Outlook

The following qualitative-comparative statements are used to describe changes in results and earnings, as well as forecast ranges:

Range of the change	Qualitative-comparative statement
1–5%	slight, moderate, low
5–10%	noticeable, clear
10–20%	substantial, considerable
20–50%	significant
> 50%	sharp, steep, strong

Outlook for the BayWa Group

Thanks in part to a number of positive market factors, 2022 was the most successful financial year to date in the history of the BayWa Group. Developments are expected to return to normal in a number of areas in the current business period. Prospects for the BayWa Group nevertheless continue to be positive. BayWa's diversified business model is characterised by a high degree of resilience and benefits from the key megatrends of food and energy security. As a result, the company has opportunities in its business areas, both in the short and the long term.

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. The key financial target of the BayWa Group is to generate sustainable 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 has been raised.

Across all segments, the company expects clearly positive results. While income will be lower in most segments compared to the previous year, it will still outperform the long-term average. In the agriculture business unit, producer prices are expected to recover. While the jump in fertilizer prices due to the energy crisis is not expected to recur in this form, worldwide grain inventories remain low. As a result, higher-than-average prices can continue to be expected. Farmers are reinvesting their solid income, which should benefit BayWa doubly. Developments in the Global Produce Segment will be influenced by uncertainty surrounding harvests in core markets in 2023. A deviation from the original forecast has to be expected given the floods that occurred in New Zealand in mid-February 2023 as a result of a massive tropical storm. As things stand, the latest events in New Zealand are expected to entail a slight decrease overall in marketing volumes in the Global Produce Segment. However, it is not possible to make a final assessment at the present time. Adjusted for the one-off income from the sale of the climate-controlled greenhouse in Al Ain, earnings (EBIT) are currently expected to decrease slightly year on year. In the energy business unit, the trend and the demand for renewable energies remain unbroken. However, plans are for BayWa r.e. to transfer a higher proportion of the projects to its own portfolio of the IPP (Independent Power Producer) business entity. Despite ensuring higher cash flows in the future, it will be associated with a somewhat lower share of earnings in the current financial year, since the electricity income will be generated over multiple periods, in contrast to immediate sale proceeds. Oil prices are expected to remain volatile and will offer good sales prospects for the Energy Segment, both in trading and for alternative energy sources. Thanks to the high volume of incoming orders in the Building Materials Segment and the broad range energy-efficient building materials, the segment is unlikely to face any major challenges in 2023.

This outlook is based on the assumption that the coronavirus pandemic will no longer trigger any new negative economic effects in the remainder of 2023. Additional risks are associated with the political uncertainty regarding a further escalation of the war against Ukraine, which could possibly lead to distortions in the markets for commodities and agricultural products.

Outlook for the Renewable Energies Segment

The Renewable Energies Segment will continue on its growth course in the international markets in 2023. The realisation and transfer of projects with a total capacity of about 2.1 GW in total that are either finished or under construction is planned in the Solar Projects and Wind Projects business entities for the financial year 2023.

In the Wind Projects business entity, new projects with a volume of around 0.8 GW are to be realised in the financial year 2023 (external sales and transfer of power plants in operation and under construction to the IPP (Independent Power Producer) business entity). The majority of them will be realised in the US, followed by Europe – especially in the national markets of Germany, Italy, the UK and other European countries. The expansion of activities in the Benelux countries, Greece, Spain and South Korea is also expected to result in rising positive earnings contributions from project sales in these countries in the years ahead.

In the Solar Projects business entity, the external sale of projects and project rights, as well as the transfer of power plants in operation and under construction to the IPP business entity with a total output of around 1.3 GW, is planned in the financial year 2023. The focus will most likely be on the markets in the Netherlands, Spain, Italy and the UK. Although international supply chain issues persist, the overall environment should have a positive impact on the further business development of this global business entity, given the continued increase in demand for electricity, a favourable political environment and the steady growth in the number of regions with grid parity for solar installations.

The IPP business entity's portfolio will expand further and is expected to reach about 3 GW in the medium term. The portfolio is comprised exclusively of projects that are developed and constructed in the Wind Projects and Solar Projects business entities. The future expansion of the portfolio will focus primarily on parks in Europe with legally guaranteed tariffs or a power purchase agreement (PPA). In energy trading, sales and earnings are expected to decrease over the medium term because of falling electricity prices. That being said, improving the risk-return ratio of the direct marketing portfolio continues to be the goal. Expanding the activities in select European markets is also planned, especially with PPA and hedging solutions for internal and external customers.

