

€168.1 million. Earnings per share stood at €4.36 following €1.63 in the previous year. The Board of Management and Supervisory Board will recommend to the Annual General Meeting a 5-cent increase in the dividend to €1.10 per share. In addition, a special dividend of 10 cents per share is to be paid this year to mark the 100th anniversary of BayWa AG.

For the current financial year, 2023, the management anticipates Group EBIT in the range of €320 million to €370 million. In view of the company's exceptionally good performance in the past financial year, the anticipated earnings development remains clearly higher than the average figures of the previous years. In light of the extremely positive recent development, and bolstered by the key megatrends and basic needs that the company serves, the management has also raised the BayWa Group's medium-term target. The key financial target of the BayWa Group is now to generate sustainable operating earnings (EBIT) in the range of €470 million to €520 million by the end of 2025.

Background to the Group

Group structure and business activities

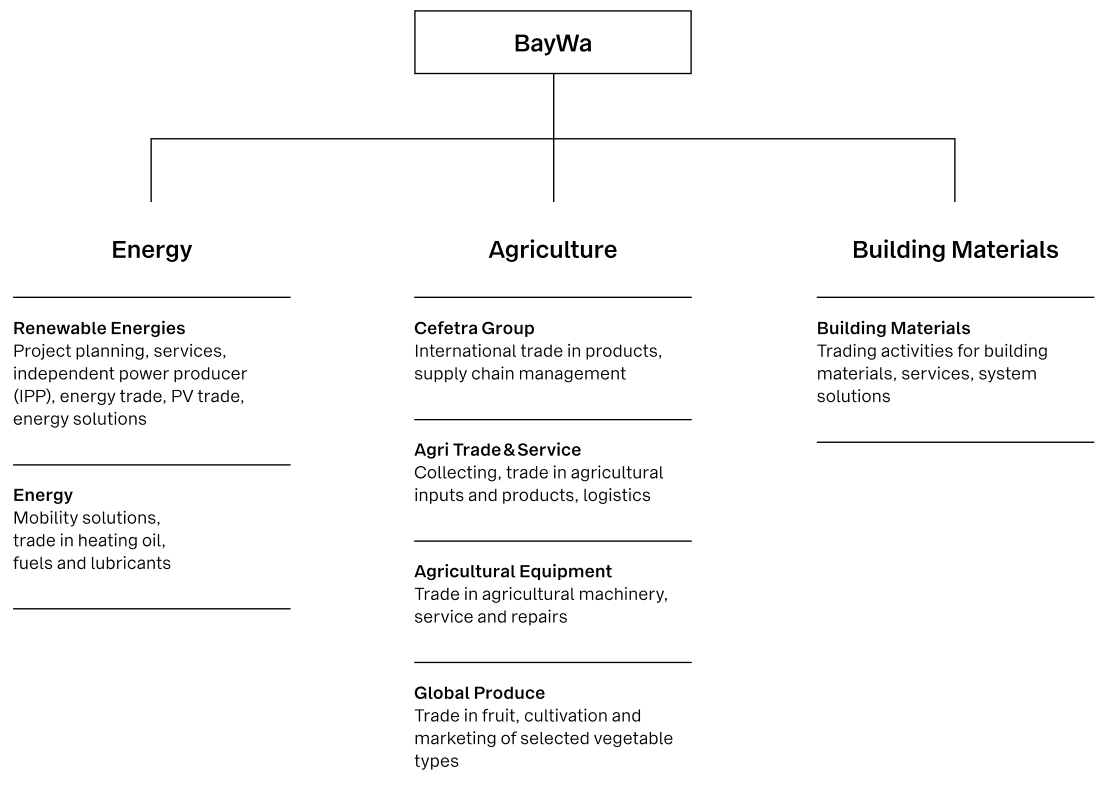
The BayWa Group

2022	Revenues (In € million)	Employees (annual average)
Renewable Energies	6,489.2	3,754
Energy	3,343.6	1,411
Cefetra Group	6,111.2	623
Agri Trade & Service	5,750.7	3,630
Agricultural Equipment	2,076.5	3,826
Global Produce	921.3	3,151
Building Materials	2,346.9	4,661
Innovation & Digitalisation	10.4	220
Other Activities	12.0	1,017
Total	27,061.8	22,293

BayWa AG was established in 1923 and has its principal place of business in Munich. Through consistent growth and the continual expansion of its scope of services, BayWa has grown from its humble beginnings in agricultural cooperative trade activities into an international Group. In its three business units of energy, agriculture and building materials, the company offers a broad range of products and solutions to meet basic needs such as food, energy, heat and mobility.

The BayWa Group's business operations encompass activities such as planning, wholesale, retail and logistics, as well as extensive supporting services and consultancy. Its business focus is on Europe, but BayWa has also established an international trade and procurement network by maintaining important activities in the US and New Zealand and business relations from Asia to South America. Through its subsidiaries and Group companies, the BayWa Group is active in 53 countries worldwide.

The BayWa Group conducts its business in the three business units of energy, agriculture and building materials, which are divided into seven operating segments plus the Innovation & Digitalisation Segment, which is focused on development. It also has the Other Activities division, which encompasses the central management and administrative functions. Business activities are managed both directly through the parent company BayWa AG and indirectly through the subsidiaries included in the consolidated financial statements. Besides the parent company, BayWa AG, the BayWa Group comprises 540 fully consolidated Group companies. Furthermore, 26 companies were included at equity in the consolidated financial statements of BayWa AG.



Renewable Energies Segment

The Renewable Energies Segment comprises the activities of BayWa r.e. AG, in which the Group pools material aspects of the renewable energy value chain. Founded in 2009, the subsidiary BayWa r.e. is now a globally active developer, service provider, photovoltaic (PV) wholesaler, energy trader and provider of energy solutions in the fields of renewable energies. A fund operated by the investor Energy Infrastructure Partners (EIP) has held 49% of the shares in BayWa r.e. since 2021. With a 51% stake, BayWa AG remains the majority shareholder.

BayWa r.e. pursues a three-pronged diversification strategy for its business portfolio: by country, by energy carrier and by business activity. Business activities are divided into three business divisions: Projects, Operations and Solutions.

