Background to the Group

Group structure and business activities

The BayWa Group

<table>
<thead>
<tr>
<th></th>
<th>Revenues (in € million)</th>
<th>Employees (annual average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energies</td>
<td>5,789.4</td>
<td>4,592</td>
</tr>
<tr>
<td>Energy</td>
<td>2,820.0</td>
<td>1,472</td>
</tr>
<tr>
<td>Cafetra Group</td>
<td>5,309.3</td>
<td>709</td>
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<tr>
<td>Agri Trade &amp; Service</td>
<td>4,899.3</td>
<td>3,761</td>
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<td>Agricultural Equipment</td>
<td>2,239.3</td>
<td>3,931</td>
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<td>Global Produce</td>
<td>878.6</td>
<td>2,737</td>
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<tr>
<td>Building Materials</td>
<td>1,988.3</td>
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<td>Innovation &amp; Digitalisation</td>
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<tr>
<td>Other Activities</td>
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<td>1,069</td>
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<tr>
<td>Total</td>
<td>23,948.2</td>
<td>23,050</td>
</tr>
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</table>

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. With 23,050 employees, the Group is active in 57 countries through its own subsidiaries and Group companies and generated revenues of €23,948.2 million in the financial year 2023. As a project and solution provider, the Group supplies a wide range of customer groups with innovative and sustainable products and services through its three business units: energy, agriculture and building materials. It meets basic human needs for food, mobility, energy and housing. The three business units are divided into seven operating segments. There is also the Innovation & Digitalisation Segment and the Other Activities Segment, under which central management and administrative functions are pooled.

The energy business unit has 6,064 employees and generated revenues of €8,609.4 million in the financial year. With its 11,138 employees, the agriculture business unit recorded revenues of €13,326.5 million. With 4,655 employees and revenues of €1,988.3 million, the building materials business unit is the smallest of the three.
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 is focused on Europe. The Group also has an international trading and procurement network thanks to significant additional activities in the USA and New Zealand as well as business relationships from Asia to South America.

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 582 fully consolidated Group companies. Furthermore, 30 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 worldwide project planning, management and the construction of wind farms and solar parks as well as the sale of finished plants. BayWa r.e. has recently expanded its activities to include offshore wind turbines.

Operations comprises planning and technical services, the provision of consumables, technical and commercial management, the maintenance of plants, energy trading 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 10.7 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 35 countries in the four regions of Europe, North and South America, Asia-Pacific and Africa.

**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.

BayWa Haustechnik GmbH provides installation services for heating, plumbing and ventilation across regional boundaries at 18 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 and heating oils. Sales of fuels are handled through the standardised logistics brand, enlog. Diesel and Otto fuels, as well as AdBlue, are sold through 111 Group filling stations and partner stations in Germany. In addition, BayWa supplies fuels and heating oils, 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, drives forward the planning and expansion of charging infrastructure and is entering the CPO (charge point operator) business with its own charging parks as part of the Deutschlandnetz, a network of high-power charging points. 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. 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.

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. The segment pools the activities not tied to a specific location, particularly international grain and oilseed trade activities. The product range also includes dairy products such as cheese, butter, milk powder and milk alternatives (Cefetra Dairy), as well as dried fruit and nut kernels. The main customer groups are grain and oil mills, producers of starch and feedstuff, malt houses and breweries, as well as biofuel manufacturers.

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 worldwide trading network as well as inland and deep water ports.

Agri Trade & Service Segment

The focal points of business activities in the Agri Trade & Service Segment are 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. Another geographical focal point for this segment is the Austrian market.

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 151 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 food industry, as well as to wholesalers and retailers 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 105 BayWa sites are certified to trade agricultural inputs for organic agriculture. 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.

BayWa is represented throughout Austria through its subsidiary RWA Raiffeisen Ware Austria Aktiengesellschaft (RWA), which maintains close business relations with 430 cooperative warehouses.

