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).

The annual inflation rate in the euro zone weakened clearly over the course of the year, falling from 9.2% in December 2022 to just 2.9% in December 2023, according to the European statistics authority Eurostat. This is also a result of the continued key interest rate increases (main refinancing operations) by the European Central Bank (ECB), which raised the interest rate in six further steps from 2.5% to 4.5% by September 2023 (Eurostat, Annual inflation up to 2.9% in the euro area, January 2024).

In the current financial year 2024, global economic growth is expected to remain stable but weak compared to the long-term average. The main factors behind this development are the ongoing restrictive monetary policy and a normalisation in regions that have recently enjoyed strong growth, such as the US. The discontinuation of fiscal policy subsidies, ongoing geopolitical uncertainties (including disruptions to logistics chains due to attacks on cargo ships in the Red Sea) and increasing concerns about the Chinese property sector are likely to have an additional negative impact on economic development (IMF, World Economic Outlook, January 2024). Nevertheless, sentiment has improved somewhat, with growth forecast to reach 3.1%. Back in October, the IMF's analysts were still predicting economic growth of just 2.9%. In emerging economies, gross domestic product is expected to rise again by 4.1%. In industrialised countries, growth of 1.5% is expected. In the euro zone, the IMF expects growth to accelerate slightly to 0.9%, which represents a downward revision of 0.3% compared to October 2023. Germany remains the euro zone's cause of concern, with economic output expected to grow by just 0.5% in 2024. In October, the IMF was still predicting growth of 0.9% for Germany. In Austria, WIFO expects the economy to recover in the second half of the year in particular, with growth of 0.9% for the year as a whole (IMF, World Economic Outlook, January 2024; WIFO – Austrian Institute of Economic Research, Economic Outlook 4/2023, December 2023).

The ECB's goal is to achieve price stability in the medium term for the euro zone, with an inflation rate of 2%. Although this target has now come much closer and the ECB recently paused interest rates, the ECB is likely to maintain the high interest rate level for some time to come. In January 2024, ECB President Lagarde provisionally cancelled discussions about a possible interest rate cut. In doing so, the ECB Governing Council is staying its monetary policy course (ECB, Monetary policy decisions, January 2024).

Operative business development

Energy business unit

Market and industry development 2023/24

Development of renewable energies
Electricity prices on the European futures markets stabilised clearly in 2023. After moving in a range between €110 and €150 per megawatt-hours (MWh) in the first three quarters (except in Scandinavia and Spain, where prices are lower by a clear margin), there has been a clear drop in prices since the third quarter of 2023, with prices on an unbroken downward trajectory between €90 and €120 per MWh at the end of the year.

Despite high interest rates and lower electricity prices, 2023 proved to be another record year for the growth of renewable energies, thanks to a phenomenal increase in photovoltaic (PV) systems in China, the US and Germany. BloombergNEF (January 2024) estimates annual new PV installations in 2023 at 437 gigawatts (GW) – 73% more than the installed capacity of 252 GW in 2022. The addition of wind power plants in 2023 is estimated at 103 GW, which corresponds to an increase of 18% compared to the previous year and reverses the 13% year-on-year decline in annual wind power installations observed in 2022 (BloombergNEF, Wind Power Outlook, November 2023).

The lower annual growth rate of 8% for global investment in renewable energies, compared to 25% in 2022 and 24% in 2021, underlines the sharp decline in solar module prices and the continued increase in the market share of Chinese wind turbines. Solar PV accounted for more than USD393 billion of the total investment of USD623 billion – an increase of 12% compared to 2022. Although wind investments reached a record high of USD217 billion, onshore wind investments fell by 17% to USD140 billion compared to 2022. Growth was therefore driven by offshore wind power, with a record investment of USD77 billion in 2023 (BloombergNEF, Energy Transition Investment Trends 2024).

China remained the growth driver for PV installations, with a whopping 267 GW in growth in 2023, accounting for more than 60% of annual global PV installations. The increase was fuelled by low-cost PV modules and is therefore likely to continue in 2024. PV capacity also grew strongly in the US, from 24 GW in additions in 2022 to 35 GW in additions in 2023. In the EMEA region, Germany recorded the strongest increase in PV capacity, with a good 14 GW, which corresponds to a 91% increase in new capacity compared to the previous year (BloombergNEF, Solar PV Data, February 2024).

In the various market segments for PV, the expansion of solar parks worldwide rose from 120 GW in 2022 to 220 GW in 2023. New installations of private and commercial systems are estimated at 110 GW and 108 GW respectively. While the private sector in Germany dominated, with 5.5 GW of new installations, solar parks in Spain made the largest contribution, with a capacity increase of 5 GW (BloombergNEF, February 2024).

PV production continues to be dominated by China, with more and more countries taking measures to support local production. However, the recent slump in module prices is making these ambitions substantially more difficult. European solar manufacturers are the most challenged due to their high production costs and the lack of easily accessible subsidies. Western wind turbine manufacturers are less challenged in their domestic markets and appear to be able to offer stable prices after several years of continuous price increases. It remains to be seen how the Net Zero Industry Act, which is currently in the legislative process in the European Union, will affect European production.

Development of energy

Trade in energy carriers was influenced in the financial year 2023 by spillover effects from the previous year. The outbreak of the war against Ukraine led to strong price momentum in 2022 and higher stockpiling on the part of customers due to the uncertain supply situation. In 2023, exactly the opposite effects were observed after the markets largely normalised. This led to lower prices and lower sales volumes.

The price of crude oil plays a key role in market development in the Energy Segment. It is a leading indicator of demand and price trends for various fossil energy carriers. Beginning from around USD85 per barrel at the turn of the year 2022/23, the price of crude oil initially started the new trading year on a stable footing. Countervailing effects from the persistently weak global economy on the one hand and the extensive production cuts by the OPEC-plus group on the other caused the oil price to fluctuate between around USD70 and 95 per barrel over the course of the year. At the end of the year, the price was USD76 per barrel, substantially below the previous year's level. At USD81.2 per barrel on average over the course of 2023, the price of crude oil was roughly USD17 lower than the average for the previous year (TECSON, Rohölpreis, 2022).

For the current year, 2024, the U.S. Energy Information Administration (EIA) expects a largely balanced supply-demand ratio and thus a stable average crude oil price of around USD82 per barrel on the basis of a subdued global economy and further increases in energy efficiency. Forecast uncertainties exist above all with regard to supply disruptions, which could result from the increasing tensions in the Red Sea, among other things (EIA, Short-Term Energy Outlook, January 2024).

In the heating business, demand for heating oil is dependent on weather-related fluctuations in consumption and price trends. The price of heating oil essentially follows the trend in the price of crude oil and continued the already clear decline from the end of 2022 in the financial year 2023. Over the course of the year, the price fluctuated between around €90 per 100 litres in spring and around €120 per 100 litres in autumn and was around €107 per 100 litres at the end of the year. At an annual average of around €105 per 100 litres, the price of heating oil was clearly down on previous years (TECSON, Heizölpreise, 2023). Sales of heating oil in Germany fell by 2.3% in 2023 compared to the previous year (AGEB, Energieverbrauch in Deutschland, December 2023). The weak economic development in Germany and stockpiling in the previous year had a considerable impact on this. In principle, lower consumption thanks to modern technologies, energy-efficiency renovations, milder winters and the increasing use of renewable energy sources contribute to a decline in heating oil consumption.

The price of wood pellets fell clearly in 2023, from €482 a tonne (for a purchase volume of 26 tonnes) at the beginning of the year to €314 a tonne at the end of the year. The price-increasing effects of the previous year, such as supply interruptions due to disrupted supply chains, have largely normalised. (DEPI, Pelletpreis/Wirtschaftlichkeit, January 2024). The consumption of wood pellets increased by 6.3% in Germany in 2023.

At the same time, the number of pellet systems rose by 6.2%. (DEPV, Pelletproduktion und -verbrauch in Deutschland, Pelletfeuerungen in Deutschland, 27 February 2024). The redesign of the federal subsidy for efficient buildings, which puts wood and pellet heating systems on an equal footing with other renewable heat sources, offers the opportunity for further market growth in the future (DEPV, Holz- und Pelletheizungen erhalten weiterhin hohe Förderung, November 2023).