Projects encompasses international project planning, management and the construction of wind farms and solar parks as well as the sale of finished plants. BayWa r.e. recently expanded its activities to include into offshore wind turbines in order to drive forward the growth of renewable energies worldwide even more rapidly and on a greater scale.

The Operations division comprises planning and technical services, the provision of consumables, technical and commercial management, the maintenance of plants, energy trade activities and the marketing of electricity from own plants as an independent power producer (IPP). Branches in Europe, the US and South East Asia make it possible to provide customers of BayWa r.e. with 24-hour service around the globe. In the service business, the company currently oversees facilities with a total installed output of approximately 10.2 gigawatts (GW) worldwide. In energy trade activities, which are part of the IPP business entity, BayWa r.e. markets electricity generated from renewable sources.

Solutions involves selling photovoltaic systems and components and tailored energy solutions to supply energy to commercial and industrial customers. The Renewable Energies Segment has had a strong international focus since its founding in order to ensure the greatest possible independence from the development of individual regional markets. BayWa r.e. is currently represented with its own operations in a total of 30 countries in Europe, North America, Asia-Pacific and Africa.

The bioenergy business sector, which is pooled in BayWa r.e. Bioenergy GmbH, was sold to Green Investment Group, part of Macquarie Asset Management, in the reporting period. Macquarie is one of the largest infrastructure investors in the world. The sale allows BayWa r.e. to focus even more strongly on its core strategic business of generating electricity from wind and solar energy.

Energy Segment

The Energy Segment's activities are divided into the fields of lubricants, building services, heating oil, diesel and Otto fuels, wood pellets, contracting and BayWa Mobility Solutions GmbH and BayWa Power Liquids GmbH. The geographic focus is primarily on the four German federal states of Bavaria, Baden-Württemberg, Hesse and Saxony, as well as on Austria.

The lubricant business comprises trade in the TECTROL brand and extensive applications and service packages for key customers, such as operators of biogas engines, as well as commercial customers. In addition, the Interlubes digital platform is used for selling lubricants and agricultural inputs from all major manufacturers and brands online to B2B users in the areas of commerce, industry, municipal services, transportation, agriculture and forestry.

Furthermore, BayWa Haustechnik GmbH provides installation services for heating, plumbing and ventilation across regional boundaries at 13 locations. The spectrum of services ranges from oil, gas, wood and pellet heating technology to heat pumps, solar systems, residential ventilation and sanitation technology.

In the field of heating oil and diesel and Otto fuels, BayWa supplies farmers and commercial customers – including construction sites and farms – with fuels. In future, sales of fuels will be handled under a new, standardised logistics brand, enlog. Diesel and Otto fuels, as well as AdBlue, are sold through a total of 115 Group filling stations and partner stations in Germany. In addition, BayWa supplies fuels, as well as AdBlue, to resellers and wholesalers. In Austria, further filling stations are managed by subsidiaries. The Group company GENOL Gesellschaft m.b.H. acts as a wholesale fuel supplier to cooperative filling stations.

The field of wood pellets includes selling to private consumers and commercial customers in addition to production at the subsidiary WUN Pellets GmbH. Under the independent Pellog brand, BayWa also offers logistics services for external wood pellet retailers.

In contracting, the focus is on energy solutions in the fields of biomass, CHP units and gas for the hotel sector, municipal services and the residential construction segment in southern Germany.

BayWa Mobility Solutions GmbH offers a comprehensive range of services in the fields of e-mobility for light vehicles and digital mobility. The Light Vehicle division comprises electromobility and drives forward the planning and expansion of charging infrastructure. Digital Mobility offers the whole system with filling station and charging card, related app and billing for customers and – as a white label system – also for third parties. Electric vehicle customers can now charge their vehicles at over 200,000 charging stations throughout Europe using the BayWa charging card, which covers some 95% of the charging stations in Germany. Through its Chargemondo platform for private charging solutions, BayWa Mobility Solutions GmbH offers an end-to-end configuration service from a single source, which handles everything from planning to final assembly, including registration with the power grid operator and applying for subsidies.

The Heavy Vehicle division was transferred from BayWa Mobility Solutions GmbH to BayWa Power Liquids GmbH with effect from 1 April 2022. As a wholly owned subsidiary of BayWa AG, BayWa Power Liquids GmbH positions itself as a solutions provider for climate-friendly heavy vehicle mobility and operates BayWa's network of liquefied natural gas (LNG) filling stations.

Cefetra Group Segment

In the Cefetra Group Segment, BayWa acts as a supply chain manager for agricultural products – from purchasing and logistics to distribution. It pools the activities not tied to a specific location, particularly international grain and oilseed trade activities. The main customer groups are grain and oil mills, producers of starch and feedstuff, malt houses and breweries, as well as biofuel manufacturers. Since 2021, the product range has also included dairy products such as cheese, butter, powdered milk and milk alternatives (Cefetra

Dairy). Heinrich Brüning GmbH, one of Germany's largest providers and co-packers of dried fruits and nut kernels, was acquired in 2022.

Through targeted acquisitions of specialities traders, BayWa is further expanding its business involving goods such as starch products, rice, legumes and organic products as part of its specialities strategy. In doing so, the company is diversifying its product portfolio and benefiting from markets with less intense competition compared to exchange-traded standard products. When it comes to the procurement and marketing of agricultural products, BayWa possesses a global trading network as well as inland and deep water ports.

Agri Trade & Service Segment

The focal point of business activities in the Agri Trade & Service Segment is the collecting and marketing of agricultural products and supplying agricultural customers with agricultural inputs. Due to its historically evolved structures, the agricultural business is concentrated primarily in southern Germany, although BayWa also operates in parts of northern and eastern Germany. All told, BayWa is the agricultural trading company that generates the highest sales in Germany.

It supplies conventional farms with agricultural inputs such as seed, fertilizers, crop protection and feedstuff throughout the entire agricultural year and takes responsibility for collecting and marketing the harvest. For its harvest collecting activities, BayWa maintains a network of 156 high-performance locations in its core regions, with significant transport, processing and storage capacities. This provides seamless goods delivery, quality inspection, processing, correct storage and care of agricultural products. BayWa sells products to local, regional, national and international companies in the foodstuff, wholesale and retail industries through its in-house trade departments.