Agricultural Equipment Segment

In the Agricultural Equipment Segment, which is divided into the special technology and agricultural equipment 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. 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.

Its most important sales activities encompass the AGCO Group brands – Fendt, Massey Ferguson, Valtra and Challenger – as well as CLAAS agricultural equipment. 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 BayWa workshop network currently includes 276 locations in Germany and Austria and 819 mobile service vehicles, all of which should 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.

In Germany, BayWa is a single seller of dessert pome fruit to wholesalers and retailers in the food industry and a supplier of organic dessert 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 Group companies, 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 and expand its product range.

The Dutch subsidiary 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 numerous 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.

In the building materials trade, the BayWa Group is represented with a total of 119 sites in Germany and with 30 sites in Austria. 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 1,047. The product range is primarily aimed at small and medium-sized construction companies, trade and commercial enterprises and local authorities, as well as private builders and homeowners.

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 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 an 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 and property developers and acts primarily as a provider of neighbourhood development concepts.
Innovation & Digitalisation Segment

The Innovation & Digitalisation Segment developed and marketed digital products and services aimed at enhancing productivity in agriculture. As part of strategic considerations to accelerate digitalisation in agriculture, the NEXT Farming software solutions and the associated software development and sales activities of the Group company FarmFacts GmbH were sold to the long-standing partner AGCO. The NEXT Farming PRO and NEXT Farming LIVE software products offer farmers a future-orientated and manufacturer-independent farm management system. Within the Group strategy, however, the Board of Management does not consider software development to be one of BayWa’s key core competences, although it does consider the marketing of smart farming solutions to be one. As part of the sale of NEXT Farming, BayWa received the corresponding distribution rights from AGCO.

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.

As a result of this strategic adjustment, the segment will be dissolved in the current financial year 2024 and FarmFacts GmbH will be allocated to the Agricultural Equipment Segment. The remaining subsidiaries are allocated to Other Activities.

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 2023, the Board of Management consisted of four members: Marcus Pöllinger (Chief Executive Officer and responsible for the Cefetra Group, Global Produce and Building Materials Segments as well as the Agricultural Products and Digital Farming divisions; the management and supervisory bodies of international Group companies and BayWa r.e. AG), Andreas Helber (Chief Financial Officer; management and supervisory bodies of international Group companies and BayWa r.e. AG), Dr. Marlen Wienert (member of the Board of Management and responsible for the Energy, Agri Trade & Service and Agricultural Equipment Segments as well as the eBusiness division) and Reinhard Wolf (member of the Board of Management and responsible for RWA Raiffeisen Ware Austria Aktiengesellschaft, Korneuburg, Austria).

Prof. Klaus Josef Lutz stepped down from the operational management of BayWa AG on 31 March 2023. Marcus Pöllinger succeeded him in office and took over as Chief Executive Officer on 1 April 2023. The Supervisory Board also appointed Dr. Marlen Wienert to the Board of Management 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 Group Supervisory Board comprised 16 members as of 31 December 2023. 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 specialist committees of experts in order to boost its efficiency. The Annual General Meeting elected Prof. Klaus Josef Lutz to the Supervisory Board of BayWa AG on 6 June 2023. The Supervisory Board subsequently elected Prof. Klaus Josef Lutz as Chairman of the Supervisory Board at its constituent meeting. Prof. Klaus Josef Lutz stepped down as a member of the Supervisory Board of BayWa AG on 19 January 2024.
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 latter can be found in the corporate governance report, which is available on the company’s website at www.baywa.com/en/about/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 Chairman of the Board of Directors. 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 preventing money laundering. Comprehensive frameworks that act as Group-wide rules have been developed on these issues.

The Social Compliance department was created in 2021 to oversee the implementation of the requirements under the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). Since 2023, large companies such as BayWa AG are obliged to meet extensive reporting obligations and requirements and to identify and rectify potential human rights grievances in BayWa’s own business activities or at its suppliers. Social Compliance works closely together with other Group functions, such as Corporate Sustainability, Purchasing, Risk and Public Affairs, to meet human rights due diligence obligations.

