Group Annual Report 2020

AGRAVIS

The term “AGRAVIS” always refers to the AGRAVIS Group in this annual report. If reference is made to the AG, this is indicated by the company name “AGRAVIS Raiffeisen AG”.

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Strong Together.

For Agriculture and Life.


AGRAVIS

Board of Directors

Hermann Hesseler
Member

Jörg Sudhoff
Member

Dr Dirk Köckler
Chairman

Johannes Schulte-Althoff
Member

1. Foreword by the Board of Directors

Dear Shareholders, Ladies and Gentlemen,

"Strong Together. For Agriculture and Life." This message can be found atop the AGRAVIS Group's annual report for 2020 and at the same time underscores our company's vision for the future. Together with the cooperatives, we want to be the link that brings relevant actors in agribusiness together and consolidate our position as the innovative service provider for the sector. AGRAVIS stands for future-oriented products and services as well as efficient processes. As a networker in a strong alliance, we are driving digitalisation forward and developing successful sales channels and business models by utilising the expertise of our more than 6,300 employees. In this way, our customers and business partners experience cooperation with AGRAVIS as added value. Through our value-oriented, sustainable actions, we're making our contribution to ensuring the supply of people and development in rural areas.

"Strong Together. For Agriculture and Life." That has been an established practice for AGRAVIS and the cooperative association over the past financial year. The enormous challenges of the last 12 months have demanded everything of us: African swine fever and avian flu, the Green Deal and the Fertiliser Ordinance, discussions over meat consumption, the third drought year in a row in many places – and of course the coronavirus pandemic. Many of our employees from the head offices made the switch to working from home practically overnight and continue to work in this environment with the same professionalism as those in our feedstuff plants, logistics centres, Raiffeisen markets, agricultural centres and machinery branches, who keep the daily customer contact going despite the social distancing rules and hygiene measures in place. Thanks to this flexibility and willingness to adapt, we were able to fully and consistently meet our mandate as an essential business in agricultural trading and services. Despite all the rules and restrictions in place, our performance was solid and we met our targets, achieving an annual turnover of approximately EUR 6.4 billion and earnings before tax of EUR 30.5 million. All divisions and companies of the AGRAVIS Group played their part and did a good job. We also managed to consolidate or further expand our market position in many segments. Furthermore, as part of our ongoing change process, we took further strides towards ensuring increased operational excellence and securing more business. We supported this endeavour with targeted investments in lean structures and processes. Given the uncertainties caused by the pandemic, we generally acted in a risk-conscious manner, yet at the same time continued to invest in our future, to the tune of EUR 46.7 million no less.

"Strong Together. For Agriculture and Life." We will proceed according to this basic principle over the coming year, too. The focus of the AGRAVIS Group will remain on its core business, and this will be expanded further through cooperation with its partners. The solid financial structure, which expands the scope for action with the participation rights capital generated in 2020, forms a solid basis in this regard. We're on a good path and look forward to continuing to walk it together with you.

Dr Dirk Köckler (Chairman)

Hermann Hesseler

Johannes Schulte-Althoff

Jörg Sudhoff

2. Executive bodies

Supervisory Board

Chairman

Franz-Josef Holzenkamp, Farmer, President – Deutscher Raiffeisenverband e.V.

Deputy Chairwoman

Friederike Brocks*, Chairwoman of the Works Council released of normal duties – AGRAVIS Raiffeisen AG

Birgit Buth, Managing Director – Deutscher Raiffeisenverband e.V.
Martin Duesmann-Artmann, Executive Member of the Managing Board –
Raiffeisen Hohe Mark Hamaland eG
Uwe Erschens*, Managing Director – ver.di district of Uckermark-Barnim (up to 31 December 2020)
Henning Haahr, Group CEO – Danish Agro a.m.b.a. (since 26 August 2020)
Theresa Hukriede*, Advisor General Works Council – AGRAVIS Raiffeisen AG
Urban Jülich, Farmer
Christian Junker, Chairman of the Supervisory Board – Ceravis AG (up to 26 August 2020)
Detlef Lange*, Trade Union Secretary – ver.di-Bundesverwaltung, Department of Trade (since 18 March 2021)
(Elected Union Representative for ver.di)
Axel Lohse, Executive Member of the Managing Board – RAISA eG
Günter Lonnemann, Managing Director – Raiffeisen agrar
Lutz Lüking*, Team Leader Asset Management – AGRAVIS Raiffeisen AG
Reinhard Mester*, Workshop Manager – AGRAVIS Technik Lenne-Lippe GmbH
Jürgen Osteroth*, Silo Manager – AGRAVIS Niedersachsen-Süd GmbH
(Elected Union Representative for DHV – Die Berufsgewerkschaft)
Arno Schoppe, Executive Member of the Managing Board – Raiffeisen-Warengenossenschaft
Niedersachsen Mitte eG
Manfred Schulze Baek*, Dispatcher – AGRAVIS Technik BvL GmbH
Susanne Schulze Bockeloh, Farmer
Thomas Simon*, Chairman of the Works Council released of normal duties – AGRAVIS Raiffeisen AG
Friedrich Steinmann, Farmer
Thomas Wiesner*, Head of Retailing Division – AGRAVIS Raiffeisen AG
Annette Wolters*, Laboratory Manager – AGRAVIS Raiffeisen AG
(Elected Union Representative for DHV – Die Berufsgewerkschaft)

(* Employee representative)

Advisory Board

Chairman

Torsten Wojahn, Farmer, Chairman of the Supervisory Board – VR PLUS Altmark-Wendland

Deputy Chairman

Folkert Groeneveld, Chairman of the Board of Directors – VR-Bank in Südniedersachsen eG

Theo Averbeck, Executive Member of the Managing Board –
Raiffeisen Warengenossenschaft Vechta-Dinklage eG
Friedrich Becker, Farmer, Chairman of the Supervisory Board – Raiffeisen Sauerland Hellweg Lippe eG
Dr Henning Behrens, Farmer
Hubertus Beringmeier, Farmer, President – Westfälisch-Lippischer Landwirtschaftsverband e.V.
(since 25 March 2020)
Maik Bilke, Farmer, Chairman of the Supervisory Board –
Raiffeisen Waren- und Dienstleistungsgenossenschaft eG
Volker Bormann, Executive Member of the Managing Board – Vereinigte Saatzuchten eG (up to 12 January 2021)
Dr Hauke Bronsema, Executive Member of the Managing Board – Raiffeisen Weser-Elbe eG
Hartmut Brunkhorst, Farmer, Chairman of the Board of Directors – Raiffeisen Landbund eG
Ronald Buchholz, Farmer
Ingo Busch, Executive Member of the Managing Board – Raiffeisen-Warengenossenschaft Kirchwistedt
Karl-Heinz Eikenhorst, Executive Member of the Managing Board – Raiffeisen Lübbecker Land AG
Johannes Freundlieb, Executive Member of the Managing Board – Genossenschaftsverband Weser-Ems
Peter Götz, Member of the Board – Genossenschaftsverband Verband der Regionen e.V.
Kasper Haller, Farmer, Member of the Supervisory Board – AGRAVIS Förderungs- und Beteiligungs eG
Karl-Theo Hamm, Managing Director – Raiffeisen Wittgenstein-Hallenberg eG

Andreas Hansen, Farmer, Member of the Supervisory Board –
Raiffeisen Waren- und Dienstleistungsgenossenschaft eG
Christoph Heer, Farmer, Member of the Supervisory Board – Raiffeisen Lippe-Weser AG
Jan-Gerd Hoegen, Executive Member of the Managing Board – Raiffeisen Obergrafschaft eG
Dieter Hülstede, Farmer, Chairman of the Board of Directors –
Raiffeisen-Warengenossenschaft Butjadingen-Seefeld eG
Ulrich Kemmer, Farmer, Chairman of the Supervisory Board –
Raiffeisen-Warengenossenschaft Osthannover eG
Hugo Lohmann, Executive Member of the Managing Board –
Raiffeisen Warengenossenschaft Hunte-Weser eG
Hermann Mammen, Executive Member of the Managing Board –
Raiffeisen-Warengenossenschaft Ammerland-Ostfriesland eG
Clemens Meißner, Farmer
Wilhelm Meyer, Farmer, Member of the Supervisory Board – AGRAVIS Förderungs- und Beteiligungs eG
Steffen Mogwitz, Farmer, Member of the Supervisory Board – AGRAVIS Förderungs- und Beteiligungs eG
Frank Niemer, Member of the Board – Raiffeisenverband Westfalen-Lippe e.V.
Stefan Nießing, Executive Member of the Managing Board – AgriV Raiffeisen eG
Andreas Pape, Executive Member of the Managing Board – RAISA eG
Bernward Resing, Executive Member of the Managing Board – Raiffeisen Emscher-Lippe eG
Johannes Röring, Farmer, President – Westfälisch-Lippischer Landwirtschaftsverband e.V.
(up to 17 February 2020)
Stephan Sander, Executive Member of the Managing Board –
Landwirtschaftliche Bezugsgenossenschaft eG Damme
Hermann Schartmann, Executive Member of the Managing Board –
Raiffeisen Warengenossenschaft Emsland-Süd eG
Hermann Schmidt, Farmer, Member of the Supervisory Board – VR Bank eG Osnabrücker Nordland
Joachim Schoth, Farmer, Chairman of the Supervisory Board – Raiffeisen Centralheide eG
Maren Schröder-Meyer, Farmer, Chairwoman of the Supervisory Board –
Heidesand Raiffeisen Warengenossenschaft eG
Carsten Schruck, CEO – Westfleisch SCE mbH
Kai Schubert, Member of the Board – Raiffeisenbank Südstormarn Mölln eG
Jürgen Schulte-Schüren, Farmer, Chairman of the Board of Directors –
AGRAVIS Förderungs- und Beteiligungs eG
Johannes Schulze Höping, Farmer, Chairman of the Supervisory Board – Raiffeisen Steverland eG
Werner Schwarz, Farmer, President – Bauernverband Schleswig-Holstein e.V.
Gerhard Schwetje, Farmer, President – Chamber of Agriculture for Lower Saxony
Manfred Tannen, Farmer
Günter Teichmann, Farmer
Paul Uppenkamp, Managing Director – Raiffeisen Beckum eG
Frank Wagner, Chairman of the Executive Board –
Raiffeisen Handels- und Dienstleistungsgenossenschaft Oder/Spree eG
Karl Werring, Farmer, President – Chamber of Agriculture for North Rhine-Westphalia

Board of Directors

Chairman
Dr Dirk Köckler

Members
Hermann Hesseler
Johannes Schulte-Althoff
Jörg Sudhoff

3. Supervisory Board's report

Supervisory Board of AGRAVIS Raiffeisen AG

(top row, from left to right) Arno Schoppe, Axel Lohse, Annette Wolters, Franz-Josef Holzenkamp (Chairman), Detlef Lange, Urban Jülich, Friedrich Steinmann, (middle row, from left to right) Theresa Hukriede, Henning Haahr, Lutz Lüking, Thomas Simon, Manfred Schulze Baek, Birgit Buth, Martin Duesmann-Artmann, (bottom row, from left to right) Jürgen Osteroth, Günter Lonnemann, Friederike Brocks, Reinhard Mester, Thomas Wiesner, Susanne Schulze Bockeloh

Dear Shareholders,

I'm glad to share with you details about the work performed by the AGRAVIS Supervisory Board over the past financial year. 2020 was a very demanding financial year for both the agribusiness as a whole and the AGRAVIS Group in general. Increased market tension with a continuing trend towards consolidation, pronounced periods of drought which varied from region to region, increasingly strict requirements which further tightened the scope of action in agriculture and prices which put the future of some agricultural sectors in serious jeopardy, e.g. dairy farms: as if this hadn't been challenging enough, the coronavirus pandemic and outbreaks of African swine fever and avian flu in Germany meant that extra effort was required by all concerned. Classified as an essential business, the AGRAVIS Group met these challenges head-on and endeavoured to find solutions along the way – also on the part of its employees. What this clearly demonstrates to me and the entire Supervisory Board is that: we at AGRAVIS can be flexible, we can adapt rapidly to new situations, and we can deal with difficult circumstances in a problem-solving manner. We think in terms of solutions – even in challenging times. The Supervisory Board acknowledges these efforts with joy and satisfaction. Despite the challenging environment, the AGRAVIS Group still managed to press ahead with its change process pursuing a clear vision for the future. AGRAVIS regards itself as an innovative 360-degree service provider for agriculture. As a driver of digitalisation, our company develops digital sales channels and new business models – always with a view to promoting partnership-based business with the cooperatives. The aim must be to expand this further for the benefit of the end customers.

For the most part, AGRAVIS managed to achieve its goals for 2020 thanks to its clear focus on the core business and needs of the customer, steadily growing operational excellence coupled with a sales offensive as well as a commitment at all levels of the company to continue along this path. The Group's annual turnover figure of approximately EUR 6.4 billion once again shows that AGRAVIS performed solidly in the market. Performance was also respectable in terms of profits. At EUR 70.1 million, we achieved an increase in operating EBIT compared to 2019, and earnings before tax once again reached a stable value of EUR 30.5 million, thus enabling you, our valued shareholders, to participate appropriately in the profit.

This means that one clear goal has been achieved: AGRAVIS must be consistently capable of generating profits and paying its shareholders a dividend on their shares. This is something you can justifiably expect from AGRAVIS, and the company has made good on its promise this time around after the losses suffered in 2019 due to the antitrust fine. In retrospect, the unanimous decision of the Board of Directors and the Supervisory Board to draw a line under the antitrust proceedings and agree a settlement has also proven to be the correct course of action. The fact that AGRAVIS was proactive and transparent in all its communications with you as our shareholders helped assuage the disappointment that we all felt in financial year 2020. It was also right and proper that our Chairman of the Board of Directors, Dr Dirk Köckler, at the 2020 Annual General Meeting once again expressed his regret for AGRAVIS' unprecedented failure to pay out any dividends in the preceding financial year. I would like to repeat that we firmly believe that fair competition has always taken place and that prices have been set by supply and demand.

From my perspective, 2020 has sent out a clear message: the AGRAVIS Group remains on a solid footing. We've shown unshakeable solidarity, avoided mistakes, seen all divisions and companies perform well and also witnessed a turnaround in the agricultural products segment. We can continue to build on this. The successful issuance of participation certificates with a volume of EUR 60.2 million also helped strengthen the equity capital. With the arrival of Jörg Sudhoff, an experienced expert in agricultural machinery, the AGRAVIS Board of Directors has once again had a full complement of members since 1 January 2020 and is well positioned for the tasks ahead. The AGRAVIS Supervisory Board was busy streamlining the portfolio in the area of agricultural machinery over much of the past financial year: with the sale of the truck division from FS Trucks GmbH or the disposal of AGRAVIS shares in Raiffeisen Technik Nord-West GmbH and Landtechnik Zentrum Alsfeld GmbH, both of which took effect on 1 January 2021. AGRAVIS has shown its commitment to pursuing the opportunities presented by digitalisation by establishing the cooperative Raiffeisen Portal GmbH, which seeks to help our portal myfarmvis achieve concrete market success, and by increasing its shareholding in Land24 GmbH. The agreement on the builders' merchant outlets in Westphalia and Emsland, which are now operationally managed by the cooperative partners, also demonstrates just how much the cooperative idea is practised.

AGRAVIS remains on a solid footing.

Given the risks posed by the coronavirus pandemic and the other factors described above, the AGRAVIS Board of Directors and the Supervisory Board were in broad agreement when it came to investments. A total volume of EUR 46.7 million was still impressive nonetheless. Investments were primarily made in areas where there was an opportunity for streamlining processes and structures. This is illustrated by the continuation of the "Dock" project which involves setting up a standardised group-wide system landscape. However, the establishment of the AutoStore system at the Münster distribution centre represents another example. Automated picking of small consignments can now take place. This also strengthens our online business, which picked up significantly in financial year 2020. However, owing to the uncertainties of 2020, the plan to expand AGRAVIS Isernhagen into a central hub for business in the Hanover region has not yet been realised. AGRAVIS is nevertheless sticking firmly to its development plans, therefore ensuring that the company will be expanding its presence in the Hanover area over the long term and that the region will remain a focal point in the business segment. Notwithstanding this, the 2020 Annual General Meeting adopted the proposal of the Board of Directors and Supervisory Board to limit the company's headquarters to Münster. Due to coronavirus restrictions, the Annual General Meeting could only take place virtually at a later date in the year than usual. The Annual General Meeting for financial year 2020 will also be held in this form. The Board of Directors and Supervisory Board are already looking forward to a time when we can meet you, our valued shareholders, in person again.

With the 2020 Annual General Meeting, Christian Junker left his position on the Supervisory Board having reached the age limit for members. Henning Haahr, CEO of Danish Agro a.m.b.a., has been chosen as his successor. Cooperation with our Danish partner remained a cornerstone of AGRAVIS' international activities in financial year 2020. This cooperation stood firm in the face of a tense market environment over the past financial year. As part of its control function, the Supervisory Board regularly discussed business policy, business development, economic circumstance, HR development, corporate and financial planning, risk and opportunity management as well as investments and acquisitions made by AGRAVIS. Collaboration with the Board of Directors was always constructive. It diligently performed the duties for which it is responsible according to the law, the articles of association and the rules of procedure. It continuously advises the Board of Directors on the leadership and control of the company, challenges procedures in individual cases and monitors its business management. The Supervisory Board was involved early on in all major decisions that were of fundamental importance to AGRAVIS. The Board of Directors provided regular, timely and comprehensive information in both written and oral form.

The reports of the Board of Directors contained all relevant information on planning, business development and the position of AGRAVIS.

As the Chairman of the Supervisory Board, I communicated closely with all board members, in particular with the Chairman – also outside of our periodic meetings. Important events and upcoming decisions were discussed together. The close cooperation between the Supervisory Board and the Advisory Board of AGRAVIS was further consolidated in financial year 2020.

Meetings of the Supervisory Board

The Supervisory Board met up on eight occasions in the past financial year. Naturally enough, our committee also had to get used to the new processes due to the coronavirus restrictions very quickly. This meant that six of the eight meetings took place remotely using Teams or in some hybrid form. Even before the first lockdown in March last year, we were able to hold two full-day training sessions: in January on the topic of "Accounting and Reporting" and at the beginning of March on "ERP – CRM – Digitalisation". Another training session on the introduction of a digital committee information system took place online in August. The tool is now being used actively and helps accelerate the flow of information. In a closed-door meeting organised in February, the Supervisory Board looked at the strategy for 2020 and also discussed the implementation of concrete entrepreneurial measures. During the regular sessions, the Supervisory Board met to consider all measures requiring approval and passed the necessary resolutions. These sessions dealt with business in the operating areas, staffing policy and the economic and financial performance of the organisation. In addition, the Supervisory Board carried out an extensive evaluation of financial and investment planning, the opportunities and risk situation of the Group, the development of the shareholder structure as well as the strategic development of individual business segments and companies.

At the meeting on 25 March 2020, the Supervisory Board reviewed the annual results for 2019, following a recommendation of the Audit Committee and its own audit, whilst the agenda and the resolution proposals for the 2020 Annual General Meeting were approved. It also included, in addition to the usual proposals, a resolution on the revision of the articles of association (company headquarters and venue for Annual General Meeting). Both revisions were passed at the Annual General Meeting.

Committees of the Supervisory Board

In order to perform its various duties efficiently, the Supervisory Board has established four committees: the Personnel Committee, the Accounting and Audit Committee, the Investments Committee and the Mediation Committee. The Mediation Committee, to be formed in accordance with the provisions of the Co-Determination Act, was once again not required to convene during the past financial year. According to the by-laws for the Supervisory Board, the Supervisory Board Chairman also presides over all committees. The Personnel Committee met on four occasions in the reporting year. In March 2020, the Accounting and Audit Committee reviewed the 2019 annual and consolidated financial statements for AGRAVIS Raiffeisen AG, the respective management reports and the Board of Directors' profit distribution recommendation. In two further meetings of the committee, claims management and the audit foci of the Supervisory Board, among other things, were examined.

The Investments Committee discussed the investment plan for 2021, and a figure of EUR 58.3 million was recommended to the Supervisory Board for resolution. The Supervisory Board approved the investment plan when it met on 10 December 2020. In another meeting held in the second quarter of 2020, the Investments Committee provided updates on the status of investment projects for the current financial year. The Valuation Committee met on four occasions in financial year 2020 and gave its recommendations on the share value, which remained unchanged at EUR 61.50. The Supervisory Board is regularly given reports on the work of the various committees.

2020 annual and consolidated financial statements

Deloitte GmbH, the Munich-based auditing company, audited the annual financial statements of the AG (public company) and the Group for financial year 2020 and the management reports of the AG and the Group, including accounting and business management (according to Section 53 GenG [Industrial and Provident Societies Act]). All of the material was prepared by the Board of Directors. Deloitte GmbH is the auditing company chosen by the Annual General Meeting and appointed by the Supervisory Board. The audit foci as agreed with the Supervisory Board were taken into account. The financial statements were each subject to unlimited audit opinions. The auditors had previously reported on the specific details of the audit on 23 March 2021 at a meeting of the Accounting and Audit Committee. The committee also recommended that the Supervisory Board approve the financial statements.

The annual financial statements, the management reports of the AG and the Group, the audit reports of the auditor and the proposal for the appropriation of profits were submitted to the Supervisory Board in good time and were discussed at a meeting on 26 March 2021 with the auditor. All questions were comprehensively answered by the Board of Directors and the auditors. The early warning system of the AG and the Group more than complies with the legal requirements. The documents were subjected to an independent review by the Supervisory Board, who did not raise any objections against them. The Supervisory Board approved the annual financial statements of AGRAVIS Raiffeisen AG and the AGRAVIS Group. They are thus deemed established.

The proposal for the appropriation of earnings was also checked and found to be a balanced one. The Board of Directors proposes to deploy AGRAVIS Raiffeisen AG's net profit of EUR 8,499,403.46 as follows: Payment of a dividend of EUR 1.02 per share, equivalent to a payout of EUR 8,166,042.48; carrying forward of the remaining net profit of EUR 333,360.98 onto new account. The Supervisory Board approved this proposal.

The Supervisory Board thanks the Board of Directors, the area managers and management team as well as all AGRAVIS Raiffeisen AG employees and those of AGRAVIS Group companies for their work over the past financial year. The fact that the particular challenges posed by the coronavirus pandemic have been handled so well deserves special mention.

Münster, 26 March 2021

F.-J. Holzenkamp

Franz-Josef Holzenkamp, Chairman

4. AGRAVIS shares

At the close of financial year 2020, AGRAVIS Raiffeisen AG's subscribed capital stood at an unchanged EUR 205.5 million. It is divided into 8.03 million registered shares with restricted transferability. Registered capital can increase by EUR 12 million up to 2021 in order to further strengthen equity capital. This was made possible by a resolution passed by the AGRAVIS Annual General Meeting in 2019. The book value of the AGRAVIS share is EUR 25.60; at EUR 61.50, however, its market value is much higher. Since the establishment of AGRAVIS Raiffeisen AG in October 2004, the original share price has thus risen by EUR 35.90 or around 140 per cent.

Being profitable and capable of issuing dividends and retaining profits is part of the basic philosophy of AGRAVIS Raiffeisen AG. This was once again achieved in financial year 2020 after the Group's unprecedented failure to pay out any dividends in the preceding year due to the losses suffered as a result of settling the antitrust proceedings. However, this had no influence on the high value stability of the AGRAVIS share. For financial year 2020, subject to a resolution by the Annual General Meeting, the shareholders will receive a dividend of EUR 1.02 per share. That is the proposal of the Board of Directors and the Supervisory Board. Based on the book value of the share of EUR 25.60, this corresponds to a dividend yield of 4 per cent for the financial year ended. If the Annual General Meeting accepts the proposed dividend, this would mean a total payout of around EUR 8.2 million (previous year: EUR 0) or 67.4 per cent of consolidated net income.

5. Corporate governance

Corporate culture

Trust, reliability, responsibility – these are the values the AGRAVIS Group has defined for itself. With the ongoing change process within the company and the formulation of a vision for the future for the Group up to 2030, a further refinement of the corporate culture will also take place. Through value-oriented, responsible and cooperative action, the Group sees itself as a fundamental component for the development of society in rural areas. Committed, qualified employees, future-oriented products and services as well as efficient processes are the foundation for jointly expanding partnership-based business with the cooperatives for the benefit of the end customers and actively shaping partnership-based cooperation with the partners. Aspects such as management and control of the company are based on the Stock Corporation and Co-Determination Act as well as additional relevant legal regulations, the company's articles of association and the by-laws of the Supervisory Board and Board of Directors. In addition, the Group has established binding compliance rules for all management and staff. Regular training options are available for this via e-learning courses.

Trust, reliability, responsibility – these are the values the AGRAVIS Group has defined for itself.

Executive bodies and how they interact

The Board of Directors and the Supervisory Board are the management and supervisory bodies of the company. The Annual General Meeting is the decision-making body. At the Annual General Meeting, the shareholders of AGRAVIS Raiffeisen AG exercise their rights in matters concerning the company. The Advisory Board supports the Board of Directors in an advisory capacity. These bodies are committed to both the interests of shareholders and the best interests of the company. The powers of the bodies are laid down in the Stock Corporation Act, the company's articles of association and in the by-laws for the Board of Directors and Supervisory Board.

Board of Directors

The Board of Directors directs the business of the company under its own responsibility, taking into account decisions passed by the Annual General Meeting, the Supervisory Board and a schedule of responsibilities. It represents the company vis-à-vis third parties. The Board of Directors is bound to the company's interests and the cooperative idea (Section 2(1) of the Articles of Association) and to increasing the sustainable company value. The AG's Board of Directors consisted of four members at the end of financial year 2020: Dr Dirk Köckler (Chairman), Johannes Schulte-Althoff (Financial Director), Hermann Hesseler and Jörg Sudhoff who became a Member of the Board on 1 January 2020. The Members and the Chairman of the Board of Directors are appointed by the Supervisory Board. The duties of the Board of Directors are divided into departments by line of business. The Board of Directors develops the corporate objectives. It also lays down the Group's strategic orientation and coordinates this with the Supervisory Board. The Board of Directors controls the Group and is responsible for business planning for the following years, for preparing the annual and consolidated financial statements and for the Group's financing. Furthermore, the Board of Directors is also responsible for risk management and control and for compliance with legal requirements and internal company policies. The Board of Directors reports to the Supervisory Board regularly, promptly and comprehensively on all issues relevant to the company. Matters of particular importance to the AG and the Group are subject to prior approval from the Supervisory Board. The Supervisory Board is immediately informed by members of the Board of Directors of any potential conflicts of interest. Board meetings are usually held on a weekly basis and are convened and headed by the Chairman of the Board.

Supervisory Board

The Supervisory Board appoints and advises the Board of Directors and monitors its business management on the basis of the law, the articles of association and by-laws. In matters that are of particular importance to the company, the consent of the Supervisory Board is required in accordance with the law and with the rules of procedure for the Board of Directors. With the 2020 Annual General Meeting, Christian Junker left his position as shareholder representative on the Supervisory Board having reached the age limit for members. Henning Haahr, CEO of Danish Agro a.m.b.a., was chosen as his successor on the Supervisory Board. 17 Supervisory Board members are over the age of 50 and three are between the ages of 30 and 50.

