 20.8%).

The decrease in the debt ratio relates to both long-term and short-term debt. 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. In terms of short-term borrowing, the decline largely affected current financial liabilities (€–73.5 million). This development was primarily due to a year-on-year decrease of €156.5 million in bonds issued as part of the Commercial Paper Programme. This was offset by the fact that the bonded loans issued in 2011 and due for repayment in December 2018 had been reclassified as current financial liabilities as at the reporting date.

Total non-current borrowing decreased by €226.5 million, or 9.9%, to €2,065.7 million, in large part as a result of the decrease in non-current financial liabilities (€–220.8 million). This was due to, firstly, the aforementioned reclassification of non-current financial liabilities as current financial liabilities and, secondly, decreases resulting from projects completed in the Renewable Energies business unit.

Cash flow statement and development of cash and cash equivalents

in € million	2013	2014	2015	2016	**2017**
Cash flow from operating activities	230.3	- 90.6	19.0	208.6	- 170.2
Cash flow from investment activities	84.5	- 227.6	- 143.5	- 123.6	- 60.5
Cash flow from financing activities	- 297.0	334.4	98.7	- 63.0	235.9
Cash and cash equivalents at the end of the period	92.1	108.4	84.5	104.4	105.5

The cash flow from operating activities came to €–170.2 million in the financial year 2017, a year-on-year decline of €378.8 million. Based on net income for the period that was €14.5 million higher year on year, this decline largely resulted from a reduction in other liabilities as well as liabilities that cannot be attributed to investment or financing activities. Around one-third of this cash outflow was compensated for by cash inflow from the reduction in inventories and trade receivables as well as other assets that cannot be attributed to investing or financing activities.

Cash flow from investing activities increased year on year by €63.1 million following cash outflow of €60.5 million in the reporting year. Payments for company acquisitions came to €21.5 million (2016: €71.2 million) and can mainly be attributed to the acquisition of Thegra Tracomex B.V. and its subsidiaries. In the financial year 2017, investments of €248.8 million were made in intangible assets, property, plant and equipment, and financial assets (2016: €165.4 million), which were offset by incoming payments from the disposal of intangible assets, property, plant and equipment, and financial assets of €198.5 million (2016: €95.0 million). Furthermore, the dividend received, other income assumed and interest received led to cash inflows of €9.2 million (2016: €14.1 million).

Cash flow from financial activities came to €235.9 million during the financial year and can be attributed to the issue of a long-term bond to the amount of €295.2 million in the form of what is referred to as a hybrid bond. This was offset by cash outflows from dividend payments at both the parent company and its subsidiaries totalling €40.9 million as well as interest payments of €24.6 million. The cash outflow of €63.0 million from financing activities reported in the previous year was largely due to the partial repayment of the bonded loans issued in previous years as well as the repayment of additional debts.

In an overall analysis of the cash flow 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 operating activities and investment activities was fully compensated by the incoming cash flow from financing activities. As a result, cash and cash equivalents at the end of the reporting year came to €105.5 million, which was €1.1 million higher than in the previous year.

Financial base and capital requirements

The BayWa Group's financial base is primarily replenished by funds from operating activities. Investment financing and the ongoing financing of operations have a considerable impact on the capital requirements of BayWa AG, as do 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 bank debt and outstanding loans, as reported in the balance sheet.

Along with short-term borrowing, the Group finances itself by way of a multi-currency Commercial Paper Programme, which received its last top up of €100.0 million in 2015, taking it to a total volume of €500.0 million. As at the balance sheet date, securities were issued in various currencies in the amount of €318.5 million (2016: 475.0 million) with an average weighted residual term of 45 days (2016: 49 days). By the end of the reporting period, €111.8 million (2016: €127.1 million) in receivables had been financed at their nominal value from the ongoing Asset-Backed Securitisation Programme.

Investments

In the financial year 2017, the BayWa Group invested around €179.5 million (2016: €154.1 million) in intangible assets (€29.3 million) and property, plant and equipment (€150.2 million) together with its acquisitions. The investments made in the financial year 2017 were primarily for the purpose of repair and maintenance of buildings, facilities (in construction) and office fixtures and fittings, as modern locations and seamlessly operating facilities are a precondition for efficient logistics processes.

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

Including company acquisitions, roughly 60.1% of total investments in non-current assets at the BayWa Group were accounted for by the Agriculture Segment. The high share in investments attributed to the Agriculture Segment reflects the international expansion of agricultural trade. Of the total investments, 13.9% were made in the Energy Segment, 9.0% was accounted for by the Building Materials Segment, and 2.7 % was invested in the Innovation & Digitalisation Segment. In addition, 14.3% was accounted for by investments in Other Activities.

Earnings position

in € million	2013	2014	2015	2016	**2017**	Change in % 2017/16
Revenues	15,957.6	15,201.8	14,928.1	15,409.9	16,055.1	4.2
EBITDA	281.4	279.8	288.3	272.6	318.4	16.8
EBITDA margin (in %)	1.8	1.8	1.9	1.8	2.0	–
EBIT	137.4	152.1	158.1	144.7	171.3	18.4
EBIT margin (%)	0.9	1.0	1.1	0.9	1.1	–
EBT	75.1	80.4	88.1	69.6	102.4	47.1
Net income for the period	54.3	80.7	61.6	52.7	67.2	27.5

Revenues of the BayWa Group rose in the financial year 2017 by 4.2%, or €645.2 million, to €16,055.1 million. Increased revenues in the Energy Segment played a major role in this development, with the Renewable Energies business unit growing by €420.8 to €1,366.6 million and the Conventional Energies business unit by €197.9 million to €2,228.1 million. In the fruit trading business, revenues increased by €146.3 million to €805.5 million. The Agricultural Equipment business unit also recorded considerable growth, increasing its revenues by €143.4 million to €1,400.3 million. In the Building Materials Segment, revenues grew by €75.9 million to €1,606.1 million in the financial year 2017. A slight increase in revenues was also achieved in the Innovation & Digitalisation Segment (€0.9 million). This was offset by downturns in revenues in the BAST (€–326.6 million) and BAV (€–11.1 million) business units.

Other operating income increased by a total of €12.0 million in the reporting year to €206.9 million. This increase was due primarily to increased income from asset disposals and higher price gains. At around €62.1 million, this was significantly higher than the previous year's figure (€41.3 million) and was mainly a result of the sale of the BayWa Tower. Moreover, higher income from the reversal of provisions of €14.2 million (2016: 11.6 million), and the reversal of value adjustments on receivables and receivables written down of €13.0 million (2016: €5.7 million) contributed to the increase in other operating income. This was offset by lower price gains, which decreased from €36.1 million in 2016 to €9.7 million in the financial year 2017. Effects from exchange rate fluctuations largely resulted from the project business outside of the euro zone in the field of renewable energies, but also from the business activities of Group companies in New Zealand.

The €101.0 million reduction in inventories recorded in the financial year can be attributed in particular to the wind and solar projects in the field of renewable energies completed in the financial year 2017.

Along with the increase in revenues, cost of materials also increased, rising by €331.6 million, or 2.4%. Gross profit recorded an improvement of €158.3 million, or 9.7%, to €1,784.9 million.

Personnel expenses climbed year on year by 8.5%, or €73.1 million, to €936.2 million, primarily due to the expansion of business activities. This was largely a result of the business activities of the companies acquired the previous year, which were included in full for the first time in the reporting year, but also the company acquisitions in the financial year 2017 itself as well as the the further expansion of business activities in the Renewable Energies business unit.

At €570.1 million, other operating expenses were up by €57.3 million, or 11.2%, on the 2016 figure of €512.8 million in the financial year 2017. The primary factors in this increase were vehicle fleet costs totalling €79.5 million (2016: €71.6 million); rental and leasing costs of €56.5 million (2016: €54.2 million); maintenance expenses amounting to €54.6 million (2016: €49.3 million); consultancy, auditing and legal fees of €49.8 million (2016: €41.8 million); advertising expenses totalling €46.2 million (2016: €43.9 million); and other increased expenses of €70.3 million (2016: €49.9 million). These were offset in particular by lower exchange rate losses of €16.0 million (2016: €23.4 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by €45.8 million, or 16.8%, to €318.4 million in the financial year 2017 (2016: €272.6 million).

Scheduled depreciation and amortisation at the BayWa Group increased by €19.3 million, or 15.5%, in the reporting year to €147.2 million. Together with the scheduled increase in depreciation resulting in particular from the acquisitions purchased in the financial year 2017, this increase was due above all to unscheduled value adjustments for intangible assets.

All in all, earnings before interest and tax (EBIT) of the BayWa Group rose by €26.6 million, or 18.4%, in the financial year 2017 to €171.3 million.

The financial result comprises income from participating interests, which is allocated to EBITDA and EBIT, and net interest. The result of participating interests increased in the reporting year by €18.1 million to €39.9 million. While the equity result decreased by €16.4 million to €2.5 million – this included a one-off effect from the sale of a joint venture in 2016 – other income from shareholdings increased by €34.5 million to €37.4 million. Due to lower net interest resulting from the reduction in financial liabilities and the issue of the hybrid bond, net interest improved by €6.2 million, totalling a balance of €–68.9 million (2016: €–75.1 million).

The BayWa Group's earnings before tax (EBT) increased by €32.8 million, or 47.1%, to €102.4 million. This increase was a result of growth in both the Agriculture Segment, totalling €15.9 million, and the Building Materials Segment, which grew by €2.5 million. This was offset by declines in the segments Innovation & Digitalisation (€–2.2 million) and Energy (€–0.3 million). The Other Activities Segment, together with the consolidation effects presented in the transition, had a positive impact on the development of earnings before tax. These came to €–24.8 million in the reporting year, up by €16.9 million on the previous year's figure of €–41.7 million.

Income tax expense for the BayWa Group amounted to €35.1 million in the financial year 2017, which corresponds to a year-on-year increase of €18.2 million. The tax rate therefore amounted to to 34.3% in the reporting year (2016: 24.3%).

Taking account of income tax, the BayWa Group generated net income of €67.2 million in the financial year 2017 (2016: €52.7 million), which corresponds to an increase of 27.5%. The share in profit due to shareholders of the parent company increased by 26.4% from €31.1 million in the previous year to €39.3 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 34,881,685 (dividend-bearing shares less treasury shares), rose from €0.90 in the previous year to €1.13 for the financial year 2017.

Comparison of forecast business development with actual business development

A substantial overall rise in revenues and a marginal improvement in earnings in the financial year 2017 were forecast for the BayWa Group in the Outlook section of the 2016 Group Management Report. On account of the outlined developments in the business units, revenues at Group level rose by 4.2% and therefore failed to live up to expectations. Earnings before interest and tax (EBIT) increased by 18.4%, therefore developing within the scope of the forecast.

In the Agriculture Segment, higher grain inventories, a high forecast harvest for the grain year 2016/17 and the expansion of the specialities business were expected to lead to a considerable rise in sales for the BAST business unit on the back of the good recording and processing business. Actual sales in the business unit did not live up to this forecast, instead decreasing by 5.3% to €5,817.8 million. A significant increase in earnings before interest and tax (EBIT) had been expected. The €18.5 million improvement in earnings from a loss of €11.5 million in 2016 to €7.0 million for the financial year 2017 confirmed this forecast.

A noticeable increase in revenues was expected for the BAV business unit in 2017. Actual sales fell short of this forecast, but remained on par with the previous year (–0.4%) at €2,812.9 million. At €25.7 million, earnings before interest and tax (EBIT) for the BAV business unit were €3.1 million lower year on year – there had been expectations of a significant improvement in earnings.

In fruit trading, higher marketing volumes and the acquisition of the Dutch company TFC fuelled expectations of significant revenue growth. This forecast was confirmed with revenues increasing by 22.2% to €805.5 million. A noticeable decline had been expected for earnings before interest and tax (EBIT). With EBIT decreasing by 30.3% to €29.5 million, the actual development was below the forecast.

Revenues in the agricultural equipment business were expected to rise noticeably, with a considerable increase in earnings before interest and tax (EBIT). The actual revenue development and EBIT exceeded the forecast: revenues increased by 11.4% to €1,400.3 million, and EBIT improved by 87.7% to €19.9 million.

In sum, revenues in the Agriculture Segment remained on par with 2016 at €10,836.5 million. This meant that the considerable increase that had been forecast did not materialise. Earnings before interest and tax (EBIT) improved considerably, increasing by 16.7% to €82.1 million; a significant increase had been forecast.

Revenues from the conventional energy business were forecast to increase substantially year on year in 2017, with a significant decrease in earnings before interest and tax (EBIT). Revenues increased by 9.7% to €2,228.1 million, slightly below the expected development. In contrast, earnings before interest and tax (EBIT) developed much better than expected, increasing by 17.1% to €18.5 million.

According to the forecast, revenues in the Renewable Energies business unit were set to rise by a moderate margin in 2017 compared to the previous year. With a 44.5% increase in revenues, it significantly exceeded expectations. With a loss of 1.2%, earnings before interest and tax (EBIT), which had been predicted to decrease, significantly outperformed the development forecast at the beginning of 2017.

Total revenues in the Energy segment developed better than expected and increased by 20.8%; a substantial rise had been forecast. Earnings before interest and tax (EBIT) exceeded the noticeable decline that had been forecast, increasing by 2.3% to €85.0 million.

A noticeable increase in revenues had been expected in the Building Materials Segment. Actual development stayed within the forecast range, with a 5.0% increase in revenues. Earnings before interest and tax (EBIT), which had been expected to improve moderately, exceeded expectations with an increase of 5.6%.

A significant increase in revenues had been predicted in the forecast for the Innovation & Digitalisation Segment at the beginning of 2017. The segment recorded an actual increase in revenues of 15.0% to €6.9 million, lagging slightly behind the forecast. Earnings before interest and tax (EBIT), for which a negative result in the high nine-digit range had been expected, fell short of expectations at €–10.8 million.

It is not possible to make a forecast for the Other Activities Segment, as revenue and earnings development in this business area is primarily driven by opportunism in capitalising on market opportunities within the scope of BayWa's portfolio management system.

General statement on the business situation of the Group

Overall, the Board of Management considers the business performance of the BayWa Group in 2017 to have been positive. All operating segments in the Group were able to increase their earnings year on year. The Energy segment once again exceeded the high level of earnings of the previous year. Earnings also continued to develop well in the Building Materials Segment. Although the development of the Agriculture Segment was unsatisfactory on the whole, measures were taken in 2017 that should increase the profitability of the agricultural trade business in the long term. In spite of ongoing challenging conditions, the BAST business unit also achieved a positive operating result. Medium-to long-term prospects for the Agriculture Segment continue to look promising. In 2017, the BayWa Group once again profited from its heavily diversified business activities, its strategic orientation towards international markets and the development of new areas of business and business models. The BayWa Group has a well-balanced, forward-thinking business portfolio to underpin its success in the future. The focus will be on continuing to develop the Group into an integrated solutions provider, expanding the speciality business and optimising the portfolio.

Financial Performance Indicators

BayWa bases the short-term management of its corporate divisions on the development of key earnings indicators EBITDA, EBIT and EBT. Key earnings indicators for the segments of the BayWa Group developed as follows in the financial year 2017:

Key financial earnings figures

	Earnings before interest, tax, depreciation and amortisation (EBITDA)			Earnings before interest and tax (EBIT)			Earnings before tax (EBT)		
in € million 2017		Change (absolute)	Change (in %)		Change (absolute)	Change (in %)		Change (absolute)	Change (in %)
BayWa Agri Supply & Trade (BAST)	10.5	18.5	> 100	7.0	18.5	> 100	- 1.4	16.8	92.3
BayWa Agricultural Sales (BAV)	53.4	- 1.2	- 2.2	25.7	- 3.0	- 10.5	12.6	- 0.2	- 1.6
Fruit	45.7	- 11.5	- 20.1	29.5	- 12.8	- 30.3	24.2	- 12.2	- 33.5
Agricultural Equipment	32.1	10.3	47.2	19.9	9.3	87.7	12.3	11.5	> 100
Agriculture Segment	**141.7**	**16.1**	**12.8**	**82.1**	**12.0**	**17.1**	**47.7**	**15.9**	**50.0**
Energy	27.4	3.3	13.6	18.5	2.7	17.1	18.3	2.7	17.2
Renewable Energies	93.9	4.3	4.8	66.5	- 0.8	- 1.2	50.7	- 3.0	- 5.6
Energy Segment	**121.3**	**7.6**	**6.7**	**85.0**	**1.9**	**2.3**	**69.0**	**- 0.3**	**- 0.4**
Building Materials Segment	**45.8**	**1.9**	**4.3**	**30.1**	**1.6**	**5.6**	**21.2**	**2.4**	**12.8**
Innovation & Digitalisation Segment	**- 8.7**	**- 2.1**	**- 31.8**	**- 10.8**	**- 2.2**	**- 25.6**	**- 10.8**	**- 2.2**	**- 25.6**

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

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

Economic profit

in € million 2017	BayWa Agri Supply & Trade (BAST)	BayWa Agricultural Sales (BAV)	Fruit	Agricultural Equipment	Energy	Renewable Energies	Building Materials	Innovation & Digitalisation
Net operating profit	7.0	25.7	29.5	19.9	18.5	66.5	30.1	- 10.8
Average invested capital[1]	774.7	1,011.7	357.2	459.6	33.9	971.9	385.6	7.4
ROIC (in %)	0.90	2.54	8.26	4.33	54.57	6.84	7.81	- 145.95
Weighted average cost of capital (WACC) (in %)	6.10	5.90	5.80	7.30	6.60	4.80	7.80	7.30
Difference (ROIC less WACC) (in %)	- 5.20	- 3.36	2.44	- 2.97	47.97	2.04	0.01	- 153.25
Economic profit by business unit	- 40.3	- 34.0	8.8	- 13.7	16.3	19.8	0.1	- 11.3
				Agriculture		Energy	Building Materials	Innovation & Digitalisation
Economic profit by segment				- 79.2		36.1	0.1	- 11.3

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

In the financial year 2017, the Energy and Building Materials Segments, as well as the Fruit business unit of the Agriculture Segment, achieved positive economic profit (in other words, positive net income after respective capital costs). In the Energy Segment, the Renewable Energies business unit was once again able to generate an economic profit at the high level of €19.8 million (2016: €24.2 million) thanks mainly to strong international project business. In the conventional Energy business unit, the economic profit increased in the reporting year primarily through higher sales volumes and a positive margin trend to €16.3 million (2016: €13.9 million). The Energy Segment's economic profit totalled €36.1 million. The Building Materials Segment generated positive economic profit of €0.1 million in the financial year 2017. The Fruit business unit generated an economic profit of €8.8 million following €23.3 million in the previous year. This decline was mainly due to the fact that the previous year's result contained one-off income of €7.5 million from the sale of the packaging logistics unit in New Zealand by T&G. In addition, the poor fruit harvest in Germany led to a decrease in profitability. Although the BAST business unit saw significant year-on-year improvement of €19.5 million, economic profit remained negative at €–40.3 million. Economic profit of €–34.0 million was recorded in the BayWa Agricultural Sales (BAV) business unit (2016: €–29.2 million); this was mainly due to a fall in income in grain recording. The Agricultural Equipment business unit's economic profit rose by €7.6 million year on year but remained negative at €–13.7 million due to weak development in the Austrian agricultural equipment business. The Agriculture Segment as a whole recorded economic profit of €–79.2 million in 2017. The Innovation & Digitalisation Segment posted economic profit of €–11.3 million, as expected in its planning.

Employees

The number of employees at BayWa rose once again in 2017. By the end of the year, the BayWa Group employed 17,323 employees (2016: 16,711). In terms of an annual average, the number of employees rose year on year by 590 to 17,550, equating to an increase of 3.5%. This increase was largely based on a number of strategic acquisitions in various business areas. The international standing of BayWa's fruit and agricultural equipment trading activities was strengthened through targeted acquisitions, while the Innovation & Digitalisation Segment, established in 2016, was expanded further. While the number of employees in the Building Materials Segment, and in the BAV and conventional Energy business units remained stable year on year, there were major increases in employee numbers in the Renewable Energies business unit. As regards personnel as a whole, digitalisation was the focus in 2017 and was advanced with a range of different measures.

Development of the average number of employees in the BayWa Group

					Change	
	2014	2015	2016	**2017**	2017/16	in %
Agriculture	9,489	9,997	10,212	10,613	401	3.9
Energy	1,830	1,825	1,911	2,079	168	8.8
Building Materials	4,178	4,093	4,081	4,113	32	0.8
Innovation & Digitalisation	–	97	126	158	32	25.4
Other Activities	575	597	630	587	- 43	- 6.8
BayWa Group	**16,072**	**16,609**	**16,960**	**17,550**	**590**	**3.5**

Using apps to plan and approve leave

The introduction of HR apps has made it easier to plan leave. Employees and managers can now apply for, approve and plan leave using mobile devices. Supervisors can approve leave applications from their smartphones, tablets and laptops, anywhere and at any time. The apps can also be accessed from private mobile devices.

Generation Z: trainee recruitment in the "war for talent"

BayWa launched another online trainee campaign in the reporting year to inspire young members of Generation Z (born from 1995 onwards), who have grown up with digitalisation, to embark upon traineeships at BayWa, thereby ensuring a consistent trainee ratio. It utilized both classic search engine advertising (SEA) and social media elements. In 2017, potential candidates were addressed using a canvas ad on Facebook for the first time – and with success. The content was well received by the target group, which led to more visits to the BayWa careers page, above-average visit durations and an improvement in the number of applications being received. In 2017, the Group was once again one of the most important training companies, with 1,307 trainees at the end of the year.

Digital annual employee assessment and travel management

In the second half of 2017, the process for the annual employee assessment was mapped digitally on a platform. Although the face-to-face review is still the focus, it will become faster and easier to prepare and follow up on reviews with the roll-out of the system starting on 1 January 2018. Before the face-to-face review takes place, employees and the relevant manager can fill out the familiar guidelines for the annual employee assessment on the new platform. Another new feature is the documentation of the reviews on the portal: each employee and each manager can view the personalised questionnaires on his or her personal portal. The introduction of this system will also form the systematic basis for the digitalisation of succession planning that can be expected in the years to come.

The launch of the new Concur system is digitalising and simplifying the process for claiming travel expenses. This has laid the foundation for more efficient travel expense claims in 2018.

Promoting innovation

In order to increase BayWa managers' awareness for the topics of the future, the topic of innovation was the focus of BayWa's Corporate HR in 2017. Around 90 managers were inspired by successful pioneers in this area at the annual Leadership Forum. Innovation methods were presented, which participants could then apply in practice afterwards. With the establishment of the BayWa Innovation Group – a group of managers enthusiastic about innovation – the groundwork has been laid for a number of new formats that can be utilized to awaken employees' interest in the topic of innovation, to create networks between them and to help them realise their ideas successfully. Moreover, employee development is also important to BayWa: in the reporting year, employees completed 31,166 days of training, the equivalent of 1.8 days per employee. The number of employees participating in e-learning training courses was 23,120, which was a year-on-year increase of 6.4%.

Diversity and equal opportunity

The way that diversity is promoted within the Group is one of the key success factors in BayWa's competitiveness. By establishing the corporate HR blog "Perspektivenwechsel" on the BayWa intranet, the topic of diversity and equal opportunity has been made transparent for all employees within the BayWa Group. The women's network "Connected Women" celebrated its one-year anniversary in November of the reporting year. The goal was to create a platform for female employees at BayWa where they could exchange information, share ideas and experiences, and network at all levels. It has been a success: around 60 women from the BayWa Group participated, engaged in enthusiastic discussion and swapped experiences at seven networking events and business lunches. Going forward, the aim is to keep increasing the gender quota for women in management positions, which is currently a little over 20%.

BayWa's diversity concept is part of the Corporate Governance Report / Statement on Corporate Governance as required by Section 315d in conjunction with Section 289f German Commercial Code (HGB).

BayWa Foundation: educational projects to promote healthy eating and renewable energies

The BayWa Foundation was established in 1998 to fulfil and further develop the Group's commitment to society. BayWa AG covers the administrative costs and doubles donations so that 200% of the money the Foundation receives goes towards the projects that it funds. In 2017, the Foundation funded more than 20 long-term educational projects worldwide, which aim to improve children's nutrition and impart practical knowledge about renewable energy. In Germany, the BayWa Foundation focuses on healthy nutrition to raise awareness for this issue at an early age and to promote children's health. As part of the hands-on nutritional education programme, "Gemüse pflanzen. Gesundheit ernten." schoolchildren plant their own vegetables, prepare them as healthy snacks and use the initiative-driven "Der Ernährungskompass" textbook to discover what nutrients the foods contain. Since the project was launched in 2013, 120 school gardens have been set up for around 9,000 children, and 40,000 children will receive the "Der Ernährungskompass" in 2018.

International projects, especially those in Africa, take a long-term approach. In Zambia, young mothers in need receive support in the form of education and childcare on their way to leading independent lives. In Tanzania, many households still use open wood fires to cook, which has an especially negative impact on people's health. Biogas as an alternative source of energy provides the households with clean cooking fuel and valuable fertiliser for the plantations. Together with the aid organisation Engineers Without Borders, the BayWa Foundation is working on expanding local expertise and making the technology more widely available. All of these projects are about helping people to help themselves, thus increasing quality of life over the long term. More information about these projects is available at www.baywastiftung.de/en.

Sustainability at BayWa

The separate Consolidated Non-Financial Report for BayWa AG is part of the 2017 Sustainability Report. This report is published on the website at: www.baywa.com/en/sustainability/news_publications/publications/.

Takeover-relevant Information

Composition of subscribed capital

The subscribed capital of BayWa AG amounted to €89,632,783.36 on the reporting date and is divided up into 35,012,806 registered shares with an arithmetical portion of €2.56 each in the share capital. Of the shares issued, 33,657,934 are registered shares with restricted transferability and 111,621 recently registered shares with restricted transferability (dividend-bearing employee shares from 1 January 2018 onwards). 1,243,251 shares are not registered shares with restricted transferability. With regard to the rights and obligations granted by the shares (e.g. the right to a portion of the unappropriated retained earnings or to participate in the Annual General Meeting of Shareholders), reference is made to the provisions laid down under the German Stock Corporation Act (AktG). There are no special rights or preferences.

Restrictions on voting rights and the transfer of shares

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

Affiliated companies with over 10% of voting rights

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

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

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

Supplemental to Sections 84 et seq. of the German Stock Corporation Act (AktG), Article 9 of the Articles of Association of BayWa AG on the appointment or dismissal of members of the Board of Management 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 (AktG) in conjunction with Article 21 of the Articles of Association of BayWa AG, 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 the approval of the Supervisory Board, the Board of Management is authorised to raise the share capital on or before 31 May 2021 by a nominal amount of up to €12,500,000 through the issuance of new registered shares against contributions in kind. 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 specify the further content of the share rights and conditions under which the shares are to be issued.

Furthermore, the Board of Management is also authorised to raise the share capital one or several times on or before 18 May 2020 by up to a nominal amount of €4,104,097.28 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 Sections 15 et seqq. of the German Stock Corporation Act (AktG). Shareholders' subscription rights are excluded. Subject to approval by the Supervisory Board, the Board of Management is authorised to specify the further content of the share rights and conditions under which the shares are to be issued.

Furthermore, subject to approval by the Supervisory Board, the Board of Management is authorised to raise the share capital on or before 31 May 2018 by a nominal amount of up to €10,000,000 through the issuance of new registered shares against contributions in kind. 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 specify the further content of the share rights and conditions under which the shares are to be issued.

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

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 315a para. 1 items 8 and 9 of the German Commercial Code (HGB).

Remuneration Report

The Remuneration Report is part of the Management Report 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, exceeded or undershot. If objectives are exceeded, the amount which can be transferred to the bonus bank is capped at 150% of the target figure. If there is a credit balance on the bonus bank, one-third will be provisionally paid out for the financial year 2017 to the members of the Board of Management. The remaining two-thirds of the credit balance on the bonus bank remain in the bonus bank. The amount is 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 in 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 in the bonus bank, the respective Board of Management 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 50% of the salary most recently received). Employees do not reach retirement age before they turn 66. 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 contracts of the Board of Management members if service to the company is prematurely terminated. There are also no Change of Control clauses.

The total remuneration of the Board of Management for the financial year 2017 came to €6.564 million (2016: €6.910 million), of which €1.367 million (2016: €2.036 million) were variable. Contributions amounting to €1.844 million (2016: €1.555 million) were paid in benefits after termination of employment contracts (pensions). An amount of €4.421 million (2016: €3.372 million) has been paid out to former members of the Board of Management of BayWa Group and their dependents.

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 (HGB) on 19 May 2015 (Code Item 4.2.4 sentence 3). There is more information on other remuneration in the Notes to the Financial Statements and Consolidated Financial Statements.

Remuneration of the Supervisory Board

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

Since 1 January 2010, members of the Supervisory Board have received fixed annual remuneration of €10,000, payable after the conclusion of the financial 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 to shareholders 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 annual remuneration of €2,500 is paid for committee work. The chairmen each 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 on account of their activities as member of the Supervisory Board or its committees. Beyond this, members of the Supervisory Board are also included in the company's group accident insurance policy. The company also maintains an insurance policy against legal proceedings and pecuniary losses and a D&O insurance and legal protection policy on behalf of its Supervisory Board members and in the interests of the company. The company pays the insurance premiums.

The total remuneration of the Supervisory Board comes to €0.657 million (2016: €0.761 million), of which €0.322 million were variable (2016: €0.425 million).

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

Opportunity and Risk Report

Opportunity and risk management

The corporate policy of BayWa Group is geared towards weighing up the opportunities against the risks of entrepreneurship in a responsible way. The management of opportunities and risks is an ongoing task of entrepreneurial activity designed to ensure the long-term success of the Group. This enables BayWa Group to innovate, secure and improve what is already in place. The management of opportunities and risks is closely aligned to BayWa Group's long-term strategy and medium-term planning. The decentralised regional organisation and management structure of operating business enables the Group to identify trends, requirements, and the opportunities and risk potential of frequently fragmented markets at an early stage, analyse them and take action which is both flexible and market oriented. Internationalisation also allows BayWa to tap into new business opportunities, which in turn reduces its dependence on the individual country markets and their risks. Moreover, the systematically intense screening of the markets and of peer competitors is carried out with a view to identifying opportunities and risks. This is flanked by ongoing communication and the targeted 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 BayWa Group to identify and monitor risks specific to the business have been described in a risk management manual approved by the Board of Management. In addition, the Internal Audit department regularly audits the internal risk management system which supports the processes. ISO certifications for the standardisation of workflows and for risk avoidance and the concluding of insurance policies supplement the Group's management of risk.

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

Opportunity and risk management at the BayWa Group

At the BayWa Group, opportunity and risk management is an integral component of the planning and management and control processes. A comprehensive risk management system records and monitors both the development of the Group and any existing weak points on an ongoing basis. The risk management system covers all segments and is included as a key component of reporting. A particularly important task of risk management is to guarantee that risks to the Group as a going concern are identified and kept to a minimum. This enables the management of Group companies to react swiftly and effectively. All units have risk officers and risk reporting officers who are responsible for implementing the reporting process.

The reporting process classifies opportunities and risks into categories and estimates their probable occurrence and potential financial impact. The system is based on individual observations, supported by the relevant management processes, and forms an integral part of core activities. It starts with strategic planning and proceeds through to procurement, sales and distribution and, finally, to the management of counterparty risk. As an extension of the planning process that takes place in the business units and in procurement, sales organisations and centralised functions, the opportunity and risk management system serves to detect and assess potential divergences from expected developments. In addition to identifying and assessing key developments influencing business, this system facilitates the prioritisation and implementation of activities. As a result, the BayWa Group can make better use of the opportunities while avoiding or reducing the risks.

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

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

The new business section Corporate Risk was established in 2017 as a development from the agricultural group's risk controlling set-up. Corporate Risk's tasks are to execute risk controlling for the agricultural group and operate and develop the risk management system to monitor risks on each trading day. In addition, the section also serves as a Group-wide competence centre to ensure compliance with best practices in relation to risk controlling methods, processes and systems, as well as to guarantee adherence to financial market regulations on commodity derivatives.

The Group-wide risk management system for the agricultural group, implemented some years ago, includes the business activities of BayWa, the Cefetra Group, BayWa Agrarhandel GmbH and BayWa Agrar International B.V. The minimum requirements for risk management (MaRisk) published by the German Financial Supervisory Authority (BaFin) serve as a benchmark for BayWa's risk management. MaRisk includes arrangements governing the identification, assessment, management and monitoring of all material risk types, including counterparty risks as well as operational risks, such as quality and logistics risks. BayWa adapted the standards established in the financial services sector and leading trading companies for its agricultural trade activities due to the flexible and practical framework of the material regulations. Appropriate and effective risk management pursuant to MaRisk comprises in particular the formulation of strategies and the establishment of internal control procedures in consideration of the risk-bearing capacity. The internal control system consists in particular of:

- Arrangements governing the organisational structure and workflow,
- Processes for identifying, evaluating, managing, monitoring and reporting risks (risk management and control processes), and
- The establishment of a risk controlling function.

In order to manage market risks on each trading day, the positions, including the spreads (underlying risks), are determined and monitored for all Group companies. Value-oriented procedures, in addition to the volume limits, serve to ensure that the positions are managed in a manner that is appropriate for the risks. These procedures include the regular mark-to-market valuation of pending agricultural transactions and the determination of the trading results derived from this, as well as the portfolio-based value-at-risk procedure. In addition, scheduled and ad hoc stress tests are performed to recognise the effect that extraordinary market price changes have on earnings and, where necessary, implement measures to reduce risks. The trading positions of the agricultural group as well as the risks these pose are reported to the operating sections and the local risk management officer daily and to the Board of Management in the form of the Risk Board.

These control mechanisms are supported by a standardised, Group-wide IT system solution for risk management, which has been in place for a number of years and has been certified by an external auditor.

The Agriculture Risk Committee is part of Risk Governance and acts as the highest decision-making body within the agricultural group. It is composed of members of the Board of Management and others and meets regularly and when warranted. The Committee decides on risk guidelines and limit systems for the agricultural trade activities and, where necessary, implements risk-controlling and mitigating measures.

A form of risk controlling that is independent of trading was established at both the level of the Group and in the individual agriculture trading companies to ensure that the provisions of the Agriculture Risk Committee are implemented in full. Corporate Risk is responsible for the Group-wide developments and implementation of risk management, risk monitoring and risk reporting methods, processes and systems. The Risk Officer's responsibility in the trading companies covers all risk processes within the company, including limit monitoring and reporting.

The Global Book System (GBS) continues to coordinate trade management activities; it is responsible for the overarching coordination and optimisation of the trading and risk positions of the individual product lines in the trade in grain, oilseeds and co-products for the national and international sectors. Fundamental market analyses are performed within the scope of the market research activities to estimate the global supply and demand situation. Since the beginning of 2017, an additional focus has also been placed on developing and implementing quantitative portfolio and risk analysis procedures, the results of which are discussed in weekly meetings with the trading departments. Given the increasing volatility in the markets for agricultural produce, BayWa works with specialists in the area of algorithm-controlled trading strategies in order to limit the effects of fluctuations in the market triggered by high-frequency trading on BayWa's positions.

In the BayWa Group's risk atlas, risks are assigned to one of the seven risk categories compliance risks, operating risks, market risks, financial risks, legal risks, strategic risks and risks pertaining to organisational structure and workflow. The following lists all of the material opportunities and risks that could have an impact on the business activities or assets, financial position and earnings position of the BayWa Group and assigns them to one of these risk categories. Their significance relates to their potential impact on BayWa in the event that the risk materialises, weighted by the likelihood of that risk materialising. The product of these two values is referred to as the expected value of damages.

Compliance

Group companies are and will continue to be faced with legal disputes and proceedings in relation to their operating business activities. For example, these can result from breaches of compliance regulations by individual employees. This can lead to individual Group companies having to pay compensation or financial penalties or having other civil or criminal sanctions imposed on them. These risks are continuously monitored by corresponding specialist areas of the Group.

Antitrust investigations were conducted at various agricultural companies in Germany in 2015, including BayWa AG, with regard to crop protection wholesale operations. The Bundeskartellamt (German federal antitrust authority) conducted a further search in a number of Agricultural Equipment offices at BayWa headquarters in January 2016 on the basis of a warrant issued by the Bonn district court. The investigations were based on the suspicion that BayWa employees were allegedly involved in agreements aimed at restricting competition in the sale of agricultural equipment. In February 2018, the Bundeskartellamt announced that it was dropping its investigation into BayWa with regard to Agricultural Equipment. The other investigation concerning crop protection is still ongoing and results or partial results were not available at the time of the conclusion of the consolidated financial statements.

BayWa forms provisions for legal and litigation risks if the occurrence of an obligation is probable and the amount can be adequately estimated. In individual cases, actual utilisation may exceed the amount of the provisions. The Board of Management believes that suitable provisions have been accounted for.

BayWa's data protection risk relates to the incorrect handling of personal or customer-related data as well as the unlawful disclosure or use of said data. This risk is increasing due to the digital transformation of many business activities and increased awareness of the issue due to new legal regulations. Advice and awareness programmes, as well as process controls, are in place to ensure compliance with data protection regulations within the Group. In general, BayWa ensures that customers retain sovereignty over their data.

In the very unlikely event that all of these individual risks materialise at the same time, the theoretical expected value of damages in the compliance risk category would come to around €6.9 million.

Operating risks

Changes in the political framework, such as changes to the regulation of markets for individual agricultural products or tax-related government subsidies of energy carriers, in addition to volatile markets, create risks. At the same time, however, they open up new prospects. Extreme weather conditions can have a direct impact on offerings, quality, pricing and trading in agricultural produce and also downstream on the operating resources business. This is offset by the rise in product and geographical presence diversification in the Agriculture Segment, as this has reduced the dependence on individual markets and increased procurement and marketing flexibility. BayWa also combats quality risks by performing samplings and checks. Risks posed by a deterioration in the quality of inventories are reduced by professional warehousing standards. Logistics risks resulting from a lack of transport capacities due to weather conditions or strikes are identified and managed early on by the early warning systems. Global climate changes will also have a long-term effect on agriculture. The global demand for agricultural produce, particularly grain, continues to grow. This may give rise to a sustained price uptrend. The fruit- and vegetable-growing activities pose a financial risk to the Group, which arises from the delay between cash outflow for buying, growing and maintaining the crops as well as the costs of the harvest and cash inflow from the sale of the fruit. This risk is managed by actively monitoring 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 operating resources and high-end agricultural machinery.

In the energy business, renewable energies are particularly affected by changes in incentive and subsidy measures. For example, BayWa r.e.'s business activities in the US slowed down slightly as the funding measures for investments in solar power plants and wind farms lost appeal due to the general reduction in the tax rate as part of the tax reform in December 2017. Against this backdrop, revenue and earnings development is stabilised by means of geographic diversification. Diversification across various energy carriers – especially wind energy, solar energy and biomass – mitigates risk in certain markets that remain strongly dependent on subsidisation. Climatic risks (wind, sunshine) also play a role for BayWa's electricity-generating Group companies in the field of renewable energies. Long-term surveys mean that average wind and sunshine are relatively easy to forecast in the medium term, although both positive and negative deviations can occur at short notice. The availability of turbines and installations also poses a risk, though this is greatly reduced by the assortment of proven components provided by well-known manufacturers. The conclusion of full-service maintenance contracts ensures that maintenance and repair work is performed within defined time periods.

Political and economic factors exert the main influence on demand in the construction sector. Political factors of influence include, for instance, special depreciation for listed buildings, measures to promote improved energy efficiency and the construction of social housing. In general, ageing housing stock in Germany will encourage growing demand for modernisation and renovation. In the Building Materials Segment, the BayWa Group is the franchiser for DIY and garden centres. After the inclusion of BayWa Bau- und Gartenmärkte in a joint venture with Hellweg – BayWa Bau- und Gartenmärkte GmbH & Co. KG, newly established in 2011 – operational management was transferred to Hellweg. In light of this, there is a risk that the franchise company in the BayWa Group will no longer meet its contractual obligations to the franchisees in the previous way and of the previous quality. Among other things, this may lead to claims for damages on the part of franchisees. This risk was counteracted by the Group concluding long-term agreements with Hellweg.

In the very unlikely event that all of these individual risks materialise at the same time, the theoretical expected value of damages in the risk category operating risks would come to around €17.1 million.

Market 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 influence on BayWa's business activities than on other compa-nies. BayWa's business model is largely geared towards satisfying basic human needs, such as food, mobility, energy and shelter. Accordingly, the impact of cyclical swings is likely to be less strong than in other sectors. As a result, BayWa is even able to turn certain opportunities arising in times of crisis to its advantage by, for instance, identifying and acquiring suitable companies with a view to expanding or establishing existing or new areas of business. However, BayWa is unable to fully decouple itself from severe setbacks to international economic development that result from, for example, slumps in global commodity prices.

BayWa trades in goods that display very high price volatility, such as grain, oilseeds, fertilisers, mineral oil, biomethane and solar components, especially in its Agriculture and Energy Segments. The warehousing of the corresponding merchan-dise and the conclusion of supply contracts governing the acquisition of goods in future means that BayWa is also exposed to the risk of price fluctuations. Whereas the risk inherent in mineral oils and biomethane is relatively low due to BayWa's pure distribution function, fluctuations in the price of grain, oilseeds, fertilisers and solar components may incur greater risks, also owing to their warehousing, if there is no matching in the agreements on the buying and selling of merchandise. What is more, activities by financial investors and technical market mechanisms can sometimes exacerbate price volatility considerably. In addition to absolute price risks, business performance may be influenced by various price developments in the local premiums, in the temporal price curve as well as different quality grades. If no hedging transactions exist when agreements are signed, the ensuing risk is monitored on an ongoing basis by the respective executive bodies. Whenever necessary, appropriate measures to limit risk are initiated.

The BayWa Group uses a portfolio-based value-at-risk method to measure and control risks from commodity futures, which are treated as financial instruments as defined under IAS 39 (International Accounting Standard). The value-at risk used by BayWa aims to quantify the negative changes in the value of a portfolio, which – with a certain degree of proba-bility (95%) – will not be exceeded during a defined period of time (five trading days). The value-at risk calculated as at 31 December 2017 amounted to €3.759 million and indicates that the potential loss from the commodity futures consid-ered will, with a probability of 95%, not exceed €3.759 million within the next five trading days.

On 23 July 2016, UK citizens voted in favour of exiting the EU in a referendum (Brexit). The negotiations are currently being held between EU member states and the UK on the terms of Brexit and should be completed by autumn 2018. The date of the UK's departure from the EU has been set at 29 March 2019. From this date, a transitional period lasting a minimum of two years will begin, in which EU regulations on free movement of people and the trading of goods and services will be replaced by bilateral regulations between the EU and the UK. This transitional period means that Brexit will have no effect on BayWa Group companies based in the UK in the short term. The companies concerned will review the consequences of new regulations on freedom of movement and trade once legally binding decisions on such subjects have been made. In the financial year 2017, around 4% of the Group's revenues were generated in the UK. Due to the volume of business in the UK, Brexit is not expected to have any significant negative effects on the Group as a whole, even in the event that restrictions should be imposed on free international trade.

On 22 December 2017, the US enacted a new tax law with the Tax Cuts and Jobs Act. The changes contained in this act were applied to the affected Group companies, most of which are part of the Renewable Energies business unit, during the preparation of the financial statements as at 31 December 2017. The lowering of the corporate tax rate to 21% led to a change in the provisions for tax liabilities for BayWA r.e. USA LLC in the financial year 2017, although it did not have any material effect from a Group perspective. The new tax law is not expected to have any considerable impact on the BayWa Group in future financial years either.

In the very unlikely event that all of these individual risks materialise at the same time, the theoretical expected value of damages in the risk category market risks would come to around €28.3 million.

Financial risks

Within the BayWa Group, financial opportunities and risks are divided into a number of different risk types that are described separately in the following.

Risks and opportunities from financial instruments: In addition to fixed- and variable-rate financial instruments, which are subject to varying degrees of interest rate risks, the BayWa Group also uses derivative hedging instruments such as options and futures contracts to hedge its commodity futures. In addition to interest rate risk, these derivative hedging instruments are also subject to the risk of price changes in the underlying and, depending on the base currency in which the derivative hedge is denominated, currency risk. Transactions that were not conducted via a stock exchange are also subject to counterparty risk. However, due to the measures that BayWa has taken, there is only a slight chance that these risks will materialise. By the same token, changes to interest rates, currency exchange rates or forward market prices can lead to unplanned opportunities.

Currency opportunities and risks: BayWa's business activities are largely located in the euro zone. If foreign currency positions arise from goods and services transactions or projects, they are always hedged without delay. Other payment obligations or receivables denominated in a foreign currency are hedged at the time when they arise. Speculative borrowing or investing of financial resources denominated in foreign currencies is prohibited.

Interest rate opportunities and risks: Interest rate risk positions arise from the Group's floating-rate financing activities, especially from the issuing of short-term commercial papers, short-term loans as well as variable-interest bonded loans. Short-term debt is used mainly to finance working capital. To reduce the interest rate risk, which is not hedged using a natural hedge, BayWa uses derivative instruments in the form of futures, interest rate caps and swaps.

In the financial year 2017, the average interest rate for variable-interest financial liabilities stood at 1.133% (2016: 1.100%).

Credit and counterparty risks: As part of its entrepreneurial activities, the BayWa Group has an important function as a source of finance for its agricultural trading partners. In the context of so-called cultivation contracts, the Group is exposed to a financing risk arising from the advance 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 debtor moni-toring 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.

In addition to credit risks, counterparty risks are also regularly monitored in agricultural trade; consequently, market value changes to open selling and buying contracts are measured so as to monitor the risk of the non-fulfilment of contract obligations. There is currently no discernible concentration of default risk from business relationships with individual debtors or groups of debtors.

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. At the BayWa Group, funds are generated through operations and by borrowing from external financial institutions. In addition, financing instruments, such as multicurrency commercial paper programmes or asset-backed securitisation, are used, as well as bonded loans. BayWa also issued a hybrid bond for the first time in October 2017. 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 accounts for the pronounced season-ality of business activities. Owing to the diversification of the sources of financing, the BayWa Group does not currently have any risk clusters concerning liquidity. The BayWa Group's financing structure, with its mostly matching maturities, ensures that interest-related opportunities are reflected within the Group.

Rating: BayWa AG enjoys a positive rating among banks. This achievement is due to the solidity as well as to the long and successful history of the company and its high enterprise value, underpinned by assets such as real estate. In 2017, the BayWa Group was once again able to raise its total credit lines. For reasons of cost effectiveness, BayWa AG deliberately dispenses with the use of external ratings.

In the very unlikely event that all of these individual risks materialise at the same time, the theoretical expected value of damages in the risk category financial risks would come to around €15.1 million.

Legal risks

Group companies are and will continue to be faced with legal disputes and proceedings in relation to their operating business activities. For example, they can relate to the assertion of claims based on services and deliveries that are not up to standard or to payment disputes. This can lead to individual Group companies having to pay compensation or financial penalties or having other civil or criminal sanctions imposed on them. These risks are continuously monitored by corresponding specialist areas of the Group.

BayWa forms provisions for legal and litigation risks if the occurrence of an obligation event is probable and the amount can be adequately estimated. In individual cases, actual utilisation may exceed the amount of the provisions. The Board of Management believes that suitable provisions have been created.

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

Plant efficiency in terms of energy generation using renewable energy carriers is strongly reliant on regulatory frame-works and government subsidies. Politically motivated changes to subsidy frameworks – particularly the retroactive reduction or abolition of feed-in tariffs – can have a major impact on the value of these plants, either in the form of lower future disposal prices or lower cash inflows from the operation of the facilities. BayWa combats the potential implications of such risks on earnings by pursuing a threefold diversification strategy in its Renewable Energies business unit. The portfolio is diversified in terms of countries, energy carriers and business units (projects and service on the one hand, and trading on the other hand).

As a result of the financial crisis in 2008, a whole series of new laws were introduced to increase regulation of the financial market. Derivative markets were a particular focal point of these measures. In addition, efforts were taken at a European level to limit speculative commodity and, in particular, agricultural trading. Of this significant number of new regulations, the European Market Infrastructure Regulation (EMIR) and the revision of the Markets in Financial Instru-ments Directive (MiFID II) are particularly relevant to BayWa's business activities. Besides additional costs, these new regulations also increase the risk of violating new rules. Compliance with all financial regulatory measures is guaranteed in a cost-efficient manner by the operation of a Group-wide risk management software program on every trading day.

In the very unlikely event that all of these individual risks materialise at the same time, the theoretical expected value of damages in the risk category legal risks would come to around €11.1 million.

Strategic risks

BayWa also operates as a project developer in the field of renewable energies. This business harbours a risk, for instance, that the planning and construction of solar power plants, wind farms and biogas plants are delayed and that they may be connected to the grid later than originally scheduled. In such cases, if the deadline for the further reduction in feed-in tariffs is not adhered to, there is a risk that the low feed-in and electricity income could result in the profitability of the projects being lower than planned. In the Global Produce business unit, there is a risk that the investments required within the context of vegetable cultivation in climate-controlled greenhouses could exceed their planned scope.

In the very unlikely event that all of these individual risks materialise at the same time, the theoretical expected value of damages in the risk category strategic risks would come to around €9.0 million.

Organisational structure and workflow

In the area of organisational structure and workflow, the BayWa Group differentiates between a number of different risk types that are described separately in the following.

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 future success. Excessively high employee fluctuation, brain drain and failure to secure junior staff loyalty may have a detrimental effect on the Group's business performance. BayWa counter-acts these risks by offering its employees extensive training and continuous professional development in order to secure expertise. Management based on trust, the tasking of employees in line with their natural talents and abilities, as well as the definition and adherence to ethical principles create a positive working environment. At the same time, BayWa AG promotes the ongoing vocational training and development of its employees. With 1,307 trainees at the end of 2017, the Group ranks among the largest companies offering training specifically in rural areas. BayWa recruits a large majority of its future specialist and managerial employees from the ranks of these trainees. Long years of service to the company are a testament to the great loyalty that employees show to BayWa. This attitude creates stability and continuity and also secures the transfer of expertise down the generations.

IT opportunities and risks: The use of cutting-edge information technology characterises the entire business activity of the BayWa Group. All key business processes are supported by IT and mapped using state-of-the-art software solu-tions. In a trading company with high numbers of employees, having work processes supported electronically is impera-tive. 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 synergy and cost-savings potential can be identified and exploited. At the same time, the risk inherent in the system rises in tandem with the growing complexity and dependency on the availabil-ity and reliability of the IT systems. To realise the opportunities and minimise the risks, the IT skills and expertise of the BayWa Group are always kept up to date. The resources are pooled in RI-Solution GmbH Gesellschaft für Retail-Informationssysteme, Services und Lösungen mbH, 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.

In the very unlikely event that all of these individual risks materialise at the same time, the theoretical expected value of damages in the organisational structure and workflow risk category would come to around €23.9 million.

Overall assessment of the opportunity and risk situation by Group management

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

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

Internal Control System and Risk Management System in Relation to the Group Accounting Process

The Internal Control System (ICS), which monitors accounting processes, is 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. Corporate Accounting prepares the consolidated financial statements pursuant to IFRS.

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

All subsidiaries included in this process are obliged to submit their figures on an IFRS basis in a standardised reporting form to BayWa. This allows discrepancies between planned figures and actual figures to be promptly identified, with the opportunity to respond quickly.

In conjunction with the Group companies, 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.

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 BayWa Code of Conduct.

The employment of highly qualified personnel, targeted and regular training and continuous professional development, along with the stringent separation of duties in financial accounting in the preparation, booking and controlling of vouchers is guaranteed through compliance with local and international accounting principles in preparing the annual financial statements and the consolidated financial statements.

Outlook

Outlook for the BayWa Group

Prospects for the BayWa Group are positive overall based on the anticipated conditions in the operational segments. Group revenues are likely to increase noticeably in 2018 in consideration of anticipated price developments and volatilities. In 2018, the Group's earnings before interest and tax (EBIT) will hover around the level of the previous year and may increase slightly. The improved earnings for the Agriculture and Building Materials Segments will far exceed the decline forecast for Other Activities due to the removal of earnings from the sale of the BayWa high-rise. The Energy Segment's earnings are not likely to reach exactly the same record level of the previous year, as major projects in the fields of wind and solar energy in particular will, for the most part, only enter the marketing phase from 2019 onwards. The research and development investments in the Innovation & Digitalisation Segment in 2018 will be slightly higher than the previous year as planned.

Outlook for the Agriculture Segment

Effective 1 January 2018, the domestic marketing activities for the BAST business unit have been transferred to the BAV business unit, so that national produce trading can be managed in one place from recording through to marketing. As a result, the BAV business unit has been renamed as Agri Trade & Service. The BAST business unit will continue to include the international grain and oilseed trading activities. The Fruit business unit became known as Global Produce as of 1 January 2018 to take account of greater product diversity and for the sharp international focus of the business. The Agricultural Equipment business unit remains unchanged.

In the BAST business unit, the handling volume of grain and oilseed is set to fall in 2018 from 33.4 million tonnes to approximately 28 million tonnes, due mostly to the reclassification of domestic marketing activities into the BAV business unit. Due to this structural change and to the sale of operations in Romania, revenues are expected to drop by a middle triple-digit million euro amount. The high harvest volumes forecast globally for grain year 2017/18 and improved export opportunities are likely to have a positive impact. In total, the BAST revenues for 2018 will fall significantly short of the previous year's level. By contrast, the earnings before interest and tax (EBIT) is expected to rise considerably. The improvement in earnings is primarily due to measures implemented in 2017 to boost profitability, such as cost cutting and the optimisation of capital allocation, as well as the further development of the higher-margin specialities business. The company, Premium Crops, acquired in December 2017 as part of the specialities strategy, is set to make its first contribution to earnings in 2018.

The Agri Trade & Service business unit, as mentioned earlier, was expanded at the start of 2018 to include the domestic marketing activities of grain and oilseed, which achieved a trading volume of 5.3 million tonnes in 2017. The revenues of the Agri Trade & Service business unit will grow by a middle three-figure million euro amount in 2018 as a result of this structural change. Based on an average harvest in Germany, the marketing volume is forecast to increase to approximately 5.5 million tonnes. In the operating resources business, sales are expected to stay at the same level recorded in the previous year, since demand for crop protection and seed is expected to be stable. The expected drop in sales of fertilisers due to the German Fertiliser Ordinance is likely to be offset by the increase in volumes of feedstuffs. Sales in this area are likely to benefit from the new target-group focus of sales. In total, the Agri Trade & Services revenues for 2018 are set to considerably exceed the level of the previous year, thanks to the newly added domestic marketing business of the BAST business unit. This will also have a positive effect on the earnings before interest and tax (EBIT) of the Agri Trade & Services business unit. In addition, rising earnings contributions can be expected in the recording and processing business in the event of an average grain harvest. For Group companies in Austria and Eastern Europe, development is forecast to return to normal in 2018 after the weak development in the previous year. Furthermore, the majority takeover of the Landhandel Knaup Group in August 2017 will contribute to the earnings for the full year for the first time. Based on this, earnings are expected to improve significantly in the Agri Trade & Services business unit.

In the fruit business, the entire marketing volume of the BayWa Group is likely to increase slightly in 2018. This expectation is based on the forecast higher apple harvest volume in New Zealand. It is also based on the marketing of the first harvest of premium tomatoes taking place in the United Arab Emirates through the BayWa and Al Dahra Holding joint venture. However, this will be offset by falling sales due to the very poor fruit harvest in Germany in 2017. Apple prices are expected to rise in New Zealand, due to expected higher export demand, and in Germany, due to the shortage of domestic supply. Overall, the Global Produce business unit will be able to slightly increase revenues year on year. Earnings before interest and tax (EBIT) are likely to significantly outperform the level recorded in 2017. Higher earnings contributions from international business, which is likely to benefit from the improved earnings of T&G Global and the development of additional sales channels for tropical fruit from TFC, contrasts with a decline in earnings from the German fruit business. Short time had to be applied for in this area for the first half of 2018 after the failed harvest of 2017.

Sales figures are expected to rise in 2018 in the Agricultural Equipment business unit, based on the high number of orders for new machinery following the Agritechnica trade fair in autumn 2017. Positive momentum will also come from the specialisation of sales organisations for Fendt and Massey Ferguson branded products in southern Germany. The service business is poised for development that should at least be stable in 2018 due to the product range expansions in speciality areas such as equipment for local authorities and forestry. In addition, international business will generate further growth in 2018: this is likely to stem primarily from the cooperation with CLAAS in Canada, as plans are afoot to open an additional site here. All in all, the revenues generated by the Agricultural Equipment business unit are expected to increase slightly on this basis. The majority takeover of Lagerhaus Technik-Center GmbH & Co KG, Austria, in August 2017 is likely to have a negative impact on the earnings as this company requires restructuring. Against this background, the Agricultural Equipment business unit's earnings before interest and tax (EBIT) are expected to fall noticeably in 2018.