Total fuel sales in Germany fell by 1.9% in 2023. Sales of Otto fuels increased by 2.3%, whereas sales of diesel fell by 4.1%. Total sales of lubricants decreased by 5.2% in 2023 (AGEB, Energieverbrauch in Deutschland, December 2023). Generally, the demand for fuels and lubricants depends primarily on the vehicle population, mileage and overall economic development. Stockpiling in the previous year and the subdued economic development led to a noticeable reluctance to buy. In view of the continuing weakness of the German economy, no significant increase in sales can be expected. A structural decline in demand for fuels and lubricants is generally expected in the coming years, as sales of electric vehicles – and thus their number – continue to increase. The ban on combustion engines from 2035 will also contribute to this. By contrast, the move will result in tremendous opportunities for the expansion of charging infrastructure. Germany has a lot of catching up to do in terms of the number of charging stations (especially in relation to the size of the population) and the charging capacity provided. This applies all the more to fast-charging points, which are critical to success. (Börsen-Zeitung, Bei der Ladeinfrastruktur für Elektroautos hakt es weiter, 13 October 2023).

Business performance

Renewable Energies Segment
The Renewable Energies Segment performed well in 2023 despite the sometimes difficult general market conditions. After the outstanding year in 2022 – in which high electricity prices, among other things, led to an extraordinarily successful result – the conditions largely normalised in 2023.

The Wind Projects business entity sold six wind turbines were sold with a total output of 157.4 MW (2022: 59.8 MW), as well as project rights for the construction of wind turbines (106.5 MW) in the national markets of Germany (126.0 MW), Italy (50.5 MW), the UK (42.0 MW), Austria (26.4 MW), Poland (10.0 MW) and France (9.0 MW). Two wind farms were transferred to the IPP (Independent Power Producer) business entity's own portfolio (25.6 MW). At the beginning of 2024, two further wind farms with a total output of 26.6 MW were added to the IPP portfolio. BayWa r.e. will assume responsibility for the commercial and technical management of the lion's share of these turbines and wind farms. During the construction of a 95-MW wind farm in the US, site-related uncertainties that occurred led to a halt in some aspects of construction work and, in turn, to substantial delays and cost increases. An impairment loss of €55.6 million was already recognised here in the previous year.

The Solar Projects business entity sold four free-standing solar parks and one floating solar park with a total output of 134.2 MW (2022: 704.7 MW), as well as three sets of project rights for the construction of free-standing solar parks (894.0 MW) with battery storage systems (394 MW, 1,576 MWh). Of the total solar output, 894.0 MW was attributable to the US, 69.1 MW to the Netherlands, 50.0 MW to Japan and 15.1 MW to Spain. In addition, four projects that had been brought into operation with a total of 64.2 MW were transferred to the IPP business entity.

The IPP (Independent Power Producer) business entity operates selected solar parks and wind farms and successfully completed its third full financial year in 2023. Energy trade activities are also part of the IPP business entity. In 2023, one asset was sold, and the portfolio was increased by six parks. As a result, 31 wind farms and solar parks in Europe, North America and Australia with a total output of roughly 0.8 GW were part of the operating portfolio at the end of 2023. In addition, the foundations were laid in 2023 for a further expansion of the portfolio, with 0.5 GW already under construction or about to start construction. The lower electricity price level compared to the previous year had a negative impact on energy trading last year. However, energy trading benefited from contracts concluded in the previous year and thus achieved a very good result.

BayWa r.e.'s service business recorded a rise in total plant capacity under its management around the world of 5% to more than 10.7 GW in 2023 (2022: 10.2 GW). This growth was supplemented by further sales successes in the area of PV repowering in Germany and France, as well as in the planning and consulting business. Earnings in the service business were negatively impacted by delayed commissioning dates for renewable energy systems, postponed start dates for repowering projects and weather-related revenue shortfalls in the rotor blade service.

In trade activities involving PV components, the total output of PV modules sold rose by 9% to 3.8 gigawatt-peak (GWp). The inverter and assembly system product groups each saw a significant increase of around 37% and 18%, respectively. Business involving storage products grew by 8% year on year. Revenues of just under €763 million were processed in these product areas through the web stores established in national markets, which corresponds to an increase of approximately 54% year on year. Overall, the lion's share of solar trade revenues was generated in Europe, the Middle East and Africa (79%), followed by the Americas (18%) and Asia-Pacific (3%). Due to the oversupply of PV components on the market, especially modules and inverters, prices fell overall in 2023. Despite an increase in sales volume compared to the previous year, lower revenues were generated.

In 2023, the Energy Solutions business entity was able to further expand its project pipeline through successful sales activities, both in Europe and South East Asia, and execute a large number of roof-mounted, carport and free-standing projects. As a result, it succeeded in further establishing itself as an international developer of integrated solutions in the fields of renewable energies for businesses.

Revenues in the Renewable Energies Segment reached €5,789.4 million in the financial year 2023, which corresponds to a decline of 10.8% compared to the previous year's high figure of €6,489.2 million. At €193.8 million, EBIT in the reporting year also fell short of the previous year's high figure of €239.1 million. This is mainly due to weak demand and the fall in module prices in solar trading, as well as the lack of income from the sale of biogas activities. Energy trading, on the other hand, increased again compared to the previous year.

Energy Segment

As expected, the Energy Segment was at the same level in 2023 as before the start of the war against Ukraine. The normalisation of the markets led to a decline in trading margins at BayWa compared to the unusually high earnings of the previous year.

In heating oil trade, BayWa recorded a 9.2% decline in sales overall. Domestic demand fell by 7.4%, while demand in Austria fell disproportionately sharply by 11.4%. In Austria, the federal government's plans for the years 2020 to 2024 continues to have an impact, which includes a ban on oil heating systems in new builds since 2020. The result has been a decline in the number of oil heating systems. In Germany, the new Buildings Energy Act (GEG) continues to permit the use of heating oil, either as a blended product with a renewable admixture or in conjunction with hybrid heating (i.e. a combination of oil heating and a heat pump or PV system, for example).

By contrast, wood pellets saw an increase in trading momentum. Against the backdrop of the more favourable price level in the financial year 2023, customers took the opportunity to stock up on pellets. Accordingly, BayWa was able to clearly increase pellet sales to 734,000 tonnes, up 5.9% on the previous year. The expansion of production and logistics capacities in recent years and the expansion of e-commerce activities for sustainable heat with the digital marketplace "hello:Heat" have also had a positive impact on sales development.

In the fuel business, BayWa recorded a decline in sales of around 5%. This development is likely to be primarily due to the increasing registration of electric vehicles and stockpiling in the previous year.

In the first half of 2023, sales of lubricants were still affected by the supply crisis for commodities that prevailed in the previous year. Strong customer stockpiling at the end of 2022 and subdued economic development over the course of 2023 led to a noticeable reluctance to buy in almost all customer segments. Overall, sales of lubricants and operating resources fell by 3.6% year on year. The lower demand across the industry was met with full production capacities in the lubricants sector, which resulted in falling prices on the procurement market across all base oil groups from mid-2023. The "re:source" recycling line launched in October 2023 offers a new sales opportunity, with recycled lubricants from the TECTROL brand now also available in the BayWa portfolio. These enable CO_2 savings of up to 90% compared to primary products and thus cater to the trend towards greater sustainability.

BayWa Power Liquids GmbH, founded in 2022 as a solution provider for climate-friendly mobility in heavy goods transport, further expanded BayWa's liquefied natural gas (LNG) filling station network. In June 2023, the new Meerane LNG filling station in the district of Zwickau in Saxony became the 12th site to go online. The plan is to switch the supply of all LNG filling stations to bio-LNG by mid-2024 and thus offer a climate-friendly, competitive and future-proof fuel.

Electromobility continues to gain ground. The subsidiary BayWa Mobility Solutions GmbH is driving the expansion of the charging infrastructure on behalf of energy companies such as Vattenfall and EnBW. In addition, it will also act as a charge point operator in future, having been awarded the contract for the German network in Bavaria. BayWa Mobility Solutions GmbH will build and operate 20 charging parks in Bavaria for the German network, with an investment volume of €15 million.