Advisory Board

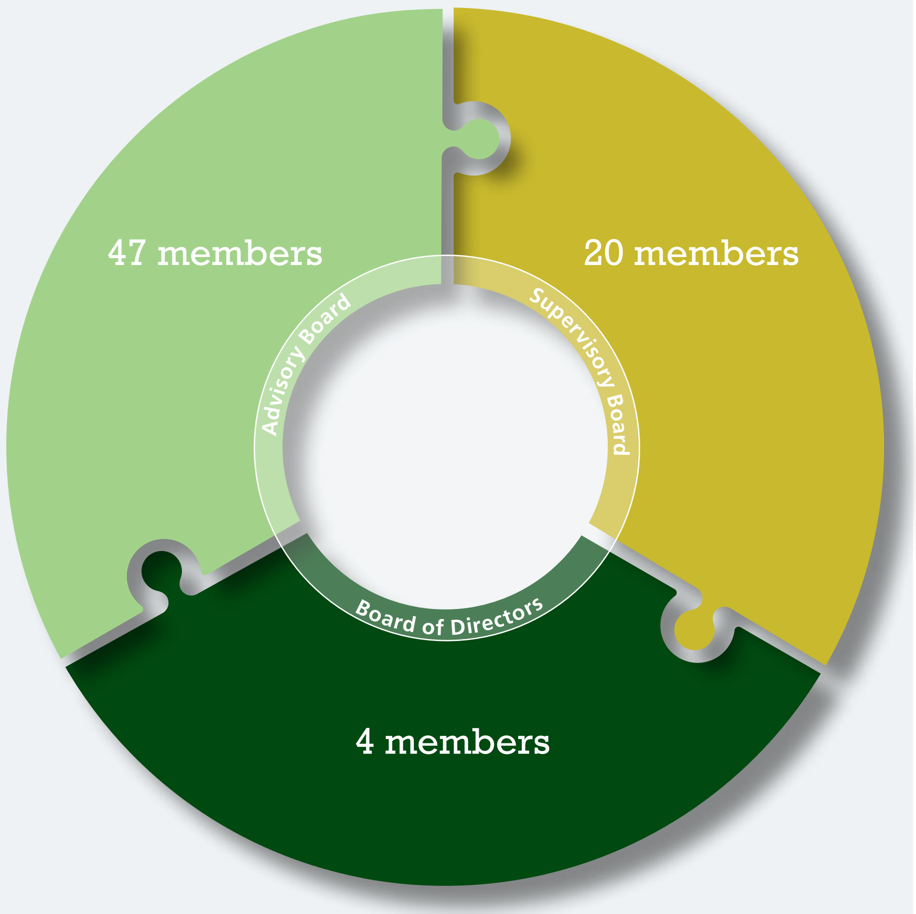
The AGRAVIS Advisory Board includes farmers, directors of Raiffeisen cooperatives and representatives of mutual societies, cooperative unions and agricultural organisations. The Advisory Board advises the Board of Directors on company policy and decisions with particular attention given to regional interests. The Advisory Board had 47 members at the end of the reporting year, 39 of whom were selected by the Annual General Meeting and eight of whom were appointed as co-opted members from the Supervisory Board. The Advisory Board has one female member; 10 members are between the ages of 30 and 50, and 37 are over the age of 50.

Annual General Meeting

The Annual General Meeting of AGRAVIS Raiffeisen AG passes resolutions on the topics from the agenda published in advance. The Annual General Meeting passes resolutions, among other things, on the appropriation of distributable profits, the discharging of the members of the Board of Directors and the Supervisory Board and the appointment of the auditor; elects members to the Supervisory Board and the Advisory Board and passes amendments to the articles of association and on measures which change the company's structure and capital. In addition, the Board of Directors provides detailed information about the economic development of the company to the AGRAVIS shareholders.

The Annual General Meeting is convened through an announcement in the electronic Federal Gazette. As per the articles of association, it takes place within the first eight months of every financial year subject to differing regulations, i.e. the "COVID-19-Gesetz" – Act Concerning Measures Under the Laws relating to Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic (COVID-19 Act) from 27 March 2020. The Board of Directors, based on the COVID-19 Act and with the consent of the Supervisory Board, has decided that the Annual General Meeting for financial year 2020 will also be held as a virtual event without the physical presence of the shareholders or their authorised representatives.

Bodies of AGRAVIS Raiffeisen AG
(As at December 2020)




Strong Together.
For Agriculture and Life.


AGRAVIS

6. Group management report

6.1. Foundations of the Group

Group structure and business

Headquarters, self-image and ownership structure

AGRAVIS Raiffeisen AG is one of five main cooperatives in Germany involved in the production and supply of agricultural goods and also the management of corresponding commodity flows. The AG is the parent company of the AGRAVIS Group and was formed in 2004 after the merger of Raiffeisen Hauptgenossenschaft Nord AG in Hanover and Raiffeisen Central-Genossenschaft in Münster. Münster became the sole company headquarters following a resolution of the 2020 Annual General Meeting. On key date 31 December 2020, 89 subsidiaries (previous year: 98) and 160 associated and affiliated companies (previous year: 163) belonged to the AGRAVIS Group. The Group's main focus of activity is in the agribusiness with the business segments plants, animals and machinery. Other core business segments include retailing and energy. It is also involved in project construction. The Group sees itself as a national agricultural trade and service company and therefore prioritises the German market, in particular the geographical region stretching from the Dutch to the Polish border.

Business segment: Plants

In the plants segment, AGRAVIS trades in grain, oilseeds, raw feed materials, crop protection products, fertilisers, foils and seeds and also provides technical production advice to trading partners and farmers. To this end, the Group conducts its own internal trials at more than 20 locations. Comprehensive collective trading is carried out together with the regional Raiffeisen cooperatives and the Group's own agricultural centres.

Business segment: Animals

In the animals segment, the AGRAVIS Group produces and distributes compound feed, special feeds products, veterinary drugs and products for animal and shed hygiene. The company offers an extensive concept for all types of livestock including individual consultation. The Group complies with the high standards of the most important quality management systems (DIN EN ISO 9001, GMP+, QS and VLOG) in feedstuff production. The AGRAVIS affiliate Livisto Group GmbH, together with its subsidiaries, produces a broad range of animal health products at six locations around the world and sells these in more than 100 countries.

Business segment: Machinery

In the machinery segment, the Group sells new and used agricultural machines – both in bricks-and-mortar and online trade. 22 regional companies (including holdings) operate in 113 locations under the umbrella of AGRAVIS Technik Holding GmbH. Around 2,400 employees serve customers with an extensive portfolio of products and services covering agricultural machinery, in particular a comprehensive, effective spare parts and repair shop service.

Business segment: Retailing

In the retailing segment, the AGRAVIS Group operates 73 of its own markets and distributes products for end consumers in rural areas using a franchise system with approx. 410 cooperation markets. In total, the Group supplies around 1,000 Raiffeisen markets in various regions with an extensive range of services and a broad portfolio of products including well-positioned own brands. The online shop "raiffeisenmarkt.de" complements over-the-counter sales and is operated in a profitable manner together with 35 regional Raiffeisen cooperatives. Trade in construction materials is also part of the retailing segment.

Business segment: Energy

As an independent energy supplier, the AGRAVIS Group supplies customers in the energy segment with fuels and combustibles, lubricants, grid-bound energies and services. The Group operates as a wholesaler and is also active for private and commercial end consumers through subsidiaries and affiliated companies. In addition, the energy segment coordinates a comprehensive petrol station network and is involved in the construction of new petrol stations. Furthermore, it offers its petrol station partners a wide range of services. AGRAVIS currently operates 97 of its own petrol stations across the Group.

Business activities are based on customer requirements. The Group sees itself as a customer-centric link between all actors involved in the entire agribusiness. As a 360-degree service provider, the company has a clear unique selling point in the market. Committed, qualified employees, future-oriented products and services as well as efficient processes are the foundation of the AGRAVIS Group. It justifiably claims to be the innovative service provider for the sector. The Group is driving digitalisation forward and developing successful sales channels and new profitable business models. Partnership-based business with the cooperatives for the benefit of the end customers is being further developed. The network concept is prioritised when it comes to collective activities in the market. Through value-oriented, responsible and cooperative action, the AGRAVIS Group is an essential pillar for the development of society in rural areas. It aims to safeguard the future of generations to come with sustainable supply.

The AGRAVIS Group has a unique selling point as a 360-degree service provider.

Through lean structures and operational excellence, the AGRAVIS Group wants to secure its position as a market-relevant company in the German agricultural sector and create the basis for a sustainable ability to pay dividends through profitable growth within the cooperative association. For employees and potential applicants, the AG and Group are positioning themselves as an attractive employer in rural areas, one which imparts knowledge with respect and nurtures its top performers. With 6,336 employees (as of key date 31 December 2020, previous year: 6,458) at more than 400 locations, the AGRAVIS Group generated a turnover of EUR 6.4 billion in financial year 2020 (previous year: EUR 6.5 billion). The Group thus consolidated its strong market position in Germany.

At the same time, targeted international growth is important in order to safeguard profitability. This is something practised and pushed in particular with Danish partner Danish Agro a.m.b.a. Furthermore, the AGRAVIS Group also exploits selected foreign growth markets with special feed activities in Profuma GmbH & Co. KG, Equovis GmbH, with animal health in the Livisto Group and also in agricultural machinery with AGCO in Poland.

AGRAVIS sees itself as a cooperative company firmly anchored in domestic agriculture. Cooperatives or mutual societies are the main shareholders of AGRAVIS Raiffeisen AG and at the same time customers in the two-stage association. As a hub within this association, the AG and Group want to develop further together with the cooperatives and provide future-proof solutions for the business.

Corporate strategy and management

Market environment and influencing factors

The challenging situation for agriculture and agricultural trade – caused by the trend towards declining harvests, stricter political requirements and society's increasing demands for modern, sustainable agriculture – continued in the financial year. The coronavirus pandemic has reopened the discussion about agriculture, especially meat processing, but also about husbandry conditions and the value of meat. The pandemic also massively changed the distribution business and internal processes within the AGRAVIS Group and proved to be a catalyst for the switch to digital contacts and processes. Classified as an essential business, the AGRAVIS Group was able to continue its operations throughout and ensure supply security. Duty shifts were strictly separated in logistics and production. At the Group headquarters, many employees very quickly made the switch to working from home. The "Teams" work platform was provided within a few days to cope with these new circumstances. The AGRAVIS crisis team has been meeting on a weekly basis since February 2020, coordinating the implementation of hygiene measures and official requirements and ensuring prompt communication within the company. Thankfully, the economic impact of the coronavirus pandemic on the AGRAVIS Group remained negligible in the financial year, as shown by the low level of reduced working hours and the small number of applications for reimbursement under the Infection Protection Act.

African swine fever (ASF), which broke out in Germany during the reporting year, has proven to be another challenge to business. The animal disease will likely further accelerate structural change in agriculture and feedstuff production. Export bans to Asia caused pig prices to crash. Pig farmers immediately came under pressure. Many farms lost their economic basis as a result of this price drop. The AGRAVIS Group therefore predicts a significant decline in pig populations. And even before the outbreak of ASF in Germany, animal numbers in pig farming were down domestically on the previous year. As a result, you have less demand for feed and at the same time even tougher competition in a market characterised by overcapacity. African swine fever is therefore also accelerating consolidation in compound feed production. In addition, business was also affected by the outbreak of avian flu.

Further cuts also became apparent for plant cultivation in the reporting year. An additional amendment to the Fertiliser Ordinance came into effect on 1 May 2020 with even tighter regulatory requirements in relation to the application of fertilisers. Further restrictions on crop protection can be expected based on the insect protection package passed by the Federal Cabinet. At the same time, sales in the crop protection market are declining in general due to increased sensitivity and resource-saving use thanks to modern technology. Further reductions in the use of resources are likely as a result of the EU's Green Deal. In processing, in particular, the large number of closures highlights the high economic and social pressure currently being felt. The structural change in agriculture and thus also in agricultural trade is therefore expected to continue. At the same time, digitalisation in agriculture and in the agricultural supply chain is continuing unabated. This development has also been accelerated by the coronavirus pandemic.

Strategic orientation

The AGRAVIS Group understands the challenging framework conditions but also recognises the opportunities presented by them to position itself as a solution provider and innovation driver and therefore as the foremost market-relevant agricultural trading company in Germany. For this reason, the development towards more business and more customer proximity within the cooperative association is set to continue and the measures for the sales offensive, for operational excellence and for innovations will be rigorously advanced. Based on the vision for the future developed in 2020 – digitalisation driver, innovative service provider for agriculture, common link between the players in agribusiness – the company is gearing its actions towards joint success with cooperatives and farmers on a customer-oriented basis and wants to shape the future of agriculture together with them. Sustainability and digitalisation are shaped in terms of customer benefit and increased efficiency in order to develop and market practical, application-ready added-value solutions. To this end, the cooperative portal myfarmvis was further developed into a central digital gateway for farmers in financial year 2020, and the basis for rapid growth in the cooperative association was created through the establishment of Raiffeisen Portal GmbH. The Delos and Acker24 software solutions for digital nutrient management were also adapted to the more extensive requirements of the new Fertiliser Ordinance.

Operational excellence is being further improved on a continuous basis by streamlining processes and dismantling duplicate structures in order to provide customers with the best quality in terms of service and results. One example from the reporting year is the consolidation of sales activities in compound feed at AGRAVIS Mischfutter West GmbH. Innovations are continuously being developed and implemented by intra-departmental and group-wide teams. Cooperation with innovative start-ups and other industry partners is being further intensified. This is underlined by the acquisition of a participation in the innovation hub Seedhouse effective 1 January 2021.

Sustainability

AGRAVIS has been focusing on sustainability topics for more than ten years now across the Group. As a national agricultural trade and service company, the Group is supporting development towards a more sustainable brand of agriculture. Sustainability has therefore been an integral part of corporate strategy for some time now. The goal is to find a balance in sustainability between profitability, esteem and resource conservation. AGRAVIS is therefore making a contribution to helping future generations in agriculture. In addition, the Group aims to promote a targeted exchange with partners within the agricultural value chain in order to identify future challenges together, define approaches to solutions and discuss/implement existing concepts at AGRAVIS.

Sustainability is an important corporate objective. Marketable, holistic concepts are being developed for this.

The focus on sustainable activities is based on actionable and marketable concepts, such as feeding. The AGRAVIS Group calculates the environmental impact of its feed concepts for pigs using the so-called Eco-Efficiency Manager. This is an online calculation tool that can be used to compare various feed concepts based on several criteria. The tool evaluates and compares the feed mixes according to their environmental and economic impact, from raw material production through to slaughter pigs. The Manure Manager builds on the Eco-Efficiency Manager and has been developed by experts from the Bavarian State Research Center for Agriculture, BASF and AGRAVIS. It is an online calculation program that allows livestock farmers to independently determine using their smartphone or tablet which farm-specific advantages result from optimising the feeding of fattening pigs. Farmers can download this tool from the Internet. The AGRAVIS Group is also committed to the topic of biodiversity. In the AGRAVIS operational area, productive agriculture and biodiversity should therefore go hand in hand.

The AGRAVIS Group now reports on its commitment to and achievements in sustainability on an annual basis. The aim is to provide transparent and detailed information about the company and its responsibility for ensuring a balance between economic profitability, social acceptance and ecological compatibility. The Group also shares this information within the cooperative association and supports cooperatives in the implementation of their own sustainability report so that existing knowledge and experience can be used in a targeted manner. For example, a strategy on the topic of sustainability and reporting has been developed together with Raiffeisenbank Ems-Vechte eG.

While sustainability reporting was previously based on the principles of the Global Reporting Initiative (GRI), from 2021 the AGRAVIS Group will align itself with the sustainability goals of the United Nations. This is an important instrument for achieving international sustainability goals and promoting cooperation within the value chain on the topic of sustainability.

Climate protection

The AGRAVIS Group is supporting climate protection through its own concepts and proactive action. It provides a wide range of services in order to further reduce the emission of climate-relevant gases, manure and dung as well as the use of crop protection products and fertilisers. Examples include the "Feeding the future" concept, which reduces CO_2 and nitrogen emissions by around 20 per cent and the software solution Delos – implemented together with its partner Odas GmbH and the Acker24 solution implemented with majority holding Land24 GmbH – which can be used to show the nutrient and material flow balance in the agricultural operation. The AGRAVIS NetFarming modules for the area-specific use of agricultural land should also be mentioned; these enable more efficient use of resources and are distributed together with the cooperative partners.

Strategic goals

The AGRAVIS Group has the focus, the capacity and the concepts to be a consistently profitable agricultural trade and service company, one which is capable of retaining profits and creating innovations from operational growth. The aim is to achieve secure profitability in all areas, which requires a sustainable business model in the relevant core segments of agriculture, technology, energy and retailing, all the while increasing service share, consistently exploiting market opportunities and minimising market risks. We are targeting annual pre-tax profit for the Group of at least EUR 30 million.

An equity ratio of 30 per cent – a strategic goal for many years – has been achieved on multiple occasions since 2016. The equity ratio again grew to 29.6 per cent in the reporting year. Going forward, the equity ratio is expected to remain at around 30 per cent, a respectable figure for a trading company.

6.2. Economic report

Macroeconomic environment

The coronavirus pandemic had a massive impact on the global economy in 2020. Instead of global growth, the International Monetary Fund (IMF) reported a decline of 4.4 per cent for the global economy. Europe had to cope with a drop in economic performance of 4.3 per cent.

The election of Joe Biden as the new US President in November 2020 brought hope of better political and economic relations both across the EU and in Germany. The resumption of talks on a free trade agreement became a main priority. The flow of goods from China, which was interrupted in the spring due to the coronavirus pandemic, picked up again strongly as the year progressed. Exports in November 2020 exceeded the previous year by 21.1 per cent. In Germany, gross domestic product fell by 5.0 per cent due to the pandemic. According to IW calculations (German Economic Institute, Cologne), the second lockdown from November 2020 alone cost the German economy more than EUR 19 billion and resulted in the loss of a further 100,000 jobs, after approximately 630,000 jobs were cut in the first lockdown. The number of unemployed persons in Germany rose significantly by 474,000 (plus 34.5 per cent) to 1.85 million on average in 2020 compared to the previous year. The inflation rate and consequently the increase in consumer prices compared to the previous year was only 0.5 per cent. Stimuli for economic development in Germany again came from private consumption. The construction industry had already supported the overall economy in the first three quarters of 2020 with real growth of 2 per cent and an increase in jobs of 1 per cent.

The German stock index (DAX) tracked the economic development, sinking to 8,441.71 points in the first lockdown and ending the year at 13,729 points, up 3.6 per cent for the year. Another temporary effect of the pandemic was the huge drop in oil and therefore fuel prices. A barrel of crude oil (159 litres) cost between 3.32 and 14.24 US dollars, depending on the grade, back in April 2020. For the first time in their history, the futures exchanges for crude oil showed negative prices, albeit for a short period, due to a massive oversupply.

Economic conditions in the sector

The challenges faced by both the AGRAVIS Group and the agricultural industry as a whole in 2020 were basically brought about by following factors: the coronavirus pandemic, the outbreak of African swine fever (ASF) and avian flu, another below-average harvest in some regions as well as the restrictive political requirements, volatile market developments and the discussion about the organisation of modern agriculture. The effects of the coronavirus pandemic for the AGRAVIS Group are described on pages 19 and 25/26.

International agriculture markets and assessment of harvest

The price index of the FAO (Food and Agriculture Organization of the United Nations) reached a value of 107.5 points in December 2020, the highest level in almost six years. The increase compared to December 2019 was over 9 per cent. The FAO price index for grain stood at 115.7 points by the year end, significantly higher than the previous year. The price index for vegetable oils reached 127.6 points, also a big jump compared to 2019. Meanwhile, the average meat price suffered a worldwide slump compared to the previous year, falling by an annual average of 9.5 per cent to 95.5 points. According to the Agrarmarkt-Informations-Gesellschaft (AMI), there was a general downward trend in the price index in Germany in 2020 as a result of the coronavirus pandemic. In the pork sector, this was compounded by the outbreak of ASF in Germany, which meant the loss of important export markets and a subsequent sharp drop in the price in this segment. Dairy farmers also struggled with very low prices. Price development for grain was volatile. While the coronavirus pandemic initially put pressure on prices, by autumn they had returned to levels not reached in a very long time. Wheat even hit a five-year high, driven primarily by the high demand for feed wheat in China, before the price started to drop again in December. By January 2021, however, wheat prices had already begun to climb back towards their record highs. Oilseed prices recovered over the course of the year after the initial coronavirus dip. At the same time, a contrasting development was taking place in producer and consumer prices: while producer prices fell by an average of 6 per cent compared to the previous year, consumer prices for foodstuffs rose by 2.3 per cent.

With a global grain harvest of 2,219 million tonnes and consumption slightly below that figure, a solid supply of grain to the world market is ensured. While global closing stocks for wheat are expected to maintain last year's level, global closing stocks for maize continue to decline. According to the US Department of Agriculture (USDA), global oilseed production in business year 2020/21 will be around 595 million tonnes, about 4 per cent higher than the previous year. Nevertheless, this production is expected to fall short of global demand. According to USDA estimates, global closing stocks are now falling for a second year in succession. Soya bean is the world's most important oilseed, accounting for 61 per cent of total oilseed production. Grain harvest in the EU stood at 293.6 million tonnes, significantly below the figure from the previous year. The picture in oilseed production is similar: Here, the EU states achieved a result just below that of 2019.

The Brexit agreement is likely to play a significant role in the EU market. The arrangement in place means that trade in agricultural products between the EU and Great Britain will also remain duty-free going forward. This creates opportunities for German wheat exports. This is because, following a weak harvest, Great Britain has a high demand for imports, especially of quality wheat. With a volume of 42.4 million tonnes, the grain harvest in Germany remained below average once again. The German Farmers' Association placed the winter rapeseed harvest at 3.3 million tonnes. With considerable regional differences, 2020 marked the third year in a row in which extreme weather events occurred in many places. Depending on the region, farms again had to cope with heavy harvest losses due to massive drought, night frost in May and significant plagues of mice. In addition, livestock farms again suffered from insufficient staple feed due to the drought. With an increase of 10 per cent compared to the weak previous year, the maize harvest in Germany reached a respectable level. Due to the tight global supply situation, maize prices rose significantly compared to 2019.

Feedstuff

The feedstuff sector came through 2020, the year marked by the coronavirus pandemic, almost unscathed. There were no plant closures due to the virus and no serious bottlenecks in the supply of raw materials or slumps in livestock production occurred. However, this segment of the agricultural industry also looked to Brussels and the potential impact of the recent "Green Deal". Feed production in the AGRAVIS service area again had to deal with drought, which in some cases resulted in lower yields in the grass segment and poorly fertilised maize stocks or weak cob performance.

Milk

The coronavirus crisis led to an increase in milk consumption in private households but to a slump in the case of large-scale consumers, gastronomy and exports. This resulted in different purchases prices depending on the position of the purchasing dairy. In Germany, the price for 100 kilogrammes of raw milk was only just above the EUR 35 mark by the year end. The low purchase prices put the futures of many dairy farmers in serious jeopardy. Overall, the number of dairy cows in Germany continued to drop in 2020 and, at 3.97 million animals, fell below the four-million mark for the first time (minus 2.4 per cent in May 2020 compared to May 2019). At 58,351, this downward trend was even more clearly reflected in the number of dairy cow farmers. This figure was 4.5 per cent down on the previous year.

Meat

For the reasons outlined above, producers of meat also had to deal with price losses. Especially in the German pig fattening sector, despite a positive start and an initial increase in pork exports to China, 2020 turned out to be a very poor year as the first domestic case of African swine fever (ASF) was diagnosed in Brandenburg in early September. At the end of October, cases of ASF were also detected in Saxony. China and other countries suspended imports of German pork as a result. A sharp drop in prices for slaughter pigs then followed. However, the unsatisfactory price development for pork even before the outbreak of ASF led to the closure of many pig fattening farms and the continuation of the concentration process in the industry. Coronavirus disease outbreaks among slaughterhouse workers, which resulted in temporary closures and in turn led to backlogs and disruptions in supply chains, put additional pressure on the industry. On top of that, the pandemic caused a massive drop in demand for agricultural products from gastronomy, and this was only partially compensated for through higher consumption by private households. Poultry farmers in Northern Germany also had to deal with the risk of viral disease in their flocks in the form of avian flu in the last quarter of 2020. At the start of November 2020, avian flu appeared for the first time in a German poultry flock in Northern Friesland, following incidents in the Netherlands.

A requirement to confine poultry indoors applied throughout Schleswig-Holstein from 10 November. The disease subsequently spread across the region and led to drastic measures including the culling of more than 350,000 poultry in Lower Saxony alone by the end of January 2021. However, the rearing of laying hens remains a growth market in Germany. The planned amendment to the TA Luft (Technical Instructions on Air Quality Control) by the Federal Government drew criticism from many quarters because it would add to the growing economic pressure placed on livestock farms due to pending animal welfare measures. German farms would have to accept certain disadvantages compared to European neighbours as a result of stricter requirements, e.g. investment in stables.

Agricultural machinery

Over the first six months of the year, the tractor market in Europe declined by 12.08 per cent compared to the same period from the previous year, with 89,105 new registrations, 65,549 of which were over 50 HP. Registration figures in Germany shrank by only 2.75 per cent. The second half of the year saw a clear upswing. At the end of the year, the statistics for Germany recorded a total of 25,014 newly registered tractors over 50 HP, 11.5 per cent more than in the previous year (22,427). The value of agricultural machinery produced in Germany increased by 5 per cent in 2020, reaching a record high of EUR 9 billion.

Biogas

The industry experienced some upheaval in 2020 as many plants faced losing eligibility for funding under the Renewable Energy Sources Act (EEG) from 2021 following the end of the 20-year support period. While the number of new plants remained stable, around 250 plants were decommissioned in 2020. This meant a net dismantling figure of over 160 plants. However, the amendment to the EEG passed in 2020 continues to give biomass electricity some future prospects even if not to the extent desired by the industry.

Development of organic sector

The cultivation area for organic grain stood at around 360,000 hectares in 2020 and harvest yields exceeded the 1-million-tonne mark for the first time. While there was strong demand for spelt, which resulted in very high prices, the market for organic feed grain again came under severe pressure. This was down to the large volume of goods in conversion. Overall, the share of organic area has increased to more than 10 per cent. According to the Farmers' Association, more than 15 per cent of German farmers are showing an interest in organic conversion.

Economic situation in agriculture

The economic situation on many farms was tense. Although the incomes of agricultural operations improved significantly in business year 2019/2020 compared to the poor previous year (plus 13 per cent), the individual segments had differing fortunes. While significantly higher profits were enjoyed by processors in the past business year, they fell for dairy farms and cattle fattening farmers. There was only a slight increase for arable farmers. And the trajectory in the first half of business year 2020/2021 is already clearly pointing downwards again due to the coronavirus pandemic, ASF and political requirements. The structural change in agriculture also continued in 2020. With a total of 262,000 operations, farm figures were down two per cent compared to the previous year according to 2020 statistics. The number of people employed in agriculture and forestry decreased by about 17,000 to 582,000 on the previous year. Uncertain framework conditions in 2020 also led to a reluctance to invest, especially in agricultural livestock farming. Less than one third of farms were planning to make any investments over the next six months, calculated from September 2020. Arable farms assessed the future outlook as relatively good, while dairy farmers and especially pig fattening operations were rather cautious or negative about their future. The production value of German agriculture fell by 3.8 per cent in 2020 according to preliminary data from the Federal Information Centre for Agriculture (BZL). The effects of the drought continued to be felt in different segments including in grain production (EUR 7 billion, minus 2.7 per cent compared to the previous year). The value of livestock production dropped to EUR 14.4 billion. Livestock numbers in pig farming declined while poultry farmers suffered regional losses following the outbreak of avian flu.

Political framework conditions

The Fertiliser Ordinance was amended in May 2020, and since 1 January 2021 the so-called red areas, where excessive nitrate levels are present, were designated nationwide. Lower Saxony had already re-designated these areas at the end of November 2020, reducing the figure of arable land from 39 to 31 per cent. This reduction pointed to a decrease in the use of mineral fertilisers. Subsequently, figures from the first months of business year 2020/2021 also showed a downward trend in fertiliser sales. For nitrogen fertiliser alone, the reduction was 1.4 per cent from July to September 2020 compared to the same period from the previous year. Sales of phosphatic fertilisers fell by 12.4 per cent, potash fertilisers by 8.0 per cent. In May 2020, the EU Commission presented its "Green Deal" with the goal of achieving sustainable food production in the member states by 2030. The "Farm to Fork" and biodiversity strategies contained therein aim, among other things, to halve the use of antibiotics and crop protection products by the end of the decade. In addition, the European Crop Protection Association (ECPA) presented its "2030 Commitments". The companies organised in the association committed to investing a total of EUR 14 billion by 2030: EUR 10 billion in digitalisation and precision farming and another EUR 4 billion in organic crop protection. In October 2020, the 27 member states agreed in principle on a reform of the Common Agricultural Policy (CAP) in the EU Agriculture Council. A key point was a new organic regulation according to which, after a two-year transitional period, the EU states must each use at least 20 per cent of the funds from the first pillar (direct payments) for ecological measures on environmental and climate protection. In Germany, this equates to around EUR 1 billion. The new CAP rules are set to become part of national law from 2023. Until then, there will be a transitional phase during which the current rules still apply.

Significant events during the financial year

Participation certificates strengthen equity capital

AGRAVIS Raiffeisen AG once again issued participation certificates with a volume of EUR 60.2 million. They replace the participation rights capital issued in 2015 (EUR 36 million) as an additional source of financing and are again entered in the balance sheet as (economic) equity capital to strengthen the equity ratio. For AGRAVIS Raiffeisen AG, the strong demand indicates confidence in the solidity and balanced financial structure of the company. Three different tranches were offered: for shareholders and employees, for existing investors and for interested third parties. The participation certificates again have a term of five years, the interest rate is between 2.25 and 3.25 per cent. AGRAVIS Raiffeisen AG uses the capital realised in this way for the general financing of business operations.