On the whole, BayWa anticipates a slight revenue growth and a significant rise in the earnings before interest and tax (EBIT) in the Agriculture Segment in financial year 2018.

Outlook for the Energy Segment

In the Conventional Energy business, heating oil sales are expected to drop in 2018 due to the ongoing structural decline in consumption. The sale of wood pellets is expected to rise thanks to the marketing of additional production volumes by WUN Energie GmbH scheduled to take place from the third quarter of 2018 onwards. In terms of fuels, the volume of diesel sales in particular could continue to grow on the back of the increasing mutual acceptance of filling station cards from BayWa, AVIA and star. Restrictions could result from the pending driving ban in German city centres for older diesel vehicles. Sales of lubricants are also forecast to increase slightly due to the expansion of sales activities. In 2018, revenues in fossil and renewable heating fuels, fuels and lubricants are expected to be up slightly in a year-on-year comparison across all product areas as a result of the forecast rise in oil price. By contrast, the earnings before interest and tax (EBIT) in the Conventional Energy business is expected to fall slightly as it is unlikely that the strong margin trend in fuels will be repeated or return to normal.

The Renewable Energies business unit is set to continue down its path towards international growth in 2018 through organic developments and acquisitions. In the project business, the Australian wind project developer, Future Energy, acquired in October 2017, will contribute to the BayWa r.e. business for a full year for the first time in 2018. In addition, BayWa r.e. won its its first auctions for solar projects in Southeast Asia and other auctions for wind projects in Germany. By contrast, activities in the US could weaken slightly because the tax incentives for investments in solar plants and wind turbines are losing appeal with the general fall in tax rates as a result of the tax reform. Overall, the commissioning and turbine/plant sales project pipeline in the areas of wind energy, solar energy and bioenergy currently totals approximately 427 MW for 2018. Of this amount, approximately 250 MW is attributable to solar plants, approximately 170 MW to wind turbines and approximately 7 MW to bioenergy projects. The focus of solar activities will be on new projects in Australia, France, the Netherlands and the US. Activities relating to wind turbines are mainly centred on Germany, the UK, France and Italy. In terms of bioenergy, four plants in Germany and one plant in the UK are up for sale in 2018. In the future, the bioenergy business will focus on the repowering of existing plants, consultancy and services as well as the management of raw materials. In 2018, the service business will benefit from the full-year effect of the mandates acquired in the previous year and from the acquisition of Sybac Service GmbH for the technical management of plants or systems in the area of renewable energies in January 2018. The direct distributor, Clean Energy Sourcing (CLENS), will contribute to the energy trading business for a full year in 2018. Trading with photovoltaic (PV) components is likely to match the positive trend observed in the previous year thanks to the full-year contributions from the new international branches opened in 2017. In addition, business is expected to expand through the collaboration agreement concluded with several German public utilities companies on the marketing of PV storage systems and in the sale of PV components. The Renewable Energies business unit's revenues are expected to significantly increase, primarily due to growth on account of Clean Energy Sourcing (CLENS) as well as the expansion in trading with PV components and the solid project pipeline. Earnings before interest and tax (EBIT) are not likely, however, to fully reach the previous year's high level in 2018 on account of the tougher price competition in the project business. The wind energy business in Germany in particular is expected to experience a fall in margins due to the transition to a tender-based system following the German EEG 2017 amendment.

Overall, there is likely to be a considerable increase in the Energy Segment's revenues for 2018 on the basis of anticipated developments in individual areas. The Energy Segment's earnings before interest and tax (EBIT) is likely to be down noiticeably on the level of the previous year. The growth opportunities in renewable energies will increase significantly in the coming years thanks to the existing project pipeline.

Outlook for the Building Materials Segment

The BayWa building materials trade is likely to benefit from the positive development of the construction sector in 2018 with its broad range of products. In particular, BayWa should benefit from the growing trend towards pre-fabrication with offers such as systems basements and construction components, as these are some of the areas in which it specialises in terms of distribution activities. In addition, the boost in private customer sales with the “At home with BayWa building materials” brand and the investment in specialised distribution for the construction timber product portfolio is expected to generate positive momentum in sales development. Another driver for growth is likely to be the “Mr+Mrs Homes” residential property configurator, which will be launched in the first half of 2018. Through the expansion of e-commerce, additional growth opportunities are opening up beyond the existing sales region. This makes BayWa one of the B2B market leaders of building materials suppliers offering Click & Collect through the Building Materials Online portal. The closure of two loss-making sites in financial year 2017 had the opposite effect on revenues; however, this did have a positive effect on the earnings. Revenues in the Building Materials Segment are likely to see a moderate increase in 2018. This expectation is mainly based on higher sales volumes. Earnings before interest and tax (EBIT) should slightly exceed the level reached in 2017, despite increases in standard wages. Product range expansions in the high-margin private brand area in particular will contribute to this.

Outlook for the Innovation & Digitalisation Segment

In the Innovation & Digitalisation Segment, the revenues are minor in size and will increase slightly to a low level in 2018. This growth will be supported by the international expansion of the distribution of the “NEXT Farming” farm management software and the sales launch of newly developed software modules obtained through Agritechnica in November 2017. Online services have also been enhanced to include new features, e.g. the maize sowing system 4.0 and a calculation of nutrient requirements. The German Fertiliser Ordinance is also likely to have a positive impact on demand for farm management software and digital farming solutions, as it stipulates stricter documentation obligations and the optimisation of fertilizer application in terms of volume. The newly developed Leitspurmanager software, coupled with digitalised field databases, enables seed to be sown and fertilizer and crop protection to be applied automatically and without any overlap. In this area, BayWa benefits from the collaboration with the European Space Agency (ESA) on the assessment of satellite data and from the expertise of the service development firm for satellite applications, VISTA, acquired with a majority stake in July 2017. Revenues from BayWa's eBusiness activities are set to increase via the enhanced BayWa Online World platform. However, revenues and income from these activities are attributed to the respective business unit responsible for the individual product sold. Due to administrative costs and start-up costs for investments in new developments, the earnings before interest and tax (EBIT) of the Innovation & Digitalisation Segment is likely to post a negative result in the low two-digit million euro range in 2018.

Other Activities

No revenue forecast was made for Other Activities as the size of such activities is insignificant in terms of the business development of the Group. The development of earnings before interest and tax (EBIT) in 2018 will be significantly shaped by the removal of earnings from the sale of the BayWa high-rise in financial year 2017.

Consolidated Balance Sheet as at 31 December 2017

Assets

in € million	Note	31/12/2017	31/12/2016
Non-current assets			
Intangible assets	(C.1.)	230.705	212.623
Property, plant and equipment	(C.2.)	1,408.926	1,402.715
Participating interests recognised at equity	(C.3.)	214.557	215.161
Other financial assets	(C.3.)	232.565	189.059
Investment property	(C.5.)	40.943	41.585
Income tax assets	(C.6.)	0.042	0.025
Other receivables and other assets	(C.8.)	34.702	48.557
Deferred tax assets	(C.9.)	234.500	246.013
		2,396.940	**2,355.738**
Current assets			
Securities	(C.3.)	1.948	1.966
Inventories	(C.10.)	2,322.720	2,380.289
Biological assets	(C.4.)	16.051	15.137
Income tax assets	(C.6.)	74.054	43.365
Financial assets	(C.7.)	139.702	153.141
Other receivables and other assets	(C.8.)	1,417.344	1,395.854
Cash and cash equivalents	(C.11.)	105.547	104.436
		4,077.366	**4,094.188**
Non-current assets held for sale/disposal groups	(C.12.)	**13.727**	**24.931**
Total assets		**6,488.033**	**6,474.857**

Shareholders' equity and liabilities

in € million	Note	31/12/2017	31/12/2016
Equity	(C.13.)		
Subscribed capital		89.583	89.297
Capital reserve		111.501	108.153
Hybrid capital		296.286	–
Revenue reserves		557.218	537.042
Other reserves		52.964	69.850
Equity net of minority interest		**1,107.552**	**804.342**
Minority interest		327.959	294.003
		1,435.511	**1,098.345**
Non-current liabilities			
Pension provisions	(C.14.)	635.831	660.729
Other non-current provisions	(C.15.)	87.821	86.292
Financial liabilities	(C.16.)	884.426	1,105.191
Financial lease obligations	(C.17.)	157.889	164.139
Trade payables and liabilities from inter-group business relationships	(C.18.)	3.126	2.874
Income tax liabilities	(C.19.)	0.102	–
Financial liabilities	(C.20.)	3.914	9.476
Other liabilities	(C.21.)	112.048	89.950
Deferred tax liabilities	(C.22.)	180.547	173.514
		2,065.704	**2,292.165**
Current liabilities			
Pension provisions	(C.14.)	29.541	29.238
Other current provisions	(C.15.)	198.420	179.989
Financial liabilities	(C.16.)	1,438.901	1,512.403
Financial lease obligations	(C.17.)	7.955	8.371
Trade payables and liabilities from inter-group business relationships	(C.18.)	903.973	894.310
Income tax liabilities	(C.19.)	28.007	29.924
Financial liabilities	(C.20.)	113.011	152.628
Other liabilities	(C.21.)	267.010	277.484
		2,986.818	**3,084.347**
Liabilities from non-current assets held for sale/disposal groups		–	–
Total shareholders' equity and liabilities		**6,488.033**	**6,474.857**

Consolidated Income Statement for 2017

Continued operations

in € million	Note	2017	2016
Revenues	(D.1.)	16,055.131	15,409.882
Inventory changes		- 101.007	66.719
Other own work capitalised		8.235	7.844
Other operating income	(D.2.)	206.897	194.895
Cost of materials	(D.3.)	- 14,384.349	- 14,052.723
Gross profit		**1,784.907**	**1,626.617**
Personnel expenses	(D.4.)	- 936.208	- 863.111
Depreciation and amortisation		- 147.174	- 127.878
Other operating expenses	(D.5.)	- 570.133	- 512.753
Result of operating activities		**131.392**	**122.875**
Income from participating interests recognised at equity	(D.6.)	2.472	18.894
Other income from shareholdings	(D.6.)	37.397	2.921
Interest income	(D.7.)	7.594	6.324
Interest expenses	(D.7.)	- 76.490	- 81.407
Financial result		**- 29.027**	**- 53.268**
Earnings before taxes (EBT)		**102.365**	**69.607**
Income tax	(D.8.)	- 35.134	- 16.892
Consolidated net income		**67.231**	**52.715**
of which: due to minority interest	(D.9.)	27.886	21.590
of which: due to shareholders of the parent company		39.345	31.125
EBIT		**171.261**	**144.690**
EBITDA		**318.435**	**272.568**
Basic earnings per share (in €)	(D.10.)	**1.13**	**0.90**
Diluted earnings per share (in €)	(D.10.)	**1.13**	**0.90**

Consolidated Statement of Comprehensive Income-Transition

in € million	2017	2016
Consolidated net income	**67.231**	**52.715**
Actuarial gains/losses from pension obligations and provisions for severance pay recognised in the reporting period	11.515	- 29.719
Sum of items not subsequently reclassified in the income statement	**11.515**	**- 29.719**
Net gain/loss from the revaluation of financial assets in the “available for sale” category recognised in the reporting period and other income from interests accounted for using the equity method	36.024	25.515
Reclassifications to the income statement due to disposal of financial assets in the “available for sale” category and participating interest accounted for using the equity method during the reporting period	- 6.312	5.735
Net gain/loss from hedging instruments with a clear hedging relationship recognised in the reporting period	- 3.046	- 1.509
Reclassifications of net gain/loss from hedging instruments with a clear hedging relationship in the income statement in the reporting period	3.724	- 4.497
Differences from currency translation in the reporting period	- 24.270	8.238
Reclassifications of differences from currency translation in the income statement in the reporting period	–	1.891
Cash flow hedges	1.422	–
Sum of items subsequently reclassified in the income statement	**7.542**	**35.373**
Gains and losses recognised directly in equity	19.057	5.654
of which: due to minority interest	11.392	14.011
of which: due to shareholders of the parent company	7.665	- 8.357
Consolidated total result for the period	**86.288**	**58.369**
of which: due to minority interest	39.278	35.601
of which: due to shareholders of the parent company	47.010	22.768

Consolidated Cash Flow Statement for 2017

Note (E.1.)

in € million	2017	2016
Consolidated net income	67.231	52.715
Income tax expenses	35.134	16.892
Financial result	29.027	53.268
Write-downs/write-ups of non-current assets		
Intangible assets	35.746	25.713
Investment property	109.861	100.465
Other financial assets	1.078	1.303
Investment property	1.567	1.700
Other non-cash related expenses/income		
Expenses relating to share-based payment through profit and loss	1.454	1.402
Other	- 9.260	- 11.209
Increase/decrease in non-current provisions	- 27.293	- 4.150
Cash effective expenses/income from special items		
Gain/loss from the disposal of financial assets	- 33.713	- 15.787
Income tax paid	- 62.406	- 49.184
Interest received	6.615	5.515
Interest paid	- 41.765	- 37.837
Other financial result	21.431	0.903
	134.707	**141.709**
Increase/decrease in current and medium-term provisions	21.006	0.874
Gain/loss from assets disposals	- 55.797	- 37.258
Increase/decrease in inventories, trade receivables and other assets not allocable to investing or financing activities	141.750	- 233.619
Increase/decrease in trade payables and other liabilities not allocable to investing or financing activities	- 411.816	336.866
Cash flow from operating activities	**- 170.150**	**208.572**
Outgoing payments for company acquisitions (Note B.1.)	- 21.534	- 71.220
Incoming payments from the divestiture of companies	2.158	3.943
Incoming payments from the disposal of intangible assets, property, plant and equipment and investment property	89.676	54.012
Outgoing payments for investments in intangible assets, property, plant and equipment and investment property	- 177.319	- 154.104
Incoming payments from the disposal of other financial assets	108.837	40.982
Outgoing payments for investment in other financial assets	- 71.482	- 11.314
Interest received	0.876	6.522
Dividends received and other income assumed	8.319	7.552
of which: dividends from participating interests in joint ventures and associated companies recognised at equity	6.582	5.988
of which: other income from holdings	1.737	1.564
Cash flow from investment activities	**- 60.469**	**- 123.627**

in € million	2017	2016
Incoming payments from equity contributions	2.021	2.071
Dividend payments	- 40.870	- 35.705
Hybrid capital contributions	295.197	–
Incoming payments from borrowing of (financing) loans	- 137.480	209.335
Outgoing payments from redemption of (financing) loans	141.578	- 210.899
Interest paid	- 24.577	- 27.849
Cash flow from financing activities	**- 235.869**	**- 63.047**
Payment-related changes in cash and cash equivalents	5.250	21.898
Cash and cash equivalents at the start of the period	104.436	84.459
Inflow/outflow of funds due to changes in the group of consolidated companies and in exchange rates	- 4.139	- 1.921
Cash and cash equivalents at the end of the period	**105.547**	**104.436**
Outgoing payments for company acquisitions included in the cash flow from investing activities are as follows:		
Purchase price of company acquisitions	- 34.034	- 62.138
Purchase prices paid in the financial year (including contingent purchase price components from company acquisitions in previous years)	- 25.789	- 76.770
Cash and cash equivalents assumed from company activities	4.255	5.550
Net cash flow from the acquisition of companies	- 21.534	- 71.220

Please see Note B.1. of the Consolidated Financial Statements for details on the assets and liabilities of the subsidiaries and/or operating units over which control is obtained or lost, summarised by each major category. As one of the primary business purposes in the Renewable Energies business sector is the disposing of project companies once a project has been completed, incoming payments from the disposal of project companies from the group of consolidated companies are allocated to cash flow from operating activities, and not cash flows from investing activities.

Consolidated Statement of Changes in Equity

Note (C.13.)

in € million	Subscribed capital	Capital reserve
As at 01/01/2016	**88.997**	**104.949**
Differences resulting from changes in the group of consolidated companies	–	–
Capital increase against cash contribution/share-based payments	0.300	3.204
Changes in the fair value of assets classified as “available for sale” and derivative financial instruments as well as other income from other interests accounted for using the equity method	–	–
Change in actuarial gains/losses from pension and severance pay obligations	–	–
Inter-company profits from elimination with associates recognised in equity	–	–
Dividend distribution	–	–
Differences from currency translation	–	–
Transfer to revenue reserve	–	–
Consolidated net income	–	–
As at 31/12/2016 // 01/01/2017	**89.297**	**108.153**
Differences resulting from changes in the group of consolidated companies	–	–
Capital increase against cash contribution/share-based payments	0.286	3.348
Changes in the fair value of assets classified as “available for sale” and derivative financial instruments as well as other income from interests accounted for using the equity method	–	–
Change in actuarial gains/losses from pension and severance pay obligations	–	–
Inter-company profits from elimination with associates recognised in equity	–	–
Dividend distribution	–	–
Differences from currency translation	–	–
Cash flow hedge	–	–
Hybrid capital issued	–	–
Hybrid capital dividends	–	–
Transfer to revenue reserve	–	–
Consolidated net income	–	–
As at 31/12/2017	**89.583**	**111.501**

Hybrid capital	Valuation reserve	Other revenue reserves	Other reserves	Equity net of minority interest	Minority interest	Equity
–	**- 4.373**	**542.937**	**77.166**	**809.676**	**266.225**	**1,075.901**
–	–	- 2.342	0.183	- 2.159	- 1.534	- 3.693
–	–	–	–	3.504	- 0.031	3.473
–	17.593	- 5.993	–	11.600	13.644	25.244
–	–	- 28.632	–	- 28.632	- 1.087	- 29.719
–	–	–	–	–	–	–
–	–	–	- 29.447	- 29.447	- 6.258	- 35.705
–	–	–	8.675	8.675	1.454	10.129
–	–	17.852	- 17.852	–	–	–
–	–	–	31.125	31.125	21.590	52.715
–	**13.220**	**523.822**	**69.850**	**804.342**	**294.003**	**1,098.345**
–	–	3.585	- 0.722	2.863	6.157	9.020
–	–	–	–	3.634	- 0.159	3.475
–	14.758	–	–	14.758	15.632	30.390
–	–	11.687	–	11.687	- 0.172	11.515
–	–	- 17.033	–	- 17.033	–	- 17.033
–	–	–	- 29.550	- 29.550	- 11.320	- 40.870
–	–	–	- 20.202	- 20.202	- 4.068	- 24.270
–	1.422	–	–	1.422	–	1.422
296.286	–	–	–	296.286	–	296.286
–	–	–	–	–	–	–
–	–	5.757	- 5.757	–	–	–
–	–	–	39.345	39.345	27.886	67.231
296.286	**29.400**	**527.818**	**52.964**	**1,107.552**	**327.959**	**1,435.511**

Notes to the Consolidated Financial Statements
as at 31 December 2017

Drawn up in accordance with the International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) adopted within the European Union, as well as in accordance with the additional information required under Section 315e para. 1 of the German Commercial Code (HGB).

Note

Amounts are stated in millions of euros and rounded to three decimal spaces, unless otherwise stated. This may result in minor discrepancies in sum totals and when calculating percentages.

(A.) BACKGROUND TO THE BayWa CONSOLIDATED FINANCIAL STATEMENTS

(A.1.) General information, accounting and valuation methods

BayWa Aktiengesellschaft (for short: BayWa AG) has its principal place of business in Arabellastrasse 4, 81925 Munich, Germany. The company is entered in the commercial register of the district court of Munich, Germany, under registration number HRB 4921. The BayWa Group, with BayWa AG as the ultimate parent company, is a group of trading and services companies with core activities in the following business divisions: Agricultural Trade – which has been split into the BayWa Agri Supply & Trade (BAST) and BayWa Agricultural Sales (BAV) business units –, Fruit, Agricultural Equipment, Energy, Renewable Energies, Building Materials and Innovation & Digitalisation. The BayWa Agri Supply & Trade (BAST) business unit encompasses the BayWa Group's national and international trading, distribution and logistics activities involving grain, oilseed and additional products. The collection business and trade in operating resources and feedstuff have been pooled in the business unit known as BayWa Agricultural Sales. The Fruit business unit combines all activities of the Group in the business of fruit and vegetable growing and trading these products. The full range of agricultural equipment and services is offered in the Agricultural Equipment business unit. The Energy business unit comprises an extensive network, which ensures the supply of heating oil, fuels, lubricants and wood pellets to commercial and private customers. In the Renewable Energies business unit, the Group offers customers services geared towards project planning for wind power, biogas facilities and solar power plants, on the one hand, and operates its own wind and biogas plants to produce electricity, on the other. The range of products and services under Renewable Energies is rounded off by the sale of solar panels. The Building Materials Segment comprises building materials sales activities, as well as the operation of DIY and garden centres of the Austrian Group companies. BayWa has plotted a clear course into the digital future by establishing the Innovation & Digitalisation Segment, which is responsible for developing and marketing digital products and services for enhancing productivity in agriculture. It also pools the BayWa Group's e-commerce activities under the banner of BayWa Online Welt.

There have been no material changes in the accounting policies and valuation methods applied to the consolidated financial statements as against 31 December 2016.

The consolidated financial statements as at 31 December 2017 were drawn up in compliance with the International Financial Reporting Standards (IFRS) as applicable within the European Union. The standards of the International Accounting Standards Board (IASB), London, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid on the reporting date were fully taken into account. The consolidated financial statements therefore give a true and fair view of the assets, financial position and earnings position of the BayWa Group and were prepared under the assumption that the company will continue as a going concern.

Moreover, the consolidated financial statements comply with the supplementary provisions set out under Section 315e para. 1 of the German Commercial Code (HGB).

The financial year of the BayWa Group begins on 1 January and ends on 31 December. The financial statements of BayWa AG and its Group companies are generally prepared in accordance with the balance sheet date of the consolidated financial statements. The financial statements of Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main, Germany; BRB Holding GmbH, Munich, Germany; Biomethananlage Barby GmbH, Barby, Germany; Biomethananlage Staßfurt GmbH, Mannheim, Germany; LWM Austria GmbH, Hollabrunn, Austria; AUSTRIA JUICE GmbH, Allhartsberg, Austria; Baltanás Cereales y Abonos, S.L., Baltanás, Spain; Allen Blair Properties Limited, Wellington, New Zealand; and Mystery Creek Asparagus Limited, Hamilton, New Zealand constitute an exception, as these companies are accounted for using the equity method. All of the above companies have different reporting dates, which are 31 January, 28 February, 31 March, 30 June, 31 July, or 30 September, depending on the companies' respective seasonal business development. The interim financial statements of all companies as at 30 November or 31 December form the basis for consolidation.

The accounting implemented within the Group of BayWa AG is carried out in accordance with the accounting and valuation principles uniformly applied by the whole Group; they are described under Notes C. and D. in the notes to the balance sheet and the income statement. Individual items have been disclosed separately in the balance sheet and in the income statement to enhance transparency. They are broken down and explained in the Notes to the Consolidated Financial Statements. The consolidated financial statements have been prepared in euros. Unless otherwise indicated, amounts are shown in millions of euros (€ million; rounded off to three decimal points).

(A.2.) Estimates and assumptions by management

The preparation of the consolidated financial statements necessitates that, to a certain extent, assumptions are made and estimates used which have an impact on the valuation of assets, liabilities capitalised, the income and expenses and the contingent liabilities. Estimates are necessary, particularly in respect of the measurement of property, plant and equipment and intangible assets, as well as inventories, in connection with purchase price allocation, the recognition and measurement of deferred tax assets, the recognition and measurement of pension provisions and other reserves, as well as the carrying out of impairment tests in accordance with IAS 36.

In the case of pension provisions, the discount factor, along with wage and salary and pension trends, are important parameters for estimates. An increase or decrease in the discount factor affects the net present value of the obligations arising from pension plans. Likewise, changes to anticipated wage, salary and pension trends and expected employee fluctuation also impact the defined benefit obligation (DBO).

In terms of the recognition and measurement of other provisions, assumptions are to be made to a significant extent on the probability of occurrence, maturity and level of risk. The assessment as to whether a present obligation exists is usually based on evaluations by internal and external appraisers. The amount of the provisions is based on anticipated expenses that are calculated on the basis of a case-by-case assessment of the circumstances drawing on empirical figures, the results of similar estimates and ranges of potential utilisations. They can also be calculated by appraisers. Due to the uncertainty associated with such assessments, actual expenses can deviate from estimated expenses.

Impairment tests on goodwill are based on future-oriented assumptions. From today's standpoint, justifiable changes to these assumptions would not result in the book values of the cash-generating unit (CGU) exceeding their recoverable amount, thereby triggering impairment. The underlying assumptions are influenced primarily by the market situation of the CGU. Please refer to Note C.1. of the Consolidated Financial Statements for information on the extent to which justifiable changes to the underlying assumptions for material goodwill could result in the book values of the respective CGU exceeding their recoverable amount.

Deferred tax assets on loss carryforwards are recognised, provided that future tax advantages are likely to be realised within the next five years (maximum). The actual taxable profits in future periods, and thus the actual usability of deferred tax assets, may differ from the estimate at the time when the deferred tax is capitalised.

In respect of property, plant and equipment, assumptions were made relating to the Group-wide establishment of useful economic lives. Deviations from the actual economic life are, therefore, possible but are estimated to be fairly low. Assumptions made in relation to the definition of useful economic lives are reviewed at regular intervals and, if necessary, modified.

Estimates of the future revenues, growth and the inflation-adjusted margins, as well as the location and variety are required for determining the fair value of the biological assets.

Estimates have been made in respect of inventories, especially in the context of write-downs on the net realisable value. Estimates of the net realisable value are based on the substantive information available at the time when the likely recoverable amounts of inventories were estimated. These estimates take account of changes in prices and costs, which are directly associated with events after the reporting period, in as much as these events serve to elucidate the conditions already prevailing at the end of the reporting period.

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

Finally, operating expenses related to “investment property” are also subject to estimates based on empirical values.

All assumptions and estimates are based on the conditions prevailing and judgements made on the reporting date. In addition, particular consideration is given to economic developments and the business environment of the BayWa Group. If, in future business periods, framework conditions should develop otherwise, there may be differences between actual and estimated amounts. In such cases, the assumptions and, if necessary, the book value of the assets and liabilities affected will be adjusted on subsequent reporting dates. At the time when the consolidated financial statements were prepared, there were no indications to suggest a material change in the underlying assumptions and estimates.

(A.3.) Impact of new accounting standards

Accounting standards, interpretations and amendments applicable for the first time in the financial year 2017

In financial year 2017, the following standards and interpretations revised or issued by the International Accounting Standards Board (IASB) were applicable for the first time for the BayWa Group:

Standard	Applicable from	Likely changes	Impact on financial reporting
Amendments to IAS 7 Statement of Cash Flows	01/01/2017	The amendments are intended to improve information provided to users of financial statements about an entity's financing activities. To achieve this, additional information is to be disclosed concerning the cash and non-cash changes of such financial liabilities, the payment and disbursement of which are reported under cash flows from financing activities.	For BayWa, the only effect of the amendments is an addition to disclosures in the notes to the consolidated financial statements (see Note E.1.).
Amendments to IAS 12 Income Taxes	01/01/2017	This amendment concerns the reporting of deferred tax assets from unrealised losses on financial assets held for sale.	The BayWa Group does not anticipate any material effects from this amendment.

Standards, interpretations and amendments which have been published but not yet applied

The following standards and interpretations revised or issued by the International Accounting Standards Board (IASB) have been adopted by the EU but are only applicable to the BayWa Group from 31 December 2017.

Standard	Applicable from	Likely changes	Impact on financial reporting
IFRS 9 Financial Instruments	01/01/2018	This new standard supersedes the provisions concerning the classification and measurement of financial assets previously contained in IAS 39 Financial Instruments: Recognition and Measurements and also includes new regulations on hedge accounting. Requirements concerning the recognition of impairment losses have been replaced by the expected loss model.	The effects that the BayWa Group expects IFRS 9 to have on the assets, financial position and earnings position are described below.
IFRS 15 Revenue from Contracts with Customers	01/01/2018	IFRS 15 combines requirements on revenue realisation that were previously spread across a number of different standards and interpretations. It also defines standard basic principles to govern the amount and point in time or period of time in which revenue transactions across all sectors and categories are to be realised. IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts in particular.	The effects that the BayWa Group expects IFRS 15 to have on the assets, financial position and earnings position are described below.
Clarification of IFRS 15 Revenue from Contracts with Customers	01/01/2018	The amendments concern clarifications of the identification of contractual obligations, the classification of a company as a principal or an agent, as well as the realisation of revenue from issued licences at a particular point in time or over a specific period of time. In addition, it specifies the transitional requirements for the simplification of first-time application.	
IFRS 16 Leases	01/01/2019	IFRS 16 supersedes IAS 17 and its associated interpretations. For lessees, IFRS 16 removes the distinction between financial leases and operating leases. Instead, leases are recognised according to the right of use concept. Here, assets from rights of use concerning leased objects are to be recognised in the balance sheet, as are liabilities for payment obligations that have been entered into. This does not apply to short-term leases and leasing of low-value assets. Recognition on the part of the lessor remains largely unchanged. As before, the lease is classified according to the criteria defined in IAS 17. IFRS 16 also includes a number of other new requirements, including the requirement on lease definition, on sale-and-lease-back transactions and on the recognition of sub-leases.	The effects that the BayWa Group expects IFRS 16 to have on the assets, financial position and earnings position are described below.
Amendments to IFRS 2 Share-based Payment	01/01/2018	These amendments focus on individual issues relating to the recognition of cash-settled share-based payments. The main change in this regard is that the standard now includes requirements concerning the calculation of the fair value of the obligation resulting from share-based payments.	The BayWa Group does not anticipate any material effects from these amendments.
Annual improvements to IFRS (2014–2016)	01/01/2017 and 01/01/2018	The amendments from the annual improvement cycle 2014–2016 concern minor changes and adjustments to the IAS 28 and IFRS 1 standards, with first-time application from 01/01/2018, as well as to IFRS 12 applicable from 01/01/2017.	The BayWa Group does not anticipate any material effects from these amendments.

Expected impacts of the application of IFRS 9

The first-time application of IFRS 9 as at 1 January 2018 is expected to have the following manageable effects on the BayWa Group:

Classification and measurement

IFRS 9 sees the four measurement categories for financial assets previously defined in IAS 39 – held for trading, held for sale, loans and receivables and held to maturity – replaced by the following three measurement categories:

- Measurement at amortised cost based on the effective interest rate method;
- Measurement at fair value through other comprehensive income;
- Measurement at fair value through profit and loss.

Financial assets are allocated to these categories on the basis of the underlying business model and the properties of the contractual cash flows resulting from the financial asset.

For the BayWa Group, the new classification requirements will not have any material measurement effects and therefore also no material effects on the balance sheet or equity. We believe that all financial assets previously recognised at amortised cost meet the requirements to be recognised at amortised cost under IFRS 9. Equity instruments that were previously allocated to the "available for sale" measurement category, changes in the value of which were recognised directly in equity, are to generally be measured at fair value through profit or loss in future, with the exception of the instruments for which the option of measurement at fair value through other comprehensive income (known as the fair value OCI option) was chosen. The amounts resulting from the changes in the value of these instruments, which were previously recognised under other reserves, are to be directly added to the revenue reserve. This does not result in any change in equity.

IFRS 9 provides for changes to the recognition of financial liabilities that are designated as liabilities recognised at fair value through profit or loss. Such designation has not been carried out at the BayWa Group so far. The implementation of IFRS 9 therefore does not have any impact on the assets, financial position and earnings position of the BayWa Group.

Impairment

IFRS 9 sees the introduction of the expected loss model in place of the previous incurred loss model. As a result, expected impairment losses will be recognised at an earlier stage in future – at addition – through profit and loss. The BayWa Group will apply the simplified impairment model to trade receivables, under which risk provisions are to be recognised in the amount of the expected losses over the remaining term irrespective of the credit rating of the counterparty. Expected losses for trade receivables are calculated on the basis of historical default ratios and adjusted for estimates on the part of the management.

The BayWa Group believes that, as a result of the implementation of IFRS 9 as at 1 January 2018, an amount of between €4 million and €6 million will arise as an expected loss due to the adjustment of the opening balance of the revenue reserve. In subsequent periods, only the change in this amount is recognised through profit and loss – although it should be said that no material effects are expected here.

Hedge accounting and disclosures in the notes to the consolidated financial statements

No changes with a material impact on the BayWa Group are expected in relation to the recognition of hedge accounting. By contrast, IFRS 9 in conjunction with IFRS 7 will result in significant additions to the disclosures in the notes to the consolidated financial statements, which particularly concern credit risk as well as expected losses and their development.

The BayWa Group will waive the requirement to adjust prior-year figures pursuant to the transitional regulations of IFRS 9.

Expected impacts of the application of IFRS 15

IFRS 15 introduces a single, principles-based five-step model to be applied to all contracts with customers. In future, revenues will be recognised in such a manner that they equate to the consideration paid for the goods or services. Revenues will be realised once the customer can exercise control.

In the financial years 2016 and 2017, the BayWa Group performed a comprehensive review of the various types of contracts used by the individual business areas to estimate the impacts of IFRS 15. This review indicates that there will be no change or only very limited changes to the recognition of income from disposals in all operating units compared to the previous recognition under the terms of IAS 18. At BayWa, IFRS 15 will mainly impact the Agricultural Equipment business unit in terms of the accounting of large-scale turnkey projects (e.g. the construction of stable equipment), the BayWa Agricultural Sales (BAV) business unit in terms of the construction of crop protection material facilities (e.g. irrigation systems), the Building Materials business unit in terms of house construction as well as in the case of photovoltaic plants. These projects are construction contracts within the meaning of IAS 11. According to IFRS 15, revenue for these projects is to be realised over time; project progress is to be measured pursuant to the cost-to-cost method.

For some types of contracts, the time when revenue is recognised will change as revenue may be recognised earlier. The cumulative transition effect, which we consider to be immaterial overall, is recognised as an adjustment to the opening balance of the revenue reserve at the point of first-time application.

The new items, contract assets and contract liabilities, result in changes to the balance sheet structure. Further quantitative and qualitative disclosures are also required in the notes to the consolidated financial statements. The BayWa Group has opted for the modified retrospective approach and only applies the standard to the most recent reporting period included in the financial statements. The comparative periods are not adjusted.

Apart from the requirement to provide more extensive disclosures on the Group's revenues generated from contracts with customers, the BayWa Group does not believe that the application of IFRS 15 will have any material impact on the consolidated balance sheet and the consolidated statement of comprehensive income.

Expected impacts of the application of IFRS 16

IFRS 16 provides for a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The previous distinction between operating leases and financial leases no longer applies from the lessee's perspective; in the case of all leases, the lessee recognises the right of use resulting from the leased object and the associated leasing liability. The lease payments previously recognised as rental expense are to be reported under interest expense in future.

As a result, we expect that the new requirements – particularly those concerning the recognition of leases by the lessee – will have a material effect both on the individual components of the consolidated financial statements and on the BayWa Group's assets, financial position and earnings position.

Due to existing leases that are to be classified as operating leases pursuant to the current provisions of IAS 17, assets and financial liabilities are expected to increase, and the equity ratio to decrease at the same time, following the transition to the provisions of IFRS 16. In addition, the operating result is expected to improve, a development that will, however, be offset by a decline in the financial result. The BayWa Group had payment obligations arising from non-cancellable operating leases of €499.746 million as at 31 December 2017. A preliminary evaluation indicates that these obligations meet the criteria defined in IFRS 16 and that corresponding right of use assets and lease liabilities were to be recognised.

A central project focused on the implementation of IFRS 16 is currently examining the potential effects of the standard on the consolidated financial statements; a reliable estimate of the financial effects of the transition can only be provided once this project has been completed. Assets and liabilities are already recognised in the case of financial leases in which the BayWa Group is the lessee. Here, the BayWa Group does not believe that the application of IFRS 16 will have any material effects on the consolidated financial statements. Those involved in this project are currently working intensively on the introduction of an IT-supported software solution so as to conclude the process of recording all contracts in the system by the second half of 2018.

The BayWa Group has opted for the modified retrospective approach in terms of the transition to IFRS 16. First-time application of the standard is compulsory for financial years starting on or after 1 January 2019. The standard may be applied early provided that IFRS 15 is also applied; however, the BayWa Group does not intend to do so.

The following standards and interpretations revised or issued by the International Accounting Standards Board (IASB) have not yet been adopted by the EU and are only applicable to the BayWa Group from 31 December 2017.

Standard	Applicable from	Likely changes	Impact on financial reporting
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01/01/2018	This interpretation aims to clarify the recognition of business transactions that include the receipt or payment of considerations in foreign currencies.	The BayWa Group does not anticipate any material effects from these amendments.
Amendments to IAS 40	01/01/2018	These amendments govern the conditions in which a property under construction or development, that was previously recognised under inventories, can be reclassified as a property held as a financial investment (and vice-versa) in the event of a change in use.	The BayWa Group does not anticipate any material effects from these amendments.
IFRIC 23 Uncertainty over Income Tax Treatments	01/01/2019	This interpretation adds to the requirements under IAS 12 concerning the recognition of actual taxes and deferred taxes regarding uncertainty over the income-tax treatment of matters and transactions by tax and revenue authorities or financial courts.	The BayWa Group does not anticipate any material effects from these amendments.
Amendments to IFRS 9 Financial Instruments Prepayment Features with Negative Compensation	01/01/2019	These amendments aim to allow IFRS adopters that hold debt instruments with prepayment features in which a party receives or pays appropriate compensation in the event of termination to measure said instruments at amortised cost or at fair value directly in equity. Prior to this amendment, such instruments were to be measured at fair value.	The BayWa Group does not anticipate any material effects from these amendments.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	01/01/2019	These amendments clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	The BayWa Group does not anticipate any material effects from these amendments.
Annual improvements to IFRS (2015–2017)	01/01/2019	The amendments from the annual improvement cycle 2015–2017 concern minor changes and adjustments to the IAS 12, IAS 23, IFRS 3 and IFRS 11 standards, with first-time application from 01/01/2019.	The BayWa Group does not anticipate any material effects from these amendments.
Amendments to IFRS 10/ IAS 28 Sales or contributions of assets between an investor and its associate/joint venture	n/a	The amendments clarify that, in the case of transactions with an associate or a joint venture, the extent of the gain or loss depends on whether the sold or contributed assets constitutes a business as defined in IFRS 3.	The BayWa Group does not anticipate any material effects from these amendments.

Applying IFRS 9 Financial Instruments with IFRS 4 dated 12 September 2016, which was adopted as part of European law on 3 November 2017 with first-time application from 1 January 2021 as well as IFRS 17 Insurance Contracts, which was published by the IASB on 18 May 2017 are not relevant to the BayWa Group.

(B.) INFORMATION ON CONSOLIDATION

(B.1.) Group of consolidated companies – fully consolidated companies pursuant to IFRS 10

Under the principles of full consolidation, all domestic and foreign companies on which BayWa can exercise direct or indirect control within the meaning of IFRS 10 and where the subsidiaries are not of secondary importance have been included in the consolidated financial statements of BayWa AG, alongside BayWa AG itself.

	Share in capital in %	Previous year's share in capital in %*	Comment
Agriculture Segment			
"BIOCORE ORGANIC" LLC, Žytomyr, Ukraine	100.0	–	Initial consolidation on 25/05/2017
Abemec B.V., Veghel, Netherlands	100.0	100.0	
Agrar- und Transportservice Kölleda GmbH, Kölleda, Germany	58.0	58.0	
Agrarhandel Züssow Bohnhorst / Naeve Beteiligungs GmbH, Züssow, Germany	100.0	100.0	
Agrimec B.V., Apeldoorn, Netherlands	100.0	100.0	
Agrimec Group B.V., Apeldoorn, Netherlands	100.0	100.0	
Agrimec Parts B.V., Veghel, Netherlands	100.0	100.0	
ALM Regio 1 B.V., Veghel, Netherlands	100.0	100.0	
ALM Regio 2 B.V., Veghel, Netherlands	100.0	100.0	
ALM Regio 3 B.V., Veghel, Netherlands	100.0	100.0	
ALM Regio 4 B.V., Veghel, Netherlands	100.0	100.0	
ALM Regio 5 B.V., Veghel, Netherlands	100.0	100.0	
ALM Regio 6 B.V., Veghel, Netherlands	100.0	100.0	
ALM Regio 7 B.V., Veghel, Netherlands	100.0	100.0	
B O R , s.r.o., Choceň, Czech Republic	100.0	92.8	
Baltic Logistic Holding B.V., Rotterdam, Netherlands	100.0	100.0	
Bayerische Futtersaatbau Gesellschaft mit beschränkter Haftung, Ismaning, Germany	79.2	79.2	
BayWa AG Centre Ltd. (formerly: 1076230 B.C. Ltd.), Vancouver, Canada	90.0	90.0	
BayWa Agrarhandel GmbH, Nienburg, Germany	100.0	100.0	
BayWa Agri Supply & Trade B.V. (formerly: BayWa Agrar International B.V.), Rotterdam, Netherlands	100.0	100.0	
BayWa Agro Polska Sp. z o.o., Grodzisk Mazowiecki, Poland	100.0	100.0	
BayWa Canada Ltd., Vancouver, Canada	100.0	100.0	
BayWa Finanzservice GmbH, Munich (formerly: Raiffeisen Kraftfutterwerke Süd GmbH, Würzburg), Germany	100.0	100.0	
BayWa Fruit B.V., De Lier, Netherlands	100.0	100.0	
BayWa Marketing & Trading International B.V., Rotterdam, Netherlands	100.0	100.0	
BayWa Obst Beteiligung GmbH, Munich, Germany	100.0	100.0	
BayWa Obst GmbH & Co. KG, Munich, Germany	100.0	100.0	
BayWa Rus LLC, Moscow, Russia	100.0	100.0	
BayWa Ukraine LLC, Kiev, Ukraine	100.0	100.0	
BGA Bio Getreide Austria GmbH, Vienna, Austria	100.0	100.0	
BioCore B.V., Oosterhout, Netherlands	100.0	–	Initial consolidation on 01/01/2017
Burkes Agencies Limited, Glasgow, UK	100.0	100.0	
Cefetra B.V., Rotterdam, Netherlands	100.0	100.0	
Cefetra Feed Service B.V., Rotterdam, Netherlands	100.0	100.0	
Cefetra Hungary Kft., Budapest, Hungary	100.0	100.0	
Cefetra Ibérica S.L.U., Pozuelo de Alarcón, Spain	100.0	100.0	
Cefetra Limited, Glasgow, UK	100.0	100.0	
Cefetra Polska Sp. z o.o., Gdynia, Poland	100.0	100.0	
Cefetra S.p.A., Rome, Italy	100.0	100.0	
Cefetra Shipping B.V., Rotterdam, Netherlands	100.0	100.0	
CLAAS Main-Donau GmbH & Co. KG, Gollhofen (formerly: Vohburg), Germany	90.0	90.0	
CLAAS Nordostbayern GmbH & Co. KG, Altenstadt, Germany	90.0	90.0	
CLAAS Südostbayern GmbH, Töging am Inn, Germany	90.0	90.0	
CLAAS Württemberg GmbH, Langenau, Germany	80.0	80.0	

	Share in capital in %	Previous year's share in capital in %*	Comment
EUROGREEN AUSTRIA GmbH, Mondsee, Austria	100.0	100.0	
EUROGREEN CZ s.r.o., Jiřetín pod Jedlovou, Czech Republic	100.0	100.0	
EUROGREEN GmbH, Betzdorf, Germany	100.0	100.0	
EUROGREEN Schweiz AG, Zuchwil, Switzerland	100.0	100.0	
Evergrain Germany GmbH & Co. KG, Hamburg, Germany	100.0	100.0	
F. Url & Co. Gesellschaft m.b.H., Lannach, Austria	100.0	100.0	
Garant - Tiernahrung Gesellschaft m.b.H., Pöchlarn, Austria	100.0	100.0	
InterSaatzucht GmbH, Hohenkammer, Germany	100.0	100.0	
Ketziner Lagerhaus GmbH & Co. KG, Ketzin, Germany	100.0	100.0	
Lagerhaus Technik-Center GmbH & Co KG, Korneuburg, Austria	51.9	32.1	Transitional consolidation on 01/09/2017
Landhandel Knaup GmbH, Borchen, Germany	51.0	–	Initial consolidation on 01/08/2017
LHD Landhandel Drebkau Import und Export GmbH, Drebkau, Germany	100.0	–	Initial consolidation on 01/08/2017
LTZ Chemnitz GmbH, Hartmannsdorf, Germany	90.0	90.0	
PARGA Park- und Gartentechnik Gesellschaft m.b.H., Aderklaa, Austria	100.0	–	Initial consolidation on 01/09/2017
Raiffeisen Waren GmbH Nürnberger Land, Hersbruck, Germany	52.0	52.0	
RIVEKA BVBA, Boom, Belgium	100.0	–	Initial consolidation on 01/01/2017
RWA Hrvatska d.o.o., Zagreb, Croatia	100.0	100.0	
RWA Magyarország Kft., Ikrény, Hungary	100.0	100.0	
RWA Raiffeisen Agro Romania S.r.l., Orțișoara, Romania	100.0	100.0	
RWA SLOVAKIA spol. s r.o., Bratislava, Slovakia	100.0	100.0	
RWA Slovenija d.o.o., Lavrica (formerly: Agrosaat d.o.o., Ljubljana), Slovenia	100.0	100.0	
RWA Srbija d.o.o., Belgrade, Serbia	100.0	100.0	
Shieldhall Logistics Limited, Glasgow, UK	100.0	100.0	
Sinclair Logistics Limited, Glasgow, UK	100.0	100.0	
TechnikCenter Grimma GmbH, Mutzschen, Germany	70.0	70.0	
TFC Holland B.V., De Lier, Netherlands	68.4	68.4	
Thegra Tracomex B.V., Oosterhout, Netherlands	100.0	–	Initial consolidation on 01/01/2017
Thenergy B.V., Oosterhout, Netherlands	100.0	–	Initial consolidation on 01/01/2017
URL AGRAR GmbH, Premstätten, Austria	100.0	100.0	
Wessex Grain Ltd., Templecombe, UK	100.0	100.0	
T&G Global Group			
T&G Global Limited, Auckland, New Zealand	74.0	74.0	
Apollo Apples (2014) Limited, Auckland, New Zealand	100.0	100.0	
Berryfruit New Zealand Limited, Auckland, New Zealand	100.0	100.0	
Delica (Shanghai) Fruit Trading Company Limited, Shanghai, People's Republic of China	100.0	100.0	
Delica Australia Pty Ltd, Tullamarine, Australia	100.0	100.0	
Delica Domestic Pty Ltd, Tullamarine, Australia	80.0	80.0	
Delica Limited, Auckland, New Zealand	100.0	100.0	
Delica North America, Inc., Torrance, USA	50.0	100.0	With 60% majority of voting rights and rights to the returns
ENZA Limited, Auckland, New Zealand	100.0	100.0	
ENZAFOODS New Zealand Limited, Auckland, New Zealand	100.0	100.0	
ENZAFRUIT New Zealand (Continent) NV, Sint-Truiden, Belgium	100.0	100.0	
ENZAFRUIT New Zealand (U.K.) Limited, Luton, UK	100.0	100.0	
ENZAFRUIT New Zealand International Limited, Auckland, New Zealand	100.0	100.0	
ENZAFRUIT Peru S.A.C., Lima, Peru	100.0	100.0	
ENZAFRUIT Products Inc., Wilmington (Delaware), USA	100.0	100.0	
ENZASunrising (Holdings) Limited, Hong Kong, People's Republic of China	67.0	67.0	
Fruit Distributors Limited, Auckland, New Zealand	100.0	100.0	
Fruitmark NZ Limited, Auckland, New Zealand	100.0	100.0	
Fruitmark Pty Ltd, Mulgrave, Australia	100.0	100.0	
Fruitmark USA Inc., Seattle, USA	100.0	100.0	
Frutesa Chile Limitada, Santiago de Chile, Chile	100.0	100.0	
Frutesa, George Town, Cayman Islands	100.0	100.0	
Invercargill Markets Limited, Auckland, New Zealand	100.0	100.0	

	Share in capital in %	Previous year's share in capital in %*	Comment
Status Produce Favona Road Limited, Auckland, New Zealand	100.0	100.0	
Status Produce Limited, Auckland, New Zealand	100.0	100.0	
T&G Fruitmark HK Limited, Hong Kong, People's Republic of China	100.0	100.0	
T&G Insurance Limited, Auckland, New Zealand	100.0	–	Initial consolidation on 07/08/2017
T&G Japan Ltd., Tokyo, Japan	100.0	100.0	
T&G South East Asia Ltd., Bangkok, Thailand	100.0	100.0	
T&G Vizzarri Farms Pty Ltd, Tullamarine, Australia	50.0	50.0	Operational management as well as majority representation in management body
Taipa Water Supply Limited, Kerikeri, New Zealand	65.0	65.0	
Turners & Growers (Fiji) Limited, Suva, Republic of Fiji	70.0	70.0	
Turners & Growers Fresh Limited, Auckland, New Zealand	100.0	100.0	
Turners & Growers New Zealand Limited, Auckland, New Zealand	100.0	100.0	
Turners and Growers Horticulture Limited, Auckland, New Zealand	100.0	100.0	
Worldwide Fruit Limited, Spalding, UK	50.0	50.0	Initial consolidation on 02/01/2017 Operational management and control through executive board mandate
Building Materials Segment			
AFS Franchise-Systeme GmbH, Vienna, Austria	100.0	100.0	
Bad und Heizung Krampfl GmbH, Plattling, Germany	100.0	70.0	Acquisition of additional 30.0% of shares on 10/01/2017
BayWa Handels-Systeme-Service GmbH, Munich, Germany	100.0	100.0	
BayWa Vorarlberg HandelsGmbH, Lauterach, Austria	51.0	51.0	
Peter Frey GmbH, Wartenberg, Germany	51.0	51.0	
Energy Segment			
AMUR S.L.U., Barcelona, Spain	100.0	100.0	
Åshults Kraft AB, Malmö, Sweden	100.0	100.0	
Aufwind BB GmbH & Co. Zweiundzwanzigste Biogas KG, Regensburg, Germany	100.0	100.0	
Aufwind Schmack Első Biogáz Szolgáltató Kft., Szarvas, Hungary	100.0	100.0	
AWS Entsorgung GmbH Abfall und Wertstoff Service, Luckau, Germany	100.0	100.0	
BayWa Energie Dienstleistungs GmbH, Munich, Germany	100.0	100.0	
BayWa Ökoenergie GmbH, Munich, Germany	100.0	100.0	
BayWa r.e. Asia Pacific Pte. Ltd., Singapore, Republic of Singapore	100.0	100.0	
BayWa r.e. Australia Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 28/04/2017
BayWa r.e. Bioenergy GmbH, Regensburg, Germany	100.0	100.0	
BayWa r.e. España S.L.U., Barcelona, Spain	100.0	100.0	
BayWa r.e. Green Energy Products GmbH, Munich, Germany	100.0	100.0	
BayWa r.e. Italia Assets GmbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. Japan K.K., Tokyo, Japan	100.0	100.0	
BayWa r.e. Nordic AB, Malmö, Sweden	100.0	100.0	
BayWa r.e. Operation Services GmbH, Munich, Germany	100.0	100.0	
BayWa r.e. Operation Services S.r.l. (formerly: BayWa r.e. Italia S.r.l.), Milan, Italy	100.0	100.0	
BayWa r.e. Polska Sp. z o.o., Warsaw, Poland	100.0	100.0	
BayWa r.e. Progetti S.r.l., Milan, Italy	100.0	100.0	
BayWa r.e. renewable energy GmbH, Munich, Germany	100.0	100.0	
BayWa r.e. Rotor Service GmbH, Basdahl, Germany	100.0	100.0	
BayWa r.e. Rotor Service Holding GmbH, Munich, Germany	100.0	100.0	
BayWa r.e. Rotor Service Vermögensverwaltungs GmbH, Basdahl, Germany	100.0	100.0	
BayWa r.e. Scandinavia AB, Malmö, Sweden	76.0	76.0	
BayWa r.e. Solar Energy Systems GmbH, Tübingen, Germany	100.0	100.0	
BayWa r.e. Solar Energy Systems International Cooperations GmbH, Tübingen, Germany	100.0	–	Initial consolidation on 24/02/2017
BayWa r.e. Solar Projects LLC, Wilmington (Delaware), USA	100.0	100.0	
BayWa r.e. Solar Projects Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 29/04/2017
BayWa r.e. Solar Pte. Ltd., Singapore, Republic of Singapore	100.0	100.0	
BayWa r.e. Solar Systems Co., Ltd., Bangkok, Thailand	100.0	–	Initial consolidation on 30/01/2017
BayWa r.e. Solar Systems LLC, Wilmington (Delaware), USA	100.0	100.0	

	Share in capital in %	Previous year's share in capital in %*	Comment
BayWa r.e. Solar Systems Ltd., Machynlleth, UK	90.0	90.0	
BayWa r.e. Solar Systems Pty Ltd, Adelaide, Australia	100.0	100.0	
BayWa r.e. Solar Systems S.à r.l., Wemperhardt, Luxembourg	100.0	100.0	
BayWa r.e. Solar Systems S.r.l., Bozen (formerly: Tecno Spot - G.m.b.H., Bruneck), Italy	100.0	100.0	
BayWa r.e. Solar Systems SAS Lormont (formerly: MHH France SAS, Toulouse), France	100.0	99.0	
BayWa r.e. Solardächer II GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. Solarsystemer ApS, Svendborg, Denmark	100.0	100.0	
BayWa r.e. (Thailand) Co., Ltd., Bangkok, Thailand	100.0	100.0	
BayWa r.e. USA LLC, Wilmington (Delaware), USA	100.0	100.0	
BayWa r.e. Wind Pte. Ltd., Singapore, Republic of Singapore	100.0	–	Initial consolidation on 24/08/2017
BayWa r.e. Wind Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 11/10/2017
Biogas Meden Ltd., London, UK	100.0	100.0	
Biomethananlage Welbeck GmbH, Gräfelfing, Germany	100.0	100.0	
C.E.T. Clean Energy Trading GmbH, Munich, Germany	100.0	–	Initial consolidation on 13/12/2017
Cosmos Power S.L.U., Barcelona, Spain	100.0	100.0	
Diermeier Energie GmbH, Munich, Germany	100.0	100.0	
Energia Rinnovabile Pugliese S.r.l., Milan, Italy	100.0	100.0	
Ferguson HoldCo Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 01/12/2017
Ferguson Wind Farm Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 11/10/2017
Furukraft AB, Malmö, Sweden	100.0	100.0	
GENOL Gesellschaft m.b.H. & Co KG, Vienna, Austria	71.0	71.0	
Hughenden Solarfarm FinCo Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 07/03/2017
Hughenden Solarfarm HoldCo Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 07/03/2017
Interlubes GmbH, Würzburg (formerly: BayWa InterOil Mineralölhandelsgesellschaft mit beschränkter Haftung, Munich), Germany	100.0	–	Initial consolidation on 01/01/2017
Iraak Sun Farm Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 09/06/2017
Karadoc Solar Farm FinCo Pty Ltd., Melbourne, Australia	100.0	–	Initial consolidation on 21/03/2017
Karadoc Solar Farm HoldCo Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 21/03/2017
Kelsey Creek Solar Farm FinCo Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 23/12/2017
Kelsey Creek Solar Farm HoldCo Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 23/12/2017
Lyngsåsa Kraft AB, Malmö, Sweden	100.0	100.0	
Mid West SF No1 Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 24/05/2017
Mozart Wind, LLC, Wilmington (Delaware), USA	100.0	100.0	
Nhill HoldCo Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 01/12/2017
Nhill Wind Farm Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 11/10/2017
OneShore Energy GmbH, Berlin, Germany	100.0	–	Initial consolidation on 01/04/2017
Ouyen HoldCo Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 01/12/2017
Ouyen Solar Farm Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 11/10/2017
r.e Bioenergie Betriebs GmbH & Co. Dreiundzwanzigste Biogas KG, Regensburg, Germany	100.0	100.0	
r.e Bioenergie Betriebs GmbH & Co. Vierundzwanzigste Biogas KG, Regensburg, Germany	100.0	100.0	
r.e Bioenergie Betriebs GmbH & Co. Zehnte Biogas KG, Regensburg, Germany	100.0	100.0	
r.e Bioenergie Betriebs GmbH & Co. Zwölfte Biogas KG, Regensburg, Germany	100.0	100.0	
renerco plan consult GmbH, Munich, Germany	100.0	100.0	
Rock Power S.L.U., Barcelona, Spain	100.0	100.0	
Ryfors Vindkraft AB, Malmö, Sweden	100.0	100.0	
SBU Power Holdings Pte.Ltd., Singapore, Republic of Singapore	100.0	–	Initial consolidation on 07/03/2017
SBU Power Sdn. Bhd., Petaling Jaya, Malaysia	25.0	–	Initial consolidation on 07/03/2017 100% of voting rights
Schradenbiogas GmbH & Co. KG, Gröden, Germany	94.5	94.5	
Sjönnebol Kraft AB, Malmö, Sweden	100.0	100.0	
Solarmarkt GmbH, Aarau, Switzerland	100.0	100.0	
Solarpark Lynt GmbH, Gräfelfing, Germany	100.0	100.0	
Stormon Energi AB, Malmö, Sweden	100.0	100.0	
TESSOL Kraftstoffe, Mineralöle und Tankanlagen Gesellschaft mit beschränkter Haftung, Stuttgart, Germany	100.0	100.0	
Timboon HoldCo Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 01/12/2017
Timboon West Wind Farm Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 11/10/2017