It is also gradually expanding its range of products and services for organic farming and the marketing structures for organically grown products on a regional basis. A total of 106 BayWa sites are certified to trade agricultural inputs for organic agriculture. BayWa is also a member of Biokreis, the fourth-largest organic farming association in Germany, and a licensed user of the Bayerische Bio-Siegel (Bavarian organic seal). By offering a full range of products and services from seed to marketing, BayWa strives to be the most efficient partner for trade in EU organic products and organic agricultural inputs for current and new organic farms.

Another geographical focal point for this segment is the Austrian market, where BayWa maintains a comprehensive presence through its subsidiary RWA Raiffeisen Ware Austria Aktiengesellschaft (RWA), which maintains close business relations with 436 cooperative warehouses.

Agricultural Equipment Segment

In the Agricultural Equipment Segment, which is divided into the special technology and agricultural technology business sectors, BayWa sells a full line of machinery, equipment and systems, as well as special machinery for agriculture, forestry and municipal applications, in Germany and Austria. BayWa also offers comprehensive maintenance and repair services, including spare parts.

Its most important sales activities encompass the AGCO Group brands – Fendt, Massey Ferguson, Valtra and Challenger – as well as CLAAS agricultural equipment. Its customers include farms and forestry operations, as well as vineyards, fruit farmers, municipalities and commercial enterprises. Along with its bricks-and-mortar stores, BayWa also operates a variety of online platforms in this segment, mainly focusing on the sale of used machinery.

The product range includes tractors, combine harvesters and special machinery with flexible applications, such as vehicles for sweeping, cleaning and winter services, as well as mowing and sporting venue technologies. Forestry equipment comprises large machinery and equipment such as forestry tractors, chipping machinery and small appliances such as chainsaws and brush cutters, along with the necessary protective clothing.

The BayWa workshop network currently includes 279 locations and 791 mobile service vehicles, all of which ensure that BayWa remains close to its customers and is able to process service orders quickly.

In order to secure its long-term growth prospects, BayWa's Agricultural Equipment Segment is expanding into international markets and currently has presences in the Netherlands, Canada and South Africa in the form of subsidiaries or joint ventures.

Global Produce Segment

In the Global Produce Segment, BayWa covers the entire fruit and vegetable marketing value chain. All activities and investments in this segment are organised through the wholly owned subsidiary BayWa Global Produce GmbH.

In Germany, BayWa is one of the leading single sellers of dessert pome fruit to wholesalers and retailers in the food industry and a supplier of organic pome fruit. It also collects, sorts, stores, packages and provides services for fruit customers in Germany and abroad as a marketer under contract at its five sites in the Lake Constance and Neckar regions. Through its international investments, the Global Produce Segment also offers a broad product range from pome fruit through to exotic fruits.

BayWa is active in the international trade of fresh products through its New Zealand subsidiary T&G Global Limited (T&G Global), which maintains international trade relationships in the Americas, Asia, Australia and Europe. The existing sales structures of T&G Global and its affiliated companies offer the potential to open up additional sales markets, particularly in Asia. Through the marketing of dessert pome fruit between the northern and southern hemispheres, BayWa is in a position to provide trade partners with fresh agricultural products all year round, expand its product range and seize sales opportunities for German fruit on the international growth markets.

The majority stake in Dutch company TFC Holland B.V. (TFC) complements the BayWa portfolio with the addition of exotic fruit specialists, particularly in the growth market for ready-to-eat products. TFC has established international trade relations in all procurement markets for tropical fruits – mainly for avocado and mango – as well as with the European food retail industry.

Building Materials Segment

The Building Materials Segment primarily comprises building materials trade activities in southern and eastern Germany and Austria. Here, BayWa covers the entire range of products and solutions for building materials – from civil engineering, structural engineering, construction, renovations, modernisation, gardening and landscaping, to solution packages for energy efficiency and healthy building.

The BayWa Group is one of Germany's market leaders in the building materials trade, with a total of 125 sites, and also ranks among the leading suppliers in Austria, with 30 sites. In addition, BayWa serves a number of franchise partners in the building materials and retail business in Austria through its Austrian subsidiary Lagerhaus Franchise GmbH. The number of franchise locations currently totals 1,090. The range of products is primarily geared towards small and medium-sized construction companies, trades and commercial enterprises and municipalities. Private developers and homeowners are also important customers.

Healthy construction and energy efficiency are becoming increasingly important. For example, the company offers a wide range of tested low-fume building materials plus solutions for energy-efficient construction, renovation and modernisation. Thanks to its private brand lines for construction components and landscaping; for structural and chemical products, as well as insulation materials; for healthy-living building materials and cleaning agents; and for roofing accessories, BayWa is increasingly becoming an initiator of new products.

A further focal point lies in supplying specialities in fields such as wooden construction and construction timber, formwork equipment and precast concrete elements, as well as flat-roof construction. In addition, BayWa AG provides bathroom modules made from wood through its stake in the start-up Tjiko GmbH. The Tjiko bathroom module system is chiefly aimed at property developers and general contractors of large residential construction projects who wish to realise an economical and highly individualised bathroom design in the properties, which is achieved using a digital configurator tool. All interior modules are prefabricated.

In addition, BayWa works with developers on the implementation of projects in Germany. To this end, it enters into joint ventures with construction companies or property developers as a partner and primarily acts as a provider of concepts.

Innovation & Digitalisation Segment

BayWa has plotted a clear course into the digital future through the Innovation & Digitalisation Segment, which develops and markets digital products and services aimed at enhancing productivity in agriculture.

With its software products NEXT Farming PRO and NEXT Farming LIVE, the Group company FarmFacts GmbH offers farmers a future-oriented and inter-operable farm management system. It enables farmers to seize the opportunities of smart farming, irrespective of the type of farm or farm size.

In partnership with the European Space Agency (ESA), BayWa is also driving forward the use of satellite data in the agricultural sector. The goal is to optimally incorporate satellite data into agriculture processes in order to create positive effects regarding the use of resources and water, as well as for harvest yields. The Group subsidiary VISTA Geowissenschaftliche Fernerkundung GmbH processes and markets the resulting data.