Independent division for digitalisation

The AGRAVIS Group wants to specifically advance business and cooperative models of collaboration in the segment of digitalisation – clearly structured in terms of content, economically successful and with clear added value from the customer's perspective. To this end, an independent digitalisation division was created in the reporting year. It performs a cross-departmental function in close cooperation with the other AGRAVIS divisions, drives digital topics forward from a more general Group perspective and sets relevant priorities in this regard. The plan is to expand the three pillars "Digital Data and Processes", "Digital Product Management" and "Digital Sales" under the umbrella of the division. To make this possible and to standardise and streamline digital processes, first of all digital master data, product information management (PIM) and cooperative solutions within the Group need to be developed further. Meanwhile, the task of developing digital business models and implementing them in the market will require a joint effort. The main focus here is on the myfarmvis customer portal. Together with cooperatives and suppliers, the plan is to bundle digital offers including practical application tools, news and event management in this portal so that myfarmvis can become the digital gateway for agriculture. Further modules will complete the portfolio in the future. In digital sales, the initial focus will be on NetFarming products: innovative technologies combined with plant cultivation and technical know-how.

Cooperative trade in construction materials strengthened

With respect to trade in construction materials, the AGRAVIS Group has placed its activities on a broader cooperative basis. AGRAVIS builders' merchant outlets in Westphalia – with locations in Münster-Amelsbüren, Lüdinghausen and Dülmen – were transferred to a cooperative joint venture, AGRAVIS Baustoffhandel GmbH & Co. KG, effective 1 August 2020. Alongside AGRAVIS, the co-partners are RWG Haltern eG, Raiffeisen Hohe Mark Hamaland eG, Raiffeisen Maria-Veen-Lette eG, Raiffeisen Emscher-Lippe eG and Raiffeisen Münster LAND eG. The aim was to further strengthen the cooperative association also in the area of trade in construction materials. Responsibility for end customer business is now in the hands of the cooperative partners. There is also a secure cooperative future for the three builders' merchant outlets in the Emsland district. The locations in Rhede, Sögel and Esterwegen retain growth prospects through the transfer to GS agri eG on 1 September 2020. In addition to the various trading outlets in Lower Saxony, from now on AGRAVIS Raiffeisen AG will concentrate on bundling its purchasing activities in Regio Baustoffe GmbH & Co. KG where 14 cooperatives have a stake.

Efficient unit AGRAVIS Ost

Former agricultural trading companies of the AGRAVIS Group located in the eastern federal states – Baro Lagerhaus GmbH & Co. KG, AGRAVIS Fläming-Mittelelbe GmbH and FGL Handelsgesellschaft mbH – have been operating their business together as AGRAVIS Ost GmbH & Co. KG since 1 December 2020. As a result, AGRAVIS has become even more recognisable in the federal states of Saxony-Anhalt, Brandenburg, Thuringia and Saxony. AGRAVIS Ost conducts direct business with agriculture in its operational area. Main activities include collecting and distributing agricultural products, storing and processing grain and seed, supplying agricultural goods, producing and distributing feedstuffs and conducting extensive energy business. A workforce of more than 700 employees provides a package of services specifically tailored to customer needs at the 75 high-performance locations.

The AGRAVIS Group is a driver of digitalisation and offers cooperative solutions.

Working in pandemic mode

Since March 2020, the AGRAVIS Group has been working in full-time "pandemic mode", and this has also been the case in the first few months of financial year 2021. First and foremost, protecting the health of employees and customers was the main priority. As a result of the coronavirus pandemic, work processes had to be changed almost overnight and mobile working has now become commonplace within the company. Shift systems were introduced in commercial areas which also meant a strict separation of employees and locations. The AGRAVIS internal crisis team met at regular intervals and kept a close eye on current developments. The latest information available and decisions taken by the crisis team were communicated promptly to management and regularly published on the Intranet enabling employees to take action when required. The company always took its lead from the Robert Koch Institute. The effects of the two lockdown phases in the spring and at the turn of 2020/2021 for the AGRAVIS Group, particularly with regard to reduced working hours in affected areas, were also proactively identified by the crisis team so that swift and necessary measures could be taken. Classified as an essential business, the AGRAVIS Group was able to maintain its core business activities over the course of the entire financial year. Restrictions remained in place on a regional basis over temporary periods of time. This is shown by the low level of reduced working hours and the small number of applications for reimbursement under the Infection Protection Act.

Strong Together.

For Agriculture and Life.


Energie fürs Leben.
AGRAVIS

Conclusion of fines proceedings

At the end of 2019, AGRAVIS Raiffeisen AG decided to bring to an end the antitrust proceedings on crop protection through an amicable out-of-court settlement with the Federal Cartel Office. At the beginning of the reporting year, the associated fine of EUR 43.7 million was paid to the Federal Treasury. This figure had already been fully absorbed in the annual accounts of 2019. An internal assessment confirmed that reserve requirements for potential compensation claims were not needed in the 2020 balance sheet.

Research and development

In research and product development, the AGRAVIS Group invested a total of around EUR 6.1 million in the past financial year (previous year: EUR 6.2 million). Of this, a share of 5.2 per cent was entered as assets in 2020. In the animal health segment, the Livisto Group obtained new authorisations for 147 products worldwide in the reporting year.

Overview of the course of business

The AGRAVIS Group had to spend large portions of financial year 2020 under coronavirus conditions. This required particular flexibility from employees in terms of customer contact and internal processes. Classified as an essential business, the company, together with the cooperative association, was able to maintain business operations in rural areas at all times and thus ensure supply function within the food chain. This meant that customers – farmers, cooperatives and mills – were assured of receiving a continuous supply of feed, grain and resources. The Raiffeisen markets and the agricultural machinery workshops also remained open throughout this period. Other influencing factors included yet another below-average harvest for the region due to drought and low prices, especially for energy and fertilisers. With the outbreak of African swine fever (ASF) in September and avian flu in November, there were further events that had an impact on livestock numbers and consequently on demand for feed. Overall, however, the financial year developed in line with predicted figures as a result of consciously conservative planning. Business with compound feed and special feed developed at a stable level.

In the east of the country, there was less grain recorded due to weather conditions, and this had an impact on turnover and earnings against the backdrop of strong competition. Sales of resources were also down on the previous year – partly due to the Fertiliser Ordinance. On the other hand, the Raiffeisen markets benefited from solid increases in turnover. In addition, trade in energy sources was positive for much of the financial year. Willingness on the part of agricultural operations to invest in agricultural machinery proved to be robust. At 11.5 million tonnes, volume sales in the animals segment, in fertilisers, agricultural products and energy were again slightly down on the previous year (12.2 million tonnes). Annual turnover generated by the AGRAVIS Group was approx. EUR 6.4 billion (previous year: EUR 6.5 billion) and therefore met expectations. The target figure for earnings before tax was also reached. With a volume of EUR 46.7 million, investments in the core business, customer benefits and effective locations remained at a stable and respectable level compared to the previous year. It fell short of depreciation by EUR 2 million.

As planned, the AGRAVIS Group identified and executed numerous projects in financial year 2020 relevant to the self-imposed objectives of pursuing operational excellence (OPEX) and sales offensive strategies. Examples include the bundling of compound feed sales in AGRAVIS Mischfutter West GmbH from 1 April 2020, restructuring measures in plant cultivation, increased focus on customer contact and market requirements in the agricultural products segment as well as a new management structure in AGRAVIS machinery oriented towards brand responsibility. The figures of 163 affiliated and associated companies, which operate primarily in the German market but also at an international level, are not included in the consolidated turnover. Also listed as associated companies are those affiliated with Danish Agro a.m.b.a.: DV AGRAVIS International Holding A/S, DA AGRAVIS Machinery Holding A/S and Vilomix Holding A/S. Together, they achieved a turnover figure of EUR 2.5 billion in 2020 (previous year: around EUR 2 billion). With an ROS of 1.04 per cent (previous year: 1.0 per cent, share in earnings of AGRAVIS: EUR 6.5 million), they were again more profitable compared to the AGRAVIS Group. However, the affiliated company Ceravis AG again finished the year with a clearly negative result – we are still waiting for the turnaround.

Product turnover of business segments
(specified in millions of euros)

Business segment trends

Plants

Product turnover in the plants business segment fell slightly by 0.3 per cent to EUR 2,677 million compared to 2019 (previous year: EUR 2,684 million). This is primarily down to reduced resource use in agriculture caused by the very dry first half of the year in some regions, lower price levels in the fertiliser sector, weather-induced decline in grain and oilseed collections, especially in the east, lower service revenues and the stricter requirements of the Fertiliser Ordinance. In order to more closely link the operational product areas of crop protection, fertilisers, seeds and plant cultivation sales consultation as well as the subsidiary Terravis GmbH and to increase efficiency through leaner processes, the product areas in plant cultivation were combined into one overall area on 1 January 2020. This bundling strategy has resulted in an increase in customer and market orientation, sales and consultation are now more closely aligned, and at the same time the opportunities presented by digitalisation are being used extensively across all product areas. In the past financial year, the plant cultivation unit has identified and begun to implement the most important core topics. The goal is to increase sales performance through this strategy of collaboration in order to increase market share and market penetration. In addition to measures for operational excellence, another focus is on increasing gross profit through service revenues in order to secure profitability in plant cultivation over the long term.

The crop protection product area was able to consolidate its leading market position in the core commercial area of AGRAVIS. Sales in crop protection remained at a similar level to the previous year. Large sales volumes in the early months melted away as the year progressed due to the drought. This was particularly evident in sales of fungicides, growth regulators and insecticides. High treatment rates were possible thanks to the good weather conditions in the autumn. Similarly, the approval-related sale of fungicides containing epoxiconazole still led to respectable figures in the second half of the year. Sales volumes in the sub-segment foils, nets, yarns again matched figures from the previous year. The segment’s contribution to earnings remained slightly below expectations.

There was a noticeable drop in sales in the fertilisers product area due to the drought in the spring. Lower price levels for new seasonal or storage goods compared to the previous year also put pressure on sales. Storage behaviour for mineral fertilisers was positive in the second half of the year. Larger quantities were purchased in advance and stored when prices were low. Volume sales of nitrogen and phosphate fertilisers developed better than planned. Lime sales were positive. For the reasons outlined above, turnover was down on the previous year with an overall increase in volume sales, and earnings fell slightly short of expectations.

As planned, the seed product area was able to further expand its market position and market share in financial year 2020. The predicted increase in sales and earnings compared to the previous year was achieved. As previously, the focus was on the range of own exclusive varieties. Sales of summer grain were up on the previous year, and there was welcome demand for mixtures and grass seed, driven by the massive infestation of field mice which occurred in some regions, especially in the north. In addition, there was still an extensive need for reseeding in spring following two very dry years. The company consciously accepted declines in seed maize in the commodities segment against the backdrop of predatory pricing; meanwhile, the AGRAVIS range was able to hold its own. Seed rape activities developed positively overall with market share expanded and regained in the east of the country. Catch crops also enjoyed significant growth compared to the previous year.

Over the past financial year, plant cultivation sales consultation continued to make progress in developing the focus programmes with regionalised cultivation recommendations. This incorporated the findings and harvest yields from the trials conducted by AGRAVIS. As planned, the services portfolio was supplemented by sales consultation in feed composition in order to meet the special requirements of maize cultivation and grassland operations. Due to the coronavirus pandemic, in many cases, consultation activities were switched to digital events and smaller group events in the field. The pilot unit in the farm management segment developed along a positive trajectory over the past financial year in accordance with expectations. Terravis GmbH met its goal of consolidating its services business for operators of biogas plants in its core commercial areas of Lower Saxony and North Rhine-Westphalia and achieving further growth in the other regions and in exports. The targeted turnover growth in exports was not achieved as a result of the pandemic, but this failure was partially offset by gains in domestic market share. The result was better than the previous year and exceeded expectations.

Under new management, the agricultural products segment continued to focus on market and customer requirements in financial year 2020. It focuses on trade in grain and raw feed materials with cooperatives and trade with mills and the compound feed industry. The sales offensive strategy began to bear fruit in the agricultural products segment. Sales of agricultural commodities failed to reach the levels of the previous year, mainly due to lower maize imports from Ukraine. However, sales of domestic agricultural commodities did enjoy some growth compared to the previous year. The increase in exchange and spot market prices in the EU during 2020 led to a growth in turnover, especially in the raw feed materials sector. In the grain segment, the main focus was on supplying the cooperative plants with feed grain, while sales with other processors were reduced having weighed up risks involved. In addition, volume sales were down due to the fact that the import demand for maize declined in Germany as mentioned above. A similar development was also seen in the raw feed materials sector. While the use of soybean meal in feed mixes continued to decline slightly, as in previous years, sales of by-products such as rapeseed meal stabilised at the level of previous years. Overall, however, turnover increased due to rising prices in raw feed materials markets. This was down in part to the effects of the coronavirus pandemic as reduced oilseed processing in the EU led to a temporary shortage in the supply of rapeseed meal. Oilseed trade in the 2020 calendar year remained slightly below figures from the previous year. Focus on rapeseed collection from the core regions of the AGRAVIS area was the main reason for this. The result in oilseed trading was stabilised as a result. Thanks to the introduction of some positive measures, the segment managed to achieve its targeted positive contribution to earnings from December 2020, and this meant that the turnaround could begin.

Business segment: Animals

In the animals segment, consisting of the three pillars of compound feed, special feed and animal health, product turnover increased slightly by 0.2 per cent to EUR 1,270 million (previous year: EUR 1,268 million). In the compound feed division, slightly reduced production tonnage was reported in the Group company plants compared to the previous year. Almost 3.2 million tonnes were produced at the 17 locations of the Group companies (previous year: 3.2 million tonnes). If you add the affiliated companies, annual tonnage remained at a consistent 4.9 million tonnes approx. Pig feed production at Group plants fell by 4.1 per cent. This was the result of falling animal numbers due to the drop in prices caused by the African swine fever and a modified product mix with an increased focus towards more protein concentrates. In the cattle feed segment, the further decline in animal numbers, due in part to the low price of milk, is one of the reasons for the 3.6 per cent drop in production volumes at Group locations. In poultry feed, the 1.4 per cent increase in volumes produced in the Group companies can be attributed to the intensive focus on this segment in order to expand market shares. Overall, high capacity utilisation was maintained at Group-own and cooperative plants. The envisaged cooperative model of collaboration for AGRAVIS Kraftfutter Rhein-Main GmbH was launched with three cooperatives initially at the start of 2020. Meanwhile, the AGRAVIS Group has managed to further increase its market and customer orientation in the compound feed business. On 1 April 2020, the three formerly individual sales companies AGRAVIS Mischfutter Westfalen GmbH, AGRAVIS Mischfutter Emsland GmbH and AGRAVIS Futtermittel Rhein-Main GmbH merged to become AGRAVIS Mischfutter West GmbH. Consolidated profit for compound feed was solid but still below the figure from the previous year.

In the special feed segment, the established brands of Profuma Spezialfutterwerke GmbH & Co. KG and Equovis GmbH performed well at a national level. Export activities were affected by the coronavirus restrictions only to a small extent. Profuma recorded higher sales of mineral feed compared to the previous year. Development struggled compared to 2019 in the milk replacer sector. Hygiene products of the own brand Desintec made good progress in terms of turnover and earnings. Profuma managed to expand its sales business in southern Germany as planned. Equovis GmbH was able to further increase sales in horse feed. Volumes in the hobby farming segment remained at a very good level. The pet food sector also developed positively. The online brand shop showed healthy growth in line with the forecast. E-commerce activities in the entire special feed segment enjoyed positive growth overall. With a slight decline overall in sales revenues in the special feed segment, contribution to earnings developed strongly. In the special feeds market, merchandise business was impressive for much of the year, especially with vitamins and amino acids. Prices levels started to come under pressure towards the end of the year. With stable turnover, the earnings situation compared very favourably with the previous year.

In the animal medicine segment, the targeted increase in turnover was achieved in 2020. The operating result showed a markedly positive development. The earnings situation improved by 15 per cent but was severely impacted by the coronavirus pandemic in the growth markets and by exchange rate effects on the rouble. The turnover share of small animal products was further increased according to plan. The development of new products in this segment remains a priority.

Business segment: Machinery

Despite another 12 months of challenging framework conditions, the AGRAVIS Group made significant gains in turnover and earnings in the machinery segment compared to the previous year. Product turnover rose by 12.1 per cent to EUR 973 million (previous year: EUR 868 million). New machinery business for tractors enjoyed a noticeable increase compared to 2019. Results were mixed in the used farm machinery sector. The German market remained very stable whereas the Eastern European export business in particular went backwards due to the coronavirus pandemic and the associated consequences. Development in the after-sales business also showed clear improvement compared to the previous year. Increased demand led to a good utilisation of the open-brand workshops, which remained fully operational throughout the pandemic and consistently adjusted their internal processes accordingly. AGRAVIS Technik also enjoyed above-average growth in the spare parts business. The new web shop ATStore24 went online as planned in April 2020. Customers benefit from this addition to bricks-and-mortar branch trade through 24/7 accessibility and rapid availability of products. As part of the omnichannel strategy, the shop aims to supply the complete range of AGRAVIS Machinery spare parts going forward. Customers could already search for and order an impressive seven million articles just after the launch.

AGRAVIS Technik is currently testing integrated added-value concepts together with AGRAVIS Plant Cultivation Sales Consultation at the AGRAVIS Future Farm in Suderburg/Lower Saxony. The trials were significantly expanded at this location in 2020. The smart farming activities of AGRAVIS Digital GmbH are also closely linked to the Future Farm. The in-house NetFarming modules were used in addition to technologies from other partners. Equipment from Precision Planting is one such example. The smart farming offers are gradually being integrated into the newly created digitalisation segment.

AGRAVIS Technik again invested in the potential of its network of locations in 2020. A new branch of AGRAVIS Technik Hessen-Pfalz GmbH was opened in Saulheim. The Newtec Group, which is part of AGRAVIS Technik, expanded its location in Syke-Heiligenfelde. At the same time, forward-looking positioning in the regional agricultural machinery market received further impetus: On 1 August 2020, NH Agrartechnik GmbH with its two locations in Sieversdorf and Schönebeck merged with Newtec Ost. The former AGRAVIS Technik Weser-Aller GmbH and AGRAVIS Technik Raiffeisen GmbH, both located in Lower Saxony, have been operating together since 1 July 2020. By merging into AGRAVIS Technik Raiffeisen GmbH, they are bundling their services to provide their customers with nationwide coverage. At the end of 2020, as part of the strategy to streamline the portfolio, AGRAVIS Technik sold the truck division from FS Trucks GmbH and also disposed of its shares in the previous affiliated companies Raiffeisen Technik Nord-West GmbH and Landtechnikzentrum Alsfeld GmbH.

Business segment: Retailing

The retailing segment was able to continue the consistent growth of the previous years in 2020. Product turnover increased significantly rising by 19.4 per cent to EUR 350 million (previous year: EUR 293 million). Contribution to earnings also increased compared to last year. Drivers of this positive development included, in particular, above-average sales growth in the bricks-and-mortar Raiffeisen markets within the Terres cooperation, which developed well above the average in the German retail sector, as well as the high click and purchase figures in the online shop raiffeisenmarkt.de. At the same time, many online users also found their way to the bricks-and-mortar Raiffeisen markets via initial contact on the net. The retail business of the Group company AGRAVIS Raiffeisen-Markt GmbH also exceeded expectations. The coronavirus pandemic actually helped sales here. The omnichannel strategy in the retailing segment is proving its worth – regardless of the coronavirus pandemic, because the fact that customers are using all channels available and view the Raiffeisen markets as a single entity, both in bricks-and-mortar and online trade, was already measurable before the pandemic.

The targeted increase in turnover rate on the floor as part of the sales offensive strategy for 2020 was achieved. Strong own brands accounted for 28 per cent of turnover meaning that the target for 2020 was also fully met. AGRAVIS Raiffeisen-Markt GmbH did not open any new stores in the reporting year due to the pandemic, but it did invest in its existing network of locations. In the Rhineland region, however, further AGRAVIS Raiffeisen Markt GmbH stores made the successful switch to the Terres shop construction concept at the Lebach, Michelstadt and Wittlich locations. Initial growth impetus was also generated in the third-party business.

The sale of builders' merchant outlets in Münsterland and Emsland to cooperative partners, which took place on 1 August and 1 September 2020 respectively, had a proportionate impact on sales and earnings in the retailing business segment. Instead, the AGRAVIS Group is focusing on bundling purchasing activities in Regio Baustoffe GmbH & Co. KG and on end customer business in Lower Saxony.

Business segment: Energy

The coronavirus pandemic had a massive impact on the energy segment. Product turnover fell by 16.2 per cent to EUR 1,051 million compared to 2019 due to price (previous year: EUR 1,255 million). Price drops on the crude-oil markets resulted in – contrary to expectations – exceptional figures for heating oil sales and increased contract business in diesel. Petrol stations were classified as an essential business for individual road users, the service sector and transport during the coronavirus crisis. Nevertheless, fuel sales plummeted by 20 to 40 per cent regionally during the first lockdown. Rural areas were less affected by this development than urban centres. In line with expectations, the petrol station service centre managed to expand project business with high cooperative participation. The lubricants business with own brand Tectrol remained stable despite limited field service activities. The affiliated company Raiffeisen Bio-Brennstoffe GmbH (RBB) managed to continue its expected growth in the wood pellets business (RPellets), and sales prospects were significantly strengthened through expansion of the shareholder structure.

Overall, the energy business segment, which was under new management since the middle of the year, stayed true to its strategy of consolidating its own market position through active participation in structural change, further strategic partnerships, additional sales activities and a continuous focus on professionalisation throughout the reporting year. Networking within the cooperative association was also expanded. The sales offensive in southern Germany had a stronger impact than anticipated. Contribution to earnings in the energy business segment exceeded the figure from the previous year and the target level.

Sales channels

The AGRAVIS Group operates three major sales channels including digital sales channels. Wholesale retail with regional Raiffeisen cooperatives achieved turnover of EUR 1.6 billion in financial year 2020 (previous year: EUR 1.8 billion). Direct agricultural trade with agriculture and agricultural machinery business generated turnover of EUR 2.9 billion (previous year: EUR 2.8 billion). EUR 1.9 billion (previous year: EUR 1.9 billion) was the figure generated in trade with industry and mills, along with exports. Lower turnover in the wholesale business can be attributed primarily to declines in the agricultural products segment both in terms of volume and value as well as price-related declines in the fertiliser and energy product areas as quantities increased.

The AGRAVIS Group operates as a wholesaler for the regional Raiffeisen cooperatives. The legally independent cooperatives trade on-site with the agricultural sector and consumers in rural areas. The Group recognises the decisive competitive advantage and unique selling point of the cooperative association because only it possesses extensive expertise in all areas of agriculture and has direct access to the farms. The AGRAVIS Group sees itself as a hub within this cooperative association and intends to take on a leading role in the development towards becoming a digital agricultural trader within and for the cooperative association. In regions without regional Raiffeisen cooperatives, Group and affiliated companies of AGRAVIS conduct direct business with agriculture. The former operating companies in the federal states of Saxony-Anhalt, Brandenburg, Thuringia and Saxony – Baro Lagerhaus GmbH & Co. KG, AGRAVIS Fläming-Mittelelbe GmbH and FGL Handelsgesellschaft mbH – have been operating their business together as AGRAVIS Ost GmbH & Co. KG since 1 December 2020. They achieved a turnover figure of EUR 1.7 billion in 2020 before consolidation (previous year: EUR 1.6 billion).

Contribution to earnings was higher than the previous year's figure and just below the target. This was mainly due to the lack of collection volumes for the grain harvest caused by yet another drought in the eastern part of the country as well as tense competition in the grain business. Lower revenues for agricultural services also failed to fully offset the increases in earnings in other areas such as feedstuffs and energy.

The four subsidiaries and seven affiliated companies of AGRAVIS Agrarholding GmbH that chiefly cover the central and western commercial area of AGRAVIS ("AGRAVIS Mitte-West") achieved an annual turnover of EUR 0.9 billion (previous year: EUR 0.9 billion). However, there was a major increase in earnings compared to 2019. Almost all companies exceeded profit expectations, too. Lower earnings from traditional agribusiness were more than compensated for by higher consolidated profit in other segments, especially energy and retail. A number of restructuring measures were successfully implemented in 2020. For example, the operating business of AGRAVIS Bamberg GmbH was sold effective 1 March 2020.

The AGRAVIS Group acquired all shares in Landhandel Rörig/Hartig in North Hesse before this company merged with AGRAVIS Kornhaus Ostwestfalen GmbH to become AGRAVIS Westfalen-Hessen GmbH with retroactive effect from 1 January 2020. Furthermore, AGRAVIS Niedersachsen-Süd GmbH took over the merchandise business of Raiffeisen-Volksbank Neustadt eG on 1 July 2020.

Financial performance indicators

AGRAVIS uses the following key figures to monitor the Group:
- Turnover
- EBT/earnings before tax
- Operating EBIT
- Equity capital ratio

As already shown, Group turnover amounted to EUR 6.4 billion in financial year 2020 (previous year: EUR 6.5 billion, planned: EUR 6.2 billion). This helped consolidate the Group's strong market position in German agricultural trade. Turnover stabilised at a high level in accordance with expectations despite the challenges described. A turnover figure of EUR 6.2 billion is the target for 2021. The planned figure for earnings before tax was also achieved with EUR 30.5 million (previous year: minus EUR 20.5 million, target: EUR 30.2 million). Thanks to the positive result of EUR 22.1 million achieved by the Group parent company AGRAVIS Raiffeisen AG, a dividend payout to shareholders of AGRAVIS Raiffeisen AG is now possible again. For financial year 2021, the AGRAVIS Group expects to be able to achieve a similar figure for operating earnings before tax (EUR 31.6 million). However, the special "Dock" and digitalisation projects will reduce earnings before tax with one-off expenses totalling EUR 9.4 million.

With the operating EBIT, another financial performance indicator was introduced in 2017 to provide more transparency of the Group's operating earning power. In the case of operating EBIT, this is EBIT used in financial reporting that is adjusted for the neutral result as well as additional one-off, non-recurring costs and income. Operating EBIT was EUR 70.1 million in the reporting year (previous year: EUR 45 million, planned: EUR 56 million). EUR 73.9 million is the expected figure for financial year 2021. The equity ratio rose again in line with expectations: from 27.4 to 29.6 per cent. The issuance of new participation certificates with a volume of EUR 60.2 million had a positive effect here, easily surpassing the volume of expired profit participation rights from 2015 (EUR 36 million). In terms of the equity ratio, the aim was to get close to the 30 per cent mark, and this was therefore achieved. The equity ratio is again expected to exceed the 30 per cent threshold in 2021 (30.3 per cent), as has been the case for several financial years. In financial year 2021, new participation certificates are set to replace those issued in 2016 in at least the same amount. The financial performance indicators are continuously monitored and optimised. The AGRAVIS Group also uses non-financial performance indicators as assessment criteria (see Section 6.3 "HR report").

Earnings situation

Group turnover of around EUR 6.4 billion remained stable compared to the previous year. This meant that turnover growth was basically within the expected range. Other operating income increased by EUR 5.6 million to EUR 39.6 million. This is mainly down to the realisation of goodwill as part of the sale of construction materials activities. Provisions accrued in previous years were released in the order of EUR 7.8 million (previous year: EUR 7.8 million). A gross profit of EUR 609 million was generated, which clearly surpassed the previous year by EUR 22 million.

Performance in the machinery, agricultural products and retail (markets) segments in particular was much improved based on an expected overachievement in turnovers. In the administrative units and service areas, clear cost savings also contributed to the overall improved result. Personnel costs increased only slightly to EUR 330 million. Depreciation of intangible assets and tangible fixed assets of EUR 49 million were at an almost identical level to the previous year. The planned investment volume is expected to result in a further increase in the depreciation value over the next few years. Other operating expenses fell by EUR 21 million to a "normal level" of EUR 182 million. The financial result continues to have a significant influence over the overall results for the Group. At minus EUR 16 million, this is a marked improvement compared to the previous year. The Group recorded a consolidated net income of EUR 12.1 million (previous year: net loss of EUR 26.4 million). This led to an ROS of 0.5 per cent and return on equity capital of 5.3 per cent. The tax rate stood at 60.2 per cent. This can be attributed to the non-deductible provisions for contingent losses which grew significantly in this year. These key figures could not be shown meaningfully in the previous year owing to the losses suffered as a result of the antitrust fine.