	Share in capital in %	Previous year's share in capital in %*	Comment
Tuscania Energy S.r.l., Milan, Italy	100.0	100.0	
WAV Wärme Austria VertriebsgmbH, Vienna, Austria	89.0	89.0	
Wingenfeld Energie GmbH, Hünfeld, Germany	100.0	100.0	
Yatpool Solar Farm FinCo Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 20/03/2017
Yatpool Solar Farm HoldCo Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 20/03/2017
Yatpool Sun Farm Pty Ltd, Melbourne, Australia	100.0	–	Initial consolidation on 13/06/2017
Yawong HoldCo Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 01/12/2017
Yawong Wind Farm Pty Ltd, Collingwood, Australia	100.0	–	Initial consolidation on 11/10/2017
BayWa r.e. Asset Holding Group			
BayWa r.e. Asset Holding GmbH, Gräfelfing, Germany	100.0	100.0	
Aludra Energies SARL, Paris, France	100.0	100.0	
Arlena Energy S.r.l., Trento (formerly: Milan), Italy	100.0	100.0	
BayWa r.e. 148. Projektgesellschaft mbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. 203. Projektgesellschaft mbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. 205. Projektgesellschaft mbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. 206. Projektgesellschaft mbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. Asset Management GmbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. France SAS, Paris, France	100.0	100.0	
BayWa r.e. Hellas MEPE, Athens, Greece	100.0	100.0	
BayWa r.e. Italia S.r.l. (formerly: Windfarms Italia S.r.l.), Milan, Italy	100.0	100.0	
BayWa r.e. Operation Services Limited (formerly: Green Hedge Operational Services Limited), London, UK	100.0	100.0	
BayWa r.e. Solar Projects GmbH, Munich, Germany	100.0	100.0	
BayWa r.e. UK Limited, London, UK	100.0	100.0	
BayWa r.e. Wind GmbH, Munich, Germany	100.0	100.0	
BayWa r.e. Wind Verwaltungs GmbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. Windpark Arlena GmbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. Windpark Gravina GmbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. Windpark Guasila GmbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. Windpark San Lupo GmbH, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. Windpark Tuscania GmbH, Gräfelfing, Germany	100.0	100.0	
Berthllwyd Solar Project Limited, Milton Keynes (formerly: London), UK	100.0	100.0	
Bilsborrow Solar Project Limited, Milton Keynes (formerly: London), UK	100.0	100.0	
Bishopthorpe (Holdings) Limited (formerly: Bish (Holdings) Limited), London, UK	100.0	100.0	
Bodwen Solar Project Limited, Milton Keynes (formerly: London), UK	100.0	100.0	
Breathe Energia in Movimento S.r.l., Trento, Italy	50.0	50.0	Control by appointing management
C.P.E.S. Les Lacs Medocains de la Redoune SARL, Paris, France	100.0	–	Initial consolidation on 05/04/2017
C.P.E.S. Les Lacs Medocains du Bourg d'Hourtin SARL, Paris, France	100.0	–	Initial consolidation on 05/04/2017
C.P.E.S. Les Lacs Medocains du Gartiou SARL, Paris, France	100.0	–	Initial consolidation on 05/04/2017
Dörenhagen Windenergieanlagen GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
Ebnal Lodge Solar Project Limited, Milton Keynes (formerly: London), UK	100.0	100.0	
Eolica San Lupo S.r.l., Trento, Italy	100.0	100.0	
Free Mountain Systems S.L.U., Barcelona, Spain	100.0	–	Initial consolidation on 24/02/2017
FW Kamionka Sp. z o.o., Kamionka, Poland	100.0	100.0	
Hunger Hill Solar Project Limited, Milton Keynes (formerly: London), UK	100.0	100.0	
Les Landes Energies SARL, Paris, France	100.0	–	Initial consolidation on 28/03/2017
Parc Eolien du Chemin du Roy SARL, Paris, France	100.0	–	Initial consolidation on 03/05/2017
Parco Solare Smeraldo S.r.l., Bozen, Italy	100.0	100.0	
Parque Eólico La Carracha S.L., Zaragoza, Spain	74.0	74.0	
Parque Eólico Plana de Jarreta S.L., Zaragoza, Spain	74.0	74.0	
Quilly Guenrouet Energies SARL, Paris, France	100.0	100.0	
RENERCO GEM 1 GmbH, Gräfelfing, Germany	100.0	100.0	
RENERCO GEM 2 GmbH, Gräfelfing, Germany	100.0	100.0	
Ruschberg Infrastruktur GmbH & Co. KG, Gräfelfing, Germany	100.0	–	Initial consolidation on 30/06/2017
Sandhutton Solar Project Limited, Milton Keynes (formerly: London), UK	100.0	100.0	

	Share in capital in %	Previous year's share in capital in %*	Comment
Solarpark Aquarius GmbH & Co. KG, Gräfeling (formerly: Munich), Germany	100.0	100.0	
Solarpark Aries GmbH & Co. KG, Gräfeling (formerly: Munich), Germany	100.0	100.0	
Solarpark Aston Clinton GmbH, Gräfelfing, Germany	100.0	100.0	
Solarpark Homestead GmbH, Gräfelfing, Germany	100.0	100.0	
Solarpark Lupus GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
Solarpark Vine Farm GmbH, Gräfelfing, Germany	100.0	100.0	
SPM Solarpark Möhlau GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
Sun Energy No.1 G.K., Tokyo, Japan	100.0	–	Initial consolidation on 08/09/2017
Sunshine Movement GmbH, Munich, Germany	100.0	100.0	
Tessennano Energy S.r.l., Trento (formerly: Milan), Italy	100.0	100.0	
Tierceline Energies SAS, Paris, France	100.0	100.0	
Umspannwerk Klein Bünsdorf GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
Wathegar 2 Limited, London, UK	100.0	100.0	
Windfarm Fraisthorpe GmbH, Gräfelfing, Germany	100.0	100.0	
Windpark Berschweiler GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
Windpark Finkenbach-Gersweiler GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
Windpark Hettstadt GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
Windpark Holle-Sillium GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
Windpark Kamionka GmbH, Gräfelfing, Germany	100.0	100.0	
Windpark Melfi GmbH, Gräfelfing, Germany	100.0	100.0	
Windpark Pferdsfeld GmbH & Co. KG, Gräfelfing, Germany	100.0	–	Initial consolidation on 31/12/2017
Windpark Spechenwald GmbH & Co. KG, Lebach, Germany	100.0	–	Initial consolidation on 22/12/2017
Windpark Uphuser Mark GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
Windpark Wilhelmshöhe GmbH & Co. KG, Gräfelfing, Germany	100.0	100.0	
BayWa r.e. Wind Group			
Amadeus Wind, LLC, Wilmington (Delaware), USA	100.0	–	Initial consolidation on 01/01/2017
BayWa r.e. Wind, LLC, Wilmington (Delaware), USA	95.0	95.0	
Chopin Wind, LLC, Wilmington (Delaware), USA	100.0	100.0	
Ravel Wind, LLC, Wilmington (Delaware), USA	100.0	–	Initial consolidation on 01/01/2017
Schumann Wind, LLC, Wilmington (Delaware), USA	100.0	–	Initial consolidation on 01/01/2017
Strauss Wind, LLC, San Diego, USA	100.0	–	Initial consolidation on 01/01/2017
ECOWIND Group			
ECOWIND Handels- & Wartungs-GmbH, Kilb, Austria	100.0	100.0	
ECOwind d.o.o., Zagreb, Croatia	100.0	100.0	
Eko-En Drozkow Sp. z o.o., Warsaw (formerly: Żary), Poland	60.0	60.0	
Eko-En Polanow 1 Sp. z o.o., Warsaw (formerly: Koszalin), Poland	100.0	75.0	
Eko-En Polanow 2 Sp. z o.o., Warsaw (formerly:Koszalin), Poland	100.0	75.0	
Eko-En Skibno Sp. z o.o., Koszalin, Poland	75.0	75.0	
Eko-En Żary Sp. z o.o., Warsaw (formerly: Żary), Poland	60.0	60.0	
Eko-Energetyka Sp. z o.o., Rezesów, Poland	100.0	100.0	
Ewind Sp. z o.o., Rezesów, Poland	75.0	75.0	
Park Eolian Limanu S.r.l., Sibiu, Romania	99.0	99.0	
Samsonwind Wirtsnock GmbH, Thomatal, Austria	80.0	80.0	
SC Puterea Verde S.r.l., Sibiu, Romania	75.3	75.3	
Vjetroelektrana Orjak d.o.o., Zagreb (formerly: Split), Croatia	100.0	80.8	
Windpark Bärofen GmbH, Kilb, Austria	100.0	100.0	
Windpark Fürstkogel GmbH, Kilb, Austria	100.0	100.0	
Windpark Hiesberg GmbH, Kilb, Austria	100.0	100.0	
Windpark Kraubatheck GmbH, Kilb, Austria	100.0	100.0	
Innovation & Digitalisation Segment			
FarmFacts GmbH, Pfarrkirchen, Germany	100.0	100.0	
VISTA Geowissenschaftliche Fernerkundung GmbH, Munich, Germany	51.0	–	Initial consolidation on 01/08/2017

	Share in capital in %	Previous year's share in capital in %*	Comment
Other Activities Segment (including financial participation)			
Bautechnik Gesellschaft m.b.H., Vienna, Austria	100.0	100.0	
BayWa Agrar Beteiligung Nr. 2 GmbH, Munich, Germany	100.0	100.0	
BayWa Agrar Beteiligungs GmbH, Munich, Germany	100.0	100.0	
BayWa Agri GmbH & Co. KG, Munich, Germany	100.0	100.0	
BayWa Pensionsverwaltung GmbH, Munich, Germany	100.0	100.0	
DRWZ-Beteiligungsgesellschaft mbH, Munich, Germany	64.3	64.3	
Frucom Fruitimport GmbH, Hamburg, Germany	100.0	100.0	
Immobilienvermietung Gesellschaft m.b.H., Traun, Austria	100.0	100.0	
Jannis Beteiligungsgesellschaft mbH, Munich, Germany	100.0	100.0	
Karl Theis GmbH, Munich, Germany	100.0	100.0	
Raiffeisen-Lagerhaus Investitionsholding GmbH, Vienna, Austria	100.0	100.0	
RI-Solution Data GmbH, Vienna, Austria	100.0	100.0	
RI-Solution GmbH Gesellschaft für Retail-Informationssysteme, Services und Lösungen mbH, Munich, Germany	100.0	100.0	
RUG Raiffeisen Umweltgesellschaft m.b.H., Vienna, Austria	75.0	75.0	
RWA International Holding GmbH, Vienna, Austria	100.0	100.0	
RWA Invest GmbH (formerly: Agroterra Warenhandel und Beteiligungen GmbH), Vienna, Austria	100.0	100.0	
Unterstützungseinrichtung der BayWa Aktiengesellschaft in München GmbH, Munich, Germany	100.0	100.0	
WealthCap Portfolio Finanzierungs-GmbH & Co. KG, Grünwald, Germany	100.0	100.0	
Cross-segment subsidiaries			
"UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria (for short: UNSER LAGERHAUS) (Segments: Agriculture, Energy, Building Materials)	51.1	51.1	
Raiffeisen-Lagerhaus GmbH, Bruck an der Leitha, Austria (Segments: Agriculture, Energy, Building Materials)	89.9	89.9	
RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria (for short: RWA AG) (Segments: Agriculture, Energy, Building Materials; Other Activities)	50.0	50.0	Majority of voting rights

* The presentation of the group of consolidated companies does not include the 33 companies deconsolidated in 2017

Additions to the group of consolidated companies in the financial year 2017

Addition: Thegra Tracomex B.V., Oosterhout, Netherlands

BayWa AG, Munich, Germany, took over 100% of the shares in Thegra Tracomex B.V., Oosterhout, Netherlands, through Dutch Group company Cefetra B.V., Rotterdam, Netherlands, by way of a share deal. The acquisition is part of the specialisation strategy of the BayWa Agri Supply & Trade (BAST) business unit. Thegra Tracomex B.V., and its subsidiaries, trades in specialities, such as barley, oats, legumes and organic produce. Cefetra B.V. has had a controlling influence over Thegra Tracomex B.V. and its subsidiaries Thenergy B.V., Oosterhout, Netherlands; RIVEKA BVBA, Boom, Belgium; Thegra Poland Sp. Z o.o., Warsaw, Poland; and BioCore B.V., Oosterhout, Netherlands, since 9 January 2017, the date when the purchase price was paid for the acquired shares. The initial consolidation of the company therefore took place for reasons of materiality and practicability on 1 January 2017 within the scope of full consolidation.

The cost of the shares comes to €27.156 million and includes the contractually agreed purchase price component of €15.047 million, which was disbursed in January. The purchase agreement also includes contingent purchase price components, which, depending on the respective EBIT determined for the financial years 2017 through 2019, amount to a maximum of €13.900 million. In view of the expected performance of Thegra Tracomex B.V. and its subsidiaries as at the time of acquisition, contingent purchase price components were recognised at a total of €10.200 million; these have now been increased to €12.109 million due to improved earnings forecasts.

The transaction costs incurred in connection with the acquisition of the shares amount to €0.660 million. In the financial year 2017, these costs are included in the income statement under other operating expenses.

The net assets acquired in connection with the purchase of Thegra Tracomex B.V. and its subsidiaries break down as follows:

in € million	Book value	Fair value adjustments	Fair value
Intangible assets	–	15.672	15.672
Property, plant and equipment	0.281	–	0.281
Financial assets	3.643	–	3.643
Inventories	10.449	0.302	10.751
Financial assets	5.503	–	5.503
Receivables and other assets	13.624	–	13.624
Deferred tax assets	–	–	–
Cash and cash equivalents	–	–	–
Non-current liabilities	–	–	–
Current liabilities	27.047	–	27.047
Deferred tax liabilities	–	3.993	3.993
	6.453	**11.980**	**18.433**
Goodwill			8.722
Total purchase price			**27.156**

The hidden reserves and hidden encumbrances identified when allocating the purchase price were identified using expert opinions and the income capitalisation approach or observable market prices. The series of payments in the income capitalisation approach, fixed at economic useful lives of 6 years, were based on a discount factor of 4.7%.

The goodwill resulting from the transaction includes non-separable intangible assets such as employee expertise and expected synergy effects. Goodwill is not tax deductible. The gross amount of the receivables amounted to €13.624 million as at the time of acquisition; the full amount is considered to be recoverable.

Since 1 January 2017, the date of its initial inclusion in the group of consolidated companies, Thegra Tracomex B.V. and its subsidiaries has generated revenues of €199.249 million and gains of €5.326 million.

Addition: Lagerhaus Technik-Center GmbH & Co KG, Korneuburg, Austria
BayWa AG, Munich, Germany, took over 19.84% of the shares in Lagerhaus Technik-Center GmbH & Co KG, Korneuburg, Austria, through Group company RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria, by way of a share deal. Lagerhaus Technik-Center GmbH & Co KG was recognised as an equity holding up until the point of the successive acquisition. Together with the 29.91% previously held by RWA Raiffeisen Ware Austria Aktiengesellschaft and the 2.16% held by Raiffeisen-Lagerhaus GmbH, Bruck an der Leitha, Austria, BayWa AG has held 51.91% of shares since the time of acquisition. BayWa AG has expanded its agriculture portfolio in the area of agricultural machinery trading through the successive acquisition of Lagerhaus Technik-Center GmbH & Co KG. BayWa AG's controlling influence on Lagerhaus Technik-Center GmbH & Co KG and its subsidiary PARGA Park- und Gartentechnik Gesellschaft m.b.H., Aderklaa, Austria, has existed since 31 August 2017, the date when the purchase price was paid for the acquired shares. The initial consolidation of the company therefore took place for reasons of materiality and practicability on 01 September 2017 within the scope of full consolidation.

The total cost of the 51.91% share came to €1.925 million. This amount included the contractually agreed purchase price component of €1.270 million, which was disbursed in August for the acquisition of an additional 19.84% share, as well as the equity holding recognised by RWA Raiffeisen Ware Austria Aktiengesellschaft and Raiffeisen-Lagerhaus GmbH of €0.394 million.

The transaction costs incurred in connection with the acquisition of the shares amount to €0.005 million. In the financial year 2017, these costs were recognised in the income statement under other operating expenses.

The net assets acquired in connection with the purchase of Lagerhaus Technik-Center GmbH & Co KG and its subsidiaries break down as follows:

in € million	Book value	Fair value adjustments	Fair value
Intangible assets	0.203	–	0.203
Property, plant and equipment	3.866	–	3.866
Financial assets	–	–	–
Inventories	33.817	–	33.817
Financial assets	–	–	–
Receivables and other assets	13.898	–	13.898
Deferred tax assets	1.026	–	1.026
Cash and cash equivalents	1.165	–	1.165
Non-current liabilities	17.163	–	17.163
Current liabilities	34.692	–	34.692
Deferred tax liabilities	–	–	–
	2.120	–	**2.120**
Proportionate net assets			1.100
Goodwill			0.825
Total cost			**1.925**
Share of the shareholders of the parent company in goodwill			0.398

The portion of net assets of €1.020 million attributable to the non-controlling shares in Lagerhaus Technik-Center GmbH & Co KG comprises the fair value of the assets and liabilities attributable to minority interests.

The gross amount of the receivables amounted to €12.176 million as at the time of acquisition; of this amount, €11.420 million is considered to be recoverable.

Since 1 September 2017, the date of its initial inclusion in the group of consolidated companies, Lagerhaus Technik-Center GmbH & Co KG and its subsidiaries has generated revenues of €38.962 million and a loss of €0.747 million. If the purchase of the company had been concluded by the first day of the financial year, the share in consolidated revenues would have been €78.294 million higher and the consolidated profit attributable to investors €2.728 million lower. The goodwill resulting from the transaction was written off in the financial year due to an impairment.

Obtaining control: Worldwide Fruit Limited, Spalding, UK
BayWa AG, Munich, Germany, obtained control pursuant to IFRS 10 of Worldwide Fruit Limited, Spalding, UK, effective 2 January 2017 through Group company ENZAFRUIT New Zealand (U.K.) Limited, Luton, UK, a subsidiary of T&G Global Limited, Auckland, New Zealand, which had until this date been recognised as a joint venture pursuant to the provisions of the equity method.

Following the restructuring of the articles of association, Group company T&G Global Limited still holds 50% of the shares in Worldwide Fruit Limited through its subsidiary ENZAFRUIT New Zealand (U.K.) Limited. The remaining 50% of the shares continue to be held by Fruition PO Limited, Whitstable, UK. As the amended articles of association state that ENZAFRUIT New Zealand (U.K.) Limited is responsible for the company's operational management and that ENZAFRUIT New Zealand (U.K.) Limited has the right to approve the annual business plan and the budget and appoint the Chief Executive Officer and three of the six members of the Supervisory Board, this company is controlled by ENZAFRUIT New Zealand (U.K.) Limited pursuant to the provisions of IFRS 10; as a result, the company is to be included in BayWa AG's consolidated financial statements in accordance with the standards applicable to full consolidation. The company was included in the consolidated financial statements as at 2 January 2017.

The cost to be applied within the scope of the consolidation is made up of the fair value of the shares previously recognised at equity in Worldwide Fruit Limited (€8.692 million). The measurement at fair value of the shares held in Worldwide Fruit Limited resulted in an accounting profit of €4.587 million. This amount is included in the income statement under other operating income.

The net assets of Worldwide Fruit Limited acquired in connection with the transaction break down as follows:

in € million	Book value	Fair value adjustments	Fair value
Intangible assets	0.227	2.146	2.373
Property, plant and equipment	8.644	–	8.644
Financial assets	0.467	–	0.467
Inventories	2.862	–	2.862
Financial assets	–	–	–
Receivables and other assets	14.571	–	14.571
Deferred tax assets	0.029	- 0.029	–
Cash and cash equivalents	1.386	–	1.386
Non-current liabilities	3.478	–	3.478
Current liabilities	18.348	–	18.348
Deferred tax liabilities	–	0.400	0.400
	6.360	**1.717**	**8.077**
Proportionate net assets			4.987
Goodwill			3.705
Total purchase price			**8.692**
Portion of net assets attributable to non-controlling shares			3.090
Share of the shareholders of the parent company in goodwill			2.741

The portion of net assets of €3.090 million attributable to the non-controlling shares in Worldwide Fruit Limited comprises the fair value of the assets and liabilities attributable to minority interests.

The hidden reserves and hidden encumbrances identified when allocating the purchase price were identified using expert opinions and the income capitalisation approach or observable market prices. The goodwill resulting from the transaction includes non-separable intangible assets such as employee expertise and anticipated synergy effects. Goodwill is not tax deductible.

The gross amount of the receivables amounted to €14.714 million as at the time of acquisition; of this amount, €14.571 million is considered to be recoverable.

Since 2 January 2017, the date of its initial inclusion in the group of consolidated companies, Worldwide Fruit Limited has generated revenues of €126.172 million and gains of €0.831 million.

Other additions of secondary importance
In addition, the following additions were made to the group of consolidated companies, which taken both individually and as a whole, do not have a material effect on the assessment of the assets, financial position and earnings position of the BayWa Group.

- Bad und Heizung Krampfl GmbH, Plattling, Germany
  BayWa AG, Munich, Germany, acquired a further 30% share in Bad und Heizung Krampfl GmbH, Plattling, Germany, with effect as of 10 January 2017, meaning that BayWa AG has been entitled to 100% of the shares in this company since the acquisition. The cost of the shares comes to €0.326 million and includes the contractually agreed purchase price component of €0.326 million, which was disbursed in January. The book value of the previous minority interests in the equity of Bad und Heizung Krampfl GmbH amounted to €0.029 million as at the time of acquisition. As a result of this transaction, the other shareholders' interest in equity included in the consolidated financial statements declined by €0.029 million and the equity attributable to the shareholders of the parent company decreased by €0.297 million due to the offsetting of the difference arising from the additional acquisition. No additional transaction costs were incurred in connection with the purchase of additional shares.
- BayWa r.e. Wind Pty Ltd, Collingwood, Australia, and BayWa r.e. Solar Pte. Ltd., Singapore, Republic of Singapore
  In order to expand its renewable energy business in the Australian market, BayWa AG, Munich, Germany, acquired project company BayWa r.e. Wind Pty Ltd, Collingwood, Australia, through a subsidiary of BayWa r.e. GmbH and cemented its activities in the Australian onshore wind sector. In addition, BayWa r.e. expanded its presence in the Australian solar market through BayWa r.e. Solar Pte. Ltd., Singapore, Republic of Singapore, by establishing a number of different project companies.

- C.E.T. Clean Energy Trading GmbH, Munich, Germany
  BayWa AG, Munich, Germany, acquired a 100% share in C.E.T. Clean Energy Trading GmbH, Leipzig, Germany, through Group company BayWa r.e. renewable energy GmbH, Munich, Germany, as part of a share deal with the aim of expanding renewable energy business activities. BayWa r.e. renewable energy GmbH has had a controlling influence over C.E.T. Clean Energy Trading GmbH, Munich, Germany, since 13 December 2017. The initial consolidation of the company therefore took place on this date within the scope of full consolidation.
- Lagerhaus Neustift im Stubaital, Neustift im Stubaital, Austria
  Through the Group company "UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT mbH, Klagenfurt, Austria, BayWa AG, Munich, Germany, acquired the business operations of “Lagerhaus Neustift im Stubaital”, which comprise trade business involving building materials as well as house and gardening articles, from Raiffeisenbank Neustift im Stubai reg.Gen.m.b.H., Neustift im Stubaital, Austria, by way of an asset deal with effect from 1 January 2017 to expand its building materials activities. By way of this takeover, the BayWa Group is strengthening its network of locations in Tyrol, Austria. The cost of the acquired net assets comes to €0.605 million.
- Landhandel Knaup GmbH, Borchen, Germany
  BayWa AG, Munich, Germany, acquired a 51% share in Landhandel Knaup GmbH, Borchen, Germany, as part of a share deal. By way of this acquisition, BayWa AG is expanding its agriculture portfolio. Landhandel Knaup GmbH and its subsidiary LHD Landhandel Drebkau Import und Export GmbH’s (Drebkau, Germany) core area of expertise is providing customers from agriculture and industry with high-quality products, reliable services and effective logistics for orders of all sizes. BayWa AG has had a controlling influence over Landhandel Knaup GmbH since 1 August 2017, the date when the purchase price was paid for the acquired shares. The initial consolidation of the company therefore took place on this date within the scope of full consolidation.
- Mischfutterproduktion Rauch, Innsbruck, Austria
  "UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT mbH, Klagenfurt, Austria, acquired the Mischfutterproduktion Rauch activities, which include the production and trading of mixed feed products, from Anton Rauch GmbH & Co KG, Innsbruck, Austria, effective as at 1 November 2017 as part of an asset deal in order to expand its activities in the Agriculture Segment. This acquisition strengthens "UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT mbH’s position in the mixed feed sector in Tyrol, Austria. The cost of the acquired net assets comes to €2.360 million.
- OneShore Energy GmbH, Berlin, Germany
  BayWa AG, Munich, Germany, took over 100% of the shares in OneShore Energy GmbH, Berlin, Germany, through Group company BayWa r.e. renewable energy GmbH, Munich, Germany, by way of a share deal to expand its renewable energies activities. BayWa r.e. renewable energy GmbH has had a controlling influence over OneShore Energy GmbH since 1 April 2017. The initial consolidation of the company therefore took place on this date within the scope of full consolidation.
- VISTA Geowissenschaftliche Fernerkundung GmbH, Munich, Germany
  BayWa AG, Munich, Germany, acquired a 51% share in VISTA Geowissenschaftliche Fernerkundung GmbH, Munich, Germany, as part of a share deal. This company specialises in satellite-based remote sensing services and applications for agriculture, water management and the environment. It develops digital solutions that draw on satellite data, such as accurate local forecasts of nutrient and water requirements. The acquisition is a further step in the BayWa Group’s digitalisation efforts. BayWa AG has had a controlling influence over VISTA Geowissenschaftliche Fernerkundung GmbH since 25 July 2017, the date when the purchase price was paid for the acquired shares.

Restructuring within the T&G Global Group

- Share reduction: Delica North America Inc., Torrance, USA
  Effective 6 April 2017, Delica Limited, Auckland, New Zealand, a subsidiary of T&G Global Limited, Auckland, New Zealand, reduced its shares in Delica North America Inc., Torrance, USA, from 100% to 50%. The sold 50% of the shares have been held by Grandview Brokerage Ltd., Coquitlam, Canada, since 6 April 2017. This reduction results from the restructuring of the US-based subsidiaries of T&G Global Limited, which aims to improve the supplying and servicing of North American and international customers. This change in investments will not result in T&G Global Limited losing control over Delica North America Inc., as T&G Global Limited continues to hold 60% of the voting rights and rights to the returns of this company through its subsidiary Delica Limited.

  The consideration received for the shares amounts to €8.284 million and results in an increase in the equity attributable to the parent company from the adjustment against equity. Conversely, the reduction in shares leads to a €3.421 million increase in the shares of other shareholders in equity which, in turn, is accompanied by an equal reduction in the equity attributable to the parent company’s shareholders.

- Mergers: ENZA Investments USA, Inc., Seattle, USA / ENZA Fresh, Inc., Seattle, USA / Grandview Brokerage LLC, Seattle, USA
  Shareholding changes: David Oppenheimer and Company I, L.L.C., Seattle, USA / David Oppenheimer Transport Inc., Wilmington (Delaware), USA
  As part of the restructuring of US-based subsidiaries of T&G Global Limited, Auckland, New Zealand, ENZA Investments USA, Inc., Seattle, USA, was merged with ENZA Fresh, Inc., Seattle, USA, effective as at 20 March 2017. Subsequently, ENZA Fresh, Inc. was merged with Grandview Brokerage LLC, Seattle, USA, on 6 April 2017. On account of this merger, T&G Global Limited lost its controlling influence over ENZA Fresh, Inc. and received a 39.39% equity holding in Grandview Brokerage LLC in return. The remaining 60.61% is held by Grandview Brokerage Ltd., Coquitlam, Canada. Since then, Grandview Brokerage LLC has been recognised within the BayWa Group as an associate under the equity method.

  The shares in David Oppenheimer and Company I, L.L.C., Seattle, USA, and David Oppenheimer Transport Inc., Wilmington (Delaware), USA, previously held by ENZA Investments USA, Inc. have been held by Grandview Brokerage LLC since 6 April 2017 and have been recognised indirectly within the BayWa Group since this date. The share in David Oppenheimer and Company I, L.L.C. was increased from 15% to 100%.

  At the moment, there is an option to choose between IFRS 10 and IAS 28 when it comes to contributing a subsidiary to an associate or a joint venture. If the transaction leads to a loss of control over the subsidiary, the shares received in return can be measured at fair value and the resulting profit recognised in full in the income statement. If, however, the transaction is measured as the disposal of assets held in an associate or a joint venture as defined under IAS 28, profit and loss is to only be recognised in accordance with the shares of the independent owners of the associate or joint venture. The BayWa Group has chosen to apply the option under IFRS 10, as the restructuring resulted in a loss of control over the subsidiary ENZA Fresh, Inc. In addition, there was a material change in the nature of the equity holdings in David Oppenheimer and Company I, L.L.C. and David Oppenheimer Transport Inc., and an amendment to the articles of association resulted in a change in decision-making powers in relation to the two aforementioned David Oppenheimer companies. The shares in Grandview Brokerage LLC were recognised at fair value.

  The consideration received in return for the shares in Grandview Brokerage LLC amounted to €17.426 million. In return, the merger with ENZA Fresh, Inc. resulted in a reduction of the book value of €8.734 million. The resulting profit in the amount of €8.692 million was recognised under other operating income in the income statement.

In summary, all additions to assets (excluding goodwill) and liabilities from company acquisitions according to major category break down as follows for the financial year 2017:

in € million	Additions from company acquisition in the financial year 2017
Intangible assets	24.255
Property, plant and equipment	16.966
Financial assets	4.113
Inventories	50.997
Financial assets	5.503
Receivables and other assets	49.210
Deferred tax assets	1.101
Cash and cash equivalents	4.259
Non-current liabilities	25.187
Current liabilities	93.710
Deferred tax liabilities	4.397

Disposals from the group of consolidated companies in the financial year 2017

On 24 July 2017, Thegra Tracomex B.V., Oosterhout, Netherlands, sold 100% of its shares in Thegra Poland Sp. z o.o., Warsaw, Poland. The effect of this transaction on the consolidated financial statements is as follows:

Consideration received

in € million	
Consideration received in the form of cash and cash equivalents for the sold shares	0.529

Assets and liabilities derecognised owing to control relinquished

in € million	
Non-current assets	
Intangible assets	–
Property, plant and equipment	0.039
Financial assets	–
Deferred tax assets	–
	0.039
Current assets	
Inventories	–
Receivables and other assets	4.981
Cash and cash equivalents	0.472
	5.453

in € million	
Non-current liabilities	
Non-current provisions	–
Financial liabilities	0.026
Trade payables and other liabilities	–
Deferred tax liabilities	0.021
	0.047
Current liabilities	
Current provisions	0.038
Financial liabilities	–
Trade payables and other liabilities	4.749
	4.787
Net assets on the disposal date	**0.658**

Gains/losses from the disposal of Group companies

in € million	
Consideration received for the sold shares	0.529
Net assets relinquished	- 0.658
Disposal result	**- 0.129**

Profit and loss from disposals is included in the income statement under other operating expenses.

Incoming net cash and cash equivalents from the disposal of Group companies

in € million	
Purchase price settled through cash and cash equivalents	0.529
Less cash and cash equivalents paid out in connection with the disposal	0.472
	0.057

On 26 January 2017, Solarpark Vine Farm GmbH, Gräfelfing, Germany, sold 100% of its shares in Vine Farm Solar Wendy Ltd., London, UK, and BayWa r.e. Solar Projects GmbH, Munich, Germany, sold 100% of its shares in Rose & Crown Solar PV Limited, London, UK.

BayWa r.e. Bioenergy GmbH, Regensburg, Germany, sold 100% of its shares in Aufwind BB GmbH & Co. Bioenergie Dessau Sechzehnte KG, Regensburg, Germany, and Aufwind BB GmbH & Co. Sechsundzwanzigste Biogas KG, Regensburg, Germany on 22 February 2017.

BayWa r.e. Wind, LLC, Wilmington (Delaware), USA, sold 100% of its shares in Coachella Wind, LLC, Wilmington (Delaware), USA, on 22 March 2017.

Bish (Holdings) Limited, London, UK, sold 100% of its shares in Bishopthorpe Wind Farm Limited, London, UK, on 30 June 2017.

BayWa r.e. Wind GmbH, Munich, Germany, sold 100% of its shares in Windpark Stockelsdorf GmbH & Co. KG, Gräfelfing, Germany, Windpark Cashagen GmbH & Co. KG, Gräfelfing, Germany, and Windpark Dissau GmbH & Co. KG, Gräfelfing, Germany, on 30 June 2017. The shares that the above companies held in WP WD Infrastruktur GmbH & Co. KG, Gräfelfing, Germany, were also sold.

BayWa r.e. Wind, LLC, Wilmington (Delaware), USA, sold 100% of its shares in Big Timber Wind LLC, Missoula, USA, on 31 October 2017.

On 30 November 2017, BayWa r.e. Solar Projects GmbH, Munich, Germany, sold 100% of its shares in Rasharkin Solar PV Ltd., London, UK, and EEB7 Limited, London, UK.

BayWa r.e. France SAS, Paris, France, sold 100% of its shares in Eole de Plan Fleury SAS, Paris, France, and in Les Renardieres SAS, Paris, France, on 18 December 2017.

On 20 December 2017, BayWa r.e. Asset Holding GmbH, Gräfelfing, Germany, sold 100% of its shares in Windfarm Lacedonia GmbH, Gräfelfing, Germany. As a result, 55% of the shares it held in Alisea S.r.l., Rovereto, Italy, together with the 10% share held by BayWa r.e. Italia S.r.l., Milan, Italy, were sold.

BayWa r.e. USA LLC, Wilmington (Delaware), USA sold 100% of its shares in Wagner Wind, LLC, Wilmington (Delaware), USA, effective as at 29 December 2017.

BayWa r.e. Wind GmbH, Munich, Germany, sold 100% of its shares in Windpark Reichweiler GmbH & Co. KG, Gräfelfing, Germany, and Windpark Winterborn II GmbH & Co. KG, Gräfelfing, Germany, on 31 December 2017.

The effect of the loss of control resulting from these sales on the consolidated financial statements is as follows:

Consideration received

in € million	
Consideration received in the form of cash and cash equivalents for the sold shares	111.173

Assets and liabilities derecognised owing to control relinquished

in € million	
Non-current assets	
Intangible assets	–
Property, plant and equipment	8.125
Financial assets	–
Deferred tax assets	16.100
	24.225
Current assets	
Inventories	441.630
Receivables and other assets	43.504
Cash and cash equivalents	27.508
	512.642

in € million	
Non-current liabilities	
Non-current provisions	5.693
Financial liabilities	263.251
Trade payables and other liabilities	1.091
Deferred tax liabilities	1.405
	271.440
Current liabilities	
Current provisions	5.908
Financial liabilities	191.846
Trade payables and other liabilities	23.822
	221.576
Net assets on the disposal date	**43.851**

Gains/losses from the disposal of Group companies

in € million	
Consideration received for the sold shares	111.173
Net assets relinquished	- 43.851
Disposal gain	**67.322**
of which: attributable to minority shareholders	- 1.868
of which: attributable to shareholders of the parent company	69.190

In the case of project companies in the Renewable Energies business unit, disposals are disclosed in the income statement under revenues and changes in inventories, while tax components are disclosed under tax expenses, as the disposal of these companies following the completion of the corresponding asset is the primary component of operating activities. The disposal of Wagner Wind, LLC, Wilmington (Delaware), USA, – as an existing asset – is recognised under other operating income.

Incoming net cash and cash equivalents from the disposal of Group companies

in € million	
Purchase price settled through cash and cash equivalents	111.173
Less cash and cash equivalents paid out in connection with the disposal	- 27.508
	83.665

Material non-controlling shares

Companies in which BayWa AG either directly or indirectly holds less than 100% of the capital and voting rights are also included in BayWa AG's consolidated financial statements.

The summary of financial information for Group companies in which non-controlling shares are held is as follows:

	T&G Global Limited, Auckland, New Zealand		RWA Raiffeisen Ware Austria AG, Vienna, Austria	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Share in the capital and voting rights held by the non-controlling shares	26.01%	26.01%	50.00%	50.00%
in € million				
Share in the annual result attributable to non-controlling shares	1.580	- 0.776	8.050	3.588
Aggregated non-controlling shares	25.069	27.556	171.566	150.222
Dividends distributed to non-controlling shares	1.229	1.248	2.108	2.108
Financial information (prior to consolidation)				
Current assets	115.811	92.141	395.490	381.288
Non-current assets	170.117	223.229	262.591	239.367
Current liabilities	94.589	103.598	254.355	279.686
Non-current liabilities	94.955	105.825	60.594	40.525
Revenues	–	–	1,187.029	1,165.158
Net income	6.076	- 2.983	16.101	7.177
Other earnings	- 0.302	- 0.016	31.047	24.535
Total earnings	**5.774**	**- 2.999**	**47.148**	**31.712**

	"UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria		BayWa Vorarlberg HandelsGmbH, Lauterach, Austria	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Share in the capital and voting rights held by the non-controlling shares	48.94%	48.94%	49.00%	49.00%
in € million				
Share in the annual result attributable to non-controlling shares	3.030	2.879	0.942	0.896
Aggregated non-controlling shares	34.362	33.129	6.491	6.586
Dividends distributed to non-controlling shares	1.475	1.167	1.470	0.992
Financial information (prior to consolidation)				
Current assets	104.807	101.868	15.754	14.082
Non-current assets	82.979	81.909	18.821	19.025
Current liabilities	100.013	99.510	14.942	12.413
Non-current liabilities	17.561	16.575	6.386	7.253
Revenues	494.374	464.313	79.364	69.314
Net income	6.190	5.883	1.923	1.828
Other earnings	- 0.540	- 0.850	- 0.017	- 0.052
Total earnings	**5.650**	**5.033**	**1.906**	**1.776**

	TFC Holland B.V., De Lier, Netherlands	
	31/12/2017	31/12/2016
Share in the capital and voting rights held by the non-controlling shares	31.58%	31.58%
in € million		
Share in the annual result attributable to non-controlling shares	1.205	1.223
Aggregated non-controlling shares	3.882	3.845
Dividends distributed to non-controlling shares	1.168	–
Financial information (prior to consolidation)		
Current assets	21.052	22.190
Non-current assets	5.251	5.159
Current liabilities	13.190	14.313
Non-current liabilities	0.820	0.860
Revenues	62.990	51.182
Net income	3.817	3.872
Other earnings	–	–
Total earnings	**3.817**	**3.872**

Companies of secondary importance

Owing to their generally secondary importance, 76 (2016: 75) domestic and 103 (2016: 101) foreign affiliated companies are not included in the group of consolidated companies. The recognition of these companies in the group of consolidated companies was carried out at cost. The aggregated annual results and aggregated equity (unconsolidated HB I values based on the individual financial statements) of these companies in the financial year 2017 are set out below:

Unconsolidated affiliated companies	in € million	Share in % in relation to the sum total of all fully consolidated companies
Net income	0.070	0.09
Equity	17.677	0.41

Additional information on company acquisitions in the previous year

- Green Hedge Operational Services Limited, London, UK
  BayWa AG, Munich, Germany, acquired 100% of shares in the company as part of a share deal through BayWa r.e. UK Limited, London, UK. The final purchase price allocation did not result in any material changes compared to the preliminary figures included in the previous year's notes to the consolidated financial statements.
- Coachella Wind, LLC, Wilmington (Delaware), USA
  BayWa AG, Munich, Germany, acquired 100% of shares in the company as part of a share deal through BayWa r.e. Wind, LLC, Wilmington (Delaware), USA. The final purchase price allocation did not result in any material changes compared to the preliminary figures included in the previous year's notes to the consolidated financial statements. The company was sold in the financial year 2017 (see above).

(B.2.) Joint ventures pursuant to IFRS 11 in conjunction with IAS 28

The following 10 (2016: 11) joint ventures over which the BayWa Group exerts joint control together with one or more external third parties on the basis of a contractual agreement are recognised under the equity method.

	Share in capital in %	Previous year's share in capital in %	Comment
Agriculture Segment			
Baltanás Cereales y Abonos, S.L., Baltanás, Spain	50.0	50.0	
Baltic Grain Terminal Sp. z o.o., Gdynia, Poland	50.0	50.0	
BHBW Holdings (Pty) Ltd., Lynnwood Manor, South Africa	50.0	–	Initial consolidation on 01/03/2017
BHBW Limited, Maidenhead, UK	50.0	50.0	
Growers Direct Limited, Wakefield, UK	50.0	–	Initial consolidation on 02/01/2017
Hafen Vierow - Gesellschaft mit beschränkter Haftung, Brünzow, Germany	50.0	50.0	
Transhispania Agraria, S.L., Torquemada, Spain	28.3	28.3	
VIELA Export GmbH, Vierow, Germany	50.0	50.0	
Wawata General Partner Limited, Nelson, New Zealand	50.0	50.0	
Energy Segment			
Süddeutsche Geothermie-Projekte Verwaltungsgesellschaft mbH, Gräfelfing, Germany	50.0	50.0	

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

The following companies are no longer recognised as joint ventures according to the equity method in the consolidated financial statements as at 31 December 2017:

	Share in capital in %	Previous year's share in capital in %	Comment
Agriculture Segment			
BayWa Hochhaus GmbH & Co. KG, Grünwald, Germany	5.1	99.0	Partial share sale and reclassification to equity holdings on 29/12/2017
BEEGY GmbH, Mannheim, Germany	–	25.1	Deconsolidation on 29/09/2017
Worldwide Fruit Limited, Spalding, UK	50.0	50.0	Transition to full consolidation on 02/01/2017

Summary of financial information about the material joint ventures included under the equity method:

	Hafen Vierow - Gesellschaft mit beschränkter Haftung, Brünzow, Germany		VIELA Export GmbH, Vierow, Germany	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Shareholding	50.00%	50.00%	50.00%	50.00%
Voting rights	50.00%	50.00%	50.00%	50.00%
in € million				
Dividends received from joint ventures	–	–	–	–
Current assets	1.139	1.416	2.059	1.149
Non-current assets	9.616	9.322	12.332	12.119
Current liabilities	0.418	0.627	1.568	2.312
Non-current liabilities	3.579	3.752	5.083	3.635
Cash and cash equivalents	0.685	0.723	1.235	0.063
Current financial liabilities	–	0.332	–	0.723
Non-current financial liabilities	2.304	2.194	4.072	2.883
Revenues	2.213	2.539	4.794	6.261
Amortisation	- 0.339	- 0.297	- 0.725	- 0.457
Interest expense	- 0.116	- 0.121	- 0.191	- 0.135
Interest income	0.002	0.004	0.000	0.001
Income tax expense	- 0.072	- 0.060	- 0,199	- 0.332
Net income from continued operations	0.171	0.259	0.477	0.933
Other earnings	- 0.011	- 0.017	–	- 0.017
Total earnings	**0.160**	**0.242**	**0.477**	**0.916**
Losses not realised for the reporting period	–	–	–	–
Aggregated losses not realized	–	–	–	–
Transition				
Joint venture's net assets	6.758	6.359	7.740	7.321
Shareholding and voting rights	50.00%	50.00%	50.00%	50.00%
Goodwill	3.015	3.015	7.779	7.779
Other adjustments	- 0.131	–	–	–
Book value	6.263	6.194	11.649	11.440

Hafen Vierow - Gesellschaft mit beschränkter Haftung Brünzow, Germany, is responsible for managing and operating the port of Vierow and the construction of transhipment facilities as well as the shipment and warehousing of goods of all kinds. VIELA Export GmbH imports and exports agricultural goods and products.
The above financial information relate to values used as a basis for the IFRS financial statements of the respective joint ventures.

Summary of financial information about the joint ventures included under the equity method which are, in and of themselves, not material:

in € million	31/12/2017	31/12/2016
Book value as at the balance sheet date	26.881	8.360
BayWa Group's share in net income from continued operations	0.353	- 0.313
BayWa Group's share in earnings from discontinued operations after tax	–	–
BayWa Group's share in other earnings	–	- 0.034
BayWa Group's share in total earnings	0.353	- 0.347
Losses not realised for the reporting period	–	–
Aggregated losses not realized	–	–

(B.3.) Associates pursuant to IAS 28

The following 21 (2016: 22) associates over which the BayWa Group either has a proportion of voting rights of at least 20% and a maximum of 50%, or over whose business management or supervisory functions the BayWa Group exerts a significant influence, and which are not jointly held companies or companies of secondary importance, are recognised under the equity method.

	Share in capital in %	Previous year's share in capital in %	Comment
Agriculture Segment			
Allen Blair Properties Limited, Wellington, New Zealand	33.3	33.3	
Grandview Brokerage LLC, Seattle, USA	39.4	–	Initial consolidation on 06/04/2017
Intelligent Fruit Vision Limited, Spalding, UK	24.0	–	Initial consolidation on 02/01/2017
McKay Shipping Limited, Auckland, New Zealand	25.0	25.0	
MoSagri B.V., Breda, Netherlands	25.0	25.0	
Mystery Creek Asparagus Limited, Hamilton, New Zealand	14.5	14.5	Significant economic ties and represented in management body
POP Worldwide Limited, Spalding, UK	24.0	–	Initial consolidation on 02/01/2017
The Fruit Farm Limited, West Malling, UK	20.0	–	Initial consolidation on 02/01/2017
Energy Segment			
Aufwind BB GmbH & Co. Zwanzigste Biogas KG, Regensburg, Germany	100.0	100.0	50% share in voting rights
Biomethananlage Barby GmbH, Barby, Germany	25.1	25.1	
Biomethananlage Staßfurt GmbH, Mannheim, Germany	25.1	25.1	
C.P.E.S. Les Lacs Medocains du Tourillon SARL, Avignon, France	49.0	–	Initial consolidation on 05/04/2017
EAV Energietechnische Anlagen Verwaltungs GmbH, Staßfurt, Germany	49.0	49.0	
Heizkraftwerke-Pool Verwaltungs-GmbH, Munich, Germany	33.3	33.3	
Building Materials Segment			
PURE Applikationen GmbH & Co. KG, Regensburg, Germany	25.0	25.0	
Other Activities Segment (including financial participation)			
AHG- Autohandelsgesellschaft mbH, Horb am Neckar, Germany	49.0	49.0	
AUSTRIA JUICE GmbH, Allhartsberg, Austria	50.0	50.0	
biohelp - biologischer Pflanzenschutz-Nützlingsproduktions-, Handels- und Beratungs GmbH, Vienna, Austria	24.9	24.9	
BRB Holding GmbH, Munich, Germany	45.3	45.3	
Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main, Germany	37.8	37.8	
LWM Austria GmbH, Hollabrunn, Austria	25.0	25.0	

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

The following companies were no longer included in the consolidated financial statements as associates recognised according to the equity method as at 31 December 2017:

	Share in capital in %	Previous year's share in capital in %	Comment
David Oppenheimer and Company I, L.L.C., Seattle, USA	–	15.0	Deconsolidation on 06/04/2017
David Oppenheimer Transport Inc., Wilmington (Delaware), USA	–	15.0	Deconsolidation on 06/04/2017
N.Z. Kumara Distributors Limited, Dargaville, New Zealand	–	20.4	Deconsolidation on 14/07/2017
CRE Project S.r.l., Matera, Italy	–	49.0	Sale on 27/10/2017
BayWa Bau- & Gartenmärkte GmbH & Co. KG, Dortmund, Germany	15.0	50.0	Partial share sale on 01/01/2017 Reclassification to equity holdings
Frisch & Frost Nahrungsmittel GmbH, Vienna, Austria	–	25.0	Sale on 30/11/2017

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

	BRB Holding GmbH, Munich, Germany		AUSTRIA JUICE GmbH, Allhartsberg, Austria	
	31/12/2017	31/12/2016	30/11/2017	30/11/2016
Shareholding	45.26%	45.26%	49.99%	49.99%
Voting rights	45.26%	45.26%	49.99%	49.99%
in € million				
Dividends received from associates	1.991	1.856	6.999	–
Current assets	1.149	0.086	231.305	211.039
Non-current assets	234.825	234.825	87.192	82.419
Current liabilities	1.090	0.043	275.230	239.223
Non-current liabilities	–	–	4.628	6.418
Revenues	–	–	227.254	246.713
Net income from continued operations	4.416	4.096	4.006	0.827
Other earnings	–	–	- 1.148	- 2,901
Total earnings	**4.416**	**4.096**	**2.858**	**- 2.074**
Losses not realised for the reporting period	–	–	–	–
Aggregated losses not realized	–	–	–	–
Transition				
Associate's net assets	234.884	234.868	38.639	47.817
Shareholding and voting rights	45.26%	45.26%	49.99%	49.99%
Goodwill	–	–	22.449	22.449
Other adjustments	- 17.295	- 17.295	–	–
Book value	89.012	89.016	43.226	46.353

Due to the company's business activities, the financial year of AUSTRIA JUICE GmbH ends on 28 February. For this reason, the reporting periods, which are used as the basis for the inclusion of the financial statements of AUSTRIA JUICE GmbH in the consolidated financial statements of BayWa AG, end on 30 November, and therefore deviates from the parent company's reporting date. Differing reporting periods have no impact on the assets, financial position and earnings position of the BayWa Group.

BRB Holding GmbH holds equity holdings in companies in the cooperative group and conducts all other business serving to further these activities. AUSTRIA JUICE GmbH produces fruit juice concentrates, beverage compounds and aromas as well as fruit wines and fresh juices for the food and beverage processing industry.

	AHG- Autohandelsgesellschaft mbH, Horb am Neckar, Germany		Grandview Brokerage LLC, Seattle, USA
	31/12/2017	31/12/2016	31/12/2017
Shareholding	49.00%	49.00%	39.39%
Voting rights	49.00%	49.00%	39.39%
in € million			
Dividends received from associates	1.562	0.245	–
Current assets	100.638	107.450	67.242
Non-current assets	42.163	41.823	10.348
Current liabilities	16.692	16.490	70.013
Non-current liabilities	108.801	115.699	–
Revenues	439.747	451.084	405.274
Net income from continued operations	3.412	3.176	- 1.255
Other earnings	–	–	–
Total earnings	**3.412**	**3.176**	**- 1.255**
Losses not realised for the reporting period	–	–	–
Aggregated losses not realized	–	–	–
Transition			
Associate's net assets	17.308	17.084	7.577
Shareholding and voting rights	49.00%	49.00%	39.39%
Goodwill	0.099	0.099	15.309
Other adjustments	- 0.638	–	- 1.291
Book value	7.942	8.470	17.002

AHG- Autohandelsgesellschaft mbH trades new and used vehicles and offers a comprehensive range of mobility services. Grandview Brokerage LLC is an investment company.

The above financial information relates to values used as a basis for the IFRS financial statements of the associate.

Summary of financial information about the associates included under the equity method which are, in and of themselves, not material:

in € million	31/12/2017	31/12/2016
Book value as at the balance sheet date	12.582	19.596
BayWa Group's share in net income from continued operations	0.119	1.561
BayWa Group's share in earnings from discontinued operations after tax	–	–
BayWa Group's share in other earnings	–	–
BayWa Group's share in total earnings	0.119	1.561
Losses not realised for the reporting period	–	–
Aggregated losses not realized	–	–

A total of 34 (2016: 38) associates of generally secondary importance for the consolidated financial statements have been accounted for at cost; the equity method was not used. The aggregated assets, liabilities, revenues and annual results (each based on the individual financial statements) of these companies in the financial year 2017 are set out below:

Associates not included under the equity method	in € million
Assets	197.957
Liabilities	167.460
Revenues	354.322
Net income	1.907

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

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

	Germany	Abroad	Total
Included as at 31/12/2016	**118**	**214**	**332**
of which fully consolidated	103	196	299
of which recognised at equity	15	18	33
Included as at 31/12/2017	**116**	**239**	**355**
of which fully consolidated	104	220	324
of which recognised at equity	12	19	**31**

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

(B.5.) Principles of consolidation

Capital consolidation at the time of initial consolidation is carried out through offsetting the cost against the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the time of acquisition (purchase method). If the cost exceeds the fair value of the identifiable assets, liabilities and contingent liabilities purchased, the difference is disclosed as goodwill under intangible assets as part of non-current assets. Goodwill is subject to an annual impairment test (Impairment Only Approach). If the book value of goodwill is higher than the recoverable amounts, impairment must be carried out; otherwise goodwill remains unchanged. If the cost is lower than the fair value of the identifiable assets, liabilities and contingent liabilities, the differences are booked immediately through profit and loss.

All receivables and liabilities, as well as provisions within the group of consolidated companies, are offset. Interim results, if material, are eliminated. Interim results realised from associates are eliminated against the corresponding investments recognised at equity. If the respective investment does not exist to a sufficient extent for elimination, other assets related to the affected company are eliminated. If these do not exist or do not exist to a sufficient extent, the interim result is eliminated by recognising it in revenue reserves on the liabilities side to ensure that the result of operations reflects actual developments. It is not recognised as “deferred income” under other liabilities, as the eliminated interim result does not represent a liability and recognition as other liabilities would incorrectly depict the actual asset position. Intra-Group revenues, expenses and earnings are netted.

(B.6.) Currency translation

The translation of the financial statements prepared in a foreign currency into euros is carried out by applying the concept of functional currency as defined under IAS 21. The companies of the BayWa Group operate independently. They are therefore considered “foreign operations”. Functional currency is the respective national currency or, in exceptional cases, the currency in which most of the respective company’s transaction are settled in. Assets and liabilities are converted at the exchange rate on the reporting date. This does not apply to investments, which are measured at historical exchange rates. With the exception of income and expenses included directly in equity, equity is carried at historical rates. The translation of the income statement is carried out using the average rate for the year. Differences resulting from currency translation are treated without effect on income, until such time as the subsidiary is disposed of and set off against other reserves in equity. The differences resulting from currency translation decreased by €24.271 million in the reporting year (2016: increase of €10.129 million).

The exchange rates for the currencies relevant to the BayWa Group are summarised in the table below:

		Balance sheet		Income statement	
		Middle rate on		Average rate	
	€1	31/12/2017	31/12/2016	2017	2016
Australia	AUD	1.535	1.460	1.476	1.485
Canada	CAD	1.504	1.419	1.467	1.462
China	CNY	7.831	7.320	7.634	7.352
Croatia	HRK	7.440	7.560	7.465	7.544
Czech Republic	CZK	25.540	27.020	26.333	27.041
Denmark	DKK	7.445	7.434	7.439	7.446
Hong Kong	HKD	9.423	8.175	8.805	8.592
Hungary	HUF	310.140	311.020	309.450	311.928
Japan	JPY	135.010	123.400	126.774	120.935
New Zealand	NZD	1.685	1.516	1.588	1.582
Peru	PEN	3.888	3.491	3.680	3.753
Poland	PLN	4.177	4.410	4.255	4.365
Republic of Fiji	FJD	2.471	2.237	2.304	2.313
Romania	RON	4.659	4.539	4.571	4.496
Russia	RUB	69.392	64.300	65.871	73.494
Serbia	RSD	118.473	123.472	121.360	123.069
Sweden	SEK	9.844	9.553	9.637	9.445
Switzerland	CHF	1.170	1.074	1.112	1.090
Thailand	THB	39.121	37.726	38.290	38.880
UK	GBP	0.887	0.856	0.874	0.813
Ukraine	UAH	33.732	28.739	30.167	28.204
USA	USD	1.199	1.054	1.128	1.102

(C.) NOTES TO THE BALANCE SHEET

(C.1.) Intangible assets

Intangible assets purchased against payment are capitalised at cost and, with the exception of goodwill, amortised on a straight-line basis over their useful economic lives (generally three to five years). Intangible assets which have been created in-house (self-created) have been capitalised in accordance with IAS 38 if it is likely that the future economic benefit will accrue from the use of the assets and if the cost of the assets can be reliably determined. These assets have been recognised at cost, with an appropriate portion of the overheads relating to their development, and amortised on a straight-line basis. The calculation of impairment losses has been carried out in consideration of IAS 36. The calculation of the recoverable amount is based on the value in use. Due to the unfavourable development of the Agriculture Segment in the financial year 2017, this resulted in an impairment requirement on the goodwill of RWA SLOVAKIA spol. s r.o. and the goodwill of Sempol spol. s r.o. included therein of €0.397 million. In addition, the goodwill attributable to BayWa r.e. Solar Systems Ltd. was written off in full due to the closure of solar trading business in the UK in the Renewable Energies business unit. In the previous year, goodwill impairment was recognised in the Agriculture Segment for BayWa Agri Romania S.r.l. (€1.235 million) due to impairment; goodwill impairment was also recognised for B O R , s.r.o. (€0.086 million). Both impairments were the result of unfavourable economic development.