**Corporate goals and strategy**

Following the phase of strong expansion and investment in recent years, the focus of the BayWa Group’s strategic development will initially be on optimising the entire portfolio from a risk-/return perspective. BayWa therefore takes changed framework conditions into particular consideration. These include the rise in interest rates and structural changes in individual markets in which BayWa is active. The aim is to develop a high-yield portfolio in order to secure the BayWa Group’s profitability in the long term.

BayWa benefits in almost all business segments from megatrends such as food and energy security, which are associated with numerous short- and long-term opportunities regardless of market fluctuations. The BayWa Group’s growth focus remains on the Renewable Energies and Cefetra Group Segments, which are developing their potential in a variety of countries, project pipelines, product ranges and goods flows.

The BayWa Group’s medium-term earnings target (EBIT) is in the range of €470 million to €520 million and should be achieved by the end of 2026. BayWa originally wanted to reach this goal in 2025. Due to the continuing weakness of the construction industry and the delayed sale process of the solar trading business, the target was postponed by one year.

The strategy centres on increasing the quality of earnings and reducing debt in order to lower the interest burden. This is achieved in particular by optimising the product portfolio. By concentrating on its own core competencies and high-margin products and business activities, the portfolio is geared towards the future, management complexity is reduced and the process of becoming a yield portfolio is completed. This also includes letting go of individual Group companies or peripheral activities, which the proceeds being used to drive debt reduction. The further optimisation of portfolio management in all segments should also reduce capital commitment and therefore also the interest burden. This includes initiatives such as the cash-
management programme of the German Agri Trade & Service, Building Materials, Agricultural Equipment and Energy units.

An important component of the implementation measures is the CorE programme, under which a SAP S/4HANA-based corporate enterprise resource planning system is being introduced at BayWa. The aim is to optimise and further develop processes and performance standards in the best possible way in terms of customer focus, competitiveness, future-proofing and efficiency. BayWa assumes that this will make it possible to harmonise the majority of business processes from purchasing and logistics to sales and service, and should also lead to extensive cost savings in IT. The system will initially be rolled out to the service & workshop business before being gradually extended to the other areas over the course of the next few financial years.

In terms of sustainability, BayWa is aiming to reduce the company’s greenhouse gas emissions by at least 22% by 2025 compared to 2017. The company aims to achieve climate neutrality (Scope 1 and 2) by 2030. The introduction of internal carbon pricing was a 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 metric 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.

**Energy business unit**

**Renewable Energies Segment**

The energy crisis in Europe that followed the Russian invasion of Ukraine in 2022 emphasised the importance of a rapid transition to a secure and sustainable energy supply. Pioneering decisions such as the Inflation Reduction Act in the USA and the REPowerEU programme in Europe were taken to support these ambitions, which are also shared by BayWa r.e. AG, whose strategic goal remains to accelerate the growth of renewable energies.

BayWa r.e. ’s financial results in 2023 show the advantages of its broad business portfolio, including an energy trading business and an independent power producer, both of which benefited from the comparatively high energy prices in Europe. However, the renewable energy sector was not without its challenges. In both the wind and solar sectors, inflation and high interest rates hindered the realisation of projects, while margins in the solar module wholesale business suffered from a rapid fall in prices. This decline followed the classic cycle in which oversupply and price declines are followed by supply shortages and rising prices in 2022.

Against this backdrop, BayWa r.e. is continuing to focus on achieving operational excellence as part of its Strategic Roadmap 2026 in order to be optimally equipped for the substantial growth in renewable energies. This includes the merger of its wind and solar project development businesses to realise synergies and the further development of its procurement functions to improve its positioning with suppliers.