In the past financial year, business development in building services benefited from blanket orders in the area of prefabricated houses and from house renovations triggered by uncertainty in connection with the new German Buildings Energy Act (GEG). In particular, there was an increase in purchases of oil and gas boilers. BayWa Haustechnik GmbH further expanded and strengthened its capabilities and capacities, particularly in the area of energy-efficient refurbishment, through several acquisitions in the financial year 2023.

All in all, the Energy Segment generated a substantial decline in revenues of 15.7% to €2,820.0 million in the reporting year (2022: €3,343.6 million). On the earnings side, EBIT fell by almost 67% to €17.8 million compared to the record level of the previous year (2022: €53.6 million). This development is primarily due to the weaker trading momentum for fossil fuels and lubricants compared to 2022, as well as lower trading margins as a result of normalising prices on the energy commodity markets.

Agriculture business unit

Market and industry development 2023/24

Development of grain and oilseed

Global balance of grain (excluding rice)	**Grain year**			**Change**	
in millions of tonnes	2021/22	2022/23	**2023/24**	2022/23 compared to 2021/22	2023/24 compared to 2022/23
Production					
World	2,280.7	2,235.2	2,298.7	- 2.0%	2.8%
thereof: wheat	780.0	789.2	784.9	1.2%	- 0.5%
thereof: coarse grain	1,500.7	1,446.0	1,513.8	- 3.6%	4.7%
Consumption					
World	2,277.2	2,244.4	2,288.8	- 1.4%	2.0%
thereof: wheat	791.2	790.9	796.4	0.0%	0.7%
thereof: coarse grain	1,486.0	1,453.5	1,492.4	- 2.2%	2.7%
Inventory changes					
World	3.5	- 9.2	9.9		
thereof: wheat	- 11.2	- 1.7	- 11.5		
thereof: coarse grain	14.7	- 7.5	21.4		

European balance of grain (excluding rice)	Grain year			Change	
in millions of tonnes	2021/22	2022/23	**2023/24**	2022/23 compared to 2021/22	2023/24 compared to 2022/23
Production					
EU	293.0	267.2	269.1	- 8.8%	0.7%
thereof: Germany	42.4	43.5	42.5	2.6%	- 2.3%
Consumption					
EU	266.5	259.3	260.5	- 2.7%	0.5%
thereof: Germany	39.3	40.5	n/a	2.5%	5.6%
Inventory changes					
EU	26.5	7.9	8.5		
thereof: Germany	3.1	3.0	n/a		

Sources: USDA, Grain: World Markets and Trade, January 2024, pp. 23, 29; Federal Statistical Office of Germany, September 2023, p. 10; BLE, Getreideverbrauch Deutschland, Inlandsverwendung insgesamt

Agricultural markets are generally characterised by a narrow corridor between production volumes and demand. As a result, development can vary greatly from market to market. On the one hand, a growing world population is increasing demand for agricultural products. On the other hand, climate change and other natural and man-made events are leading to substantial challenges in maintaining harvest volumes. For example, drought or environmental disasters such as storms or floods can have a substantial impact on harvest yields. The inability to use shipping routes such as the Suez Canal or the Panama Canal freely, for example, can also lead to logistical problems. In the harvest year 2022/23, the war against Ukraine also had an impact on the volumes of numerous agricultural products, as Ukraine has traditionally been an important supplier for global markets (LEL 23 January 2024 06 Agrarmärkte Aktuell November 2023.pdf, BayWa's own estimates; USDA, Grain: World Markets and Trade, January 2024).

The grain market, an important indicator for the development of plant products, had to report another deficit in the grain year 2022/23. The USDA calculated global production at 2,235.2 million tonnes, a decrease of 45.5 million tonnes compared to the previous year. The reasons for the weaker result were the war-related decline in grain production in Ukraine and lower-yielding harvests in the EU, the US and Argentina (LEL 23 January 2024 06 Agrarmärkte Aktuell November 2023.pdf). In the EU, around 8.8% less grain was harvested in the agricultural year 2022/23 than in the previous year, while consumption fell by 2.7% (USDA, Grain: World Markets and Trade, January 2024, pp. 22, 23). According to estimates by the Federal Statistical Office of Germany, the harvest in Germany was 43.5 million tonnes, up on the previous year due to larger areas under cultivation (LEL 23 January 2024 06 Agrarmärkte Aktuell November 2023.pdf, p. 6).

The price trend for grain on the global markets eased clearly in the financial year 2023. Prices returned to pre-war levels and were therefore clearly lower than in the previous year, albeit still relatively high. After starting at around €309 per tonne, the wheat price fluctuated between €220 and €265 per tonne. At the end of the year, the MATIF wheat price was around €222 per tonne, 28% lower than at the beginning of the year. The FAO Food Price Index has fallen almost continuously since peaking in the first half of 2022. For grain, it fell from its peak of over 173 index points in 2022 to 125 by October 2023, but is still above the pre-pandemic level of 101 points (DBV, Situationsbericht 2023/24, p. 245; FAO Food Price Index, January 2024).

Soya meal, which accounts for around 70% of all oilseed meal, remained virtually unchanged worldwide in the marketing year 2022/23 and stood at 247 million tonnes in terms of volume (USDA, Oilseeds: World Markets and Trade, January 2024, p. 12). After reaching an annual high of around €524 per tonne in March 2023, prices fell to €385 per tonne by the end of the year amid high volatility, a decline of 22%.

According to the latest forecasts from the U.S. Department of Agriculture (USDA), global grain production is likely to be 2.8% higher year on year in the grain year 2023/24. Global consumption is expected to rise by 2.0%. Global wheat consumption most likely outpaced production by around 11.5 million tonnes, leading to a reduction of wheat inventories. By contrast, the current harvest season is likely to result in enough coarse grain to cover consumption. Against this backdrop, prices are expected to be lower in 2023 than in previous years. Due to weather conditions, the European Union is expected to harvest roughly 0.7% more grain in the grain year 2023/24, according to projections (USDA, Grain: World Markets and Trade, January 2024, pp. 23, 29). The FAO and OECD initially expect prices for all types of grain to normalise in the coming years and; prices will rise again if volatility remains high (DBV, Situationsbericht 2023/24, p. 194).

Global soya meal production is expected to rise by 4.8% to 259 million tonnes in the marketing year 2023/24, due mainly to anticipated increases in Argentina, China and the US (USDA, Oilseeds: World Markets and Trade, January 2024, p. 12 et seq.).

Development of fruit cultivation
At roughly 1.21 million tonnes, the fruit harvest in Germany was 13% lower year on year in 2023, according to estimates by Agrarmarkt Informations-Gesellschaft mbH (AMI). The trend was characterised by substantially lower harvests of apples, sweet cherries and sour cherries (DBV, Situationsbericht 2023/24, p. 205). At around 941,200 tonnes in 2023, the apple harvest was 12.1% lower than in the previous year due to weather conditions (Destatis, press release, 8 January 2024, Apfelernte 2023 um 12,1 % geringer als im Vorjahr). At roughly 10.9 million tonnes, the apple harvest volume achieved in the member states of the EU in 2023 was around 8% higher year on year, according to preliminary figures (World Apple and Pear Association – WAPA, EU 27 apple production by country, September 2023).

Consumer sentiment remained subdued in 2023. Persistently high food prices had a negative impact on demand for fruit. Nevertheless, stocks of apples were largely cleared in the first half of the year, including through numerous special sales and promotions. Fruit from the new harvest of poorer quality was often sent directly for industrial processing due to above-average prices for cider fruit. Apple prices in Germany, like the EU average prices at the start of marketing for the new harvest from August 2023, were at a considerably higher level than in the previous year and above the five-year average (DG Agri Dashboard Apples, 12 January 2024). As at 1 December, 4.2 million tonnes of apples were stored in the EU, 5% less than in the previous year and 9% less than the average of the last five years. Due to the lower inventories, there should be good opportunities on the market in 2024 to maintain prices and even push through price increases in some areas. Above-average prices due to lower harvest volumes for the remaining range of fruit (e.g. citrus fruits, grapes) could additionally favour the market development of pome fruit (Agrarmarkt Informations-Gesellschaft mbH – AMI).