Other Activities

Other Activities encompass the Group's central management and administrative functions, as well as peripheral activities.

Management, monitoring and compliance

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

As at 31 December 2022, the Board of Management consisted of four members: Prof. Klaus Josef Lutz (Chief Executive Officer, responsible for the Renewable Energies, Cefetra Group and Global Produce Segments), Andreas Helber (Chief Financial Officer), Marcus Pöllinger (member of the Board of Management, responsible for the Agri Trade & Service, Agricultural Equipment, Digital Farming, Building Materials and Energy Segments) and Reinhard Wolf (Chairman of the Board of Directors and General Director of RWA Raiffeisen Ware Austria Aktiengesellschaft).

With effect from 31 March 2023, Prof. Klaus Josef Lutz will hand over the operational management of BayWa AG to his successor and leave the Board of Management. The Supervisory Board of BayWa AG has appointed the Board of Management member Marcus Pöllinger as the new Chief Executive Officer from 1 April 2023. The Supervisory Board has also appointed Dr. Marlen Wienert, who is currently head of the Agriculture | Agricultural Equipment business division, as a member of the BayWa Management Board with effect from 1 April 2023.

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

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

Details on cooperation between the Board of Management and the Supervisory Board and on corporate governance at BayWa AG are presented in the Supervisory Board report and the corporate governance declaration in accordance with Section 289f of the German Commercial Code (HGB). The corporate governance declaration can be found in the Corporate Governance Report and is available at www.baywa.com/en/group/corporate-governance/corporate-governance.

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

The main task of the Corporate Compliance organisational unit is to perform preventive duties. Corporate Compliance particularly draws on training courses and an extensive range of consultancy and information services to prevent breaches of the law. Its activities are focused on antitrust law, corruption prevention, data protection, information security, customs and export control, and combating money laundering. Comprehensive frameworks that act as Group-wide rules have been developed on these issues.

The Social Compliance division was created in 2021 to oversee the implementation of the requirements of the German Corporate Due Diligence in Supply Chains Act (LkSG), which came into force at the start of the new financial year. From 1 January 2023, large companies such as BayWa AG are obliged to meet extensive reporting obligations and requirements and to identify and rectify human rights grievances in BayWa's own business activities or at its suppliers. Social Compliance works closely together with other Group functions, such as Sustainability, Purchasing, Risk and Public Affairs, to meet human rights due diligence obligations.

Due to its strong growth and international presence, BayWa r.e. set up its own compliance organisation in October 2022, which is led by the Director of Compliance at BayWa r.e. It is the first port of call for all BayWa r.e. companies regarding compliance-related issues and focuses on the topics of antitrust law, anti-corruption, preventing money laundering and conflicts of interest.

Corporate goals and strategy

BayWa's corporate strategy for 2025, "Sustainable Solutions for Life", acts as the foundation for the strategic development of the BayWa Group. The company pursues clear target criteria.

The key financial target of the BayWa Group is to sustainably generate operating earnings (EBIT) in the range of €470 million to €520 million by the end of 2025. Previously, BayWa had aimed for a target range of €400 million to €450 million. In light of the extremely positive recent development, and bolstered by key trends and the basic needs that the company serves, the medium-term target was raised this year.

BayWa also intends to make its operations more sustainable and generate over 50% of its income from sustainable business activities by 2025. At the same time, BayWa is aiming to cut its greenhouse gas emissions by at least 22% by 2025 compared to 2017 figures. The company would like to achieve climate neutrality by 2030. The introduction of internal carbon pricing is another major step towards the decarbonisation of the entire Group. Each BayWa segment receives a budget specially earmarked for climate protection measures to help them pay for the internal carbon price of €50 per tonne of carbon dioxide (CO₂). BayWa is planning to invest €19 million directly in its own decarbonisation efforts by 2025 alone in order to achieve its climate targets.

Other core elements of the strategy include the further internationalisation of the Group's business; investment in diversification and flexible structures; the digitalisation of the Group's processes, product portfolios and sales channels; and accelerating the transition from being a company that primarily focuses on trade to one that is a project manager and provider of solutions. BayWa is also committed to supporting innovative technologies and green business models.

The Group's growth ambitions are currently focused on the Renewable Energies, Cefetra Group and Global Produce Segments, which are seizing their potential across a wide range of countries, project pipelines, product ranges and goods flows. BayWa is benefiting from trends such as decarbonisation and food and energy security – and the countless associated short- and long-term opportunities not linked to fluctuations in the

market – across almost all of its segments. In this context, BayWa continuously analyses its business portfolio for future growth and earnings potential with the aim of ensuring and increasing the profitability of the BayWa Group's business operations on a sustained basis.

Energy business unit

Renewable Energies Segment

Rapidly accelerating climate change and urgent questions of energy security require an even faster rate of growth in renewable energies. That is why BayWa r.e. has defined a new strategic goal: "We accelerate the growth of renewable energy." With its diversified and synergetic portfolio, BayWa r.e. caters to a broad range of markets and customer segments, including the development and sale of projects in the fields of renewable energies, asset management, the generation and marketing of green electricity, the provision of tailor-made decarbonisation solutions to commercial and industrial companies and the sale of solar components on the wholesale market.

To remain at the cutting edge of development, BayWa r.e. is actively piloting and developing projects featuring innovative and new technologies such as floating photovoltaics, agrivoltaics (Agri-PV), offshore wind, battery energy storage and green hydrogen. In 2022, a hydrogen expert group was set up to support the implementation of this technology in the various BayWa r.e. business divisions.

The topic of sustainability remains a focal point for BayWa r.e. The Group has fully offset its CO₂ emissions since 2018. BayWa has also defined a Sustainability Framework 2025, which is based on ten selected Sustainable Development Goals (SDGs) of the United Nations. In 2022, BayWa r.e. published its first sustainability report for the year 2021, outlining the progress that the company has made in achieving its sustainability targets and the SDGs, and disclosing a variety of performance indicators. The report is an important basis for acquiring additional green financing to secure the ongoing growth of the company.