Importantly, the Group is undergoing a strategic realignment that includes the sale of its solar trading business. The sales process has generated great interest and several offers from potential buyers. Due to the volatile market conditions experienced by the solar market in the business year 2023, the sales process will continue until 2024. The planned proceeds from the sale will be used to reduce debt, but will also be reinvested in the future core business of BayWa r.e. to support the growth of the project pipeline and the IPP portfolio as well as to expand the energy solutions and services business.

New technologies remain an important part of BayWa r.e. ’s strategic plans. The company has successfully carried out and implemented pilot projects and increased its project pipeline for renewable energies with innovative technologies. In 2023, this included the completion of floating solar photovoltaic projects and hybrid projects combining photovoltaic, battery and energy storage technology, as well as the continuous expansion of project pipelines, including in the areas of agrivoltaics (Agri-PV), power to X and offshore wind.

Battery storage is an important technology – not only is it a solution for dealing with grid congestion and shortages, but in certain markets it can also be an additional source of revenue from providing power to the grid and participating in energy trading markets. By the end of 2023, BayWa r.e. will have developed an extensive pipeline of battery storage projects with an output of almost 2.4 gigawatt-peak (GWhp) and a capacity of 6.6 gigawatt-hours (GWh).
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 fuels, lubricants and heat energy carriers. At the core of the segment strategy is the gradual transition from traditional energy carriers to alternative sources.

For example, the marketing of wood pellets is a focal point of the heating business. BayWa also operates the digital marketplace “hello:Heat” for this purpose, where customers can find an extensive range of services, from basic information on heating technology and subsidy services to advice and installation services, as well as a range of alternative sustainable fuels such as wood pellets and briquettes.

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. With the acquisition of the Urlbauer Group and Emmeringer Heizungsbau by BayWa Haustechnik GmbH in 2023, BayWa has expanded its expertise and capacities in the area of plumbing, heating and air conditioning, thereby meeting the increasing demand for heating and heat refurbishment as part of the energy transition.

The expansion of mobility solutions also focuses on providing climate-friendly services, with ongoing advances being made in the fields of charging infrastructure for e-mobility, LNG filling stations and digital mobility. In 2023, BayWa Mobility Solutions GmbH (BMS) was awarded the contract for the Bavarian section of the Deutschlandnetz project, which aims to close the gaps in the charging infrastructure network. By 2026, BMS will have built 20 of its own fast-charging parks, each featuring 4–16 charging points, and invested a total of around €15 million. Operating its own charging parks also marks the company’s entry into the CPO (charge point operator) business and the next logical step in its business development. 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.

Sales of liquid fuels are being managed through a standardised logistics brand, enlog, which allows sales and logistics to be 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.

BayWa is also following the trend towards greater sustainability in the lubricants business. Customers can now also purchase recycled lubricants from the TECTROL brand, thereby reducing their own company’s CO₂ footprint without compromising on performance. BayWa sells four recycled lubricant products under the new re:source product line. Further expansion of the product line is already being planned.

Agriculture business unit

Cefetra Group Segment

In the reporting year, the Cefetra Group Segment achieved the goals of its Road to Ingredients Strategy 2024 ahead of schedule. They included improving operating performance in the core business and expanding the range to include processed products, expanding the marketing range for organic and regionally produced agricultural goods and niche products, strengthening the position as a supply chain manager in the agricultural trade market and diversifying the portfolio through international expansion in the form of smaller acquisitions.

At the end of 2023, Cefetra adopted the roadmap for Strategy 2028. Featuring a new claim, Ingredients in Action, the strategy aims to enable Cefetra to realise its full growth potential along the agricultural and food business chain. In response to the changes in the environment, markets and industry, the company has identified three strategic priorities:

- Agricultural products: further diversification and strengthening of the range of speciality and niche agricultural products; cost optimisation for volume products to compensate for the expected decline in compound feedstuff
- Food: product-based and geographical expansion in existing regions as well as new ones (Europe, Asia, Middle East, North America and Oceania)
Group: further diversification of the agricultural trade business and expansion of the food business by utilising synergies between the Cefetra portfolios and customers, development of new growth areas and implementation of strategic acquisitions

Group-wide approaches include, for example, services relating to climate-friendly agriculture, compound feedstuff, pet food, baked goods, organic products, bioenergy and contract farming. These will be supplemented by the gradual expansion of new growth areas.

