

Consolidated Management Report of BayWa AG for the Financial Year 2022

Note about this consolidated management report

- The order of the segments in the agriculture business unit has been changed. The Global Produce Segment is now positioned after the Agricultural Equipment Segment.
- Qualitative and comparative statements are used to describe changes in results and earnings, as well as forecast ranges. Explanation of the qualitative and comparative statements:
slight, moderate, low \triangleq 1–5%; noticeable, clear \triangleq 5–10%;
substantial, considerable \triangleq 10–20%; significant \triangleq 20–50%; sharp, steep, strong \triangleq > 50%
- For reasons of readability, gender-specific wording and formal reference to all gender identities are not used. The selected form stands for all genders (m/f/other).
- For the first time, this consolidated management report includes disclosures that do not constitute mandatory content of the management report in accordance with the relevant legal provisions or the requirements of German Accounting Standard 20 (GAS 20). These disclosures, known as “atypical” disclosures, are not required to be included in the audit. They are therefore clearly highlighted and labelled as such in this report to distinguish them from audited management report disclosures. Examples of such atypical management report disclosures include descriptions of the key characteristics of the internal control system (ICS) and of the risk management system, which were included in the management report in accordance with Recommendation A.5 in conjunction with Principle 5 of the German Corporate Governance Code (GCGC) 2022 and can be found on pages 63 to 64.

Overview

BayWa achieved profitable growth in the financial year 2022, once again improving on the strong previous-year result. The Group posted record revenues and earnings (EBIT), and all three operating business units developed positively. This performance was primarily driven by dynamic development on international commodities exchanges and the accelerated energy transition, which was further strengthened by the war against Ukraine. In a varied and complex market environment, BayWa was able to benefit from the broad diversification of its business portfolio and participate in the food and energy security megatrends.

Despite challenging conditions, BayWa continued to grow in its international markets – and particularly in the Renewable Energies Segment – during the reporting period. BayWa mitigated high, volatile prices and supply shortfalls on commodities and energy markets through active inventory management and its high-performance supply and logistics chain, which also opened up additional trading opportunities to the company.

The energy business unit (Renewable Energies and Energy Segments) performed extremely well in the financial year 2022. Revenues rose by 72.9% to €9,832.8 million, and EBIT stood at €292.7 million (2021: €152.4 million).

The Renewable Energies Segment was affected in the financial year 2022 more than ever by climate change and urgent issues of energy security, which require the even quicker expansion of renewable energies. The segment was aided in particular by extremely dynamic solar module trade activities and rising margins on the electricity market in the financial year 2022. The sale of BayWa r.e. Bioenergy GmbH also had a positive effect on earnings. In trade activities involving photovoltaic (PV) modules, the total output of PV modules sold rose by

roughly 71% to just under 3.5 gigawatt-peak (GWp). The total output of wind farms and solar parks sold climbed from 612.8 megawatts (MW) in the previous year to 797.0 MW. In the IPP (Independent Power Producer) business entity, both BayWa's own, expanded investment portfolio and energy trade activities benefited from rising electricity prices. The segment's revenues rose sharply by 82.3% to €6,489.2 million. Record EBIT was achieved in the reporting period, at €239.1 million (2021: €135.0 million).

The BayWa Group performed well in the Energy Segment in the financial year 2022, posting strong revenue growth in fuels and heat energy carriers in particular. This was chiefly due to a high level of uncertainty on the market with regard to winter supplies and further price increases on global commodities markets. As a result of this situation, both private and commercial consumers made the decision to stock up ahead of time. In the fuel market, the increased mileage in the logistics sector had a positive impact, with BayWa's active inventory management proving itself even in the face of high and volatile commodities and energy prices. Business involving the expansion of e-mobility charging infrastructure also developed very positively. All in all, the Energy Segment generated strong revenue growth of 57.1% to €3,343.6 million in the reporting period (2021: €2,128.2 million). On the earnings side, EBIT more than tripled year on year to €53.6 million.

In the agriculture business unit (Cefetra Group, Agri Trade & Service, Agricultural Equipment and Global Produce Segments), revenue in the reporting period climbed by 23.4% to €14,859.7 million. EBIT rose by 79.6% to €255.5 million.

The Cefetra Group Segment performed excellently in the financial year 2022 in spite of the volatile trade environment featuring high supply-side uncertainty and price rises on commodities markets. Lower grain availability on account of the war against Ukraine and heat waves in parts of Europe and the US led to uncertainty on commodity exchanges, which caused extreme price increases for nearly all types of grain in some cases, especially in the first half of 2022. In this segment, BayWa's earnings benefited from trade opportunities thanks to a strong ability to deliver. The higher-margin specialties business – notably Royal Ingredients – also continues to develop positively and remains the segment's earnings driver. Cefetra Group acquired a majority stake in the nut and dried fruit trader Heinrich Brüning GmbH, Hamburg, Germany, in order to further strengthen this arm of its business. Ongoing diversification in the area of sustainable products also had a positive effect on business performance. The Cefetra Group Segment's revenues increased by 22.3% to €6,111.2 million in the reporting period. EBIT rose by 53.4% from €38.8 million in the previous year to €59.5 million in the reporting period.