Financial position

Investments 2020

Investments in intangible assets and property, plant and equipment by the AGRAVIS Group amounted to EUR 46.7 million in the past financial year (previous year: EUR 47 million). Depreciation stood at EUR 48.7 million, EUR 1.4 million below the target figure. With the investments made in 2020, the Group has further strengthened its core business and expanded customer proximity and customer benefits – however, massive investments were also made in digital projects such as the introduction of a standardised ERP landscape for the Group. Expenditure here amounted to the largest investment project in 2020. In terms of investments made at the various locations, projects included takeovers at the facilities AGRAVIS Ost in Mühlberg and Mehltheuer, a new bagging up system and a palletiser for the feedstuff plant of Profuma Spezialfutter GmbH & Co. KG in Minden.

Cash flow

The cash flow of the financial year, generated according to German accounting standard no. 21 (DRS 21), shows improved cash inflow from ongoing business activities, an increase in investment activities and a repayment of external finance consistent with the high level of the previous year in the balance. Based on consolidated net income, which at EUR 12.1 million was EUR 38.6 million higher, the EUR 13.0 million increase in positive cash flow from ongoing business activities can be attributed mainly to the fact that funds tied up in the Group's current assets were significantly reduced with a simultaneous drop in operating liabilities and counteracting increase in Group provisions. The outflow of funds from investment activities increased by EUR 6.0 million compared to the previous year. In the process, the AGRAVIS Group invested EUR 15.5 million in intangible assets, especially in digital products. At EUR 31.2 million, expenditure on property, plant and equipment was slightly down on the previous year's level of EUR 31.9 million. The increase in payments from disinvestments in property, plant and equipment at EUR 18.2 million (previous year: EUR 7.9 million) can be attributed to the transfer of locations – belonging to trade in construction materials – to a cooperative partnership. The reduced inflow of funds from the disposal of financial assets (minus EUR 18.4 million) is down to the drop in reserves of EUR 17.0 million at IGS Immobiliengesellschaft Sachsen mbH. This took place in the previous comparative period. The increase of shares in AGRAVIS Westfalen-Hessen GmbH, which was included in the group of consolidated subsidiaries, led to the commitment of financial resources for additions to the consolidated group in the amount of EUR 2.9 million.

The successful issuance of new participation rights capital – exceeded repayment of participation rights issued for the first time in financial year 2015 by EUR 24.3 million – essentially characterised the cash flow from financing activities in the reporting period. Another significant influence on the financing activities of the AGRAVIS Group was the balance from the increased repayment of existing financial loans and the reduced issuance of new financial loans, which saw an increase of EUR 31.8 million compared to the previous year. There were no dividend payments due to the earnings situation of AGRAVIS Raiffeisen AG from the previous year. The level of interest payments increased slightly compared to the previous year and had an effect of minus EUR 24.6 million on the cash flow from financing activities.

Liquidity and financing

Financial management at AGRAVIS provides the necessary financial resources for the Group at all times. Risks from changes in interest rates, currencies and prices are limited using appropriate hedging instruments. At no time does the finance division take up speculative positions. Its task is rather to achieve optimisation through the use of Group-wide measures such as cash pooling.

A fundamental principle of financial management at AGRAVIS is the consideration of matching maturities. Long-term loans to finance investment in fixed assets are structured as repayment loans without the risk of a change in the interest rate. Borrowing is almost exclusively in EUR, whilst foreign subsidiaries take on smaller loans in local currency (CHF, RUB) and in the reserve currency (USD). The limitation of the interest rate risk is managed exclusively via simple derivative instruments (so-called "plain vanilla" instruments). The hedge ratio stands at almost 81 per cent (previous year: 83 per cent). The financing sources of the Group are the aforementioned syndicated loan of now EUR 650 million secured at the end of 2019 (maturing in December 2024 with two one-year renewal options and a variable rate based on Euribor), the unchanged promissory note bond for a total of EUR 59 million (previous year: EUR 88 million; terms of five and seven years, without the risk of a change in the interest rate), EUR 95 million from the likewise unchanged accounts receivable facility (asset-backed securities) and EUR 200 million from reverse repurchase agreements in connection with products.

The financing structure is continually reviewed and is appropriate for the company. Solvency was ensured at all times; the existing liquidity headroom having never fully been utilised during the reference year. The extensive regulatory framework is meticulously complied with. The relationship with the funding partners is unchanged in terms of both partnership and trust. Follow-up financing is jointly organised in this way in good time.

Asset position

In 2020, the AGRAVIS Group invested close to EUR 47 million (previous year: EUR 47 million) in intangible assets and property, plant and equipment: EUR 14 million in intangible assets, EUR 10 million in land, land rights and buildings, and EUR 18 million in plant, machinery and factory and office equipment as well as EUR 4 million in advance payments. Across the business segments, the focus remained on expanding locations at the agricultural centres and machinery companies. The ultimate goal of the investments was to increase efficiency and quality. In 2020, the balance sheet structure was characterised by the reduction of current assets by 3.3 per cent to EUR 1,217 million (previous year: EUR 1,250 million) following the reduction in fixed assets by about EUR 5 million.

Equity capital increase by EUR 34 million to EUR 578 million after the decline in 2019 (previous year: EUR 544 million). This was down to the positive annual result and the increase in participation rights capital to EUR 90 million (previous year: EUR 66 million). The equity ratio again achieved a value of 29.6 per cent and therefore hit the long-term target of the AGRAVIS Group, which ultimately would like to reach the 30 per cent mark on a consistent basis. Provisions increased slightly by 15 per cent or around EUR 31 million to EUR 233 million (previous year: EUR 202 million). This increase was due to tax provisions and other provisions accrued according to the principle of prudence. Liabilities owed to credit institutes were reduced by EUR 50 million to EUR 648 million (previous year: EUR 698 million). This is another success of the strict working capital management.

Composition of capital

At the end of financial year 2020, the subscribed capital of AGRAVIS Raiffeisen AG, as the Group parent company, stood at an unchanged EUR 205.5 million. The capital is divided into 8.03 million registered shares with restricted transferability (par value shares). Furthermore, the company further approved registered capital of EUR 12 million with a term until 8 May 2021 following a resolution of the General Meeting in 2019. No further shares were issued in financial year 2020 and after the balance sheet date. The AGRAVIS share has a book value of EUR 25.60. The issuance of new shares has been taking place at a price of EUR 61.50 since 9 May 2019. The value of the AGRAVIS share has therefore increased by around 140 per cent since the establishment of the company. The subscribed capital of the company at the end of the financial year 2020 was at 61.7 per cent in the ownership of the cooperatives and cooperative companies respectively. Natural persons and legal entities associated with the industry together held the remaining 28.3 per cent of shares on key date 31 December 2020. In addition, farms held 4.8 per cent and employees 4.9 per cent stakes in AGRAVIS Raiffeisen AG at this time. At the end of the reporting year, the company held 0.3 per cent of its treasury shares. These details are referred to in the annex.

For financial year 2020, the Board of Directors and the Supervisory Board propose a dividend payout to shareholders of EUR 1.02 per share. The acquisition of registered shares with restricted transferability, in accordance with Section 68(2) of the Stock Act in connection with Section 3(3) of the Articles of Association from the AGRAVIS Raiffeisen AG, are subject to the consent of the Board of Directors. Other restrictions are regulated in detail in the articles of association, in particular: capping of voting rights, minimum participation level for cooperatives and cooperative entities as well as maximum participation levels. The company's equity capital base was also further strengthened by the issuance of participation certificates. At EUR 60.2 million, a volume was reached that far exceeded that of the participation rights from 2015, which were repaid in the reporting year. Participation certificates are to be issued again in financial year 2021.

Overall assessment of the Board of Directors regarding the development of the business and the Group's position

Generally speaking, the AGRAVIS Group managed to close financial year 2020 on target. In addition to challenges that have existed for some time, this year was characterised in particular by the coronavirus pandemic, regional harvest losses due to the third consecutive year of drought, the consequences of African swine fever and avian flu as well as ever increasing political regulation. As a company classified as an essential business, the Group was able to fully meet its supply mandate and maintain supply chains at all times during the pandemic. Business segments and companies of the AGRAVIS Group held their own operationally and were able to consolidate and in some cases even increase market shares. This required a great deal of flexibility and willingness to adapt among employees because internal processes and customer interactions have changed considerably under the requirements due to the coronavirus pandemic. Nevertheless, even under these circumstances, the path of operational excellence with lean processes was maintained and duplicate structures could be dismantled at the same time.

The Group continued to successfully pursue its sales offensive strategy for attracting more business. All things considered, the financial year can be regarded as satisfactory given all the challenges faced. Also in terms of earnings before tax, the target of achieving at least EUR 30 million was again met in the reporting year following the one-off burden of the antitrust fine suffered in 2019. This underlines the basic philosophy of the AGRAVIS Group, namely to be consistently profitable and capable of retaining profits. And shareholders of AGRAVIS Raiffeisen AG can again expect a dividend on their shares. In financial year 2020, further steps were taken to meet the constantly growing demands of the market as well as our own claim to be a solution provider and driver of innovation for cooperatives and farms. As a 360-degree service provider with core business segments of plants, animals, machinery, construction, retailing and energy, the AGRAVIS Group has a unique selling point in the market. Committed, qualified employees, future-oriented products and services as well as efficient processes are the foundation for the ongoing change process. The AGRAVIS Group remains on a solid financing footing and has a stable shareholder structure.

6.3. HR report

Non-financial performance indicators

In what is a labour-intensive business model, the AGRAVIS Group takes due consideration of the role of employees in the form of the following non-financial performance indicators:

- Trainee quota
- Staff turnover rate
- Occupational safety.

Trainee quota

As a modern and attractive employer, the AGRAVIS Group offers many eligible young people based in rural areas an introduction to apprenticeships and working life. Apprenticeships are an integral part of promoting young talent in the Group. The company therefore ensures that medium and long-term personnel requirements can be met. The goal of apprenticeships is to develop suitably qualified junior staff and bind them to the company. With 576 trainees in 17 job profiles at the end of 2020 and a nearly identical trainee quota of 9.1 per cent when compared to the previous year, AGRAVIS emphasises its desire to bind young people to the company early on in order to confront the increasing lack of specialists.

Staff turnover rate

The AGRAVIS Group managed to keep staff turnover rates to a minimum in 2020, too, despite the current change process. The staff turnover rate dropped to 5.3 per cent in line with forecasts (previous year: 6.5 per cent).

Work safety

The Group company Veravis GmbH is committed to increasing occupational safety throughout the company. In 2020, the number of reportable accidents fell slightly from 151 to 148 in comparison to the previous year. The highest number of accidents (85, previous year: 104) occurred in agricultural machinery workshops, followed by the agricultural trade division (34, previous year: 28). The workplace safety campaign was continued in financial year 2020 in order to further raise awareness among managers and employees. The measures and checks implemented have further increased safety awareness. The occupational health and safety training of employees was carried out via an e-learning platform in a time- and cost-effective manner. Here, the main focus has been on aspects such as care and prevention of accidents. Employees are regularly reminded of the importance of this topic through comprehensive internal communication.

Other personnel strategies

Employees

On key date 31 December 2020, the AGRAVIS Group had a total of 6,336 employees on its books, 122 fewer than the same time the previous year. This decline can be attributed mainly to company disposals and the continued dismantling of duplicate structures. The employees work in over 400 locations in a variety of career fields. In terms of personnel, the company operates in an environment where it is important to position oneself as an attractive and trustworthy employer for applicants and existing staff. It needs to highlight and communicate these employer benefits both externally and internally in order to boost appeal and loyalty. In order to further increase the appeal of the company as an employer, a programme of benefits was introduced for all employees at the start of 2020 (corporate benefits).

> *As an employer, the AGRAVIS Group needs to be an attractive and trustworthy proposition for applicants.*

New direction for HR

A reorientation of the AGRAVIS Human Resources department was initiated following the results of a performance check conducted in April 2020, in which around 40 managers were surveyed. The aim is to become a strong service provider for all divisions and companies in the AGRAVIS Group, one that has a clear customer and service focus, offering a wide range of services for all matters relating to HR. The first part of this plan involves adjusting and modifying the services provided; the second part involves reorganising the department internally.

Going forward, HR partners, as they have been designated, will support internal customers and forward their queries to a competence centre. The competence centre consists of teams of experts who are deployed depending on the topic and task at hand. The competence centres "AG Brand and Recruiting", "Human Resources and Organisational Development", "HR IT and Reporting" and "Labour Law and Fundamental Questions" are currently being set up. The first competence centres will begin their work in early 2021 with the new structure and a revised service portfolio. The existing company health and safety management is also set to be reorganised under the umbrella term AGRAVIS Health & Safety Management and aims to provide more transparency of all the offers and services relating to the health of employees. Early successes or "quick wins" have already been achieved. For example, with the introduction of "JobRad-Leasing" and a systematic onboarding programme, two projects aimed at increasing employer appeal have already been rolled out at the start of 2021.

Onboarding is a concept used to systematically support new employees during their first few months in the job so that they can be integrated as quickly as possible into the new organisation and department. Core elements of onboarding include:

- structured support during first few months through dialogue with superiors,
- "mentor system" used to support new employees during training phase,
- clear communication, information and system-technical process control.

Employer appeal is significantly increased with the onboarding concept. The following objectives have been set:

- efficient and transparent processes in the preparation and training phase,
- clear rules on tasks and responsibilities for process participants,
- increased motivation and satisfaction for new employees,
- stronger identification with and increased loyalty to company.

HR strategy discussions

HR development and succession management are important and success-critical fields of action for HR, especially given the fact that there is a shortage of skilled workers. Already piloted and tested in 2019, the "HR strategy discussions", as they are known, were further expanded in 2020. In this context, HR management and HR development jointly approach departmental heads and management staff of AGRAVIS companies with reports and key figures. The analysis focuses on the expected development of age fluctuation over the next few years. The succession and development requirements are made transparent by way of a traffic light system. Among other things, potential succession plans are brought into focus in this context and HR development measures are initiated at an early stage. The "HR strategy discussions" therefore represent the hub for HR development, succession management and organisational development.

AGRAVIS Learning World

The measures already started in financial year 2019 to introduce the "AGRAVIS Learning World" with initial e-learning offers were further expanded in financial year 2020. Group employees now also have access to a growing number of e-learning courses from specialist areas and personnel development at regional locations. The "AGRAVIS Learning World" is thus becoming the central communication and management platform for new forms of learning and work. 21 instructions and guides were available at the end of the financial year. Since the start of 2020, around 20 new e-learning courses on soft and business skills have been added. Numerous other "classroom" formats have also been successfully transferred to the virtual space. This meant that training, coaching and learning could be continued despite contact restrictions. Utilisation of "AGRAVIS Learning World" contents for the cooperatives is in the pilot phase in collaboration with the Group company Veravis GmbH.

Percentage of female managers

The percentage of female managers at the AGRAVIS Group stood at almost 9 per cent at the end of financial year 2020. It is one of the Board of Directors' declared goals to increase the proportion of female managers. The aim is to ensure and make it clear that career success is possible in the Group irrespective of sex and that the company is an attractive employer for both men and women. It is incumbent upon all management staff within the AGRAVIS Group to pursue and achieve these goals.

"Dock" project for standardised processes

Around 130 AGRAVIS employees have been part of the core team for the long-term "Dock" project. The AGRAVIS Group started this project in 2019 in order to define new and more efficient cross-departmental processes and to bundle tasks. The goal is to:

- achieve increased customer orientation through intensified networking of common processes,
- ensure improved efficiency and quality by using standardised, automated processes for suppliers and customers,
- establish a uniform system landscape on an SAP basis;
- provide and use a platform for the innovative further development of business.

A number of milestones were achieved in financial year 2020 on the path to a standardised SAP process world in "Dock" project.

All IRIS POS systems at the agricultural centres and Group Raiffeisen markets were equipped with the new SAP POS systems before the planned change of merchandise management systems. Another project milestone was achieved in November when the SAP-based transportation management went live for piece goods. The comprehensive SAP solution can be used for planning and executing shipments, and also calculating the associated freight costs, as well as a collaboration platform in order to communicate with partners involved in the transportation process. Furthermore, potential solutions for a standardised process have been developed for all business processes of the AGRAVIS Group.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6.4. Corporate Social Responsibility

Responsible corporate governance

Trust is the bedrock of all business activities of the AGRAVIS Group – this applies to its relationship with all internal and external stakeholders. Through value-oriented, responsible and cooperative action, the company sees itself as a fundamental component for the development of society in rural areas. The value system is characterised by honesty, mutual respect and loyalty as well as sustainable business activity for people, animals and plants. Capable and responsible employees are committed to upholding these values.

Integrity and trust

AGRAVIS stands for trust and integrity.

The AGRAVIS Group stands for trust and integrity. As a prerequisite for this, employees need to be aware of our shared values and know what rules they need to observe. The code of conduct "Doing business in the green zone" is binding for all employees, as their appearance and actions have a particular effect on the image of the company, both internally and externally. In order to ensure an honest compliance culture within the Group, management in particular must be fully on board with compliance and practise it in their communications and conduct. They are the ones responsible for implementing the relevant rules in their respective areas of responsibility and for ensuring that no breaches occur which could have been avoided had the proper information and care been provided. At the same time, all employees are encouraged to bring up their concerns openly and directly. An internal compliance officer was appointed a few years ago to deal with such issues. An external ombudsman may be called upon at any time – anonymously, if desired.

Responsibility for the environment, nature and people

The AGRAVIS Group assumes maximum responsibility in the value chain. It supports sustainability and biodiversity activities as shown by the joint projects initiated with BASF in financial year 2020. The sustainable conservation of natural resources plays an important role in the company's production processes and product development and is something which society demands of modern agriculture. Illustrative of the efforts made by the AGRAVIS Group in this area are reduced energy consumption and carbon dioxide emissions in the fully consolidated feedstuff plants in addition to the nutrient-optimised feeding concepts and measures for increasing biodiversity described above. Energy consumption decreased by 3.4 per cent to 176,956,715 kilowatt hours in financial year 2020 compared to the previous year. Carbon dioxide emissions at these sites fell by 2.9 per cent to 60,396,263 kilograms in 2020. Energy consumption fell by 2.4 per cent and greenhouse gas emissions by 1.7 per cent per tonne of feedstuff produced compared to the previous year.

Responsibility for the community

AGRAVIS Raiffeisen AG and Group companies support clubs and associations through targeted sponsoring in their commercial areas. This also applies to events with agricultural target groups. On the one hand, the aim is to strengthen the AGRAVIS brand through presence at, for example, horse riding tournaments and to increase the company's visibility. On the other hand, the aim is to appeal to young people, young adults and families on an emotional level at sporting events and promote the image of the AGRAVIS Group. A good example of this is the AGRAVIS Cup in Oldenburg, one of the few face-to-face events that could actually take place in financial year 2020 despite the pandemic.

Among other things, this boosts sales at affiliated feedstuff companies and the regional Raiffeisen markets, thus also involving the Raiffeisen cooperatives in the context of the association. Values such as teamwork, responsibility and readiness to perform are particularly essential for success in horse riding. These values are also important components of the AGRAVIS corporate culture. From 2022, the AGRAVIS Group will also become the title sponsor of the long-standing horse riding tournament not too far from the company's headquarters in Münster. The AGRAVIS companies also demonstrated how seriously they take social responsibility through the continuation of its "Donations, not presents" project. Instead of giving Christmas presents to customers, AGRAVIS Raiffeisen AG as a parent company of the Group supported the charitable organisation "brotZeit e.V." which provides children with a healthy school breakfast.

6.5. Risk report

AGRAVIS distinguishes between the following types of risks:

- External risks
  - • Macroeconomic risks • Foreign currency risks
- Industry and market price risks
- Financial-sector risks
  - • Liquidity and financial risks • Credit risks • Interest rate risks
- Legal and regulatory risks
- Other risks
  - • IT risks • HR risks • Political risks

Principles of risk management

Risk management is a central component of AGRAVIS corporate governance. Standardised guidelines in accordance with the defined risk-bearing capacity apply to all trading units and the area of finance. They contain the maximum limits of risk to be taken. The individual areas regularly report on these risks. In addition, managers in the Group are obliged to immediately inform the Board of Directors as well as Controlling/Process Management of any new risks that arise.

Risk management

Risk management is organised centrally in the AGRAVIS Group. Against the backdrop of varying risk profiles, the responsibilities are regulated at all company levels and in all functional areas irrespective of value limits. Risk management contains the following process steps:

Risk identification

The Group constantly reviews macroeconomic and sectoral economic developments as well as internal corporate processes which may have an impact on the company’s position. AGRAVIS management uses the risk catalogue to identify individual risks.

Risk analysis and assessment

The risks are assessed for their potential extent of damage and probability of occurring. The extent of potential damage is expressed, as far as this is possible, in cost figures, and the effects are examined in view of the consequences for the financial position of the AGRAVIS Group.

Risk management

Assessment of identified risks forms the decision-making basis for AGRAVIS management to control risks. In particular, the assessment looks at whether risks can be avoided or mitigated through the adoption of suitable measures, transferred through the conclusion of certain agreements or whether they simply have to be accepted.

Reporting and risk monitoring

The risk reports drawn up by the trading units and by the controlling/process management and finance departments aid the AGRAVIS management team by documenting the risk-related processes and by continuously monitoring the potential risk existing within the Group. The European regulation “EMIR” (European Market Infrastructure Regulation) has introduced extensive obligations on strategy, organisation, processes and IT technology in the area of derivative management. The AGRAVIS Group is subject to audits as a non-financial counterparty (Art. 2 (9) EMIR) and is audited by Deloitte. The Group has taken appropriate measures and precautions when dealing with currency and interest derivatives to effectively control operational risks and the risk of default. The reporting obligations for new transactions, modifications and the early termination of derivative contracts were delegated to the register of transactions, to the banks or financial counterparties, and this was checked by means of a random sample by the responsible areas.

Risks

External risks

Macroeconomic risks

With its core business in plants, animals and machinery, the AGRAVIS Group operates in the traditional agricultural business and is part of the agricultural value creation chain. Demand for animal and vegetable products and the topic of heat from the energy segment are largely insensitive to economic developments. The retailing segment has, due to its focus on customer proximity in rural areas and a tailored range of products with a local supplier function, a unique selling point within the retail landscape. In addition, the AGRAVIS Group is also integrated in a network of sales, purchasing and financial connections. As a result, it is exposed to developments in international agriculture and capital markets. The company adjusts its risk management to combat these developments through professional market research and analysis. The coronavirus pandemic had a severe impact on the overall economy in financial year 2020. Thankfully, the regulatory measures to contain COVID-19 taken in the first months of financial year 2021 have only had a limited effect on the business operations of the AGRAVIS Group, which has been classified as an essential business. However, restrictions in upstream or downstream areas could impact negatively on the turnover and earnings situation of the AGRAVIS Group. If the trend towards reduced meat consumption among the population continues, this could also have an indirect effect on the sales markets of the AGRAVIS Group, for example, by reducing demand for feedstuffs due to lower numbers of livestock.

Foreign currency risks

As a national agricultural trader, the AGRAVIS Group operates predominantly in Germany; the main currency for production and purchasing costs is therefore the euro. In addition, however, raw materials (e.g. soybean meal, vitamins) and, if necessary, commodities (e.g. wheat, maize) are purchased on the international market or from foreign producers; the main currency here is therefore the US dollar. The resulting transactional risk is limited by suitable hedging instruments at close of business. Nevertheless, exchange rate fluctuations in this area can have a negative impact on the earnings situation of the AGRAVIS Group if these fluctuations on the sales markets cannot be compensated for by price adjustments. Currency risks arise from the fact that sales revenues of AGRAVIS Raiffeisen AG and the AGRAVIS Group in the double-digit million euro range are generated in other currencies. Consequently, an increase in the exchange rate of the euro against these currencies has an adverse effect on the sales revenues reported in euros and therefore on the result. Seven consolidated subsidiaries of the AGRAVIS Group prepare their accounts in foreign currencies. For consolidation purposes, the annual financial statements of these subsidiaries must be converted into euros. Exchange rate fluctuations between the euro and these currencies affect the equity capital of the AGRAVIS Group.

Sector and market price risks

Agricultural commodities and other resources, e.g. crude-oil products, are subject to considerable price fluctuations. On the one hand, agricultural commodities are components in the production of feedstuffs and, on the other, they are used as general commodities of the AGRAVIS Group. Global price development of agricultural commodities is therefore of particular importance for purchasing and sales in the AGRAVIS Group. Failure on the part of the AGRAVIS Group to pass on any increases in the price of agricultural commodities or resources to customers or to compensate for such increases in some other way would reduce the profitability of the company. In the business segments of plants, animals and machinery, the products sold by the AGRAVIS Group are subject to seasonal fluctuations in demand. Sales fluctuations caused by the weather can lead to a shift in demand but can also influence sales for the entire year. Drought and dry periods, in particular, can make cultivation conditions more difficult and thus negatively affect demand for fertilisers and crop protection products. Mild winters, on the other hand, can lead to a reduction in fuel sales.

Demand in the machinery business segment is also dependent on the general economic situation of agricultural operations. In terms of trading, in particular with the Raiffeisen cooperatives, the AGRAVIS Group often assumes the price risk through secured contracts. To this end, both traditional hedging transactions and common hedging instruments are used on the commodity futures markets. The risks from these transactions are limited by upper limits and are continuously reported to the relevant bodies. If necessary, risk positions are also closed before reaching the approved limits. The various markets will continue to be closely monitored and analysed. African swine fever and avian flu in Germany continue to pose significant risks for AGRAVIS business. Declines are expected in compound feed sales, in particular, in case livestock has to be culled. Production would have to be reduced. This could mean reduced working hours or even temporary shutdowns at the individual regional plants.

Affected pig farmers could withdraw planned investments, which the AGRAVIS Group presumably would also notice in the machinery business segment. A close-knit cross-sector crisis management system has been implemented to mitigate risks as much as possible. Temporary disruptions to supply chains may continue to occur due to the coronavirus pandemic.

● Financial-sector risks

Liquidity and financial risks

In addition to the syndicated loan, the AGRAVIS Group hedges its liquidity requirements through the use of an asset-backed securities programme (ABS), a trading line for (reverse) repurchase agreements in the area of agricultural commodities and through promissory note bonds. As part of the ABS programme, trade receivables were sold to a credit institute in the form of structured financing, so as to strengthen liquidity. This allows the Group to refinance itself at money market conditions. Management of the receivables transferred to the credit institute will remain the responsibility of the AGRAVIS Group. In order to improve short-term liquidity, structured financing has been concluded for various agricultural products (agricultural commodities) in the form of reverse repurchase agreements. The rules of the syndicated loan and of the promissory note bond as well as the ABS programme and the line in agricultural commodities form a stable financial structure. The contractual arrangements take into account seasonal fluctuations in liquidity needs and ensure the required level of planning dependability. No special liquidity and financial risks have been identified.

Credit risks

As part of its business activities, the AGRAVIS Group performs an important financing function for its agricultural trading partners. In the agricultural sector, the Group incurs financing risks, particularly from the financing of agricultural resources, the repayment of which is made through the acquisition and selling of the harvest. In addition, the company grants trade credit to commercial customers in the form of appropriate payment terms. A centrally-installed credit management system monitors and controls these risks. The system-based ratings analysis is the central component of this, combined with the ongoing monitoring of credit limits with documented approval procedures. The credit management team informs the risk management bodies of the total receivables and of significant individual receivables on a weekly basis. In addition, ordinary default risks on trade accounts receivable are secured by specific and general provisions. No special credit risks have been identified. The currently ascertainable extension of the collection periods is closely monitored. Furthermore, commercial credit insurance with deductibles has been taken out.

Interest rate risks

In order to limit interest rate risks on variable interest loans, AGRAVIS Raiffeisen AG undertakes interest-rate-hedging transactions as the parent company of the Group. This exclusively involves interest rate swaps for the purposes of hedging future cash flows. Coinciding with the assumption of long-term loans, micro-hedges are undertaken in the form of maturity-matched interest rate swaps, whereby synthetic fixed rate borrowings are incurred. Interest rate swaps are also entered into in order to hedge exposure to loan drawdowns under the syndicated loan which has existed since 2004. The syndicated loan was secured again in 2019 and now stands at EUR 650 million. The swaps provide a portfolio hedge with regard to the Group's working capital. The Group has operated a modern risk management system for interest rate risk since 2011. Control in this respect occurs via the so-called "fair value" or changes to it from now on. The fair value for the various debt-financing sources is determined on a monthly basis. The AGRAVIS Group receives the fair value from its finance partners, just like its predecessor the "value at risk". Both concepts are recognised internationally and give comparable values, in particular in consideration of changes. Upon reaching or exceeding certain thresholds, the various risk management bodies are informed. Particular interest rate risks cannot be identified at present.