In order to realise these plans, the Cefetra Group will continue to focus on areas such as organisation, digitalisation and sustainability. The decentralised cooperation model is to be strengthened and collaboration on Group-wide approaches intensified. Furthermore, a personnel planning concept is to be developed in order to attract and develop talent and implement forward-thinking succession planning. The creation of a digital organisation through process optimisation and cost efficiency (e.g. logistics, finance) is intended to further increase performance.

**Agri Trade & Service Segment**

One of the strategic focal points of the Agri Trade & Service Segment is reviewing and optimising the location structure with a view to the collecting and agricultural input business. In order to achieve greater synergy effects between the Agri Trade & Service and Agricultural Equipment Segments in future, the locations are increasingly being combined or newly built into integrated agricultural and technical service centres wherever possible. In the reporting year, for example, the location in Nürtingen was rebuilt and modernised. BayWa will merge locations that are not operating profitably with other locations or close them. In the reporting year, this related to two warehouses and one location. Further locations will follow in 2024.

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 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. The further expansion of the port in Mukran, which will increase the storage capacity there by 150% to 100,000 metric tonnes and almost double the annual grain throughput to up to 2 million metric tonnes, will also contribute to this area of focus. Digital process management also plays an important role in logistics, which should make it possible to successfully manage the increasing complexity and dynamics of logistics processes. The aim here is to increase the benefit to the customer while reducing costs. Targeted diversification of the product portfolio and the expansion of the private brand business are also helping to strengthen profitability. All key processes are currently being reorganised as part of the conversion of the ERP system. This cross-segment project also involves the Agri Trade & Service and Agricultural Equipment Segments.

In sales, the range is increasingly geared towards end-to-end solutions, as changes in the climate, regulatory conditions and digitalisation are shifting the goalposts in agriculture. The use of digitally controlled machinery and equipment for the application of agricultural inputs will require specially adapted varieties of seed, fertilizer or crop protection products in the future. The increasingly close integration of the Agri Trade & Service and Agricultural Equipment Segments (including the service business) enables BayWa to offer agricultural customers service, products and end-to-end solutions from a single source. The e-commerce offering in the agricultural input business is also being developed to enable faster and more flexible responses to new market opportunities and customer requirements. Since the end of the reporting year, the agricultural portal (BayWa Online Shop) has also been available as a mobile application (BayWa Portal App).

**Agricultural Equipment Segment**

Continuing to realise synergies with the Agri Trade & Service Segment is also an important area of focus for the Agricultural Equipment Segment. By and large, both segments supply the same customer groups with different products along the value chain. The aforementioned joint location strategy and the joint general strategic direction can also be seen in this context.

In order to increase efficiency, the company has 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
Consolidated Management Report – Background to the Group

BayWa is responding to the growing trend towards sustainability by expanding its range of electric tractors and other electric vehicles for agriculture, forestry and the public sector. For example, local authorities have been required to comply with the Clean Vehicles Directive since 2 August 2021. In 2023, BayWa expanded its portfolio to include Graf Carello electric trucks, among other things for urban plant irrigation, as a practical small transporter for waste disposal or for internal operations. The Austrian manufacturer Graf Carello is already BayWa’s fourth sales partner for electric vehicles. In future, BayWa will also sell the all-electric Fendt e100 tractor, which is due to start production in the fourth quarter of 2024. The narrow-track version of this first mass-produced electric tractor from a major manufacturer suitable for use by local authorities (on pavements) as well as in orchards and viticulture operations.