The multi-year trend of negative price development for technical management services continued in 2022. However, signs of stabilisation are now apparent for the first time. Operational management will focus in the years ahead on streamlining and automating processes in the Services business entity, along with concentrating on customers with high portfolio growth potential. The internally developed range of software services will focus on the portfolio management software "Aristoteles". This software is currently being used successfully by the IPP business division for portfolio management within the Group. "Aristoteles" will also be marketed externally in the future.

In the Solar Trade business entity, trading in photovoltaic (PV) components will continue to benefit from rising demand for new system solutions. Persistently high, yet slightly falling margins compared to 2022 are expected this year due to general price developments and the entry of competitors into particularly attractive markets. High electricity prices, as well as ambitious government PV expansion targets and subsidy programmes, are expected to result in increased demand in all regions. The expansion of e-mobility in the commercial and residential segments, as well as a generally higher demand for electricity, will generate further opportunities for growth. The effects of climate change once again highlight the need for a transformation of the energy sector, which is contributing to increased acceptance of renewable energies and the development of the solar trade. To further strengthen the position of the solar trade worldwide, acquisitions are also planned for the years ahead. At the beginning of 2023, Solar Systems GmbH and Solar-Planit Software GmbH were spun off from BayWa r.e. Solar Energy Systems GmbH, with the intent of systematically driving their growth. A solar trade company in Latvia was acquired at the start of February 2023 to improve access to customers in promising markets in the Baltic states. A new company will also founded in Greece in the spring of 2023 in order to enter the solar trade market there. To account for the increase in revenues, corresponding growth in the number of employees is planned at all operating companies, especially those in Europe. The planned new companies will result in further employee growth.

The Energy Solutions business entity will continue to support companies with a focus on the core markets of Germany, Spain and Italy, as well as new markets such as the Netherlands and Poland, as part of the PV own-use model. The Energy Solutions business entity anticipates a rise in business volume in light of the emerging markets in the Asia-Pacific region (APAC), especially in Thailand, Malaysia, Vietnam, Singapore and Indonesia, where a significant share of the supply chains of multinational corporations are based. Energy Solutions also sees great potential for a positive business development in both self-consumption models and corporate PPAs as a result of ambitious climate targets, such as those pursued by the European Union, as well as the entry into force of the German CSR Directive Implementation Act (CSR-RUG). With a focus on developing and building on long-term business relationships with major customers, the Energy Solutions portfolio will be expanded to include additional modules such as storage solutions, PV carports and electricity supply solutions.

Earnings before interest and tax (EBIT) in the financial year 2023 are expected to decrease slightly year on year. This earnings outlook is based on the accelerated transfer of solar and wind projects to the IPP business entity. As a result, margins from sales to external investors will be replaced in the financial year 2023 by long-term earnings from electricity generation. Beyond that, 2022 saw special items such as the sale of BayWa r.e. Bioenergy GmbH and Schradenbiogas GmbH.

Following the decision of the BayWa r.e. AG Supervisory Board on 1 March 2023, the company intends to sell the international solar trade business. The planned transaction is the result of the strategic realignment of BayWa r.e. AG, which will focus on international project business and further expansion as an independent power producer (IPP) going forward.

Outlook for the Energy Segment

In the Energy Segment, BayWa management expects a decline in contributions to earnings in light of weaker momentum in the market and the record results achieved in the previous year. The gradual transition from conventional to climate-friendly energy sources is being pursued consistently and systematically. This includes implementing new, innovative concepts to meet basic energy, heat and mobility needs.

In the heating business, wood pellets continue to exert tremendous appeal in Germany as a carbon-neutral fuel. At the same time, the crisis-driven price volatility recorded in the previous year is unlikely to recur in 2023, thus resulting in lower trading margins for BayWa. This stands in contrast to growth in sales through the establishment of new sales outlets and the expansion of e-commerce trade, which, based on current plans at least, will not be able to compensate for the decline in margins on the earnings side. Although the market as a whole continues to face difficult supply conditions, BayWa will maintain its ability to supply its customers in the current financial year thanks to increased storage capacities and additional volumes from its cooperation with the Heidegrund plant.