To pave the way for the continued growth of BayWa r.e. and prepare for the challenges emerging in the industry, the Group is focusing on strengthening resilience and achieving operational excellence as two of the key topics in its four-year corporate road map through to 2026.

The BayWa r.e. Group will realign itself strategically and concentrate on wind and solar project development worldwide, as well as on expanding the IPP (Independent Power Producer), Services and Energy Solutions business entities. The worldwide solar trading business will be sold to a new owner, allowing BayWa r.e. to invest the proceeds in the growth of its future core businesses. Furthermore, the company's realignment will also reduce complexity and therefore help the Group to achieve further efficiency gains.

In the future, the company expects significant volume growth, including the expansion of the project pipeline, the IPP portfolio and the customer base for energy solutions.

Energy Segment

In the Energy Segment, BayWa positions itself as a logistics provider with a basic supply function – particularly in rural regions – in the fields of conventional fuels, lubricants and heat energy carriers. At the core of the segment strategy is the gradual transition from traditional energy carriers to alternative sources.

In the heating business, for example, the segment is focused on expanding its business involving climate-neutral wood pellets. Against this backdrop, the logistics provider Pellog GmbH – a wholly owned BayWa AG Group company – took over the business activities of the haulage company Heyne & Naumann GmbH in Oelsnitz, Germany, on 1 January 2022 with the aim of expanding its capacities in the logistics market.

Climate-neutral, clean business activities are also the basis for the expansion of mobility solutions, with ongoing advances being made in the fields of charging infrastructure for e-mobility, LNG filling stations and digital mobility. BayWa also offers e-mobility solutions created on the basis of comprehensive fleet analysis and targeted at fleet operators. In this end-to-end service, BayWa covers everything from installation and operation to maintenance and charging infrastructure.

Building on supplying its customers with heating energy, BayWa is also working on expanding its business activities with the addition of innovative solutions, including contracting services in the fields of cooling and power consumption for multi-family homes.

In future, exports of liquid fuels will be managed under a new, standardised logistics brand, enlog. This will enable sales and logistics to become more flexible, and new sales channels to be opened up, laying the groundwork for business success in a market that is set to shrink over the coming years.

Agriculture business unit

In the field of agriculture, the Group is affirming its aim of becoming Europe's leading agricultural trade, distribution and logistics provider with global reach, thereby contributing to securing global food supplies.

BayWa aims to deepen existing customer ties and attract new customers by seizing opportunities to export to international markets; expanding the agricultural products range through the addition of specialities such as starch products, hops and legumes; and presenting new service offerings. Sustainability and traceability are integral supply chain components here. By taking these steps, BayWa will be further developing its core business on a functional and cost-efficient basis.

Cefetra Group Segment

In the Cefetra Group Segment, the 2024 Road to Ingredients strategy provides for the expansion of the product range to include processed products and the expansion of the marketing offer for organically and regionally produced agricultural goods. In line with this strategy, the Cefetra Group expanded its trade activities in the fields of tree nuts and dried fruits by acquiring a majority stake in Heinrich Brüning GmbH, which is successfully established as one of the largest providers and co-packers of dried fruit with its subsidiary Suntree GmbH, including in the organic segment. As a result, Cefetra will supply retailers directly for the first time. In addition, BayWa continues to boost its position as supply chain manager in the agricultural trade market and is diversifying its portfolio through international partnerships. These are important steps for Cefetra – already one of Europe's largest importers of grain and oilseed – in its efforts to drive forward the expansion of its specialities strategy. The goals under the 2024 Road to Ingredients strategy will be finalised during the financial year 2023. The management will complete the road map for the 2029 strategy by the end of 2023.

Agri Trade & Service Segment

In the Agri Trade & Service Segment, the location structure of the collecting and agricultural input business is undergoing continuous review. To generate greater synergy effects between the Agri Trade & Service and Agricultural Equipment Segments going forward, locations will increasingly be combined into integrated Service Center Agricultural Equipment and Machinery. In 2023, BayWa intends to modernise further locations and build new ones.

Another focus of development in terms of BayWa's German agricultural business is process optimisation in the logistics chain. To support BayWa's mission of helping people to meet their basic needs and based on a network of efficient central warehouses, a logistics concept is being established that is aimed at securing the ability to deliver goods for agriculture at all times while reducing capital tied up in the Agri Trade & Service Segment. Digital processing in logistics also has an important role to play here by supporting the successful management of the increasing complexity and pace of logistics processes. The aim here is to increase the benefit to the customer while cutting costs. Targeted diversification of the product portfolio and the expansion of the private brand business are also helping to strengthen profitability.

In sales, the offering is being geared to a greater extent towards integrated solutions, since the rise in the digitalisation of agriculture is resulting in a change in requirements. The use of digitally controlled machinery and equipment for the application of agricultural inputs often requires specially adapted varieties of seed, fertilizer or crop protection products. This is automatically leading to closer integration between service business in the Agricultural Equipment Segment and agricultural input business in the Agri Trade & Service Segment, allowing BayWa to offer its agricultural customers services and products from a single source. The range of e-commerce activities in agricultural input business is also being constantly expanded so that BayWa is able to respond quickly and flexibly to new market opportunities and customer demands.

Agricultural Equipment Segment

An important focal point of the current strategy in the Agricultural Equipment Segment is the further leveraging of synergies between the Agri Trade & Service and Agricultural Equipment Segments. By and large, both segments supply the same customer groups with different products along the value chain. The aforementioned combination of locations should also be seen in this context.

In order to increase efficiency, the company has also split its business in this area into agricultural equipment on the one hand and special technology for municipalities, industry and forestry operations on the other. Another focus is the development of cross-vendor digital interfaces. BayWa is also continuously strengthening its brand-specific sales organisations in the Agricultural Equipment Segment.

Needs-based and effective irrigation is a vital strategy for adapting to climate change and therefore an important future topic for agricultural operations. Hot and dry summers, combined with extreme rainfall events, are making active irrigation management increasingly important. In this area, BayWa aims to offer solutions to its customers on an even more targeted basis and help them secure yields without damaging the environment.