At around 4.7 million tonnes, the apple harvest in the southern hemisphere in the harvest year 2022/23 was 5.1% lower than in the previous year. At 486,000 tonnes, New Zealand – BayWa's most important non-European country of origin for fruit – recorded its smallest apple harvest since 2007/08. This is mainly a consequence of Cyclone Gabrielle, which devastated the North Island of New Zealand in February 2023. Based on the current status of fruit development, the World Apple and Pear Association (WAPA) forecasts that the apple harvest in the southern hemisphere will increase by just under 1.1% to 4.8 million tonnes in the harvest year 2023/24. All countries except Argentina and Chile are likely to benefit from higher harvest volumes. In New Zealand, a recovery from last year's environmental damage is expected, with a 14.7% increase in harvest volume to 558,000 tonnes (WAPA, Southern Hemisphere Apple and Pear Crop Forecast, February 2024). At 382,000 tonnes, exports of New Zealand apples are expected to be significantly above the previous year's level, with the increased price level following the cyclone likely to be maintained (USDA – Global Agricultural Information Network, Fresh Deciduous Fruit Annual, 3 November 2023).

Development of agricultural inputs
Agricultural inputs, such as seeds, fertilizers, pesticides and feedstuff, showed a heterogeneous price trend over the course of 2023. Fertilizer prices were 20% lower on average than in the previous year (Destatis, Index of purchase prices of the means of agricultural production, Genesis 61221-0001, as at 29 January 2024). Sales fell by around 7.1% due to higher stockpiling in some cases in the previous year, reduced application windows due to weather conditions and regulatory requirements (Destatis, Domestic sales of fertilisers, Genesis 42321-0003). As part of the 2020 amendment to the German Fertiliser Application Ordinance (DüV), the areas contaminated with nitrate ("Red Zones") had to be redesignated by November 2022, which in some cases led to a significant expansion of Red Zones where less fertilizer may be applied (Agrar heute, 15 December 2022: Rote-Gebiete-Karten). Overall, the amount of commercial fertilizer used per hectare of agricultural land is also continuously decreasing. (DRV, Jahresbericht Agrarwirtschaft 2023, p. 18). Assuming weather conditions without extremes as in previous years, sales of fertilizers are expected to increase slightly in 2024 while prices continue to fall.

At plus 1%, sales of crop protection products in 2023 were only slightly higher than in the previous year. (DRV, Jahresbericht Agrarwirtschaft 2023, p. 19). Average crop protection prices increased by a good 9% once again, placing them above the level seen in the previous year (Destatis, Index of purchase prices of the means of agricultural production, Genesis 61221-0001; as at 29 January 2024). The use of crop protection products depends first and foremost on weather conditions and their consequences, such as crop diseases and pest infestations. There was growth in fungicides, while herbicides were less in demand. The European Commission and the German federal government both want to reduce the use of crop protection products. One of the targets is a reduction of 50% by 2030 (DRV, Jahresbericht Agrarwirtschaft 2023, p. 20). Nevertheless, sales of crop protection products are expected to grow slightly in 2024, with moderately lower prices.

The seed market is mainly influenced by the development of land under cultivation for grain, corn and rapeseed. All in all, land available for cultivation in Germany was slightly lower year on year in 2023 (Destatis, Field crops and grassland, acreage, 2022, 23 January 2023). There was a substantial decline in spring grain, while there were increases in silage corn and winter grain (Destatis, press release of 19 May 2023: Winterweizen auf 48 % der Getreideanbaufläche 2023). At the time of autumn sowing for the 2024 harvest, the area under winter grain was down by 3.9% (Destatis, press release of 22 December 2023: Herbstaussaat zur Ernte 2024: Knapp 4 % weniger Wintergetreide). Very wet soils in some regions made sowing difficult. Against this backdrop, industry sales of seeds declined overall in 2023, particularly for summer crop seeds. In 2023, seed prices were stable at the high level of the previous year, with an increase of around 1.5% (Destatis, Index of purchase prices of the means of agricultural production, Genesis 61221-0001, as at 29 January 2024). After the reduced winter sowing, 2024 offers opportunities for summer crops. Seed sales are expected to remain stable.

Feedstuff production fell by 4.4% nationwide in the marketing year 2022/23 to 21.8 million tonnes of mixed feed. The main reason for this was the 8.9% drop in sales of pigfeed. (DRV, Jahresbericht Agrarwirtschaft 2023, p. 30 et seq.). At the end of 2023, feedstuff prices were 12.2% lower than the previous year's level (Destatis, Index of purchase prices of the means of agricultural production 2023, Genesis 61221-0001, as at 29 January 2024). The sharpest fall in prices was again for pigfeed. In addition to the increasing trend towards meat avoidance, the recent discussion about an animal welfare levy to compensate for subsidy cuts in agriculture is likely to make meat consumption even more expensive and thus have a negative impact on the demand for and production of meat. Given the very tense economic situation in the agricultural sector, structural change is expected to accelerate in 2024 (DRV, Jahresbericht Agrarwirtschaft 2023, p. 31).

Development of agricultural equipment

For the current marketing year 2023/24, both declining producer prices and lower company expenses are expected for most agricultural products. The peak results of 2022/23 will not be matched. Feed farms in particular are likely to suffer significant losses in earnings, as are crop and processing farms In a multi-year comparison, however, above-average company results should still be achieved (DBV, Situationsbericht 2023/24, p. 173 et seq.).

At the same time, the economic barometer for agriculture published by the German Farmers' Association (Deutscher Bauernverband – DBV), which measures sentiment in the agricultural sector, indicated clear deterioration at the turn of the year 2023/24. According to the DBV, the negative sentiment primarily reflects the persistently high agricultural input costs and the effects of the German federal government's plans to cut subsidies (DBV, Konjunktur- und Investitionsbarometer Agrar, 1st and 2nd quarter of 2024).

The boom in the agricultural equipment industry - tractors, harvesting machinery, sowing and fertilizing technology, tillage machinery, attachments and accessories, forestry technology and farm machinery – continued and once again brought manufacturers a high level of revenues. Following a record result in the first half of 2023, the VDMA (German Mechanical Engineering Industry Association) forecast continued high industry revenues of more than €12 billion for 2023 as a whole. The industry benefited from the rapid resolution of last year's supply and logistics bottlenecks, as well as a high level of investment and innovation among farmers, driven in part by the further digital development of crop farming and interest in digital connectivity solutions (VDMA Agricultural Machinery Association, press release of 27 September 2023, Europe's agricultural machinery manufacturers come to Hanover with record results).

At 40%, the general propensity of farmers to make investments was still clearly higher in the first half of 2024 than in the previous year (34%). At €6.9 billion, the planned investment volume for the first six months of 2024 is also considerably higher than in the same period of the previous year 2023 (€5.8 billion). Farmers are focussing on investments in non-agricultural items, renewable energies, and farm and stable technology, as well as machinery and equipment. Lower investments are planned for land purchases (DBV, Konjunktur- und Investitionsbarometer Agrar, 1st and 2nd quarter 2024, p. 6 et seq.).

Business performance

Cefetra Group Segment
In the Cefetra Group Segment, BayWa acts as a global provider agricultural products – from purchasing and logistics to distribution. The main customer groups for the approximately 250 agricultural products are grain and oil mills, producers of starch and feedstuff, malt houses and breweries, as well as makers of baked goods, biofuel and spirits.

In the reporting year 2023, the Cefetra Group's trading environment continued to be affected by turbulence and volatility on the commodities markets. The war in Ukraine and the resulting uncertainty about the grain and corn harvest there, as well as the vast differences in the soya harvests in Argentina, Brazil and the US, contributed to this. The Cefetra Group was able to participate in the trading opportunities that arose in the financial year 2023 in both its conventional and speciality business and, following the record result in 2022 – characterised by numerous highs in agricultural products – was able to report very pleasing performance.

The Cefetra Group achieved its best results with grain. On the supply side, various countries competed for sales, which offered the Cefetra Group good arbitrage opportunities. Grain from Ukraine, which was transported across the western border by train, also offered above-average trade margins. The risk of default (war risk) was minimised by selecting reliable contractual partners and negotiating good contractual terms. Grain trading in the UK and Poland also made a positive contribution to earnings.