In trade with heating oil, lower income is expected in the current year than in the previous year. This is due to declining price levels and reduced price volatility, as well as slightly weaker sales stemming from crisis-related anticipatory effects in 2022. The launch of the new neutral logistics brand enlog will have a major positive impact, especially in the medium term. Launched on 1 January 2023, all existing brand and sales channels will in future be supplied in a uniform manner under the enlog brand. In addition, the neutral brand will enable the company to operate as a logistics service provider for other entities on the market. The entire tanker fleet should feature the new logo by late autumn 2023.

In trade activities involving conventional fuels, stable development is expected in the segments of relevance to BayWa, which include agriculture and construction as well as heavy vehicles.

BayWa Power Liquids GmbH has been responsible for the Heavy Vehicle division since 2022 and operates BayWa's LNG filling station network. On the one hand, the supply of conventional liquefied natural gas (LNG) is expected to be difficult in the short term, accompanied by high price levels. On the other hand, BayWa has also been purchasing bio-LNG, a particularly low-emission and climate-friendly fuel, through Verbio AG since February 2023. Over the course of the year, all of the 11 current LNG filling stations are to start receiving 100% bio-LNG. Using bio-LNG in heavy vehicles currently offers tremendous opportunities, thanks to high premiums for the resulting CO_2 savings, among other factors. In addition, the company is forging ahead with its move into hydrogen-based mobility by acquiring a stake in Hy2B Wasserstoff GmbH. Starting in mid-2023, production of green hydrogen will begin in the model region of Pfeffenhausen, near Landshut, Germany. As part of this project, BayWa will be responsible for the logistical and commercial operation of a hydrogen filling station in Hofolding, Germany, and will also organise greenhouse gas quota trading.

In the lubricants and operating resource business, the difficult supply situation, especially for base oils, remains a decisive factor. Business development will therefore largely depend in the current financial year on the availability of raw materials and functioning supply chains. One positive factor is the ongoing expansion of digitalisation and e-commerce trading activities, especially the online wholesale business of Interlubes GmbH.

In the Energy Segment, BayWa Mobility Solutions GmbH will reap the benefits of the increasing electrification of the transport sector in the current financial year. Driven by attractive market and funding conditions, project business in the Light Vehicle division in particular (i.e. the expansion of electromobility charging infrastructure for third parties) will continue to grow.

In the area of heat contracting, business volume is expected to increase, driven by a greater number of tenders from public sector customers relating to plant technology for heating supplies (heating systems, heating plants, district heating networks). Besides this, BayWa will also invest in the construction of its own plants and operate them independently.

Thanks to the faster pace at which the transition to renewable energies is taking place, the field of building services will continue to benefit from strong demand for refurbishments – especially in the area of heating – in the financial year 2023. By contrast, demand in the new housing sector is likely to decline because of rising interest rates and costs and a persistent shortage of skilled workers.

All in all, the Energy Segment will be marked by a weakening of market growth in the financial year 2023 following a record year in 2022. Drawing on its basic supply function in the fields of conventional fuels and lubricants as well as heat energy carriers, the expansion of the renewable energies business will therefore accelerate further. Assuming lower trading margins as market prices return to normal levels, EBIT generated by the Energy Segment is expected to show a sharp decline compared to its exceptionally strong performance in 2022. Nevertheless, it will still continue to deliver a clearly positive business performance.

Outlook for the Cefetra Group Segment

In the Cefetra Group Segment, BayWa currently expects business to return to normal, which will mean lower levels of volatility but also reduced margin potential. Nevertheless, the pressure on the markets remains higher than average due to geopolitical tensions and disruptions to supply chains and trade relationships. The current environment therefore harbours opportunities for BayWa based on a conservative business outlook.

In the grain and oilseed trade, the trading volume of standard products should be on a par with the previous year. The Cefetra Group will continue to capitalise on its strong market position as one of the largest European importers of grain and oilseed meal through its global trading network. One factor hampering this development is the decline in livestock numbers, which in turn triggers lower demand. In particular, the European pig farmer customer base will continue to shrink in the years ahead – a process that will be accelerated by high feedstuff prices. BayWa's goal is to maintain its current market share in this traditional business.

In the specialities business, the company likewise expects to see a certain slowdown in momentum, which is also due to deteriorating consumer sentiment. At the same time, BayWa is in a position to continue growing both organically and inorganically in this area. For example, the business of the nut and dried fruit importer Heinrich Brüning GmbH, which was acquired in the second quarter of 2022, will be accounted for on a full-year basis for the first time.