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. Here too, both segments offer customised solutions: Drip irrigation (agriculture) and overhead irrigation (agricultural equipment) as well as smart control and services.

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.

By relocating the Dutch subsidiary TFC Holland B.V. (TFC), which specialises in exotic fruit and vegetables, to a new site at the beginning of 2023, BayWa Global Produce 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 worldwide 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 demand worldwide. Together with the Spanish fruit specialist Nufri S.A.T., premium blueberries from corresponding cultivating programmes will be developed for the European market in future. 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 segment subsidiary T&G Global Limited (T&G Global) is based in New Zealand and focusses on cultivating new varieties and the cultivation of premium apples. Following two initial new varieties, the company announced the new premium apple variety Joli™ in the financial year, which will be gradually cultivated and commercially available worldwide from 2028. Its flavour characteristics and high productivity in cultivation should make it attractive to consumers and fruit producers alike. In addition, T&G Global has doubled its packaging capacity and made work processes even more efficient with the commissioning of its new automated packaging facility.

Building materials business unit

Building Materials Segment

The strategic focus in the Building Materials Segment, with its three areas of building materials trade activities, construction solutions and construction projects, is based on the continuous development from a pure product trader to a provider of innovative services and solutions along the entire construction value chain. 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 H2X joint venture...
between BayWa AG and the brüderl Group, for example, is another part of this strategy. With its mixed construction method of industrially prefabricated solid walls made of cross-laminated timber and reinforced concrete ceilings, it allows a more ecological and climate-friendly construction method in multi-storey buildings. The establishment of an ecological building materials database and additional services such as ESG certification underscore 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 activities is on expanding the range of private brands and specialties in areas such as construction timber, among other things. The portfolio is also being increasingly centred on sustainable building materials. One example of this further development include the construction of a new central warehouse with a focus on solid structural timber and laminated timber, which doubles the storage capacity at this location, increases the availability of goods and minimises the risk of supply bottlenecks. Another example is a pilot project for autonomous shopping in Altötting, which utilises innovative technologies such as an electronic access system, digital advisory services and self-service checkout to enable customers to benefit from extended opening hours.

Additional focal points include digitalisation and continuous measures to improve efficiency. This also includes streamlining the network of locations while maintaining the usual proximity to customers and implementing a lean management approach to increase productivity. 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 extensive logistics service, will be able to secure BayWa’s ability to deliver at all times.

Innovation & Digitalisation Segment

The Innovation & Digitalisation Segment developed and marketed digital products and services aimed at enhancing productivity in agriculture. As part of strategic considerations to accelerate digitalisation in agriculture, the NEXT Farming software solutions and the associated software development and sales activities of the Group company FarmFacts GmbH were sold to the long-standing partner AGCO. The NEXT Farming PRO and NEXT Farming LIVE software products offer farmers a future-orientated and manufacturer-independent farm management system. Within the Group strategy, however, the Board of Management does not consider software development to be one of BayWa’s key core competences, although it does consider the marketing of smart farming solutions to be one. BayWa received corresponding distribution rights from AGCO as part of the sale of NEXT Farming.

BayWa will continue to offer the soil sampling service via FarmFacts GmbH for the time being. In addition, the business with hardware components such as weather stations and sensors will be fully integrated into the BayWa portfolio. BayWa will therefore be focusing its activities in the Digital Farming division on consulting, sales, implementation and service in the future.

As a result of this strategic adjustment, the segment will be dissolved in the current financial year 2024 and FarmFacts GmbH will be allocated to the Agricultural Equipment Segment. The remaining subsidiaries are allocated to Other Activities.

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.