At around 16.0 million tonnes, the volume of grain and oilseed handled by the Cefetra Group in 2023 was 1.4% below the previous year's level. One of the reasons for this was weaker trade momentum for grain in the Benelux countries. In the oilseed sector, the poor soya harvest in Argentina limited the supply of soya and soya hulls and caused prices to rise. Demand for these products therefore fell and was replaced by products with a lower protein content, such as distillates, rapeseed meal and sunflower meal. Margins for sustainable soya and GMO-free soya from India developed positively. In line with the Cefetra Group's diversification strategy of expanding its customer base to include the spirits industry, Cefetra UK acquired a grain storage facility in Ireland in the reporting year 2023. Cefetra UK had already purchased two storage facilities in Scotland in 2022. With the new storage facility, the Cefetra Group is expanding its infrastructure for processing, storing, drying, cleaning and analysing grain and consolidating its sales territory in Ireland.

The higher-margin speciality business remained at a similarly high level as in the previous year. Royal Ingredients maintained its strong performance in the reporting year compared to 2022 and achieved above-average margins. The subsidiary Cefetra Dairy (with a wide range of dairy products for industrial partners and local retailers) and Sedaco (which specialises in trading oilseed, legumes, raw nuts and special crops, primarily from Africa) also recorded volume growth and made a positive contribution to earnings. Sedaco has expanded its product portfolio with legumes and soya beans and extended its procurement markets. Heinrich Brüning – a supplier and co-packer of dried fruit and nut kernels in Germany in which the Cefetra Group holds a 60% stake – fell short of expectations due to lower sales volumes and logistical planning problems.

Revenues in the Cefetra Group Segment fell from the previous year's record figure of €6,111.2 million to €5,309.3 million in the reporting year, a decrease of 13.1%. This is due to predominantly falling prices for many products following the market exuberance in the previous year. At €64.6 million, the Cefetra Group's EBIT for 2023 will be higher than the €59.5 million in 2022, a very successful record year. The positive development on the Iberian Peninsula, where volume increased compared to the financial year 2022, is likely to have made a particular contribution to this trend. In the financial year 2022, grain buying – particularly when it came to corn – was limited as a result of the war in Ukraine. After the creation of the corridor for Ukrainian grain in the first half of 2023, as well as efforts to serve other procurement markets, the segment was able to bypass the obstacles it had faced. In addition, the cancellation of grain contracts due to the outbreak of the war against Ukraine was compensated for in the previous year's result by more expensive hedging on the spot market. There were no such charges in the reporting year.

Agri Trade & Service Segment

The Agri Trade & Service Segment comprises the agricultural input business, the collecting of agricultural products and grain and oilseed trade activities, primarily in Germany and Austria. The situation on agricultural markets has largely normalised following the exceptional year of 2022 and the effects of the war against Ukraine. Despite the ongoing fighting, Ukraine manages to make a considerable contribution to the global supply of grain and oilseed. The improved availability of goods compared to the previous year led to increased competitive pressure for BayWa. From the farmers' perspective, the major challenge in 2023 was the extreme weather conditions. Drought during the growth phase and heavy rainfall at harvest time affected the quantity and quality of produce on the one hand and had a dampening effect on the demand for agricultural inputs such as crop protection and fertilizer on the other. Against this backdrop, BayWa recorded a substantial volume- and price-related decline in revenues in the financial year 2023. As expected, EBIT also fell sharply as a result.

In the agricultural input business, the BayWa Group's sales of fertilizers fell by around 10.8% year on year to stand at total of 2.1 million tonnes in the reporting period. Stockpiling in the previous year and short application windows due to weather conditions resulted in restrained demand from farmers. Our trade partners also reacted accordingly with reduced stockpiling and lower advance purchasing activities. The sharp year-on-year decline in fertilizer prices in the reporting year led to substantial pressure on trading margins, and earnings in the Agri Trade & Service Segment declined as expected compared with the exceptional previous year. Due to the sharp fall in prices, inventories also had to be written down. In order to better manage the effects of price volatility in future, a single-stage processing and centralised inventory management system was introduced with the aim of minimising risk, improving price conditions and enhancing inventory management, which should contribute to a reduction in net working capital.

Like the fertilizer business, demand for crop protection products was also affected by the unfavourable weather conditions and led to a corresponding reduction in advance purchases. BayWa's seed sales decreased by 11.6%. While business in Germany was virtually stable, Austria and eastern Europe saw substantial, in some cases significant, declines. To strengthen the seed business, the expansion and relaunch of private brands (such as "Planterra") is being driven forward. The aim is to be able to offer a full range of products in the private label segment as well, to seize margin potential and to consolidate the market position. BayWa was able to keep its sales volumes of feedstuff on a par with the previous year's level despite the persistently uncertain situation for many livestock farmers. Positive development in the speciality sector due to portfolio expansions in the private label segment also contributed to this.

In trade involving agricultural products (grain and oilseed), volume fell short of the previous year by a slight margin, coming in at 8.0 million tonnes in 2023. While grain volumes decreased by 2.3%, oilseed volumes increased by 1.0%. Harvest collection figures for the grain year 2023/24 at the BayWa Group are roughly on a par with 2021/22, despite a barely average harvest. Thanks to intelligent management of the trading portfolio, with volatile but significantly falling prices overall, the company was able to benefit from the ongoing volatility in the market in product trading and settle the existing grain contracts from the previous year at good conditions, albeit below the high level of 2022.

In response to the increasingly extreme weather conditions, BayWa has strengthened its agricultural irrigation systems business. Irrigation solutions are an important part of the range of solutions for farmers to be better prepared for periods of heat and drought. In March 2023, BayWa acquired a company that acts as the North/East distribution centre for the world's largest manufacturer of drip irrigation products, considerably expanding its sales territory for these products.

Total revenues in the Agri Trade & Service Segment declined by 14.8% to €4,899.3 million due to both volume and price factors. Following the extreme market turbulence in 2022, EBIT fell sharply by €78.3 million to €26.4 million in the reporting year 2023 (2022: €104.7 million). In addition to rising personnel costs, it was primarily the fall in fertilizer prices that led to a significant decline in trading margins and triggered a write-down of fertilizer inventories. Nevertheless, EBIT is almost twice the level it was in 2021.

Agricultural Equipment Segment

The Agricultural Equipment Segment performed well once more in the financial year 2023 and again exceeded the previous year's strong result. Farmers' willingness to invest remained high despite the rise in interest rates, leading to sustained high demand and good sales figures at BayWa.

Business development benefited from a high order backlog at the end of 2022 and the agricultural investment programme (“Bauernmilliarde” – farmers’ billion), with which the German Federal Ministry of Food and Agriculture specifically supports agricultural businesses that want to invest in modern, sustainable technology, also had a positive impact on demand in 2023. The 5.1% increase in sales of new machinery was primarily due to the resolution of supply chain problems and manufacturers’ improved ability to deliver compared with the previous year. Demand in the segment has shifted since the beginning of 2023 from large machinery towards other product ranges, such as attachments. Price increases imposed by manufacturers were able to be passed on to customers, improving trade margins overall.

The service business saw continued high demand for maintenance and servicing, spare parts and specialised trade products in all sales channels. The ability of manufacturers and upstream suppliers to deliver normalised again in 2023, and inflation-related price increases in all product areas were passed on to customers. In addition, the lower number of working days lost due to sickness had a positive effect on capacity utilisation and productivity in the workshops.

One focus of the financial year in the Agricultural Equipment Segment was the municipal, commercial and forestry growth strategy with the aim of increasing sales and earnings (EBIT). To this end, BayWa’s sales organisation is being expanded in the regions to enable target group-oriented sales with solutions for customers. The product range for the target group is constantly being developed. One example is the area of e-mobility, where BayWa has now gained its fourth sales partner with the Graf Carello brand and is focusing on a comprehensive range of versatile vehicles with alternative drive systems, as well as expanding the corresponding service offering and network. In 2023, a technical centre in Neuensalz and an agricultural and technical centre in Nürtingen were opened, and work began on the construction of a service centre in Heilbronn and a technical service centre in Röttenbach, all in Southern Germany.

Overall, the Agricultural Equipment Segment surpassed the previous year’s record revenues of €2,076.5 million by 7.8% to stand at €2,239.3 million. EBIT for the reporting year totalled €84.6 million, compared to €70.2 million in the previous year. The segment mainly benefited from increased sales in the new machine business and above-average capacity utilisation in the service business.