All in all, EBIT in the Cefetra Group Segment is expected to see a substantial decline in 2023. Over the long term, however, income development will remain well above average thanks to BayWa's strong market position and a targeted specialities strategy.

Outlook for the Agri Trade & Service Segment

The Agri Trade & Service Segment is in a positive position going into 2023. In BayWa's regions, the harvest is expected to be average, with above-average price levels in both product trading and the agricultural input business. The development of the war against Ukraine and its potential impact on the agricultural sector remains a major factor of uncertainty.

In product trading (grain trading and collection business), solid development is expected in the first half of 2023, as promising sales contracts for the current reporting period were already concluded in 2022. Due to the tight global supply balance, price levels are expected to remain elevated compared to the multi-year average. Trade prices are expected to be lower than the exceptionally high level recorded in the previous year, which was characterised by extremely high spikes in prices caused by the war against Ukraine. For the harvest year 2023, an average collection level can be expected in Germany at this stage, assuming there are no fundamental changes to the distribution of crops and an average growing season in the first half of 2023. Moreover, organic farming will continue to grow.

In the agricultural input business, environmental regulations limiting quantities and areas are leading to a steady, structural decline in the fertilizer trade. In addition, farmers in BayWa's sales regions stockpiled more fertilizer in 2022 ahead of the new season. These anticipatory effects are likely to diminish sales. Moreover, prices are likely to decline. Falling gas prices, along with an unexpectedly reliable supply on the global markets despite the war against Ukraine, could result in downward pressure on prices. This will lead to lower trading margins year on year, especially for fertilizers containing nitrogen. Sales of crop protection products are expected to remain at last year's level, subject to normal weather conditions. However, public pressure is driving down the use of crop protection products. In addition to conventional fertilizers and plant protection products, there is also a wide range of what are known as biologicals, i.e. biostimulants, biological crop protection products and microorganisms. Biologicals are in use and increasingly in demand in both organic and conventional farming to help farmers and growers comply with tighter regulations. BayWa is well placed in this area and looks set to strengthen its sales of this product range in the future.

Assuming normal weather conditions, sales of seed are expected to remain stable. Specific environmental regulations, such as requirements for crop diversification within the scope of greening activities, are having a positive effect on the sale of seed for catch crops and resulting in higher demand for higher-margin speciality products. In addition, the relaunch of the private brand "Planterra" is expected to have a positive impact on business development.

The market situation for feedstuff is likely to remain tense. The main causes are declining livestock numbers in the medium to long term – especially in pork production – and high feedstuff grain prices. Both are likely to have a continued negative effect on demand for compound feedstuff in Germany. Following the acquisition of a compound feedstuff company in Serbia, the Austrian Group company RWA Raiffeisen Ware Austria AG should benefit increasingly from the relocation of animal stocks to south eastern Europe.

All in all, management anticipates a sharp decline in earnings (EBIT) in the Agri Trade & Service Segment in 2023 compared to the exceptionally strong performance achieved in the previous year. At the same time, the sustained above-average prices in both product trading and the agricultural input business mean that a strong result is expected – one that is significantly above the average income level recorded in the years prior to 2022.

Outlook for the Agricultural Equipment Segment

The outlook for the Agricultural Equipment Segment remains positive for 2023. Farmers' propensity to invest is undiminished thanks to persistently high producer prices and is also being positively influenced by additional federal funding from the "Investitionsprogramm Landwirtschaft" (investment programme for agriculture) of the German Federal Ministry of Food and Agriculture until 2024.

The Agricultural Equipment Segment started off in the German agricultural equipment market with a significantly higher order backlog than in the previous year, which indicates excellent prospects for the first half of 2023. The situation could become more challenging in the second half of the year, given that the momentum of the previous year could weaken. In addition, Agritechnica – the world's largest exhibition for agricultural machinery – will be held in November 2023 for the first time since the pandemic. It can be expected that potential buyers will wait until after the exhibition before deciding to make purchases. What is more, the extent to which price increases by manufacturers will be implemented and accepted on the market remains to be seen. This could lead to a decline in demand over the course of 2023. By contrast, uncertainty with regard to manufacturers' ability to produce and deliver is likely to ease further.

In the service business, stable development coupled with high workshop utilisation is expected. The increasing shortage of skilled workers and the sustained rise in costs for energy, IT, insurance and personnel are likely to have a negative impact.

BayWa continuously invests in the modernisation of its locations to both meet the increasing demands of its agricultural customers and compensate for cost increases through efficiency gains. For example, construction or refurbishment projects are planned at several locations in 2023. However, their completion could be held up by the substantial rise in construction costs.