In the Agri Trade & Service Segment, BayWa's revenues and earnings performance was excellent in the financial year 2022. Aside from the fundamentally tense global food supply situation, the dominant factors in the Agri Trade & Service Segment in the financial year 2022 were rising prices for agricultural products and agricultural inputs alike. The war against Ukraine further strengthened already existing market-driving forces. Ensuring product availability through proactive inventory and purchasing management was a major factor in the positive development of the segment as well. As grain resources around the world have been scarce for a number of years and supply chains are under strain, the BayWa Group had already been operating on the basis of limited supply and high prices, and was positioned accordingly. In the agricultural input business, market expectations regarding possible supply shortages and price rises led in some cases to early stockpiling of fertilizer. BayWa's seed sales also rose, while sales volumes of feedstuff remained on a par with the previous year. In 2022, trade involving agricultural products (grain and oilseed) fell just short of the figure reported in the previous year. Here, BayWa benefited from trade contracts that were concluded at the end of 2021 and realised at higher exercise prices in the reporting period. All in all, revenues in the Agri Trade & Service Segment were up by 37.6% to €5,750.7 million. There was a sharp rise in EBIT compared to the previous year, of €92.4 million to €104.7 million (2021: €12.3 million).

The Agricultural Equipment Segment performed extremely well in the financial year 2022, both in the core markets of Germany and Austria and in international sales regions. This was primarily due to the continued high investment appetite shown by farmers on the back of good harvest yields, as well as to year-on-year increases in the availability of new machinery. The Agricultural Equipment Segment sold a total of 5,025 new machines in the reporting period, 52 more than in the financial year 2021. It is worth noting that shortages in the supply of new machines in the previous year acted as an additional driver of business in this area. BayWa's service business also developed positively, with online trade in spare parts proving particularly dynamic. In the international business, the Dutch subsidiary Agrimec Group B.V. and CLAAS International (Canada) reported clear increases

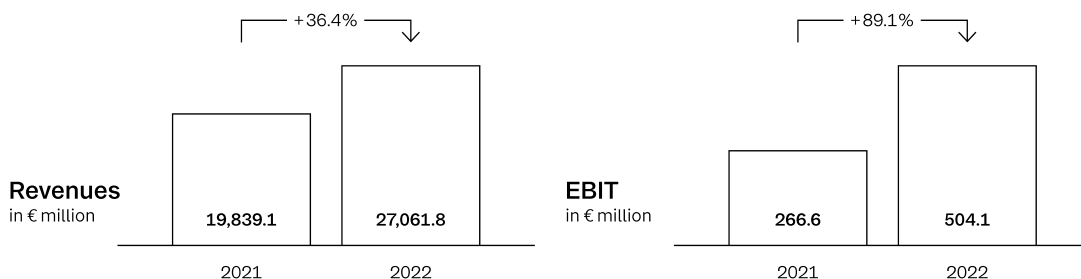
in revenues and EBIT. Overall, the Agricultural Equipment Segment again surpassed the previous year's record revenues of €1,909.0 million – this time by 8.8% – with a figure of €2,076.5 million. EBIT rose to €70.2 million in the reporting period, up from €48.6 million in the previous year.

The Global Produce Segment was affected by challenging conditions in the financial year 2022. Key factors included rising inflation, higher energy costs, geopolitical uncertainty and a resulting noticeable decline in consumer spending on fruit and vegetables. Heightened logistics costs, coupled with below-average fruit and apple prices that did not follow the general inflation trend, were another issue. At the same time, the availability of goods was high in the market due to remaining stocks from the previous year's harvest. Although apple marketing volumes increased at BayWa by roughly 25%, a proportion of these volumes was sold at low prices in third countries outside of Europe to clear stocks. BayWa also recorded a decline in the sales of soft fruit, stone fruit and tropical fruit in this segment, whereas demand for vegetable fruits rose slightly. Overall, the Global Produce Segment generated revenues of €921.3 million in the reporting period, following €960.7 million in the previous year. EBIT declined to €21.1 million (2021: €42.6 million), mainly due to falling trade margins.

The building materials business unit (Building Materials Segment) posted a strong performance once again in the financial year 2022, with BayWa strengthening its position further in an overall market that was weaker in some areas. In the building materials trade, the building construction, roofing, drywall and civil engineering product ranges recorded a substantial rise in revenues thanks mainly to price increases across all product groups and persistently high demand. BayWa's unrestricted supply capacities despite shortages of materials on the market were another positive factor in this regard. Insulation materials for energy-efficient building renovation have been in particularly high demand recently. BayWa took a number of measures to continue driving forward its strategic development from a pure product trader to a provider of innovative services and solutions, including increasing its stake in Tjiko GmbH, a manufacturer of prefabricated bathroom modules. BayWa Bau Projekt GmbH was also able to make a positive contribution to business development by completing several construction projects and acquiring 15 new projects. Overall, the Building Materials Segment's revenues increased by 12.6% to €2,346.9 million in the financial year 2022. At €70.4 million, EBIT was down slightly on the previous year's high level.

In the Innovation & Digitalisation Segment, revenues fell to €10.4 million in 2022 (2021: €11.1 million). Customers were somewhat more reticent to invest in new Digital Farming applications on account of the volatile agricultural markets. A total of 39% of revenues were attributable to software licences and software maintenance contracts, with services accounting for the second-largest share (37%). Sensors, measurement systems and other hardware accounted for just under 24% of revenues. The eBusiness division benefited from elevated demand in the B2B business, with revenues generated through BayWa's eBusiness channels climbing by approximately 31.3% to €42 million. Starting in 2023, significant costs from the eBusiness division will also be reported here, along with revenues that are directly attributable to the corresponding operating segment, rather than to the Innovation & Digitalisation Segment. EBIT amounted to minus €11.4 million in the reporting period, as expected, following the figure of minus €20.2 million posted in the previous year.

BayWa Group



Total revenues at the BayWa Group increased by 36.4% to €27,061.8 million in the reporting year. EBIT improved by 89.1% to €504.1 million. Earnings before tax also saw a strong increase to €319.6 million, almost doubling compared to the previous year (2021: €160.6 million). At €239.5 million, the consolidated net result for the year rose by €110.7 million year on year following tax expenses of €80.1 million. The share of the consolidated net result for the year attributable to BayWa's shareholders increased by €97.4 million to

€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.