● Legal and regulatory risks

The companies of the AGRAVIS Group are exposed to risks in connection with legal disputes that they are currently involved in or may be in the future. Such legal disputes arise within the scope of the normal business activities, for example, from the assertion of claims from mistakes and incorrect deliveries or from payment disputes. Legal risks may also result from employee violations of the compliance provisions. As a result, Group companies may have to pay fines, damages or other sanctions due to the authorities or as a result of civil or criminal proceedings. Corresponding legal risks are continuously monitored by company departments as well as the internal AGRAVIS compliance organisation. The AGRAVIS Group establishes provisions for process risks if it is probable that an obligation applies and the scope of economic burden can be properly assessed. In individual cases, the actual use may exceed the reserved amount. According to forecasts by the Board of Directors, the known legal and regulatory risks at the time of drawing up balance sheet provisions were accounted for through the allocation of reserves at a sufficient level. Changes in the regulatory environment may influence the Group development. This includes in particular actions in the basic conditions for the agriculture sector. Negative influences may result in particular from the redesign, reduction or elimination of support measures or fundamental changes in agriculture policies that may impact trade with customers. Following conclusion of the antitrust proceedings, a liability was accrued in the form of a fine as part of the settlement arrangement, which was paid at the start of 2020.

- **Other risks**

IT risks

The AGRAVIS Group is dependent on functioning IT systems for its business operations. The in-house "Information Technology" division ensures reliable provision of services at two of its own redundant data centres. In order to be able to continuously ensure the IT division's services, a number of security mechanisms have been put in place. These include access control systems, building surveillance, permanent power supply for central systems and mirrored data storage. The Group uses firewall systems, virus scanners, web filters, etc. to effectively secure the systems against unauthorised access and protect against external attacks. To ensure that the impact of potential failure scenarios is minimised, there is an emergency plan in place which is constantly updated. In addition, regular emergency drills are carried out. IT will continue to pursue cloud-based solutions going forward while taking into account required aspects of security. No special IT risks have been identified.

HR risks

The AGRAVIS needs the right employees in the right place at the right time in order to remain successful in future. Both junior staff and lateral entrants with professional experience in specialist and management functions continue to be the target groups of all activities relating to personnel marketing and recruiting. The increase in employer appeal and the exploitation of new and modern recruiting channels, such as social media and active sourcing, are continuously being developed. Similarly, the strategy of promoting young talent from within the Group is increasing in importance so that junior staff members can be specifically trained in specialist and management functions. The AGRAVIS Group trusts in highly committed employees who identify with the company and want to help shape its future. Investments in systematic succession management and personnel development measures are also set to continue in 2021. No special HR risks have been identified.

Political risks

Through initiatives at EU level such as the "Green Deal" and the "Farm to Fork" and biodiversity strategy with a significant reduction in crop protection and fertilisation, experts predict that EU competitiveness in agriculture will suffer. The compromise on the development of the common agricultural policy places greater demands on farms if they want to continue to receive direct payments from Brussels going forward. In addition, the policy of the Federal Government is putting German farmers at a disadvantage. These political decisions can lead to a further decline in the sales of resources in the AGRAVIS Group and also, as an indirect consequence, in the willingness to invest in agriculture. The future direction of German agricultural policy may well change further after the German parliamentary elections in 2021, especially if the Greens form part of the government. The party wants to fundamentally restructure German agriculture. They would like to see animal numbers significantly reduced, among other things, which would then impact on feedstuff production in the AGRAVIS Group. Meanwhile, the trade agreement on the UK's exit from the EU secures an important duty-free export market for German agriculture.

Board of Directors statement on the Group's risk situation

With regard to the risks described above and based on the findings arising in medium-term planning, the Board of Directors currently expects no serious risks for future development which, alone or in combination with other risks, could lead to a lasting and potentially terminal impairment of the position in terms of company assets, finances and earnings.

6.6. Opportunities report

Macroeconomic opportunities

Agriculture, including the upstream and downstream sectors, is undergoing rapid and continuous structural change. Nevertheless, there will continue to be an extensive agricultural sector in Germany in the future, one which will be able to supply a growing population with high-quality food in the face of increasingly scarce land resources.

The AGRAVIS Group is a solution provider for agriculture.

The AGRAVIS Group sees its role here as an innovative provider of services and solutions for agriculture. As a hub in a network with the cooperative association and other partners from the agribusiness, it wants to develop digital distribution channels and new profitable business models using traditional agricultural trade as its foundation. The AGRAVIS Group is facing these challenges with a consistent customer focus, efficient processes and attractive offers. Changes in the market, including the digital transformation, are creating opportunities that the Group intends to exploit and convert into business. With a clear focus on market and customer requirements, the company sees potential for sustainable, profitable growth in and with the cooperative association.

Strategic opportunities

Digitalisation

Digitalisation is of fundamental economic importance to the AGRAVIS Group on its quest to build a successful future. It wants to lead the way as a digital agricultural trader and face the digital challenges using traditional agricultural trade as its foundation. In order to drive forward the digital transformation, an independent digitalisation division was set up in financial year 2020. In particular, the aim is to specifically advance business and collaboration models in the segment. The "Dock" project ensures internal process optimisation and thus creates economic scope for digital growth going forward. The myfarmvis portal serves as a digital gateway in order to achieve rapid growth for cooperative and agricultural customers. In addition, the Group wants to exploit all opportunities in its pursuit of increased digitalisation through cooperations, participations and acquisitions.

For example, the plan is for Raiffeisen Portal GmbH, which was developed together with cooperatives and runs the agricultural customer portal myfarmvis, to grow by adding further cooperative shareholders or cooperatives that use myfarmvis. In addition, AGRAVIS Raiffeisen AG became the majority shareholder of Land24 GmbH on 2 January 2021. This step also strengthens the cooperative association in its joint digital activities because regional Raiffeisen cooperatives can also participate in the company and therefore become bigger players in the growing online market.

Cooperative collaboration

The AGRAVIS Group has strong roots in the cooperative world. Over 60 per cent of AGRAVIS' capital is in the hands of regional cooperative owners. This represents not only an opportunity for the Group but also a duty to do more business together. According to the Group, the cooperative association can be considered a successful model if it is capable of strengthening the cooperatives regionally in terms of sales and contact with farmers. To this end, the AGRAVIS Group must clearly demonstrate its own competence in wholesale retail, in consultation and in administrative tasks and thus show itself to be the preferred strategic partner for the cooperatives. Therefore, there is a need to expand existing collaboration with the cooperatives and develop new alliances together – on an equal footing and with a focus on solutions and speed. Starting points include: digitalisation, logistics concepts, master data maintenance and sales measures.

Internationalisation

The AGRAVIS Group has a clear focus on the German agriculture market, in particular in the region stretching from the Netherlands in the west to Poland in the east. In addition, the company continues to pursue its internationalisation strategy at an appropriate level. For some years now, the joint activities have been a key focus as part of the joint ventures pursued together with Danish company Danish Agro a.m.b.a. However, opportunities for additional international business are also being actively exploited in the animal medicine and special feed segments as well as in agricultural machinery with the commitment in Poland. Such initiatives are being developed in particular in foreign markets that promise high growth and potentially provide a sustainable advantage over the competition. Investments are only made if the know-how required for international business and the network of the foreign company can be ensured. The rules of the AGRAVIS risk management system also apply to international business.

Flexibility and diversification

As a 360-degree service provider with the five business segments of plants, animals, machinery, construction, retailing and energy, the AGRAVIS Group is capable of absorbing volatilities and therefore preventing economic overdependence on one division. At the same time, the extensive product and service portfolio and the customer-oriented sales structure within the cooperative association provide the opportunity for networking know-how, services and developing value-added solutions. This allows synergies to be leveraged from which the AGRAVIS Group and the cooperative partners can benefit in the long term. The goal is to secure and increase shares in existing markets with the core business.

Further diversification via products or new markets should only take place where there are above-average opportunities for growth with regard to core business. At the same time, there will be enhanced business activities common to primary cooperatives and to the AGRAVIS Group, with the aim of strengthening and expanding cooperative trade in the given region. The willingness to take part in strategic alliances with other partners is still evident.

Company development

The "Strategic Corporate Development" area (since 1 February 2021 "Controlling & Corporate Development) supports the AGRAVIS Group in its forward-looking orientation. The area covers fields of activity including Strategy, M&A and Project Management Office. The Strategy team pays close attention to the market and competition, supports strategy development, regularly revises the strategic orientation with the areas and pushes strategy implementation. Project Management Office supports project initiation and selected group-relevant projects in their execution and reports regularly on the entire project portfolio of the Group. Corporate investments as well as acquisitions and disinvestments are supported along all process steps by the M&A team. This creates the basis for further inorganic growth of the Group. 13 A and B projects were managed as part of the strategy implementation in financial year 2020.

6.7. Forecasting report

Future Group direction

The AGRAVIS Group will continue to implement the ongoing change process and push even harder than before to position itself as an innovative service provider for agriculture. The company sees itself as a driver of digitalisation and wants to develop digital sales channels and new profitable business models. With the creation of its own digitalisation division in financial year 2020, the Group is underlining its ambitions in this segment. The digital transformation will be a key feature of the Group's development going forward – this path must be pursued with a customer focus using in-house value-added concepts. In addition, the internal processes must be efficient and display uniform standards. As part of the internal "Dock" project, the merchandise management systems used to date are being migrated into a reliable, needs-based and future-oriented system landscape. At the same time, this is the Group's basis for further expanding its market position and remaining the foremost market-relevant agricultural trading company in Germany through successful collaboration with the cooperatives and farmers. The Group would like to grow its core business in a qualitative, sustainable and solid manner. All business segments need to be consistently profitable to achieve this ambition. The AGRAVIS Group draws the necessary strength from collective activities in a strong network. AGRAVIS remains firmly committed to the cooperative spirit and wants to enjoy commercial success and gain market share together with the regional Raiffeisen cooperatives in the German agricultural market. The marked structural change in the low-margin agricultural industry and the tough predatory competition at trading level offer the cooperative association the chance to stabilise its absolute share in a declining market thanks to lean processes, innovation and market access. As part of a cooperative association as well as in direct business with agriculture, the company will continue to focus on its own services and processes and adjust to the requirements of its customers. This involves exploiting the opportunities presented by digitalisation to the full in order to provide attractive solutions. With a further increase in investment in 2021 compared to the previous year, the AGRAVIS Group continues to pursue this strategy in order to further improve its own performance. The share of digital projects in the investment volume will continue to increase. Seen from the company's perspective, there is potential for qualitative and quantitative growth, especially in the plants, machinery and retailing business segments. In the animals and energy business segments, volumes are expected to hold steady with market share increased in declining markets.

Economic environment

The economic situation in general

The World Monetary Fund estimates that the global economy will recover from the coronavirus pandemic and grow by 5.5 per cent in 2021. However, these forecasts contain a relatively high level of uncertainty. Even though vaccine approvals and rollouts have raised hopes of a turnaround in the pandemic, fresh waves of infection and new variants of the virus are a cause for concern. Europe has been hit very hard by the pandemic. That is why, according to the IMF forecast, the slump in economic performance from 2020 is not expected to be fully compensated for with the predicted 4.2 per cent growth in 2021. In Germany, too, the economic recovery in 2021 is expected to be slower than initially anticipated due to the second lockdown at the turn of the year 2020/2021.

According to its growth forecast, which again had to be revised downwards in January 2021, for 2021 the Federal Government predicts growth of 3 per cent (WMF: 3.5 per cent) and a stable unemployment rate of 5.8 per cent.

Growth in sector

The Organization for Economic Cooperation and Development (OECD) and the Food and Agriculture Organization of the United Nations (FAO) share the view in the joint publication "Agricultural Outlook 2020-2029" that the agricultural sector will continue to develop in a positive trajectory and the coronavirus pandemic will only have negative social and economic effects in the short term. The organisations also predict that the supply of agricultural products will enjoy stronger growth overall than demand over the next ten years. The OECD and FAO therefore expect to see stagnating or even slightly reduced real prices for most agricultural commodities in the coming years. According to OECD forecasts, global meat consumption, and as a result the market for meat products, will also continue its slow decline throughout this new decade. Poultry and pork are expected to see above-average growth whereas beef production will increase at a lower rate. In 2021, global pork production is forecast to gradually recover from the effects of the coronavirus pandemic and in countries affected by African swine fever. The International Grains Council (IGC) projects global grain production (excluding rice) of 2,225 million tonnes for business year 2020/21, an increase of 48 million (about 2 per cent) on the previous year.

Despite an expected slight increase in consumption, this means a slight increase in stocks for the first time in three years, from 619 million tonnes to 625 million tonnes. China accounts for more than half of the stocks. A sustained rally in prices for soya, maize, wheat and rapeseed are expected thanks to the strong demand in China and another extended period of drought in the main cultivation regions for soya in North and South America. These forecasts were confirmed or exceeded at the start of 2021 with a price boom in grain, and levels not witnessed since 2014 were already achieved in January. Potentially high prices for agricultural products in the long term compensate for resource costs, in particular fertilisers and fuel, which have also increased, because the basic product of crude oil has also become much more expensive. Market and price projections up to 2030 for grain and oilseeds given by the Thünen Institute also paint a positive picture at a national level, especially for grain types with a high export share, i.e. primarily wheat and also barley. According to the Thünen Institute, positive price development can be expected thanks to export-driven, close links to the global market. In contrast to wheat and barley, maize is an import commodity. More than half of German demand is imported. Nevertheless, scientists see a positive price trend in this area, too. A similar development is emerging for rapeseed and oilseeds. However, prices in Germany are not expected to develop as strongly as on the global market. Winter rapeseed cultivation for harvest 2021 was expanded again. In Germany, sowing conditions for harvest 2021 were generally quite good.

"According to the World Meteorological Organization (WMO), extreme weather events are also likely to continue in the coming years as a result of climate change, and this will present agriculture in particular with great challenges.

According to the World Meteorological Organization (WMO), extreme weather events are also likely to continue in the coming years as a result of climate change, and this will present agriculture in particular with great challenges. The EU's heavily revised Common Agricultural Policy (CAP) with key features such as the "Green Deal" and the "Farm to Fork" strategy is again increasing demands on the agricultural industry, among other things, with future regulations on animal husbandry and the Fertiliser Ordinance. The necessary investment is considerable. This will push many companies, primarily family farms, to the limits of what is economically feasible and will even force some farms out of business. National decisions such as the Technical Instructions on Air Quality Control passed in December 2020 or the insect protection package approved by the Federal Cabinet will also further restrict the scope for action for agriculture. Furthermore, additional active ingredients for crop protection will expire in 2021. For example, use of the maize herbicide bromoxynil will no longer be permitted from September 2021.

The requirements of the new Fertiliser Ordinance will reduce sales of mineral fertilisers compared to spring 2020. In the AGRAVIS core commercial area, a fall of 8 to 10 per cent in nitrogen sales is expected, phosphate sales will be down 5 per cent and potash and lime are expected to maintain the levels of the previous two years. The price difference to autumn 2020 will be around plus 10 per cent.

Developments surrounding the coronavirus pandemic, avian flu and African swine fever continue to have a severe impact on prices and livestock holdings. It will be crucial for German pig farmers to again have access to third-country markets for exports. At the start of 2021, Thailand lifted the import ban it imposed following the outbreak of ASF in German wild boar populations. The Asian markets in particular are desperately needed as a sales channel for German pork. Prices for slaughter pigs have collapsed owing to the lack of exports and issues caused by the coronavirus pandemic in the German meat industry. The AGRAVIS Group expects to see a number of farm closures in 2021 and a probable 5 per cent decline in pig feed for the German market. The company aims to maintain compound feed sales by increasing market share. Continued increases in exports and utilisation of slaughter capacities, where restrictions were still in place at the start of the year, would also have a positive effect on production tonnage of pig feed in the AGRAVIS Group. The AGRAVIS Group views the rapid spread of avian flu in Lower Saxony with concern. The number of affected farms continued to rise in this region at the beginning of 2021. Many operations had to evacuate their stocks. At the start of 2021, outbreaks of avian flu were limited to the South Oldenburg region and this meant that only one AGRAVIS sales unit was affected. As a result, turkey feed volumes are likely to decrease by 20 to 30 per cent at a regional level.

The closely scrutinised proposals put forward by the Borchert Commission on improved animal welfare are crucial to the development of meat production in Germany. While the contents were widely accepted, questions remained regarding how the ideas might be implemented from a legal and administrative perspective. In a feasibility study commissioned by the German Federal Ministry of Food and Agriculture (BMEL) and published early in March 2021, the German Farmers' Association sees a clear confirmation of the proposals submitted by the Competence Network for Livestock Farming and recommends swift implementation. The association speaks positively of the proposed changes to building law. On the other hand, it takes a critical stance towards the financing models which, with terms of five to seven years, do not give farmers sufficient planning security in terms of implementation. The high milk production worldwide will also limit price levels in Germany. Overall, this will lead to massive market pressure for the entire feedstuff industry. In addition, new environmental regulations require a paradigm shift among animal feed producers as the composition of feedstuffs is a major factor in determining environmental impacts.

At a national level, the German Engineering Federation (VDMA) sees a positive development for the agricultural machinery sector in 2021 in view of the investment plans of farms and contractors. Digitalisation and in particular the topic of e-commerce will also radically change the trade structures within the agricultural industry. The main driver of this development is increased transparency in terms of pricing, delivery capabilities and deadlines as well as the overall benefits of the offers available. Agricultural machinery trade can benefit from the shift from bricks-and-mortar to online trade if it is exploited to upgrade its product range.

In the energy segment, the implementation of climate protection goals brings with it the application of CO_2 pricing. As a result, there will be an increase in the price of fossil fuels and consequently the operating costs of agricultural operations. While the amendment to the Renewable Energy Sources Act passed by the Bundestag at the end of 2020 improves support for the continued operation of biogas plants, the expansion of manure fermentation was not taken into account. Extra stimulus can be provided from digitalisation. An example of this is the "Bauernmilliarde" or "Farmers' Billion" scheme, which was launched by the Federal Government and will be available as part of the investment and future programme to support farmers until 2024 as they navigate digitalisation and incorporate environmental and climate protection into their strategies.

A new regulation set to come into effect in 2022 pertaining to the taxation of agricultural enterprises will mean a compulsory change from flat-rate taxation (10.7 per cent in 2020) to standard taxation for companies with a turnover of more than EUR 600,000 per business year. Between 6,000 and 10,000 operations are expected to be affected by this. Standard taxation is likely to put some of these companies in severe economic difficulty. The overall mood and economic situation in agriculture has deteriorated further as shown by the economic barometer for agriculture of the German Farmers' Association. This also affects investment planning. Only 30 per cent of farms planned major purchases for the first half of 2021.

Expected turnover and earnings

The AGRAVIS Group can expect to face another challenging year in 2021 due to the potential impact of weather on important parts of the core business, increasingly extreme weather events caused by incessant climate change and the incalculable development of African swine fever and avian flu. Group turnover of EUR 6.2 billion is expected for 2021.

The growing operational power of the Group is also expected to be shown through further increases in operating EBIT in 2021.

Financial year 2020 has shown that while the coronavirus pandemic has drastically changed sales business and internal processes, all things considered there was no significant impact on turnover and earnings. On the contrary, as an essential business the AGRAVIS Group was able to continue its business activities throughout. Restrictions remained in place on a regional basis over temporary periods of time. Additional expenses, for example in logistics or separation of shifts, were compensated for by an increase in turnover and a positive earnings situation. In this respect, the AGRAVIS Group is not using the effects on the turnover and earnings situation as a general guide for planning in 2021. The growing operational power of AGRAVIS is also expected to be shown in the operating EBIT with a target level of EUR 73.9 million set for 2021. A stable value of EUR 31.6 million before special projects is expected for the operating earnings before tax; the impact of these one-off expenses is described on page 35. Risk management will continue to be applied consistently and the portfolio will be adjusted for unprofitable branches. From today's perspective, the AGRAVIS Group expects the business segments to experience the following developments:

Business segment: Plants

The plant cultivation division will continue to develop into a sustainable, holistic business model over the course of the current business year. The division distinguishes itself with a comprehensive customer focus in the traditional procurement and sales business and is now taking a second step towards securing and expanding market share. The increase in demand for consultation on integrated cultivation concepts resulting from stricter legal requirements should be taken into account. In general, the plant cultivation division can expect to face fierce competition again in the coming year with narrow margins and extreme pressure on the trading units likely. Turnover in the overall division is expected to increase slightly compared to the previous year.

The crop protection product area anticipates “somewhat more normal” weather conditions in 2021, i.e. more precipitation in spring and therefore more infections in the grain. The increased acreage of winter wheat and winter rapeseed requires slightly higher intensity for both crops. Political influence and regulations will limit the supply of active ingredients and the sales potential. Turnover should remain stable compared to last year, while the result should again be close to the figure from the previous year. Sales in the fertilisers product area are expected to be the same as the previous year. The target is to achieve a slightly higher turnover figure. Earnings should remain at the 2020 level. In the seeds segment, further expansion of the AGRAVIS portfolio of varieties in all crops is on the agenda for 2021. Turnover and earnings are expected to remain at the level of the previous year. In plant cultivation sales consultation, the expansion of the service business will have a positive impact on the result. The new field of farm management will be developed accordingly in 2021 – also in regional cooperation with contractors.

Terravis GmbH also aims to further increase its contribution to earnings in 2021 as it expands its service business. In the current financial year, the agricultural products segment intends to continue on the path taken in 2020 and be the first point of contact for the cooperative association and mills. The segment wants to maintain its volume shares in a shrinking German market, although a slight overall reduction in volume is expected with a slight increase in turnover, due among other things to lower maize imports and a decrease in the proportion of soybean meal in mixtures. The plan is to expand business with third-party customers. The contribution to earnings of the agricultural products segment is expected to stabilise in positive territory.

Business segment: Animals

In the animals business segment, 2021 is likely to see further development of African swine fever and avian flu. Furthermore, the AGRAVIS Group expects declining numbers in milk production and pig farming, both in terms of farms and animal numbers, due to a lack of revenues on the farms. In the compound feed business, the aim is to increase volumes in cattle and poultry feed by expanding market share. The company believes that with turkey feed volumes declining at a regional level due to avian flu, this can be compensated for by the broiler and laying hen segments. Pig feed volumes can expect to remain stable in the face of declining markets.

Another aim is to strengthen operational excellence, among other things, through various cooperative models of collaboration. In addition, the development of sustainable feeding concepts will be further advanced. Combined with an increase in volumes, compound feed turnover can also expect to rise in the current business year compared to 2020. The earnings projection for compound feed is at the level of the previous year.

An increase in compound feed turnover, both domestically and abroad, is anticipated by the AGRAVIS Group in the special feed segment. In addition, the plan is to further expand sales business with milk replacers in terms of volume. Further growth potential is also predicted in the sale of hygiene concepts from the Desintec family. Production tonnages for special feed at Profuma Spezialfutterwerke GmbH & Co. KG will shift regionally in 2021 following the planned shutdown of production at the Langenfeld plant.

Volumes and sales in the pet segment are also expected to increase significantly. Overall, further market penetration is anticipated. Profitability in special feed activities should also increase compared to the previous year. In the special feeds market, business is expected to be stable in 2021. Market share with existing customers is likely to increase and maximum delivery capability safeguarded for all products with lean processes. As the one-off effects from 2020 on price levels for vitamins, amino acids, fats/oils and phosphates are unlikely to apply in the current financial year, this will also be reflected in the declining profit contribution. In the animal health segment, Livisto Group GmbH will further intensify its activities in research and development of new products. The aim is to steadily increase the turnover share of products for pets. At the same time, the percentage of antibiotics in sales is to be further reduced. Compared to the previous year, a plus of about 7 per cent is planned for turnover. Earnings are also expected to increase significantly.

Business segment: Machinery

With its comprehensive network of locations and qualified employees, AGRAVIS Technik wants to remain a strong service partner for customers in rural areas in the current financial year and play a key role in the capital-intensive agricultural machinery market. At just under EUR 9 million, the level of investment in the locations will remain high. In new machinery business, sales are again expected to rise due to high order backlogs at the end of financial year 2020. In the used farm machinery segment, export stimuli are expected to pick up once the coronavirus crisis subsides. In the after-sales segment, the sales strategy is set to be developed further towards active value-added sales. The ATStore24 web shop will continue to grow in importance as part of the omnichannel strategy. In addition, AGRAVIS-Technik wants to increase its logistics performance so that it can exploit the competitive advantages presented by the high availability of goods. Topics such as agricultural robotics and the use of autonomous systems are also to be explored further. Overall, the machinery segment expects sales revenues to remain roughly at a similar level to last year. Earnings before tax, however, are expected to increase significantly.

Business segment: Retailing

In financial year 2021, the Group expects slightly lower sales volumes in the retailing business segment compared to the previous year and a corresponding decline in earnings compared to 2020. The main reason for this is the sale of several builders' merchant outlets in financial year 2020. Nevertheless, earnings are expected to be significantly higher than in 2019. The goal is to preserve the growth enjoyed in 2020 as far as possible, both in wholesale retail and with the cooperation partners, and to acquire additional new franchise partners. The stated aim for online trade is to gain additional market share. Online growth should be possible thanks to an improved concept with AGRAVIS logistics. For the automated picking of small parts from the online shop raiffeisenmarkt.de, an AutoStore was set up in the distribution centre in Münster in financial year 2020. AGRAVIS Raiffeisen-Markt GmbH intends to resume its course for growth through acquisitions during financial year 2021.

Business segment: Energy

The energy business segment expects to see a decline in demand for heating oil in 2021. This is down to the substantial end-consumer tank inventories caused by pull-forward effects from 2020. The fuel market will continue to suffer from the coronavirus pandemic in 2021 meaning that increased competition can be expected at all trading levels. The CO_2 tax on combustibles and fuels introduced early in the year will accelerate the overall upheaval in the heating and mobility sectors. The energy business segment is getting ready for this and intends to become a full-liner in the petrol station segment in order to actively shape the structural change in the mobility sector. A range of topics from LNG to hydrogen to electric pumps will be covered in the future. In the wholesale of fuels and combustibles, the sales offensive strategy undertaken in the southern German market will be continued. Market positions in sales of AdBlue and lubricants are to be further strengthened. Wood pellets business will be further intensified and expanded. In the energy business segment, a decline in turnover compared to the previous year is forecast while a continued solid contribution to earnings is expected.

Non-financial performance indicators

As described in Section 6.3 (HR report), the AGRAVIS Group uses the following non-financial performance indicators:

- Trainee quota,
- Staff turnover rate,
- Work safety.

The trainee quota is set to remain at a healthy approx. 9 per cent in financial year 2021. Regarding the staff turnover rate, which fell in 2020, the aim is to maintain the value from the previous year. The various preventive measures should help further reduce the number of workplace accidents in the Group in the current financial year and therefore increase occupational safety.

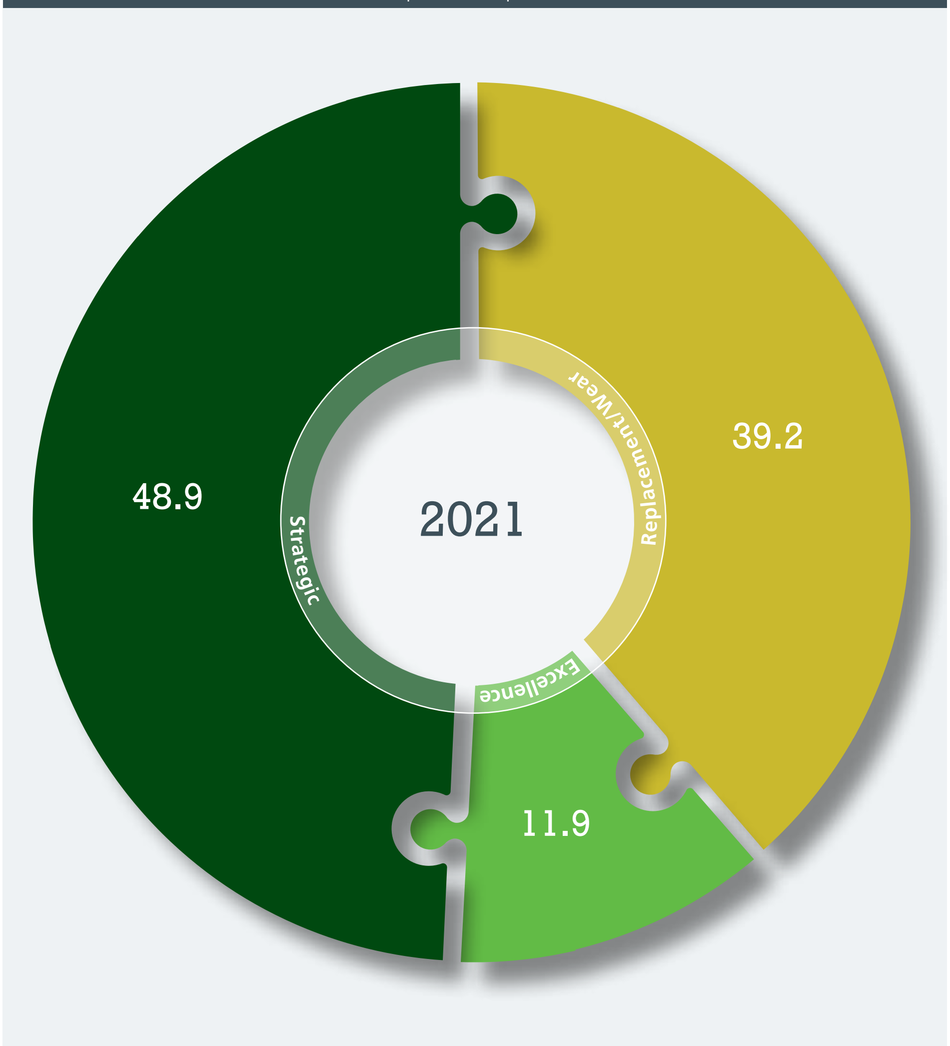
Planned investment

Investment budget

With a higher volume than in the previous year, the Group will invest in the network of locations and performance in financial year 2021 with the aim of strengthening customer proximity and customer benefits and making its own processes more efficient. According to investment planning, a total of EUR 58.3 million is available (previous year: EUR 46.7 million). Depreciation of intangible assets and tangible fixed assets stand at EUR 51.8 million. This means that the investment sum exceeds depreciation which indicates that the AGRAVIS Group would like to further improve its market position. However, due to the uncertainties caused by the coronavirus pandemic, all investments will be reviewed on a case-by-case basis against the backdrop of liquidity and risk.