Global Produce Segment

The Global Produce Segment, which covers the entire fruit and vegetable marketing value chain, was confronted by ongoing difficult overall conditions in the financial year 2023. In particular, the consequences of Cyclone Gabrielle in New Zealand, an important procurement market for BayWa, had a negative impact on Global Produce’s business, as did the lower availability of goods due to weak harvests in Europe and BayWa’s key supply regions. High inflation rates and high energy costs led to a noticeable reluctance to buy fruit and vegetables on the part of consumers, particularly in the premium segment. However, the higher prices were unable to compensate for the lower marketing volumes and the damage caused by the cyclone, which had a negative impact on the segment’s earnings performance.

The cyclone had a severe impact on New Zealand subsidiary T&G Global Limited (T&G Global) and other partner producers in New Zealand following the good start to the year in terms of volume and quality of the apple harvest. The loss of and damage to orchards led to a clear reduction in production capacity. The lower marketing volumes of apples as a result (including at partner producers) of up to 30% led to a decline in income from sales of own products, as well as from licensing and packaging fees from partner producers, in the reporting period. There were also high costs for clean-up work, which was fully completed in 2023. The loss amount, which is made up of financial losses and business interruption losses, has been determined and is currently being reviewed by the insurers. Advance payments totalling €6.8 million have been made to date. Due to the complexity of the insured event and when determining the amount of the claim, the final expected insurance benefit is difficult to estimate at the present time and therefore could not be recognised in the 2023 result. The remaining harvest volumes were of good quality, particularly for the Envy variety, and sales in the core markets of Asia, the US and Europe were stable and largely in line with price expectations.

After sluggish autumn marketing in 2022, the German apple business did not gain momentum until February and March 2023, despite the hesitancy in passing on more stable prices. Due to the lower volumes of the new harvest across Europe from August 2023, it was possible to demand higher prices right at the start of the new marketing season and ensure that retailers were willing to pay them.

With the exception of a brief recovery in the months of May to July, the high price level of exotic fruits meant that customers remained very reluctant to buy due to inflation. Some planned campaigns were also cancelled by food retailers, as reflected in the business development of TFC Holland B.V. (TFC), which specialises in this business area. In addition, weather conditions made it more difficult in some cases to procure goods due to reduced harvests in important supply areas. The difficulty in passing purchases on the spot market at higher prices onto retailers, which were necessary in order to fulfil delivery obligations to the food retail trade, led to declining trading margins.

All of these factors resulted in substantial cost burdens due to the cyclone on the one hand and clearly lower trading margins in some cases, particularly at the subsidiary TFC, on the other. The marketing volumes of dessert pome fruit fell by around 7% due to the crop shortfalls, starting from a low previous-year figure that was adversely affected by quality problems. Furthermore, the segment recorded a nearly 47% drop in sales of soft and stone fruit. Vegetable fruits were down by around 20%, while tropical fruit was slightly up on the previous year.

At the beginning of the year, TFC moved from Maasdijk to the new site in Waddinxveen, which is intended to increase efficiency and expand capacity and the level of automation in the packaging area, as well as to expand AI-supported ripening systems for avocados and mangoes. With its verticalisation strategy, TFC's business model focuses on the shortest possible value chains and direct access to goods in the countries of origin, particularly for the main product groups avocados and mangoes.

In May 2023, the new T&G packaging facility in Hawke's Bay, New Zealand, equipped with worldwide-leading automation technology, was put into operation. The new construction of the packaging facility was not affected by the cyclone. The new packaging line has a capacity of 30 tonnes of apples per hour, including robot-assisted laying lines.

In October 2023, BayWa Global Produce and the Spanish fruit specialist Nufri S.A.T. founded a joint venture to expand the blueberry business. In future, premium blueberry varieties from T&G subsidiary VentureFruit's own and associated cultivation programmes will be cultivated here, primarily to serve the European market.

Overall, the Global Produce Segment generated revenues of €878.6 million in the reporting year, following €921.3 million in the previous year. EBIT decreased by €36.2 million year on year in 2023 to stand at minus €15.1 million (2022: €21.1 million). The decline is mainly due to the effects of the cyclone in New Zealand and the write-down of around €7 million on trees and investment structures destroyed by the cyclone, as well as the resulting clear reduction in marketing volumes. In addition, higher procurement costs for exotic fruits had a particularly negative impact here. Since it was barely possible to pass the costs on to customers.

Building materials business unit

Market and industry development 2023/24

Development of building materials

The German construction industry was also affected by a further decline in construction activity in 2023. After the industry had recovered from the supply problems of the pandemic years, another year of challenges began in 2022 with the attack on Ukraine. The sanctions imposed as a result of this war of aggression led to a substantial increase in energy costs, which in turn had an impact on the cost of living and construction costs. Central banks around the world responded by raising interest rates in several steps in order to limit the rise in prices. As a result, the interest rate for mortgage loans (average value of all terms) in new business rose from 1.3% to 4.2% between January 2022 and November 2023. Rising interest rates and construction costs raised the question of the financial viability and economic feasibility of numerous construction projects, which led to many investors withdrawing from new construction projects (Confederation of the German Construction Industry (HDB – Hauptverband der Deutschen Bauindustrie e. V.), Zahlen & Fakten, 26 January 2024: Baukonjunkturelle Lage: Weiterer Umsatzrückgang für 2024 erwartet).

Demand in residential construction slumped clearly, with a further 11% drop in revenues in the reporting year (Zentralverband des Deutschen Baugewerbes e. V. (ZDB), press release of 6 December 2023: Baukonjunktur 2023/2024: Zwischen Fachkräftemangel und Kurzarbeit). The drastic slump in the market is also reflected in the number of building permits for residential construction. Compared to 2022, the decline from 355,000 to an estimated 264,000 represents a drop of 25.6% (Heinze Marktbericht, December 2023, p. 23). A positive trend continues to be seen in the finishing trade and is attributed, among other things, to the strong demand for energy-efficient renovations (Federal Statistical Office of Germany, press release of 15 January 2024): Gross domestic product down 0.3% in 2023). There was also no political tailwind for residential construction. As a result, there were repeated sudden and surprising changes to the framework conditions for subsidies (ZDB, press release of 14 December 2023: Förderstopp Klimafreundlicher Neubau: „Der nächste Schlag für den Bau“).

The rise in construction prices has now calmed down. Nevertheless, prices for most building materials in December 2023 were still higher than at the start of 2021, when the steep price increases began. There were additional price increases for some energy-intensive building materials (HDB, Zahlen & Fakten, 23 January 2024: Seit Mitte 2022 ist eine Preisberuhigung bei einzelnen Produkten festzustellen. Die Preise sind aber nach wie vor auf einem hohen Niveau).

The German federal government’s target of building 400,000 new homes per year is likely to be missed once again in 2023. The industry associations HDB and ZDB expect only around 270,000 residential units to be completed in 2023 due to the difficult investment conditions (HDB, press release of 26 January 2024: Baukonjunkturelle Lage: Weiterer Umsatzrückgang für 2024 erwartet; ZDB, press release of 6 December 2023: Baukonjunktur 2023/2024: Zwischen Fachkräftemangel und Kurzarbeit).

With a real decline of 1%, commercial construction shows a mixed development according to the HDB (HDB, press release of 26 January 2024: Baukonjunkturelle Lage: Weiterer Umsatzrückgang 2024 erwartet). Commercial building construction was clearly slowed by interest rate trends and energy prices. Demand remained weak compared to the previous year, and the order backlog and corresponding time visibility decreased. By contrast, there was impetus from the civil engineering sector, with projects relating to the mobility transition, the energy transition and Deutsche Bahn’s investment projects, representing a nominal increase of almost 30% (ZDB, press release of 25 April 2023: Wohnungsbau: Aufträge brechen um fast 40 Prozent ein).

Public building construction achieved an increase of just under 4% in real terms, while public civil engineering reported a decline of just under 3% in real terms – a decline of 2% for public construction as a whole in 2023.

According to the HDB, total revenues in the construction industry for the year as a whole were 5.5% down on the previous year in real terms (HDB, press release of 26 January 2024: Baukonjunkturelle Lage: Weiterer Umsatzrückgang 2024 erwartet).