The subsidiary BayWa Venture GmbH is symbolic of the open approach to innovation at BayWa. It 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. As at 31 December 2023, the investment portfolio of BayWa Venture GmbH consisted of 12 minority stakes.
In order to expand investment opportunities, BayWa decided at the beginning of 2024 to open up BayWa Venture’s business to partners. Under the new name AgriFoodTech Venture GmbH, an alliance of the companies BayWa, Bindewald and Gutting Mühlengruppe as well as MULTIVAC (packaging technology group) is being formed with the mission of promoting good food solutions for a future worth living. BayWa remains the majority shareholder with a stake of 51%. The focus and orientation of the new alliance is the financing of start-ups that use innovations and new technologies to make the agricultural and food supply chain more economical and sustainable at the same time. The members of the alliance are both financial investors and supporting cooperation partners who promote innovation through collaboration and support services along the entire value chain. The partnership ranges from brainstorming and discussing ideas together to testing, pilot projects, product and service development and sales cooperation. BayWa will augment its existing BayWa Venture Start-up portfolio business with the addition of twelve fledgling, high-growth companies in Europe, the US and Israel to the alliance. The new investment and innovation company is to be expanded to around 20 companies with total investment of up to €30 million.

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 in collaboration 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 four ESG-linked bonded loans totaling €631.0 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. A hybrid bond amounting to €60.0 million was issued in May 2023 and subsequently increased to €100.0 million in September. 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 2023 through sufficient credit lines from its financing partners.

Sustainability at BayWa

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 company sets the framework for the definition of specific targets, measures and key figures. 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. Core topics include sustainable products and solutions, sustainable procurement, climate and energy, circular economy, ecosystems and biodiversity as well as water. 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 continue to reduce its energy consumption and the greenhouse gas emissions attributable to its sites, company cars and in-house logistics activities; 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 2023, 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 CO\(_2\) equivalents. In the reporting year, the carbon pricing model generated a budget of €4.5 million that was reinvested in measures to reduce greenhouse gas emissions.

BayWa’s climate target and progress

- Cover 100% of its electricity needs with renewable energies by the end of 2020; goal was achieved once again in 2023
- Reduce energy consumption by 22% by 2025 (base year 2017, in terms of EBITDA); goal was surpassed once again in 2023 (minus 50%)
- Reduce greenhouse gas emissions by 22% by 2025 (base year 2017); goal was achieved once again in 2023 (minus 23%)
- Build and provide 10 GW in generation capacities from renewable energies by 2025; goal was achieved ahead of schedule in 2022. In 2023, the generation capacity reached 16.3 GW
- Climate neutrality in own operations from 2030 onwards (Scope 1 and 2)

Greenhouse gas emissions have fallen, primarily due to savings measures, lower heating oil consumption and measures to reduce volatile gases. BayWa is committed to maintaining this reduction on a permanent basis by taking corresponding measures within the scope of the internal carbon pricing system. BayWa will assess the level of ambition in its targets in 2024 so that the changes in overall conditions are addressed adequately.

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 definition of a Scope 3 objective planned for the reporting year could not yet be finalised, as a complete Scope 3 inventory must first be drawn up. This is planned for 2024 in conjunction with an expansion and review of the Group’s current climate strategy.

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 Obligations in Supply Chains (LkSG). The Social Responsibility and Human Rights Policy Statement, updated in 2023 and adopted by the entire Board of Management, is based on international conventions and guiding principles. 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

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<tbody>
<tr>
<td>MSCI ESG</td>
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<tr>
<td>ISS ESG</td>
<td>C+</td>
</tr>
<tr>
<td>CDP (Climate Change)</td>
<td>A-</td>
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</table>

The consolidated non-financial report is part of the Sustainability Report 2023, which is published on the company’s website at www.baywa.com/en/responsibility/at-a-glance.html.