The goodwill disclosed under intangible assets relates to the following company acquisitions:

in € million	**2017**	2016
"UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H.	0.624	0.624
AWS Entsorgung GmbH Abfall und Wertstoff Service	0.507	0.507
Bad und Heizung Krampfl GmbH	0.659	0.659
BayWa Agrarhandel Group	7.857	7.857
BayWa r.e. Bioenergy GmbH	1.428	1.428
BayWa r.e. Rotor Service GmbH und BayWa r.e. Rotor Service Vermögensverwaltungs GmbH	0.221	0.221
BayWa r.e. Solar Energy Systems GmbH	14.035	14.035
BayWa r.e. Solar Projects LLC	0.714	0.812
BayWa r.e. Solar Systems LLC	14.945	16.145
BayWa r.e. Solar Systems Ltd.	–	0.806
BayWa r.e. Wind, LLC	0.250	0.285
Cefetra Group	12.179	12.179
CLAAS Württemberg GmbH	1.189	1.189
ECOWIND Handels- & Wartungs-GmbH	1.348	1.348
EUROGREEN Group	3.445	3.445
Evergrain GmbH & Co. KG	2.810	2.810
Landhandel Knaup GmbH	0.149	–
LTZ Chemnitz GmbH	0.030	0.030
FarmFacts GmbH Group	1.533	1.533
Peter Frey GmbH	0.979	0.979
RWA SLOVAKIA, spol. s r.o.	–	0.152
Schradenbiogas GmbH & Co. KG	1.924	1.924
Sempol spol. s r.o. (merged with RWA SLOVAKIA spol. s r.o.)	–	0.245
Solarmarkt GmbH	3.274	3.568
Stark GmbH & Co. KG (goodwill from asset deal)	0.450	0.450
T&G Global Group	6.807	4.801
Tecno Spot Group	4.969	4.969
Thegra Tracomex Group	8.722	–
TFC Holland B.V.	15.674	15.674
VISTA Geowissenschaftliche Fernerkundung GmbH	0.871	–
WAV Wärme Austria VertriebsgmbH	4.224	4.224
Wessex Grain Ltd.	0.370	0.378
Other	0.766	0.811
	112.953	**104.088**

Additional changes in the reporting year relate mainly to goodwill from the initial inclusion of the companies acquired into the group of consolidated companies. The goodwill resulting from the acquisition of BayWa r.e. Wind, LLC, Solarmarkt GmbH, the T&G Global Group, Wessex Grain Ltd. and BayWa r.e. Solar Projects LLC is subject to fluctuating exchange rates, which caused changes compared to the previous year.

Of the overall goodwill disclosed, an amount of €0.338 million (2016: €0.398 million) is tax deductible in subsequent years.

Goodwill is subject to an impairment test once a year. In the context of the impairment test, the residual values of the goodwill allocated to the individual cash-generating unit are compared with fair value in use. Cash-generating units are essentially defined as legally independent organisation units directly assignable to the reporting segments within BayWa Group (see Note B.1.). In the event of a business combination of legally independent organisation units, the respective operating unit or the respective geographically defined segment of the incorporating organisation unit is viewed as the cash-generating unit.

The calculation of the value in use is based on the net present value of future cash flows anticipated from the ongoing use of the cash-generating unit. In this process, the forecast of the cash flows is derived from the current planning prepared by Management on a three-year horizon, as well as other assumptions which are based on the knowledge available at the time, market forecasts and empirical experience.

The cash flows were based on business unit-specific discount factors between 3.3% and 7.8%. The growth rates are the expected average for the sector. For the purpose of extrapolating the forecast based on the third budget year, a currently expected business unit-specific growth rate of between 1.0% and 3.0% has been assumed for the periods thereafter.

Based on market data, the impairment test for cash-generating unit BayWa Agrarhandel Group used a discount factor of 6.1% as well as a constant growth rate, derived from the industry average and historical values, of 2.0%. A 0.5% increase in the discount factor would likely result in the carrying value exceeding the fair value in use of the cash-generating unit by approximately €6.000 million. A 0.5% decrease in the discount factor would, in turn, likely result in the carrying value exceeding the fair value in use of the cash-generating unit by approximately €4.900 million.

Based on market data, the impairment test for cash-generating unit Tecno Spot S.r.l. used a discount factor of 6.1% as well as a constant growth rate, derived from the industry average and historical values, of 2.0%. A 0.5% increase in the discount factor would likely result in the carrying value exceeding the fair value in use of the cash-generating unit by approximately €1.100 million. A 0.5% decrease in the discount factor would, in turn, likely result in the carrying value exceeding the fair value in use of the cash-generating unit by approximately €1.000 million.

Based on market data, the impairment test for cash-generating unit Evergrain GmbH & Co. KG used a discount factor of 6.1% as well as a constant growth rate, derived from the industry average and historical values, of 2.0%. A 0.5% increase in the discount factor would likely result in the carrying value exceeding the fair value in use of the cash-generating unit by approximately €0.600 million. A 0.5% decrease in the discount factor would, in turn, likely result in the carrying value exceeding the fair value in use of the cash-generating unit by approximately €0.600 million.

Based on market data, the impairment test for cash-generating unit Cefetra B.V. used a discount factor of 6.1% as well as a constant growth rate, derived from the industry average and historical values, of 2.0%. A 0.5% increase in the discount factor would likely result in the carrying value exceeding the fair value in use of the cash-generating unit by approximately €5.600 million. A 0.5% decrease in the discount factor would, in turn, likely result in the carrying value exceeding the fair value in use of the cash-generating unit by approximately €2.200 million.

The following is a breakdown of the additions to intangible assets:

in € million	2017	2016
Additions from developments within the company	9.999	11.879
Additions from separate acquisition	19.258	13.990
Additions from business combinations	28.281	46.070
	57.538	**71.939**

In the financial year 2017, research and development expenses of €0.255 million were recognised under other operating expenses.

(C.2.) Property, plant and equipment

All property, plant and equipment are used for operations. This item is measured at cost, minus depreciation. If necessary, an impairment loss is recognised. The cost is made up of the purchase price, incidental purchase (transaction) costs and subsequent purchase costs, less any price reductions received. If there is an obligation to decommission an asset which is part of non-current assets at the end of its useful life, or to dismantle or rebuild a site, the estimated costs of these activities will raise the cost of purchasing the asset. Property, plant and equipment are depreciated on a straight-line basis over the course of their useful life. The units of production method was also used in exceptional cases where this provided a true representation of the pattern in which the future economic benefits are expected to be consumed. Depreciation is based on the following periods of useful life applied uniformly throughout the Group:

	In years
Company premises and office buildings	25 – 33
Residential buildings	50
Land improvements	10 – 20
Technical facilities and machinery	4 – 30
Other facilities, fixtures and office equipment	3 – 15

The calculation of impairment losses has been carried out in consideration of IAS 36. Impairment requirements are calculated by comparing the book value of land and buildings and technical facilities with their recoverable amount. The calculation of the recoverable amount is based on the value in use. In the financial year 2017, material value adjustments were only required for one wind park, the technical facilities and machinery of which is attributed to the Energy Segment. An impairment of €4.093 million was necessary due to a reduction in feed-in tariffs. In addition, an amount of €8.187 million was recognised as an impairment on a piece of production equipment.

Borrowing costs in connection with the purchase of property, plant and equipment, which under IAS 23 should be capitalised, are not recognised in BayWa's consolidated financial statements owing to the lack of qualifying assets. An amount of €7.339 million (2016: €5.827 million) of total property, plant and equipment recognised at the end of the reporting period served as collateral for liabilities.

Assets from leasing are also disclosed under non-current assets. These are mainly finance lease qualifications in the area of real estate, technical facilities and machinery and EDP hardware. Under IAS 17, lease agreements are to be valued on the basis of opportunities and risks according to whether the beneficial ownership of the leased object is allocable to the lessee (finance lease) or the lessor (operating lease). Consequently, under IFRS the substance rather than the form of such transactions is the factor for determining value.

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

Non-current assets comprise assets worth €211.015 million (2016: €223.286 million) that qualify as finance leases and which are assignable to the Group as beneficial owner owing to the content of the related lease agreements. Of this amount, €203.025 million (2016: €213.034 million) relates to land and buildings, €0.668 million (2016: €0.455 million) to technical facilities and machinery, €7.322 million (2016: €9.766 million) to office fixtures and fittings. In the previous year, intangible assets accounted for €0.031 million. In individual cases, purchase options, classified as finance leases, were agreed at the end of the term for lease agreements. A decision is made on a case-by-case basis as to whether to exercise the option to purchase at the end of the respective term.

Leases of land and buildings result almost exclusively from a BayWa AG sale and lease back transaction in the financial year 2013 for a portfolio of 80 items of real estate. Due to the terms of the uniform lease agreements for the real estate that BayWa AG has leased ever since this time, these agreements are to be classified as finance leases pursuant to the classification criteria of IAS 17. The lease agreements include a fixed terms of 10 years initially, with the lessor having two lease extension options of 10 and then 5 years. In the event that the lessor exercises both of the lease extension options, BayWa AG will then have the option to extend the lease term by a further 5 years. There is no option to purchase the real estate at the end of the lease term. The accounting profit resulting from the transaction is included as deferred income under other liabilities and is released through profit and loss over the term of the lease.

The overall future lease instalments under the existing lease agreements totalled as follows:

in € million	**2017**	2016
Sum total of future minimum lease payments		
Due within one year	19.427	20.192
Due between one and five years	73.362	74.181
Due after more than five years	198.939	215.000
	291.728	**309.373**
Interest portion included in future minimum lease payments		
Due within one year	11.472	11.821
Due between one and five years	41.116	42.606
Due after more than five years	73.296	82.436
	125.884	**136.863**
Present value of future minimum lease payments		
Due within one year	7.955	8.371
Due between one and five years	32.246	31.575
Due after more than five years	125.643	132.564
	165.844	**172.510**

In respect of agreements which are classified as operating leases, largely real estate rental contracts, vehicle leasing and irrevocable building rights agreements, the future minimum lease payments are as follows:

in € million	**2017**	2016
Sum total of future minimum lease payments		
Due within one year	78.562	81.536
Due between one and five years	152.474	191.676
Due after more than five years	268.710	301.570
	499.746	**574.782**

In the financial year, rental expenses of €71.801 million (2016: €68.888 million) from operating leases were paid.

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

Joint ventures and associates included in the consolidated financial statements are recognised using the equity method in proportion to their equity plus any goodwill generated from the acquisition process.

Other financial assets of BayWa Group comprise interests in non-consolidated affiliated companies, interest in other holdings, credit balances with cooperatives, loans and securities. These financial assets are allocated to the categories "held for trading", "available for sale", "loans and receivables" and "held to maturity", capitalised and measured in accordance with IAS 39.

Financial assets held for trading are always recognised at their fair value. The fair value corresponds to the market or stock market value (level 1 of the fair value hierarchy). Changes in fair value are recorded through profit and loss under other income from shareholdings.

Securities assigned to the "financial assets held for trading" category were stated at a fair value totalling €1.948 million on the reporting date (2016: €1.966 million). As they are held for trading, they have been disclosed under current assets.

Assets assigned to the "available for sale" category are reported at fair value provided there is an active market or fair values can be reliably calculated with a justifiable amount of effort, recognised at their fair values and otherwise carried at cost and, if necessary, less impairments. In the case of assets stated at fair value, the difference between the cost originally recognised and the fair value at the end of the reporting period is offset in equity on the reporting date without effect on income. Assets reported at fair value are measured using stock market quotations prevailing at the end of the reporting period (level 1 of the fair value hierarchy).

In the reporting year, appreciations without effect on income totalling €49,372 million (2016: €33.898 million) were carried out on assets classified as "available for sale" and recognised at fair value. Of this amount, €49.295 million is attributable to the shares in Raiffeisen Bank International AG, Vienna, Austria.

All the shares in non-consolidated subsidiaries are recognised at cost. Sale is at present not intended in the case of financial assets measured at cost.

Loans to affiliated companies and other holdings as well as other loans are classified as "loans and receivables". These are measured at amortised cost using the effective yield method.

There are currently no assets classified as "held to maturity" in BayWa Group.

Development of consolidated non-current assets for 2017 Note (C.1. – C.3.°and C.5.)

in € million	Acquisition/production costs							
	01/01/2017	Currency differences	Additions to consolidated group	Additions	Disposals	Disposals from consolidated group	Transfers	31/12/2017
Intangible assets								
Industrial property rights, similar rights and assets	244.433	- 2.086	27.322	11.723	4.270	0.889	11.963	288.196
Goodwill	127.692	- 2.099	2.043	10.540	0.015	1.978	–	136.184
Prepayments on account	17.496	- 0.290	–	6.994	0.063	–	- 12.373	11.764
	389.621	**- 4.475**	**29.365**	**29.257**	**4.348**	**2.866**	**- 0.410**	**436.144**
Property, plant and equipment								
Land, similar rights and buildings, including buildings on leasehold land	1,447.500	- 17.579	19.543	21.184	7.723	0.736	10.350	1,472.537
Technical facilities and machinery	985.934	- 14.011	6.159	21.688	14.857	10.160	2.559	977.310
Other facilities, fixtures and office equipment	304.916	- 1.833	5.340	46.570	27.567	4.232	1.793	324.986
Prepayments and assets under construction	50.351	- 1.803	0.001	60.737	2.950	0.015	- 40.219	66.102
Non-current biological assets	19.245	- 1.933	–	0.036	–	–	4.211	21.560
	2,807.946	**- 37.160**	**31.043**	**150.215**	**53.097**	**15.143**	**- 21.306**	**2,862.498**
Participating interests recognised at equity	**215.161**	**–**	**7.324**	**19.285**	**3.587**	**16.520**	**- 7.106**	**214.557**
Other financial assets								
Shareholdings in affiliated companies	27.280	–	4.257	4.580	7.842	0.026	0.109	28.359
Loans to affiliated companies	0.259	- 0.040	–	0.163	0.134	–	–	0.247
Participations in other companies	101.841	- 0.007	17.363	- 0.099	37.233	–	1.786	83.652
Loans to associated companies	35.464	- 0.017	0.032	34.607	28.200	–	0.728	42.615
Non-current marketable securities	5.238	- 0.020	–	–	0.253	–	–	4.964
Other loans	3.349	0.030	0.632	3.946	2.051	–	- 0.031	5.874
	173.431	**- 0.053**	**22.284**	**43.197**	**75.712**	**0.026**	**2.592**	**165.713**
Investment property								
Land	33.675	–	–	1.289	–	–	- 0.432	34.532
Buildings	69.346	–	–	0.004	0.464	–	- 1.919	66.966
	103.021	**–**	**–**	**1.292**	**0.464**	**–**	**- 2.351**	**101.497**
Consolidated non-current assets	**3,689.180**	**- 41.688**	**90.016**	**243.246**	**137.208**	**34.555**	**- 28.579**	**3,780.405**

	Depreciation/amortisation									Book values	
	01/01/2017	Currency differences	Depreciation related to additions from consolidation	Write-downs in current year	Disposal-related depreciation	Depreciation related to additions from consolidation	Write-ups	Transfers	31/12/2017	31/12/2017	31/12/2016
	153.394	- 3.795	1.084	29.573	2.590	0.524	–	0.550	177.692	110.503	91.039
	23.604	- 0.029	–	1.645	0.012	1.978	–	–	23.231	112.953	104.088
	–	- 0.013	–	4.527	–	–	–	–	4.515	7.249	17.496
	176.998	**- 3.836**	**1.084**	**35.745**	**2.602**	**2.501**	**–**	**0.550**	**205.438**	**230.705**	**212.623**
	597.091	- 3.407	1.916	35.257	2.493	0.069	–	- 10.371	617.923	854.615	850.409
	586.112	- 9.721	2.205	44.676	13.128	2.036	–	- 2.801	605.305	372.005	399.822
	216.863	- 0.219	5.558	28.397	25.675	0.747	–	0.075	224.251	100.735	88.053
	0.006	- 0.014	–	0.374	0.005	–	–	–	0.360	65.742	50.345
	5.159	- 0.585	–	1.157	–	–	–	–	5.731	15.829	14.086
	1,405.231	**- 13.947**	**9.679**	**109.861**	**41.300**	**2.853**	**–**	**- 13.098**	**1,453.570**	**1,408.926**	**1,402.715**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**214.557**	**215.161**
	13.433	–	–	0.203	0.050	–	–	0.191	13.778	14.582	13.847
	0.006	–	–	–	0.006	–	–	–	–	0.247	0.253
	- 29.023	–	–	1.609	0.178	–	49.326	- 2.908	- 79.826	163.478	130.864
	–	–	–	–	–	–	–	–	–	42.615	35.464
	- 0.110	0.087	–	0.093	0.144	–	0.796	–	- 0.871	5.835	5.348
	0.066	–	–	–	–	–	–	–	0.066	5.808	3.283
	- 15.628	**0.087**	**–**	**1.905**	**0.378**	**–**	**50.122**	**- 2.717**	**- 66.853**	**232.565**	**189.059**
	3.369	–	–	–	–	–	–	- 0.110	3.259	31.273	30.306
	58.067	–	–	1.567	0.463	–	–	- 1.875	57.296	9.670	11.279
	61.436	**–**	**–**	**1.567**	**0.463**	**–**	**–**	**- 1.985**	**60.555**	**40.943**	**41.585**
	1,628.037	**- 17.696**	**10.764**	**149.079**	**44.743**	**5.354**	**50.122**	**- 17.250**	**1,652.709**	**2,127.696**	**2,061.143**

Development of consolidated non-current assets for 2016

Note (C.1. – C.3.°and C.5.)

in € million	Acquisition/production costs							
	01/01/2016	Currency differences	Additions from consolidation	Additions	Disposals	Disposals from consolidation	Transfers	31/12/2016
Intangible assets								
Industrial property rights, similar rights and assets	209.234	- 0.148	26.559	9.907	2.353	0.084	1.318	244.433
Goodwill	108.313	- 0.119	19.894	–	–	–	- 0.396	127.692
Prepayments on account	2.357	0.017	–	15.962	0.030	–	- 0.810	17.496
	319.904	**- 0.250**	**46.453**	**25.869**	**2.383**	**0.084**	**0.112**	**389.621**
Property, plant and equipment								
Land, similar rights and buildings, including buildings on leasehold land	1,418.156	8.803	16.647	28.894	8.644	15.413	- 0.943	1,447.500
Technical facilities and machinery	998.341	6.550	7.123	28.652	35.415	7.496	- 11.821	985.934
Other facilities, fixtures and office equipment	302.538	0.608	1.893	28.348	27.406	1.764	0.699	304.916
Prepayments and assets under construction	48.496	0.282	–	41.999	1.222	1.102	- 38.102	50.351
Non-current biological assets	18.143	0.916	–	0.258	0.646	–	0.574	19.245
	2,785.674	**17.159**	**25.663**	**128.151**	**73.333**	**25.775**	**- 49.593**	**2,807.946**
Participating interests recognised at equity	**203.895**	**–**	**20.402**	**3.526**	**–**	**12.574**	**- 0.088**	**215.161**
Other financial assets								
Shareholdings in affiliated companies	26.180	–	0.025	1.627	0.381	0.171	–	27.280
Loans to affiliated companies	0.500	–	–	0.003	0.244	–	–	0.259
Participations in other companies	100.844	- 0.945	0.021	2.526	0.556	0.137	0.088	101.841
Loans to associated companies	45.930	0.014	–	2.637	12.999	–	- 0.118	35.464
Non-current marketable securities	5.278	0.010	0.052	0.006	0.108	–	–	5.238
Other loans	6.909	0.020	0.037	2.254	5.989	–	0.118	3.349
	185.641	**- 0.901**	**0.135**	**9.053**	**20.277**	**0.308**	**0.088**	**173.431**
Investment property								
Land	44.821	–	–	0.055	1.374	0.003	- 9.824	33.675
Buildings	74.605	–	–	0.029	0.492	1.368	- 3.428	69.346
	119.426	**–**	**–**	**0.084**	**1.866**	**1.371**	**- 13.252**	**103.021**
Consolidated non-current assets	**3,614.540**	**16.008**	**92.653**	**166.683**	**97.859**	**40.112**	**- 62.733**	**3,689.180**

	Depreciation/amortisation									Book values	
	01/01/2016	Currency differences	Depreciation related to additions from consolidation	Write-downs in current year	Disposal-related depreciation	Depreciation related to disposals from consolidation	Write-ups	Transfers	31/12/2016	31/12/2016	31/12/2015
	130.417	0.177	0.383	24.392	2.154	0.055	–	0.234	153.394	91.039	78.817
	22.678	–	–	1.321	–	–	–	- 0.395	23.604	104.088	85.635
	–	–	–	–	–	–	–	–	–	17.496	2.357
	153.095	**0.177**	**0.383**	**25.713**	**2.154**	**0.055**	**–**	**- 0.161**	**176.998**	**212.623**	**166.809**
	572.728	1.834	5.917	33.964	6.081	1.960	–	- 9.311	597.091	850.409	845.428
	575.249	5.031	1.953	38.906	25.292	2.809	–	- 6.926	586.112	399.822	423.092
	213.031	0.546	1.256	26.779	23.563	1.093	–	- 0.093	216.863	88.053	89.507
	0.643	–	–	–	–	0.642	–	0.005	0.006	50.345	47.853
	4.209	0.248	–	0.816	0.114	–	–	–	5.159	14.086	13.934
	1,365.860	**7.659**	**9.126**	**100.465**	**55.050**	**6.504**	**–**	**- 16.325**	**1,405.231**	**1,402.715**	**1,419.814**
	0.019	**–**	**–**	**–**	**–**	**0.019**	**–**	**–**	**–**	**215.161**	**203.876**
	13.326	–	–	0.110	–	–	0.003	–	13.433	13.847	12.854
	0.017	–	–	–	0.011	–	–	–	0.006	0.253	0.483
	3.858	–	–	1.437	0.634	–	33.684	–	- 29.023	130.864	96.986
	–	–	–	–	–	–	–	–	–	35.464	45.930
	0.178	- 0.018	–	0.035	0.034	–	0.271	–	- 0.110	5.348	5.100
	0.066	–	–	–	–	–	–	–	0.066	3.283	6.843
	17.445	**- 0.018**	**–**	**1.582**	**0.679**	**–**	**33.958**	**–**	**- 15.628**	**189.059**	**168.196**
	3.369	–	–	–	–	–	–	–	3.369	30.306	41.452
	60.142	–	–	1.700	0.492	1.368	–	- 1.915	58.067	11.279	14.463
	63.511	**–**	**–**	**1.700**	**0.492**	**1.368**	**–**	**- 1.915**	**61.436**	**41.585**	**55.915**
	1,599.930	**7.818**	**9.509**	**129.460**	**58.375**	**7.946**	**33.958**	**- 18.401**	**1,628.037**	**2,061.143**	**2,014.610**

(C.4.) Biological assets

The unharvested fruits of bearer plants of T&G Global Limited and its subsidiaries in New Zealand are recognised in biological assets. Biological assets are also measured at fair value based on their location and the condition of the respective plants, less estimated selling costs. Gains or losses from the change in the fair value of biological assets are recognised in the income statement. Selling costs include all costs required to sell the assets.

The fair values of biological assets developed as follows:

in € million	**2017**	2016
Biological assets		
Biological assets on 01/01	15.137	11.977
Capitalised costs	21.705	18.944
Change in fair value less selling costs	2.266	4.850
Disposals due to harvest	- 21.535	- 21.238
Currency differences	- 1.522	0.604
Biological assets on 31/12	**16.051**	**15.137**

The fair values of the biological assets of the BayWa Group, which comprise apples, blueberries, citrus fruits, kiwis and tomatoes, are calculated annually on the basis of discounted cash flows. The measurement methods applied at the Group are to be allocated to level 3 of the fair value hierarchy and are therefore not based on observable market data. There were no transfers between the individual levels of the fair value hierarchy as at 31 December 2017.

Costs are based on current average costs and are in line with standard industry costs. The underlying costs vary depending on the location, cultivation and variety of the bearer plants. A suitable discount rate is determined to allow the fair value of the cash flows to be calculated. The market value of the biological assets before or during the harvest period is based on harvest volumes and estimated market prices, less harvesting and cultivation costs. Changes in the assumptions and estimates used to determine the market value may have a significant impact on the carrying value of the biological assets and the reported result of the valuation.

The following key assumptions and considerations were taken into account when determining the fair value of the Group's biological assets:

- Predictions for the following year are based on the cash flows forecasted by the Management, estimates of the future revenues and the inflation-adjusted margins, and take into account the location and variety of the biological assets.
- Risk-adjusted discount rates take into account risks associated with the harvest, such as natural disasters, diseases in plants, or other factors that could negatively affect quality, yields, or prices.
- All material changes in the current year and the following year from harvest management.

The following unobservable input factors were used to measure the Group's biological assets:

	Unobservable input factors	Variance of unobservable input factors 2017	2016
Apples	tce[1] per hectare per year Export price per tce[1] Risk-adjusted discount rate	1,800 tce[1] to 6,000 tce[1] per hectare per year €11.87 to €35.61 per tce[1] 25%	2,500 tce[1] to 4,750 tce[1] per hectare per year €13.19 to €32.98 per tce[1] 25%
Blueberries	Tonnage per hectare per year Price per kg ex works price per season Risk-adjusted discount rate	6.1 tonnes per hectare per year €7.69 to €11.66 per kg 18%	10.9 tonnes per hectare per year €6.37 to €12.96 per kg 18%
Citrus fruits	Tonnage per hectare per year Price per tonne ex works price per season Risk-adjusted discount rate	16 to 35 tonnes per hectare per year €593.47 to €1068.25 per tonne 14%	23 to 40 tonnes per hectare per year €857.63 to €1,603.11 per tonne 14%
Kiwi fruits	Crates per hectare per year Price per crate ex works price per season Risk-adjusted discount rate	8,500 to 15,000 crates per hectare per year €1.31 to €5.20 per crate 18.0%	8,500 to 15,000 crates per hectare per year €3.08 to €4.68 per crate 18.0%
Tomatoes	Tonnage per hectare per year Price per kg ex works price per season Risk-adjusted discount rate	174 to 620 tonnes per hectare per year €0.72 to €10.44 per kg 25.0%	190 to 1,641 tonnes per hectare per year €1.14 to €11.74 per kg 25.0%

1 tce – tray carton equivalent (equates to approximately 18 kg)

A rise in the harvest volume or a price increase will result in an increase in the fair value of the biological assets. A rise in the discount rate, on the other hand, will result in a decrease in the fair value of the biological assets.

The following table shows the fair values of the harvest as at 31 December 2017:

in € million	**2017**	2016
Biological assets		
Apples	11.826	11.757
Blueberries	0.294	0.299
Citrus fruits (lemons, mandarins, oranges)	1.307	1.294
Kiwi fruits	1.135	0.881
Tomatoes	1.489	0.703
Other biological assets (including grapes and strawberries)	–	0.203
Biological assets on 31 December	**16.051**	**15.137**

Financial risks may arise from the Group's agricultural activities as a result of unfavourable climatic conditions or natural disasters. Furthermore, the Group may be exposed to financial risks as a result of unfavourable changes in market prices or harvest volumes or unfavourable change in exchange rates.

Price risks are minimised by the constant monitoring of commodity prices and the influences of these. The Group also implements appropriate measures to ensure that climatic conditions, natural disasters, diseases in plants, or other factors do not negatively impact harvest quality and yields. Derivative financial instruments, such as commodity futures, are used to reduce foreign currency risks.

The following table shows the owned and leased land available for the cultivation of the various types of biological assets:

	2017 hectares	2016 hectares
Biological assets		
Apples	756	721
Blueberries	11	11
Citrus fruits (lemons, mandarins, oranges)	153	155
Grapes	48	74
Kiwi fruits	46	42
Tomatoes	29	29
Other biological assets	1	2

The following table shows the production volume of the various types of biological assets on own and leased land available for cultivation:

	2017	2016	Production units
Biological assets			
Apples	1,800,272	2,046,889	tce
Blueberries	58,996	69,454	kg
Citrus fruits (lemons, mandarins, oranges)	3,825,968	4,014,432	kg
Grapes	–	349,320	kg
Kiwi fruits	340,712	416,471	Class 1 crates
Tomatoes	12,265,000	12,493,878	kg
Other biological assets	32,870	23,880	kg

(C.5.) Investment property

The “Investment property” item comprises 87 (2016: 100) pieces of land and buildings under lease and/or not essential to the operations of the Group. Allocation is made if the property is leased by third parties, if it is land or greenfield sites not built on and not expressly intended for development or use, and in the case of properties used for a number of purposes, if use by the Group is of minor significance. Properties in this category are mainly warehouses, market buildings, garden centres, farm buildings (barns, etc.), silos, farmland and other undeveloped land as well as, to a minor extent, office and residential buildings.

In accordance with the option under IAS 40, these properties are recognised exclusively at amortised cost and not at fair value and depreciated over their periods of useful life as indicated under Note C.2. The book value on the reporting date came to €40.943 million (2016: €41.585 million). In the financial year, depreciation of buildings came to €1.567 million (2016: €1.700 million). The expense in the same amount has been included under depreciation and amortisation in the income statement. No impairment losses were recognised in the reporting year. In the reporting year, buildings with a book value of €0.044 million (2016: €1.513 million) were reclassified from investment property to property, plant and equipment and non-current assets held for sale. In addition, land with a book value of €0.322 million (2016: €9.824 million) recognised in investment property was reclassified to property, plant and equipment and non-current assets held for sale.

The fair value of these properties was set at €105.485 million (2016: €105.273 million). Fair value is not usually calculated by an expert. Fair value at the end of the reporting period is generally determined on the basis of discounted cash flow calculations (level 3 of the fair value hierarchy). The value of the land is calculated using current, official standard land values. Location-related advantages and disadvantages are suitably taken into account. In the case of buildings let, the income value of the buildings was calculated by taking actual annual rental income generated, less standard management expenses and the residual useful life of the building. A comparison of fair value against the book value of the individual properties showed that there were no impairment requirements in the reporting year. a result, no impairment losses were recognised on land and buildings – as was also the case in the previous year.

Rental income came to €6.228 million (2016: €6.026 million); operating expenses (excluding depreciation) for the properties for which rental income was realised came to €0.543 million (2016: €0.499 million). In regard to properties for which no rental income was generated, operating expenses amounted to €0.213 million (2016: €0.207 million).

(C.6.) Income tax assets

The table below shows a breakdown of income tax assets:

in € million	**2017**	2016
Non-current income tax claims (with a residual term of more than one year)	0.042	0.025
Current income tax claims (with a residual term of up to one year)	74.054	43.365
	74.096	**43.390**

(C.7.) Financial assets

BayWa Group's financial assets comprise currency and interest rate hedges as well as commodity futures classified as financial instruments pursuant to IAS 39. Financial assets are recognised at fair value as at the balance sheet date. Financial assets are classified as "financial assets held for trading" pursuant to IAS 39 as they are held for trading. Foreign exchange and interest rate hedges are measured at their respective stock market or market values (level 1 of the fair value hierarchy) at the end of the reporting period or derived therefrom (level 2 of the fair value hierarchy). Commodity futures are measured at fair value either directly at prices quoted in an active market at the end of the reporting period (level 1 of the fair value hierarchy) or at prices quoted for the respective goods taking into account the term at the end of the reporting period (level 2 of the fair value hierarchy).

The classification of the fair values of financial assets in the fair value hierarchy breaks down as follows:

	Fair values			
in € million 31/12/2017	Level 1	Level 2	Level 3	Total
Financial assets				
Commodity futures	13.931	109.329	–	123.260
Currency hedges	16.442	–	–	16.442
Interest rate hedges	–	–	–	–
	30.373	**109.329**	–	**139.702**

	Fair values			
in € million 31/12/2016	Level 1	Level 2	Level 3	Total
Financial assets				
Commodity futures	18.203	84.939	–	103.142
Currency hedges	49.987	–	–	49.987
Interest rate hedges	–	0.012	–	0.012
	68.190	**84.951**	–	**153.141**

(C.8.) Other receivables and other assets

Receivables and other assets are always recognised at amortised cost and are allocated to the “loans and receivables” category. All discernible risks, which focus in particular on the solvency of the respective contractual parties, are taken account of by appropriate value adjustments. If a receivable shows signs of impairment, a value adjustment is carried out through to the net present value of expected future cash flows. Receivables which are non- or low-interest-bearing with terms of more than one year have been discounted.

The “Other receivables and other assets” item breaks down as follows:

in € million	2017	2016
Non-current receivables (with a residual term of more than one year)		
Trade receivables	8.679	8.814
Receivables from other taxes	0.006	0.020
Other receivables, including deferred income	26.017	39.723
	34.702	**48.557**
Current receivables (with a residual term of up to one year)		
Trade receivables	925.097	969.856
Receivables from affiliated companies	18.256	11.083
Receivables from companies in which a participating interest is held	29.133	38.403
Receivables from other taxes	57.040	62.506
Other receivables, including deferred income	387.818	314.006
	1,417.344	**1,395.854**

The current values of items recognised at amortised cost do not diverge materially from the book values disclosed.

The table below shows the extent of the credit risks inherent in the receivables and other assets.

					Of which: without specific value adjustments at the end of the reporting period and overdue in the following periods			
in € million	Gross value 2017	Specific value adjustments on receivables	Receivables neither overdue nor adjusted	Overdue receivables	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	91 days and over
Receivables	1,476.446	23.928	1,151.674	300.844	219.389	34.749	13.541	33.165

					Of which: without specific value adjustments at the end of the reporting period and overdue in the following periods			
in € million	Gross value 2016	Specific value adjustments on receivables	Receivables neither overdue nor adjusted	Overdue receivables	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	91 days and over
Receivables	1,473.633	25.847	1,228.529	219.257	137.770	18.115	25.821	37.551

BayWa Group's customer structure is strongly diversified, both regionally and in terms of the specific segments. As part of risk management, minimum requirements for creditworthiness and, beyond this, individual credit limits in respect of individual customers have been established for all customers of BayWa Group. The receivables portfolio of BayWa Group is largely made up of numerous small receivables. Credit limits of more than €1 million are only accorded to a small number of customers with particularly good credit standing. The continual analysis of the receivables portfolio and special monitoring of customers with high credit limits enable the early identification and evaluation of concentration risks (risk clusters). As at 31 December 2017, the credit risk positions of 34 debtors (2016: 75) were more than €1 million respectively. The Group does not anticipate any material default risk in respect of these customers.

Value adjustment account
There are material value adjustments requiring disclosure under the IFRS 7 category "Loans and receivables (LaR)" at BayWa Group in the "Trade receivables" balance sheet item under other receivables and other assets; otherwise, value adjustments play a minor role.

The value adjustment account developed as follows:

in € million	**2017**	2016
Status of value adjustments on 1 January	29.222	22.734
Currency differences	- 0.191	0.154
Changes in specific value adjustments	2.753	4.433
Changes in specific value adjustments calculated on a flat rate basis	- 7.384	1.901
Status of value adjustments on 31 December	**24.400**	**29.222**

The estimates underlying the calculation of value adjustments to trade receivables are based on historical default rates. In the reporting year, value adjustments were released with effect on profit or loss of €4.631 million (2016: addition of €6.334 million). This release was able to take place after analysis in the financial year showed that potential defaults on receivables had been taken into sufficient account through specific value adjustments and so the flat-rate value adjustment was able to be eliminated.

Receivables due from affiliated companies and shareholdings relate to both trade receivables and current financings.

Other assets comprise first and foremost supplier credits not yet settled and other receivables items as well as collateral that is required to be posted within the scope of the trading activities. In addition, payments on account for inventories amounting to €67.161 million (2016: €102.100 million) are included.

In order to enhance its financing structure, the Group has secured trade receivables by way of asset-backed securitisation (ABS measure). The total volume from the ABS measure amounted to €140.000 million. Utilisation will be adjusted in line with the variable and seasonal circumstances. The trade receivables secured as at the balance sheet date by way of an ABS measurement totalled €128.907 million (2016: €127.107 million).

(C.9.) Actual and deferred tax assets

Income tax expenses constitute the sum total of current tax expenses and deferred taxes. Current tax expenses are calculated on the basis of taxable income in the year. Taxable income differs from the consolidated result before tax due to expenses and income which are either taxable or tax deductible in subsequent years or never. The Group's liability in respect of current taxes is calculated on the basis of the prevailing tax rates or those that will be valid in the near future from the standpoint of the reporting date. Deferred taxes are recognised for the differences between the book values of the assets and liabilities in the consolidated financial statements and the corresponding tax valuations in the context of calculating taxable income. Deferred tax liabilities are generally reported for all taxable temporary differences; deferred tax assets are only recognised if it is probable that there are taxable gains which can be used for deductible temporary differences. Deferred tax assets on loss carryforwards are recognised provided that future tax advantages are likely to be realised within the next five years (maximum). Such deferred tax assets and deferred tax liabilities are not reported if they arise from temporary differences in goodwill (separate consideration of tax-related goodwill) or from the initial recognition (excepting business combinations) of other assets and liabilities resulting from transactions which have no effect on taxable income or net income. Deferred tax liabilities are formed for taxable temporary differences arising from shares held in subsidiaries or in associates as well as interests in joint ventures, except where the timing of the reversal can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arise through temporary differences in the context of investments and loans which are only recorded to the extent that it is probable that there will be sufficient taxable income available from which assets from temporary differences can be used and where the assumption can be made that they will reverse in the foreseeable future.

The book value of deferred tax assets is assessed every year at the end of the reporting period and lowered if it is unlikely that there will be sufficient taxable income for fully or partially realising the claim.

Deferred tax assets and liabilities are calculated on the basis of expected tax rates (and tax laws) which are likely to be valid at the time when liabilities are settled or assets realised. The measurement of deferred tax assets and liabilities reflects the fiscal consequences which would arise from the way in which, at the end of the reporting period, the Group expects the liabilities to be settled and the assets realised.

Deferred tax assets and liabilities are netted if there is an enforceable right for offsetting current tax assets against current tax liabilities and if they are subject to income tax levied by the same tax authority, and the Group has the intention of settling its current tax assets and current tax liabilities on a net basis. Current and deferred taxes are reported as expenses or income through profit and loss unless they are incurred in connection with items not reported in the income statement (either in other results or directly in equity). In this case, the tax is also to be reported outside the income statement. Moreover, there is no recognition through profit and loss if tax effects arise from the initial recognition of a business combination. In the case of a business combination, the tax effect is to be included when the business combination is accounted for.

(C.10.) Inventories

Raw materials, consumables and supplies, unfinished and finished goods as well as services and merchandise are disclosed under inventories.

Raw materials, consumables and supplies as well as merchandise are generally valued at cost, taking account of lower net realisable values. In most cases, the average-cost method is applied. In some cases, the FIFO (first in, first out) method was applied. Unfinished and finished goods are recognised at their cost of production. They include all costs directly allocable to the production process as well as an appropriate portion of production-related overheads. Financing costs which can be directly assigned to the purchase, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Agricultural produce, harvested from biological assets, is recognised at fair value at the time of harvest less the expected selling costs (see Note C.4. for details on the fair value measurement of biological assets). Inventory risks arising from the storage period or diminished marketability trigger impairment. Lower values on the reporting date due to lower realisable value are accounted for. One exception to this rule applies to the inventories of the Group companies, which are held exclusively for trading and are therefore measured at fair value less selling costs.

Inventories break down as follows:

in € million	**2017**	2016
Raw materials, consumables and supplies	34.617	34.067
Unfinished goods/services	478.150	626.994
Finished goods/services and merchandise	1,809.953	1,719.228
	2,322.720	**2,380.289**

In the case of lower net realisable value, write-downs are generally carried out in the form of specific value adjustments. Only in exceptional cases was a flat rate calculation applied. Impairment recognised in profit or loss for the reporting year increased year on year, from €97.661 million in 2016 to €106.219 million in the reporting year.

The book value of the inventories reported at fair value less selling costs amounted to €439.439 million at the end of the reporting period (2016: €449,319). The fair value of inventories is derived from prices quoted for comparable inventories in active markets at the end of the reporting period. €7.145 million of the inventories disclosed on the reporting date served as collateral for liabilities (2016: €18.933 million).

In the reporting year, borrowing costs of €0.585 million (2016: €0.969 million) were capitalised as part of the cost of unfinished goods. The calculation of borrowing costs eligible for capitalising was based on a borrowing rate of 1.95% (2016: 1.15%).

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

Construction contracts include contracts relating to the construction of photovoltaic systems and large-scale turnkey projects (e.g. the construction of stable equipment); these contracts were accounted for using the percentage-of-completion method. Where the result of a construction contract can be reliably estimated, the BayWa Group recognises revenues using the percentage-of-completion method on the basis of the ratio of the costs already incurred to the estimated total cost of the construction contract. Changes to contractual work, benefits and performance bonuses are included to the extent that the amount can be reasonably estimated and their receipt is considered likely.

If the outcome of a construction contract cannot be reliably estimated, revenue is only recognised to the extent of the contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall immediately be recognised as an expense.

The BayWa Group recognises amounts received before construction work is performed in the consolidated balance sheet as payments received. All invoiced amounts that have not yet been paid by customers are presented in the balance sheet as part of trade receivables and other receivables.

Incurred costs and realised profit shares, less losses incurred for current construction contracts, amounted to €140.119 million as at the reporting date (2016: €84.966 million). The BayWa Group's sales revenues include revenue from construction contracts determined using the percentage-of-completion method of €74.078 million (2016: €77.186 million).

Payments received for current construction contracts and from customers include amounts relating to current construction contracts amounted to €59.633 million in the current financial year (2016: €0.000 million).

The "Other receivables and other assets" item includes receivables from construction contracts of €86.597 million (2016: €79.603 million). Liabilities from construction contracts amounted to €0.000 million as a result of an impending loss (2016: €0.079 million).

(C.11.) Cash and cash equivalents

Cash and cash equivalents worth €105.547million (2016: €104.436 million) comprise cash in hand, cheques and deposits in banks with initial terms of no more than three months.

(C.12.) Non-current assets held for sale/disposal groups

Assets of BayWa Group are classified as non-current assets held for sale if there is a Board of Management resolution on the sale and the sale is highly probable within the following year (2018).

At the end of the reporting period, there were 9 properties (2016: 12) intended for sale and disclosed under the non-current assets held for sale item. These relate to a former building materials store, parcels of undeveloped land and developed land on which warehouses, halls, silos, garages, offices, and one building materials centre have been constructed. In addition, parts of a solar park in the US are included in assets held for sale.

The standard under IFRS 5 regulating measurement specifies that depreciation of the respective assets must be suspended and impairment losses must only be recognised owing to lower fair values less costs to sell.

There were assets with book values assigned to non-current assets held for sale/disposal groups totalling €13.727 million at the end of the reporting period (2016: €24.931 million). Fair value less estimated costs to sell came to a total of €14.525 million (2016: €31.346 million).

Fair value is measured on the basis of ongoing purchase price negotiations taking into account possible costs to sell. In those cases in which no disposal prices could be derived from ongoing purchase price negotiations, the fair value of real estate is measured on the basis of discounted cash flow calculations (level 3 of the fair value hierarchy). The value of the land is calculated using current, official standard land values. Location-related advantages and disadvantages are suitably taken into account. In the case of buildings let, the income value of the buildings was calculated by taking actual annual rental income generated, less standard management expenses and the residual useful life of the building.

Non-current assets held for sale/disposal groups break down as follows:

in € million 2017	Agriculture Segment	Building Materials Segment	Energy Segment	Innovation & Digitalisation Segment	Other Activities	Total
Non-current assets						
Property, plant and equipment	–	–	1.194	–	12.533	13.727
Non-current assets held for sale/disposal groups	**–**	**–**	**1.194**	**–**	**12.533**	**13.727**

in € million 2016	Agriculture Segment	Building Materials Segment	Energy Segment	Innovation & Digitalisation Segment	Other Activities	Total
Non-current assets						
Property, plant and equipment	–	–	–	–	24.931	24.931
Non-current assets held for sale/disposal groups	**–**	**–**	**–**	**–**	**24.931**	**24.931**

The gains or losses from disposal realised in the current financial year in connection with non-current assets held for sale/disposal groups were reported in the income statement under other operating income (Note D.2.) and other operating expenses (Note D.5.).

(C.13.) Equity

The consolidated statement of changes in equity shows the development of equity in detail.

Subscribed capital

On 31 December 2016, BayWa AG's subscribed capital of €89.633 million (2016: €89.347 million) was divided into 35,012,806 ordinary registered shares with an arithmetical portion in the share capital of €2.56 per share. Of the shares issued, 33,657,934 are registered shares with restricted transferability and 111,621 recently registered shares with restricted transferability (dividend-bearing employee shares from 1 January 2018 onwards). 1,243,251 shares are registered shares not subject to restricted transferability.

In respect of subscribed capital disclosed and pursuant to IAS 32, the share capital was reduced by the mathematical value of the shares bought back (19,500 units, the equivalent of €0.050 million) in previous years; the capital reserve also decreased by €0.063 million for the same reason. No shares were bought back in the financial year 2017.

The number of shares in circulation, excluding repurchased treasury shares, developed as follows during the reporting year:

	Registered shares without restricted transferability	Registered shares with restricted transferability
As at 01/01/2017	1,243,251	33,638,434
Issuing of employee shares		111,621
As at 31/12/2017	**1,243,251**	**33,750,055**

Subject to the approval of the Supervisory Board, the Board of Management is authorised to raise the share capital on or before 31 May 2021 by up to a nominal amount of €12,500,000 through the issuance of new registered shares against contributions in kind. The authorisation can be used in part amounts. Shareholders' subscription rights are excluded. Subject to approval by the Supervisory Board, the Board of Management is authorised to determine the further content of share rights and conditions under which the shares are to be issued (Authorised Capital 2016).

Furthermore, subject to the approval of the Supervisory Board, the Board of Management is authorised to raise the share capital one or several times on or before 18 May 2020 by up to an overall nominal amount of €5,000,000.00 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 Sections 15 et seqq. of the German Stock Corporation Act (AktG). Shareholders' subscription rights are excluded. Subject to approval by the Supervisory Board, the Board of Management is authorised to determine the further content of share rights and conditions under which the shares are to be issued. Of this amount, €895,902.72 has been utilised as at 31 December 2017 through the issuing of employee shares. The remaining amount stands at €4,104,097.28 (remaining Authorised Capital 2015).

Subject to approval by the Supervisory Board, the Board of Management of BayWa AG is authorised to raise the share capital one or several times on or before 31 May 2018 by up to a nominal amount of €10,000,000 through the issuance of new registered shares against contributions in kind. The authorisation can be used in part amounts. Shareholders' subscription rights are excluded. Subject to approval by the Supervisory Board, the Board of Management is authorised to determine the further content of share rights and conditions under which the shares are to be issued (Authorised Capital 2013).

Capital reserves

The capital reserve of €111.501 million (2016: €108.153 million) is derived mainly from the premiums in an amount of €81.792 million (2016: €78.444 million) from the capital increases executed to date by BayWa AG. Furthermore, premiums were generated on the nominal values of the BayWa shares issued in connection with the acquisition of RWA AG and WLZ AG and the participations exchanged below their rating at the historical stock market prices. These have also been disclosed under capital reserve.

As in 2016, employees of BayWa AG and associates in Germany and Austria had the opportunity to acquire BayWa shares at favourable conditions within the scope of a voluntary Employee Share Scheme in 2017. In this context, 111,621 recent (as at 1 January 2017 dividend-bearing) (2016: 117,205 recent [as at 1 January 2018 dividend-bearing]) registered shares with restricted transferability were issued in the financial year 2017. The exercise price of employee shares came to €19.53 (2016: €17.94) and was therefore 60% of the stock market price of registered BayWa shares with restricted transferability, which, on the preceding day, had stood at €32.55 (2016: €29.90); BayWa's Board of Management had passed the resolution on the capital increase required for this measure. As in 2016, the contribution of each participating employee amounted to at least €135.00 and no more than €540.00. The advantage granted of €1.453 million (2016: €1.402 million), which was the difference between the actual buying price and the stock market price, was posted to capital reserve in accordance with IFRS 2 and reported as an expense under personnel expenses. The vesting period for these shares will end on 31 December 2019. The shares issued to Austrian employees are also subject to a tax retention period, which will end on 31 December 2022.

Hybrid capital

BayWa AG issued a hybrid bond on 4 October 2017 with a total nominal amount of €300.000 million. Taking into account a discount of 0.551%, the issue price amounted to 99.449% of the total nominal amount. Net income from the issue amounted to €295.197 million. The remaining difference is attributable to bank fees and transaction costs incurred as part of the issue, including the deferred tax assets formed as a result.

The hybrid capital is an equity instrument as defined under IAS 32 and has no fixed term. It can only be terminated by BayWa by way of ordinary termination or also by way of extraordinary termination is certain circumstances arise. The capital is then repaid. In terms of interest in the period between the issue and repayment, there are two distinct phases: In the phase up to the first possible repayment date in 2022 the interest rate is at a fixed rate of 4.250%. In the second phase up to the repayment of the bond, the rate of interest is variable with the margin determined in advance. The discount, bank fees and transaction costs, as well as deferred tax assets on these costs, were deducted directly from equity in accordance with IAS 32.37 et seq.

The annual dividend-like payments are part of the appropriation of earnings. The first payment is due in October 2018, meaning that there will be no effects on the consolidated financial statements as at 31 December 2017.

Revenue reserves

The revenue reserves of the Group stood at €557.218 million at the end of the reporting period (2016: €537.042 million). Of this amount, €5.139 million (2016: €5.204 million) was attributable to the statutory reserve, €29.400 million (2016: €13.220 million) to the assessment reserve, €–226.630 million (2016: €–238.148 million) to the reserves for actuarial gains and losses for provisions for pensions and severance pay and €749.255 million (2016: €756.766 million) to other reserves. Transfers to and withdrawals from the revenue reserves were recorded both at the parent company BayWa AG and at the consolidated subsidiaries.

Other reserves

Other reserves comprise consolidated profit available for distribution of €57.329 million (2016: €54.210 million) as well as currency differences of €–4.365 million (2016: €15.640 million) carried without effect on income.

Minority interest

The minority interest in equity primarily pertains to the cooperatives invested in the Austrian subsidiaries as well as the minority shareholders in T&G Global Limited and their respective subsidiaries. Details on the shares held by the non-controlling shareholders can be found in Note B.1. of the Consolidated Financial Statements.

Capital management

The capital structure of the Group is made up of liabilities and equity. It is described in more detail in Notes C.13. to C.22. Equity capital came to 22.1% (2016: 17.0%) of total equity at the end of the reporting period. Adjusted for the recognised reserve for actuarial gains and losses from provisions for pensions and severance pay including minority interests in the amount of €–234.027 million (2016: €–245.373 million), the equity ratio is 25.7% (2016: 20.8%). As this reserve results from a change of parameters not within the company's control when calculating personnel provisions, BayWa's capital management uses an adjusted equity ratio. For trading companies such as BayWa Group, a fixed equity ratio is only of limited relevance as a key business figure. However, in particular the change in current assets following the warehousing of inventories in the form of agricultural commodities, as well as the acquisition of project rights in the field of renewable energies filters through directly to total assets and, in turn, the equity ratio forms the foundation for corresponding trading activities in the following year. As a result, the BayWa Group uses equity-to-fixed-assets ratio II as a target in its capital management process. This is designed to ensure that equity and long-term borrowings cover at least 90% of non-current assets. As at 31 December 2017, the equity-to-fixed-assets ratio was in excess of 140%.

Gearing

BayWa Group's management assesses and manages the capital structure in regular intervals via factors such as the key indicators "adjusted net debt", "adjusted equity" and "adjusted net debt/EBITDA".

Cash and cash equivalents are deducted from current and non-current financial liabilities at banks. Non-recourse financings are also deducted despite them carrying interest. They pertain to loans extended to project companies in the Renewable Energies business unit that are solely based on project cash flow instead of BayWa Group's credit rating. Lenders have no access whatsoever to BayWa Group's assets and cash flows outside each project company. EBITDA generated by the project companies during the reporting year came to €44.633 million (2016: €53.865 million). Grain inventories for immediate use are also deducted. These inventories could be converted into cash and cash equivalents as soon as they are recognised due to their highly liquid and current nature as well as their daily prices listed on international markets and stock exchanges. Any price risk is fully eliminated by a physical asset for sale, either through concluding a sales agreement with a highly solvent business partner or through a forward contract on the stock exchange. On account of the highly liquid nature of these inventories, BayWa Group deems it to be appropriate to deduct them as cash and cash equivalents when calculating net debt and the related financial key figures.

in € million	**31/12/2017**	31/12/2016
Non-current and current liabilities at banks	2,323.327	2,617.594
less cash and cash equivalents	- 105.547	- 104.436
Net debt	**2,217.780**	**2,513.158**
less non-recourse financing	- 107.914	- 260.158
less inventories for immediate use	- 773.562	- 781.835
Adjusted net debt	**1,336.304**	**1,471.165**
Annualised EBITDA	318.435	272.568
Adjusted equity	1,669.538	1,343.719
Net debt (adjusted) to equity (adjusted) (in %)	**80**	**109**
Net debt (adjusted)/EBITDA	**4.20**	**5.40**

(C.14.) Pension provisions

In Germany, there is a defined benefit statutory basic care scheme for employees which undertakes pension payments depending on the contributions made. In addition, pension provisions are set up as part of the company pension scheme to cover obligations arising from accrued pension rights and from ongoing payments to employees in active service and former employees of BayWa Group and their dependents. According to the legal, economic and fiscal circumstances of the respective countries, there are different systems of provisioning for retirement which are generally based on the length of service and the remuneration of the employees.

BayWa Group's current pension commitments are based exclusively on defined benefit plans. They are based both on company agreements and commitments made on a case-by-case basis. For the most part, these are final pay plans. The obligation of the company consists in fulfilling the committed benefits to active and former employees ("defined benefit plans"). The benefit commitments undertaken by the Group are financed by allocations to provisions.

Due to pension plans no longer being available to new participants, the risks for BayWa related to defined benefit plans – such as longevity or salary increases – have been significantly reduced. Prior commitments relate to 12,244 claimants. Of this number, 2,593 are active employees, 2,175 former employees with vested benefits and 7,476 are pensioners and surviving dependants. More details on the arrangement of the key defined benefit plans are provided below.

BayWa grants retirement benefits on the basis of the benefit commitments of benefit plans taken out; the amount paid out depends on the employees' wages or salary. These constitute traditional defined benefit obligations in the form of fixed-sum systems, benchmark systems or final salary based commitments granted in the form of old-age, invalidity, widow/widower or orphan's pensions. The Group bears the actuarial risks for these prior commitments; these risks include longevity and interest rate risks.

The Group's Austrian companies also grant benefit plans; the amount paid out also depends on the employees' wages or salary. These benefit plans are also granted in the form of old-age, invalidity, widow/widower or orphan's pensions. The Group also bears the actuarial risks for these commitments; these risks include longevity and interest rate risks.

In addition, the Austrian Group companies have statutory obligations to issue severance payments after the termination of an employment contract. These obligations are defined benefit plans and, as such, also fall within the scope of IAS 19. The Group also bears interest rate risks in these cases.

The provisions for pensions and severance pay have been formed according to the projected unit credit method in accordance with IAS 19. Pursuant to this method, not only the pension and pension rights at the end of the reporting period, but also future increases in pensions and salaries are accounted for applying a cautious assessment of the relevant variables. This calculation is derived from actuarial appraisals and based on a biometric calculation.

The amount of the pension obligations (defined benefit obligation) has been calculated using actuarial methods where estimates are indispensable. Along with assumptions of life expectancy, the following premises, which have been established for the companies in Germany and Austria, play a role. In the case of Group companies which are not located in Germany and Austria, benefit commitments only exist in exceptional cases.

in %	**31/12/2017**	31/12/2016
Discount factor	1.85	1.70
Salary trend	1.00 – 3.00	1.00 – 3.00
Pension trend	1.00 – 2.50	1.00 – 3.00

The amount of severance pay obligations (defined benefit obligation) has also been calculated using actuarial methods based on estimates. The following assumptions were applied as a standard for all Austrian Group companies. The non-Austrian Group companies do not have any severance pay obligations.

in %	**31/12/2017**	31/12/2016
Discount factor	1.10	1.15
Salary trend	2.50 – 3.50	2.50 – 3.50

The salary trend reflects anticipated increases in salaries which, depending on inflation and the length of service to the company, among other factors, are estimated on an annual basis.