Global Produce Segment

The goals in the Global Produce Segment are to develop new, attractive product categories and ensure supply and delivery security in important areas through vertical integration. BayWa is continuously developing its trade activities in the field of fruit and vegetables in a strategic manner so as to leverage the potential of the globally growing demand for fresh products through investments and partnerships.

By relocating the Dutch subsidiary TFC Holland B.V. (TFC), which specialises in exotic fruit and vegetables, to a new, higher-performing site at the beginning of 2023, BayWa is laying the foundations for the continued expansion of its business activities in this area. The clear development of storage, ripening and processing capacities enables modern and efficient production processes. At the same time, TFC is ensuring direct access to products and further expanding its year-round avocado offerings through a long-term partnership with producers in southern Africa.

The strategy of VentureFruit, a wholly owned subsidiary of T&G Global and specialist in plant genetics and variety management, is geared toward supplying growers, traders and consumers all over the world with new types of premium fruits. Together with the research institute Plant & Food Research, the company has invested in the development of new soft fruit varieties to cater to the growing global demand. VentureFruit also unveiled its new apple variety Tutti at the Fruit Logistica 2023 trade fair in Berlin. Tutti is the world's first hot-climate apple and will be launched on the retail market by VentureFruit and its licensees in a few years.

The BayWa project for the construction, operation and sale of innovative greenhouses was successfully wrapped up with the sale of the majority stake in the joint venture with the Al Dahra Group, Abu Dhabi, United Arab Emirates (UAE), and the associated climate-controlled greenhouse in the UAE to a specialised operator (closing on 31 July 2022). The experience gained in this field gives BayWa a significant edge when it comes to future international partnerships.

Building materials business unit

Building Materials Segment

The most important strategic focus in the Building Materials Segment at present is the continuous evolution of the segment from a pure product trader to a provider of innovative services and solutions along the entire value chain. For this reason, BayWa has invested in the bathroom module manufacturer Tjiko GmbH and the large ceramics processor Ceraflex GmbH, and is pressing ahead with the project development and implementation activities of BayWa Bau Projekt GmbH. BayWa continues to make targeted investments in systematic construction solutions and prefabrication of components to enable more efficient processes and greater productivity in the construction industry. The establishment of an ecological building materials database underscores the Building Materials Segment's commitment to greater sustainability and climate protection in the building sector.

The strategic focus of the conventional building materials trade is on expanding the range of private brands and specialities in areas such as construction timber, among other things. The portfolio is also being increasingly centred on sustainable building materials.

Additional focal points include digitalisation and continuous measures to improve efficiency. Thanks to the successful integration of bricks-and-mortar retail with the BayWa Building Materials Online portal, BayWa now offers a comprehensive omni-channel service covering its entire sales region. The online offerings will be successively expanded to include interfaces with software used by tradespeople. Process efficiency will be enhanced through systems for automatic inventory management. Numerous regional warehouses are being combined to form a network that, with the support of high-performance logistics, will be able to secure BayWa's ability to deliver at all times.

Innovation & Digitalisation Segment

The Innovation & Digitalisation Segment is chiefly focused on the Digital Farming division, where BayWa strives to take on a leading role in Europe as an expert partner for the agricultural sector.

With its software products NEXT Farming PRO and NEXT Farming LIVE, the subsidiary FarmFacts GmbH is among the market leaders in Germany and the driving force behind smart farming at the BayWa Group. The continuous technological development of existing solutions plays a major role here. Growth opportunities are emerging in the field of smart farming, but also on international markets.

Through its subsidiary VISTA Geowissenschaftliche Fernerkundung GmbH, BayWa operates a service to predict yields for cultures such as wheat, corn and rapeseed with the help of data provided by Sentinel 2 satellites from the Copernicus programme of the EU/ESA. VISTA also offers solutions in the field of sustainable agriculture, including for optimising the use of nitrogen in fertilizer and for irrigation.

With the BayWa Portal for agriculture, BayWa's eBusiness includes the portal platform for online trade and has a cross section function within the BayWa Group when it comes to digitalising interfaces and processes between BayWa and its customers. The focus here is on an omni-channel approach and further development into a smart digital customer platform and the digitalisation of customer-centric processes.

BayWa Venture GmbH's initiatives are symbolic of the open approach to innovation at BayWa. The company aims to find and roll out new business models and technologies for BayWa and its Group companies that make a lasting, measurable difference. The business models are rolled out through BayWa Venture Investments and BayWa Venture Start-Up Partnerships.

BayWa Venture Investments invests in international start-ups on behalf of the BayWa Group through its investment vehicle BayWa Venture GmbH. Investments usually take the form of a minority stake. The capital is primarily used by these fledgling companies to advance product development with the goal of achieving market readiness. The investments focus on selected innovations from the fields of ag tech and food tech, and in particular on sustainable agriculture and new proteins. As at 31 December 2022, the investment portfolio of BayWa Venture GmbH consisted of 11 minority stakes.

BayWa Venture Partnerships promotes innovation through collaboration and support covering the entire value chain. Start-ups receive access to BayWa's operating business, industry networks, markets and customers. The partnership ranges from brainstorming and discussing ideas together to testing, pilot projects, product and service development and sales cooperation. One working group is tasked with identifying and evaluating new biological agricultural inputs from start-ups and scrutinising them in field tests, thereby supporting the development of marketable solutions.

Based on the areas of focus of BayWa Venture GmbH, the Group also set up the New Protein Solutions business entity as part of the Agri Trade & Service Segment in 2022 and is developing new activities in the Protein Trade division (in some cases working with the start-ups) and gradually expanding them. Protein trade covers the customer-centric speciality trade in healthy, regional and sustainable products with the food industry.

Corporate financing

With its corporate financing, BayWa puts its faith in tried-and-tested, reliable partners. In doing so, it makes sure that there is sufficient diversification in terms of financing sources so as to guarantee its independence and limit risks. Increasingly, BayWa also relies on financing instruments with sustainability-related elements, with two ESG-linked bonded loans totalling €502.5 million, an ESG-linked syndicated financing agreement originally worth €1.7 billion, but since increased to €2.0 billion, and a €500.0 million green bond. BayWa's hybrid bond with a volume of €300.0 million was terminated in due time and repaid in full at the contractually agreed, first possible repayment date in October 2022. The amount was refinanced by issuing a bonded loan and increasing the syndicated financing agreement. Efficient management of working capital is vital at the BayWa Group, as it represents a net figure for current assets less current liabilities. The financing of the BayWa Group was ensured at all times in the financial year 2022 through sufficient credit lines from its financing partners.