Planned investments of the AGRAVIS Group

(specified in per cent)



The Group intends to strengthen its core business in the agricultural trade, agricultural machinery, animals and plants segments with investments of around EUR 35 million. EUR 5.7 million has been earmarked for the retailing and energy segments and EUR 6.6 million for service and support sectors. As in the previous year, substantial funds of around EUR 11 million are again being invested in digitalisation in the current financial year. One focus remains the replacement of the previous merchandise management systems with SAP S/4HANA in order to establish uniform standards and lean processes. Various measures are also planned for the expansion of the digital services portfolio for customers.

The AGRAVIS Group distinguishes between three investment categories:

- Strategic investments in locations and markets: EUR 28.5 million (share: 48.9 per cent),
- Excellence investment for process optimisation and increased impact: EUR 6.6 million (11.9 per cent),
- Replacement/wear: EUR 23.2 million (39.2 per cent).

Major investment projects in locations

Agricultural trade segment: AGRAVIS Ost GmbH & Co. KG plans to add a cell block for poultry feed hygienisation to its feedstuff plant in Querfurt; there are also plans to modernise the grain silo at the Querfurt site. A new storage area is planned in Fürstenwalde. A card-operated petrol station is to be built in Grimma. Machinery segment: AGRAVIS Technik Holding GmbH wants to expand the business activities of AGRAVIS Technik Polska in northern Poland. The plan therefore is to add three new locations. Retailing segment The Group company AGRAVIS Raiffeisen-Markt GmbH would like to expand and rent three additional locations. The parent company AGRAVIS Raiffeisen AG plans to build a new dangerous-goods warehouse at the Isernhagen site and manage it together with the existing seed storage facility. Further plans to expand the location into the central AGRAVIS hub for the Hanover region are in the pipeline over the coming years.

Expected financial and assets position

The AGRAVIS Group remains on a stable financial footing. The equity ratio is again expected to exceed the 30 per cent mark in 2021 (30.3 per cent). The planned issuance of participation certificates in 2021 will help stabilise the equity capital cover of the AGRAVIS Group at a high level.

Board of Directors' overall statement on the expected development of the Group

The AGRAVIS Group is aware of the challenging framework conditions that will affect the company in financial year 2021 and beyond. The following keywords adequately sum up the current situation: volatile harvests due to climate change, coronavirus, African swine fever, avian flu, political restrictions at national and European level, social debate about modern agriculture. The company has adapted to these circumstances and is actively shaping the necessary change process. As a 360-degree service provider in the agribusiness, the AGRAVIS Group sees itself as part of the solution and to this end remains firmly anchored in the cooperative association. The agricultural world of tomorrow will look a little bit different – classified as an essential business, it is the duty of the AGRAVIS Group to meet social requirements, operate in a customer-oriented and sustainable way and organise the interaction of cooperatives and agriculture in networks. With innovative and practical concepts, the AGRAVIS Group will strengthen the agricultural value creation chain. It uses its know-how as a driver of digitalisation to develop successful sales channels and new business models. This leads to more business and increased operational excellence in terms of lean, clear structures and cost discipline. The focus of the Group's actions must be on its customers and their needs.

This strategy has not been jeopardised by the coronavirus pandemic, but rather reinforced. With a clear focus, the Group will pursue the chosen strategic path and implement changes to actively seize the opportunities presented by the evolving agricultural market. On the basis of the cooperative idea, the AGRAVIS Group aims to shape the future of agriculture with its partners and establish itself as the foremost market-relevant agricultural trade company whose key market is Germany. The core region in northern, eastern and central Germany remains the focus.

The AGRAVIS Group will continue to concentrate on its core business in the plants, animals, machinery, energy and retailing business segments. The aim is to gain market share in these areas. Digital services will be further developed to become a practical business model for customers. Maximum customer retention will be achieved through service and know-how.

The syndicated loan of EUR 650 million ensures that the company will remain on a steady financing footing at least over the next few years. Measures to reduce costs and increase earnings will continue to be necessary. In addition, the AGRAVIS Group is positioning itself as an attractive employer in rural areas, one which imparts knowledge with respect and nurtures its top performers.

The Board of Directors shall consider such statements on the basis of the current consolidation of the Group and the described assumptions as to the political, economic and industry-specific conditions and all the information available at this time. Furthermore, weather conditions without extreme weather and average harvests are presumed. If the market environment should change or if risks arise – as explained for example in the risk report – then the actual situation for the company may differ from the forecasts expressed here. The Board of Directors will then take appropriate countermeasures. The Group is under no obligation to update the statements contained in the management report.

Münster, 26 March 2021

AGRAVIS Group, Board of Directors


Strong Together.
For Agriculture and Life.

7. Consolidated financial statements

7.1. Consolidated balance sheet of AGRAVIS Raiffeisen AG *as at 31 December 2020*

Assets

		Financial year		Previous year
		Thsd. EUR	Thsd. EUR	Thsd. EUR
A.	**Fixed assets**			
I.	**Intangible assets**			
1.	Internally generated industrial property rights and similar rights and assets	1,096		1,549
2.	Purchased concessions, industrial and similar rights and assets and licences to such	22,375		15,405
3.	Goodwill	18,744		22,294
4.	Advance payments	15,505		13,755
			57,720	**53,003**
II.	**Property, plant and equipment**			
1.	Land, land rights and buildings including buildings on third-party land	286,807		292,867
2.	Technical equipment and machinery	109,967		112,580
3.	Other equipment, factory and office equipment	27,610		29,509
4.	Advance payments and plants under construction	7,507		10,162
			431,891	**445,118**
III.	**Financial assets**			
1.	Shares in affiliated enterprises	16,282		16,968
2.	Loans to affiliated enterprises	7,436		8,496
3.	Shares in associated enterprises	185,417		181,974
4.	Holdings	16,976		14,078
5.	Loans to enterprises in which an interest is held	7,559		7,651
6.	Other loans	2,749		3,749
			236,419	**232,916**
	Total fixed assets		**726,030**	**731,037**
B.	**Current assets**			
I.	**Inventories**			
1.	Raw, auxiliary and operating materials and supplies	55,510		53,823
2.	Work and services in progress	5,811		6,360
3.	Finished goods and merchandise	651,145		683,674
4.	Advance payments	13,841		15,296
			726,307	**759,153**
II.	**Receivables and other assets**			
1.	Trade accounts receivables	344,984		325,966
2.	Receivables from affiliated enterprises	39,031		53,126
3.	Receivables from enterprises in which an interest is held	33,644		44,075
4.	Other assets	56,741		59,186
			474,400	**482,353**
III.	**Cash in hand, cash at banks and credit institutions and cheques**		**16,249**	**8,728**
	Total current assets		**1,216,956**	**1,250,234**
C.	**Accrued and deferred items**		**6,331**	**2,528**
	Total assets		**1,949,317**	**1,983,799**

7.1. Consolidated balance sheet of AGRAVIS Raiffeisen AG *as at 31 December 2020*

Liabilities

			Financial year		Previous year
			Thsd. EUR	Thsd. EUR	Thsd. EUR
A.	**Equity capital**				
I.	**Subscribed capital**				
1.	Registered capital		205,537		205,537
2.	Nominal value of treasury shares		-681		-812
	Issued capital			**204,856**	**204,725**
II.	**Capital reserves**			**72,702**	**72,518**
III.	**Retained earnings**				
1.	Reserves required by law		25,070		24,491
	– of which transferred from net income for the financial year		579		(0)
2.	Other retained earnings		161,109		158,497
	– of which taken for the financial year		0		(29,041)
	– of which transferred from net income for the financial year		2,500		(0)
	Sum of retained earnings			**186,179**	**182,988**
IV.	**Equity capital difference from currency conversion**			**-620**	**794**
V.	**Non-dominant shares**			**17,181**	**16,029**
VI.	**Consolidated balance sheet profit**				
1.	Consolidated net income (previous year consolidated net loss)		12,140		-26,413
2.	Non-dominant shares of entitled profits		-1,995		-2,085
3.	Amount allocated to reserves (previous year withdrawals from reserves)		-3,079		29,041
				7,066	**543**
VII.	**Profit participation capital**			**90,215**	**65,912**
	Total equity capital			**577,579**	**543,509**
B.	**Special items for investment subsidies**			**29**	**32**
C.	**Provisions**				
1.	Provisions for pensions and similar obligations		114,124		112,847
2.	Tax provisions		14,889		7,190
3.	Other provisions		104,401		82,441
				233,414	**202,478**
D.	**Liabilities**				
1.	Liabilities to banks		648,515		698,414
2.	Advances received on orders		12,252		8,646
3.	Trade payables		389,753		386,506
4.	Liabilities to affiliated enterprises		5,897		5,136
5.	Liabilities to enterprises in which an interest is held		28,900		37,839
6.	Other liabilities		51,873		100,124
	– of which from taxes	35,593			(13,303)
	– of which relating to social security	716			(458)
				1,137,190	**1,236,665**
E.	**Accrued and deferred items**			**1,105**	**1,115**
	Total liabilities			**1,949,317**	**1,983,799**

7.2. Consolidated profit and loss account *for 1 January to 31 December 2020*

			Financial year		Previous year
			Thsd. EUR	Thsd. EUR	Thsd. EUR
1.	Sales revenue		6,390,091		6,454,742
2.	Increase in the inventory of finished goods as well as work and services in progress		3,298		788
3.	Other own work capitalised		1,644		430
4.	Other operating income		39,601		33,985
				6,434,634	**6,489,945**
5.	Cost of materials				
	a) Cost of raw, auxiliary and operating materials and supplies and purchased		5,720,569		5,798,361
	goods		104,640		104,376
	b) Cost of purchased services			**5,825,209**	**5,902,737**
	Gross profit			**609,425**	**587,208**
6.	Personnel costs				
	a) Wages and salaries		273,925		269,662
	b) Social security contributions and expenses for pensions and benefits		55,851	329,776	56,829
	– of which for pensions	2,354			(4,935)
7.	Depreciation of intangible assets of fixed assets and property, plant and equipment			48,744	49,689
8.	Other operating expenses			181,862	202,628
	Subtotal			**49,043**	**8,400**
9.	Income from investments		2,311		1,840
	– of which from affiliated enterprises	437			(40)
10.	Income from investments in associated enterprises		11,990		5,207
11.	Income from other securities and loans of financial assets		471		550
	– of which from affiliated enterprises	153			(152)
12.	Other interest and similar income		10,334		12,293
	– of which from affiliated enterprises	1,395			(1,926)
	Subtotal (9 to 12)		**25,106**		**19,890**
13.	Financial asset depreciation		3,115		6,394
14.	Expenses from loss transfers		0		0
15.	Interest and similar expenses		37,836		39,320
	– of which from discounting of loans	8,742			(10,384)
	– of which to affiliated enterprises	40			(191)
	– of which remuneration for participation rights capital	1,782			(1,727)
	Subtotal (13 to 15)		**40,951**		**45,714**
	Financial result			**-15,845**	**-25,824**
16.	Taxes on income and earnings			18,387	5,915
17.	Earnings after tax			14,811	-23,339
18.	Other taxes			2,671	3,074
19.	Consolidated net income (previous year consolidated net loss)			12,140	-26,413
20.	Non-dominant shares of entitled profits			-1,995	-2,085
21.	Amount allocated to statutory retained earnings			-579	0
22.	Amount allocated to other retained earnings (previous year withdrawals from other retained earnings)			-2,500	29,041
23.	**Consolidated balance sheet profit**			**7,066**	**543**

7.3. Cash flow statement *as per DRS 21 [indirect method]*

			Financial year Thsd. EUR	Previous year Thsd. EUR
1.		Income over the period (consolidated net income including minority interests)	12,140	-26,413
2.	+/-	Appreciation/depreciation on fixed assets	51,858	56,082
3.	+/-	Increase/decrease in provisions	23,292	-11,960
4.	+/-	Group-specific and other non-cash expenses/income	-8,761	-4,208
5.	-/+	Increase/decrease in inventories, trade accounts receivables and other assets not attributable to investing or financing activities	43,436	-9,471
6.	+/-	Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	-52,103	50,926
7.	-/+	Profit/loss from the disposal of fixed assets	-5,286	-256
8.	-	Book profit from the sale of consolidated companies	0	0
9.	+/-	Interest expenses/income	12,021	12,742
10.	-	Other investment income	-2,311	-1,840
11.	+/-	Income tax expenses/income	18,387	5,915
12.	-/+	Income tax payments	-12,902	-4,775
13.	**=**	**Cash flow from operating activities (sum of 1 to 12)**	**79,771**	**66,742**
14.	+	Payments from the disposal of intangible fixed assets	2,559	2,165
15.	-	Payments for investments in intangible assets	-15,454	-17,780
16.	+	Payments from the disposal of fixed assets	18,190	7,932
17.	-	Payments from investments in tangible fixed assets	-31,204	-31,983
18.	+	Proceeds from disposal of financial assets	3,213	21,592
19.	-	Disbursements for investments in financial assets	-6,304	-7,087
20.	+	Payments from the disposal of consolidated companies (incl. entry of minority interests)	1,345	0
21.	-	Disbursements for additions to the consolidation group (including transitional consolidation)	-3,183	-1,222
22.	+	Interest received	10,804	12,843
23.	+	Dividends received/loss assumption	2,311	1,840
24.	**=**	**Cash flow from investment activities (sum of 14 to 23)**	**-17,723**	**-11,700**
25.	+	Payments from additions to capital made by shareholders of the parent company (capital increases, sale of own shares etc.)	315	0
26.	-	Payments for the acquisition of own shares	0	-1,951
27.	-	Payments from reimbursement of participation rights capital	-35,912	0
28.	+	Payments from additions to capital from issuance of participation rights capital	60,215	0
29.	+	Payments from additions to capital from other shareholders	1,103	195
30.	+	Payments from issuance of loans and taking up of (financial) credit	31,405	24,345
31.	-	Payments from repaying loans and (financial) credit	-86,346	-47,502
32.	-	Interest paid	-24,606	-23,858
33.	-	Dividends paid to shareholders of the parent company	0	-8,189
34.	-	Payments to other shareholders	-1,599	-688
35.	**=**	**Cash flow from financing activities (sum of 25 to 34)**	**-55,425**	**-57,648**
36.	**=**	**Net changes in cash and cash equivalents (sum of 13, 24 and 35)**	**6,623**	**-2,606**
37.	+/-	Currency-exchange and valuation-related changes in cash and cash equivalents	-185	39
38.	+/-	Consolidation-related changes in cash and cash equivalents	1,083	193
39.	+	Cash and cash equivalents at the beginning of the period	8,728	11,102
40.	**=**	**Cash and cash equivalents at the end of the period (sum of 37 to 40)**	**16,249**	**8,728**

7.4. Group statement of changes in equity

	As at 31 December 2019	Change to the scope of consolidation	Other chan-ges	Distribution	Consolidated annual profit	As at 31 December 2020
	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR
Registered capital	205,537	0	0	0	0	205,537
Nominal value of treasury shares	-812	0	131	0	0	-681
Issued capital	**204,725**	**0**	**131**	**0**	**0**	**204,856**
– Capital reserve	72,518	0	184	0	0	72,702
– Retained earnings						
– statutory reserves	24,491	0	0	0	579	25,070
– other retained earnings	158,497	-450	562	0	2,500	161,109
Sum of retained earnings	**182,988**	**-450**	**562**	**0**	**3,079**	**186,179**
Equity capital difference from currency conversion	**794**	0	-1,414	0	0	**-620**
Profit carried forward	**0**	0	0	0	0	**0**
Total	**461,025**	**-450**	**-537**	**0**	**3,079**	**463,117**
Non-dominant shares	**16,029**	-347	1,103	-1,599	1,995	**17,181**
Consolidated balance sheet profit	**543**	0	-543	0	7,066	**7,066**
Profit participation capital	**65,912**	0	24,303	0	0	**90,215**
Group equity capital	**543,509**	-797	24,326	-1,599	12,140	**577,579**

7.5. Explanatory notes to the consolidated financial statements

A. General information

AGRAVIS Raiffeisen AG with its headquarters in Münster, registered at the District Court of Münster in commercial register B9692, is the parent company of the AGRAVIS Group. The consolidated financial statements of AGRAVIS Raiffeisen AG for the financial year from 1 January to 31 December 2020 have been prepared on the basis of the German Commercial Code (Handelsgesetzbuch, HGB) and the supplementary provisions of the Stock Corporation Act (Aktiengesetz, AktG). It comprises the balance sheet, the profit and loss account, these notes, the cash flow statement and the statement of shareholders' equity. The profit and loss account uses the total-cost method and complies with the requirements of Sections 275 and 312(4) sentence 2 of the HGB. The consolidated financial statement is compiled in EUR. The information is listed in EUR thousand (thsd.). Due to this size specification and the associated rounding differences, there may be insubstantial differences in the reported figures or sums of these values. The annotations to be included in the consolidated balance sheet and/or the profit and loss account, or alternatively in the notes, are partially listed in the notes for the purpose of better clarity and transparency.

B. Consolidated group

The consolidated financial statements of AGRAVIS Raiffeisen AG include – in accordance with the principles of full consolidation – in addition to AGRAVIS Raiffeisen AG all domestic and foreign subsidiaries pursuant to Section 290 HGB which are not subsidiaries of relative insignificance. In accordance with the provisions of Section 296(2) HGB, inclusion was waived for subsidiaries that are considered to be of secondary importance both individually and in their entirety, so as to present a true and fair view of the financial position and results. The turnover and assets of these companies, both individually and aggregated, make up around 1 per cent of Group turnover and less than 5 per cent of consolidated total assets.
The consolidated group has changed as follows, compared to the previous year:

	Domestic	International	Total
Included as of 31 December 2019	110	13	123
Changes in the 2020 financial year			
Additions	2	0	2
Disposals	1	0	1
Additions – transitional consolidation	2	0	2
Disposals – transitional consolidation	2	0	2
Disposals through mergers	12	0	12
Included as of 31 December 2020	99	13	112
of which fully consolidated	79	10	89
of which consolidated using the equity method	20	3	23

With the notarised agreement of 24 September 2020, the subsidiary FGL Handelsgesellschaft mbH based in Fürstenwalde transferred the entirety of its assets, including all rights and obligations thereto, by dissolution without liquidation to FGL Holding GmbH based in Fürstenwalde effective 1 January 2020. The subsidiaries FGL Holding GmbH based in Fürstenwalde and Agri Futura GmbH based in Querfurt then transferred the entirety of their assets, including all rights and obligations thereto, by dissolution without liquidation to Märkische Getreide GmbH in Fürstenwalde effective 1 January 2020. The companies were wound up with the registration of the merger on 29 October 2020 in the commercial register of the headquarters of Agri Futura GmbH and on 11 December 2020 in the commercial register of the headquarters of FGL Holding GmbH. With the shareholders' resolution of 24 September 2020, the shareholder of Raiffeisen Uckermark Handels- und Dienstleistung GmbH & Co. KG based in Schwedt, passed a resolution on the withdrawal of the personally liable partner, Raiffeisen Uckermark Geschäftsführungsgesellschaft mbH, Schwedt, and accordingly, the company merger by universal succession to Märkische Getreide GmbH. The entry for Raiffeisen Uckermark Handels- und Dienstleistung GmbH & Co. KG was deleted from the commercial register of the District Court of Neuruppin under the number HRA 2595 NP on 5 November 2020.

Following the merger and succession activities, the company name of Märkische Getreide GmbH was changed to FGL Holding GmbH with the shareholders' resolution of 24 September 2020 and with entry into the commercial register on 14 December 2020. With the notarised merger agreement of 10 November 2020, AGRAVIS Fläming-Mittelelbe GmbH based in Rackith transferred the entirety of its assets, including all rights and obligations thereto, by dissolution without liquidation to AGRAVIS Ost GmbH & Co. KG (formerly: Baro Lagerhaus GmbH & Co. KG) based in Bülstringen effective 1 January 2020. The merger took effect with entry into the commercial register of the acquiring company on 2 December 2020.

With the notarised merger agreement of 28 February 2020, the subsidiaries AGRAVIS Rhein-Main GmbH and AGRAVIS Mischfutter Emsland GmbH transferred the entirety of their assets, including all rights and obligations thereto, by dissolution without liquidation to AGRAVIS Mischfutter West GmbH (formerly: AGRAVIS Mischfutter Westfalen GmbH), Münster, effective 1 January 2020. Entry of the merger into the commercial register of the acquiring company took place on 25 March 2020.

With the notarised merger agreement of 4 May 2020, AGRAVIS Technik Weser-Aller GmbH transferred the entirety of its assets, including all rights and obligations thereto, by dissolution without liquidation to AGRAVIS Technik Raiffeisen GmbH. At the shareholders' meeting on the same date, the headquarters of AGRAVIS Technik Raiffeisen GmbH was moved to Barsinghausen. With the notarised agreement of 3 July 2020, the entirety of the assets of VOVIS Automobile GmbH, including all rights and obligations thereto, was transferred to the parent company, namely AGRAVIS Technik Holding GmbH based in Münster, by dissolution without liquidation, effective 1 January 2020. Entry of the merger into the commercial register of the acquiring legal entity took place on 26 August 2020. With the notarised agreement of 13 July 2020, as the acquiring legal entity, New-Tec Ost Vertriebsgesellschaft für Agrartechnik mbH absorbed the entirety of the assets of NH Agrartechnik GmbH, including all rights and obligations thereto, by dissolution without liquidation of the acquiring legal entity. Entry of the merger into the commercial register of the headquarters of New-Tec Ost Vertriebsgesellschaft für Agrartechnik mbH took place on 6 August 2020.

With the purchase agreements of 20 December 2019, 14 February 2020 and 11 March 2020, AGRAVIS Agrarholding GmbH acquired a further 44 per cent of AGRAVIS Westfalen-Hessen GmbH based in Brakel (formerly Rörig/Hartig u. Co. Landwarenhandel GmbH, Wolfhagen). With the increase of shares to 100 per cent, the company was included in the consolidated group of the consolidated financial statements as a subsidiary according to the principles of full consolidation in the context of the transitional consolidation. The goodwill of EUR 1,737 thousand arising from the revaluation of additionally acquired shares is amortised over five years, taking into account the market position of the company, factors related to the field of activity and the Group's internal amortisation plan.

With the notarised agreement of 26 October 2020, the shareholder of AGRAVIS Kornhaus Ostwestfalen GmbH agreed to transfer the entirety of the company's assets, including all rights and obligations thereto, by dissolution without liquidation, to AGRAVIS Westfalen-Hessen GmbH based in Brakel (formerly Rörig/Hartig u. Co. Landwarenhandel GmbH, Wolfhagen). Entry of the merger into the commercial register of the acquiring legal entity took place on 1 December 2020.

With the purchase agreement of 23 November 2020, AGRAVIS Futtermittel GmbH increased its shares in RFG Raiffeisen Flüssigfutter GmbH based in Lüdinghausen to 100 per cent over the course of the reporting year. The company was included in the consolidated group as a subsidiary according to the principles of full consolidation for the first time on 1 January 2020. The revaluation of the company's assets, liabilities as well as accrued and deferred items to be included in the consolidated financial statements that took place as part of initial consolidation led to an offsetting of the negative difference against the Group retained earnings without affecting the operating result.

With the purchase agreement of 26 November 2019 and with the addendum of 10 March 2020, AGRAVIS Ost GmbH & Co. KG (formerly: Baro Lagerhaus GmbH & Co. KG) based in Bülstringen acquired 100 per cent of the shares in TEC GmbH based in Bülstringen. The company was included in the consolidated group according to the principles of full consolidation for the first time on 1 January 2020. The revaluation of the assets, liabilities as well as accrued and deferred items to be included in the consolidated financial statements led to a passive difference in the amount of EUR 1,040 thousand; this is due to a favourable acquisition and not to the expected future losses or expenses and was recognised in income in the reporting year.

With the notarised purchase agreement of 21 August 2020 and with economic effect from 1 January 2020, AGRAVIS Energieholding GmbH sold 8 per cent of Raiffeisen Bio Brennstoffe GmbH at a profit. The loss of the controlling influence led to a status change of the company from a subsidiary to an associated company with no effect on the operating result. AGRAVIS Raiffeisen AG and Bremer Rolandmühle Erling Beteiligungs-GmbH, in their capacity as shareholders of Emil Stenzel GmbH & Co. KG based in Recklinghausen, resolved and executed the contribution of their limited partner shares in the company to Roland Mills United GmbH & Co. KG, Bremen on 6 August 2020.

Shares in A+T Nutzfahrzeuge Süd-West GmbH consolidated at equity (formerly: FS Trucks GmbH) based in Osnabrück were sold by AGRAVIS Raiffeisen AG with a negative impact on earnings. This was confirmed with the notarised purchase agreement of 22 December 2020 with economic effect from 31 December 2020.

AFS Financial Service GmbH & Co KG is managed as an associated company due to the changes in the shareholding structure and the change of legal form. The extended liability arising from the conversion of the oHG (general partnership) into the KG (limited liability company) legal form in 2014 means that "old business" continues to be fully consolidated as of the date of conversion as a legally dependent asset until the expiry of this business. Pursuant to Section 264(3) HGB and Section 264b HGB respectively, we are dispensing with publication of the annual financial statements of several of our subsidiaries in the Federal Gazette and with the drawing up of notes and a management report. The companies in question are marked with an "*".