For the German companies, assumptions on life expectancy were based on the mortality tables of Prof. Dr. Klaus Heubeck (actuarial tables 2005 G). "AVO 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler" (computational framework for post-employment benefit insurance) in the version intended for employees is used for the Austrian companies.

Increases and decreases in the present value of defined benefit obligations can give rise to actuarial gains or losses, the cause of which can also be divergences between actual and estimated parameters of calculation. The resulting actuarial gains and losses are recognised directly in equity.

Actuarial gains of €12.850 million (2016: actuarial losses of €43.431 million) were recorded directly in equity in the reporting year. This includes actuarial losses in the amount of €0.019 million (2016: actuarial gains of €0.061 million) from associates accounted for using the equity method. As at the end of the reporting period, actuarial losses recognised directly in equity before deferred taxes amounted to €300.550 million (2016: €313.578 million).

Total expenses from BayWa Group's benefit commitments amounted to €17.859 million (2016: €20.986 million) and comprise the following:

in € million	2017	2016
Ongoing service cost	6.433	7.233
+ share of interest	11.426	13.753
= sum total recognised through profit and loss	**17.859**	**20.986**

Total expenses from the Austrian Group companies' severance pay obligations amounted to €1.808 million (2016: €1.923 million) and comprise the following:

in € million	2017	2016
Ongoing service cost	1.369	1.384
+ Share of interest	0.439	0.539
= Sum total recognised through profit and loss	**1.808**	**1.923**

The expenses arising from the accrued interest on rights acquired in the past are disclosed under the financial result. Rights accrued in the respective financial year are included under personnel expenses.

During the reporting period, the net present value of defined benefit obligations (DBO) and therefore the value of pension obligations reported at Group level have changed as follows:

in € million		2017	2016
DBO as at 1 January		689.967	655.253
+	Changes in the group of consolidated companies	–	0.862
+	Sum total through profit and loss	17.859	20.986
+/–	Changes in actuarial gains (–)/losses (+)	- 13.425	42.184
–	Pension payments during the reporting period	- 28.576	- 29.271
+/–	Assumption of obligations	- 0.453	- 0.047
=	**DBO as at 31 December**	**665.372**	**689.967**

The actuarial gains calculated for the reporting year (2016: actuarial losses) comprise actuarial losses from adjustments based on empirical experience of €1.730 million (2016: €3.408 million), actuarial gains of €14.970 million (2016: actuarial losses of €38.664 million) from the change in financial assumptions as well as actuarial gains of €0.185 million (2016: actuarial losses of €0.112 million) from the change in demographic assumptions.

During the reporting period, the net present value of defined benefit obligations (DBO) and therefore the value of provisions for severance pay reported at Group level have changed as follows:

in € million		2017	2016
DBO as at 1 January		34.202	32.695
+	Changes in the group of consolidated companies	–	–
+	Sum total through profit and loss	1.808	1.923
+/–	Changes in actuarial gains (–)/losses (+)	0.575	1.308
–	Pension payments during the reporting period	- 1.767	- 1.724
+/–	Assumption of obligations	- 2.537	–
=	**DBO as at 31 December**	**37.355**	**34.202**

The actuarial losses calculated for the reporting year comprise actuarial gains from adjustments based on empirical experience of €0.054 million (2016: actuarial losses of €0.202 million), actuarial gains of €0.028 million (2016: €0.229 million) from the change in demographic assumptions as well as actuarial losses of €0.658 million (2016: €1.335 million) from the change in financial assumptions.

Defined pension obligations developed as follows:

in € million	
2013	540.848
2014	671.647
2015	655.253
2016	689.967
2017	**665.372**

The actuarial gains (–)/losses (+) from adjustments with regard to pension obligations based on empirical experience are as follows:

in € million	
2013	5.980
2014	0.161
2015	0.698
2016	3.408
2017	**1.730**

Severance pay obligations developed as follows:

in € million	
2013	28.923
2014	32.275
2015	32.695
2016	34.202
2017	**37.355**

The actuarial gains (–)/losses (+) from adjustments with regard to severance pay obligations based on empirical experience are as follows:

in € million	
2013	0.187
2014	- 0.590
2015	0.051
2016	0.202
2017	**- 0.054**

In the financial year 2018, we expect that a probable amount of €18.224 million will be recognised through profit and loss for defined benefit plans and €1.947 million for severance pay obligations.

Sensitivity analyses

The material measurement parameters for pension obligation and severance pay provisions are the discount factor as well as the salary trend, and for pension obligations also include the pension trend and the remaining life expectancy, all of which may be subject to a certain degree of fluctuation over time. The following sensitivity analyses for pension and severance pay obligations show the effects on the obligations resulting from changes to material actuarial assumptions. In each case, one material factor was changed with the others remaining constant. In reality, however, it is rather unlikely that these factors would not correlate.

Sensitivity analysis for the DBO from pension obligations

	Change in parameter in % or years	If the parameter increases, the DBO changes by	If the parameter decreases, the DBO changes by	Relationship between measurement parameter and DBO
Discount rate	± 0.75%	- 10.83%	13.05%	The higher the discount rate, the lower the DBO
Salary increase	± 0.50%	0.96%	- 0.92%	The higher the salary increase, the higher the DBO
Pension increase	± 0.50%	6.17%	- 5.64%	The higher the pension increase, the higher the DBO
Remaining life expectancy according to mortality tables	± 1 year	6.11%	- 6.19%	The higher the life expectancy, the higher the DBO

Sensitivity analysis from the DBO from severance pay obligations

	Change in parameter in % or years	If the parameter increases, the DBO changes by	If the parameter decreases, the DBO changes by	Relationship between measurement parameter and DBO
Discount rate	± 0.75%	- 6.40%	7.16%	The higher the discount rate, the lower the DBO
Salary increase	± 0.50%	4.56%	- 4.28%	The higher the salary increase, the higher the DBO

The weighted duration of pension obligations is 15 years (2016: 15 years). The weighted duration of severance pay obligations is 9 years (2016: 9 years).

The expected undiscounted payments from pension and severance pay obligations in subsequent years are as follows:

in € million	Sum total	2018	2019 – 2022	2023 – 2027	> 2027
Pension obligations	953.044	29.197	118.844	145.444	659.559
Severance pay obligations	41.562	1.193	7.242	13.554	19.573

(C.15.) Other provisions

Other provisions are formed when there is a present legal or factual obligation towards a third party resulting from an event in the past which is likely to be called upon and when the amount of the provision can be reliably estimated. Provisions are recognised in the amount of the anticipated utilisation. Provisions which were not drawn upon in the following year are recognised at the discounted settlement amount at the end of the reporting period. Discounting is based on market rates.

Other provisions are mainly attributable to:

in € million	**2017**	2016
Non-current provisions (with a majority of more than one year)		
Obligations from personnel and employee benefits	66.864	62.413
Other provisions	20.957	23.879
	87.821	**86.292**
Current provisions (with a maturity of up to one year)		
Obligations from personnel and employee benefits	81.989	69.222
Other provisions	116.431	110.767
	198.420	**179.989**

Provisions for obligations arising from personnel and employee benefits consist mainly of provisions for jubilee expenses, service units, vacation backlogs and flexitime credits as well as for age-related part-time service. Other provisions mainly comprise provisions for obligations from dismantling operations, for outstanding invoices, guarantee obligations, sales-related bonuses and discounts as well as for impending losses from uncompleted transactions. In addition, there are a number of discernible risks and uncertain obligations. They mainly relate to costs for inherited contamination, follow-up costs and litigation risks.

The provisions developed as follows:

in € million 2017	As at 01/01/2017	Addition	Reclassi-fication	Compound interest/ discounting	Utilisation	Release	Currency differences	As at 31/12/2017
Non-current provisions								
Obligations from personnel and employee benefits	62.413	10.325	- 0.149	0.904	5.618	1.009	- 0.003	66.863
Other provisions	23.879	3.675	- 0.361	1.310	6.359	0.626	- 0.560	20.958
	86.292	**14.000**	**- 0.510**	**2.214**	**11.977**	**1.635**	- 0.563	**87.821**
Current provisions								
Obligations from personnel and employee benefits	69.222	66.055	0.149	- 0.026	49.179	3.675	- 0.558	81.988
Other provisions	110.767	74.971	0.362	0.072	60.696	7.093	- 1.951	116.432
	179.989	**141.026**	**0.511**	**0.046**	**109.875**	**10.768**	- 2.509	**198.420**

in € million 2016	As at 01/01/2016	Addition	Reclassi- fication	Compound interest/ discounting	Utilisation	Release	Currency differences	As at 31/12/2016
Non-current provisions								
Obligations from personnel and employee benefits	60.033	8.716	- 0.439	0.689	6.513	0.073	–	62.413
Other provisions	22.585	3.009	- 0.119	1.286	3.016	0.134	0.268	23.879
	82.618	**11.725**	**- 0.558**	**1.975**	**9.529**	**0.207**	**0.268**	**86.292**
Current provisions								
Obligations from personnel and employee benefits	63.703	55.169	0.439	–	46.975	3.349	0.235	69.222
Other provisions	112.237	115.937	0.119	0.072	110.100	8.008	0.510	110.767
	175.940	**171.106**	**0.558**	**0.072**	**157.075**	**11.357**	**0.745**	**179.989**

(C.16.) Financial liabilities

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

in € million 2017	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Financial liabilities				
Due to banks	1,119.030	693.208	191.218	2,003.456
Commercial paper	318.500	–	–	318.500
Dormant equity holding	1.371	–	–	1.371
	1,438.901	**693.208**	**191.218**	**2,323.327**

in € million 2016	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Financial liabilities				
Due to banks	1,036.032	775.265	329.926	2,141.223
Commercial paper	475.000	–	–	475.000
Dormant equity holding	1.371	–	–	1.371
	1,512.403	**775.265**	**329.926**	**2,617.594**

BayWa Group finances itself through credit lines, on the one hand, and short-term loans for which no collateral is furnished, on the other. In individual cases, long-term bank loans are used. In the financial year 2017, BayWa AG placed a short-term bonded loan in a nominal amount of €75.000 million on 10 May. BayWa AG placed other bonded loans in 2011, 2014 and 2015.

The bonded loans serve to diversify the Group's financing and are reported under liabilities due to banks.

2017	Nominal amount of loan in € million	Maturity	Interest
Bonded loan 364-day variable	75.000	09/05/2018	1-month Euribor plus 0.43%

2015	Nominal amount of loan in € million	Maturity	Interest
Bonded loan 5-year fixed	26.000	09/11/2020	1.03%
Bonded loan 5-year variable	20.000	09/11/2020	6-month Euribor plus 0.75%
Bonded loan 6-year fixed	28.000	09/11/2021	1.52%
Bonded loan 6-year variable	21.500	09/11/2021	6-month Euribor plus 1.10%
Bonded loan 7-year fixed	33.500	09/11/2022	1.71%
Bonded loan 7-year variable	24.500	09/11/2022	6-month Euribor plus 1.15%
Bonded loan 10-year fixed	46.500	09/11/2025	2.32%

2014	Nominal amount of loan in € million	Maturity	Interest
Bonded loan 5-year fixed	100.500	06/10/2019	1.34%
Bonded loan 5-year variable	53.000	06/10/2019	6-month Euribor plus 0.85%
Bonded loan 7-year fixed	79.500	06/10/2021	1.87%
Bonded loan 7-year variable	52.000	06/10/2021	6-month Euribor plus 1.10%
Bonded loan 10-year fixed	80.000	06/10/2024	2.63%
Bonded loan 10-year variable	18.000	06/10/2024	6-month Euribor plus 1.45%

2011	Nominal amount of loan in € million	Maturity	Interest
Bonded loan 7-year fixed	67.500	12/12/2018	3.77%
Bonded loan 7-year variable	28.000	12/12/2018	6-month Euribor plus 1.40%

The bonded loans were reported at the fair value corresponding to the nominal value at the time when they were recognised, less transaction costs. The bonded loans are measured at amortised cost.

Of the current liabilities due to banks, loans of €738.363 million (2016: €902.825 million) are due at any time. The difference of €380.667 million (2016: €133.207 million) relates to the short-term portion of non-current liabilities due to banks. The average effective interest rate on short-term loans is currently approximately 1.13% (2016: 1.11%) per year.

Of the Commercial Paper Programme concluded by BayWa with a total volume of €500.000 million, €318.500 million in commercial paper with an average term of 45 days (2016: 49 days) and an average weighted effective interest rate of 0.36% (2016: 0.38%) had been issued as at the balance sheet date (2016: €475.000 million).

Of the liabilities due to banks, €7.200 million at Group level (2016: €3.859 million) have been secured by a charge over property.

The fair value of the financial liabilities does not diverge materially from the book values disclosed and is reported in Note C.25.

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

(C.17.) Financial lease obligations

The liabilities-side net present values of future leasing instalments are carried under the finance lease obligations (see also Note C.2.).

in € million 2017	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Financial lease obligations	7.955	32.246	125.643	165.844

in € million 2016	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Financial lease obligations	8.371	31.575	132.564	172.510

(C.18.) Trade payables and liabilities from inter-group business relationships

Non-current liabilities are disclosed in the balance sheet at amortised cost. Differences between the historical costs and the repayment amount are taken account of using the effective yield method. Current liabilities are recognised in their repayment or settlement amount.

Liabilities due to affiliated companies and companies in which a participating interest is held comprise not only trade payables but also liabilities arising from financing.

in € million 2017	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Trade payables	755.804	2.870	0.256	758.930
Liabilities due to affiliated companies	10.410	–	–	10.410
Liabilities to companies in which a participating interest is held	49.511	–	–	49.511
Payments received on orders	88.248	–	–	88.248
	903.973	**2.870**	**0.256**	**907.099**

in € million 2016	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Trade payables	744.834	2.596	0.278	747.708
Liabilities due to affiliated companies	5.801	–	–	5.801
Liabilities to companies in which a participating interest is held	45.998	–	–	45.998
Payments received on orders	97.677	–	–	97.677
	894.310	**2.596**	**0.278**	**897.184**

(C.19.) Income tax liabilities

Income tax liabilities according to residual terms break down as follows:

in € million 2017	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Income tax liabilities	28.007	0.102	–	28.109
	28.007	**0.102**	**–**	**28.109**

in € million 2016	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Income tax liabilities	29.924	–	–	29.924
	29.924	**–**	**–**	**29.924**

(C.20.) Financial liabilities

BayWa Group's financial liabilities comprise currency and interest rate hedges as well as commodity futures classified as financial instruments pursuant to IAS 39. Financial liabilities are recognised at fair value as at the balance sheet date. Financial liabilities are classified as "financial liabilities held for trading" pursuant to IAS 39 as they are held for trading. Foreign exchange and interest rate hedges are measured at their respective stock market or market values (level 1 of the fair value hierarchy) at the end of the reporting period or derived therefrom (level 2 of the fair value hierarchy). Commodity futures are measured at fair value either directly at prices quoted in an active market at the end of the reporting period (level 1 of the fair value hierarchy) or at prices quoted for the respective goods taking into account the term at the end of the reporting period (level 2 of the fair value hierarchy).

The classification of the fair values of financial liabilities in the fair value hierarchy breaks down as follows:

	Fair values			
in € million 31/12/2017	Level 1	Level 2	Level 3	Total
Financial liabilities				
Commodity futures	4.404	79.326	–	83.730
Currency hedges	29.400	–	–	29.400
Interest rate hedges	–	3.795	–	3.795
	33.804	**83.121**	**–**	**116.925**

	Fair values			
in € million 31/12/2016	Level 1	Level 2	Level 3	Total
Financial liabilities				
Commodity futures	17.711	86.848	–	104.559
Currency hedges	50.575	–	–	50.575
Interest rate hedges	–	6.970	–	6.970
	68.286	**93.818**	**–**	**162.104**

€113.011 million of the disclosed financial liabilities had a residual term of a maximum of one year (2016: €152.628 million). The residual term for financial liabilities of €3.914 million was between one and a maximum of five years (2016: €9.476 million).

(C.21.) Other liabilities

The table below shows a breakdown of other liabilities:

in € million 2017	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Social security	5.030	0.667	–	5.697
Allowances received	0.085	0.464	1.559	2.108
Liabilities from other taxes	57.951	–	–	57.951
Other liabilities including accruals	203.944	28.601	80.758	313.303
	267.010	**29.732**	**82.317**	**379.059**

in € million 2016	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Social security	4.549	0.807	–	5.356
Allowances received	0.045	0.389	0.510	0.944
Liabilities from other taxes	65.567	–	–	65.567
Other liabilities including accruals	207.323	28.266	59.978	295.567
	277.484	**29.462**	**60.488**	**367.434**

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

In the case of public subventions, these are amounts granted by public-sector authorities in connection with new investments. These subventions are released over the probable useful life of the respective asset with the concurrent effect on income. In the financial year, the release came to €0.109 million (2016: €0.112 million), which is disclosed under other operating income.

(C.22.) Deferred tax liabilities

Tax liabilities are deferred in accordance with the temporary concept defined under IAS 12 using the valid or official and known tax rates as at the reporting date. Further explanations on deferred tax can be found under Note D.8. “Income Taxes”.

(C.23.) Contingent liabilities

in € million	**2017**	2016
Bills and notes payable	0.302	0.201
(of which to affiliated companies)	(–)	(–)
Guarantees	151.037	148.714
(of which to affiliated companies)	(–)	(5.742)
(of which to associates)	140.432	(112.621)
Warranties	100.894	83.954
(of which to affiliated companies)	3.335	(–)
(of which to associates)	94.186	(81.234)
Collateral for liabilities of third parties	11.425	12.653
(of which to affiliated companies)	(–)	(–)

For practical reasons, BayWa dispenses with the disclosures specified in IAS 37.86 and IAS 37.89.

(C.24.) Other financial obligations

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

in € million	2017	2016
Other financial obligations		
from buyback obligations	15.568	20.630
from amounts guaranteed for interests in cooperative companies	10.011	9.962

There are contractual obligations (purchase commitments) of €0.048 million (2016: €0.072 million) for the purchase of intangible assets, €10.145 million (2016: €17.689 million) for property, plant and equipment (real estate, vehicles) and €340.794 million (2016: €329.230 million) for inventories.

(C.25.) Financial instruments

Accounting policies and valuation methods

Under IAS 32, a financial instrument is an agreement which gives rise simultaneously to a financial asset of one entity and a financial liability or equity instrument of another. Initial recognition is carried out at fair value; for subsequent measurements, the financial instruments are allocated to the measurement categories defined under IAS 39 and treated accordingly. Financial assets in BayWa Group are in particular trade receivables and financial investments as well as positive fair values from currency and interest rate hedges. In addition, the positive fair value of commodity futures classified as financial assets within the meaning of IAS 39 would only be recognised for those scheduled for trading and not those scheduled to be utilised by the Group. Financial liabilities regularly constitute a right of repayment in funds or another financial asset. In BayWa Group, these are especially liabilities due to banks and trade payables as well as currency and interest rate hedges. In addition, the negative fair value of commodity futures classified as financial liabilities within the meaning of IAS 39 would only be recognised for those scheduled for trading and not those scheduled to be utilised by the Group.

The financial assets cover the following classes:

- Financial assets available for sale (AfS): Financial assets available for sale are primarily financial investments, i.e. participating interests in non-consolidated companies, participations and securities. Measurement is carried out at fair value which is based on the stock market price or the market price in as much as there is an active market which allows realistic measurement. The majority of assets in this category are traded in an active market. For those financial assets in this category not traded in an active market and for which deriving the fair value using comparable transactions of the respective period was also not possible, measurement at cost and, if necessary, less any impairments, was used as the best evidence of fair value. Gains and losses not realised are reported in equity under an available-for-sale reserve without effect on income. Upon disposal of financial assets, the accumulated gains and losses from subsequent measurements at fair value are recorded in equity through profit and loss until this date. If there is evidence of a significant or permanent impairment of the fair value, this is carried out in the income statement through profit and loss.
- Loans and receivables (LaR): After initial recognition, loans and receivables are carried in the balance sheet exclusively at amortised cost. In BayWa Group, they mainly have short residual terms. The book value is thus a reasonable approximation of fair value. Gains and losses are recorded directly in the consolidated result when the loans and receivables are charged off or impairment is carried out.
- Financial assets held for trading (FAHfT): Financial assets held for trading are recognised at their fair value. This category also comprises derivative financial instruments which do not fulfil the conditions of a hedging instrument. Measurement is based on the market or stock market value. Gains and losses from subsequent measurements are recorded through profit and loss. In addition, this category only includes the positive fair values of those commodity futures scheduled for trading. The measurement of commodity futures is based on the market or stock market value for comparable transactions at the end of the reporting period.

The option of recording financial assets at fair value upon their initial recognition was not selected by BayWa Group. Financial assets are reported in the balance sheet on the settlement date.

The financial liabilities cover the following classes:

- Financial liabilities measured at amortised cost (FLAC): These financial liabilities measured at residual book value are measured at amortised cost after their initial recognition. They mainly have short residual terms. The book value is thus a reasonable approximation of fair value for current financial liabilities. Gains and losses are recorded directly in the consolidated result.

- Financial liabilities held for trading (FLHfT): Derivative financial instruments which are not included in an effective hedging strategy under IAS 39 and whose market value from subsequent measurements has resulted in a negative attributable fair value are to be disclosed under this category. Market changes are recorded in the consolidated result through profit and loss. Measurement is made at market/stock market value. In addition, this category only includes the negative fair values of those commodity futures scheduled for trading. The measurement of commodity futures is based on the market or stock market value for comparable transactions at the end of the reporting period.
- In addition, BayWa Group may also use a few fair value hedges to hedge inventories through commodities futures. Changes in the market value of derivative financial instruments and their attributable underlying transactions are recorded through profit and loss.

The option of recording financial liabilities at fair value upon their initial recognition was not selected by BayWa Group.

Derivative financial instruments are used in BayWa Group in particular to hedge the interest rate and currency risks arising from operating activities. Interest rate caps, interest rate swaps and futures as well as commodity futures are the main instruments used. Derivative financial instruments are carried at fair value upon their initial recognition and at the end of each subsequent reporting period. The fair value corresponds to the positive or negative market value.

BayWa Group conducts its business mainly in the euro zone. However, business transactions in foreign currencies are also concluded via consolidated Group companies. The majority of the business activities of the New Zealand companies consolidated are denominated in New Zealand dollars as well as in US dollars, euros and pound sterling. The business transactions of the agricultural trade companies are predominantly denominated in euros and US dollars as well as in pound sterling, Polish zloty, Hungarian forint, Romanian leu, Russian ruble and Ukrainian hryvnia. The business activities of the consolidated American companies and companies in the UK currency area pertain almost exclusively to their respective currency areas. Similarly, the business activities of the consolidated Hungarian companies are restricted almost without exception to the Hungarian currency area. In BayWa Group, a few transactions in foreign currencies are also carried out in agricultural trading. If foreign currency futures are concluded, they are hedged by the respective forward exchange transactions. For those forward exchange transactions for which there is a clear hedging relationship with an identifiable underlying transaction, the transaction is a hedge within the meaning of IAS 39. In cases in which a hedge exists and is designated as such, changes in the market value of derivative financial instruments are recognised directly in other results. For those derivative financial instruments for which there is no clear hedging relationship with an identifiable underlying, the transaction is not a hedge within the meaning of IAS 39. As a result, forward exchange transactions are marked to market separately from the underlying transactions on the reporting date. Market values are ascertained on the basis of market information available on the reporting date. Hedges generally pertain to the following year’s foreign currency futures. On 31 December 2017, there were forward exchange transactions denominated in US dollars, pound sterling, Australian dollars, Hungarian forints, Polish zloty, Russian ruble, New Zealand dollars and Japanese yen to hedge currency risks.

In the context of financial management, the Group is active on the money market primarily in borrowing short-term term deposits. The procuring of funds is carried out on the regional market of the respective operating unit. BayWa Group is therefore exposed to interest rate risk in particular. The Group counteracts this risk by using derivatives of financial instruments, in the main interest rate swaps, interest rate caps and futures. Volume-related hedging always comprises only a base amount of the borrowed funds. For those derivative financial instruments for which there is a clear hedging relationship with an identifiable underlying transaction, the transaction is a hedge within the meaning of IAS 39. In cases in which a hedge exists and is designated as such, changes in the market value of derivative financial instruments are recognised directly in other results. For those derivative financial instruments for which there is no clear hedging relationship with an identifiable underlying, the transaction is not a hedge within the meaning of IAS 39. As a result, interest rate derivatives are marked to market separately from the underlying transactions at the end of the reporting period. Market values are ascertained on the basis of market information available at the end of the reporting period. Interest rate hedges relate to both non-current and current financings.

Book and fair values of financial instruments

The table below shows the transition between the balance sheet positions and the IFRS 7 classes and IAS 39 measurement categories, broken down into subsequent “measurement at amortised cost” and “measurement at fair value”. The book values are then ultimately shown against fair value for the purpose of comparison. The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability between market participants in an arm’s length transaction at the end of the measurement period. Trade receivables and receivables from inter-Group business relationships and other assets generally have short residual terms. Their book values at the end of the reporting period therefore approximate to fair value. Trade payables and liabilities from inter-Group business relationships generally have short residual terms. Their book values approximate to fair value.

in € million 31/12/2017	IAS 39 category of IFRS 7 class	Book value 31/12/2017	Measurement subsequent to initial recognition Amortised cost	Fair value without effect on income	Fair value through profit and loss	Not IFRS 7 class	Fair Value 31/12/2017
Non-current financial assets							
Other financial assets	AfS	184.074	67.951	116.123	–	–	184.074
Other financial assets	LaR	48.491	48.491	–	–	–	48.491
Trade receivables	LaR	8.679	8.679	–	–	–	8.679
Other assets	LaR	26.023	24.219	–	–	1.804	26.023
Current financial assets							
Securities	FAHfT	1.948	–	–	1.948	–	1.948
Financial assets	FAHfT	135.041	–	–	135.041	–	135.041
Derivatives designated as hedging instruments for cash flow hedge accounting	Hedging	4.661	–	–	4.661	–	4.661
Trade receivables and receivables from inter-group business relationships	LaR	972.486	972.486	–	–	–	972.486
Other assets	LaR	444.858	361.917	–	–	82.942	444.858
Non-current financial liabilities							
Financial liabilities	FLAC	884.426	884.426	–	–	–	884.426
Trade payables and liabilities from inter-group business relationships	FLAC	3.126	3.126	–	–	–	3.126
Financial liabilities	FLHfT	3.913	–	–	3.913	–	3.913
Derivatives designated as hedging instruments for cash flow hedge accounting	Hedging	0.001	–	–	0.001	–	0.001
Other liabilities	FLAC	112.048	38.364	–	–	73.684	112.048
Current financial liabilities							
Financial liabilities	FLAC	1,438.901	1,438.901	–	–	–	1,438.901
Trade payables and liabilities from inter-group business relationships	FLAC	903.973	815.724	–	–	88.249	903.973
Finanzielle Verbindlichkeiten	FLHfT	110.676	–	–	110.676	–	110.676
Derivatives designated as hedging instruments for cash flow hedge accounting	Hedging	2.335	–	–	2.335	–	2.335
Other liabilities	FLAC	267.010	197.848	–	–	69.162	267.010
Aggregated by IAS 39 category/IFRS 7 class							
Assets available for sale	AfS	184.074	67.951	116.123	–	–	184.074
Loans and receivables	LaR	1,500.538	1,415.792	–	–	84.746	1,500.538
Financial assets held for trading	FAHfT	136.989	–	–	136.989	–	136.989
Derivatives designated as hedging instruments for cash flow hedge accounting (assets)	Hedging	4.661	–	–	4.661	–	4.661
Financial liabilities measured at amortised cost	FLAC	3,609.484	3,378.389	–	–	231.095	3,609.484
Financial liabilities held for trading	FLHfT	114.589	–	–	114.589	–	114.589
Derivatives designated as hedging instruments for cash flow hedge accounting (liabilities)	Hedging	2.336	–	–	2.336	–	2.336

in € million 31/12/2016	IAS 39 category of IFRS 7 class	Book value 31/12/2016	Measurement subsequent to initial recognition			Not IFRS 7 class	Fair Value 31/12/2016
			Amortised cost	Fair value without effect on income	Fair value through profit and loss		
Non-current financial assets							
Other financial assets	AfS	150.237	55.814	94.423	–	–	150.237
Other financial assets	LaR	38.822	38.822	–	–	–	38.822
Trade receivables	LaR	8.814	8.814	–	–	–	8.814
Other assets	LaR	39.743	36.756	–	–	2.987	39.743
Current financial assets							
Securities	FAHfT	1.966	–	–	1.966	–	1.966
Financial assets	FAHfT	153.141	–	–	153.141	–	153.141
Trade receivables and receivables from inter-group business relationships	LaR	1,019.341	1,019.341	–	–	–	1,019.341
Other assets	LaR	376.513	290.331	–	–	86.182	376.513
Non-current financial liabilities							
Financial liabilities	FLAC	1,105.191	1,105.191	–	–	–	1,111.349
Trade payables and liabilities from inter-group business relationships	FLAC	2.874	2.874	–	–	–	2.874
Financial liabilities	FLHfT	9.476	–	–	9.476	–	9.476
Other liabilities	FLAC	89.950	13.800	–	–	76.150	89.950
Current financial liabilities							
Financial liabilities	FLAC	1,512.403	1,512.403	–	–	–	1,512.403
Trade payables and liabilities from inter-group business relationships	FLAC	894.310	796.633	–	–	97.677	894.310
Financial liabilities	FLHfT	152.628	–	–	152.628	–	152.628
Other liabilities	FLAC	277.484	199.451	–	–	78.033	277.484
Aggregated by IAS 39 category/IFRS 7 class							
Assets available for sale	AfS	150.237	55.814	94.423	–	–	150.237
Loans and receivables	LaR	1,483.233	1,394.064	–	–	89.169	1,483.233
Financial assets held for trading	FAHfT	155.107	–	–	155.107	–	155.107
Financial liabilities measured at amortised cost	FLAC	3,882.212	3,630.352	–	–	251.860	3,888.370
Financial liabilities held for trading	FLHfT	162.104	–	–	162.104	–	162.104

Hierarchy of financial assets and liabilities measured at fair value

In order to take account of the material factors which form part of the measurement of financial assets and liabilities at fair value, the financial assets and liabilities of BayWa Group, each of which were measured at current value, have been divided up into a hierarchy of three levels.

The levels of the fair value hierarchy and their application to the assets and liabilities are described below:

Level 1: Prices are identical to those quoted in active markets for identical assets or liabilities.

Level 2: Input factors which are not synonymous with the prices assumed at Level 1 but which can be observed either directly (i.e. as prices) or indirectly (i.e. derived from prices) for the respective asset or liability.

Level 3: Factors not based on observable market data for the measurement of the asset or a liability (non-observable input factors).

Derivative financial instruments are used in BayWa Group to hedge currency and interest rate risks. This category also includes the fair values of those commodity futures that are scheduled exclusively for trading and are therefore to be classified as financial instruments within the meaning of IAS 39. These commodity futures are measured at fair value as at the end of the reporting period. The measurement of commodity futures is based on the market or stock market value for identical or comparable transactions at the end of the reporting period. Currency hedges are measured at the closing price of the respective currency at the end of the reporting period. The fair values of commodity futures for those transactions that are traded directly on the stock market are measured at the respective market price. For those transactions not traded directly on the stock market, the fair value is derived from observable market prices. For the main product groups, the fair value is derived from futures so as to include the temporal components of the commodity futures. For those products for which no futures are traded, the fair value is measured at daily prices on the physical markets. The measurement takes into account market liquidity and is discounted from the fair value. For interest rate hedges, the measurement does not take into account relevant basis instruments on the basis of current observable market data and using recognised valuation models, such as the present value method or the Libor market model. CAPs are also measured using valuation models such as the present value method or the option pricing models.

If the measurement parameters fall into different levels of the measurement hierarchy, the measurement is classified at fair value at the lowest level to which an input parameter with a significant effect on the fair value is attributable. No reclassifications were conducted among the various levels both in the financial year 2017 and in the previous year.

The table below shows the financial assets and liabilities measured at fair value assigned to the three levels of the fair value hierarchy:

Hierarchical assignment of the financial assets and liabilities measured at fair value in the financial year 2017

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments and commodity futures, including derivatives designated as hedging instruments for cash flow hedge accounting	30.373	109.329	–	139.702
Securities FAHfT	1.948	–	–	1.948
Financial assets AfS	116.123	–	–	116.123
Sum total of financial assets	**148.444**	**109.329**	**–**	**257.773**
Financial liabilities measured at fair value				
Derivative financial instruments and commodity futures, including derivatives designated as hedging instruments for cash flow hedge accounting	33.804	82.121	–	116.925
Sum total of financial liabilities	**33.804**	**82.121**	**–**	**116.925**

Hierarchical assignment of the financial assets and liabilities measured at fair value in the financial year 2016

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments and commodity futures	68.190	84.951	–	153.141
Securities FAHfT	1.966	–	–	1.966
Financial assets AfS	94.423	–	–	94.423
Sum total of financial assets	**164.579**	**84.951**	**–**	**249.530**
Financial liabilities measured at fair value				
Derivative financial instruments and commodity futures	68.286	93.818	–	162.104
Sum total of financial liabilities	**68.286**	**93.818**	**–**	**162.104**

The rise in available-for-sale financial assets was primarily attributable to the shares in Raiffeisen Bank International AG, Vienna, Austria, the measurement of which was based on the market price as at 31 December 2017. The increase in level 2 derivative financial instruments and commodity futures was due to the year-on-year rise in commodity futures, which are intended to be used as trading instruments only.

Net gains and losses

The following table shows net gains/losses from financial instruments and in other result reported in the income statement.

2017	Assets			Shareholders' equity and liabilities			Total	Transition	
Category	FAHfT	AfS	LaR	FLHfT	FLAC	No allocation	FI	Not an FI	Total
1. Net gain/loss in the financial result									
Equity valuation of participating interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.836**	**4.836**
Income from participating interests	–	4.775	–	–	–	–	4.775	–	4.775
Expenses from participating interests	–	- 2.694	–	–	–	–	- 2.694	–	- 2.694
Result from disposals	–	9.776	–	–	–	–	9.776	- 2.364	7.412
Result of participating interests	**–**	**11.858**	**–**	**–**	**–**	**–**	**11.858**	**- 2.364**	**9.493**
Income from other financial assets	–	2.045	–	–	–	–	2.045	–	2.045
Result from disposals	–	23.495	–	–	–	–	23.495	–	23.495
Result of other financial assets	**–**	**25.540**	**–**	**–**	**–**	**–**	**25.540**	**–**	**25.540**
Interest income	–	–	7.491	–	–	–	7.491	–	7.491
Interest income from fair value measurement	0.103	–	–	–	–	–	0.103	–	0.103
Sum total of interest income	**0.103**	**–**	**7.491**	**–**	**–**	**–**	**7.594**	**–**	**7.594**
Interest expenses	–	–	–	–	- 52.292	–	- 52.292	- 11.864	- 64.156
Interest portion in personnel provisions	–	–	–	–	–	–	–	- 12.243	- 12.243
Interest expenses from fair value measurement	–	–	–	- 0.091	–	–	- 0.091	–	- 0.091
Sum total of interest expenses	**–**	**–**	**–**	**- 0.091**	**- 52.292**	**–**	**- 52.383**	**- 24.107**	**- 76.490**
Net interest	**0.103**	**–**	**7.491**	**- 0.091**	**- 52.292**	**–**	**- 44.789**	**- 24.107**	**- 68.896**
Sum total net gain/loss	**0.103**	**37.398**	**7.491**	**- 0.091**	**- 52.292**	**–**	**- 7.391**	**- 21.635**	**- 29.027**
Financial result									**- 29.027**
2. Net gain/loss in the operating result									
Income from derivative financial instruments and commodity futures	20.836	–	–	–	–	–	20.836		
Income from the receipt of written-off receivables/release of receivables value adjustments	–	–	12.998	–	–	–	12.998		
Expenses from derivative financial instruments and commodity futures	–	–	–	- 18.853	–	–	- 18.853		
Value adjustments/write-downs of receivables	–	–	- 19.768	–	–	–	- 19.768		
Sum total net gain/loss	**20.836**	**–**	**- 6.769**	**- 18.853**	**–**	**–**	**- 4.786**		
3. Net gain/loss in equity									
Change in the fair value from the market valuation of securities	–	37.614	–	–	–	–	37.614		
Reclassifications in the income statement due to disposal of financial assets in the "available for sale" category	–	- 6.312	–	–	–	–	- 6.312		
Net gain/loss from hedging instruments with a clear hedging relationship	–	0.678	–	–	–	–	0.678		
Currency translation	–	–	–	–	–	- 24.270	- 24.270		
Sum total net gain/loss	**–**	**31.980**	**–**	**–**	**–**	**- 24.270**	**7.710**		

2016	Assets			Shareholders' equity and liabilities			Total	Transition	
Category	FAHfT	AfS	LaR	FLHfT	FLAC	No allocation	FI	Not an FI	Total
1. Net gain/loss in the financial result									
Equity valuation of participating interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.220**	**4.220**
Income from participating interests	–	1.345	–	–	–	–	1.345	–	1.345
Expenses from participating interests	–	- 1.497	–	–	–	–	- 1.497	–	- 1.497
Result from disposals	–	1.091	–	–	–	–	1.091	14.674	15.765
Result of participating interests	**–**	**0.939**	**–**	**–**	**–**	**–**	**0.939**	**14.674**	**15.613**
Income from other financial assets	–	1.961	–	–	–	–	1.961	–	1.961
Result from disposals	–	0.021	–	–	–	–	0.021	–	0.021
Result of other financial assets	**–**	**1.982**	**–**	**–**	**–**	**–**	**1.982**	**–**	**1.982**
Interest income	–	–	6.302	–	–	–	6.302	–	6.302
Interest income from fair value measurement	0.022	–	–	–	–	–	0.022	–	0.022
Sum total of interest income	**0.022**	**–**	**6.302**	**–**	**–**	**–**	**6.324**	**–**	**6.324**
Interest expenses	–	–	–	–	- 53.400	–	- 53.400	- 12,125	- 65.525
Interest portion in personnel provisions	–	–	–	–	–	–	–	- 15.804	- 15.804
Interest expenses from fair value measurement	–	–	–	- 0.078	–	–	- 0.078	–	- 0.078
Sum total of interest expenses	**–**	**–**	**–**	**- 0.078**	**- 53.400**	**–**	**- 53.478**	**- 27.929**	**- 81.407**
Net interest	**0.022**	**–**	**6.302**	**- 0.078**	**- 53.400**	**–**	**- 47.154**	**- 27.929**	**- 75.083**
Sum total net gain/loss	**0.022**	**2.921**	**6.302**	**- 0.078**	**- 53.400**	**–**	**- 44.233**	**- 9.035**	**- 53.268**
Financial result									**- 53.268**
2. Net gain/loss in the operating result									
Income from derivative financial instruments and commodity futures	16.051	–	–	–	–	–	16.051		
Income from the receipt of written-off receivables/release of receivables value adjustments	–	–	5.687	–	–	–	5.687		
Expenses from derivative financial instruments and commodity futures	–	–	–	- 76.188	–	–	- 76.188		
Value adjustments/write-downs of receivables	–	–	- 16.498	–	–	–	- 16.498		
Sum total net gain/loss	**16.051**	**–**	**- 10.811**	**- 76.188**	**–**	**–**	**- 70.948**		
3. Net gain/loss in equity									
Change in the fair value from the market valuation of securities	–	33.898	–	–	–	–	33.898		
Reclassifications in the income statement due to disposal of financial assets in the "available for sale" category	–	–	–	–	–	–	–		
Net gain/loss from hedging instruments with a clear hedging relationship	2.288	–	–	- 1.424	–	–	0.864		
Currency translation	–	–	–	–	–	10.129	10.129		
Sum total net gain/loss	**2.288**	**33.898**	**–**	**- 1.424**	**–**	**10.129**	**44.891**		

Income from participating interests includes dividend payments.

The following table shows an analysis of the maturity dates of undiscounted financial liabilities by IFRS 7 class as well as the discounted net cash flows of derivative financial instruments with negative and positive fair values of the BayWa Group.

in € million 2017	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Financial liabilities measured at amortised cost (FLAC)	2,448.465	713.494	216.430	3,378.389
Financial liabilities held for trading (FLHfT)	110.676	3.913	–	114.589
Derivatives designated as hedging instruments for cash flow hedge accounting	2.335	0.001	–	2.336
	2,561.476	**717.408**	**216.430**	**3,395.314**

in € million 2016	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years	Total
Financial liabilities measured at amortised cost (FLAC)	2,710.308	936.982	348.023	3,995.313
Financial liabilities held for trading (FLHfT)	152.628	9.476	–	162.104
	2,862.936	**946.458**	**348.023**	**4,157.417**

The following schedule of maturities shows the distribution of the forecast cash flows of the contractually agreed interest and redemption payments in the IFRS 7 class “Liabilities measured at amortised cost” (FLAC) as at 31 December 2017. The year-on-year decline was primarily the result of the repayment of financial liabilities through issuing the hybrid bond and the disposal of non-current, non-recourse financing agreements for wind and solar projects.

in € million	Sum total	up to 06/2018	07 – 12/2018	2019 – 2022	> 2022
Share of interest	76.911	6.539	18.406	45.377	6.588
Redemption portion	3,378.389	1,911.711	536.754	713.494	216.430
Sum total	**3,455.300**	**1,918.251**	**555.160**	**758.871**	**223.018**

The following schedule of maturities shows the distribution of the forecast cash flows of the contractually agreed interest and redemption payments in the IFRS 7 class “Liabilities measured at amortised cost” (FLAC) as at 31 December 2016.

in € million	Sum total	up to 06/2017	07 – 12/2017	2018 – 2021	> 2021
Share of interest	113.101	8.847	19.472	64.629	20.153
Redemption portion	3,882.212	1,991.735	690.254	872.353	327.870
Sum total	**3,995.313**	**2,000.582**	**709.726**	**936.982**	**348.023**

Information on derivative financial instruments

A few derivatives in the context of fair value hedges for commodities futures may also be used in BayWa Group as hedging transactions under IAS 39 and hedging transactions for interest rate and currency risks in the form of interest rate caps, interest rate swaps and futures as well as foreign exchange transactions. In addition, the fair value of commodity futures classified as financial assets and financial liabilities within the meaning of IAS 39 would only be recognised for those scheduled for trading and not those scheduled to be utilised by the Group. The fair values are shown in the table below. In the reporting year, gains of €20.836 million (2016: €16.051 million) and losses of €18.853 million (2016: €76.188 million) were included in the calculation of the fair value in the income statement.

The following table shows the maturities of the fair values for the derivative financial instruments as well as the commodity futures scheduled for trading as well as designated as derivatives for cash flow hedge accounting at the end of the reporting period. Due to their current nature, all material cash flows associated with hedge instruments are anticipated in the financial year 2018.

in € million 31/12/2017	Fair values Total	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years
Assets				
Interest rate hedges	0.001	0.001	–	–
Commodity futures	118.598	118.598	–	–
Derivatives designated as hedging instruments for cash flow hedge accounting	4.661	4.660	0.001	–
Currency hedges	16.442	16.442	–	–
	139.702	**139.701**	**0.001**	–
Shareholders' equity and liabilities				
Interest rate hedges	3.795	0.740	3.055	–
Commodity futures	81.394	81.393	0.001	–
Derivatives designated as hedging instruments for cash flow hedge accounting	2.336	2.335	0.001	–
Currency hedges	29.400	28.543	0.857	–
	116.925	**113.011**	**3.914**	–

in € million 31/12/2016	Fair values Total	Residual term of up to one year	Residual term of one to five years	Residual term of more than five years
Assets				
Interest rate hedges	0.012	0.012	–	–
Commodity futures	103.142	103.142	–	–
Currency hedges	49.987	49.987	–	–
	153.141	**153.141**	–	–
Shareholders' equity and liabilities				
Interest rate hedges	6.970	1.169	5.801	–
Commodity futures	104.559	101.577	2.982	–
Currency hedges	50.575	49.882	0.693	–
	162.104	**152.628**	**9.476**	–

The fair value of currency and interest rate hedges is ascertained on the basis of market prices quoted at the end of the reporting period without netting off against counter-developments from possible underlying transactions. The market value corresponds to the amount which the Group would have to pay or would receive if the hedging transaction were closed out prior to the due date. The fair value of commodity futures is determined on the basis of or derived from stock market quotations at the end of the reporting period. Fair value corresponds to the profit or loss from the commodity futures taking into account buying and selling prices to be used at the end of the reporting period to conclude an identical commodity future.

The BayWa Group is exposed to commodity price risks due to its operating activities in the grain recording and marketing business. In order to mitigate these commodity price risks, the BayWa Group's risk management system continuously calculates the various open commodity positions. Using this information, trading areas at the BayWa Group conclude physical commodity futures within the approved limits (maximum long and short position in metric tonnes [MT], maximum value at risk). Commodity futures are only concluded with partners with excellent credit ratings. The following table provides an overview of the resulting grain contracts, which are recognised as financial instruments pursuant to IAS 39.

in metric tonnes	31/12/2017
Long positions	
Grain/corn	7,244,944
Oilseed/oilseed meal	4,649,585
Other	1,668,729
Short positions	
Grain/corn	- 8,883,127
Oilseed/oilseed meal	- 5,516,538
Other	- 2,142,310

The grain contracts concluded on the OTC market contain credit risks with regard to default on the part of the business partner. The concentration of these credit risks is limited due to the broad and heterogeneous portfolio of trading partners. The largest credit risk exposures in absolute terms are subject to regular reviews. All trading partners with whom futures have been concluded within the scope of grain trading continue to have good credit ratings.

The fair values of the grain contracts recognised as financial assets constitute the greatest possible default risk, without including the value of received collateral or other risk-mitigating agreements.

Rises and declines in the prices of all relevant commodity prices by a margin of 10% would have affected the annual result as at 31 December 2017 in the manner displayed in the following table. The calculation includes all grain contracts valid as at the reporting date.

	Grain/corn	Oilseed/oilseed meal	Other
in € million	31/12/2017	31/12/2017	31/12/2017
Price rise (+ 10%)			
Effect on income	- 19.357	- 26.045	- 5.442
Equity effect	- 2.818	- 0.851	–
Price decline (- 10 %)			
Effect on income	19.357	26.045	5.442
Equity effect	2.818	0.851	–

Cash flow hedges

Since the financial year 2017, the BayWa Group has used derivative financial instruments in the form of grain futures with physical fulfilment to hedge payment flows from future grain purchases and sales made by BayWa within the scope of its grain recording, warehousing and marketing business. These hedges are recognised as all-in-one cash flow hedges, in other words the expected, highly likely spot purchases and sales are designated as the underlying transactions and the financial floating-to-fixed swaps designated as hedges. Derivative financial instruments used within the scope of cash flow hedge accounting are recognised at fair value. The net measurement result of these derivative financial instruments is broken down into an effective portion and ineffective portion. The effective portion is part of the net measurement result which constitutes an effective hedge against cash flow risk and is recognised in a separate equity item (cash flow hedge reserves) without effect on income and in consideration of deferred taxes until the physical fulfilment of the underlying transaction. The ineffective portion, on the other hand, is recognised through profit and loss in the income statement. The general recognition rules for the transactions underpinning the hedged cash flows do not change. After the end of hedge, the amounts recorded in the reserves are transferred to financial assets and financial liabilities if net income relating to the underlying transaction is recognised through profit and loss or the materialisation of the underlying transaction is no longer anticipated.

in € million	31/12/2017
Opening portfolio as at 1 January	0.000
Addition	7.788
Release	- 6.981
Transfer to financial assets / financial liabilities	0.615
Closing portfolio as at 31 December	1.422

An amount of €0.615 million was transferred from other income to financial assets and financial liabilities in the financial year 2017. None of the designated cash flow hedges were reported to be ineffective in the reporting period.

(C.26.) Risk management

Opportunity and risk management

The corporate policy of BayWa Group is geared towards weighing up the opportunities against the risks of entrepreneurship in a responsible way. The management of opportunities and risks is an ongoing task of entrepreneurial activity designed to ensure the long-term success of the Group. This enables BayWa Group to innovate, secure and improve what is already in place. The management of opportunities and risks is closely aligned to BayWa Group's long-term strategy and medium-term planning. The decentralised regional organisation and management structure of operating business enables the Group to identify trends, requirements, and the opportunities and risk potential of frequently fragmented markets at an early stage, analyse them and take action which is both flexible and market oriented. Internationalisation also allows BayWa to tap new business opportunities, which in turn reduces its dependence on the individual country markets and their risks. Moreover, the systematically intense screening of the markets and of peer competitors is carried out with a view to identifying opportunities and risks. This is flanked by ongoing communication and the targeted 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 BayWa Group to identify and monitor risks specific to the business have been described in a risk management manual approved by the Board of Management. In addition, the Internal Audit Department regularly audits the internal risk management system which supports the processes. ISO certifications for the standardisation of workflows and for risk avoidance and the concluding of insurance policies supplement the Group's management of risk.

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

Opportunity and risk management within BayWa Group

In BayWa Group risk management is an integral component of the planning and management and control processes. A comprehensive risk management system records and monitors both the development of the Group and any existing weak points on an ongoing basis. The risk management system covers all segments and is included as a key component of reporting. A particularly important task of risk management is to guarantee that risks to the Group as a going concern are identified and kept to a minimum. This enables the management of Group companies to react swiftly and effectively. All units have risk officers and risk reporting officers who are responsible for implementing the reporting process.

The reporting process classifies opportunities and risks into categories and estimates their probable occurrence and potential financial impact. The system is based on individual observations, supported by the relevant management processes, and forms an integral part of core activities. It starts with strategic planning and proceeds through to procurement, sales and distribution and, finally, to the management of counterparty risk. As an extension of the planning process that takes place in the business units and in procurement, sales organisations and centralised functions, the opportunity and risk management system serves to detect and assess potential divergences from expected developments. In addition to identifying and assessing key developments influencing business, this system facilitates the prioritisation and implementation of activities. As a result, BayWa Group can make better use of the opportunities while avoiding or reducing the risks.

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

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

The new business section Corporate Risk was established in 2017 as a development from the agricultural group’s risk controlling set-up. Corporate Risk's tasks are to execute risk controlling for the agricultural group and operate and develop the risk management system to monitor risks on each trading day. In addition, the section also serves as a Group-wide competence centre to ensure compliance with best practices in relation to risk controlling methods, processes and systems as well as to guarantee adherence to financial market regulations on commodity derivatives.
The Group-wide risk management system for the agricultural group, implemented some years ago, includes the business activities of BayWa, the Cefetra Group, BayWa Agrarhandel GmbH and BayWa Agrar International B.V. The minimum requirements for risk management (MaRisk) published by the German Financial Supervisory Authority (BaFin) serve as a benchmark for BayWa’s risk management. The minimum requirements for risk management (MaRisk) contain regulations for identifying, assessing, managing and monitoring all major risk types, including counterparty risk as well as operational risks, such as quality and logistics risks. BayWa adapted the standards established in the financial services sector and leading trading companies for its agricultural trade activities due to the flexible and practical framework of the material regulations. Appropriate and effective risk management pursuant to MaRisk comprises the risk-bearing capacity as well as the formulation of strategies and the establishment of internal control procedures. The internal control system consists in particular of:
- Arrangements governing the organisational structure and workflow,
- Processes for identifying, evaluating, managing, monitoring and reporting risks (risk management and control processes), and
- The setting up of a risk controlling function.

In order to manage market risks on each trading day, the positions, including the spreads (underlying risks), are determined and monitored for all Group companies. Value-oriented procedures, in addition to the volume limits, serve to ensure that the positions are managed in a manner that is appropriate for the risks. These procedures include the regular mark-to-market valuation of pending agricultural transactions and the determination of the trading results derived from this, as well as the portfolio-based value-at-risk procedure. In addition, scheduled and ad-hoc stress tests are performed to recognise the effect that extraordinary market price changes have on profit and loss and, where necessary, implement measures to reduce risks. The trading positions of the agricultural group as well as the risks these pose are reported to the operating units and the local risk management officer daily and to the Board of Management in the form of the Risk Board.

These control mechanisms are supported by a standardised, Group-wide IT system solution for risk management, which has been in place for a number of years and has been certified by an external auditor.

The Agriculture Risk Committee is part of Risk Governance and acts as the highest decision-making body within the agriculture group. It is composed of members of the Board of Management and others and meets regularly and when warranted. The Committee decides on risk limits and limit systems for the agricultural trade activities and, where necessary, implements risk-controlling and mitigating measures.

A form of risk controlling that is independent of trading was established at both the level of the Group and in the individual agriculture trading companies to ensure that the provisions of the Agriculture Risk Committee are implemented in full. Corporate Risk is responsible for the Group-wide developments and implementation of risk management, risk monitoring and risk reporting methods, processes and systems. The Risk Officer’s responsibility in the trading companies covers all risk processes within the company, including limit monitoring and reporting.

The Global Book System (GBS) continues to coordinate trade management activities; it is responsible for the overarching coordination and optimisation of the trading and risk positions of the individual product lines in the trading of grain, oilseed and co-products for the national and international sectors. Fundamental market analyses are performed within the scope of the market research activities to estimate the global supply and demand situation. Since the beginning of 2017, an additional focus has also been placed on developing and implementing quantitative portfolio and risk analysis procedures, the results of which are discussed in weekly meetings with the trading departments. Given the increasing volatility in the markets for agricultural produce, BayWa works with specialists in the area of algorithm-controlled trading strategies in order to limit the effects of fluctuations in the market triggered by high-frequency trading on BayWa’s positions.

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 influence on BayWa’s business activities than on other companies. BayWa Group’s business model is largely geared to satisfying fundamental human requirements, such as the need for food, mobility, the supply of energy and shelter. Accordingly, the impact of cyclical swings is likely to be less strong than in other sectors. As a result, BayWa is even able to turn certain opportunities arising in times of crisis to its advantage through, for instance, the identification and acquisition of suitable companies with a view to building up or expanding existing or new areas of business. BayWa is, however, unable to fully decouple from any severe setbacks to international economic development that result from, among other things, the slump in global commodity prices.

On 23 July 2016, UK citizens voted in favour of exiting the EU in a referendum (Brexit). The negotiations are currently being held between EU member states and the UK on the terms of Brexit and should be completed by autumn 2018. The date of the UK's departure from the EU has been set at 29 March 2019. From this date, a transitional period lasting a minimum of two years will begin, in which EU regulations on free movement of people and the trading of goods and services will be replaced by bilateral regulations between the EU and the UK. This transitional period means that Brexit will have no effect on BayWa Group companies based in the UK in the short term. The companies concerned will review the consequences of new regulations on freedom of movement and trade once legally binding decisions on such subjects have been made. Due to the volume of business in the UK, BayWa does not expect Brexit to have any significant negative effects on the Group as a whole, even in the event that restrictions be imposed on free international trade.

Sector and Group-specific opportunities and risks

Changes in the political framework, such as changes to the regulation of markets for individual agricultural products or tax-related government subsidies of energy carriers, in addition to volatile markets, create risks. At the same time, however, they open up new prospects. Extreme weather conditions can have a direct impact on offerings, quality, pricing and trading in agricultural produce and also downstream on the operating resources business. This is offset by the rise in product and geographical presence diversification in the Agriculture Segment as this would reduce the dependence on individual markets and increase procurement and marketing flexibility. BayWa also combats quality risks by performing samplings and checks. Risks posed by a deterioration in the quality of inventories are reduced by professional warehousing standards. Logistics risks resulting from a lack of transport capacities due to weather conditions or strikes are identified and managed early on by the early warning systems. Global climate changes also have a long-term effect on agriculture. The global demand for agricultural products, particularly grain, continues to grow. This may give rise to a sustained price uptrend. The fruit- and vegetable-growing activities pose a financial risk to the Group, which arises from the delay between cash outflow for buying, growing and maintaining the crops as well as the costs of the harvest and cash inflow from the sale of the fruit. This risk is managed by actively monitoring 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 operating equipment and high-end agricultural machinery.

In the energy business, renewable energies are particularly affected by changes in promotion measures. Against this backdrop, revenue and earnings development is stabilised by means of geographic diversification. Distribution across multiple energy carriers – primarily wind energy, solar energy and biomass – also mitigates the risk in individual markets still strongly influenced by subsidy policies. Climatic risks (wind, sunshine) also play a role for BayWa's electricity-generating Group companies in the field of renewable energies. Long-term expert opinions mean that average wind and sunshine are relatively easy to forecast in the medium term, although both positive and negative deviations can occur at short notice. Plant availability also poses a risk, though this is greatly reduced by the assortment of proven components provided by well-known manufacturers. The conclusion of full-service maintenance contracts ensures that maintenance and repair work is performed within defined time periods.