After a difficult year in 2023, the industry is looking ahead to the financial year 2024 with little confidence. The mixture of high energy costs, high material costs and problems in financing projects due to the rise in interest rates continue to represent a critical mix. Overall, the industry is lacking new orders, while existing cushions are dwindling. After years of hiring new staff, many of the companies surveyed by the industry association are expecting short-time working or even redundancies. Only a few sectors, such as engineering and civil engineering, are still looking for skilled workers (ZDB, press release of 25 April 2023: Wohnungsbau: Aufträge brechen um fast 40 Prozent ein).

Germany’s Federal Ministry for Housing, Urban Development and Building expects around 265,000 new homes to be completed in 2024 (handelsblatt.com, 22 December 2023: Bauministerin Geywitz rechnet 2024 mit 265.000 neuen Wohnungen). The industry association ZDB, on the other hand, is much more pessimistic and expects only 235,000 completed residential units in 2024 (ZDB, press release of 6 December 2023: Baukonjunktur 2023/2024: Zwischen Fachkräftemangel und Kurzarbeit).

The two-pronged trend in commercial construction is likely to continue in 2024. While turnover in commercial building construction is expected to decline, commercial civil engineering is set to grow. Overall, a decline of 3.5% in real terms is expected in the construction industry (HDB, Zahlen & Fakten, 8 January 2024: Der Hauptverband erwartet für das Bauhauptgewerbe 2024 bei der Produktion ein reales Minus von 3,5 Prozent).

Business performance

Building Materials Segment
The BayWa Group's Building Materials Segment was unable to escape the market trend in the financial year 2023. The slump in construction activity was also reflected in demand in the product portfolio of BayWa's Building Materials Segment and had a markedly negative impact on earnings. The building construction, gardening and landscaping and roofing product ranges were particularly affected. Furthermore, demand was additionally curbed by the price increases for energy-intensive building materials such as cement and concrete. This means that the crisis in the construction industry has worsened faster than expected and very quickly spread to building materials trade activities.

For this reason, the company decided to take comprehensive adjustment measures in the reporting year. Five locations (Bad Windsheim, Öttingen, Altomünster, Gangkofen and Marktredwitz) were closed, as they proved to be strategically irrelevant or uneconomical. Another location (Erfurt) was sold. At the same time, the company's management has halted further recruitment and introduced additional measures to reduce costs. However, some of the measures taken will not take effect until over the course of the current financial year, 2024.

Alongside the measures introduced to increase profitability, the company is continuously working on further developing its positioning and strengthening its market position. In the reporting year, decisions were made to make substantial investments in the construction, conversion and modernisation of several building materials locations as part of their ongoing development. Overall, BayWa invested more than €30 million in its branch network in southern and eastern Germany in 2023. The largest project is the expansion of the building materials site in Bamberg (Franconia) from 18,000 to more than 30,000 square metres. This includes the construction of a new central warehouse for wood, which symbolises the increasing importance of this material in the context of sustainable construction and demonstrates BayWa's commitment to wood as a building material. BayWa Building Materials' first smart store, which symbolises the building materials trade activities of the future, was opened in Altötting. Customers can now shop continuously from Monday to Saturday from 6 am to 8 pm thanks to the use of innovative technologies, such as an electronic access system, digital advice, self-service checkouts and online advice from employees. If the concept proves successful, it will be transferred to other locations.

BayWa Building Materials also pressed ahead with the digitalisation of ordering processes in the reporting year. Craft enterprises can now use special business software to buy building materials directly from BayWa. The company's own software is seamlessly linked to the BayWa sales system via an interface. Following a successful test phase, the service is to be rolled out to other customer groups.

In addition to the problem of skilled labour, the major challenges facing the industry include the environment, material consumption and the drive towards greater industrialisation of the industry through modular construction and the increased use of prefabricated parts to reduce costs and increase productivity. To pick up on the industry trend towards more mass production, BayWa partnered with the brüderl Group from Traunreut, Germany, to found H2X in the reporting year. The aim of the company is to combine the advantages of wood and concrete in industrial production. The combination of industrially prefabricated solid walls made of cross-laminated timber and reinforced concrete ceilings creates load-bearing structures that can be used to construct multi-storey buildings with greater ease. The cross-laminated timber replaces bricks, concrete or other masonry blocks, which consume more energy and resources in production than wood. As a result, H2X stands for an economical and more ecological and climate-friendly approach to construction. H2X provides everything from a single source, from project planning and technical support through to delivery of the products to the construction site. An initial pilot project in Bad Endorf, Germany, with two multi-family buildings with 40 flats has already been realised.

BayWa Bau Projekt GmbH performed as forecast and reported a year-on-year increase in earnings in connection with the sale of projects in the financial year 2022 that were at the beginning of the construction phase or were not started until 2023. In accordance with the cost-to-cost method of accounting for projects, revenue is recognised in line with the progress of construction. In the case of BayWa Bau Projekt GmbH projects that run over several years, revenue and profits are recognised over several years in accordance with the progress of the project. Slight recovery was observed in terms of both supply and demand towards the end of 2023. However, the upturn led to the conclusion of only a small number of actual purchase and sales contracts.
A total of 13 commercial and residential units were sold in the financial year 2023.

In the reporting year 2023, revenues in the Building Materials Segment totalled €1,988.3 million (2022: €2,346.9 million). The segment's EBIT fell from €70.4 million to €6.6 million. The decline of €63.8 million is due to the clearly lower sales volumes, particularly in the building construction, gardening and landscaping and roofing product ranges, as well as the high personnel expenses in comparison to other segments. With around 3,200 people employed at the parent company, the Building Materials segment has the most employees of any BayWa segment. Over 70% of costs in the Building Materials Segment are attributable to personnel. Wage increases and the special expenses for the bonus to mark BayWa's 100th anniversary had a correspondingly strong impact. The latter totalled around €9 million for the Building Materials Segment.

Innovation & Digitalisation Segment

Market and industry development 2023/24

Digital applications for smart farming and precision farming, up to and including trading platforms, are playing an ever greater role in supporting day-to-day work processes and in planning and managing operations in agriculture. According to a representative survey of 500 German farmers in March 2022 by the digital association Bitkom (Branchenverband der deutschen Informations- und Telekommunikationsbranche e. V.), 79% of farms are already using Digital Farming applications. The most common ones are GPS-controlled agricultural machines, which are deployed by more than half of German farms. The survey identified particularly significant potential in applications for the site-specific distribution of fertilizers and crop protection products, which are currently only used by 30% and 23% of farms respectively. Satellite data and algorithms help calculate figures such as specific fertilizer requirements, thereby promoting the conservation of resources and increasing harvest yields, to name just two benefits. Moreover, most of the farmers questioned believe that digital technologies and processes can make an important contribution to improving efficiency in agricultural production while also protecting the environment and the climate (Bitkom e. V., Die Digitalisierung der Landwirtschaft, May 2022).

Business performance

The Innovation & Digitalisation Segment pools all activities of the BayWa Group in its Digital Farming division. At €10.4 million, revenues were on a par with the previous year. At minus €10.8 million, EBIT was negative as a result of investments in the development of Digital Farming solutions, but still improved by a clear margin compared to the previous-year period (2022: minus €11.4 million). This was primarily attributable to the direct allocation of material costs from the eBusiness division to the respective operating segments, which began on 1 January 2023.

BayWa restructured the Digital Farming unit in the past financial year. 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-oriented and inter-operable 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 through FarmFacts GmbH for the time being. In addition, the business involving hardware components such as weather stations and sensors will be transferred in full to the BayWa portfolio. BayWa's Digital Farming activities will therefore focus on consulting, sales, implementation and service going forward.

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 will be allocated to Other Activities.

Development of Other Activities in 2023

At €13.6 million, the Other Activities Segment's revenues in the reporting year were on a similar level to the previous year (2022: €12.0 million). EBIT resulting from Other Activities consists of the Group's administration costs, as well as consolidation effects; in 2023, it came to minus €63.9 million, following minus €103.1 million in the previous year. The improvement in earnings compared to the previous year is primarily due to higher income from investments and bank dividends, as well as proceeds from property sales. In addition, depreciation and amortisation on properties was incurred in the previous year, which was not repeated in the reporting year.