Fully consolidated companies

Name		Head office	Share (indirect) in %	Share (direct) in %
AGRICULTURE – Production and Wholesale				
AGRAVIS Futtermittel GmbH	*	Münster		100
AGRAVIS Kraftfutterwerke Rhein-Main GmbH		Wiesbaden	75	
AGRAVIS Mischfutter Leine-Weser GmbH	*	Hanover	100	
AGRAVIS Mischfutter Oldenburg/Ostfriesland GmbH	*	Münster	100	
AGRAVIS Mischfutter Ostwestfalen-Lippe GmbH	*	Münster	100	
AGRAVIS Mischfutter West GmbH (formerly: AGRAVIS Mischfutter Westfalen GmbH)	*	Münster	100	
aniMedica GmbH		Senden	100	
aniMedica Herstellungs GmbH		Senden	100	
aniMedica international GmbH		Frankfurt am Main		62
DGO Großhandel GmbH	*	Cloppenburg		100
DoFu Donaufutter GmbH	*	Straubing	100	
Dr.E.Gräub AG		Bern (CH)	100	
EQUOVIS GmbH	*	Münster	100	
GiG Geflügelintegration GmbH	*	Münster	100	
Graincom GmbH	*	Hanover	100	
HL Beteiligungs-GmbH & Co. KG (formerly: AGRAVIS-Saatzucht Futtermittel GmbH & Co. KG)	*	Hamburg	55	
HL Beteiligungs-Verwaltungs GmbH (formerly: AGRAVIS-Saatzucht Verwaltungs GmbH)		Hamburg	55	
HL Hamburger Leistungsfutter GmbH		Hamburg	55	
Industrial Veterinaria S.A.		Barcelona (ES)	100	

Name		Head office	Share (indirect) in %	Share (direct) in %
Industria Italiana Integratori Trei S.p.A.		Rio Saliceto (IT)	100	
LIVISTO Dominicana S.R.L.		Santiago (DO)	100	
LIVISTO EXPORT, S.A. de C.V.		Santa Tecla (SV)	100	
LIVISTO Group GmbH		Senden		100
LIVISTO INT'L S.L.		Barcelona (ES)	100	
LIVISTO Panamá S.A.		Chiriquí (PA)	100	
LIVISTO S.A. de C.V.		Zaragoza (SV)	100	
LIVISTO Sp. z o.o.		Gdynia (PL)	100	
Lirus O.O.O.		Moscow (RUS)	100	
PROFUMA Spezialfutterwerke GmbH & Co. KG	*	Dormagen	100	
TerraSol Wirtschaftsdünger GmbH		Münster	84	
Verwaltung HL Hamburger Leistungsfutter GmbH & Co. KG		Hamburg		55
AGRICULTURE – Trade				
AGRAVIS Agrarholding GmbH	*	Münster		100
AGRAVIS Bamberg GmbH	*	Bamberg	100	
AGRAVIS Ems-Jade GmbH	*	Esens	100	
AGRAVIS Kornhaus Westfalen-Süd GmbH	*	Meschede	100	
AGRAVIS Niedersachsen-Süd GmbH	*	Wunstorf	100	
AGRAVIS Ost GmbH & Co. KG (formerly: Baro Lagerhaus GmbH & Co. KG)	*	Bülstringen	100	
AGRAVIS Ost – Verwaltungs-GmbH (formerly: Baro Lagerhaus Verwaltungs-GmbH)		Bülstringen	100	
AGRAVIS Süd GmbH	*	Münster		100
AGRAVIS Westfalen-Hessen GmbH (formerly: Rörig/Hartig u. Co. Landwarenhandel GmbH)	*	Brakel	100	
Agrarrohstoff Beteiligungs GmbH	*	Hanover		100
Agrar Cargo Spedition GmbH		Riesa	100	
Baro Beteiligungs-GmbH & Co. KG	*	Münster		100
FGL Fürstenwalder Futtermittel-Getreide-Landhandel GmbH	*	Fürstenwalde	100	
FGL Holding GmbH (formerly: Märkische Getreide GmbH)	*	Fürstenwalde		100
Futura Agrarhandel GmbH		Erwitte	100	
GEKRA Produktionsgesellschaft mbH		Querfurt	100	
RFG Raiffeisen Flüssigfutter GmbH		Lüdinghausen	100	
TEC-GmbH		Bülstringen	100	
Machinery				
AGRAVIS Technik BvL GmbH	*	Meppen	100	
AGRAVIS Technik Center GmbH	*	Meppen	100	
AGRAVIS Technik Heide-Altmark GmbH	*	Uelzen	100	
AGRAVIS Technik Hessen-Pfalz GmbH	*	Fritzlar	90	
AGRAVIS Technik Holding GmbH	*	Münster		100
AGRAVIS Technik Lenne-Lippe GmbH		Lennestadt	76	
AGRAVIS Technik Münsterland-Ems GmbH	*	Borken	100	
AGRAVIS Technik Raiffeisen GmbH	*	Barsinghausen	100	
AGRAVIS Technik Sachsen-Anhalt/Brandenburg GmbH	*	Köthen	100	
AGRAVIS Technik Saltenbrock GmbH		Melle	73	
AGRAVIS Technik Service GmbH	*	Hanover	100	
Franz Schotte GmbH		Duderstadt	100	
Landtechnik Steigra GmbH		Steigra	85	
Menke Agrar GmbH	*	Soest	100	
New-Tec Ost Vertriebsgesellschaft für Agrartechnik mbH	*	Treuenbrietzen	100	
New-Tec West Vertriebsgesellschaft für Agrartechnik mbH	*	Harsum	100	
Technik Center Alpen GmbH		Alpen	76	
TecVis GmbH	*	Olfen	100	
Retailing				
AGRAVIS Bauservice GmbH (formerly: AGRAVIS Baustoffhandel GmbH)	*	Münster	100	
AGRAVIS Raiffeisen-Markt Holding GmbH	*	Münster		100

Name		Head office	Share (indirect) in %	Share (direct) in %
AGRAVIS Raiffeisen-Markt GmbH	*	Münster	100	
Gundelach GmbH	*	Bockenem	100	
Terres Agentur GmbH	*	Münster	100	
Terres Marketing- und Consulting GmbH	*	Münster	100	
Energy				
AGRAVIS Energie Holding GmbH	*	Münster		100
AGRAVIS Raiffeisen Tankstellen GmbH	*	Münster	100	
Georg Piening GmbH	*	Seesen	100	
Georg Piening GmbH & Co. KG	*	Seesen	100	
Georg Piening Haustechnik und Energieservice GmbH		Seesen	100	
Georg Piening Mineralölhandel und Energieservice GmbH & Co. KG	*	Seesen	100	
Other				
AGRAVIS Beteiligungsverwaltungs GmbH		Hanover		100
AGRAVIS Dienstleistungsholding GmbH	*	Münster		100
AGRAVIS Digital GmbH	*	Hanover		100
AGRAVIS International Holding GmbH		Münster		100
AGRAVIS Versicherungsservice GmbH & Co. KG	*	Hanover		100
FINVIS Business Services GmbH	*	Münster		100
TerraVis GmbH	*	Münster		100
VERAVIS GmbH	*	Münster	100	

Affiliated enterprises – not included

Name	Head office	Share (indirect) in %	Share (direct) in %
AGRICULTURE – Production and Wholesale			
AGRAVIS Raiffeisen Agro SRL	Bucharest (RO)	100	
AGRAVIS GUS Holding GmbH	Münster		100
ANIMEDICA LATINO AMERICA S.A. de C.V.	Lomas de las Palmas (MEX)	90	
Blattin Mineralfutterwerke Seitschen Verwaltungs GmbH	Göda	100	
HL Hamburger Leistungsfutter Polska Sp.z.o.o.	Kwiatowa (PL)	55	
Hygiene Beteiligungsgesellschaft mbH	Münster	100	
LOTUS Agrar GmbH	Mannheim		100
OOO Raiffeisen Agro	Novoalexandrovsk (RUS)	100	
OOO Raiffeisen Agro Real Estate	Novoalexandrovsk (RUS)	100	
OOO Economix	Kaliningrad (RUS)	100	
OOO AGRAVIS Raiffeisen Agro	Krasnodar (RUS)	100	
Panto d.o.o.	Rijeka (HR)	55	
Panto Ecommerce GmbH	Hamburg	55	
PROFUMA Geschäftsführungs GmbH	Dormagen	100	
AGRICULTURE – Trade			
AGRAVIS Versicherungsservice Geschäftsführungs GmbH (formerly: Raiffeisen Uckermark Geschäftsführungsgesellschaft mbH)	Münster	100	
biovis agrar GmbH	Münster	100	
Dynamik Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Riesa KG	Mainz	94	
VR Agrar Center Wittelsbacher Land GmbH	Altomünster	51	
Machinery			
AGRAVIS Technik Polska Sp. z o.o.	Pozna (PL)	100	
Feuersträter GmbH	Beelen	73	
Landtechnik LZA GmbH	Alsfeld	75	
Lorenz Rubarth Landtechnik GmbH	Anröchte	74	
Menke Agrar Parts S.R.L.	Comlosu Mic (RO)	99	
Menke Agrar Polska Sp. z o.o.	Komorniki (PL)	100	
OOO Menke	Moscow (RUS)	100	

Name	Head office	Share (indirect) in %	Share (direct) in %
Retailing/energy			
Raiffeisen-Markt Ebstorf GmbH	Ebstorf	76	
Raiffeisen Webshop GmbH & Co. KG	Münster	2	50
Raiffeisen Webshop Geschäftsführungs GmbH	Münster	52	
Regio Baustoffe Geschäftsführungs GmbH	Münster		100
Theodor Elbers-Verwaltungs-GmbH	Münster	100	
Other			
IGS Immobiliengesellschaft Sachsen mbH	Trebsen	100	
VERAVIS Energy GmbH	Münster	51	
VERAVIS Energy PV1 GmbH & Co. KG	Münster		51
VERAVIS Energy PV2 GmbH & Co. KG	Münster		51

Associated companies

Name	Head office	Share (indirect) in %	Share (direct) in %
AGRICULTURE – Production and Wholesale			
AGRAVIS Futtermittelwerke Emsland GmbH	Lingen	50	
AGRAVIS Kraftfutterwerke Münsterland GmbH	Münster	50	
AGRAVIS Kraftfutterwerk Oldenburg GmbH	Oldenburg	37	
Crystalyx Products GmbH	Münster	50	
Genossenschafts-Kraftfutterwerk GmbH	Hanover		50
H. Bögel GmbH & Co. KG	Hamburg	33	
Raiffeisen-Kraftfuttermittelwerk Dörpen GmbH	Dörpen	15	
Roland Mills United GmbH & Co. KG	Bremen		40
AGRICULTURE – Trade			
Raiffeisen Lienen-Lengerich GmbH	Lienen	75	
Raiffeisen Lippe-Weser AG	Lage	30	
Raiffeisen Warenhandel GmbH	Rosdorf	32	
Raiffeisen Warenhandel GmbH & Co. KG	Halle		50
Machinery			
AFS Financial Service GmbH & Co. KG	Seevetal	40	
MRA GmbH	Hanover	70	
Raiffeisen Technik Nord-West GmbH	Aurich	50	
Other			
DA Agravis Machinery Holding A/S	Galten (DK)	25	
Deutsche Raiffeisen-Warenzentrale GmbH	Frankfurt am Main		34
DV Agravis International Holding A/S	Galten (DK)	25	
Natural Energy West GmbH	Neuss		25
Raiffeisen Anlagenbau GmbH	Lage	45	
Raiffeisen Beteiligungs GmbH	Münster		100
Raiffeisen Bio Brennstoffe GmbH	Münster	46	
Vilomix Holding A/S	Mørke (DK)	25	

Affiliated enterprises – not included

Name	Head office	Share (indirect) in %	Share (direct) in %
AGRICULTURE – Production and Wholesale			
BioMühle Hamaland GmbH	Gescher	49	
Hafenbetriebsgesellschaft Schweringen GmbH	Schweringen	32	
Hauptsaat GmbH	Linsburg		20
HL-Top Mix Ltd.	Slive (BG)	40	
Raiffeisen Kraftfutterwerk Mittelweser Heide GmbH	Schweringen	25	
VERUM GmbH	Schwedt/Oder	50	

Name	Head office	Share (indirect) in %	Share (direct) in %
AGRICULTURE – Trade			
Agroservice Landhandel GmbH Heudeber	Nordharz	50	
Agro-Service und Landhandel GmbH Eilsleben	Eilsleben	45	
Beddingen Agrar Service GbR	Salzgitter		25
Fr.B. Janssen GmbH & Co. KG	Leer	50	
Raiffeisen Lagerhaus Peine GmbH & Co. KG	Uetze		25
Raiffeisen Münsterland West GmbH	Ahaus	25	
Machinery			
Buchheister Technik GmbH	Coppenbrügge	24	
Retailing			
AGRAVIS Baustoffhandel GmbH & Co. KG	Münster	20	
Baustoffprofi Handels GmbH	Wettringen	40	
DRWZ Marken GmbH i.L.	Karlsruhe		34
Raiffeisenmarkt-Emsdetten GmbH	Emsdetten	49	
Veland Raiffeisen H & G Markt GmbH	Vechta	50	
Energy			
Behrenswerth Energieservice GmbH	Hilter	30	
ENIRA Energie Raiffeisen GmbH	Nottuln	40	
Gela Energie GmbH	Lünne	20	
Loos Mineralölhandel GmbH	Dortmund	25	
Raiffeisen Gas GmbH	Münster	25	
Other			
AGRI-System GmbH	Münster	50	
Agro, Transport und Umschlags GmbH Schönstedt	Schönstedt	50	
FRIA-Immobilien GmbH & Co. KG	Hanover		50
Fr.B. Janssen Verwaltungsgesellschaft mbH	Leer	50	
H.Bögel Beteiligungsgesellschaft mbH	Hamburg	33	
H.Schlötelburg GmbH	Hude		27
INTEGRAFEED S.R.L	Modena (IT)	20	
iXmap Services GmbH & Co.KG	Regenstauf	50	
Land 24 GmbH	Telgte		32
Novafield GmbH	Münster		20
ODAS GmbH	Dorsten	25	
ODAS IT GmbH	Dorsten	50	
Raiffeisen Lagerhaus Peine Beteiligungs GmbH	Uetze		25
Raiffeisen Portal GmbH	Münster	48	
Raiffeisen Transport GmbH	Lüdinghausen	7	20
RaiLog Lüdinghausen GmbH	Lüdinghausen		33
Tacoss Software GmbH	Flensburg		49
Tapo Service & Handel GmbH	Tecklenburg	50	

Country codes: CH – Switzerland, DK – Denmark, DO – Dominican Republic, ES – Spain, HR – Croatia, IT – Italy, MEX – Mexico, PA – Panama, PL – Poland, RO – Romania, RUS – Russia, SV – El Salvador

C. Principles of consolidation

The financial statements of the companies included in the consolidated financial statements are prepared in accordance with the accounting and valuation policies applicable to the AGRAVIS Group. The date for the preparation of financial statements is always 31 December. Financial statements given in a foreign currency are converted into euros according to the rules on foreign currency as per Section 308a HGB. In this respect, the assets and liabilities – with the exception of equity capital, which is converted at the historical rate – are converted at the spot exchange rate as on the balance sheet date. With regard to the items on the profit and loss account, the average price is used. Resultant exchange differences are recognised within equity capital as a separate item. For acquisitions after 31 December 2009, the consolidation of capital and the determination of the value of shareholdings in associated companies are to be included on the basis of the fair value for the assets, liabilities, deferred income and special items of the companies to be included at that point in time when the company became a subsidiary or associated company (revaluation method). The consolidation adjustments made formerly are to be updated according to the book value method. Any remaining differences are capitalised as goodwill and written down over their estimated useful lives.

Negative differences are listed in dependence on the nature of the items under the item "Differential amount from capital consolidation" under the equity capital or offset with reserves.

Shareholdings in associated companies which are not of relative insignificance for the presentation of a true and fair view of the Group's assets, finances and earnings are accounted for under the book value method at equity value. The books of the associated companies are kept in this respect on a standard basis, in accordance with the legal principles of proper accounting given in the German Commercial Code. There is no adaptation of the annual financial statements to Group-wide evaluation methods. As part of consolidating debt, all receivables and liabilities between the Group companies included in the balance sheet were offset against each other. Differences arising from the debt consolidation are shown under other operating expenditure. Intermediate results are eliminated in accordance with Section 304(1) HGB. Income and expenses incurred between Group companies are offset against each other. Differences arising from income and expense consolidation do not affect the operating result. Deferred taxes are limited to consolidation measures.

Notes on the accounting and valuation methods

With the exception of the assets, liabilities and financial instruments combined into valuation units pursuant to Section 254 HGB, assets and liabilities are valued individually. All foreseeable risks and losses have been taken into account. Similarly, those risks have been taken into account which became known between the balance sheet date and the date of preparation of the consolidated financial statements. In accordance with the realisation principle, only those profits realised by the reporting date are considered. The income and expenditure for the financial year have been taken into account on an accrual basis. Insofar as hedging transactions are concluded to balance contrary changes in currency values or in cash flows, as per the principles of risk management implemented by the Group, these are – insofar as the appropriate legal requirements in terms of the German Commercial Code are met in a particular case – sometimes also merged with the underlying transactions into valuation units on the balance sheet. In that regard, the imparity-principle-based valuation of the relevant balance sheet items and/or of the effect on profits of expected future cash flows is/are omitted.
The accounting and valuation methods applied are given below in detail:

Intangible assets and plant, property and equipment

Internally produced intangible assets are capitalised at production-cost price and written down over their estimated useful lives (generally seven years). In determining the cost of production for internally produced intangible assets, the following are taken into account: the unit costs; an appropriate portion of overheads and depreciation on fixed assets, to the extent that this depreciation is a result of the manufacturing; and pro rata administrative and social security costs. Interest on borrowed capital is not taken into account.

Acquired intangible assets are valued at acquisition-cost price, less straight-line amortisation. The determination of the expected, estimated useful lives of the intangible assets occurs regularly and is based on the sector-related amortisation/depreciation tables published by the financial management department (minimum rate). In the case of permanent impairment, extraordinary amortisation is performed.

Goodwill is written down on a regular linear basis over its estimated useful life, which is estimated individually according to our specific expectations of the anticipated benefits of the transaction performed. The expected benefit usually arises predominantly because of the likely sustainability of the acquired customer relationships and is reviewed regularly. Changes in these estimates are accounted for through extraordinary amortisation and through adjustment to the remaining useful lifespan. Currently, goodwill is amortised over a range of useful lifespans, estimated to be between 5 and 15 years. Depreciation of the business and goodwill of associated companies resulting from the consolidation is included in the profit and loss account, as in the previous year, under the item "Financial asset depreciation".

Tangible fixed assets are stated at their historical acquisition or production cost, less accumulated depreciation. Depreciation is calculated in a predominantly linear fashion over the assets' estimated useful lifespans. Additions since 1 January 2017 are generally only depreciated using the linear method. In the case of permanent impairment, extraordinary depreciation is performed. In determining the cost of production for property, plant and equipment, the following are taken into account: the unit costs; an appropriate portion of overheads and depreciation on fixed assets, to the extent that this depreciation is a result of the manufacturing; and pro rata administrative and social security costs. Interest on borrowed capital is not taken into account. The determination of the expected, estimated useful lives of the tangible fixed assets – unless otherwise indicated above – occurs regularly and is based on the sector-related amortisation/depreciation tables published by the financial management department (minimum rate). Low-value assets with acquisition costs up to an amount of EUR 800 are fully depreciated in the year of acquisition and are treated as disposals.

Financial assets

Financial assets are valued at acquisition-cost price. In the case of permanent impairment, extraordinary depreciation is performed. Impairment losses are reversed if the reasons for a prior write-down no longer exist. Shares in associated companies which are relevant in terms of the asset, financial and earning situation are offset against equity capital (equity method). The book values are increased or decreased annually by the proportional results, dividends and other changes in equity capital.

Inventories

Stocks of raw materials, supplies and operating materials as well as merchandise are valued at the acquisition cost or at the replacement cost, if lower, under strict application of the lowest value principle. Spare parts as components of the merchandise are generally valued at average prices. Inventory risks arising from the duration of storage or from the reduced marketability of the stocks of spare parts are accounted for using appropriate value deductions, which have been determined due to a uniform group valuation policy.

Stocks of unfinished goods and services and finished goods are valued at historical acquisition or production cost or at replacement cost, if lower, under strict application of the lowest value principle. In determining the cost of production, the following are taken into account: the unit costs; an appropriate portion of material and manufacturing overheads and depreciation on fixed assets, to the extent that this depreciation is a result of the manufacturing; and pro rata administrative and social security costs. Interest on borrowed capital is not taken into account. The group valuation methods pursuant to Section 240(4) HGB or the imputation of the sequence of consumption (FIFO) were used in accordance with Section 256 HGB. Inventory risks arising from the duration of storage or from the reduced marketability of the stocks are accounted for using appropriate value deductions in the same way as risks arising from price movements occurring up to the time of balance sheet preparation.

Receivables and other assets

Receivables and other assets are recognised at their nominal value. Identifiable risks are covered by valuation allowances. The general credit risk is taken into account in the form of general valuation allowances (unchanged at previous year 1 per cent). Receivables in foreign currency are valued at the spot exchange rate at the balance sheet date. When assessing receivables in foreign currency with a residual maturity of one year or less, the historical cost convention in accordance with Section 253(1) sentence 1 HGB and the principle of unequal treatment under Section 252(1), no. 4, clause 2 HGB do not apply in this respect, as per Section 256a HGB.

Cash and cash equivalents

Cash and cash equivalents exclusively comprise cash in hand, bank balances and cheques and are stated at their nominal value. Foreign currencies are converted at the applicable rate on the payment date or at the spot exchange rate, if lower, at the balance sheet date.

Accrued and deferred items on the assets side

Accrued and deferred items relate to outgoing payments made before the balance sheet date, where these represent expenses after the balance sheet date. They are recognised at nominal value.

Equity capital

The appropriate amounts from the separate financial statements of AGRAVIS Raiffeisen AG are reported as subscribed capital and statutory and capital reserves in the consolidated financial statements. The subscribed capital is stated at nominal value. The nominal value of treasury shares is deducted from subscribed capital, and the nominal-amount-exceeding share of the acquisition costs of treasury shares is offset against unallocated other retained earnings. The Group profit remaining for the previous year after each pay-out to shareholders of the parent group is shown under "Other retained earnings".

Provisions for pensions and similar obligations

Pension obligations are based on the projected unit credit method (PUC method) using actuarial principles on the basis of 2018 G actuarial tables (published in 2018) by Professor Dr Klaus Heubeck. According to this method, the amount of pension obligations is calculated according to the earned entitlement as at the balance sheet date, taking into account future salary and pension increases as well as a probable fluctuation dependent on age and length of service. The actuarial interest rate is a flat rate, calculated using the Bundesbank average market rate, and assumes a remaining maturity of 15 years.

For some of the pension obligations, there are fund assets which are specifically and exclusively for the fulfilment of pension obligations. Such assets are not available to any other creditors. Accordingly, these obligations and the fair value of the fund assets are given net, according to Section 246(2) sentence 2 HGB. If there is a commitment overhang, it is recognised under the provisions. If the value of the fund assets exceeds that of the obligations, this is recognised on the asset side of the balance sheet as "Positive difference arising from asset allocation". During the reference year – as in the previous year – no positive difference was recognised. The income from the qualified fund assets is offset and netted in the same period with the expense from the related pension obligations.

The valuation of the fund assets is at fair value, determined in each case using actuarial principles. With regard to the fund assets – which are in the form of reinsurance policies – the actuarially determined value determined according to actuarial principles corresponds to the actuarial reserves for the policies, as per the business plan, and thus also to the cost of claims vis-à-vis the reinsurer.

Tax provisions and other provisions

Other provisions and tax provisions are recognised at their required settlement value, according to the judgement of a prudent businessman. They take into account all identifiable risks and contingent liabilities. Provisions with a remaining term of more than one year are discounted using the interest rates published by the Deutsche Bundesbank, according to the relevant maturity.

Liabilities
Liabilities are stated at their settlement value. With regard to trade payables, standard retention of title by goods suppliers exists. Liabilities in foreign currency are valued at the spot exchange rate at the balance sheet date. When assessing liabilities in foreign currency with a residual maturity of one year or less, the historical cost convention in accordance with Section 253(1) sentence 1 HGB and the principle of unequal treatment under Section 252(1), no. 4, clause 2 HGB do not apply in this respect, as per Section 256a HGB.

Deferred income
Accrued and deferred items relate to incoming payments made before the balance sheet date where these represent earnings after the balance sheet date. They are recognised at nominal value.

Deferred tax liabilities
Deferred taxes are calculated using the balance sheet approach. Under this approach, deferred taxes are recorded on differences between the values of assets and liabilities under commercial law and their tax valuations, provided that the differences are expected to turn around in subsequent financial years and will later result in tax burdens or relief. Deferred tax assets also include tax rebate claims arising from the expected use of loss and interest carry-forwards in future years where the realisation of these can be guaranteed with sufficient certainty. Deferred taxes are calculated using the respective country-specific and company-specific tax rates as applicable according to the current legal situation at the time that the differences are established. To provide an improved insight into the Group's financial position and earnings situation, with the application of the option specified in Section 274(1) sentence 3 in conjunction with Section 298(1) HGB, as in the previous year, complete offsetting has been performed of the existing deferred tax liabilities (primary deferred tax liabilities) in the annual financial statements of those companies included in the consolidated financial statements, with the deferred tax liabilities from consolidation measures (secondary deferred tax liabilities) under Section 306 HGB as well as with the primary deferred assets of other Group companies. The option provided by Section 274(1) sentence 2 in conjunction with Section 298(1) HGB of the determination of a remaining deferred tax surplus has not been exercised. Expenses or income from any change in deferred taxes entered on the balance sheet are included under "Taxes on income and earnings".

Currency conversions
To the extent that, in individual cases involving foreign currency items or pending purchase and sales transactions already on the balance sheet, protection against exchange rate risks has been performed in the form of forward exchanges contracts, these are grouped throughout with the respective underlying transactions, in application of Section 254 HGB. Accordingly, the valuation of the relevant receivables and payables or the determination of any contract risk arising from pending transactions is done directly using the respective hedge rate.

Contingencies and other financial obligations
The relevant figures are calculated on a nominal basis.

Derivative financial instruments
Derivative financial instruments are valued individually at their market value at the balance sheet date. Insofar as the conditions for the formation of valuation units pursuant to Section 254 HGB have been met and a balance sheet assignment (designation) of hedging instruments has been performed and documented, the hedging and hedged transactions have been merged into valuation units. As far as these criteria have not been met, the lower acquisition cost of the derivative (if any) and the market value is entered at the balance sheet date. In other words, derivative financial instruments (with negative fair values) not included in valuation units are represented in the entry of provisions for anticipated losses, while such transactions with positive fair values are not entered on the balance sheet.

Development of consolidated assets

	Acquisition and production costs					
	Carried forward 1 January 2020	Changes to consolidated group	Additions	Transfers	Disposals	Exchange rate differences
	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR
I. Intangible assets						
1 Internally generated industrial property rights and similar rights and assets	4,711	0	362	1	632	4
2. Purchased concessions, industrial and similar rights and assets and licences to such	86,518	138	8,931	4,241	2,863	-56
3. Goodwill	74,636	1,655	100	0	0	0
4. Advance payments	13,756	0	6,061	-4,242	70	0
	179,621	**1,793**	**15,454**	**0**	**3,565**	**-52**
II. Property, plant and equipment						
1. Land, land rights and buildings, including buildings on leased property	571,813	8,198	8,636	4,238	20,148	-139
2. Technical equipment and machinery	346,775	9,777	8,120	2,800	8,887	-35
3. Other equipment, factory and office equipment	130,452	723	8,989	126	10,199	-107
4. Advance payments and plants under construction	10,162	4	5,459	-7,164	950	-3
	1,059,203	**18,703**	**31,204**	**0**	**40,184**	**-285**
III. Financial assets						
1. Shares in affiliated enterprises	29,570	-33	594	-25	0	0
2. Loans to affiliated enterprises	8,496	0	0	0	1,060	0
3. Shares in associated enterprises	216,566	-4,148	9,541	0	1,345	0
4. Holdings	15,376	-100	4,351	25	919	0
5. Loans to enterprises in which an interest is held	7,658	-125	248	0	217	0
6. Other loans	3,792	0	62	0	1,064	0
	281,458	**-4,407**	**14,795**	**0**	**4,604**	**0**
Total fixed assets	**1,520,282**	**16,089**	**61,453**	**0**	**48,354**	**-337**

Accumulated write-downs							Book values	
As at 31 December 2020 Thsd. EUR	Carried forward 1 January 2020 Thsd. EUR	Consolidation group changes Thsd. EUR	Write-downs for the financial year Thsd. EUR	Disposals Thsd. EUR	Exchange differences Thsd. EUR	As at 31 December 2020 Thsd. EUR	31 December 2020 Thsd. EUR	31 December 2019 Thsd. EUR
4,446	3,162	0	222	38	4	3,350	1,096	1,549
96,908	71,113	137	4,953	1,621	-49	74,533	22,375	15,405
76,391	52,342	-13	5,318	0	0	57,647	18,744	22,294
15,505	0	0	0	0	0	0	15,505	13,756
193,250	**126,618**	**124**	**10,493**	**1,659**	**-45**	**135,530**	**57,720**	**53,003**
572,598	278,946	3,352	15,520	11,970	-57	285,791	286,807	292,867
358,550	234,195	6,970	13,335	5,882	-35	248,582	109,967	112,580
129,984	100,943	882	9,395	8,775	-71	102,374	27,610	29,509
7,507	0	0	0	0	0	0	7,507	10,162
1,068,640	**614,084**	**11,204**	**38,250**	**26,627**	**-163**	**636,747**	**431,891**	**445,118**
30,106	12,602	0	1,222	0	0	13,824	16,282	16,968
7,436	0	0	0	0	0	0	7,436	8,496
220,614	34,592	-787	1,393	0	0	35,198	185,417	181,974
18,733	1,298	0	500	41	0	1,757	16,976	14,078
7,564	7	0	0	2	0	5	7,559	7,651
2,789	43	0	0	3	0	40	2,749	3,749
287,243	**48,542**	**-787**	**3,115**	**46**	**0**	**50,824**	**236,419**	**232,916**
1,549,132	**789,244**	**10,541**	**51,858**	**28,332**	**-208**	**823,102**	**726,030**	**731,037**

E. Notes to the consolidated balance sheet and profit and loss account

I. Balance sheet

1. Development of consolidated assets

The fixed assets of companies included in the consolidated financial statements for the first time are recorded along with the consolidated assets at the historical acquisition/production cost value, including revaluation and the accumulated historical (gross) write-down at the time of inclusion. The fixed assets of companies which left the consolidated group during the financial year are also included gross in the fixed assets. The inward/outward acquisition/production costs are reported in the "Changes to consolidated group" column. The total amount of research and development costs for the financial year amounted to EUR 6.1 million. This includes expenses at an amount of EUR 0.3 million, which are included in the internally produced intangible assets at an amount of EUR 0.4 million as other own work capitalised. The book values of the shares of associated companies include EUR 0.7 million of goodwill from the evaluation at the point in time when it was first included in the consolidated financial statements (2016 to 2020). Depreciation is carried out on a linear basis over a service life of five years or seven years respectively. Miscellaneous loans include credit balances from cooperatives amounting to EUR 57 thousand (previous year: EUR 160 thousand).