Political and economic factors exert the main influence on demand in the construction sector. Political factors of influence include, for instance, special depreciation for listed buildings, measures to promote energy efficiency and the construction of social housing. In general terms, ageing housing stock in Germany will encourage growing demand for modernisation and renovation. In the Building Materials Segment, BayWa Group is the franchiser for DIY and garden centres. After the inclusion of BayWa Bau- und Gartenmärkte in a joint venture with Hellweg, BayWa Bau- und Gartenmarkte GmbH & Co. KG established in 2011, operational management was transferred to Hellweg. In light of this, there is a risk that the franchise company in BayWa Group will no longer meet its contractual obligations to the franchisees in the previous way and of the previous quality. Among other things, this may lead to claims for damages on the part of franchisees. This risk was counteracted by the Group concluding long-term agreements with Hellweg.

Risks and opportunities from financial instruments

In addition to fixed- and variable-rate financial instruments, which are subject to varying degrees of interest rate risks, BayWa Group also uses derivative hedging instruments such as options and futures contracts to hedge its commodity futures. As well as interest rate change risks, these derivative hedging instruments are also subject to risks posed by changes to the prices of underlying transactions as well as, depending on the basis currency in which the derivative instrument is denominated, currency risks. Transactions that were not conducted via a stock exchange are also subject to counterparty risk. By the same token, changes to interest rates, currency exchange rates or forward market prices can lead to unplanned opportunities.

Price opportunities and risks

BayWa trades in merchandise that displays very high price volatility, such as grain, oilseeds, fertilizers, mineral oil, biomethane and solar components, 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 and biomethane is relatively low due to BayWa's pure distribution function, fluctuations in the price of grain, oilseeds, fertilizers and solar components may incur greater risks, also owing to their warehousing, if there is no matching in the agreements on the buying and selling of merchandise. What's more, activities by financial investors and technical market mechanisms can sometimes exacerbate price volatility considerably. In addition to absolute price risks, business developments may be influenced by various price developments in the local premiums, in the temporal price curve as well as different quality grades. If there are no hedging transactions existing at the time when agreements are signed, the ensuing risk is monitored on an ongoing basis 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 risk that the low feed-in and electricity income could result in the profitability of the projects being lower than planned.

The BayWa Group uses a portfolio-based value-at-risk method to measure and control risks from commodity futures, which are treated as financial instruments in the sense of IAS 39. The value-at-risk used by BayWa aims to quantify the negative changes in the value of a portfolio, which – with a certain degree of probability (95%) – will not be exceeded during a defined period of time (5 trading days). The value-at risk calculated as at 31 December 2017 amounted to €3.759 million and indicates that the potential loss from the commodity futures considered will, with a probability of 95%, not exceed €3.759 million within the next five trading days.

Currency opportunities and risks

BayWa's business activities are largely located in the euro zone. If foreign currency positions arise from goods and services transactions or projects, they are always hedged without delay.

Other payment obligations or receivables denominated in a foreign currency are hedged at the time when they arise. Speculative borrowing or investing bonds denominated in foreign currencies is prohibited.

Share price opportunities and risks

To a small extent, 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 risk positions arise from the Group's floating-rate financing activities, especially from the issuing of short-term commercial papers, short-term loans as well as variable-interest bonded loans. Short-term debt is used mainly to finance working capital. To reduce the interest rate risk, which is not hedged using a natural hedge, BayWa uses derivatives instruments in the form of futures, interest rate caps and swaps.

In the financial year 2017, the average interest rate for variable-interest financial liabilities stood at 1.133% (2016: 1.110%). A change in this interest rate of plus 1.0% to 2.133% would cause interest expenses to rise by €11.279 million, provided this could not at least be partially covered by revenues. A 1.0% reduction in the interest rate to 0.133% would result in interest expenses declining by €11.279 million.

Legal and regulatory opportunities and risks

Group companies are and will continue to be faced with legal disputes and proceedings in relation to their operating business activities. Such disputes and proceedings can relate to the assertion of claims based on services and deliveries that are not up to standard but can also result from breaches of compliance requirements by individual employees. This can lead to individual Group companies having to pay compensation or financial penalties or being imposed with other civil or criminal sanctions.

These risks are continuously monitored by corresponding specialist areas of the Group.

Antitrust investigations were conducted at various agricultural companies in Germany in 2015, including BayWa AG, with regard to crop protection wholesale operations. The Bundeskartellamt (German federal antitrust authority) conducted a further search in a number of agricultural equipment offices at BayWa headquarters in January 2016 on the basis of a warrant issued by the Bonn district court. The investigation is based on the suspicion that employees of BayWa were allegedly involved in agreements aimed at restricting competition in the sale of agricultural equipment. In February 2018, the Bundeskartellamt announced that it was dropping investigations relating to agricultural equipment against BayWa. The other investigation into crop protection material wholesale activities continues and results or partial results were not available at the time of the conclusion of the consolidated financial statements.

BayWa forms reserves for the event of such legal and litigation risks if the occurrence of an obligation event is probable and the amount can be adequately estimated. In the individual case, actual utilisation may exceed the reserve amount. The Board of Management believes that suitable provisions have been accounted for.

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

Plant efficiency in terms of energy generation using renewable energy carriers is strongly reliant on regulatory frameworks and government subsidies. Politically motivated changes to subsidy parameters, in particular the retroactive cuts to or abolition of feed-in tariffs, can significantly impact the value of such facilities: either in the form of lower future disposal prices or lower cash inflows from the operation of the facilities. BayWa combats the potential implications of such risks on earnings by pursuing a threefold diversification strategy in its Renewable Energies business unit. The portfolio is diversified in terms of countries, energy carriers and business units (projects and service on the one hand, and other trading on the other hand).

As a result of the financial crisis in 2008, a whole series of new laws were introduced to increase regulation of the financial market. Derivative markets were a particular focal point of these measures. In addition, efforts were taken at a European level to limit speculative commodity and, in particular, agricultural trading. Of this significant number of new regulations, the European Market Infrastructure Regulation (EMIR) and the revision of the Markets in Financial Instruments Directive (MiFID II) are particularly relevant to BayWa's business activities. Besides additional costs, these new regulations also increase the risk of violating new rules. Compliance with all financial regulatory measures is guaranteed in a cost-efficient manner by the operation of a Group-wide risk management software program on every trading day.

Credit and counterparty risks

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

In addition to credit risks, counterparty risks are also regularly monitored in agricultural trade; consequently, market value changes to open selling and buying contracts are measured so as to monitor the risk of the non-fulfilment of contract obligations.

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

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

Loans and receivables (LaR): As part of its entrepreneurial activities, 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 enters into a financing risk arising from the upfront financing of agricultural equipment and resources. Settlement is effected by way of buying up and selling the harvest. An extensive debt monitoring system ensures that risks are kept to a minimum in this business, as well as for other segments of the Group. This is performed through establishing and consistently monitoring credit limits, flanked by a documented approval procedure. Value adjustments are carried out on the residual risk of the trade receivables.

There is currently no discernible concentration of default risk from business relationships with individual debtors or groups of debtors. The maximum credit risk exposure at the end of the reporting period corresponds to the book value of trade receivables. The expected default risk amounts to €15.257 million (2016: €13.533 million).

Financial assets held for trading (FAHfT): This category covers derivative financial instruments which are held to hedge currency and interest rate risks. The contractual partners of derivative financial instruments are mainly banks with international operations which have been given a good credit rating by an external rating agency. This category also includes the positive fair values of those commodity futures that are scheduled exclusively for trading and are therefore to be classified as financial instruments within the meaning of IAS 39. These commodity futures are measured at fair value as at the end of the reporting period. The measurement of commodity futures is based on the market or stock market value for identical or comparable transactions at the end of the reporting period. In addition, this class of assets comprises a low volume of securities. There are currently no payments overdue or value adjustments for default in this class.

Liquidity risks

The liquidity risk is the risk that BayWa Group may not – or only to a limited extent – be able to fulfil its financial obligations. In BayWa Group, funds are generated by operations and by borrowing from external financial institutions. In addition, financing instruments, such as multi-currency commercial paper programmes or asset-backed securitisation, are used as well as bonded loans. BayWa also issued a hybrid bond for the first time in October 2017. 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 accounts for the pronounced seasonality of business activities. Owing to the diversification of the sources of financing, BayWa Group does not currently have any risk clusters in liquidity. BayWa Group's financing structure with its mostly matching maturities ensures that interest-related opportunities are reflected within the Group.

Rating of BayWa Group

BayWa AG enjoys a positive rating among banks. This achievement is due to the solidity as well as to the long and successful history of the company and its high enterprise value, underpinned by assets such as real estate. In 2017, the BayWa Group was once again able to raise its total credit lines. For reasons of cost effectiveness, BayWa AG deliberately dispenses with the use of external ratings.

Opportunities and risks associated with personnel

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

At the same time, BayWa AG promotes the ongoing vocational training and development of its employees. With 1,307 trainees at the end of 2017, the Group ranks among the largest companies offering training specifically in rural areas. BayWa recruits a large majority of its future specialist and managerial employees from the ranks of these trainees. Long years of service to the company are a testament to the great loyalty that employees show to BayWa. This attitude creates stability and continuity and also secures the transfer of expertise down the generations.

IT opportunities and risks

The use of cutting-edge information technology characterises the entire business activity of 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 energy and cost savings potential can be identified and realised. At the same time, the risk inherent in the system rises in tandem with the growing complexity and dependency on the availability and reliability of the IT systems.

To realise the opportunities and minimise the risks, the IT skills and expertise of the BayWa Group are always kept up to date. The resources are combined under RI-Solution GmbH Gesellschaft für Retail-Informationssysteme, Services und Lösungen mbH, 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.

BayWa's data protection risk comprises the incorrect handling of personal or customer-related data as well as the unlawful disclosure or use of said data. This risk is increasing due to the digital transformation of many business activities and increased awareness of the issue due to new legal regulations. Advice and familiarisation programmes, as well as process controls, are in place to ensure compliance with data protection regulations in the Group. In general terms, BayWa ensures that customers retain sovereignty over their data.

Overall assessment of the opportunity and risk situation by Group management

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

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

Internal control system and risk management system in relation to the Group accounting process
The Internal Control System (ICS), which monitors accounting processes, is a key component of opportunity and risk management. 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. Corporate Accounting prepares the consolidated financial statements pursuant to IFRS.

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

All subsidiaries included in this process are obliged to submit their figures on an IFRS basis in a standardised reporting form to BayWa. This allows discrepancies between planned figures and actual figures to be promptly identified, with the opportunity to respond quickly.
In conjunction with the Group companies, 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.

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 BayWa code of conduct.

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

(D.) NOTES TO THE INCOME STATEMENT

The layout of the income statement is in accordance with total cost-type accounting.

(D.1.) Revenues

Revenues and earnings are always recorded at the time when the benefits of and the risks associated with the ownership of the goods and products sold and the services provided have passed to the buyer. Revenues and earnings are reported minus discounts, rebates and bonuses granted.

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

in € million	**2017**	2016
Goods	15,794.024	15,173.498
Services	261.107	236.384
	16,055.131	**15,409.882**

(D.2.) Other operating income

in € million	2017	2016
Rental income	26.180	26.561
Gains from the disposal of assets	62.129	41.336
Gains from negative goodwill	–	0.312
Income from release of provisions	14.151	11.564
Reimbursement of expenses	22.111	18.264
Staff placement	3.866	4.771
Advertising allowance	2.024	2.382
Price gains	9.682	36.113
Income from receivables written down/release of value adjustments	12.998	5.687
Other income	53.756	47.905
	206.897	**194.895**

Other income comprises income from licences and numerous other individual items. Rental income includes gains from incidental costs. Gains from the disposal of assets primarily comprise the disposal of BayWa AG property inventories and also includes the proportionate distribution of the accounting profit resulting from a sale and lease back transaction for real estate in the financial year 2013 and, due to the classification of the lease agreement as a financial lease, is to be distributed over the term of this agreement (€3.614 million). In addition, gains from the disposal of assets in the reporting year also included interim gains of €36.488 million since eliminated within the scope of the sale of the BayWa tower property in 2012 and 2016. The decline in price gains is mainly due to the project business outside the euro zone in the field of renewable energy as well as the business activities of the New Zealand Group companies. This item also includes price gains effects from forward exchange transactions for which there is no clear hedging relationship with an underlying transaction and is therefore not included in a hedge relationship.

(D.3.) Cost of materials

in € million	2017	2016
Expenses for raw materials, consumables and supplies, and for goods sourced	14,017.413	13,703.011
Expenses for services outsourced	366.936	349.712
	14,384.349	**14,052.723**

(D.4.) Personnel expenses

in € million	2017	2016
Wages and salaries	775.577	715.543
Share-based payment	1.453	1.402
Expenses for pensions, support and severance pay	22.530	17.119
(of which ongoing service cost)	(7.802)	(8.617)
Social insurance contributions	136.648	129.047
	936.208	**863.111**

After calculating the provisions for pension and severance pay according to IAS 19, expenses for pension and severance pay total €19.667 million (2016: €22.909 million). Of this amount, a portion amounting to €7.802 million (2016: €8.617 million) has been disclosed under personnel expenses and a portion totalling €11.865 million (2016: €14.292 million) under interest expenses.

Number	2017	2016
Employees		
Annual average (Section 267 para. 5 German Commercial Code [HGB])	17,550	16,960
of which jointly held companies within the meaning of Section 310 of the German Commercial Code (HGB)	0	0
As at 31 December	17,323	16,711
of which jointly held companies within the meaning of Section 310 of the German Commercial Code (HGB)	0	0

(D.5.) Other operating expenses

in € million	2017	2016
Vehicle fleet	79.533	71.589
Maintenance	54.550	49.260
Advertising	46.158	43.855
Energy	30.431	29.755
Rent	56.496	54.173
Expenses for staff hired externally	24.871	25.218
Information expenses	14.135	13.864
Commission	15.484	15.324
Insurances	20.573	19.770
Cost of legal and professional advice, audit fees	49.785	41.813
Amortisation/value adjustments of receivables	19.768	16.498
IT costs	6.553	3.778
Travel expenses	19.794	16.826
Office supplies	10.493	8.727
Other tax	9.068	7.386
Administrative expenses	3.607	2.940
Training and continuous professional development	9.272	8.346
Decommissioning and disposal	6.924	6.319
Currency-induced losses	15.973	23.377
Losses from asset disposals	6.332	4.078
Other expenses	70.333	49.857
	570.133	**512.753**

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

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

in € million	2017	2016
Profit/loss from participating interests recognised at equity	**2.472**	**18.894**
Income/expenses from affiliated companies	3.851	0.641
Income/expenses from the disposal of affiliated companies	- 0.216	0.635
Other income from holdings and similar income	35.147	1.800
Write-downs of financial assets and other expenses	- 1.385	- 0.155
Other income from shareholdings	**37.397**	**2.921**
	39.869	**21.815**

The year-on-year decline in income from participating interests was due to the sale of shares in Süddeutsche Geothermie-Projekte GmbH & Co. KG in the previous year. The rise in other income from participating interests was predominantly due to the sale of shares in Raiffeisen Bank International AG, Vienna, Austria, in financial year 2017 as well as the final sale of BayWa Hochhaus GmbH & Co. KG. Dividend income is recorded as and when a claim to payout arises.

(D.7.) Interest income and expenses

in € million	**2017**	2016
Interest and similar income	7.491	6.302
(of which from affiliated companies)	(0.876)	(0.787)
Interest from fair value measurement	0.103	0.022
Interest income	**7.594**	**6.324**
Interest and similar expenses	- 52.292	- 53.400
(of which from affiliated companies)	(- 0.054)	(- 0.589)
Interest from fair value measurement	- 0.091	- 0.078
Interest portion of finance leasing	- 11.864	- 12.125
Interest portion of the allocation to pension provisions and other personnel provisions	- 12.243	- 15.804
Interest expense	**- 76.490**	**- 81.407**
Net interest	**- 68.896**	**- 75.083**

(D.8.) Income tax

Income tax breaks down as follows:

in € million	**2017**	2016
Actual taxes	- 25.757	- 34.446
Deferred taxes	- 9.377	17.554
	- 35.134	**- 16.892**

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

Deferred taxes are formed for all temporary differences between the tax-related assigned value and IFRS values as well as the consolidation measures. Equity includes deferred tax assets of €66.498 million (2016: €68.205 million) that were offset against the reserve for actuarial gains and losses from provisions for pensions and severance pay. Moreover, deferred tax liabilities of €19.281 million (2016: €9.125 million) were offset against the assessment reserve in equity without effect on income. Deferred taxes of €1.527 million are attributable to the hybrid bond issued by BayWa AG; these are also recognised in equity. Deferred tax assets include tax-reducing claims which arise from the expected utilisation of loss carryforwards in the years ahead, the realisation of which is assured with sufficient probability. These came to €65.471 million (2016: €72.664 million) and largely concerned the parent company. As part of corporate planning, a time horizon of five years (maximum) has been assumed here. Deferred tax was not formed on loss carryforwards in an amount of €39.782 million (2016: €30.237 million), as their usability is not anticipated within the specified period. Loss carryforwards of individual Group companies can be partly carried forward within a limited period of time. No tax assets which are eligible as carryforwards are likely to expire. The deferred tax income from the origination and/or reversal of temporary differences amounts to €3.871 million (2016: €19.481 million).

Deferred taxes are calculated on the basis of the tax rates which apply or are anticipated given the current legal situation in the individual countries at the time when taxes are levied. The tax rate of BayWa AG in the reporting year was 29.13% (2016: 29.13%).

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

	Deferred tax assets		Deferred tax liabilities	
in € million	**2017**	2016	**2017**	2016
Intangible assets and property, plant and equipment	8.177	8.336	97.918	103.722
Financial assets	10.845	4.939	45.367	36.605
Current assets	11.350	15.598	15.747	23.434
Other assets	5.332	5.758	0.004	–
Tax loss carryforwards	105.253	102.902	–	–
Provisions	124.539	124.931	2.142	1.456
Liabilities	8.729	7.686	0.492	1.762
Other liabilities	25.603	28.532	15.966	20.799
Value adjustments deferred tax assets	- 52.208	- 35.308	–	–
Balance	- 21.898	- 29.912	- 21.898	- 29.912
Consolidation	8.779	12.551	24.809	15.648
	234.501	**246.013**	**180.547**	**173.514**

The actual tax expenses are €5.315 million lower than the amount that would have been incurred if the German corporate tax rate had been applied under the currently prevailing law, plus the solidarity surcharge and the trade tax burden on the consolidated earnings before tax. The computational tax rate of 29.13% calculated for actual tax is based on the uniform corporate tax rate of 15.0%, plus the solidarity surcharge of 5.5% and the average effective trade tax of 13.31%. Deferred tax liabilities were not recognised for subsidiaries and associates as the company can control the timing of reversals and because it is therefore probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities were not formed for temporary differences in an amount of €16.477 million (2016: €15.302 million) from subsidiaries, joint ventures and associates.

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

in € million	**2017**	2016
Consolidated result before income tax	**102.365**	**69.607**
Computational tax expenses based on a tax rate of 29.13%	29.819	20.277
Difference against foreign tax rates	1.976	1.694
Tax not relating to the period	- 3.787	- 2.477
Permanent difference changes	0.962	- 6.595
Tax effect due to non-tax deductible expenses	7.064	6.225
Trade tax deductions and additions	- 4.149	2.108
Final consolidation effect	- 3.855	- 3.641
Tax-exempt income	- 8.400	- 6.251
Changes in the value adjustment of deferred tax assets	13.833	6.213
Tax effect from equity results	2.264	0.875
Effect from expenses recognised directly in equity	–	–
Effects from changes in tax rates	0.255	0.203
Other tax effects	- 0.848	- 1.739
Income tax	**35.134**	**16.892**

(D.9.) Profit share of minority interest

The share of consolidated net income of €27.886 million (2016: €21.590 million) due to other shareholders is mainly attributable to the minority shareholders of the Austrian subsidiaries as well as the minority shareholders of T&G Global Limited and their respective subsidiaries.

(D.10.) Earnings per share

Earnings per share are calculated by dividing the portion of profit of BayWa AG's shareholders by the average number of the shares issued in the financial year and dividend-bearing shares. There were no diluting effects.

		2017	2016
Income adjusted for minority interest	in € million	39.345	31.125
Average number of shares issued	Units	34,881,685	34,764,480
Basic earnings per share	€	1.13	0.90
Diluted earnings per share	€	1.13	0.90
Proposed dividend per share	€	0.90	0.85
Dividend per share paid out per financial year	€	0.90	0.85

(E.) OTHER INFORMATION

(E.1.) Explanations on the Cash Flow Statement of BayWa Group

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

In accordance with the standards set out under IAS 7, the cash flow statement is divided up into cash flow from operating activities, investing activities and financing activities.

The cash flow from operating activities is calculated indirectly, based on consolidated net income for the year. This cash flow is ascertained by adjusting it for non-cash expenses (mainly depreciation and amortisation) and income. The cash flow from investing activities is calculated on a cash-effective basis and comprises cash-effective changes in consolidated non-current assets as well as incoming and outgoing payments from the acquisition of companies. Cash flow from financing activities is also ascertained on a cash-effective basis and comprises primarily cash-effective changes in borrowings and cash outflows from dividend distribution and the reduction of funds. Within the scope of the indirect calculation of these positions, changes from currency translation and from the group of consolidated companies were eliminated as they do not affect cash. For this reason, a comparison of these figures with the corresponding figures in the consolidated balance sheet is not possible. Further details on acquisitions and disposals can be found under Note B.1.

The transition of liabilities to cash flows from financing activities was as follows:

in € million		Cash effective	Not cash effective			
	31/12/2016	Payments during the period	Company acquisitions and disposals	Currency effects	Fair value changes	31/12/2017
Non-current financial liabilities from financing activities	1,105.191	- 223.456	2.691	–	–	- 884.426
Current financial liabilities from financing activities	133.207	247.461	–	–	–	380.668
Leasing liabilities	172.510	- 5.685	- 0.981	–	–	165.844
	1,410.908	**18.320**	**1.710**	–	–	**1,430.938**

(E.2.) Explanations on the segment report

Dividing up of operations into segments

The segment report provides an overview of the important segments of BayWa Group. The breakdown of the segments accords with the provisions set out under IFRS 8. The segments are to be presented in the same form as is submitted to decision makers, namely the Board of Management of BayWa AG, in the respective reports made on a regular basis, and which therefore form the basis for strategic decisions. This results in greater uniformity of the internal and external reporting system. All consolidation measures are shown in a separate column of the segment report. Aside from the depreciation and amortisation included in this section, there are no other material non-cash items that must be reported separately in the segment report.

Segment reporting by business unit

The Agriculture Segment includes the business activities of the BayWa Agri Supply & Trade (BAST), BayWa Agricultural Sales (BAV), Fruit and Agricultural Equipment business units. The BAST business unit combines the BayWa Group's national and international trade, distribution and logistics activities for grain, oilseed and additional products. The recording business and trade in operating resources and feedstuffs are pooled in the business unit known as BAV. The Fruit business unit combines all activities of the Group in the business of fruit and vegetable growing and trading these products. The full range of agricultural equipment and services is offered in the Agricultural Equipment business unit.

Business activities in the Energy and Renewable Energies business units are pooled under the Energy Segment. The Energy business unit mainly covers trading in mineral oils, fuels and lubricants and the filling station business. The Renewable Energies business unit combines the activities of the Group in the field of renewable energies. Business is focused on project development as well as trading and offering services for the operation of photovoltaic, wind power and biogas facilities.

The Building Materials Segment sells building materials for construction and civil engineering. This segment also comprises the retail activities of Austrian Group companies.

The Innovation & Digitalisation Segment houses the BayWa Group's digital activities. This segment is also home to the development and marketing of digital activities to increase agricultural productivity, as well as the BayWa Group's e-commerce activities under the BayWa Online World banner.

Aside from peripheral activities, the Other Activities Segment mainly encompasses BayWa Group's real estate operations.

Apart from sales revenues generated through business with third parties that are disclosed in the business units, intra- and inter-segment sales are also reported. Revenues are not broken down by individual products and service at Group level due to the heterogeneity of the products sold at the Group. Both intra- and inter-segment sales are conducted at arm's length terms and conditions. Any interim profits arising in this context are eliminated in the consolidated financial statements. Moreover, write-downs and write-ups and the financial results per business unit are disclosed, along with earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest and tax (EBIT) and earnings before tax (EBT). This is also applicable to the segmental assets, with separate disclosure of the inventories and segmental liabilities. Investments made (excluding financial assets) are also divided up among the business units. Such investments concern the addition of intangible assets and property, plant and equipment as well as additions from company acquisitions. Moreover, information in this segment report includes the annual average number of employees per business unit.

Segment information by business unit

in € million 31/12/2017	BayWa Agri Supply & Trade	BayWa Agricultural Sales	Fruit	Agricultural Equipment	**Agriculture**
Revenues generated through business with third parties	5,817.783	2,812.886	805.556	1,400.269	10,836.494
Intra-segment revenues	404.499	252.120	0.027	28.690	685.336
Inter-segment revenues	54.724	66.304	–	1.736	122.764
Total revenues	**6,277.006**	**3,131.310**	**805.583**	**1,430.695**	**11,644.594**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**10.549**	**53.420**	**45.682**	**32.058**	**141.709**
Depreciation/amortisation	- 3.516	- 27.761	- 16.238	- 12.115	- 59.630
Earnings before interest and tax (EBIT)	**7.033**	**25.659**	**29.444**	**19.943**	**82.079**
Financial result	- 12.497	- 12.159	- 4.449	- 9.036	- 38.141
of which: net interest	- 8.431	- 13.056	- 5.306	- 7.613	- 34.406
of which: equity result	- 0.053	–	0.672	- 0.312	0.307
Earnings before tax (EBT)	**- 1.398**	**12.603**	**24.138**	**12.329**	**47.672**
Income tax					
Net income					
Assets	1,614.974	1,322.335	516.501	723.234	4,177.044
of which: participating interests recognised at equity	21.623	1.039	25.004	19.891	67.557
of which: non-current assets held for sale	–	–	–	–	–
Inventories	460.459	660.225	45.267	382.335	1.548.286
of which: non-current assets held for sale	–	–	–	–	–
Liabilities	1,268.414	713.007	255.895	650.427	2,887.743
of which: liabilities from non-current assets held for sale	–	–	–	–	–
Investments in intangible assets, property, plant and equipment and investment property (including company acquisitions)	26.890	49.688	49.087	12.664	138.329
Employee annual average	563	3,496	2,925	3,629	10,613

	Energy	Renewable Energies	**Energy**	**Building Materials**	**Innovation & Digitalisation**	**Other Activities***	Transition	**Group**
	2,228.067	1,366.655	3,594.722	1,606.071	6,896	10.948	–	16,055.131
	223.017	62.518	285.535	36.300	0.810	53.625	- 1,061.606	–
	5.483	1.914	7.397	1.883	0.071	5.722	- 137.837	–
	2,456.567	**1,431.087**	**3,887.654**	**1,644.254**	**7.777**	**70.295**	**- 1,199.443**	**16,055.131**
	27.456	**93.869**	**121.325**	**45.788**	**- 8.663**	**75.478**	**- 57.202**	**318.435**
	- 8.969	- 27.314	- 36.283	- 15.650	- 2.090	- 20.684	- 12.837	- 147.174
	18.487	**66.555**	**85.042**	**30.138**	**- 10.753**	**54.794**	**- 70.039**	**171.261**
	- 0.122	- 19.228	- 19.350	- 8.967	- 0.047	132.854	- 95.376	- 29.027
	- 0.142	- 15.857	- 15.999	- 8.912	- 0.042	- 7.971	- 1.566	- 68.896
	–	- 3.865	- 3.865	- 0.091	–	6.121	–	2.472
	18.344	**50.699**	**69.043**	**21.225**	**- 10.795**	**46.825**	**- 71.605**	**102.365**
								- 35.134
								67.231
	269.028	2,866.627	3,135.655	581.117	17.213	3,979.096	- 5,402.092	6,488.033
	–	2.311	2.311	0.192	–	144.497	–	214.557
	–	1.194	1.194	–	–	12.533	–	13.727
	45.123	461.500	506.623	151.318	1.871	1.148	113.474	2,322.720
	–	–	–	–	–	–	–	–
	372.341	2,288.619	2,660.960	613.551	17.725	2,392.103	- 3,519.560	5,052.522
	–	–	–	–	–	–	–	–
	12.405	19.648	32.053	20.716	6.368	32.942	–	230.408
	978	1,101	2,079	4,113	158	587	–	17,550

*** before consolidation**

Segment information by business unit

in € million 31/12/2016	BayWa Agri Supply & Trade	BayWa Agricultural Sales	**Agricultural Trade**	Fruit	Agricultural Equipment	**Agriculture**
Revenues generated through business with third parties	6,144.358	2,824.004	8,968.362	659.289	1,256.839	10,884.490
Intra-segment revenues	570.999	273.773	844.772	0.034	19.876	864.682
Inter-segment revenues	58.474	44.203	102.677	–	0.992	103.669
Total revenues	**6,773.831**	**3,141.980**	**9,915.811**	**659.323**	**1,277.707**	**11,852.841**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**- 8.037**	**54.635**	**46.598**	**57.162**	**21.808**	**125.568**
Depreciation/amortisation	- 3.424	- 25.895	- 29.319	- 14.877	- 11.229	- 55.425
Earnings before interest and tax (EBIT)	**- 11.461**	**28.740**	**17.279**	**42.285**	**10.579**	**70.143**
Financial result	- 5.694	- 15.131	- 20.825	- 0.854	- 11.237	- 32.916
of which: net interest	- 6.765	- 15.950	- 22.715	- 5.848	- 9.769	- 38.332
of which: equity result	0.743	–	0.743	4.804	- 0.289	5.258
Earnings before tax (EBT)	**- 18.226**	**12.789**	**- 5.437**	**36.437**	**0.809**	**31.809**
Income tax						
Net income						
Assets	1,722.465	1,263.154	2,985.619	475.034	621.673	4,082.326
of which: participating interests recognised at equity	21.687	1.039	22.726	14.762	1.310	38.798
of which: non-current assets held for sale	–	–	–	–	–	–
Inventories	469.554	656.936	1,126.490	47.486	305.169	1,479.145
of which: non-current assets held for sale	–	–	–	–	–	–
Liabilities	1,382.695	758.746	2,141.441	238.110	567.902	2,947.453
of which: liabilities from non-current assets held for sale	–	–	–	–	–	–
Investments in intangible assets, property, plant and equipment and investment property (including company acquisitions)	13.722	46.205	59.927	60.818	24.251	144.996
Employee annual average	312	3,770	4,082	2,574	3,556	10,212

	Energy	Renewable Energies	**Energy**	**Building Materials**	**Innovation & Digitalisation**	**Other Activities***	Transition	**Group**
	2,030.133	945.853	2,975.986	1,530.145	5.953	13.308	–	15,409.882
	198.073	81.225	279.298	37.820	0.567	51.836	- 1,234.203	–
	5.228	0.237	5.465	- 1.203	0.010	7.112	- 115.053	–
	2,233.434	**1,027.315**	**3,260.749**	**1,566.762**	**6.530**	**72.256**	**- 1,349.256**	**15,409.882**
	24.202	**89.525**	**113.727**	**43.890**	**- 6.611**	**163.009**	**- 167.015**	**272.568**
	- 8.416	- 22.184	- 30.600	- 15.344	- 1.949	- 15.843	- 8.717	- 127.878
	15.786	**67.341**	**83.127**	**28.546**	**- 8.560**	**147.166**	**- 175.732**	**144.690**
	- 0.105	1.397	1.292	- 9.133	0.024	148.616	- 161.151	- 53.268
	- 0.112	- 13.676	- 13.788	- 9.794	- 0.010	- 12.292	- 0.867	- 75.083
	–	14.138	14.138	- 0.016	–	- 0.486	–	18.894
	15.675	**53.665**	**69.340**	**18.752**	**- 8.570**	**134.875**	**- 176.599**	**69.607**
								- 16.892
								52.715
	255.618	2,599.455	2,855.073	555.233	8.021	3,984.672	- 5,010.468	6,474.857
	–	10.311	10.311	0.209	–	165.843	–	215.161
	–	–	–	–	–	24.931	–	24.931
	45.483	612.165	657.648	141.861	0.168	0.709	100.758	2,380.289
	–	–	–	–	–	–	–	–
	377.447	2,069.840	2,447.287	625.201	8.368	2,554.375	- 3,206.172	5,376.512
	–	–	–	–	–	–	–	–
	11.144	19.133	30.277	17.516	2.467	21.455	–	216.711
	977	934	1,911	4,081	126	630	–	16,960

*** before consolidation**

Segment reporting by region

Beyond reporting under IFRS 8, which does not require secondary segmental information, information on segment reporting by region is also disclosed. Consequently, external sales are allocated according to where the customer is domiciled; the Group's core markets are in Germany, Austria and the Netherlands. Accordingly, the external sales for these countries are shown separately. External sales attributable to New Zealand have not been included here due to the secondary importance of said external sales. Non-current assets have not been reported for the Netherlands for the same reason.

Segment information by region

	External sales		Non-current assets	
in € million	**2017**	2016	**2017**	2016
Germany	6,547.587	6,231.968	1,427.055	1,445.420
Austria	2,240.606	2,060.470	459.332	429.637
Netherlands	1,870.762	–	–	–
New Zealand	–	–	274.107	272.415
Other international operations	5,396.176	7,117.444	236.446	208.266
Group	**16,055.131**	**15,409.882**	**2,396.940**	**2,355.738**

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

BayWa AG, Munich, Germany, will acquire the business operations of Premium Crops Limited, Hambledon, UK, as part of an asset deal through its subsidiary Cefetra Limited, Glasgow, UK. This acquisition is part of a specialisation strategy of the BayWa Agri Supply & Trade (BAST) business unit and will enhance Cefetra's possibilities in terms of buying grain and oilseed directly from UK farmers. Premium Crops Limited is a leading provider of premium and speciality fruits, with summer and winter flax seed, red wheat, canary grass, sorghum and rapeseed oil high in erucic acid among its areas of specialisation. More detailed information pursuant to the provisions of IFRS 3.B66 cannot be provided yet, as the initial accounting for business combinations had not been completed at the time the financial statements were authorised for issue.

BayWa Venture GmbH, Munich, Germany, a subsidiary of BayWa AG, Munich, Germany, and RWA Invest GmbH, Vienna, Austria, are to each invest in 2.5% of Italian start-up Evja Società a responsabilità limitata, Naples, Italy. The start-up has developed an IT-supported information system for use in fields, greenhouses and vineyards in order to optimise the use of resources and crop protection materials in agriculture. No further disclosures pursuant to IFRS 3.B66 can be made as the initial recognition of the business combination had not yet taken place at the time the financial statements were approved for publication.

BayWa AG, Munich, Germany, is to combine the activities of BayWa Agri Supply & Trade Germany (BAST Germany) and BayWa Agricultural Sales (BAV) under BayWa Agri Services. This new organisational unit will house both the BAV business unit with its resources and recording business and grain trading operations. This consolidation is intended to cement BayWa AG's agricultural trade business in Germany over the long term.

The Bundeskartellamt (German federal antitrust authority) announced in February 2018 that it had dropped its investigations into BayWa AG after its alleged involvement in agreements aimed at restricting competition in the sale of agricultural equipment. Investigations began into a number of companies in the industry, including BayWa AG, in January 2016. The investigations have been dropped unconditionally.

Effective as at 1 March 2018, BayWa AG, Munich, Germany, acquired a further 5% in TFC Holland B.V., Maasdijk, Netherlands, through its subsidiary BayWa Fruit B.V., Maasdijk, Netherlands.

Subject to approval from antitrust authorities, BayWa AG, Munich, Germany, will invest in solar project business in the Netherlands through its subsidiary BayWa r.e. renewable energy GmbH, Munich, Germany. BayWa r.e. renewable energy GmbH will invest in a 70% stake in a joint venture, which will hold 100% of shares in the holding company of the GroenLeven Group. The project encompasses a project pipeline of around 2 gigawatts (GW) relating to the construction of solar power plants in the Netherlands. No further disclosures pursuant to IFRS 3.B66 can be made as the initial recognition of the business combination had not yet taken place at the time the financial statements were approved for publication.

(E.4.) Litigation

Group companies are and will continue to be faced with legal disputes and proceedings in relation to their operating business activities. Such disputes and proceedings can relate to the assertion of claims based on services and deliveries that are not up to standard or from payment disputes, but can also result from breaches of compliance requirements by individual employees. This can lead to individual Group companies having to pay compensation or financial penalties or being imposed with other civil or criminal sanctions.

Antitrust investigations were conducted at various agricultural companies in Germany in 2015, including BayWa AG, with regard to crop protection wholesale operations. The Bundeskartellamt (German federal antitrust authority) conducted a further search in a number of agricultural equipment offices at BayWa headquarters in January 2016 on the basis of a warrant issued by the Bonn district court. The investigation is based on the suspicion that employees of BayWa were allegedly involved in agreements aimed at restricting competition in the sale of agricultural equipment. According to the court order authorising the search, several companies from the industry are being investigated. In February 2018, the Bundeskartellamt announced that it was dropping investigations relating to agricultural equipment against BayWa. The other investigation into crop protection material wholesale activities continues and results or partial results were not available at the time of the conclusion of the consolidated financial statements.

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

(E.5.) Information pursuant to Section 160 para. 1 item 8 of the German Stock Corporation Act (AktG)

Pursuant to the German Securities Trading Act (WpHG), any shareholder who reaches, exceeds or falls below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights of a listed company is required to inform the company and the German Financial Supervisory Authority (BaFin) without delay. BayWa AG was informed of the following holdings (the proportion of voting rights relates to the time when notification was made and may therefore now be outdated):

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

Raiffeisen Agrar Invest GmbH, Vienna, Austria, informed us on 16 July 2009 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), the share apportioned to it of the voting rights in BayWa AG, Arabellastrasse 4, 81925 Munich, Germany, exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009.

Raiffeisen Agrar Invest GmbH, Vienna, Austria, informed us on 16 July 2009 that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG), the share apportioned to it of the voting rights in BayWa AG, Arabellastrasse 4, 81925 Munich, Germany, exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009. Of these voting rights, 25.12% (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) were apportionable to Raiffeisen Agrar Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG). These voting rights were apportionable to Raiffeisen Agrar Holding GmbH via Raiffeisen Agrar Invest GmbH (direct holder of the voting rights) pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG).

LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna, Austria, informed us on 16 July 2009 that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG), the share apportioned to it of the voting rights in BayWa AG, Arabellastrasse 4, 81925 Munich, Germany, exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009. Of these voting rights, 25.12% (8,533,673 voting rights, of which 8,389,785 voting rights from shares with restricted transferability and 143,888 voting rights from registered shares) were apportionable to LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG). These voting rights were apportionable to LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG via Raiffeisen Agrar Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG).

On 8 September 2009, we received the following notification from 'KORMUS' Holding GmbH, Friedrich-Wilhelm-Raiffeisen-Platz 1, 1020 Vienna, Austria, Company Register no. FN 241822X:

> "We herewith inform you that, pursuant to Sections 21 para. 1 and 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG), the share of the voting rights in BayWa Aktiengesellschaft, Arabellastrasse 4, 81925 Munich, Germany, apportioned to us had fallen below the thresholds of 25%, 20%, 15%, 10%, 5% and 3% on 8 September 2009 and that the whole share in the voting rights now amounts to 0% (the equivalent of zero voting rights).
>
> To date a share in the voting rights of 25.12% (the equivalent of 8,533,673 voting rights) was apportionable to us pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG) via LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG. As a result of a demerger, 16,329,226 of the shares formerly held by us in LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG (the equivalent of 50.05% of the shares and the voting rights) were directly transferred to 'LAREDO' Beteiligungs GmbH, our direct parent company, with effect from 8 September 2009."

'LAREDO' Beteiligungs GmbH, Vienna, Austria, informed us on 16 July 2009 that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG), the share apportioned to it of the voting rights in BayWa AG, Arabellastrasse 4, 81925 Munich, Germany, exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009. Of these voting rights, 25.12% (8,533,673 voting rights, of which 8,389,785 voting rights from shares with restricted transferability and 143,888 voting rights from registered shares) were apportioned to 'LAREDO' Beteiligungs GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG). These voting rights were apportionable to 'LAREDO' Beteiligungs GmbH via 'KORMUS' Holding GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG).

Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H., Vienna, Austria, informed us on 16 July 2009 that, pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG), the share apportioned to it of the voting rights in BayWa AG, Arabellastrasse 4, 81925 Munich, Germany, exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) on 15 July 2009. Of these voting rights, 25.12% (8,533,673 voting rights, of which 8,389,785 voting rights from registered shares with restricted transferability and 143,888 voting rights from registered shares) were apportionable to Raiffeisen-Holding GmbH, Niederösterreich-Wien reg.Gen.m.b.H. pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG). These voting rights were apportionable to Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H. via 'LAREDO' Beteiligungs GmbH pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG).

RWA Management, Service und Beteiligungen GmbH, Vienna, Austria, informed us on 10 May 2012 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), its share in the voting rights of BayWa AG, Munich, Germany, came to 25.12% (8,533,673 voting rights) on 15 July 2009 and that these voting rights are apportionable to it via Raiffeisen Agrar Invest GmbH (direct holder of the voting rights) pursuant to Section 22 para. 2 of the German Securities Trading Act (WpHG).
We received the following additional information regarding these developments pursuant to Section 27a para. 1 of the German Securities Trading Act (WpHG):

1) Objectives of the acquisition:
   a) The acquisition of BayWa Aktiengesellschaft voting rights serves to implement strategic goals;
   b) RWA Management, Service und Beteiligungen GmbH plans to obtain additional voting rights by means of acquisition or otherwise within the next twelve months, but not to a significant extent, and mainly to prevent dilution of its existing voting rights;
   c) RWA Management, Service und Beteiligungen GmbH currently does not intend to exercise any further-reaching influence on the appointment of members of the issuer's administration, management and supervisory bodies;
   d) RWA Management, Service und Beteiligungen GmbH currently does not plan to implement any material changes to the company's capital structure, particularly in view of the ratio between equity and debt capital as well as dividend policies.
2) Origin of funds used for the acquisition:
   Insofar as the acquisition of the voting rights occurred within the scope of the merger of RWA Verbundservice GmbH, the former wholly-owned subsidiary of the reporting entity, with Raiffeisen Agrar Invest GmbH, neither debt nor equity capital was used for the acquisition of BayWa Aktiengesellschaft voting rights. Any further small acquisitions concluded since the merger were paid with company funds.

RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen, Vienna, Austria, informed us on 10 May 2012 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), its share in the voting rights of BayWa AG, Munich, Germany, came to 25.12% (8,533,673 voting rights) on 15 July 2009 and that these voting rights are apportionable to it via Raiffeisen Agrar Invest GmbH (direct holder of the voting rights) pursuant to Section 22 para. 2 of the German Securities Trading Act (WpHG).
We received the following additional information regarding these developments pursuant to Section 27a para. 1 of the German Securities Trading Act (WpHG):

1) Objectives of the acquisition:
   a) The acquisition of BayWa Aktiengesellschaft voting rights serves to implement strategic goals;
   b) RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen plans to obtain additional voting rights by means of acquisition or otherwise within the next twelve months, but not to a significant extent and mainly to prevent dilution of its existing voting rights;
   c) RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen currently does not intend to exercise any further-reaching influence on the appointment of members of the issuer's administration, management and supervisory bodies;
   d) RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen currently does not plan to implement any material changes to the company's capital structure, particularly in view of the ratio between equity and debt capital as well as dividend policies.
2) Origin of funds used for the acquisition:
   Insofar as the acquisition of the voting rights occurred within the scope of the merger of RWA Verbundservice GmbH, the former wholly-owned subsidiary of the reporting entity, with Raiffeisen Agrar Invest GmbH, neither debt nor equity capital was used for the acquisition of BayWa AG voting rights. Any further small acquisitions concluded since the merger were paid with company funds.

Correction of a voting rights notification from 16 July 2009:
RWA Management, Service und Beteiligungen GmbH, Vienna, Austria, informed us on 10 May 2012 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), the share of voting rights apportioned to it in BayWa AG, Munich, Germany, had exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights) on 15 July 2009.
The share of voting rights of 25.12% (8,533,673 voting rights) is apportionable to it via Raiffeisen Agrar Invest GmbH pursuant to Section 22 para. 2 of the German Securities Trading Act (WpHG).

Correction of a voting rights notification from 16 July 2009:
RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen, Vienna, Austria, informed us on 10 May 2012 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), the share of voting rights apportioned to it in BayWa AG, Munich, Germany, had exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights) on 15 July 2009.
The share of voting rights of 25.12% (8,533,673 voting rights) is apportionable to it via Raiffeisen Agrar Invest GmbH pursuant to Section 22 para. 2 of the German Securities Trading Act (WpHG).

Correction of a voting rights notification from 16 July 2009:
Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna, Austria, informed us on 10 May 2012 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), the share of voting rights apportioned to it in BayWa AG, Munich, Germany, had exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights) on 15 July 2009. This share in voting rights of 25.12% (8,533,673 voting rights) is apportionable to it via the chain 'LAREDO' Beteiligungs GmbH, LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Raiffeisen Agrar Holding GmbH, Raiffeisen Agrar Invest GmbH, the direct holder of BayWa AG voting rights pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG).

Correction of a voting rights notification from 16 July 2009:
'LAREDO' Beteiligungs GmbH, Vienna, Austria, informed us on 10 May 2012 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), the share of voting rights apportioned to it in BayWa AG, Munich, Germany, had exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights) on 15 July 2009. This share in voting rights of 25.12% (8,533,673 voting rights) is apportionable to 'LAREDO' Beteiligungs GmbH via the chain LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Raiffeisen Agrar Holding GmbH, Raiffeisen Agrar Invest GmbH, the direct holder of BayWa AG voting rights pursuant to Section 22 para. 1 sentence 1 item 1 of the German Securities Trading Act (WpHG).

Correction of a voting rights notification from 16 July 2009:
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna, Austria, informed us on 10 May 2012 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), the share of voting rights apportioned to it in BayWa AG, Munich, Germany, had exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights) on 15 July 2009. This share in voting rights of 25.12% (8,533,673 voting rights) is apportionable to it via the chain Raiffeisen Agrar Holding GmbH, Raiffeisen Agrar Invest GmbH (the latter being the direct holder of BayWa AG voting rights) pursuant to Section 22 para. 1 sentence 1 item 1 and via Raiffeisen Agrar Invest GmbH pursuant to Section 22 para. 2 of the German Securities Trading Act (WpHG).

Correction of a voting rights notification from 16 July 2009:
Raiffeisen Agrar Holding GmbH, Vienna, Austria, informed us on 10 May 2012 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), the share of voting rights apportioned to it in BayWa AG, Munich, Germany, had exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights) on 15 July 2009. This share in voting

rights of 25.12% (8,533,673 voting rights) is apportionable to it via Raiffeisen Agrar Invest GmbH pursuant to Section 22 para. 1 sentence 1 item 1 and Section 22 para. 2 of the German Securities Trading Act (WpHG).

Correction of a voting rights notification from 16 July 2009:
Raiffeisen Agrar Invest GmbH, Vienna, Austria, informed us on 10 May 2012 that, pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG), the share of voting rights apportioned to it in BayWa AG, Munich, Germany, had exceeded the thresholds of 15%, 20% and 25% on 15 July 2009 and that the whole share in the voting rights came to 25.12% (8,533,673 voting rights) on 15 July 2009.

Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna, Austria, informed us on 19 January 2016, in the form of a notification of voting rights pursuant to Section 41 para. 4f of the German Securities Trading Act (WpHG), that the share of voting rights apportioned to it in BayWa AG, Munich, Germany, amounted to 25.10% (34,783,980 voting rights) on 26 November 2015. The company's share had amounted to 25.12% on the date of the last notification.

(E.6.) Related party disclosures

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

A significant influence within the meaning of IAS 24 is constituted by participation in the financial and operating policies of the company, but not the control of these policies. Significant influence may be exercised in several ways usually by representation on the management board or on the management and/or supervisory bodies, but also by participation, for instance, in the policy-making process through material intra-Group transactions, by interchange of managerial personnel or by dependence on technical information. Significant influence may be gained by share ownership, statute or contractual agreement. With share ownership, significant influence is presumed in accordance with the definition under IAS 28 (Investments in Associates and Joint Ventures [2011]) if a shareholder owns 20% or more of the voting rights, either directly or indirectly, unless this supposition can be clearly refuted. Significant influence can be deemed irrefutable if the policy of the company can be influenced, for instance, by the corresponding appointment of the members to the supervisory bodies.

In relation to the shareholder group of BayWa AG, the holdings of Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, Germany, as well as Raiffeisen Agrar Invest GmbH, Vienna, Austria, mean that they can exert significant influence on BayWa AG. These companies are, therefore, to be classified as related parties. In addition to dividend payments of BayWa AG to Bayerische Raiffeisen-Beteiligungs-AG of €10.379 million (2016: €10.379 million) and to Raiffeisen Agrar Invest GmbH of €7.443 million (2016: €7.443 million), no business transactions were carried out in the financial year 2017 within the meaning of IAS 24 which need to be reported here.

Transactions with related parties are shown in the table below:

in € million 2017	The Supervisory Board	The Board of Management	Bayerische Raiffeisen-Beteiligungs-AG und Raiffeisen Agrar Invest GmbH	Non-consolidated companies > 50%	Non-consolidated companies > 20% ≤ 50%
Receivables	–	–	–	18	7
Liabilities	–	–	–	10	8
Interest income	–	–	–	–	–
Interest expenses	–	–	–	–	–
Revenues	–	–	–	10	62

in € million 2016	The Supervisory Board	The Board of Management	Bayerische Raiffeisen-Beteiligungs-AG und Raiffeisen Agrar Invest GmbH	Non-consolidated companies > 50%	Non-consolidated companies > 20% ≤ 50%
Receivables	–	–	–	11	14
Liabilities	–	–	–	6	9
Interest income	–	–	–	–	–
Interest expenses	–	–	–	–	–
Revenues	–	–	–	11	57

The transactions conducted with related parties predominantly pertain to the sale of goods.

Members of the Board of Management or of the Supervisory Board of BayWa AG are members in supervisory boards or board members of other companies with which BayWa AG maintains business relations in the course of normal business.

(E.7.) Fees of the Group auditor

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

in € million	**2017**	2016
For audits performed	1.134	1.298
For other consultancy services	0.134	0.056
For tax consultancy services	–	–
For other services	0.062	0.006
	1.330	**1.360**

Other consultancy services concern audits required by law alongside the audit of the financial statements. These include audits pursuant to the German Renewable Energy Sources Act (EEG), the European Market Infrastructure Regulation (EMIR) and the Regulation on the Avoidance and Recycling of Packaging Waste (VerpackV). Consultancy services related to the issue of the hybrid bond also fall under this item.

Other services primarily concern supporting services in the organisation of workshops and projects.

(E.8.) Executive and supervisory bodies of BayWa AG

THE SUPERVISORY BOARD

Manfred Nüssel
MSc Agricultural Engineering (University of Applied Sciences), Chairman
President of Deutscher Raiffeisenverband e.V. (until 30 June 2017)
Honorary President of Deutscher Raiffeisenverband e.V. (since 1 July 2017)

Other mandates
- AGCO GmbH, Marktoberdorf, Germany
- Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, Germany (Chairman)
- Deutscher Genossenschafts-Verlag eG, Wiesbaden, Germany
- KRAVAG-SACH Versicherung des Deutschen Kraftverkehrs VaG, Hamburg, Germany
- Landwirtschaftliche Rentenbank, Frankfurt am Main, Germany (Board of Administration)
- Raiffeisendruckerei GmbH, Neuwied, Germany (Chairman, until 30 June 2017)
- R+V Vereinigte Tierversicherung Gesellschaft a.G., Wiesbaden, Germany (Vice Chairman, until 30 June 2017)
- RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria

Klaus Buchleitner
Vice Chairman
Managing Director of Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H and Raiffeisenlandesbank Niederösterreich-Wien AG

Other mandates
- AGRANA Beteiligungs-Aktiengesellschaft, Vienna, Austria (Second Vice Chairman)
- AGRANA Zucker, Stärke und Frucht Holding AG (First Vice Chairman) (since 7 July 2017)
- AUSTRIA JUICE GmbH, Allhartsberg, Austria (Chairman of the Shareholders Committee) (since 14 February 2017)
- LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna, Austria
- Niederösterreichische Versicherung AG, St. Pölten, Austria
- NÖM AG, Baden, Austria (Chairman)
- Raiffeisen Bank International AG, Vienna, Austria
- Raiffeisen Software GmbH, Vienna, Austria (Chairman)
- Saint Louis Sucre S.A., Paris, France
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft e.G., Ochsenfurt, Germany
- Z&S Zucker und Stärke Holding AG, Vienna, Austria (Chairman) (since 7 July 2017)

Gunnar Metz
Vice Chairman
Chairman of the Main Works Council of BayWa AG

Wolfgang Altmüller
MBA, Chairman of the Board of Directors of VR meine Raiffeisenbank eG

Other mandates
- Allianz Beratungs- und Vertriebs-AG, Munich, Germany
- Allianz Versicherungs-AG, Munich, Germany (Vice Chairman)
- Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, Germany (Vice Chairman)
- Fiducia & GAD IT AG, Karlsruhe, Germany

Theo Bergmann
Vice Chairman of the Main Works Council of BayWa AG

Renate Glashauser
Chairwoman of BayWa AG Works Council, Agricultural Equipment, Lower Bavaria region

Monika Hohlmeier
Member of the European Parliament

Peter König
General Secretary of ver.di, Bavaria

Other mandate
- ADLER Modemärkte AG, Haibach, Germany

Stefan Kraft M. A.
National Secretary of the Union, ver.di-Bundesverwaltung

Michael Kuffner
Head of Environment, Health & Safety (EH & S)

Other mandate
- BGHW Berufsgenossenschaft für Handel und Warenlogistik (member of the Board of Directors) (since 14 September 2017)

Dr. Johann Lang
MSc Engineering, farmer

Other mandates
- Niederösterreichische Versicherung AG, St. Pölten, Austria
- RWA Raiffeisen Ware Austria Aktiengesellschaft, Wien, Austria (Chairman)
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen, Vienna, Austria (Chairman)

Wilhelm Oberhofer
Member of the Board of Management of Raiffeisenbank Kempten-Oberallgäu eG

Other mandates
- Bayerische Raiffeisen-Beteiligungs-AG, Beilngries, Germany (Member of the Board of Management)
- Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Germany
- GOS Grundstücksgesellschaft Oberallgäu-Süd mbH, Sonthofen, Germany (Advisory Committee)
- Münchener Hypothekenbank eG, Munich, Germany (Advisory Committee)

Joachim Rukwied
MSc Agricultural Engineering (University of Applied Sciences), farmer and vintner
President of Deutscher Bauernverband e.V. and Landesbauernverband in Baden-Württemberg e.V.

Other mandates
- Buchstelle LBV GmbH, Stuttgart, Germany (Chairman)
- KfW Bankengruppe, Frankfurt am Main, Germany (Board of Administration)
- Landwirtschaftliche Rentenbank, Frankfurt am Main, Germany (Chairman of the Board of Administration)
- Land-DATA GmbH, Visselhövede, Germany (Chairman)
- LBV-Unternehmensberatungsdienste GmbH, Stuttgart, Germany (Chairman of the Board of Administration)
- Messe Berlin GmbH, Berlin, Germany
- R+V Allgemeine Versicherung AG, Wiesbaden, Germany
- Südzucker AG, Mannheim/Ochsenfurt, Germany

Josef Schraut
Head of Lubricant Sales, Vice Head of the Lubricant unit

Monique Surges
Chief Executive Officer German-New Zealand Chamber of Commerce Inc., Auckland, New Zealand
Treasurer of the New Zealand Europe Business Council (NZEBC), Auckland, New Zealand

Werner Waschbichler
Chairman of the Works Council of BayWa Headquarters

THE COOPERATIVE COUNCIL

Karlheinz Kipke
Chairman
Chairman of the Board of Directors of VR-Bank Coburg eG

Members pursuant to Article 28 para. 5 of the Articles of Association

Manfred Nüssel
MSc Agricultural Engineering (University of Applied Sciences), Vice Chairman
President of Deutscher Raiffeisenverband e.V. (until 30 June 2017)
Honorary President of Deutscher Raiffeisenverband e.V. (since 1 July 2017)

Dr. Johann Lang
MSc Engineering, farmer

Other members

Michael Bockelmann (until 31 December 2017)
German public auditor, tax consultant, business graduate, Association President and Chairman of Genossenschaftsverband e.V.

Franz Breiteneicher
Managing Director of Raiffeisen-Waren GmbH Erdinger Land

Dr. Alexander Büchel
Member of the Board of Directors of Genossenschaftsverband Bayern e.V.