Employees

The number of employees at the BayWa Group increased once again in the financial year 2023. As at 31 December 2023, the BayWa Group employed 23,144 people (2022: 22,508). In terms of an annual average, the number of employees rose by 757, or 3.4 percent year on year, to 23,050. The increase was due in particular to the Renewable Energies Segment (increase of 838 employees) and came as a result of business development and company acquisitions. The Agri Trade & Service, Agricultural Equipment, Cefetra Group and Energy Segments continued to record higher employee numbers than in the previous year. By contrast, the average number of employees fell, particularly in the Global Produce Segment (decrease of 414 employees) following the sale of the grape business in Peru and in the Innovation & Digitalisation Segment (decrease of 96 employees). The main driver for the reduction of the workforce to just under half in the Innovation & Digitalisation Segment was the sale of substantial parts of the operating business of FarmFacts GmbH in the fourth quarter of 2023. In all other segments, the average number of employees was roughly on a par with the previous year.

For years, BayWa has been committed to training its own qualified personnel to combat the noticeable skills shortage, particularly in Germany. In 2023, 476 trainees started their career at BayWa. A total of 1,393 apprentices and trainees were employed at the BayWa Group at the end of the year. The training ratio stood at 5.6%.

Development of the average number of employees at the BayWa Group

<table>
<thead>
<tr>
<th>Segment</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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<tr>
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<td>2,821</td>
<td>3,754</td>
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<td>Cefetra Group</td>
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<td>477</td>
<td>496</td>
<td>623</td>
<td>709</td>
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<td>Agri Trade &amp; Service</td>
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<td>3,630</td>
<td>3,761</td>
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<td>Agricultural Equipment</td>
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<td>3,805</td>
<td>3,826</td>
<td>3,931</td>
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<tr>
<td>Global Produce</td>
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<td>3,650</td>
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<td>4,454</td>
<td>4,661</td>
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<td>225</td>
<td>240</td>
<td>220</td>
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<td>-96</td>
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<tr>
<td>Other Activities</td>
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<td>952</td>
<td>1,017</td>
<td>1,069</td>
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<td>20,717</td>
<td>21,185</td>
<td>22,293</td>
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Change 2023/22

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<td>Energy</td>
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<tr>
<td>Agri Trade &amp; Service</td>
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<td>Agricultural Equipment</td>
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<td>Global Produce</td>
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<td>Building Materials</td>
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<td>Innovation &amp; Digitalisation</td>
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<td>Other Activities</td>
<td>52</td>
</tr>
<tr>
<td>BayWa Group</td>
<td>757</td>
</tr>
</tbody>
</table>
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 2023 is described in detail 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 Chairman of the Board of Management. 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

As at 31 December 2023, 34 employees worked in research and development (2022: 63 employees). The BayWa Group’s research and development expenses totalled just under €1.8 million in the financial year 2023 (2022: €1.0 million). BayWa AG, Munich, Germany, and FarmFacts GmbH, Pfarrkirchen, Germany, accounted for the BayWa Group’s main research and development activities. Own work capitalised for new products amounted to some €2.3 million (2022: €3.2 million). For information on new developments in the individual segments, please refer to the “Corporate goals and strategy” section.

Financial Report

Macroeconomic conditions

The development and growth of the global economy in the financial year 2023 was largely characterised by the effects of high inflation and high interest rates to combat inflation. Supported by a faster-than-expected decline in inflation and unexpectedly strong growth in the US, partly due to fiscal stimulus measures, the global economy proved to be more resilient than originally expected, particularly in the second half of 2023. Nevertheless, high interest rates and energy prices slowed the development of the construction industry and other interest-sensitive investment and consumption activities in the euro zone, where the important German economy even slipped into recession (IMF, World Economic Outlook, January 2024).

In its estimate dated January 2024, the International Monetary Fund (IMF) anticipates that the global economy saw growth of around 3.1% in 2023. In industrialised economies, growth stood at around 1.6%, according to the IMF. In emerging economies, gross domestic product increased by 4.1%. In the countries of the euro zone, economic growth amounted to just 0.5%. The German and Austrian markets, which are particularly important for BayWa, were in recession, with economic growth of minus 0.3% and minus 0.8% respectively (IMF, World Economic Outlook, January 2024; WIFO – Austrian Institute of Economic Research, Economic Outlook 4/2023, December 2023).