Sustainability at BayWa

Unaudited

Sustainability strategy

Food, energy, housing, heat and mobility: as a provider of the basics, BayWa has always contributed to meeting human needs. But these basic needs can only be met in the long term if they are in harmony with the environment and human rights – global challenges such as climate change or loss of biodiversity not only significantly harm the basis for life but also BayWa's business. At the same time, BayWa's global operations mean it has a major impact on sustainable development and opportunities to influence it.

BayWa implemented a comprehensive sustainability strategy in 2021 in order to rise to the global challenges, setting the strategic course in sustainability matters for the years ahead. The sustainability strategy is based on four fields of action: value creation, environment and climate, employees, and society. Each field of action ties into relevant core issues and strategic targets. The strategy builds on the previous sustainability strategy while also providing essential new momentum. Core topics such as sustainable products and solutions, sustainable procurement, climate and energy, the circular economy, ecosystems and biodiversity, and water will determine the future strategic direction that BayWa takes when it comes to sustainability. Measurable targets and measures have already been defined for some of the core topics, with others to be developed by BayWa going forward.

BayWa AG has also been a member of the United Nations (UN) Global Compact since 2021. By joining, BayWa has underlined its commitment to upholding and promoting the ten principles set out by the UN initiative in relation to human rights, labour, the environment and anti-corruption.

Climate strategy

With its climate strategy, which forms part of the sustainability strategy, BayWa aims to help keep global warming to well below 2 degrees Celsius as part of its goal of being climate neutral by 2030 (Scope 1 and Scope 2 emissions). To achieve this, the company plans to significantly reduce its energy consumption and the greenhouse gas emissions attributable to its sites, company cars and in-house logistics activities over the next few years; source electricity from renewable energy sources only; and compensate for remaining greenhouse gas emissions by purchasing high-quality carbon credits.

Internal carbon pricing, which was introduced by BayWa in 2022, serves as an additional governance instrument to achieve the reduction in greenhouse gas emissions defined in the climate strategy. BayWa's Scope 1 and Scope 2 emissions are priced internally at €50 per tonne of CO₂ equivalents, with the resulting budget earmarked for the necessary climate action. The carbon pricing applies for the first time in 2023 and is expected to raise approximately €6.8 million.

BayWa's climate targets and progress

- Cover 100% of its electricity needs with renewable energies by the end of 2020; goal was achieved once again in 2022

- Reduce energy consumption by 22% by 2025 (base year 2017, in terms of EBITDA); goal was achieved once again in 2022 (minus 65%)
- Reduce greenhouse gas emissions by 22% by 2025 (base year 2017); based on preliminary figures; goal was achieved in 2022 (minus 23%)
- Build and provide 10 GW in generation capacities from renewable energies by 2025; goal was achieved in 2022 (11.9 GW)
- Climate neutrality in own operations from 2030 onwards (Scope 1 and 2)

The target achievement in the field of greenhouse gases can be explained by the sharp rise in prices due to the energy crisis and the associated cost-saving measures. BayWa is committed to maintaining this reduction on a permanent basis by taking corresponding measures within the scope of the internal carbon pricing system. It will review the ambition level of its objectives in 2023 in order to respond to changing framework conditions.

BayWa is aware of its responsibility for greenhouse gas emissions that occur in the upstream and downstream value chain (Scope 3). The company already reports on 6 of the 15 categories on an annual basis. In 2022, a Group-wide materiality analysis regarding Scope 3 emissions was conducted to identify the relevant Scope 3 categories and expand the data collection. The Group plans to define Scope 3 targets in 2023.

Protecting human rights

The BayWa Group is committed to upholding human rights and continuously implements the associated due diligence obligations set out in the German Act on Corporate Due Diligence in Supply Chains (LkSG). The Social Responsibility and Human Rights Policy Statement, published in 2022, is based on international conventions and guidelines such as the Universal Declaration of Human Rights, including the relevant rights in the International Covenant on Civil and Political Rights, the core standards of the International Labour Organization (ILO) and the principles of the UN Global Compact. Coupled with the two codes of conduct at BayWa (Code of Conduct and Supplier Code of Conduct), the Social Responsibility and Human Rights Policy Statement outlines the key principles of BayWa's own actions and the standards to which it holds its business partners.

ESG ratings

Rating	Result
MSCI ESG	AA
ISS ESG	C+
CDP (Climate Change)	B

Additional information on sustainability targets and measures at the BayWa Group is available in the combined non-financial report, which is part of the separate Sustainability Report 2022 that is published on the website www.baywa.com/en/responsibility/at-a-glance.

Employees

The number of employees at the BayWa Group increased once again in the financial year 2022. By the end of the year, the BayWa Group employed 22,508 employees (2021: 21,468). In terms of an annual average, the number of employees rose by 1,108, or 5.2% year on year, to 22,293. The increase was fuelled by the Renewable Energies Segment (933 additional employees) and the Agri Trade & Service Segment (222 additional employees). In the Building Materials and Renewable Energies Segments, the increase in employee numbers was chiefly the result of significant segment expansion and general business development. The number of employees in the Cefetra Group and Agri Trade & Service Segments increased in the financial year 2022 as a result of acquisitions. Declining employee figures were primarily recorded in the Global Produce Segment (499 fewer employees) as a result of the sale of a grape farm in Peru, as well as in the Innovation & Digitalisation Segment (20 fewer employees). In the other segments, the number of employees remained roughly unchanged year on year.

For years, BayWa has been committed to training its own qualified personnel to combat the noticeable skills shortage, particularly in Germany. BayWa is one of the largest companies in Germany to offer trainee programmes. In 2022, 489 trainees started their career at BayWa. A total of 1,387 apprentices and trainees were employed at the BayWa Group at the end of the year. The training ratio stood at 5.7%.