In international business, the Dutch Group subsidiary Agrimec B.V. is expected to continue its robust development. The company also began 2023 with a very high order backlog and is recording strong workshop utilisation. Risks result from the reduced number of livestock farmers and contractors in the Netherlands and the shortage of skilled workers.

At CLAAS, the order backlog was significantly higher at the start of 2023 than in the previous year, which has a positive effect on the outlook. What is more, further growth is expected as a result of the increase in the CLAAS market share for tractors and the expansion of its after-sales business.

The Agricultural Equipment Segment's EBIT is expected to decline significantly year on year due to a potential economic downturn and rising overall costs.

Outlook for the Global Produce Segment

Developments in the Global Produce Segment will be influenced by uncertainty surrounding harvests in core markets in 2023. The BayWa Group's total marketing volume of pome fruit, soft and stone fruit, tropical fruit and vegetable fruit is expected to fall year on year in 2023. Higher sales volumes are unlikely due to the negative impact of a tropical cyclone in New Zealand and the sale of the climate-controlled greenhouse in Al Ain (UAE) in July 2022.

While a deviation from the original forecast has to be expected given the floods that occurred in New Zealand in mid-February 2023 as a result of a massive tropical storm, it is not possible to make a final assessment at the present time. According to an initial stock analysis, the damage in the affected cultivation regions of the BayWa subsidiary T&G Global is not structural in nature, but instead hampers the seasonal harvest. The cultivation region around Hawke's Bay has been worst hit by the floods. Although harvest losses are anticipated here, it may be possible to partially compensate for them through higher prices if – as expected – overall supply declines. Other important cultivation regions, such as Gisborne and Nelson, have recorded no or only minor damage for the time being.

At the same time, the availability of labour – which was very limited during the pandemic – should improve in 2023, thus making the harvesting process easier despite the damage caused by the cyclone. Furthermore, some easing is expected with regard to logistical bottlenecks and in international trade flows. The sales situation in the UK and Europe remains tense on account of demand. Rising costs, especially in terms of wages, will weigh on earnings. This is offset by stabilisation in the fruit vegetable business and the expansion of activities in the Pacific islands.

The 2022/23 harvest in Germany was better than in the previous year. Optimal weather conditions boosted harvest volumes in BayWa's collection regions. Having completed the modernisation and expansion of the organic packaging station at the German fruit location in Ravensburg, the German subsidiary BayWa Obst can also build on improved processes in the marketing of organic products and increase capacities for plastic-free packaging, which will make it easier to push through price increases in the market. However, the increase in the minimum wage, as well as higher energy, agricultural input and logistics costs and subdued consumer sentiment, will pose major challenges in 2023.

In the tropical fruit business, BayWa expects the relocation of its Dutch subsidiary TFC Holland B.V. (TFC) in January 2023 to enhance product quality thanks to the deployment of state-of-the-art storage and ripening technologies. The verticalisation strategy, which aims to keep value chains as short as possible and provide direct access to goods in the countries of origin for key products such as avocados and mangoes, will be continued. Moreover, an accounting profit is expected from the sale of the old site. From an operating point of view, sales volumes and prices are expected to stabilise, and margins are expected to improve thanks to a greater focus on products. However, the cost of purchasing goods and a scarcity of logistics capacities remain a major challenge.

As things stand, the latest events in New Zealand are expected to entail a slight decrease overall in marketing volumes in the Global Produce Segment. Adjusted for the one-off income from the sale of the climate-controlled greenhouse in Al Ain, BayWa therefore expects a slight year-on-year decrease in earnings (EBIT) in the Global Produce Segment. This outlook is subject to the proviso that storm damage in New Zealand does not lead to any further harvest losses.

Outlook for the Building Materials Segment

For the Building Materials Segment, BayWa expects more difficult conditions in 2023. A potential increase in the cost of financing construction, above-average adjustments to collective bargaining agreements as well as the noticeable shortage of skilled workers are likely to slow the industry down further. On the other hand, BayWa expects the reintroduction of subsidy schemes for the construction of new buildings – such as the “Klimafreundlicher Neubau” (climate friendly construction) subsidy programme from KfW, which was introduced in March 2023 – to boost the Building Materials Segment. Taking into account these general conditions, which are still subject to uncertainty at this time, a decline in sales from building materials trade activities is expected to affect the Building Materials Segment.