Albert Deß
Member of the European Parliament

Martin Empl
MSc Agriculture, farmer

Dr. Reinhard Funk (since 8 November 2017)
MSc Agricultural Engineering, publicly appointed and sworn agricultural appraiser

Dr. Roman Glaser (until 5 July 2017)
Chairman of the Board of Directors of Baden-Württembergischer Genossenschaftsverband e.V.

Manfred Göhring
Chairman of the Board of Directors of Raiffeisenbank Altdorf-Feucht eG

Marcus Grauer
Managing Director of Raiffeisen-Waren GmbH Iller-Roth-Günz

Wolfgang Grübler
Chief Executive Officer
Agrarunternehmen "Lommatzscher Pflege" e.G.

Alois Hausleitner
Ök.-Rat, farmer

Walter Heidl
President of Bayerischer Bauernverband

Ludwig Hubauer
Farmer

Hubert Kamml (since 8 November 2017)
Spokesman of the Board of Directors of Volksbank Raiffeisenbank Rosenheim-Chiemsee eG

Martin Körner
MSc Engineering (University of Applied Sciences), farmer, fruit farmer

Alfred Kraus
Managing Director of Raiffeisen-Handels-GmbH Rottal

Johann Kreitmeier
Chairman of Landeskuratorium für pflanzliche Erzeugung in Bayern e.V.

Franz Kustner
President of the Bayerischer Bauernverband, Upper Palatinate district association

Franz Reisecker
Ök.-Rat Engineering, President of Landwirtschaftskammer Oberösterreich, Farmer

Angelika Schorer
Member of the State Assembly, Chairwoman of the Committee on Food, Agriculture and Forestry in the State Assembly of Bavaria (committee for agriculture)

Claudius Seidl
Chairman of the Board of Directors of VR-Bank Rottal-Inn eG, President of the Genossenschaftsverband Bayern e.V. district association Lower Bavaria region

Gerd Sonnleitner
Farmer, former President of the European farmers' association COPA, the Deutscher Bauernverband and the Bayerischer Bauernverband

Dr. Hermann Starnecker
Spokesman of the Board of Directors of VR Bank Kaufbeuren-Ostallgäu eG

Wolfgang Völkl (since 8 November 2017)
Spokesman of the Board of Directors of Volksbank Regensburg eG

Wolfgang Vogel
President of Sächsischer Landesbauernverband e.V.

Rainer Wiederer
Spokesman of the Board of Directors of Volksbank Raiffeisenbank Würzburg eG

Thomas Wirth
Spokesman of the Board of Directors of Raiffeisenbank im Stiftland eG

Maximilian Zepf (until 27 September 2017)
MBA, Member of the Board of Directors of Raiffeisenbank Schwandorf-Nittenau eG

THE BOARD OF MANAGEMENT

Prof. Klaus Josef Lutz

(Chief Executive Officer)
Corporate Audit, Corporate Business Development, Corporate Compliance, Corporate Governance, Corporate HR, Corporate M & A, Corporate Marketing, PR/Corporate Communications/Public Affairs, Corporate Risk, Corporate Sustainability, BayWa Foundation, BayWa Agri Supply & Trade (BAST), Fruit, Chairman of executive and supervisory committees of the international agriculture and fruit holdings

External mandates

- Deutscher Raiffeisenverband e.V., Berlin, Germany (Vice President, since 22 June 2017)
- Euro Pool System International B.V., Rijswijk, Netherlands (Chairman of the Supervisory Board)
- Giesecke & Devrient GmbH, Munich, Germany (Chairman of the Supervisory Board and the Advisory Committee)
- Industrie- und Handelskammer für München und Oberbayern (Vice President)

Group mandates

- Al Dahra BayWa LLC, Abu Dhabi, United Arab Emirates (member of the Board of Directors, since 19 July 2017)
- RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria (First Vice Chairman of the Supervisory Board)
- T&G Global Limited, Auckland, New Zealand (Chairman of the Board of Directors)
- "UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria (Chairman of the Supervisory Board)

Andreas Helber

CFO Projects, Corporate Controlling, Corporate Finance & Accounting, Corporate Insurance, Corporate Legal, Corporate Real Estate Management, Investor Relations, BayWa Services, Business Service Center (BSC), HR Shared Service Center, Corporate Purchasing Own Requirements and Services, Building Materials, Member of the executive and supervisory committees of the international agriculture and fruit holdings

External mandates

- Munich Stock Exchange (Member of the Stock Exchange Council)
- R+V Pensionsversicherung a.G., Wiesbaden, Germany (Member of the Supervisory Board)

Group mandates

- RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria (Third Vice Chairman of the Supervisory Board)
- T&G Global Limited, Auckland, New Zealand (Member of the Board of Directors)
- "UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria (Member of the Supervisory Board)

Allocation of operations as at 31 December 2017

Roland Schuler

BayWa Agri Services (BayWa Agricultural Sales, Agricultural Equipment, Digital Farming, Internationalisation Agri Services), Information Systems (RI-Solution), Chairman of the executive and supervisory committees of the international Agri Services holdings

External mandates

- BAG-Hohenlohe-Raiffeisen eG (Member of the Supervisory Board)
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt, Germany (Member of the Supervisory Board)

Group mandate

- RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria (Member of the Supervisory Board)

Matthias Taft

Energy, Renewable Energies (BayWa r.e. renewable energy GmbH), Chairman of executive and supervisory committees of the international energy holdings

Group mandates

- BayWa r.e. Asia Pacific Pte. Ltd., Singapore, Republic of Singapore (Chairman of the Board)
- BayWa r.e. Japan K.K., Tokyo, Japan (Chairman of the Board)
- BayWa r.e. Nordic AB, Malmö, Sweden (Chairman of the Board)
- BayWa r.e. renewable energy GmbH, Munich, Germany (Managing Director)
- BayWa r.e. Scandinavia AB, Malmö, Sweden (Chairman of the Board)
- BayWa r.e. Solar Projects LLC, Wilmington (Delaware), USA (Chairman of the Board)
- BayWa r.e. Solar Pte. Ltd., Singapore, Republic of Singapore (Chairman of the Board)
- BayWa r.e. USA LLC, Wilmington (Delaware), USA (Chairman of the Board)
- BayWa r.e. Wind Pte. Ltd., Singapore, Republic of Singapore (Chairman of the Board)
- BayWa r.e. Wind, LLC, Wilmington (Delaware), USA (Chairman of the Board)
- RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria (First Replacement Member of the Supervisory Board)

Reinhard Wolf

RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria (Chairman of the Board of Directors and General Director)

External mandates

- Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna, Austria (member of the Supervisory Board, until 18 March 2017)
- Niederösterreichische Verkehrsorganisationsgesellschaft m.b.H., St. Pölten, Austria (member of the Supervisory Board)

Group mandates

- Garant - Tiernahrung Gesellschaft m.b.H., Pöchlarn, Austria (Chairman of the Supervisory Board)
- Raiffeisen-Lagerhaus GmbH, Bruck an der Leitha, Austria (Vice Chairman of the Supervisory Board)

(E.9.) Total remuneration of the Board of Management, the Supervisory Board and the Cooperative Council

The remuneration of the Cooperative Council amounts to €0.101 million (2016: €0.106 million). The total remuneration of the Supervisory Board comes to €0.657 million (2016: €0.761 million); of this amount €0.322million (2016: €0.425 million) is variable. In addition to Supervisory Board remuneration, employee representatives who are employees of BayWa Group receive compensation not connected to their activities for the Supervisory Board. The sum total of such compensation received by the employee representatives came to €0.539 million (2016: €0.486 million). Total remuneration of the Board of Management comes to €6.564 million (2016: €6.910million) and breaks down as follows:

in € million	**2017**	2016
Total remuneration of the Board of Management	**6.564**	**6.910**
of which:		
ongoing remuneration	4.523	4.947
non-cash benefits	0.197	0.409
transfers to pension provision	1.844	1.555
benefits upon termination of the employment relationship	–	–
The ongoing remuneration of the Board of Management is split up into		
fixed salary components	3.156	2.911
variable salary components – short-term	0.867	1.036
variable salary components – long-term	0.500	1.000

An amount of €4.421 million (2016: €3.372 million) has been paid out to former members of the Board of Management of BayWa AG and their dependents. Pension provisions for former members of the Board of Management are disclosed in an amount of €45.896 million (2016: €47.090 million).

In its meeting on 19 May 2015, the Annual General Meeting of Shareholders passed a resolution pursuant to Section 286 para. 5 of the German Commercial Code (HGB) to the effect that, in the preparation of the financial statements of the Group and of BayWa AG, the information required under Section 285 sentence 1 item 9 letter a sentences 5 to 8 of the German Commercial Code (HGB) and pursuant to Section 314 para. 1 item 6 letter a sentences 5 to 8 of the German Commercial Code (HGB) in the notes to the financial statements at company and at Group level shall be waived for the financial year 2015 and for the next four financial years.

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

The consolidated financial statements were released for publication by the Board of Management of BayWa AG on 26 March 2018.

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

- Bad und Heizung Krampfl GmbH, Plattling, Germany
- BayWa Agrar Beteiligung Nr. 2 GmbH, Munich, Germany
- BayWa Agrar Beteiligungs GmbH, Munich, Germany
- BayWa Agrarhandel GmbH, Nienburg, Germany
- BayWa Energie Dienstleistungs GmbH, Munich, Germany
- BayWa Finanzservice GmbH, Munich, Germany
- BayWa Handels-Systeme-Service GmbH, Munich, Germany
- BayWa Obst Beteiligung GmbH, Munich, Germany
- BayWa Pensionsverwaltung GmbH, Munich, Germany
- BayWa r.e. Asset Holding GmbH, Gräfelfing, Germany
- BayWa r.e. Bioenergy GmbH, Regensburg, Germany
- BayWa r.e. Operation Services GmbH, Munich, Germany
- BayWa r.e. renewable energy GmbH, Munich, Germany
- BayWa r.e. Rotor Service Holding GmbH, Munich, Germany
- BayWa r.e. Solar Energy Systems GmbH, Tübingen, Germany
- BayWa r.e. Solar Projects GmbH, Munich, Germany
- BayWa r.e. Wind GmbH, Munich, Germany
- C.E.T. Clean Energy Trading GmbH, Munich, Germany
- Diermeier Energie GmbH, Munich, Germany
- EUROGREEN GmbH , Betzdorf, Germany
- FarmFacts GmbH, Pfarrkirchen, Germany
- Frucom Fruitimport GmbH, Hamburg, Germany
- Interlubes GmbH, Würzburg, Germany
- Jannis Beteiligungsgesellschaft mbH, Munich, Germany
- Karl Theis GmbH, Munich, Germany
- renerco plan consult GmbH, Munich, Germany
- RI-Solution GmbH Gesellschaft für Retail-Informationssysteme, Services und Lösungen mbH, Munich, Germany
- TESSOL Kraftstoffe, Mineralöle und Tankanlagen Gesellschaft mit beschränkter Haftung, Stuttgart, Germany
- Wingenfeld Energie GmbH, Hünfeld, Germany

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

- Aufwind BB GmbH & Co. Zweiundzwanzigste Biogas KG, Regensburg, Germany
- BayWa Agri GmbH & Co. KG, Munich, Germany
- BayWa Obst GmbH & Co. KG, Munich, Germany
- BayWa r.e. Solardächer II GmbH & Co. KG, Gräfelfing, Germany
- CLAAS Main-Donau GmbH & Co. KG, Gollhofen, Germany
- CLAAS Nordostbayern GmbH & Co. KG, Altenstadt, Germany
- Dörenhagen Windenergieanlagen GmbH & Co. KG, Gräfelfing, Germany
- Evergrain Germany GmbH & Co. KG, Hamburg, Germany
- Ketziner Lagerhaus GmbH & Co. KG, Ketzin, Germany
- r.e Bioenergie Betriebs GmbH & Co. Dreiundzwanzigste Biogas KG, Regensburg, Germany
- r.e Bioenergie Betriebs GmbH & Co. Vierundzwanzigste Biogas KG, Regensburg, Germany
- r.e Bioenergie Betriebs GmbH & Co. Zehnte Biogas KG, Regensburg, Germany
- r.e Bioenergie Betriebs GmbH & Co. Zwölfte Biogas KG, Regensburg, Germany
- Ruschberg Infrastruktur GmbH & Co. KG, Gräfeling, Germany
- Schradenbiogas GmbH & Co. KG, Gröden, Germany
- Solarpark Aquarius GmbH & Co. KG, Gräfeling, Germany
- Solarpark Aries GmbH & Co. KG, Gräfeling, Germany

- Solarpark Lupus GmbH & Co. KG, Gräfelfing, Germany
- SPM Solarpark Möhlau GmbH & Co. KG, Gräfelfing, Germany
- Umspannwerk Klein Bünsdorf GmbH & Co. KG, Gräfelfing, Germany
- Windpark Berschweiler GmbH & Co. KG, Gräfelfing, Germany
- Windpark Finkenbach-Gersweiler GmbH & Co. KG, Gräfelfing, Germany
- Windpark Hettstadt GmbH & Co. KG, Gräfelfing, Germany
- Windpark Holle-Sillium GmbH & Co. KG, Gräfelfing, Germany
- Windpark Pferdsfeld GmbH & Co. KG, Gräfelfing, Germany
- Windpark Spechenwald GmbH & Co. KG, Lebach, Germany
- Windpark Uphuser Mark GmbH & Co. KG, Gräfelfing, Germany
- Windpark Wilhelmshöhe GmbH & Co. KG, Gräfelfing, Germany

(E.11.) Proposal for the appropriation of profit

As the parent company of the BayWa Group, BayWa AG discloses profit available for distribution of €35,609,181.26 in its annual financial statements as at 31 December 2017, which were drawn up in accordance with German accounting standards (German Commercial Code – HGB) and adopted by the Supervisory Board on 28 March 2018. The Board of Management and the Supervisory Board will propose the following use of this amount to the Annual General Meeting of Shareholders on 5 June 2018:

in €	
Dividend of €0.90 per dividend-bearing share	31,411,066.50
Carried forward to new account	4,198,144.76
	35,609,181.26

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

(E.12.) German Corporate Governance Code

The Board of Management and the Supervisory Board of BayWa AG submitted the Declaration of Conformity to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) on 8 November 2017and have made it permanently accessible to the public on the company's website at www.baywa.com.

Munich, 26/03/2018
BayWa Aktiengesellschaft

The Board of Management

Prof. Klaus Josef Lutz
Andreas Helber
Roland Schuler
Matthias Taft
Reinhard Wolf

Group Holdings of BayWa AG (Appendix to the Notes of the Consolidated Financial Statements)
as at 31/12/2017

Name and principal place of business	Share in capital in %
Subsidiaries included in the group of consolidated companies	
"BIOCORE ORGANIC" LLC, Žytomyr, Ukraine	100.0
"UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H., Klagenfurt, Austria	51.1
Abemec B.V., Veghel, Netherlands	100.0
AFS Franchise-Systeme GmbH, Vienna, Austria	100.0
Agrar- und Transportservice Kölleda GmbH, Kölleda, Germany	58.0
Agrarhandel Züssow Bohnhorst / Naeve Beteiligungs GmbH, Züssow, Germany	100.0
Agrimec B.V., Apeldoorn, Netherlands	100.0
Agrimec Group B.V., Apeldoorn, Netherlands	100.0
Agrimec Parts B.V., Veghel, Netherlands	100.0
ALM Regio 1 B.V., Veghel, Netherlands	100.0
ALM Regio 2 B.V., Veghel, Netherlands	100.0
ALM Regio 3 B.V., Veghel, Netherlands	100.0
ALM Regio 4 B.V., Veghel, Netherlands	100.0
ALM Regio 5 B.V., Veghel, Netherlands	100.0
ALM Regio 6 B.V., Veghel, Netherlands	100.0
ALM Regio 7 B.V., Veghel, Netherlands	100.0
Aludra Energies SARL, Paris, France	100.0
Amadeus Wind, LLC, Wilmington (Delaware), USA	100.0
AMUR S.L.U., Barcelona, Spain	100.0
Apollo Apples (2014) Limited, Auckland, New Zealand	100.0
Arlena Energy S.r.l., Trento (formerly: Milan), Italy	100.0
Åshults Kraft AB, Malmö, Sweden	100.0
Aufwind BB GmbH & Co. Zweiundzwanzigste Biogas KG, Regensburg, Germany	100.0
Aufwind Schmack Első Biogáz Szolgáltató Kft., Szarvas, Hungary	100.0
AWS Entsorgung GmbH Abfall und Wertstoff Service, Luckau, Germany	100.0
B O R , s.r.o., Choceň, Czech Republic	100.0
Bad und Heizung Krampfl GmbH, Plattling, Germany	100.0
Baltic Logistic Holding B.V., Rotterdam, Netherlands	100.0
Bautechnik Gesellschaft m.b.H., Vienna, Austria	100.0
Bayerische Futtersaatbau Gesellschaft mit beschränkter Haftung, Ismaning, Germany	79.2
BayWa AG Centre Ltd. (formerly: 1076230 B.C. Ltd.), Vancouver, Canada	90.0
BayWa Agrar Beteiligung Nr. 2 GmbH, Munich, Germany	100.0 [1]
BayWa Agrar Beteiligungs GmbH, Munich, Germany	100.0 [1]
BayWa Agrarhandel GmbH, Nienburg, Germany	100.0
BayWa Agri GmbH & Co. KG, Munich, Germany	100.0
BayWa Agri Supply & Trade B.V. (formerly: BayWa Agrar International B.V.), Rotterdam, Netherlands	100.0
BayWa Agro Polska Sp. z o.o., Grodzisk Mazowiecki, Poland	100.0
BayWa Canada Ltd., Vancouver, Canada	100.0
BayWa Energie Dienstleistungs GmbH, Munich, Germany	100.0
BayWa Finanzservice GmbH, Munich (formerly: Raiffeisen Kraftfutterwerke Süd GmbH, Würzburg), Germany	100.0
BayWa Fruit B.V., De Lier, Netherlands	100.0

Name and principal place of business	Share in capital in %
BayWa Handels-Systeme-Service GmbH, Munich, Germany	100.0 [1]
BayWa Marketing & Trading International B.V., Rotterdam, Netherlands	100.0
BayWa Obst Beteiligung GmbH, Munich, Germany	100.0 [1]
BayWa Obst GmbH & Co. KG, Munich, Germany	100.0
BayWa Ökoenergie GmbH, Munich, Germany	100.0 [1]
BayWa Pensionsverwaltung GmbH, Munich, Germany	100.0 [1]
BayWa r.e. (Thailand) Co., Ltd., Bangkok, Thailand	100.0
BayWa r.e. 148. Projektgesellschaft mbH, Gräfelfing, Germany	100.0
BayWa r.e. 203. Projektgesellschaft mbH, Gräfelfing, Germany	100.0
BayWa r.e. 205. Projektgesellschaft mbH, Gräfelfing, Germany	100.0
BayWa r.e. 206. Projektgesellschaft mbH, Gräfelfing, Germany	100.0
BayWa r.e. Asia Pacific Pte. Ltd., Singapore, Republic of Singapore	100.0
BayWa r.e. Asset Holding GmbH, Gräfelfing, Germany	100.0
BayWa r.e. Asset Management GmbH, Gräfelfing, Germany	100.0
BayWa r.e. Australia Pty Ltd, Melbourne, Australia	100.0
BayWa r.e. Bioenergy GmbH, Regensburg, Germany	100.0
BayWa r.e. España S.L.U., Barcelona, Spain	100.0
BayWa r.e. France SAS, Paris, France	100.0
BayWa r.e. Green Energy Products GmbH, Munich, Germany	100.0
BayWa r.e. Hellas MEPE, Athens, Greece	100.0
BayWa r.e. Italia Assets GmbH, Gräfelfing, Germany	100.0
BayWa r.e. Italia S.r.l. (formerly: Windfarms Italia S.r.l.), Milan, Italy	100.0
BayWa r.e. Japan K.K., Tokyo, Japan	100.0
BayWa r.e. Nordic AB, Malmö, Sweden	100.0
BayWa r.e. Operation Services GmbH, Munich, Germany	100.0
BayWa r.e. Operation Services Limited (formerly: Green Hedge Operational Services Limited), London, UK	100.0
BayWa r.e. Operation Services S.r.l. (formerly: BayWa r.e. Italia S.r.l.), Milan, Italy	100.0
BayWa r.e. Polska Sp. z o.o., Warsaw, Poland	100.0
BayWa r.e. Progetti S.r.l., Milan, Italy	100.0
BayWa r.e. renewable energy GmbH, Munich, Germany	100.0
BayWa r.e. Rotor Service GmbH, Basdahl, Germany	100.0
BayWa r.e. Rotor Service Holding GmbH, Munich, Germany	100.0
BayWa r.e. Rotor Service Vermögensverwaltungs GmbH, Basdahl, Germany	100.0
BayWa r.e. Scandinavia AB, Malmö, Sweden	76.0
BayWa r.e. Solar Energy Systems GmbH, Tübingen, Germany	100.0
BayWa r.e. Solar Energy Systems International Cooperations GmbH, Tübingen, Germany	100.0
BayWa r.e. Solar Projects GmbH, Munich, Germany	100.0 [1]
BayWa r.e. Solar Projects LLC, Wilmington (Delaware), USA	100.0
BayWa r.e. Solar Projects Pty Ltd, Melbourne, Australia	100.0
BayWa r.e. Solar Pte. Ltd., Singapore, Republic of Singapore	100.0
BayWa r.e. Solar Systems Co., Ltd., Bangkok, Thailand	100.0
BayWa r.e. Solar Systems LLC, Wilmington (Delaware), USA	100.0
BayWa r.e. Solar Systems Ltd., Machynlleth, UK	90.0
BayWa r.e. Solar Systems Pty Ltd, Adelaide, Australia	100.0
BayWa r.e. Solar Systems S.à r.l., Wemperhardt, Luxembourg	100.0
BayWa r.e. Solar Systems S.r.l., Bozen (formerly: Tecno Spot - G.m.b.H., Bruneck), Italy	100.0
BayWa r.e. Solar Systems SAS, Lormont (formerly: MHH France SAS, Toulouse), France	100.0
BayWa r.e. Solardächer II GmbH & Co. KG, Gräfelfing, Germany	100.0
BayWa r.e. Solarsystemer ApS, Svendborg, Denmark	100.0
BayWa r.e. UK Limited, London, UK	100.0
BayWa r.e. USA LLC, Wilmington (Delaware), USA	100.0
BayWa r.e. Wind GmbH, Munich, Germany	100.0
BayWa r.e. Wind Pte. Ltd., Singapore, Republic of Singapore	100.0
BayWa r.e. Wind Pty Ltd, Collingwood, Australia	100.0
BayWa r.e. Wind Verwaltungs GmbH, Gräfelfing, Germany	100.0
BayWa r.e. Wind, LLC, Wilmington (Delaware), USA	95.0

Name and principal place of business	Share in capital in %
BayWa r.e. Windpark Arlena GmbH, Gräfelfing, Germany	100.0
BayWa r.e. Windpark Gravina GmbH, Gräfelfing, Germany	100.0
BayWa r.e. Windpark Guasila GmbH, Gräfelfing, Germany	100.0
BayWa r.e. Windpark San Lupo GmbH, Gräfelfing, Germany	100.0
BayWa r.e. Windpark Tuscania GmbH, Gräfelfing, Germany	100.0
BayWa Rus LLC, Moscow, Russia	100.0
BayWa Ukraine LLC, Kiev, Ukraine	100.0
BayWa Vorarlberg HandelsGmbH, Lauterach, Austria	51.0
Berryfruit New Zealand Limited, Auckland, New Zealand	100.0
Berthllwyd Solar Project Limited, Milton Keynes (formerly: London), UK	100.0
BGA Bio Getreide Austria GmbH, Vienna, Austria	100.0
Bilsborrow Solar Project Limited, Milton Keynes (formerly: London), UK	100.0
BioCore B.V., Oosterhout, Netherlands	100.0
Biogas Meden Ltd., London, UK	100.0
Biomethananlage Welbeck GmbH, Gräfelfing, Germany	100.0
Bishopthorpe (Holdings) Limited (formerly: Bish (Holdings) Limited), London, UK	100.0
Bodwen Solar Project Limited, Milton Keynes (formerly: London), UK	100.0
Breathe Energia in Movimento S.r.l., Trento, Italy	50.0
Burkes Agencies Limited, Glasgow, UK	100.0
C.E.T. Clean Energy Trading GmbH, Munich, Germany	100.0
C.P.E.S. Les Lacs Medocains de la Redoune SARL, Paris, France	100.0
C.P.E.S. Les Lacs Medocains du Bourg d'Hourtin SARL, Paris, France	100.0
C.P.E.S. Les Lacs Medocains du Gartiou SARL, Paris, France	100.0
Cefetra B.V., Rotterdam, Netherlands	100.0
Cefetra Feed Service B.V., Rotterdam, Netherlands	100.0
Cefetra Hungary Kft., Budapest, Hungary	100.0
Cefetra Ibérica S.L.U., Pozuelo de Alarcón, Spain	100.0
Cefetra Limited, Glasgow, UK	100.0
Cefetra Polska Sp. z o.o., Gdynia, Poland	100.0
Cefetra S.p.A., Rome, Italy	100.0
Cefetra Shipping B.V., Rotterdam, Netherlands	100.0
Chopin Wind, LLC, Wilmington (Delaware), USA	100.0
CLAAS Main-Donau GmbH & Co. KG, Gollhofen (formerly: Vohburg)	90.0
CLAAS Nordostbayern GmbH & Co. KG, Altenstadt, Germany	90.0
CLAAS Südostbayern GmbH, Töging am Inn, Germany	90.0
CLAAS Württemberg GmbH, Langenau, Germany	80.0
Cosmos Power S.L.U., Barcelona, Spain	100.0
Delica (Shanghai) Fruit Trading Company Limited, Shanghai, People's Republic of China	100.0
Delica Australia Pty Ltd, Tullamarine, Australia	100.0
Delica Domestic Pty Ltd, Tullamarine, Australia	80.0
Delica Limited, Auckland, New Zealand	100.0
Delica North America, Inc., Torrance, USA	50.0
Diermeier Energie GmbH, Munich, Germany	100.0
Dörenhagen Windenergieanlagen GmbH & Co. KG, Gräfelfing, Germany	100.0
DRWZ-Beteiligungsgesellschaft mbH, Munich, Germany	64.3
Ebnal Lodge Solar Project Limited, Milton Keynes (formerly: London), UK	100.0
ECOwind d.o.o., Zagreb, Croatia	100.0
ECOWIND Handels- & Wartungs-GmbH, Kilb, Austria	100.0
Eko-En Drozkow Sp. z o.o., Warsaw (formerly: Żary), Poland	60.0
Eko-En Polanow 1 Sp. z o.o., Warsaw (formerly: Koszalin), Poland	100.0
Eko-En Polanow 2 Sp. z o.o., Warsaw (formerly: Koszalin), Poland	100.0
Eko-En Skibno Sp. z o.o., Koszalin, Poland	75.0
Eko-En Żary Sp. z o.o., Warsaw (formerly: Żary), Poland	60.0
Eko-Energetyka Sp. z o.o., Rezesów, Poland	100.0
Energia Rinnovabile Pugliese S.r.l., Milan, Italy	100.0
ENZA Limited, Auckland, New Zealand	100.0

Name and principal place of business	Share in capital in %
ENZAFOODS New Zealand Limited, Auckland, New Zealand	100.0
ENZAFRUIT New Zealand (Continent) NV, Sint-Truiden, Belgium	100.0
ENZAFRUIT New Zealand (U.K.) Limited, Luton, UK	100.0
ENZAFRUIT New Zealand International Limited, Auckland, New Zealand	100.0
ENZAFRUIT Peru S.A.C., Lima, Peru	100.0
ENZAFRUIT Products Inc., Wilmington (Delaware), USA	100.0
ENZASunrising (Holdings) Limited, Hong Kong, People's Republic of China	67.0
Eolica San Lupo S.r.l., Trento, Italy	100.0
EUROGREEN AUSTRIA GmbH, Mondsee, Austria	100.0
EUROGREEN CZ s.r.o., Jiřetín pod Jedlovou, Czech Republic	100.0
EUROGREEN GmbH, Betzdorf, Germany	100.0
EUROGREEN Schweiz AG, Zuchwil, Switzerland	100.0
Evergrain Germany GmbH & Co. KG, Hamburg, Germany	100.0
Ewind Sp. z o.o., Rezesów, Poland	75.0
F. Url & Co. Gesellschaft m.b.H., Lannach, Austria	100.0
FarmFacts GmbH, Pfarrkirchen, Germany	100.0
Ferguson HoldCo Pty Ltd, Collingwood, Australia	100.0
Ferguson Wind Farm Pty Ltd, Collingwood, Australia	100.0
Free Mountain Systems S.L.U., Barcelona, Spain	100.0
Frucom Fruitimport GmbH, Hamburg, Germany	100.0
Fruit Distributors Limited, Auckland, New Zealand	100.0
Fruitmark NZ Limited, Auckland, New Zealand	100.0
Fruitmark Pty Ltd, Mulgrave, Australia	100.0
Fruitmark USA Inc., Seattle, USA	100.0
Frutesa Chile Limitada, Santiago de Chile, Chile	100.0
Frutesa, George Town, Cayman Islands	100.0
Furukraft AB, Malmö, Sweden	100.0
FW Kamionka Sp. z o.o., Kamionka, Poland	100.0
Garant - Tiernahrung Gesellschaft m.b.H., Pöchlarn, Austria	100.0
GENOL Gesellschaft m.b.H. & Co KG, Vienna, Austria	71.0
Hughenden Solar Farm FinCo Pty Ltd, Melbourne, Australia	100.0
Hughenden Solar Farm HoldCo Pty Ltd, Melbourne, Australia	100.0
Hunger Hill Solar Project Limited, Milton Keynes (formerly: London), UK	100.0
Immobilienvermietung Gesellschaft m.b.H., Traun, Austria	100.0
Interlubes GmbH, Würzburg (formerly: BayWa InterOil Mineralölhandelsgesellschaft mit beschränkter Haftung, Munich), Germany	100.0
InterSaatzucht GmbH, Hohenkammer, Germany	100.0
Invercargill Markets Limited, Auckland, New Zealand	100.0
Iraak Sun Farm Pty Ltd, Melbourne, Australia	100.0
Jannis Beteiligungsgesellschaft mbH, Munich, Germany	100.0
Karadoc Solar Farm FinCo Pty Ltd, Melbourne, Australia	100.0
Karadoc Solar Farm HoldCo Pty Ltd, Melbourne, Australia	100.0
Karl Theis GmbH, Munich, Germany	100.0
Kelsey Creek Solar Farm FinCo Pty Ltd, Melbourne, Australia	100.0
Kelsey Creek Solar Farm HoldCo Pty Ltd, Melbourne, Australia	100.0
Ketziner Lagerhaus GmbH & Co. KG, Ketzin, Germany	100.0
Lagerhaus Technik-Center GmbH & Co KG, Korneuburg, Austria	51.9
Landhandel Knaup GmbH, Borchen, Germany	51.0
Les Landes Energies SARL, Paris, France	100.0
LHD Landhandel Drebkau Import- und Export GmbH, Drebkau, Germany	100.0
LTZ Chemnitz GmbH, Hartmannsdorf, Germany	90.0
Lyngsåsa Kraft AB, Malmö, Sweden	100.0
Mid West SF No1 Pty Ltd, Melbourne, Australia	100.0
Mozart Wind, LLC, Wilmington (Delaware), USA	100.0
Nhill HoldCo Pty Ltd, Collingwood, Australia	100.0
Nhill Wind Farm Pty Ltd, Collingwood, Australia	100.0
OneShore Energy GmbH, Berlin, Germany	100.0

Name and principal place of business	Share in capital in %
Ouyen HoldCo Pty Ltd, Collingwood, Australia	100.0
Ouyen Solar Farm Pty Ltd, Collingwood, Australia	100.0
Parc Eolien du Chemin du Roy SARL, Paris, France	100.0
Parco Solare Smeraldo S.r.l., Bozen, Italy	100.0
PARGA Park- und Gartentechnik Gesellschaft m.b.H., Aderklaa, Austria	100.0
Park Eolian Limanu S.r.l., Sibiu, Romania	99.0
Parque Eólico La Carracha S.L., Zaragoza, Spain	74.0
Parque Eólico Plana de Jarreta S.L., Zaragoza, Spain	74.0
Peter Frey GmbH, Wartenberg, Germany	51.0
Quilly Guenrouet Energies SARL, Paris, France	100.0
r.e Bioenergie Betriebs GmbH & Co. Dreiundzwanzigste Biogas KG, Regensburg, Germany	100.0
r.e Bioenergie Betriebs GmbH & Co. Vierundzwanzigste Biogas KG, Regensburg, Germany	100.0
r.e Bioenergie Betriebs GmbH & Co. Zehnte Biogas KG, Regensburg, Germany	100.0
r.e Bioenergie Betriebs GmbH & Co. Zwölfte Biogas KG, Regensburg, Germany	100.0
Raiffeisen Waren GmbH Nürnberger Land, Hersbruck, Germany	52.0
Raiffeisen-Lagerhaus GmbH, Bruck an der Leitha, Austria	89.9
Raiffeisen-Lagerhaus Investitionsholding GmbH, Vienna, Austria	100.0
Ravel Wind, LLC, Wilmington (Delaware), USA	100.0
RENERCO GEM 1 GmbH, Gräfelfing, Germany	100.0
RENERCO GEM 2 GmbH, Gräfelfing, Germany	100.0
renerco plan consult GmbH, Munich, Germany	100.0
RI-Solution Data GmbH, Vienna, Austria	100.0
RI-Solution GmbH Gesellschaft für Retail-Informationssysteme, Services und Lösungen mbH, Munich, Germany	100.0
RIVEKA BVBA, Boom, Belgium	100.0
Rock Power S.L.U., Barcelona, Spain	100.0
RUG Raiffeisen Umweltgesellschaft m.b.H., Vienna, Austria	75.0
Ruschberg Infrastruktur GmbH & Co. KG, Gräfelfing, Germany	100.0
RWA Hrvatska d.o.o., Zagreb, Croatia	100.0
RWA International Holding GmbH, Vienna, Austria	100.0
RWA Invest GmbH (formerly: Agroterra Warenhandel und Beteiligungen GmbH), Vienna, Austria	100.0
RWA Magyarország Kft., Ikrény, Hungary	100.0
RWA Raiffeisen Agro Romania S.r.l., Orțișoara, Romania	100.0
RWA Raiffeisen Ware Austria Aktiengesellschaft, Vienna, Austria	50.0
RWA SLOVAKIA, spol. s r.o., Bratislava, Slovakia	100.0
RWA Slovenija d.o.o., Lavrica (formerly: Agrosaat d.o.o., Ljubljana), Slovenia	100.0
RWA Srbija d.o.o., Belgrade, Serbia	100.0
Ryfors Vindkraft AB, Malmö, Sweden	100.0
Samsonwind Wirtsnock GmbH, Thomatal, Austria	80.0
Sandhutton Solar Project Limited, Milton Keynes (formerly: London), UK	100.0
SBU Power Holdings Pte. Ltd., Singapore, Republic of Singapore	100.0
SBU Power Sdn. Bhd., Petaling Jaya, Malaysia	25.0
SC Puterea Verde S.r.l., Sibiu, Romania	75.3
Schradenbiogas GmbH & Co. KG, Gröden, Germany	94.5
Schumann Wind, LLC, Wilmington (Delaware), USA	100.0
Shieldhall Logistics Limited, Glasgow, UK	100.0
Sinclair Logistics Limited, Glasgow, UK	100.0
Sjönnebol Kraft AB, Malmö, Sweden	100.0
Solarmarkt GmbH, Aarau, Switzerland	100.0
Solarpark Aquarius GmbH & Co. KG, Gräfelfing (formerly: Munich), Germany	100.0
Solarpark Aries GmbH & Co. KG, Gräfelfing (formerly: Munich), Germany	100.0
Solarpark Aston Clinton GmbH, Gräfelfing, Germany	100.0
Solarpark Homestead GmbH, Gräfelfing, Germany	100.0
Solarpark Lupus GmbH & Co. KG, Gräfelfing, Germany	100.0
Solarpark Lynt GmbH, Gräfelfing, Germany	100.0
Solarpark Vine Farm GmbH, Gräfelfing, Germany	100.0
SPM Solarpark Möhlau GmbH & Co. KG, Gräfelfing, Germany	100.0

Name and principal place of business	Share in capital in %
Status Produce Favona Road Limited, Auckland, New Zealand	100.0
Status Produce Limited, Auckland, New Zealand	100.0
Stormon Energi AB, Malmö, Sweden	100.0
Strauss Wind, LLC, San Diego, USA	100.0
Sun Energy No.1 G.K., Tokyo, Japan	100.0
Sunshine Movement GmbH, Munich, Germany	100.0
T&G Fruitmark HK Limited, Hong Kong, People's Republic of China	100.0
T&G Global Limited, Auckland, New Zealand	74.0
T&G Insurance Limited, Auckland, New Zealand	100.0
T&G Japan Ltd., Tokyo, Japan	100.0
T&G South East Asia Ltd., Bangkok, Thailand	100.0
T&G Vizzarri Farms Pty Ltd, Tullamarine, Australia	50.0
Taipa Water Supply Limited, Kerikeri, New Zealand	65.0
TechnikCenter Grimma GmbH, Mutzschen, Germany	70.0
Tessennano Energy S.r.l., Trento (formerly: Milan), Italy	100.0
TESSOL Kraftstoffe, Mineralöle und Tankanlagen Gesellschaft mit beschränkter Haftung, Stuttgart, Germany	100.0 [1]
TFC Holland B.V., De Lier, Netherlands	68.4
Thegra Tracomex B.V., Oosterhout, Netherlands	100.0
Thenergy B.V., Oosterhout, Netherlands	100.0
Tierceline Energies SAS, Paris, France	100.0
Timboon West HoldCo Pty Ltd, Collingwood, Australia	100.0
Timboon West Wind Farm Pty Ltd, Collingwood, Australia	100.0
Turners & Growers (Fiji) Limited, Suva, Republic of Fiji	70.0
Turners & Growers Fresh Limited, Auckland, New Zealand	100.0
Turners & Growers New Zealand Limited, Auckland, New Zealand	100.0
Turners and Growers Horticulture Limited, Auckland, New Zealand	100.0
Tuscania Energy S.r.l., Milan, Italy	100.0
Umspannwerk Klein Bünsdorf GmbH & Co. KG, Gräfelfing, Germany	100.0
Unterstützungseinrichtung der BayWa Aktiengesellschaft in München GmbH, Munich, Germany	100.0
URL AGRAR GmbH, Premstätten, Austria	100.0
VISTA Geowissenschaftliche Fernerkundung GmbH, Munich, Germany	51.0
Vjetroelektrana Orjak d.o.o., Zagreb (formerly: Split), Croatia	100.0
Wathegar 2 Limited, London, UK	100.0
WAV Wärme Austria VertriebsgmbH, Vienna, Austria	89.0
WealthCap Portfolio Finanzierungs-GmbH & Co. KG, Grünwald, Germany	100.0
Wessex Grain Ltd., Templecombe, UK	100.0
Windfarm Fraisthorpe GmbH, Gräfelfing, Germany	100.0
Windpark Bärofen GmbH, Kilb, Austria	100.0
Windpark Berschweiler GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Finkenbach-Gersweiler GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Fürstkogel GmbH, Kilb, Austria	100.0
Windpark Hettstadt GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Hiesberg GmbH, Kilb, Austria	100.0
Windpark Holle-Sillium GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Kamionka GmbH, Gräfelfing, Germany	100.0
Windpark Kraubatheck GmbH, Kilb, Austria	100.0
Windpark Melfi GmbH, Gräfelfing, Germany	100.0
Windpark Pferdsfeld GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Spechenwald GmbH & Co. KG, Lebach, Germany	100.0
Windpark Uphuser Mark GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Wilhelmshöhe GmbH & Co. KG, Gräfelfing, Germany	100.0
Wingenfeld Energie GmbH, Hünfeld, Germany	100.0
Worldwide Fruit Limited, Spalding, UK	50.0
Yatpool Solar Farm FinCo Pty Ltd, Melbourne, Australia	100.0
Yatpool Solar Farm HoldCo Pty Ltd, Melbourne, Australia	100.0
Yatpool Sun Farm Pty Ltd, Melbourne, Australia	100.0

Name and principal place of business	Share in capital in %
Yawong HoldCo Pty Ltd, Collingwood, Australia	100.0
Yawong Wind Farm Pty Ltd, Collingwood, Australia	100.0
1 Profit and loss transfer agreement	
Subsidiaries not included in the group of consolidated companies	
"BayWa CS Polska" Sp. z o.o., Grodzisk Mazowieck, Poland	100.0
"Danufert" Handelsgesellschaft m.b.H., Vienna, Austria	60.0
ABATIS Beteiligungsgesellschaft mbH, Dusseldorf, Germany	100.0
Agrarproduktenhandel Gesellschaft m.b.H., Klagenfurt, Germany	100.0
Agro Innovation Lab GmbH, Vienna, Austria	100.0
AGRO-CAD Software GmbH, Großbardau OT Kleinbardau, Germany	100.0
AGROMED AUSTRIA GMBH, Kremsmünster, Austria	80.0
Agro-Property Kft., Kecskemét, Hungary	100.0
Al Dahra BayWa LLC, Abu Dhabi, United Arab Emirates	49.0
Aurora Solar Projects, LLC, Dover (Delaware), USA	100.0
BayWa Agrar Verwaltungs GmbH, Munich, Germany	100.0
BayWa CS GmbH, Munich, Germany	100.0
BayWa Forderungsmanagement GmbH, Munich, Germany	100.0 [1]
BayWa Obst Verwaltungsgesellschaft mbH, Munich, Germany	100.0
BayWa r.e. Bioenergy Betriebs GmbH, Gräfelfing, Germany	100.0
BayWa r.e. Desarrollos Solares S. de R.L. de C.V., Ciudad de México, Mexico	100.0
BayWa r.e. Development, LLC, Wilmington (Delaware), USA	100.0
BayWa r.e. EPC, LLC, Wilmington (Delaware), USA	100.0
BayWa r.e. Mexico, LLC, Wilmington (Delaware), USA	100.0
BayWa r.e. Solar Projects Verwaltungs GmbH (formerly: Solarpark Günes GmbH), Gräfelfing, Germany	100.0
BayWa r.e. Zambia Ltd., Lusaka, Zambia	100.0
BayWa Venture GmbH, Munich (formerly: Brands + Schnitzler Tiefbau-Fachhandel Verwaltungs GmbH, Mönchengladbach), Germany	100.0
Bielstein S.L.U., Barcelona, Spain	100.0
Biogasanlage Geislingen GmbH & Co. KG, Gröden, Germany	100.0
biohelp international GmbH, Vienna, Austria	60.0
Bluebird Solar LLC, Frankfort (Kentucky), USA	100.0
Bohnhorst Beteiligungs-Gesellschaft mit beschränkter Haftung, Niederer Fläming, Germany	100.0
Botsay Energie SARL, Paris, France	100.0
Bürgersolaranlage Pfaffenhofen GmbH, Gräfelfing, Germany	100.0
BW Solar 216 G.K., Tokyo, Japan	100.0
BW Solar 615 G.K., Tokyo, Japan	100.0
C L G Computerdienst für Landwirtschaft und Gewerbe GmbH, Pfarrkirchen, Germany	100.0 [1]
CalCity Solar I LLC, Wilmington (Delaware), USA	100.0
Cefetra Este S.L.U., Pozuelo de Alarcón, Spain	100.0
Cefetra Norte S.L.U., Pozuelo de Alarcón, Spain	100.0
Cefetra Oeste S.L.U., Pozuelo de Alarcón, Spain	100.0
Cefetra Sur S.L.U., Pozuelo de Alarcón, Spain	100.0
Chestnut Solar LLC, Raleigh (North Carolina), USA	100.0
Clos Neuf Energies SARL, Paris, France	100.0
Col des 3 Soeurs SARL, Paris, France	100.0
Danugrain Lagerei GmbH, Krems an der Donau, Austria	60.0
Delano Solar I, LLC, Wilmington (Delaware), USA	100.0
Eko Energetika Croatia d.o.o., Rijeka, Croatia	100.0
ELG Energie Logistik GmbH, Munich, Germany	100.0
Energy System Services S.r.l., Milan, Italy	100.0
Erste Onshore Windkraft Beteiligungsgesellschaft mbH, Oldenburg, Germany	100.0
Eurogreen Italia S.r.l., Milan, Italy	51.0
Evergrain Verwaltungs GmbH, Hamburg, Germany	100.0
FarmFacts Beteiligungs GmbH, Pfarrkirchen, Germany	100.0
FarmFacts Hungary Kft., Kaposvár, Hungary	100.0
Fontenet Energies SARL, Paris, France	100.0

Name and principal place of business	Share in capital in %
Free Break Systems S.L.U., Barcelona, Spain	100.0
Freedom Solar, LLC, Wilmington (Delaware), USA	100.0
GENOL Gesellschaft m.b.H., Vienna, Austria	71.0
Genol Vertriebssysteme GmbH, Vienna, Austria	100.0
Gourvillette Energies SARL, Paris, France	100.0
Grande Lande Energies SARL, Paris, France	100.0
Graninger & Mayr Gesellschaft m.b.H., Vienna, Austria	100.0
Grasshopper Solar LLC, Glen Allen (Virginia), USA	100.0
Green Answers GmbH & Co. WP Vahlbruch KG, Gräfelfing, Germany	100.0
HERA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna, Austria	51.0
Heuberg S.L.U., Barcelona, Spain	100.0
HXNAir Solar One, LLC, Raleigh (North Carolina), USA	100.0
Jacumba Land HoldCo LLC, Wilmington (Delaware), USA	100.0
Jung HoldCo Pty Ltd, Collingwood, Australia	100.0
Jung Wind Farm Pty Ltd, Collingwood, Australia	100.0
K'IIN, S.A.P.I. de C.V., Ciudad de México, Mexico	100.0
KALPIS, S.A.P.I. de C.V., Ciudad de México, Mexico	100.0
Keranna Energies SARL, Paris, France	100.0
Kita-Ibaragi City PV Plant G.K., Tokyo, Japan	100.0
Kobe Yamada PV Plant G.K. (formerly: BW Solar 815 G.K.), Tokyo, Japan	100.0
Konsultorey ES S.L.U., Barcelona, Spain	100.0
La Couture Energies SARL, Paris, France	100.0
Lagerhaus e-Service GmbH, Vienna, Austria	100.0
Lagerhaus Technik-Center GmbH, Korneuburg, Austria	53.6
Les Landiers Energies SARL, Paris, France	100.0
Les Pierres Blanches Energies, Paris, France	100.0
Les Platayres Energies SARL, Paris, France	100.0
LESIA a.s., Strážnice, Czech Republic	100.0
Londigny Energies SARL, Paris, France	100.0
Magyar "Agrár-Ház" Kft., Ikrény (formerly: Székesfehérvár), Hungary	100.0
MD-Betriebs-GmbH, Munich, Germany	90.0
NOB-Betriebs-GmbH, Munich, Germany	90.0
Notch Peak Solar, LLC, Wilmington (Delaware), USA	100.0
Nuevos Parques Eólicos La Muela A.I.E., Zaragoza, Spain	100.0
PATIS Beteiligungsgesellschaft mbH, Dusseldorf, Germany	100.0
Plesidy Energies SARL, Paris, France	100.0
PT. Bumiraya Suria Abadi, Jakarta, Indonesia	49.0
Raiffeisen Trgovina d.o.o., Lenart, Slovenia	100.0
Röthlein Logistik GmbH, Röthlein, Germany	100.0
RWA Immobilien GmbH, Vienna, Austria	100.0
RWA Ukrajina, Kiev, Ukraine	100.0
S.C. Danugrain Romania S.r.l., Orţişoara, Romania	60.0
Saatzucht Gleisdorf Gesellschaft m.b.H., Gleisdorf, Austria	66.7
Saint-Ferriol Energies SAS, Paris, France	100.0
Salm Energies SARL (formerly: Eoliennes de la Benate SARL), Paris, France	100.0
Sankt Florian Handelsgesellschaft mbH, Vienna, Austria	100.0
SBP Power Sdn. Bhd., Petaling Jaya, Malaysia	25.0
Schradenbiogas Betriebsgesellschaft mbH, Gröden, Germany	100.0
SEP S.A.G. Intersolaire 5 SNC, Mulhouse, France	100.0
Societe d'exploitation photovoltaique du Midi II SNC, Mulhouse, France	100.0
Solarpark Cetus GmbH & Co. KG, Gräfelfing, Germany	100.0
Solarpark Horus GmbH, Gräfelfing, Germany	100.0
Solarpark Horus Sp. z o.o., Warsaw, Poland	100.0
Solarpark Libra GmbH & Co. KG, Gräfelfing (formerly: Munich), Germany	100.0
Solarpark Lugh GmbH, Gräfelfing, Germany	100.0
Solarpark Lugh Sp. z o.o., Warsaw, Poland	100.0

Name and principal place of business	Share in capital in %
Solarpark Malina GmbH, Gräfelfing, Germany	100.0
Solarpark Malina Sp. z o.o., Warsaw, Poland	100.0
Solarpark Mitra GmbH, Gräfelfing, Germany	100.0
Solarpark Mitra Sp. z o.o., Warsaw, Poland	100.0
Solarpark Perseus GmbH & Co. KG, Gräfelfing (formerly: Munich), Germany	100.0
Solarpark Samas GmbH, Gräfelfing, Germany	100.0
Solarpark Samas Sp. z o.o., Warsaw, Poland	100.0
Solarpark Sunna GmbH, Gräfelfing, Germany	100.0
Solarpark Sunna Sp. z o.o., Warsaw, Poland	100.0
Solarpark Tucana GmbH & Co. KG, Gräfelfing (formerly: Munich), Germany	100.0
Solarpark Wega GmbH & Co. KG, Gräfelfing (formerly: Munich), Germany	100.0
SolarSolutions 1 GmbH & Co. KG, Gräfelfing, Germany	100.0
Spring Hill Wind Farm Pty Ltd, Collingwood, Australia	100.0
SPV Solarpark 101. GmbH & Co. KG, Gräfelfing, Germany	100.0
SPV Solarpark 102. GmbH & Co. KG, Gräfelfing, Germany	100.0
SPV Solarpark 103. GmbH & Co. KG, Gräfelfing, Germany	100.0
SPV Solarpark 104. GmbH & Co. KG, Gräfelfing, Germany	100.0
Star Leaks Systems S.L.U., Barcelona, Spain	100.0
Studios Solar 2, LLC, Wilmington (Delaware), USA	100.0
Studios Solar 3, LLC, Wilmington (Delaware), USA	100.0
Studios Solar 4, LLC, Wilmington (Delaware), USA	100.0
Studios Solar 5, LLC, Wilmington (Delaware), USA	100.0
Studios Solar, LLC, Wilmington (Delaware), USA	100.0
Süd-Treber GmbH, Stuttgart, Germany	100.0 [1]
Sunshine Bay GmbH & Co. KG, Munich, Germany	100.0
Sunshine Latin GmbH & Co. KG, Munich, Germany	100.0
Sunshine South GmbH & Co. KG, Gräfelfing, Germany	100.0
Taga Solar, LLC, Wilmington (Delaware), USA	100.0
TFC Maasland B.V., De Lier, Netherlands	100.0
Time Clever Entertainment S.L.U., Barcelona, Spain	100.0
Tout Vent Energies SARL, Paris, France	100.0
Tredias Energies SARL, Paris, France	100.0
Val de Moine Energies SARL, Paris, France	100.0
Varennes Solaire 2 SAS, Paris, France	100.0
WHG LIEGENSCHAFTSVERWALTUNG BETRIEBS GMBH, Klagenfurt, Austria	100.0
Whitehaven Solar A, LLC, Wilmington (Delaware), USA	100.0
Whitehaven Solar B, LLC, Wilmington (Delaware), USA	100.0
Whitehaven Solar C, LLC, Wilmington (Delaware), USA	100.0
Wind Park Kotla Sp. z o.o., Warsaw, Poland	100.0
Windfarm Serralonga GmbH, Gräfelfing, Germany	100.0
Windkraft Beteiligungsgesellschaft mbH, Dusseldorf, Germany	100.0
Windpark Bad Berleburg GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Bedesbach GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Bella GmbH, Gräfelfing, Germany	100.0
Windpark Breva GmbH, Gräfelfing, Germany	100.0
Windpark Eschweiler II GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Freimersheim GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Gronau Leine GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Gross Ziescht am Schwarzen Berg GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Hellefelder Höhe GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Hodenbachwald GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Immenberg GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Jembke GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Jettenbach GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Katzberg GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Langenbrand GmbH & Co. KG, Gräfelfing, Germany	100.0

Name and principal place of business	Share in capital in %
Windpark Langenlonsheim GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Lauenbrück GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Matzenbach GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Molkenberg GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Olsberg GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Rehweiler GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Rothhausen GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark SBG V GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Schönberg GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Seershausen GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Sien GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Straelen GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Todesfelde GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Wilhelmshöhe II GmbH & Co. KG, Gräfelfing, Germany	100.0
Windpark Wimmelburg 3 GmbH & Co. KG, Gräfelfing, Germany	100.0
WP Seershausen Infrastruktur GmbH & Co. KG, Gräfelfing, Germany	100.0
1 Profit and loss transfer agreement	
Associated companies and joint ventures of secondary importance included under the equity method	
AHG- Autohandelsgesellschaft mbH, Horb am Neckar, Germany	49.0
Allen Blair Properties Limited, Wellington, New Zealand	33.3
Aufwind BB GmbH & Co. Zwanzigste Biogas KG, Regensburg, Germany	100.0
AUSTRIA JUICE GmbH, Allhartsberg, Austria	50.0
Baltanás Cereales y Abonos, S.L., Baltanás, Spain	50.0
Baltic Grain Terminal Sp. z o.o., Gdynia, Poland	50.0
BHBW Holdings (Pty) Ltd, Lynnwood Manor, South Africa	50.0
BHBW Limited, Maidenhead, UK	50.0
biohelp - biologischer Pflanzenschutz-Nützlingsproduktions-, Handels- und Beratungs GmbH, Vienna, Austria	24.9
Biomethananlage Barby GmbH, Barby, Germany	25.1
Biomethananlage Staßfurt GmbH, Mannheim, Germany	25.1
BRB Holding GmbH, Munich, Germany	45.3
C.P.E.S. Les Lacs Medocains du Tourillon SARL, Avignon, France	49.0
Deutsche Raiffeisen-Warenzentrale GmbH, Frankfurt am Main, Germany	37.8
EAV Energietechnische Anlagen Verwaltungs GmbH, Staßfurt, Germany	49.0
Grandview Brokerage LLC, Seattle, USA	39.4
Growers Direct Limited, Wakefield, UK	50.0
Hafen Vierow - Gesellschaft mit beschränkter Haftung, Brünzow, Germany	50.0
Heizkraftwerke-Pool Verwaltungs-GmbH, Munich, Germany	33.3
Intelligent Fruit Vision Limited, Spalding, UK	24.0
LWM Austria GmbH, Hollabrunn, Austria	25.0
McKay Shipping Limited, Auckland, New Zealand	25.0
MoSagri B.V., Breda, Netherlands	25.0
Mystery Creek Asparagus Limited, Hamilton, New Zealand	14.5
POP Worldwide Limited, Spalding, UK	24.0
PURE Applikationen GmbH & Co. KG, Regensburg, Germany	25.0
Süddeutsche Geothermie-Projekte Verwaltungsgesellschaft mbH, Gräfelfing, Germany	50.0
The Fruit Firm Limited, West Malling, UK	20.0
Transhispania Agraria, S.L., Torquemada, Spain	28.3
VIELA Export GmbH, Vierow, Germany	50.0
Wawata General Partner Limited, Nelson, New Zealand	50.0
Associated companies and joint ventures of secondary importance not included under the equity method	
Agrosen Holding GmbH, Kremsmünster, Austria	30.0
Agro-Service-Gröden GmbH, Gröden, Germany	20.0
B L E, Bau- und Land-Entwicklungsgesellschaft Bayern GmbH, Munich, Germany	25.0
BayWa Hochhaus Verwaltung GmbH, Grünwald, Germany	50.0

Name and principal place of business	Share in capital in %
Biogas Plant Operations Limited, London, UK	49.0
Biotech-Enterprises-Lizenzverwertungs-Gmbh, Fischamend, Austria	24.9
Bonus Holsystem für Verpackungen GmbH & Co.KG, Kufstein, Austria	26.0
Bonus Holsystem für Verpackungen GmbH, Kufstein, Austria	26.0
BRVG Bayerische Raiffeisen- und Volksbanken Verlag GmbH, Munich, Germany	25.0
Chemag Agrarchemikalien GmbH, Frankfurt am Main, Germany	33.3
DANUOIL Mineralöllager und Umschlags-Gesellschaft m.b.H., Vienna, Austria	50.0
DRWZ Marken GmbH, Karlsruhe, Germany	32.8
EBULUM GmbH & Co. Objekt Baunatal KG, Pullach im Isartal, Germany	94.0
ISTROPOL SOLARY a.s., Horné Mýto, Slovakia	29.8
Kärntner Saatbau e.Gen., Klagenfurt, Austria	27.9
Kartoffel Centrum Bayern GmbH, Rain am Lech, Germany	50.0
Kerifresh Growers Trust 2017, Kerikeri, New Zealand	31.0
Land24 Gesellschaft mit beschränkter Haftung, Telgte, Germany	34.2
LLT - Lannacher Lager- und Transport GesmbH, Korneuburg, Austria	50.0
Logistikzentrum Röthlein GmbH & Co. KG, Gräfelfing, Germany	94.0
Mineralfutter-Produktionsgesellschaft mbH, Memmingen, Germany	50.0
Obst vom Bodensee Vertriebsgesellschaft mbH, Friedrichshafen, Germany	47.5
OÖ Lagerhaus Solidaritäts GmbH, Traun (formerly: Linz), Austria	50.0
Projektentwicklung Windkraft Unterallgau GmbH & Co. KG, Bad Wörishofen, Germany	31.3
Projektentwicklung Windkraft Unterallgäu Verwaltungs GmbH, Bad Wörishofen, Germany	31.2
Raiffeisen - Landhandel GmbH, Emskirchen, Germany	23.4
Raiffeisen-BayWa-Waren GmbH Lobsing-Siegenburg- Abensberg-Rohr, Pforring / Lobsing, Germany	22.8
Vetroline Handels GmbH, Göttlesbrunn-Arbesthal, Austria	50.0
VR erneuerbare Energien eG, Kitzingen, Germany	33.3
VR-LEASING DIVO GmbH & Co. Immobilien KG, Eschborn, Germany	47.0
VR-LEASING LYRA GmbH & Co. Immobilien KG, Eschborn, Germany	47.0
Wind Park Belzyce Sp. z o.o., Warsaw, Poland	50.0
WUN Energie GmbH, Wunsiedel, Germany	30.0
Zimmermann PV-TRACKER GmbH, Eberhardzell, Germany	33.3
Participations in large corporations	
Südstärke Gesellschaft mit beschränkter Haftung, Schrobenhausen, Germany Equity in € thousand: 127,247 Annual net income/loss in € thousand: €: 328	6.5

Affirmation by the Legally Authorised Representatives

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

Munich, 26 March 2018

BayWa Aktiengesellschaft
The Board of Management

Prof. Klaus Josef Lutz
Andreas Helber
Roland Schuler
Matthias Taft
Reinhard Wolf

Independent Auditor's Report

To BayWa Aktiengesellschaft, Munich/Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of BayWa Aktiengesellschaft, Munich/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement and reconciliation to the consolidated statement of comprehensive income , the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of BayWa Aktiengesellschaft, Munich/Germany, for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the group management report specified in the "Other information" section of the copy of the independent auditors' report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the group management report specified in the "Other information" section of our auditor's report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:
1. Recoverability of deferred tax assets,
2. Accounting of the perpetual bond issued in the financial year 2017,
3. Recoverability of goodwill,
4. Change of direct ownership shares held in equity investments of the subgroup T&G Global Limited, Auckland/New Zealand.