2. Of **receivables** with a remaining maturity of more than one year:

	Financial year in thsd. of EUR	Previous year in thsd. of EUR
Accounts receivables		
– trade receivables	763	223
– from affiliated enterprises	0	400
– from associated enterprises	0	0
– other assets	1,912	15,077

3. Included in receivables **from affiliated enterprises** are:

	Financial year in thsd. of EUR	Previous year in thsd. of EUR
Trade accounts receivables	3,682	2,781
Other assets	35,349	50,345

4. Included in **receivables from enterprises where an interest is held are**:

	Financial year in thsd. of EUR	Previous year in thsd. of EUR
Trade accounts receivables	14,877	24,610
Other assets	18,767	19,465

5. Other assets contains essential accruals in the form of tax refund claims to the amount of EUR 19,636 thousand (previous year: EUR 19,258 thousand).

6. Accrued and deferred items on the assets side mainly include, as in previous years, accrued interest, under which the costs of structuring the syndicated loan and promissory note bond are recognised to the amount of EUR 3.1 million (previous year: EUR 0.3 million), provided that these are attributed an interest-like character.

7. The **registered capital** of AGRAVIS Raiffeisen AG, Münster, remained unchanged in 2020 and amounts to EUR 205,536,563.20. It is divided into 8,028,772 par value shares (registered shares with restricted transferability). The book value of each share is therefore EUR 25.60. The Board of Directors is authorised, with the consent of the Supervisory Board, to increase the registered capital one time or several times by a total nominal amount of up to EUR 12 million in the period up to 8 May 2021 by issuing new registered shares with restricted transferability in exchange for cash or contributions in kind (authorised capital). No further shares were issued in 2020 and after the balance sheet date. The purchase rights of shareholders are excluded. As at 31 December 2020, AGRAVIS Raiffeisen AG held treasury shares amounting to 26,611 par value shares (registered shares with restricted transferability). The book value stands at EUR 681,242 (previous year: EUR 812,467). The share of the registered capital amounts to 0.3 per cent.

8. The increase in **capital reserves** by EUR 184 thousand (previous year reduction by EUR 1,138.5 thousand) comes from the surplus of the sale and purchase of shares in 2020.

9. The issuance of participation rights capital is to be considered as equity capital after it is collected as the subordination, performance-based remuneration, participation in losses and long-term nature of capital provision are given. Owners of the participation rights shall receive an annual dividend payment, which ranks with the priority of shareholders' rights to dividends, to the amount of the stated interest rate in relation to the par value of the participation rights. This is included on the balance sheet at nominal value. The interest due from the financial year has been deferred.

Value date	Type, par value in **thsd. of EUR**	Interest rate in % p. a.	Maturity
06 December 2016	Participation rights 2016/1 **10,000**	3.20	Statutory notice of termination cannot be given until 6 December 2021
06 December 2016	Participation rights 2016/2 **20,000**	2.20	Statutory notice of termination cannot be given until 6 December 2021
13 November 2020	Participation rights 2020/A **24,975**	3.25	Statutory notice of termination cannot be given until 12 November 2025
13 November 2020	Participation rights 2020/B **25,160**	2.40	Statutory notice of termination cannot be given until 12 November 2025
13 November 2020	Participation rights 2020/C **10,080**	2.25	Statutory notice of termination cannot be given until 12 November 2025

10. Provisions for pensions and similar obligations
The valuation of **pension obligations** is calculated using actuarial principles according to a projected unit credit method and is based on the following actuarial assumptions:

	Financial year in %	Previous year in %
Expected rate of pension increases	1.70	1.80
Expected rate of salary increases	2.50	3.00
Interest rate (Section 253(2) sentence 2 HGB)	2.31	3.21

Age-dependent employee turnover, as in the previous year, was estimated to be within a range of 1 to 4 per cent per annum.

Pursuant to Section 246(2) sentence 2 HGB, fund assets consisting of claims from reinsurance, from which all other creditors are revoked access and whose aim is solely to meet liability obligations arising from pension benefits, have been offset against this. The settlement amount of the liabilities as at the balance sheet date was EUR 10,584 thousand (previous year: EUR 10,402 thousand). The fair value of the offset assets, which also corresponds to their acquisition cost, is EUR 5,951 thousand (previous year: EUR 5,579 thousand). The resulting surplus of liabilities from the pension obligation over and above the valuation of fund assets is given under the item "Provisions for pensions and similar obligations". During the reporting period, EUR 32 thousand (previous year: EUR 61 thousand) of income from the fund assets was offset against the expenses contained in the personnel costs from the pension provisions. The difference according to Section 253(6) sentence 1 HGB between the approach of the provisions according to the corresponding average market interest rate from the past ten financial years and the approach of the provisions according to the corresponding average market interest rate from the last seven financial years amounts to a total of EUR 11,528 thousand (previous year: EUR 12,200 thousand). The calculation bases for the pension trend (reduction of 0.1 percentage points) and for the salary trend (reduction of 0.5 percentage points) were changed in the reporting year. The effect on earnings was EUR 1,698 thousand.

11. The **tax provisions** exclusively comprise liabilities from current profit tax.

12. Other provisions are attributable to:

	Financial year in thsd. of EUR	Previous year in thsd. of EUR
– HR and social-security-based obligations	29,836	25,689
– Expected losses and other risks arising from the movement of goods	46,059	28,811
– Maintenance	412	226
– Bills of exchange	225	208

13. The **liabilities** have the following maturity structure:

	31 December 2020				Previous year			
		of which with a maturity				of which with a maturity		
	Total	up to 1 year	between 1 and 5 years	of more than 5 years	Total	up to 1 year	between 1 and 5 years	of more than 5 years
	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR
Liabilities to banks	648,515	482,689	134,558	31,268	698,414	526,038	141,059	31,317
Advances received on orders	12,252	12,252	0	0	8,646	8,646	0	0
Trade payables	389,753	389,751	2	0	386,506	386,505	1	0
Liabilities to affiliated enterprises	5,897	5,897	0	0	5,136	5,136	0	0
Liabilities to enterprises in which an interest is held	28,900	28,900	0	0	37,839	36,539	1,300	0
Other liabilities	51,873	51,640	233	0	100,124	99,913	211	0
Total	**1,137,190**	**971,129**	**134,793**	**31,268**	**1,236,665**	**1,062,777**	**142,571**	**31,317**

Of the liabilities to banks, EUR 90,051 thousand (previous year: EUR 114,297 thousand) were secured by mortgages. Trade accounts receivables assigned and inventories assigned as collateral have also been reported as security for liabilities to banks from the drawing of a syndicated loan in the amount of EUR 475 million (previous year: EUR 510 million). The syndicated loan was concluded anew on 18 December 2019 with a volume of EUR 650 million. The promissory note bond borrowed in the previous year amounted to EUR 59 million (previous year: EUR 88 million). This is a non-subordinate but unsecured promissory note bond with fixed and variable rate tranches. The maturities for the tranches of the promissory note bond equal 16 months. In the reporting year, due to the change of debt purchaser, liabilities to credit institutions include liabilities of EUR 18,752 thousand from ABS financing for receivables that were sold but had not formerly been written off. In the previous year, these liabilities from ABS financing were reported under other liabilities at EUR 20,925 thousand. As in the previous year, the receivables arising from liabilities from the inflow of liquidity have been handed over to the debt purchaser.

14. Liabilities to affiliated enterprises includes:

	Financial year in thsd. of EUR	Previous year in thsd. of EUR
Trade payables	73	130
Other liabilities	5,824	5,006

15. Liabilities to companies in which an interest is held includes:

	Financial year in thsd. of EUR	Previous year in thsd. of EUR
Trade payables	4,041	15,745
Other liabilities	24,859	22,094

16. Deferred taxes are determined for temporal differences which are expected to be reversed in the future between the commercial-law and the tax-law valuations of assets, liabilities and accrued and deferred items. In the case of tax reductions, the option to capitalise pursuant to Section 274 HGB was consistently not exercised throughout the Group. The calculation of deferred taxes is based on combined profits tax rates determined on a country-specific basis. An average tax rate of 31 per cent was used as a basis to determine deferred taxes existing in domestic companies and the impact of deferred taxes due to consolidation measures. The combined profit tax rate includes corporation tax, business tax and solidarity tax (not including business partnerships). Local tax rates of between 21 to 31 per cent were also applied to the amounts recognised in the balance sheet for deferred taxes of the companies based abroad.

Due to the full offsetting of deferred tax liabilities from annual financial statements both with deferred tax assets from other Group companies (primary deferred taxes) and with deferred taxes from consolidation measures (secondary deferred taxes), no deferred taxes had to be recognised as liabilities in the consolidated balance sheet on key date 31 December 2020.

The deferred tax assets and liabilities included in the offsetting can be broken down as follows:

	Financial year in thsd. of EUR		Previous year in thsd. of EUR	
	primary	secondary	primary	secondary
Deferred tax assets				
Intangible assets	4,560	0	2,910	0
Tangible fixed assets	1,032	0	820	0
Inventories	1,228	1,382	930	1,265
Provisions	21,321	137	19,837	0
Accounts receivables	2,612	0	2,589	0
Other assets/liabilities	2,756	765	2,502	763
Tax rebate claims from loss carry-forwards	4,933	0	6,097	0
	38,442	**2,284**	**35,684**	**2,028**
Deferred tax liabilities				
Intangible assets	-248	0	-412	0
Tangible fixed assets	-7,392	-330	-6,917	-330
Inventories	-331	0	-343	0
Provisions	-47	-1,147	-1,131	0
Other assets/liabilities	-697	-271	-220	-271
	-8,715	**-1,748**	**-9,023**	**-601**
	29,727	536	26,661	1,427
Total amount of the primary deferred tax asset surplus remaining after offsetting	30,263		28,088	

The above primary deferred taxes include, at the level of the financial statements included in the consolidated financial statements, the calculated deferred taxes, including the adjustment to the accounting and valuation policies applicable to the Group. The secondary deferred taxes are based on the temporary differences arising from the consolidation measures. The Group-wide overall balance consideration relating to the sum of all deferred tax assets and liabilities in the financial year resulted in a write-off of the primary and secondary tax assets and liabilities, which was recognised in income, in the amount of EUR 28 thousand.

II. Profit and loss account

1. The **sales revenues** were achieved in the following business segments:

	Financial year in millions of euros	Previous year in millions of euros
Plants	2,677	2,684
Energy	1,051	1,255
Animals	1,270	1,268
Machinery	973	868
Retailing	350	293
Other	69	87
Total revenue	6,390	6,455

The sales revenues figure includes revenues from services to the amount of EUR 118 million (previous year: EUR 111 million). The revenues were generated almost exclusively in Germany; the share from business abroad being around 7.6 per cent of income.

2. The items of the **profit and loss account** contain the following income and expenses that are to be assigned to a different financial year:

	Financial year in thsd. of EUR	Previous year in thsd. of EUR
Income		
– from the disposal of fixed assets	6,004	1,442
– from the reversal of provisions	7,873	7,822
– from the reversal of value adjustments and inputting of written-down receivables	7,428	7,561
Expenses		
– expenditure from valuation of assets	10,464	9,080
– losses on disposal of fixed assets	1,117	927

In addition, other operating income and other operating expenses include exchange-rate gains to the amount of EUR 2,047 thousand (previous year: EUR 1,823 thousand) and losses to the amount of EUR 4,620 thousand (previous year: EUR 1,249 thousand). Other interest and similar expenses in the posts are contained in expenses outside of the period from the change of the interest rate for the evaluation of the pension provision at an amount of EUR 5,722 thousand (previous year: EUR 6,910 thousand).

3. Within the figure for taxes on income and earnings, there are deferred tax assets of EUR 28 thousand (previous year: EUR 1,655 thousand).

F. Notes on the cash flow statement

The cash flow statement corresponds to the minimum classification scheme of German Accounting Standard no. 21 (Deutsche Rechnungslegungsstandards, DRS 21). Cash and cash equivalents corresponds exclusively to the balance sheet item "Cash in hand, cash at banks and credit institutions and cheques". The non-cash change in cash and cash equivalents due to the conversion of the foreign currency holdings in EUR was presented separately.

G. Notes on changes to equity capital

Of the Group's generated equity capital of EUR 193 million, AGRAVIS Raiffeisen AG's statutory reserve to the amount of EUR 25.1 million contained therein, pursuant to Section 150 AktG and Section 33 of the articles of association, is subject to a disbursement block. For the EUR 1.1 million of internally generated intangible fixed assets recognised on the balance sheet, there is a disbursement block as per Section 268(8) sentence 1 of the HGB. Furthermore, the difference according to Section 253(6) sentence 1 HGB at an amount of EUR 6,989 thousand is blocked for disbursement corresponding to the regulation of Section 253(6) sentence 2 HGB. Likewise, Group-specific liabilities to the amount of EUR 2.9 million cannot be disbursed.

H. Other information

1. At the balance sheet date, the following **contingencies** existed in accordance with Section 251 HGB:

	Financial year in thsd. of EUR	Previous year in thsd. of EUR
Liabilities from the issue and transfer of bills of exchange	22,178	20,622
Liabilities under guarantees, bill guarantees and cheque guarantees	13,693	2,756
Liabilities under warranties and pending take-back obligations	32,309	32,722
Contingencies from assets pledged as collateral for third party Liabilities	0	0

On the basis of currently available information – regarding in particular the creditworthiness, assets (including hidden reserves) and the payment behaviour of directly obliged debtors – recourse is not expected with regard to the liabilities from the issuance and transfer of bills and with regard to liabilities from guarantees. The liabilities under warranties concern residual-value guarantees from customer financing and pending take-back obligations from trade in machinery. Insofar as, according to our experience, claims from these warranties can be expected, this has been accounted for by the allocation of reserves in the amount of EUR 1,939 thousand (previous year: EUR 1,795 thousand). As the obligations are otherwise countered by the machine values, further risks of recourse are not evident. The application of foreign liabilities for which the collateral was placed is monitored continuously. Given observable payment behaviour, again no recourse is to be expected here. Furthermore, there were three letters of comfort in favour of associated companies amounting to EUR 5.6 million, the usage of which is not to be expected due to the current business development of the beneficiaries.

2. Transactions not included on the consolidated balance sheet
As part of an ABS transaction, receivables to the amount of EUR 52 million were sold to a credit institute and deleted from the balance sheet. ABS financing is used for the short-term strengthening of liquidity and financial strength of the Group. This involves all debt risks being definitively transferred to the credit institute. The management of the accounts receivable for those receivables transferred to the SPV – including those sales of receivables which do not place a burden on the balance sheet due to lack of risk transfer – will continue to be undertaken by AGRAVIS Group companies. In order to improve short-term liquidity, structured financing has been concluded for various agricultural products in the form of reverse repurchase agreements. From this, there are pending take-back options to the amount of EUR 199 million (previous year: EUR 180 million).

3. The following **financial obligations**, which are not shown or noted on the balance sheet, are of significance in assessing the Group's financial position:

	Financial year in thsd. of EUR
Tenancy and building lease obligations	
– annual amount	16,153
– of which with a maturity of more than 5 years	1,255
– of which with a maturity of more than 10 years (building leases to 2102)	177
Lease obligations	
– annual amount	16,188
– of which with a maturity of more than 5 years	1,312
Remaining obligations from the provision of capital goods and other financial obligations	18,890
Obligations from equity interests in limited liability companies	
– own contributions outstanding	255
– outstanding contributions of other shareholders as per Section 24 of German Limited Liability Companies Act (GmbHG)	0

The use of any part of the business real estate or of technical installations, machinery, factory and office equipment (including vehicle fleet) occurs on the basis of rental, tenancy and operating lease contracts. Such contracts also contribute to reducing the Group's capital lock-up and mean that the investment risk remains with the respective owners or lessors. The obligations existing in connection with the contracts are contained in the above information regarding other financial obligations.

4. Valuation units and derivatives

AGRAVIS Raiffeisen AG has undertaken interest-rate-hedging transactions in order to limit interest rate risks on variable interest loans. This exclusively involves interest rate swaps for hedging purposes to ensure future cash flows. Coinciding with the assumption of long-term loans, maturity-matching interest rate swaps were concluded, whereby synthetic fixed-rate borrowings were created. These micro-hedges amounted to a volume of EUR 53.0 million as at 31 December 2020. The negative market value of these swaps is EUR 1.4 million. Similarly, interest rate swaps with a nominal value of EUR 4.5 million and a balanced market value were concluded for variable-rate tranches of the promissory note bond. Again, hedging relationships in the form of micro-hedges are present here.

In order to hedge the risks from future cash flows arising from drawdowns under the syndicated loan, interest rate swaps were also concluded with a nominal value of EUR 355 million. The volume corresponds to the average credit exposure according to the Group's liquidity planning. These swaps represent a portfolio hedge in relation to the consolidated operating funds. The market value of all interest rate swaps with respect to the syndicated loan was minus EUR 71.7 million at the end of 2020. No provisions for contingent losses were made, due to the incorporation into valuation units, in terms of micro- and portfolio hedges. To hedge currency risks (RUB, PLN, USD) derivative hedges were deployed – predominantly maturity options. The nominal value of these transactions – which corresponds to the amount of the hedged risks – was valued at EUR 92.0 million at the balance sheet date. These hedges are directly related to (scheduled) transactions in commodities in foreign currencies and are therefore grouped together into valuation units long with the underlying transactions, in the form of micro-hedges. The market value of these derivatives as at the balance sheet date was minus EUR 2.5 million. The opposing changes in cash flows arising from currency hedging and underlying transactions are completely equalised over the period of the term of the hedging transactions in the following financial year.

In order to control current and future price risks arising from commodities trading, particularly in terms of trading raw materials for feed (soya amongst others), oilseed and grain, derivative financial instruments in the form of standardised exchange-traded commodity futures contracts are used, alongside OTC futures contracts and option contracts on agricultural commodities concluded with trading partners with first-class credit ratings. The instruments serve solely to hedge operating transactions; therefore, additional risks do not arise. The transactions are performed exclusively in a manner which is customary for the market. Transactions for speculative purposes are not performed. These hedges are merged in part in the sense of a portfolio hedge as a valuation unit with the corresponding inventories, with a total value of EUR 220.8 million, with purchase and sales contracts pending at the balance sheet date. For the negative market values of the derivative financial instruments included in the valuation unit to the amount of EUR 14.3 million, provisions for contingent losses were not to be allocated.

Commodity futures and option contracts are valued based on the daily prices quoted on the markets for the underlying raw materials and the differences which result from the forward exchange rate and the daily exchange rates. In doing so, the market value of these derivatives is calculated as part of a daily comparison with the valuations provided by various well-known trading partners. Due to taking reference from global marketplaces for the prices, the stocks and transactions included in the valuation units are subject to correlating risks from changes in price of agricultural commodities. The opposing changes in cash flows arising from the various elements of the valuation unit are equalised as far as possible due to reference being made to identical value parameters when carrying out business transactions, which regularly occur within the subsequent year.

As far as risks for open contract items are not fully covered by the formation of provisions or if the existing valuation units exhibit inefficiencies, this was accounted for through allocations to provisions for contingent losses. As at the balance sheet date, these amounted to EUR 26.7 million (previous year: EUR 13.8 million). Alongside the commodity option transactions which are used in a hedging relationship within the meaning of the above description, additional option transactions are effected by individual companies within the Group for the purpose of risk management which, however, are not designed to be a hedging instrument in an accounting sense. The option premiums incurred in the acquisition of put/call options spent are reported under "other assets" and under strict application of the lowest value principle. Option premiums received as a result of the sale of put/call options together with the threatening losses coming from the received premium were replaced by the depositing of securities with the contract partners. The amount of option transactions is listed below:

Type of transaction	Amount in tonnes	Current value in thsd. of EUR	Book value in thsd. of EUR
Purchase of OTC options (put/call)	99,200	34	22
Sale of OTC options (put/call)	88,500	-1,789	-1,789

5. Transactions with **related companies and individuals** in accordance with Section 314(1) no. 13 HGB under customary market terms were not executed.

6. Employees

In 2020, there was an average of 6,205 employees (previous year: 6,405) of which 5,429 were full-time employees (previous year: 5,621 full-time employees), 776 part-time employees (previous year: 784 part-time employees). The average total number includes 515 trainees (previous year: 591 trainees).

7. Executive bodies

For their activities during the financial year, the total remuneration paid to members of the Supervisory Board amounted to EUR 373 thousand and the total remuneration paid to members of the Advisory Board amounted to EUR 139 thousand. The total remuneration paid to the Board of Directors in the 2020 financial year was EUR 2.5 million. The total remuneration paid to former members of the Board of Directors and their surviving dependants amounted to EUR 2.0 million. The provisions made for pensions for these persons amounted to EUR 25.6 million.

8. Auditors' fees

The fees expended on the auditor of the consolidated financial statements, the auditing company Deloitte GmbH, in the given financial year are divided as follows:

		Financial year in thsd. of EUR
a)	Auditing of financial statements	722
b)	Other certification services	164
c)	Tax advisory services	0
d)	Other services	0
	Total	886

9. Profit distribution recommendation from the parent company creating the consolidated financial statements

Including allocations to the statutory reserves in the amount of EUR 579,000.00 and allocations to the other retained earnings in the amount of EUR 2,500,000.00, there was a balance sheet profit of EUR 8,499,403.46 for financial year 2020. The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.02 per share, a total of EUR 8,166,042.48. The Board of Directors proposes to carry forward the remaining amount of EUR 333,360.98.

10. Supplementary report

After the end of financial year 2020, there were no reportable events of particular importance in terms of the Group's assets, finances and earnings.

Münster, 26 March 2021

AGRAVIS Raiffeisen AG, Board of Directors

Dr Köckler (Chairman)   Hesseler   Schulte-Althoff   Sudhoff

Audit opinion

Independent Auditor’s Report

To AGRAVIS Raiffeisen AG, Münster

Audit opinions

We have audited the consolidated financial statements of AGRAVIS Raiffeisen AG, Münster, and its subsidiaries (the Group) – which comprise the consolidated balance sheet as at 31 December 2020, the consolidated profit and loss account, the Group equity capital, the Group statement of cash flow for the financial year from 1 January to 31 December 2020 and the Explanatory notes to the Group Annual Report, including the presentation of the accounting and valuation methods. We have also audited the Group Management Report of AGRAVIS Raiffeisen AG, Münster, for the financial year from 1 January up to 31 December 2020.

In our opinion, based on the findings of our audit,
- the attached consolidated financial statements in all material respects comply with the provisions of German commercial law applicable to corporations and give a true and fair view of the financial position of the Group as at 31 December 2020, in compliance with generally accepted accounting principles, and its results of operations for the financial year from 1 January to 31 December 2020 and
- the accompanying Group Management Report provides an accurate picture of the situation of the Group. In all material respects, this Group Management Report is consistent with the consolidated financial statement, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322(3) sentence 1 HGB, we declare that our audit has not given rise to any objections regarding the accuracy of the consolidated financial statements and the Group Management Report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Our responsibilities under these rules and policies are further described in the section entitled “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and Group Management Report” of our audit report. We are independent of the Group companies in compliance with provisions specified in German commercial and employment law. We have met our other German professional obligations in accordance with these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide the basis for our auditor’s certification notice concerning the consolidated financial statement and Group Management Report.

Other Information

The legal representatives are responsible for other information. The information consists of:
- affirmation of legal representatives in accordance with Section 297(2) sentence 4 HGB and Section 315(1) sentence 5 HGB for the consolidated financial statements and the Group Management Report,
- the “Corporate Governance” section of the 2020 Group Annual Report,
- the sustainability magazine for the 2020 Annual Report and
- all other parts of the Group Annual Report,
- but not the consolidated financial statements, not the inspected information contained in the Group Management Report and not our associated audit opinion.

Our audit opinions on the consolidated financial statements and the Group Management Report do not extend to the other information and, accordingly, we give neither an opinion nor any other form of audit conclusion on the matter.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information specified above and to assess whether the other information
- indicates serious inconsistencies with the consolidated financial statements, the Group Management Report or with the knowledge we obtained during the audit or
- otherwise appear significantly different than disclosed.

Responsibility of the legal representatives and the members of the Supervisory Board for the consolidated financial statements and the Group Management Report

The legal representatives are responsible for preparation of the consolidated financial statements, which comply with the German commercial law applicable to corporations in all material respects, and that the consolidated financial statements give a true and fair view of the assets, financial position and earnings situation of the Group in accordance with generally accepted German accounting principles. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with generally accepted accounting principles in order to facilitate preparation of consolidated financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuation of the Group's activities, where relevant. In addition, they are responsible for accounting for the Group's ability to continue as a going concern on the basis of the accounting policy, insofar as this does not conflict with actual or legal circumstances.

In addition, the legal representatives responsible for the preparation of the Group Management Report, which gives a true and fair view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to enable the preparation of a Group management report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the statements in the Group management report.

The Supervisory Board is responsible for monitoring the accounting process of the Group for the preparation of the consolidated financial statements and the Group Management Report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and Group Management Report
Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the Group Management Report as a whole gives a true and fair view of the position of the Group and in all material respects is consistent with the consolidated annual financial statements and with the findings of the audit, that it complies with German legal requirements, accurately reflects the opportunities and risks of future development and that it issues an Auditor's Report that includes our audit opinions on the consolidated annual financial statements and Group Management Report.

Sufficient security means a high degree of security, but there is no guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements may result from infringements or inaccuracies and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made on the basis of these consolidated financial statements and Group Management Report.

During the audit, we exercise due discretion and maintain a critical attitude. In addition,

- we identify and assess the risks of material misstatement, whether intentional or unintentional, in the consolidated financial statements and Group Management Report, plan and perform audit procedures in response to such risk and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinion. The risk that material misstatements resulting from fraud will not be identified is greater than that for a misstatement resulting from errors, since fraud may include fraudulent co-operation, counterfeiting, deliberate omissions, misleading representations or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and Group Management Report in order to plan audit procedures that are appropriate under the specific circumstances but not with the objective of issuing an audit opinion on the effectiveness of these systems.
- we assess the appropriateness of the accounting methods used by the legal representatives and the appropriateness of the legal representatives and evaluate whether the estimated values and related information presented by the legal representatives are reasonable.
- we draw conclusions regarding the appropriateness of the accounting policy used by the legal representatives with respect to the Group's ability to continue as a going concern and, on the basis of the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that indicate significant doubts as to the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit opinion to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's certification notice. However, future events or conditions may result in the Group no longer being able to continue as a going concern.
- we assess the overall presentation, structure and content of the consolidated financial statements, including whether the disclosures and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements, in compliance with generally accepted German accounting principles, give a true and fair view of the Group's financial position and earnings situation.
- we obtain sufficient appropriate audit evidence for the accounting information from the companies or business activities within the Group to deliver audit opinions on the consolidated financial statements and the Group Management Report. We are responsible for the guidance, monitoring and implementation of the audit of the consolidated financial statements. We shall bear the sole responsibility for our audit opinions.
- we evaluate the consistency of the Group Management Report with the consolidated financial statements, its legal consistency and the view provided of the Group's position.
- we perform audit procedures on the future-oriented information presented by the legal representatives in the Group Management Report. On the basis of adequately appropriate audit evidence, we in particular examine the significant assumptions underlying the forward-looking statements made by the company's legal representatives and assess the proper derivation of the forward-looking statements from said assumptions. We do not express an independent opinion on the future-oriented information nor on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with the supervisors the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Düsseldorf, 26 March 2021

Deloitte GmbH Auditing Company

(Professor Dr Carl-Friedrich Leuschner)	(Max Schürtz)
Auditor	Auditor

Balance sheet oath

Affirmation of legal representatives

To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Group's situation in terms of assets, finances and earnings, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Münster, 26 March 2021

AGRAVIS Raiffeisen AG, Board of Directors

Dr Köckler (Chairman) Hesseler Schulte-Althoff Sudhoff

Legal notice

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