Development of the average number of employees at the BayWa Group

	2018	2019	2020	2021	2022	Change	
						2022/21	
Renewable Energies	1,449	1,826	2,272	2,821	3,754	933	33.1%
Energy	958	986	1,017	1,359	1,411	52	3.8%
Cefetra Group	438	487	477	496	623	127	25.6%
Agri Trade & Service	3,543	3,533	3,502	3,408	3,630	222	6.5%
Agricultural Equipment	3,679	3,772	3,786	3,805	3,826	21	0.6%
Global Produce	2,768	2,788	3,997	3,650	3,151	- 499	- 13.7%
Building Materials	4,211	4,371	4,528	4,454	4,661	207	4.6%
Innovation & Digitalisation	183	198	225	240	220	- 20	- 8.3%
Other Activities	775	870	913	952	1,017	65	6.8%
BayWa Group	18,004	18,831	20,717	21,185	22,293	1,108	5.2%

Control system

Strategic controlling of the corporate divisions is based on value-oriented corporate governance and integrated risk management. Operational management of the corporate divisions is conducted based on targets, with earnings before interest and tax (EBIT) acting as the most important financial performance indicator. The development of financial performance indicators in the financial year 2022 is described in the Financial Report in the section “Financial performance indicators”. BayWa reports on its non-financial performance indicators in its separate Sustainability Report. There are no particularly important non-financial performance indicators requiring separate disclosure in the management report.

The value-driven management approach supports the medium- and long-term streamlining of the portfolio and the strategic orientation of capital allocation within the Group. This approach shows whether the ratio between the operating profit achieved and the risk-adjusted cost of capital is appropriate, i.e. whether the segments have earned their cost of capital. Interest on average capital invested in the segments is charged by applying the weighted average cost of capital (WACC) model. The return on invested capital (ROIC) of the segments is then measured against the respective cost of capital. There is economic profit if the return on invested capital is higher than the cost of capital specific to each segment (see also “Economic profit” section). The further development of an efficient risk management system is particularly important in safeguarding long-term economic success, especially in international business. Risk management is monitored and overseen by a Risk Board that is headed by the Chief Executive Officer. In addition, the Global Book System (GBS) coordinates trade management in grain, oilseed and co-product trade. The GBS reconciles and optimises trade and risk positions of individual product lines across the board for national and international divisions.

Research and development in the Innovation & Digitalisation Segment

The BayWa Group’s research and development activities relate to the formation and further development of the Innovation & Digitalisation Segment. The subsidiaries FarmFacts GmbH and VISTA Geowissenschaftliche Fernerkundung GmbH are responsible for the corresponding activities.

Research in Digital Farming is conducted as part of pilot projects and focuses primarily on new methods of sowing and fertilization, as well as satellite-based remote sensing services and applications for agriculture, water management and the environment. Digital Farming offers farmers new ways of optimising their operating

processes and thereby allows them to work more cost-efficiently and sustainably. Under the NEXT Farming brand, the BayWa Group company FarmFacts provides a farm management system that helps farmers to manage and oversee agricultural processes and machinery using telematics. The software combines essential documentation and contract management functions, from field management and the implementation of local rules under the German Fertiliser Application Ordinance (DüV) to agricultural equipment connectivity.

The BayWa subsidiary VISTA is constantly developing solutions that use satellite data and the PROMET spatial crop growth model to help conserve resources, reduce water consumption and increase harvest yields. PROMET calculates the development of crops with tremendous precision in hourly calculation intervals. Using up-to-the-minute satellite data, the model makes it possible to derive the current condition of crops through daily readings on factors such as biomass and yield that are unaffected by cloud cover and – more importantly – are absolute. The approach helps farmers to optimise the sowing process and the use of fertilizer and water.

As at 31 December 2022, 63 employees worked in research and development (2021: 77 employees). The BayWa Group's research and development expenses totalled €1.0 million in the financial year 2022 (2021: €1.3 million). Own work capitalised with regard to new Digital Farming products amounted to some €3.2 million (2021: €4.4 million).

Financial Report

Macroeconomic conditions

The development of the global economy was characterised in the financial year 2022 by considerable impairment of the economic climate, which had already been weakened by the coronavirus pandemic. The main negative factors were the war against Ukraine, high rates of inflation, an increase in central banks' interest rates to combat inflation and a significant economic slowdown in China in the wake of the country's zero-Covid strategy (IMF, World Economic Outlook, January 2023).

In its most recent estimate, dated January 2023, the International Monetary Fund (IMF) anticipates that the global economy saw growth of around 3.4% in 2022. In industrialised economies, growth stood at around 2.7%, according to the IMF. In emerging economies, gross domestic product increased by 3.9%. In the countries of the euro zone, economic growth amounted to 3.5%. In Germany and Austria, two particularly important markets for BayWa, economic growth stood at 1.9% and 4.7%, respectively (IMF, World Economic Outlook, January 2023; WIFO – Austrian Institute of Economic Research, Economic Outlook 4/2022, December 2022).

Following record figures of over 10% in the autumn months, the annual inflation rate in the euro zone stood at 9.2% as of December 2022, according to the European statistical office Eurostat. For the first time since 2016, the European Central Bank (ECB) raised the interest rate on the main refinancing operations (MRO) to 0.5% in July in the first of a series of rate hikes that peaked for the year at 2.5% in December (Eurostat, Annual inflation down to 9.2% in the euro area, January 2023; https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html).

In the current financial year, 2023, global growth is expected to weaken further. The main factors behind this trend are increasingly tight fiscal policy to contain the high rate of inflation, the persistent impairment of global economic flows as a result of the war against Ukraine and lower investment rates in emerging economies (IMF, World Economic Outlook, January 2023).

For 2023, the IMF anticipates slower global growth momentum. Nevertheless, sentiment has improved somewhat, with growth forecast to reach 2.9%. Back in October, the IMF's analysts were still predicting economic growth of just 2.7%. In emerging economies, gross domestic product is expected to increase by 4.0%. In industrialised countries, growth of 1.2% is expected. For the euro zone, the IMF is forecasting just around 0.7% in growth. In Germany, the economy is expected to experience periods of recession over the course of 2023,