Our presentation of these key audit matters has been structured as follows:
a) Description (including reference to corresponding information in the consolidated financial statements)
b) Auditor's response
c) Key observations, where applicable

1) Recoverability of deferred tax assets

a) Within the consolidated financial statements, the balance sheet item "deferred tax assets" includes deferred tax assets of mEUR 234.500 in total (corresponding to 3.6 % of the consolidated balance sheet total). These result, on the one hand, from deductible temporary differences between the respective values recognised in the tax base and the values recognised in the commercial balance sheet (mEUR 181.455). Based on the planning of the Group it is expected that these temporary differences will reverse within the next five years. On the other hand, this item consists of deferred tax assets on tax losses carried forward (mEUR 53.045), to the extent it is expected that these can be used within the next five years. The deferred tax assets are measured at the currently valid income tax rate of 29.13 %.

   The outcome of the computation of the deferred tax assets is highly dependent on estimations and assumptions on part of the executive directors that refers to the future taxable income and expenses, the date of reversal effects from temporary differences as well as the realisability of tax reliefs from loss carry forwards and is thus subject to a significant uncertainty. On this account, we identified the valuation of deferred taxes to be a key audit matter.

   The Parent's executive directors' disclosures on the deferred taxes are provided in Chapter C.9. and D.8. of the consolidated notes.

b) In a first step, we gained an understanding of the control environment, of the risk assessment as well as of the processes and monitoring with regard to the procedures and processes connected with the determination and valuation of the deferred taxes. Our audit was based on the experiences and audit results from prior years. For the purpose of the risk assessment, we have analysed, amongst others, the adherence to the budgets in the past. We convinced ourselves of the appropriateness of the future tax income and expenses that were forecasted for the computation, by reconciling, amongst others, this information with the current target values of the multi-year planning that was approved by the executive directors. General and industry-specific market expectations of the executive directors of BayWa Aktiengesellschaft were reconciled with external sources.

   When auditing the tax issues, we have involved internal tax experts in the audit team. With their support, we have assessed the established processes and controls for validation of the planning assumptions as well as for the recording of tax issues. Furthermore, with regard to the planning, we have questioned the recognition of deferred taxes and the underlying justifications of the executive directors. The recoverability of the capitalised deferred taxes on temporary differences and loss carry forwards were assessed by us based on internal forecasts and based on the planning prepared by the executive directors as regards the future taxable income situation of the Group, whereby we assessed the adequateness of the used planning basis. Furthermore, we have reproduced the reconciliation between the tax expense expected when applying the weighted group tax rate and the disclosed tax expense.

2) Accounting of the perpetual bond issued in the financial year 2017

a) On 4 October 2017, BayWa Aktiengesellschaft has issued a subordinated bond in form of a so-called perpetual bond (hereafter also referred to as "bond") with a total nominal value of mEUR 300.00 on the capital market. Under consideration of a disagio of 0.551 %, the issue price amounted to 99.449 % of the total nominal amount. The net issue proceeds, i.e. the amount that was actually received by BayWa Aktiengesellschaft, amount to mEUR 296.286; the remaining difference refers to bank fees and transaction costs that incurred in course of the issue as well as to deferred taxes.

   The subordinate bond has an indefinite term and can only be terminated by BayWa Aktiengesellschaft properly as well as, in case of certain events (exceptional rights of termination), also exceptionally. The repayment is then made as of this date. A loss assumption was not agreed. Concerning the interest in the period between the issue and the repayment, two interest phases are on hand: in the interest phase until the first possible repayment date in 2022, the interest rate amounts to a fix value of 4.250 % and in the following, the second phase until the repayment interest is accrued at a floating rate with a pre-defined margin of 9.136 %. Events were defined that require mandatory additional payments and can be exclusively triggered or also prevented by BayWa Aktiengesellschaft. The bond is recognised as equity instrument within the meaning of IAS 32 in form of a separate line item within equity, stated as "hybrid capital" in an amount of

mEUR 296.286; this corresponds to 21 % of the equity. The annual interest payments make part of the appropriation of results and reduce equity without income effect. According to the bond conditions, the first interest payment becomes due in October 2018. The disagio, the bank fees and the transaction costs were directly deducted from the accounted equity item and are thus not classified as expense as of the date of their initial recognition within the income statement. A recognition of the incidental and transaction costs as expense is thus only made as of the date of termination and the respective repayment of the bond.
The classification of a perpetual bond as equity or debt capital is based on the individual issue conditions and must be analysed on a case-by-case basis, under consideration of the complex terms of the issue contract.
Since the classification affects the capital structure of the Group and thus the credit quality as well as the capital costs and is also important for the net assets, the financial position and the results from operations, this fact was classified as key audit matter.
The respective disclosures of the executive directors of the Parent are provided in Chapter C.13. of the consolidated notes at the disclosures on equity.

b) In a first step, we gained an understanding of the control environment, of the risk assessment as well as of the processes and monitoring with regard to the procedures and processes connected with the issue and presentation of the bond within the consolidated financial statements.

Within the scope of our audit, we have critically assessed the terms of the issue contract and analysed, if the bond is classified as contract within the meaning of IAS 32 and must thus be disclosed as equity or debt instrument within the consolidated financial statements of BayWa Aktiengesellschaft. We have audited to which extent the requirements of IAS 32 are met, the contractual terms have sufficient substance and the bond is thus classifiable as equity. The duty of current interest payments was assessed by us as to whether BayWa Aktiengesellschaft may permanently evade this payment commitment, so that thus a financial liability is not on hand. Internal IFRS experts participated in our audit.

3) Recoverability of goodwill

a) Within the consolidated financial statements, the balance sheet item "intangible assets" includes goodwill of mEUR 112.953.

Goodwill is subject to an annual impairment test, performed by the executive directors.

Within the scope of the impairment tests, the book values of the cash-generating units (CGUs) are matched with their respective recoverable amount, whereby CGUs are defined as the legally independent subsidiaries. The realisable amount is generally determined based on the fair value less cost of disposal under applying discounted cash flow models. Here, the future cash inflows are derived from multi-year plannings that were prepared by the executive directors of the subsidiaries and approved by the Executive Board of the Parent. The detailed planning phases of the plannings are continued under assuming long-term growth rates. The discounting is carried out using the weighted average capital costs of the respective reporting segments to which the cash-generating units are assigned.

The outcome of this assessment is highly dependent on the estimation of the future cash inflows, in particular also of the long-term growth rates, of the respective cash-generating unit by the executive directors as well as the used discount rate and thus bears significant uncertainty. Against this background and on account of the complexity of the valuation model, this fact was identified as key audit matter.

The disclosures of the executive directors of the Parent on the goodwill are provided in the Chapters B.1., B.5. and C.1. of the consolidated notes.

b) In a first step, we gained an understanding of the control environment, of the risk assessment as well as of the processes and monitoring with regard to the procedures and processes connected with the impairment test to be annually performed on the goodwill. Our audit of the recoverability of the goodwill was based on our experiences and audit findings from prior years. For the purpose of the risk assessment, we have analysed, amongst others, the adherence to the budgets in the past. We have reproduced the method used for performing the impairment tests and for determining the weighted average capital costs. We convinced ourselves of the appropriateness of the future cash inflows used in the valuation, by reconciling, amongst others, this information with the current budget from the multi-year planning that was prepared by the executive directors of the subsidiaries and approved by the Executive Board of the Parent as well as by reconciling this information with general and industry-specific market expectations. Since an important portion of the value in use results from forecasted cash inflows for the time after the current multi-year planning (business plan of the Group for the years 2018 to 2020; phase of the perpetual annuity as from 2021), we have in particular critically assessed the sustainable growth rates used for the phase of the perpetual annuity by means of industry trends. In light of the fact that, due to the long-term nature of the observation period, already relative small changes of the used discounting rate may materially affect the amount of the recoverable amount to be determined, we intensively analysed the parameters used when determining the discount rate and understood the computation scheme. Given the material significance of the goodwill, we also performed a critical assessment of the sensitivity analyses of the client for the cash-generating units. Internal financial advisory experts participated in the audit of the valuation.

4) Change of ownership shares held in equity investments of the subgroup T&G Global Limited, Auckland, New Zealand

a) Unchanged compared to the prior year, BayWa Aktiengesellschaft participates with 73.99 % in listed T&G Global Limited, Auckland/New Zealand (hereafter referred to as "T&G"). T&G prepares subgroup accounts under IFRS, which are included in the consolidated financial statements by means of full consolidation. Until 5 April 2017, T&G held – via its subsidiary ENZA Fresh Inc., Seattle/USA (hereafter referred to as "ENZA Fresh") – equity investments of 15 % each in David Oppenheimer & Company I LLC, Seattle (Washington)/U.S. (hereafter referred to as "DOC"), and in David Oppenheimer Transport Inc., Wilmington (Delaware)/U.S. (hereafter referred to as "DOT"). DOC and DOT were measured "at equity" as associates within the subgroup accounts of T&G as well as also in the consolidated financial statements in accordance with IAS 28, while ENZA Fresh was included by way of full consolidation. Following several corporate transactions dated 6 April 2017, T&G holds – after contribution of ENZA Fresh – an investment of 39.4 % in Grandview Brokerage LLC, Seattle/U.S. (hereafter: "GBLLC"), which in turn holds all shares in DOC and 15 % of the shares in DOT. The indirect investment ratios in DOC and DOT increased from 15 % to 39.4 % (DOC) and declined from 15 % to 5.91 % (DOT), respectively, caused by the transactions.

   A regulation discrepancy currently exists under IFRS for the case that a subsidiary (here: ENZA Fresh) is contributed to an associate. Under IFRS 10, the loss of control over a subsidiary leads to the valuation of the remaining share at fair value and thus to a full realisation of the market values, while, under IAS 28, the profit from a contribution of a non-monetary asset to an associate may only be disclosed in the amount of the sold share. This regulation discrepancy leads to an accounting policy choice. The executive directors of BayWa Aktiengesellschaft have measured the shares in the associated company GBLLC in accordance with IFRS 10 as of the date of transaction at fair value and have recognised other income of mEUR 8.692 within the consolidated income statement.

   The variance in the ownership shares held in equity investments of the subgroup T&G was identified as key audit matter, since the executive directors could exercise an option when accounting the transaction and since the thereof resulting income effect is material.

   The executive directors explain the fact itself, the regulation discrepancy between IFRS 10 and IAS 28 as well as the exercise of the accounting policy choice in Chapter B.1. of the consolidated notes.

b) When auditing this fact, we have – in a first step – inspected the documentation of T&G for this fact. Thereafter, we have used the findings of the component auditors of T&G and performed own audit procedures. When performing those, we have also consulted our internal IFRS experts.

   To be able to assess the economic substance of the transactions, we analysed the relevant contract documents, participated in meetings with the Executive Directors and the persons in charge of the monitoring of T&G as well as inspected and assessed the written documentation of the Executive Directors for classification of the contract rules in line with the relevant accounting standards.

   We have critically assessed the expert opinion, ordered by the Executive Directors of T&G from an external expert, which confirms the conformity of the chosen treatment with the IFRS and have convinced ourselves of the competence, the skills and the objectivity of the expert.

   We have examined, whether the accounting policy choice applies for the fact and whether the accounting of the fact within the consolidated financial statements complies with the IFRS as applicable within the EU. Here, we compared the relevant facts and circumstances of the transactions with the requirements under IFRS and analysed the decision process of the Group with regard to the exercise of the accounting policy choice, based on the economic content of the transaction.

   Finally, we have audited the appropriateness and completeness of the disclosures required to be made within the consolidated notes in accordance with the IFRS and here in particular with IFRS 10.

c) Within the subgroup accounts of T&G, this fact was also treated in accordance with IFRS 10.

Other Information

The executive directors are responsible for the other information. The other information comprises

- the statement on corporate governance pursuant to Section 315d German Commercial Code (HGB) included in the group management report,
- the consolidated non-financial statement pursuant to Sections 289b to 289e as well as Sections 315b to 315c German Commercial Code (HGB) included in the group management report,
- the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code,
- the executive directors' confirmation relating to the consolidated financial statements and to the group management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB) respectively, and

- the remaining parts of the group financial report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information
- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control, as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also
- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB).
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 23 May 2017. We were engaged by the Supervisory Board on 22 November 2017. We have been the group auditor of BayWa Aktiengesellschaft, Munich/Germany, without interruption since the financial year 1987.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Ms Cornelia Tauber.

Munich/Germany, 27 March 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Götz
Wirtschaftsprüfer
[German Public Auditor]

Signed: Tauber
Wirtschaftsprüferin
[German Public Auditor]

Report of the Supervisory Board

The Supervisory Board of BayWa AG has fulfilled the responsibility entrusted to it under the law, the Articles of Association and the bylaws. It regularly advised the Board of Management, coordinated the strategy with the Board of Management and supervised the latter in its management of the company. The common goal of the Board of Management and Supervisory Board is to raise the value of the company on a sustainable basis. The Board of Management always kept the Supervisory Board informed in a timely and comprehensive manner. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The measures requiring its approval were reviewed, and the respective resolutions passed both in meetings and in writing by way of a circulation procedure. Between the meetings, the Board of Management reported both in writing and in person on events of particular importance. After thorough deliberation and consultation, the Supervisory Board made its decisions on the reports and the resolutions put forward by the Board of Management.

The Chairman of the Supervisory Board was kept informed about important decisions by the Board of Management on an ongoing basis and remained in close contact with the Chairman of the Board of Management. He was informed through regular detailed reports on the current business situation. The cooperation within the Supervisory Board and with the Board of Management in the reporting year 2017 was again constructive and based on trust.

Key points of consultation of the meetings of the Supervisory Board

Matters of consultation at the four regular meetings of the Supervisory Board in the financial year 2017 included the business and financial development of the company, the performance of the individual business units, financial and investment planning, personnel-related decisions, the risk situation and questions of compliance, as well as the strategic development of the company. The Supervisory Board also deliberated in detail on the participations entered into by BayWa AG during the period under review. Moreover, the Supervisory Board addressed issues pertaining to accounting and the audit of the annual financial statements of the company, as well as BayWa AG's risk management and its risk position, on an ongoing basis. Special attention was paid to the compliance monitoring at the Group. The Board of Management reported regularly and extensively on these issues as well as on the Group's current situation.

In its meeting on 29 March 2017, the Supervisory Board dealt mainly with the annual financial statements and the management report on BayWa AG and on the Group as at 31 December 2016 as well as with the report of the audits performed. Additionally, the Supervisory Board consulted on the results of previous meetings held by the Audit Committee, the Lending and Investment Committee, the Strategy Committee and the Board of Management Committee. The meeting also concentrated on the agenda of the Annual General Meeting of Shareholders to be held on 23 May 2017. Furthermore, strategic issues within the BayWa Group were discussed. At its meeting, the Supervisory Board dealt with the variable salary components of Board of Management members for the financial year 2016 and decided on the respective performance targets for the variable salary components for the financial year 2017. Other items on the meeting's agenda included the extension of Andreas Helber's Board of Management employment contract.

At its meeting on 3 May 2017, the Supervisory Board dealt with the interim report for the first quarter, the strategic measures for 2017, the obligation to report sustainability activities at the Group from 2018 onward and the extension of Matthias Taft's contract as part of a two-day Supervisory Board excursion to The Hague, Netherlands. Furthermore, the Head of the Fruit business unit, Christiane Bell, reported on developments in the food retail industry during a tour of TFC Holland B.V. in Maasdijk, Netherlands, as well as on the joint venture with the Al Dahra Group in the United Arab Emirates. The Board also visited an advanced climate-controlled greenhouse in De Lier, Netherlands, in this context.

At its meeting on 2 August 2017, the Supervisory Board addressed the interim report for the first half of 2017, among other things. The Board of Management also reported extensively to the Supervisory Board on market development in the first half of 2017, the development of the individual units, as well as on the current risk situation at the BayWa agricultural group. In addition, the Supervisory Board discussed and decided on the gender quota for the BayWa AG Board of Management and the periodic efficiency audit of the Supervisory Board for the November meeting. Deloitte GmbH Wirtschaftsprüfungsgesellschaft was also engaged to oversee and audit the BayWa AG Sustainability Report 2017. Lastly, the Supervisory Board adopted the resolution concerning the approval of the terms and conditions for the issuing of employee shares in 2017 within the scope of the 2015 authorised capital.

An increase in share capital and a corresponding change to the Articles of Association on account of the issuing of employee shares from the 2015 authorised capital in 2017 was decided by way of a circulation procedure in the period from 20 September to 3 October 2017.

The interim report for the third quarter was presented at the meeting on 8 November 2017, and the Supervisory Board discussed the development of business in detail with the Board of Management, which also offered detailed explanations of developments in the individual business divisions. Furthermore, strategic issues within the BayWa Group were discussed. The Supervisory Board of BayWa AG approved the appointment of Marcus Pöllinger as an additional member of the BayWa AG Board of Management from 1 November 2018 to 31 October 2021. The Supervisory Board also consulted on the results of previous meetings held by the Audit Committee, the Lending and Investment Committee and the Strategy Committee. In addition, the findings of the efficiency audit of the Supervisory Board were presented, the Cooperative Council's remuneration was adjusted for the first time in 16 years, and the Supervisory Board approved the extension of the terms of five members of the Cooperative Council as well as the appointment of three members. The Supervisory Board also discussed the annual Declaration of Conformity to the German Corporate Governance Code. Finally, the Supervisory Board adapted the bylaws of the Supervisory Board to the current legal situation.

At a continuous professional development event in Berlin on 19 January 2018, the Supervisory Board took a detailed look at the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz – CSR-RUG), the key audit areas for 2018, upcoming changes to IFRS accounting, the Market Abuse Regulation and the EU General Data Protection Regulation, as well as cybersecurity, among other topics.

At the meeting convened to review the Group's accounts on 28 March 2018, the Supervisory Board dealt mainly with the annual financial statements and the management report on BayWa AG and on the Group as at 31 December 2017. Deloitte GmbH Wirtschaftsprüfungsgesellschaft presented the report of the audits performed and explained the key audit areas, among other topics, which the Supervisory Board discussed in detail. The meeting also dealt with the audit of the sustainability report for the financial year 2017. Deloitte GmbH Wirtschaftsprüfungsgesellschaft, which was engaged to audit the content of the report, also gave a report on the matter.
The agenda of the Annual General Meeting on 5 June 2018 and the preparations for the election of shareholder representatives to the BayWa AG Supervisory Board were also among the topics discussed.

Committees of the Supervisory Board

The Supervisory Board has set up a total of six committees to enhance the efficiency of its work. These committees prepare resolutions for the Supervisory Board and issues to be discussed by the entire Supervisory Board. To the extent permitted by law, decision-making powers of the Supervisory Board were delegated to the committees on a case-by-case basis. With the exception of the Audit Committee, the office of Chairman in respect of all committees is held by the Chairman of the Supervisory Board. The Supervisory Board was kept informed at its meetings about the work of the committees and their resolutions by the respective chairmen.

Supervisory Board Chairman Manfred Nüssel and the Supervisory Board members Wolfgang Altmüller, Klaus Buchleitner, Gunnar Metz and Werner Waschbichler belong to the Audit Committee. The Chairman of the Audit Committee is Wolfgang Altmüller. BayWa AG has therefore adopted the recommendation of the German Corporate Governance Code, which proposes that the Chairman of the Supervisory Board should not hold the office of Chairman of the Audit Committee. The Audit Committee held two meetings in the reporting year. In the presence of the independent auditor, the Chairman of the Board of Management and the Chief Financial Officer, the committee discussed the separate financial statements of BayWa AG and the consolidated financial statements for the financial year 2016, the report of management on the company and the Group, as well as the audit reports at its meeting on 28 March 2017. Moreover, the statement declaring the independence of the independent auditor pursuant to Code Item 7.2.1 of the German Corporate Governance Code was obtained. Resolutions on recommendations were drawn up for the Supervisory Board to approve and adopt the separate financial statements and the consolidated financial statements for 2016 and to propose to the Annual General Meeting on 23 May 2017 that Deloitte GmbH Wirtschaftsprüfungsgesellschaft be elected as the independent auditor for the financial year 2017.

The meeting on 7 November 2017 dealt with the quarterly figures for the third quarter of 2017, the assignment of audit mandates and establishing the key audit areas in respect of the 2017 annual financial statements and the audit fees.

At its meeting on 27 March 2018, the Audit Committee also consulted on the choice of the independent auditor for the financial year 2018 and recommended to the entire Supervisory Board that a proposal be put to the Annual General Meeting on 5 June 2018 in favour of appointing Deloitte GmbH Wirtschaftsprüfungsgesellschaft.

Supervisory Board Chairman Manfred Nüssel and Supervisory Board members Gunnar Metz and Wolfgang Altmüller belong to the Board of Management Committee. The Board of Management Committee met three times in the reporting year, on 28 March 2017, 3 May 2017 and on 3 November 2017. At the meeting on 28 March 2017, the Board of Management Committee's discussions focused on recommendations to the Supervisory Board on the Board of Management members' target agreements, Andreas Helber's contract extension and the Board of Management members' mandates. The main topic of the Board of Management Committee meeting on 3 May 2017 was Matthias Taft's contract extension. The meeting on 3 November 2017 discussed succession planning for the Board of Management along with the recommendation to appoint Marcus Pöllinger to the Board of Management with effect from 1 November 2018.

Supervisory Board Chairman Manfred Nüssel and the Supervisory Board members Gunnar Metz, Dr. Johann Lang, Wilhelm Oberhofer, Joachim Rukwied, Michael Kuffner and Werner Waschbichler belong to the Strategy Committee. The Strategy Committee met three times in the reporting year. At the meeting on 21 February 2017, the committee attended to information regarding the establishment of a joint venture with the aim of cultivating and selling vegetables in the United Arab Emirates and passing a resolution on the matter. At the meeting on 28 March 2017, the Strategy Committee primarily prepared the Supervisory Board meeting. At the meeting on 7 November 2017, the committee received information about ongoing company projects and attended to preparations for the Supervisory Board meeting.

Supervisory Board Chairman Manfred Nüssel and the Supervisory Board members Monika Hohlmeier, Dr. Johann Lang, Monique Surges, Theo Bergmann, Renate Glashauser and Josef Schraut belong to the Lending and Investment Committee. The Lending and Investment Committee held three meetings in the reporting year, on 28 March 2017, 2 August 2017 and 7 November 2017. The committee monitored investment activities and reviewed lending activities and credit exposures in line with the authorisations it has been granted. Beyond this, the committee dealt with the settlement of the 2016 investment budget, and the investment budgets for 2017 and 2018. At the meeting on 2 August 2017, it also dealt with the issuing of a hybrid bond.

Supervisory Board Chairman Manfred Nüssel, Dr. Johann Lang and Wilhelm Oberhofer belong to the Nomination Committee. The committee is tasked with submitting recommendations to shareholder representatives on the Supervisory Board for proposals of shareholders for the election of Supervisory Board members by the Annual General Meeting. The Nomination Committee held no meetings in 2017. At the meeting on 27 March 2018, the committee dealt with the preparations for the election of shareholder representatives to the Supervisory Board of BayWa AG by the Annual General Meeting on 5 June 2017.

Supervisory Board Chairman Manfred Nüssel and the Supervisory Board members Gunnar Metz, Monika Hohlmeier and Werner Waschbichler belong to the Mediation Committee, set up pursuant to Section 27 para. 3 of the German Codetermination Act (MitbestG). The committee was not convened in the past financial year.

Corporate Governance
Recognising the important contribution that corporate governance makes to the transparent and responsible management of the company, the Supervisory Board regularly deliberates on related matters. More information on corporate governance can be found in the Statement on Corporate Governance. Details concerning the amount and structure of remuneration received by the Supervisory Board and the Board of Management can be found in the Group Management Report.

With regard to the revision of the German Corporate Governance Code in February 2017, the Supervisory Board also decided at its meeting on 8 November 2017 that the recommendations of the German Corporate Governance Code in the version dated 7 February 2017 should be adopted with very few exceptions. The Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) is included in the Statement on Corporate Governance pursuant to Section 289f of the German Commercial Code (HGB). It has also been posted on the company's website at www.baywa.com under Investor Relations.

Fifteen of the 16 members of the Supervisory Board participated in at least half of the Supervisory Board meetings held during the reporting period. Only Klaus Buchleitner participated in half of the Supervisory Board meetings.

Members of the Board of Management and of the Supervisory Board report any conflicts of interest without delay to the Supervisory Board.

Sustainability Report audit
The Sustainability Report 2017 was audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in order to obtain limited assurance in accordance with the International Standard on Assurance Engagements (ISEA) 3000 (Revised) "Audit Engagements other than Audits or Reviews of Historical Financial Information" and the principles of the Global Reporting Initiative (GRI), and received an unqualified audit opinion. Furthermore, Deloitte GmbH Wirtschaftsprüfungsgesellschaft audited the consolidated non-financial report 2017 pursuant to Section 315b of the German Commercial Code (HGB) in order to obtain limited assurance in accordance with the International Standard on Assurance Engagements (ISEA) 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

At its meeting on 28 March 2018, the Supervisory Board carefully examined the Sustainability Report 2017 and discussed it in detail in the presence of the auditor and the Board of Management. The Sustainability Report and the auditor's report were discussed extensively. Both reports were made available to all Supervisory Board members in good time prior to the meeting. The Supervisory Board concurred with the auditor's audit opinion at the meeting on 28 March 2018 and released the Sustainability Report 2017 for publication.

Audit of the separate financial statements and the consolidated financial statements
The separate financial statements of BayWa AG and the consolidated financial statements of the Group for the financial year 2017, as well as the management report on BayWa AG and on the Group, have been audited by Deloittte GmbH Wirtschaftsprüfungsgesellschaft, and each was issued an unqualified audit opinion.

At its meeting on 28 March 2018, the Supervisory Board carefully examined the financial statements of BayWa AG, drawn up by the Board of Management in accordance with the German Commercial Code, and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the additionally applicable standards set out under Section 315e of the German Commercial Code (HGB), as well as the management report on BayWa AG and on the Group for the financial year 2017, and discussed them in detail in the presence of the external auditor and the Board of Management. The key points of the 2017 audits as defined by the Audit Committee were also discussed extensively. All audit reports and documentation pertaining to the financial statements were made available to all Supervisory Board members in good time. The Supervisory Board concurred with the findings of the financial statements audit at its meeting on 28 March 2018. The audit reports and the documentation on the financial statements were previously the subject of in-depth deliberation by the Audit Committee at its meeting on 27 March 2018. The Audit Committee discussed the separate financial statements and the consolidated financial statements, the management report on the company and the Group, the audit reports, as well as the proposal for the appropriation of profit in the presence of the external auditor at its meeting on 27 March 2018. In accordance with the conclusive findings of the review by the Supervisory Board, no objections were raised against the financial statements. The Supervisory Board therefore ratified the separate financial statements of BayWa AG and the consolidated financial statements of the BayWa Group on 28 March 2018, which were thereby adopted.

During the Supervisory Board meeting on 28 March 2018, the external auditor also reported that there were no substantial weaknesses in the Internal Control System and the risk management system in respect of the accounting process. The Board of Management has thus taken all the appropriate measures to fulfil its obligations in this regard.

The proposal of the Board of Management on the appropriation of profit available for distribution through paying a dividend of 0.90 cents per share has been reviewed and approved by the Supervisory Board.

Changes to the Supervisory Board and to the Board of Management

There were no changes to either the Supervisory Board or the Board of Management in the reporting year 2017.
The Supervisory Board meeting of 8 November 2017 appointed Marcus Pöllinger as a further member of the Board of Management with effect from 1 November 2018. The Board of Management Committee proposed the appointment of Marcus Pöllinger to the Board of Management to the Supervisory Board at its meeting of 3 November 2017.

The Supervisory Board thanks the members of the Board of Management, the employees as well as the employee representatives of BayWa AG and all Group companies for their work.

Munich, 28 March 2018
On behalf of the Supervisory Board

Manfred Nüssel
Chairman

Corporate Governance Report / Consolidated Statement on Corporate Governance pursuant to Section 315d of the German Commercial Code (HGB) in conjunction with Section 289f of the German Commercial Code (HGB)

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

The Board of Management and the Supervisory Board of BayWa AG submitted the most recent Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) on 8 November 2017. The Board of Management and the Supervisory Board of BayWa AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 7 February 2017 (published in the German Federal Gazette on 24 April 2017; hereinafter referred to as the "GCGC") have been and will be complied with, with the exception of the following:

1 Deductible under the D&O insurance for members of the Supervisory Board – Code Item 3.8 para. 3 GCGC

In Code Item 3.8 para. 3, the GCGC recommends a deductible to be provided for when a Directors & Officers (D&O) insurance policy is taken out for members of the Supervisory Board. BayWa AG has concluded a D&O insurance policy on behalf of the members of the Supervisory Board that does not provide for a deductible in respect of its members. BayWa AG is not of the opinion that the motivation and the responsibility with which the members of the Supervisory Board discharge their duties would be improved by having a deductible in the D&O insurance policy.

2 Setting the targeted level of benefits, taking into account the length of service on the Board of Management – Code Item 4.2.3 para. 3 GCGC

In Code Item 4.2.3 para. 3, the GCGC recommends that the Supervisory Board establish the target level of pension benefits for every pension commitment, including based on the duration of membership on the Board of Management. Several BayWa AG Board of Management members receive a fixed pension from the company that is not dependent on the length of their service on the Board of Management. The Supervisory Board believes this arrangement is appropriate in view of the Board of Management members' many years of service to the BayWa Group.

3 Severance cap – Code Item 4.2.3 para. 4 GCGC

In Code Item 4.2.3 para. 4, the GCGC recommends that, when Board of Management employment contracts are concluded, care should be taken to ensure that, in the event of premature termination of a Board member's activities without serious cause, payments made to the Board member, including supplementary benefits, do not exceed the value of two years' compensation (severance cap) and compensate no more than the remaining term of the employment contract. The employment contracts of members of the Board of Management of BayWa AG do not contain such a provision, as the amount of any possible severance payment is part of an agreement to be signed upon termination of Board member activities and therefore depends on reaching an agreement with the respective member of the Board of Management. Even if such a contractual provision were to be included, a member of the Board of Management could nonetheless insist upon having the full scope of claims arising from the employment contract paid out and otherwise refuse to give their consent to the termination of their Board member contract. Moreover, BayWa AG is convinced that having such a clause is unnecessary as, even without it, the Supervisory Board will take sufficient account of the interests of the company in negotiations with the member leaving the Board of Management and not grant an excessive severance payment.

4 Individual disclosure of executive remuneration –Code Item 4.2.5 para. 3 GCGC

In Code Item 4.2.5 para. 3 GCGC, it is recommended that Board of Management member remuneration be disclosed in the remuneration report in table form and for each member individually for financial years from 31 December 2013. At BayWa AG, Board of Management member remuneration is disclosed in accordance with relevant legal regulations. The Annual General Meeting 2015 passed a new resolution pursuant to Sections 286 para. 5 and 314 para. 2 of the old version of the German Commercial Code (HGB), according to which Board of Management member remuneration is not disclosed for each member individually. Therefore, as long as this Annual

General Meeting resolution is valid, no individual disclosure of Board of Management member remuneration will take place pursuant to the recommendations in Code Item 4.2.5 para. 3 GCGC.

5 **No set age limit for the Board of Management – Code Item 5.1.2 para. 2 sentence 3 GCGC**

In the current version of the bylaws applicable to the Board of Management of BayWa AG, and contrary to the recommendations in Code Item 5.1.2 para. 2 sentence 3 GCGC, there is no restriction on age for membership on the Board of Management. BayWa AG reviews the ability to perform and the competence of the members of its supervisory body on an ongoing basis. Age, however, is not indicative of the ability of a current or potential member of said body to perform their duties. For this reason, BayWa AG does not consider fixed age limits, which also restrict flexibility in respect of personnel decisions and the number of potential candidates, expedient.

6 **Tasks of the Audit Committee – Code Item 5.3.2 sentence 1 GCGC**

Pursuant to Code Item 5.3.2 sentence 1 GCGC, the Audit Committee should also concentrate on compliance if no other committee is responsible for it. At the current time, compliance issues are not allocated to any particular committee by derogation of Code Item 5.3.2 sentence 1 GCGC. In fact, the Supervisory Board is directly responsible for this area. Due to the high value it places on compliance, BayWa AG is of the opinion that all Supervisory Board members should be included in the response to compliance issues. In order to ensure that tasks in this area are fulfilled comprehensively and professionally, this area remains the responsibility of the Supervisory Board.

7 **No set age or specified limit for maximum length of service on the Supervisory Board – Code Item 5.4.1 para. 2 GCGC**

In the current version of the bylaws applicable to the Supervisory Board of BayWa AG, and contrary to the recommendations in Code Item 5.4.1 para. 2 sentence 1 GCGC, there is no restriction on age for membership in or specified limit for maximum length of service on the Supervisory Board. BayWa AG reviews the ability to perform and the competence of the members of its supervisory body on an ongoing basis. Age, however, is not indicative of the ability of a current or potential member of said body to perform their duties. Furthermore, the expertise of experienced and proven Supervisory Board members ought to be available to BayWa AG. For this reason, BayWa AG does not consider a fixed age limit and a specified limit for maximum service on the Supervisory Board, which also restrict flexibility in respect of personnel decisions and the number of potential candidates, expedient.

8 **Specification of concrete objectives for the composition of the Supervisory Board – Code Item 5.4.1 para. 2 and para. 4 GCGC**

In Code Item 5.4.1 para. 2, the GCGC recommends the specification of concrete objectives and a profile of skills and expertise for the composition of the Supervisory Board as a whole. In the specification of concrete objectives, the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Code Item 5.4.2 GCGC and diversity, among other things, are to be given due regard in consideration of the situation specific to the company. Pursuant to Code Item 5.4.1 para. 4 sentence 1 GCGC, proposals by the Supervisory Board to the Annual General Meeting shall take these targets into account while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the Supervisory Board. BayWa AG has not established concrete objectives and as not specified a profile of skills and expertise for the composition of the Supervisory Board as a whole. BayWa AG believes that potential Supervisory Board members' professional, experience-based qualifications are the primary criteria for the assumption of a Supervisory Board mandate and therefore also for the composition of the Supervisory Board as a whole. In the proposals on the composition of the Supervisory Board, BayWa AG supports and takes into account the criteria specified in Code Item 5.4.1 para. 2 and para. 4 GCGC, though it does not regard concrete objectives or quotas as expedient.

9 **Information about what the Supervisory Board regards as the appropriate number of independent Supervisory Board members – Code Item 5.4.1 para. 4 sentence 3 GCGC**

According to Code Item 5.4.1 para. 4 sentence 3 GCGC, the Supervisory Board must provide information about what it regards as the appropriate number of independent members representing shareholders and the names of these members. However, the Code does not define more specifically what "independence" means in this context. Until such time as lawmakers, the courts or the author of the Code have provided their own definition of this vague legal term, the company will refrain from defining and accordingly releasing said information so as to avoid being reprimanded for the composition of the Supervisory Board.

10 **Disclosure of personal and business relationships of Supervisory Board candidates with the company, the company's executive and supervisory bodies and a shareholder holding a material interest in the company – Code Item 5.4.1 para. 5 to para. 7 GCGC**

Code Item 5.4.1 para. 5 to para. 7 GCGC includes the recommendation that the personal and business relationships of candidates proposed by the Supervisory Board for election to the Supervisory Board with the company, the company's executive and supervisory bodies and a shareholder holding a material interest in the company be disclosed. BayWa AG does not comply with this recommendation. There is no legal certainty at the current time in regard to the nature and scope of circumstances that are to be disclosed upon the proposition of election candidates. Therefore, there is a risk that the lack of clarity in this Code Item could be used within the scope of resolution challenges. The Supervisory Board will continue to observe how this issue develops and will review the application of this Code Item in future Supervisory Board elections.

11 Information on the structure of performance-related remuneration for Supervisory Board members – Code Item 5.4.6 para. 2 sentence 2 GCGC

Code Item 5.4.6 para. 2 sentence 2 GCGC stipulates that performance-related remuneration issued to Supervisory Board members is to be oriented toward the long-term success of the company and be evaluated over a period of several years. Alongside fixed annual pay, members of the BayWa AG Supervisory Board can also be paid variable performance-related remuneration. As this is defined on the basis of the cash dividends for the respective financial year approved by the Annual General Meeting, this is a discrepancy between this system and the requirement to orient performance-related remuneration toward long-term success. BayWa AG continues to believe that alignment with cash dividends in the respective financial year is expedient. In the view of BayWa AG, this orientation ensures the harmony of the interests of the Supervisory Board and those of the shareholders.

12 Information on the disclosure of the remuneration of members of the Supervisory Board – Code Item 5.4.6 para. 3 GCGC

Contrary to the recommendation under Code Item 5.4.6 para. 3 GCGC, the remuneration of Supervisory Board members (including remuneration or benefits paid by the company to members of the Supervisory Board for services personally rendered, in particular the rendering of advisory and agency services) has not been and is not itemised. Instead, it is divided up into fixed and performance-related components and disclosed annually in the Notes or Management Report. The information included in the Notes or Management Report shows the structure and the amount of compensation received by the Supervisory Board. BayWa AG considers this information to be sufficient to satisfy the interest in such information of the capital market and its shareholders

13 Information on the attendance of the members of the Supervisory Board at committee meetings – Code Item 5.4.7 sentence 1 GCGC

Among other things, Code Item 5.4.7 sentence 1 GCGC stipulates that a note is to be made in the Report of the Supervisory Board if a member of the Supervisory Board has attended only half or less than half of the meetings of those committees to which he or she belongs. BayWa AG believes that it is important for a member of the Supervisory Board to participate in the committees and be involved in the decision-making process as well. As a rule, meetings of the committees of BayWa AG's Supervisory Board are held twice a year. Missing one time would already result in a note in the Report of the Supervisory Board when complying with Code Item 5.4.7 sentence 1 GCGC. Due to the number of committee meetings, such a note would give a false impression of the discipline of the Supervisory Board member with regard to meeting attendance.

Munich, 8 November 2017
BayWa Aktiengesellschaft

The Board of Management The Supervisory Board

Management and control structure of the company

The Board of Management and the Supervisory Board

As a company with its principal place of business in Munich, Germany, BayWa AG is subject to the provisions laid down under German law. The executive and supervisory bodies consisting of the Board of Management and the Supervisory Board form the dual-tier management and control structure in accordance with the provisions under German stock corporation law. The Board of Management and the Supervisory Board work closely together in the interest of the company. Their joint goal is to ensure the company's continued existence and sustained value.

The Board of Management's duties and practices

The Board of Management, which is currently composed of five members, is independently responsible for running the company, developing the corporate strategy, agreeing the strategy with the Supervisory Board and ensuring that it is implemented. It is responsible for the company's annual and multi-year planning as well as for the preparation of the interim reports and the annual and consolidated financial statements. The Board of Management ensures that legal provisions, official rules and regulations as well as the company's internal guidelines are observed, and it works towards the Group's compliance with them. In accordance with legal provisions, the Board of Management reports to the Supervisory Board regularly, promptly and comprehensively on all matters relevant to the company, including planning, the development of business, the assets, financial position and earnings, the risk situation, risk management and compliance. The Supervisory Board is directly involved in all decisions of fundamental importance for the company. Furthermore, such decisions are subject to approval by the Supervisory Board. The Board of Management ensures that there is open and transparent communication within the company.

The Board of Management manages the company's business under its own responsibility. The principle of joint responsibility applies, meaning that the members of the Board of Management jointly bear the responsibility for the managing of the company. Each Board member is assigned certain tasks to be specifically handled under the allocation of duties plan (Geschäftsverteilungsplan). Certain decisions, especially those requiring the Supervisory Board's approval or for which the Board of Management is responsible under the law or the Articles of Association, are reserved for the entire Board of Management under the bylaws. Moreover, a resolution must also be obtained from the entire Board of Management in respect of matters which have been submitted to the Board of Management by the Chairman or by a Board member.

Meetings of the Board of Management take place at least once a month. They are convened by the Chairman of the Board of Management. The Chairman also sets the agenda and chairs the meetings. The Board of Management is quorate if all members have been invited and at least half of the Board members, including the Chairman, take part in deciding a resolution. The resolutions of the Board of Management are valid through a simple majority of votes cast. In the event of a tie vote, the Chairman shall have the casting vote. Upon instruction by the Chairman, resolutions can also be passed outside of meetings by way of votes cast in writing or by telephone.

The Supervisory Board's duties and practices

The Supervisory Board of BayWa AG appoints the members of the Board of Management and advises and supervises the Board of Management in its management of the company. The Supervisory Board is made up of 16 members. In accordance with the German Codetermination Act (MitbestG), it is composed in equal parts of representatives of the shareholders and of the employees. The Supervisory Board is composed of what it considers a sufficient number of independent members. A member is considered independent if he or she does not have any commercial or personal relationship to the company, the company's executive and supervisory bodies, controlling shareholder or any affiliated companies, which can justify a material or long-term conflict of interests. There were no changes to the Supervisory Board last year. For information on changes to the Supervisory Board in the reporting period, please also see the Report of the Supervisory Board.

A set of bylaws regulates the tasks of the Supervisory Board; in particular, the internal organisation, the activities of the committees and the regulations governing approval by the Supervisory Board for decisions of the Board of Management. Meetings of the Supervisory Board take place at least once every quarter and, in addition, whenever necessary for business reasons. Meetings are convened by the Chairman or, if he is prevented from doing so, by the Vice Chairman.

The Supervisory Board must also be convened if one of its members or the Board of Management requests it, stating the reasons. The Supervisory Board only has a quorum if eight members – including the Chairman – or twelve members take part in the meeting and in deciding on the resolution. Resolutions of the Supervisory Board or one of its committees passed in writing, by telegraph, telephone, electronic media or telefax are only permitted if the Chairman of the Supervisory Board or, if he is prevented from doing so, the Vice Chairman has given the requisite instruction. Decisions generally require a simple majority. In the event of a tie vote, the Chairman of the Supervisory Board has a dual voting right in the second round if votes are cast equally again.

The Supervisory Board meets without members of the Board of Management to the extent that this is necessary for independent discussion and decision-making. There is a standardised procedure for regularly reviewing the efficiency of the Supervisory Board's work. BayWa AG has taken out D&O insurance for the members of the Board of Management and the Supervisory Board which covers the personal liability risk in the event that financial damages are asserted against board members in the exercising of their duties. There is currently no deductible for members of the Supervisory Board (see reasons cited previously in the Declaration of Conformity). In accordance with the provisions of the German Act on the

Appropriateness of Executive Remuneration, BayWa AG has provided for a reasonable deductible on the D&O insurance taken out for members of the Board of Management.

Committees of the Supervisory Board

BayWa AG's Supervisory Board has set up six committees of experts to enhance the efficiency of its work. The respective committee chairmen report regularly to the Supervisory Board on their committee's work. For full details of the composition of each individual committee, please also see the Report of the Supervisory Board.

The Audit Committee concentrates mainly on the documentation of the independent auditor in respect of auditing the annual and consolidated financial statements and prepares them for adoption by the Supervisory Board. The committee also supervises the accounting process, the annual audit and the effectiveness of the internal control, risk management and audit system. It checks the auditor's independence and agrees on the key points of the audit and on the fees with the auditor. The Annual General Meeting on 23 May 2017 appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditor for the financial year 2017. The Supervisory Board ensures that the committee members can act independently and that they are familiar with and experienced in applying special know-how associated with the application of accounting rules and the internal controlling procedures. The Audit Committee is made up of the Chairman of the Supervisory Board, two shareholder representatives and two employee representatives.

The Board of Management Committee concerns itself with personnel matters affecting the Board of Management, such as the content of Board member contracts and the approval of sideline activities. The Board of Management Committee performs the preparatory work for the determination of the remuneration paid to the individual Board of Management members. The committee is composed of the Chairman of the Supervisory Board as well as one shareholder representative and one employee representative.

The Strategy Committee is concerned with the preparation of Supervisory Board meetings. Moreover, the committee monitors and supervises the company's strategic orientation as well as the implementation of current company projects. It is composed of the Chairman of the Supervisory Board, three shareholder representatives and three employee representatives.

The Lending and Investment Committee deals with the financing measures requiring approval by the Supervisory Board and supervises the investment activities. It is composed of the Chairman of the Supervisory Board, three shareholder representatives and three employee representatives.

The Nomination Committee is tasked with preparing the proposals of the Supervisory Board for the election of shareholder representatives to the Supervisory Board by the Annual General Meeting. It is composed of the Chairman of the Supervisory Board and two shareholder representatives.

Under the German Codetermination Act (MitbestG), the Mediation Committee, anchored in the law, only meets if, during the voting process on the appointment or dismissal of a member of the Board of Management, the required two-thirds majority of the votes by the Supervisory Board is not attained in the first round of voting. It is composed of the Chairman of the Supervisory Board, one further shareholder representative and two employee representatives.

The committees' practices are set out in the Articles of Association and in the bylaws of the Supervisory Board. Furthermore, the Supervisory Board may entrust one or more of its members with special control functions. More information on the activities of the Supervisory Board and its committees in the financial year 2017 can be found in the Report of the Supervisory Board. The names of the members belonging to the various committees are also listed there.

Shareholders and the Annual General Meeting

The organisation and execution of BayWa AG's Annual General Meeting is carried out with the aim of informing all shareholders swiftly and extensively before and during the event. All shareholders listed in the share register (Aktienregister) and who have duly registered in good time are entitled to participate. BayWa AG offers its shareholders the possibility of having their vote exercised in accordance with their personal instructions by a voting proxy appointed by the company. The Annual General Meeting decides, among other things, on the appropriation of profit, the discharge of the Board of Management and Supervisory Board as well as the nomination of the auditor. Decisions on changes to the Articles of Association and on measures that may change the share capital are exclusively reserved for the Annual General Meeting, to the exception of the use of authorised capital by the administration. The share capital of BayWa AG is divided into shares with restricted transferability (approximately 96%) and registered shares (approximately 4%). Transferring registered shares with restricted transferability is formally subject to the Board of Management's consent. However, in the past, approval has never been withheld. Each share of BayWa AG carries equal voting rights and confers the same dividend entitlement. The company therefore applies the "one share, one vote, one dividend" principle.

Securities transactions by the Board of Management and the Supervisory Board (Directors' Dealings)

According to Article 19 of the Market Abuse Regulation, the members of the Board of Management and the Supervisory Board, and persons closely associated with them, are required by law to disclose the acquisition and sale of shares in BayWa AG or financial instruments related

thereto if the value of such transactions equals or exceeds an amount of €5,000 in a given calendar year. This also applies to certain employees with managerial functions (executive managers, for instance).
Transactions disclosed in the financial year 2017 are published on the company website at www.baywa.com.

Shareholdings by the Board of Management and the Supervisory Board

As at 31 December 2017, the number of shares held in BayWa AG by members of the Board of Management and the Supervisory Board came to less than 1% of the shares issued by the company. There were therefore no holdings requiring reporting under Code Item 6.2 GCGC as at 31 December 2017.

Avoidance of conflicts of interest

Under the bylaws of the Board of Management, its members are obliged to disclose any conflicts of interest to the Supervisory Board without delay and to inform the other members of the Board of Management thereof. Under the bylaws of the Supervisory Board, its members must disclose any conflicts of interest – particularly those that could occur due to consultancy or board functions at customers, suppliers, lenders or other business partners – to the Supervisory Board without delay. Significant conflicts of interest in the person of a Supervisory Board member that are not of a temporary nature should lead to the termination of the mandate.

Remuneration of the Board of Management and the Supervisory Board

As regards the remuneration of the Board of Management and the Supervisory Board in the financial year 2017, we refer to the Remuneration Report that is part of the Notes to the Consolidated Financial Statements.

Equal participation of women and men in leadership positions

Like approximately one hundred other companies in Germany, BayWa AG is a publicly listed stock corporation (Aktiengesellschaft) subject to codetermination on a basis of parity. Pursuant to Section 96 para. 2 sentence 1 of the German Stock Corporation Act (AktG), at least 30% of the members of the Supervisory Board must be women and at least 30% of the members of the Supervisory Board must be men at listed companies subject to the German Codetermination Act (MitbestG). The Supervisory Board aims, by mutual agreement, for separate compliance with the gender quota by shareholder and employees representatives. Accordingly, the shareholder representatives objected to overall compliance by way of a unanimous resolution presented to the Chairman of the Supervisory Board pursuant to Section 96 para. 2 sentence 3 of the German Stock Corporation Act (AktG) on 30 March 2016. Pursuant to Article 13 of the Articles of Association and Section 96 para. 1 of the German Stock Corporation Act (AktG) in conjunction with Section 7 para. 1 sentence 1 item 2 of the German Codetermination Act (MitbestG), the Supervisory Board consists of eight shareholders and eight employees. Therefore, both the shareholders and the employees must each appoint at least two women and at least two men to the Supervisory Board to fulfil the minimum percentages stipulated under Section 96 para. 2 sentence 1 of the German Stock Corporation Act (AktG). The Supervisory Board currently has a total of three female members, two of whom have been appointed by the shareholders, and one of whom has been appointed by the employees. The shareholders therefore fulfil the minimum percentages stipulated by the German Stock Corporation Act (AktG). Current mandates filled by employee representatives will and may continue until their regular end. As a result, the failure to meet minimum percentages on the part of the employee representatives is in compliance with the law.
On 5 August 2015, the Supervisory Board complied with the additional legal requirement of setting a target for a gender quota and achieving said target no later than 30 June 2017 by setting a target of 0% for the percentage of women on the Board of Management. The Supervisory Board reviewed the target at the meeting on 2 August 2017. The Supervisory Board again defined a target for women on the Board of Management of 0% by 30 June 2022.
On 23 September 2015, the Board of Management of BayWa AG also set as targets a quota of 18% for women in the top executive tier and a quota of 12% for women in the second executive tier, which were scheduled to be met by 30 June 2017. As at 30 June 2017, the target for women in the top executive tier had not only been met, but even exceeded by 1%, standing at 19%. At 18%, the target for women in the second executive tier had also been exceeded. On 27 June 2017, the Board of Management of BayWa AG subsequently set as targets a quota of 22% for women in the top executive tier and a quota of 22% for women in the second executive tier, which are scheduled to be met by 30 June 2022.

Diversity concept

BayWa AG does not pursue a detailed diversity concept for the Supervisory Board and Board of Management. BayWa AG does not believe that strict criteria, quotas or profiles of skills and expertise that restrict flexibility in respect of personnel decisions and the number of potential candidates are expedient. Instead, the Group focuses on professional qualifications and experience. However, BayWa AG does take age and gender – as well as cultural, educational and professional background – into consideration in the proposals on the composition of the Supervisory Board and Board of Management when electing potential Board of Management and Supervisory Board members and strives to achieve the most diverse composition possible. As stated, the professional qualifications and experience obtained through education or occupation are the decisive criteria for BayWa AG for current and potential members of the Board of Management and the Supervisory Board. The Group strives to achieve the greatest possible diversity with regard to age and gender if these criteria are met. With the only appointment of a new member in the financial year 2017, it was therefore possible to achieve further diversification of the age structure by appointing Marcus Pöllinger to the Board of Management with effect from 1 November 2018 at the Supervisory Board meeting of 8 November 2017.

Additional information on management practices

The Code of Conduct of BayWa AG forms the value system for BayWa AG. It is mandatory and applies across the Group to all employees. The Code of Conduct has been made publicly available on the company's website at www.baywa.com. In addition, an internal control system has been set in place to ensure compliance with the law, statutory provisions and internal guidelines as well as to avoid actions detrimental to business, which includes prevention, monitoring and intervention. Employees have the option of turning to an anonymous whistleblower system or applying to the external legal counsel mandated by BayWa AG to serve as an ombudsman in the event of occurrences within the company that do not comply with the law or irregularities in cooperation with business partners and companies. Third parties also have the option of using the whistleblower system.

In order to avoid breach of regulations on the prohibition of insider trading pursuant to Article 14 of the Market Abuse Regulation, BayWa AG appropriately informs all persons who are deemed insiders under the legal provisions about all relevant statutory provisions governing trading in the shares of the company and, at the same time, requests in writing that they confirm in writing that they were informed about all relevant statutory provisions governing trading in the shares of the company. Those persons affiliated with the Group and external service providers that have access to insider information in accordance with their activities and authorisations are included in insider lists that comply with the provisions. In his or her capacity as the person in charge of dealings with insiders, the head of the Legal department monitors the proper keeping of the insider lists.

Other aspects of good corporate governance

Communication and transparency

BayWa AG communicates regularly and promptly on the development of business as well as on its assets, financial position and earnings. In order to guarantee an ongoing exchange of information with the capital market, the company holds regular events as part of its investor relations activities featuring the Chief Executive Officer and Chief Financial Officer for analysts and institutional investors in the form of roadshows and individual meetings. Press releases are published and press conferences and conference calls with analysts are held every quarter on business performance. The annual results are released at an Annual Results Press Conference and at an analysts' meeting. All new information disclosed to financial analysts and similar parties in the context of the aforementioned investor relations activities is also made available to the shareholders without delay. All relevant presentations and press releases are promptly published in the Investor Relations section on the website of BayWa AG. BayWa AG places great importance on ensuring that all shareholders are treated equally with regard to information.
The dates of the main recurring publications (inter alia the Consolidated Financial Statements) and the date of the Annual General Meeting are published in the financial calendar in good time. Current developments are reported in press releases and, if necessary, in ad hoc releases. All information is also made accessible on the company's website at www.baywa.com.

Responsible action and risk management

The aim of risk management at BayWa AG is to identify the risks of entrepreneurial action at an early stage and evaluate them. Risk management is therefore an integral part of the company's planning and management and control processes. The internal control, risk management and audit system is developed by the Board of Management on an ongoing basis and adjusted to changes in the environment. Parts of the internal control and risk management system for the accounting processes are examined by the external auditor. More information on the structure and the processes of risk management in the context of accounting processes is included in the Group Management Report.