The favourable weather conditions and the existing order backlog should help the Building Materials Segment get off to a good start in the financial year 2023. In addition, the energy crisis is likely to increase demand for energy-efficient refurbishment and retrofitting in residential buildings. The subsidy schemes for the modernisation of existing buildings will have a favourable impact. BayWa is expected to benefit from this, given its wide-ranging product portfolio. The establishment of an ecological building materials database underscores the Building Materials Segment’s growing commitment to greater sustainability and climate protection in the building sector. The building materials database is designed to record carbon emissions generated by building materials – starting with the manufacturing process and ending at the BayWa warehouse. The building materials database will constitute the basis on which the carbon emissions generated by buildings are assessed and will act as a foundation for customer advisory services.

In BayWa Bau Projekt GmbH’s project business, a high order backlog will ensure at least stable business development in 2023. Several current construction projects will be completed in 2023, with building scheduled to start on number of already approved projects in the months ahead. What is more, 15 new construction projects were acquired in 2022, which also suggests a promising income development for 2024 and 2025. The current uncertain situation facing many smaller project companies is opening up opportunities for BayWa to strengthen its market position even further.

The stakes in the bathroom module manufacturer Tjiko GmbH and the large ceramics processor Ceraflex GmbH will be increased further and are expected to make a positive contribution to earnings. The BayWa Building Materials Online portal is also expected to continue growing. In particular, the ability to connect with the software used by customers in the building trades is likely to have a beneficial effect.

EBIT in the Building Materials Segment is expected to be significantly lower in 2023 than the high level recorded in the previous year. The main reasons for this are the development of building material prices, which no longer leave as much room for mark-ups, as well as a declining propensity to buy on the part of prospective property buyers due to high interest rates. Moreover, inflation-related adjustments to collective bargaining agreements will have to be made, which will lead to higher costs in the segment.

Outlook for the Innovation & Digitalisation Segment

The Innovation & Digitalisation Segment develops Digital Farming solutions. A consistent focus on expanding its core software business, including the two software products NEXT Farming LIVE and NEXT Farming PRO, is planned for 2023. In the medium term, the elements of the desktop and cloud software, along with their hardware and services, will be merged into one cloud-based solution under the name NEXT Farming.

In operational terms, BayWa anticipates organic sales growth of around 10% in the current financial year. The projected growth in revenues is based primarily on the expectation of higher software revenues following the changeover to a subscription pricing model (subscription fee).

The Innovation & Digitalisation Segment's negative EBIT, which ranged in the negative lower double-digit millions in the financial year just ended, is expected to improve sharply. The reason for the increase in EBIT is the direct classification of the main costs incurred in the eBusiness division to the relevant operating segments from 2023 onwards. General expenses for the technical advancement of the eBusiness division will be reported under Other Activities in future. In addition, the cost savings made in the previous year will take full effect in the financial year 2023.

Other Activities

Other Activities encompass the BayWa Group's central management and administrative functions, as well as its peripheral activities. Overall, the negative EBIT from Other Activities is expected to increase slightly in 2023. This development is primarily due to higher expenses for special bonuses and extra advertising campaigns, as well as additional costs for the Group-wide upgrade of the digital merchandise management system and the expansion of IT security. In addition, the reclassification of general expenses incurred for the technical development of the eBusiness division to Other Activities will have a negative impact.

Opportunity and Risk Report

Principles of opportunity and risk management

The management of opportunities and risks is an ongoing area of entrepreneurial activity which is necessary to ensure the long-term success of the company and is closely aligned with the long-term strategy and medium-term planning of the BayWa Group. BayWa makes use of opportunities that arise in the context of its business activities. Internationalisation also allows BayWa to tap into new business opportunities, which in turn reduces its dependence on the individual country markets and their risks. The identification of entrepreneurial opportunities, the safeguarding of the assets and the enhancing of enterprise value therefore necessitate an opportunity and risk management system. The systematic development of existing and new systems with a built-in early warning component makes an indispensable contribution to further strengthening and consistently building up a Group-wide opportunity and risk culture.

The principles underlying the system set in place within BayWa Group to identify and monitor risks specific to the business have been described in a risk management manual approved by the Board of Management. In addition, the Internal Audit Department regularly audits the internal risk management system which supports the processes. ISO certifications for the standardisation of workflows and for risk avoidance, as well as the conclusion of insurance policies, supplement the Group's management of risk.