Assets, Financial Position and Earnings Position of the BayWa Group

Assets position

Composition of assets

In € million	2019	2020	2021	2022	**2023**	Change 2023/22
Non-current assets	3,090.5	3,538.9	3,771.3	4,390.9	4,917.6	12.0%
thereof: land and buildings	1,377.1	1,456.4	1,481.3	1,580.4	1,697.4	7.4%
thereof: technical facilities and machinery	411.3	642.4	753.4	1,102.7	1,171.5	6.2%
thereof: investments	218.3	194.0	254.9	229.0	248.4	8.5%
Non-current asset ratio (in %)	35.2	39.5	32.0	33.8	39.1	0.0%
Current assets [1]	5,691.4	5,411.1	8,000.1	8,585.5	7,601.1	- 11.5%
thereof: inventories	3,286.4	2,939.2	4,213.0	4,756.8	4,323.5	- 9.1%
thereof: assets from derivatives	145.7	457.4	1,049.1	611.2	285.3	- 53.3%
Current asset ratio (in %)	64.8	60.5	68.0	66.2	60.9	0.0%
Total assets	**8,781.9**	**8,950.0**	**11,771.4**	**12,976.4**	**12,518.7**	**- 3.5%**

1 Including non-current assets held for sale/disposal groups

The BayWa Group's total assets stood at €12,518.7 million as at 31 December 2023 and were therefore €457.7 million lower than at the end of the financial year 2022, when they came to €12,976.4 million. This decline is due in particular to the development of current assets, which is partially offset by the increase in non-current assets.

Current assets decreased by €984.4 million to €7,601.1 million (2022: €8.585.5 million). In addition to the decrease in trade receivables (minus €237.0 million), this is primarily due to the price-related decline in assets from derivatives (minus €325.9 million), which relates specifically to derivatives traded on the energy and commodities markets. At €4,323.5 million, inventories were also €433.3 million below the level at the end of the financial year 2022. This development is mainly attributable to the €201.8 million reduction in inventories – which was partly due to the clearly lower energy and commodity prices compared to the previous year – as well as the €151.0 million decrease in unfinished goods. The decline in unfinished goods was primarily due to the completion of projects in the Renewable Energies Segment in the financial year 2023 that had not yet been finalised at the end of 2022. After completion in the financial year 2023, these projects were either sold or transferred to the IPP (Independent Power Producer) business entity. Other current non-financial assets are also lower than in the previous year (down €93.0 million). This is due both to the €44.3 million decrease in receivables from other taxes and to the €43.3 million decrease in advance payments on inventories. At €233.3 million, cash and cash equivalents were roughly on a par with the previous year's figure of €221.8 million.

On the other hand, non-current assets climbed by €526.7 million to €4,917.6 million (2022: €4.390.9 million). The largest increase was recorded in property, plant and equipment. This was due in particular to the increase in energy installations under construction in the Renewable Energies Segment's IPP business entity (up €164.7 million). In addition, land and buildings totalling €117.0 million were acquired or constructed, with the Renewable Energies Segment also accounting for a large proportion of this. The construction of a packaging station in New Zealand in the Global Produce segment also contributed to the increase. Replacement and expansion investments were made for technical facilities and machinery totalling €68.8 million and for other equipment, operating and office equipment totalling €32.1 million.

There was also growth in intangible assets (up €70.5 million). This reflects the goodwill resulting from the company acquisitions in the financial year 2023 and the advance payments made for project rights in the IPP business entity.

Investments also recorded an increase of €19.4 million. This development is due in particular to the fair value measurement of the shares in Raiffeisen Bank International, Vienna, Austria (up €12.9 million). In addition, loans to non-consolidated affiliated companies increased by €5.1 million, as did the carrying amount of investments (up €5.5 million).

The BayWa Group places an emphasis on ensuring matching maturities in the financing of assets. Current liabilities of €5,756.3 million in total – consisting of short-term debt, trade payables, financial and non-financial liabilities, tax, other liabilities along with current provisions and liabilities from disposal groups – were offset by current assets and assets held for sale/disposal groups of €7,601.1 million. There was roughly 138% coverage for non-current assets amounting to €4,917.6 million through equity and long-term borrowing of €6,762.4 million. Ensuring matched maturities in financing is an important quality criterion for the financing partners of BayWa in the context of raising funds.

Financial position

Financial management

The aim of financial management within the BayWa Group is to provide the cash and cash equivalents required for the purpose of conducting regular business at all times. This task includes hedging against interest rate risk, currency risk and merchandise-related market risks by using suitable derivative instruments.

Currency futures and swaps are used selectively to hedge receivables and liabilities denominated in a foreign currency. These currency futures and swaps serve exclusively to hedge existing and future receivables and liabilities from underlyings in the purchase and sale of merchandise within the scope of customary business operations, as well as for internal Group financing in foreign currencies. Hedging transactions in the BayWa Group are designed to reduce the risks associated with fluctuating exchange rates. The volume of open positions arising from the respective underlyings and the resulting cash flows forms the basis for FX hedges. Terms reflect those of the underlyings.

Within the BayWa Group, financial management has been set up as a service centre for the operating business entities and not as a profit centre in its own right. In accordance with this conservative approach to providing services, the use of fungible financial products to generate original profit contribution in financial operations has been waived. In particular, there are no speculative risk positions in our financial operations.

Day-to-day financial management is focused on liquidity management through cash pooling for the same-day provision of liquidity within the individual Group divisions. At the same time, incoming payments and bank balances are used to reduce financial liabilities. Corporate Treasury uses suitable IT systems and appropriate treasury management software for this purpose.

The procurement of funds is organised centrally, with the exception of the activities in New Zealand, the Netherlands, Austria and eastern Europe. Corporate Treasury is responsible for the centralised monitoring of Group-wide financial exposures.

Financial management is subject to requirements imposed by an internal control system, which includes the documentation of transactions, a hierarchy of approval and resolution procedures, the principle of dual control as well as the segregation of Treasury front, middle and back offices.

To strengthen its financial profile, the BayWa Group changed its financing strategy in the financial year 2021 and took out a sustainable syndicated loan in the amount of €1.7 billion in September of that year, which was increased to €2.0 billion in the financial year 2022. The conditions for the loan are linked to the sustainability rating of the agency MSCI. An increase in the present rating from AA to AAA reduces the current interest margin. The new credit line was extended in the financial year 2023 and now runs until September 2025. The new syndicated loan replaces the bilateral and unsecured credit lines extended by the participating banks that were payable on a daily basis. At all times, lines of financing were available in an amount sufficient to ensure the business operations of the BayWa Group. By contrast, investments in property, plant and equipment, as well as acquisitions, will continue to be financed from equity and from the proceeds of long-term capital market transactions and other long-term loans. These include a hybrid bond issued in May 2023 (ISIN DE000A351PD9) for €60.0 million, which was increased by €40.0 million in September 2023 to a total of €100.0 million (see notes to the consolidated financial statements, Note C.11), bonded loans issued (see notes to the consolidated financial statements, Note C.14) and a corporate bond issued in June 2019 (coupon 3.125%, listed on the Luxembourg Stock Exchange, ISIN XS2002496409, denomination €1,000, term until 26 June 2024). The capital market measures therefore diversify the refinancing portfolio.

In addition, the project companies in the Renewable Energies Segment have access to separate non-recourse financing (without the lenders having access to the BayWa Group's assets and cash flows).

The management of working capital is a focal point at BayWa and comprises the optimisation of working capital as a net figure for current assets less current liabilities.

Interest rate risks inherent in short-term debt are covered by BayWa in the context of its risk management through the use of simple derivative instruments. Long-term interest rates were hedged naturally by issuing bonded loans in 2023, 2022, 2021, 2018, 2015 and 2014, as both fixed-interest and variable-interest rate tranches were issued and the interest rate risk was reduced as a result. The fixed coupon of the hybrid bond led to an increase in the hedge ratio by means of natural hedging.

Around 50% of the total borrowing portfolio is to be secured against interest rate risk through the respective hedging instruments. This partial hedging takes account of the strong, seasonally induced fluctuations in financing requirements.

BayWa evolved from the cooperative sector, with which it remains closely connected through its shareholder structure, as well as through the congruent regional interests of the cooperative banking sector and commerce. Along with its integration into the cooperative financial association, the broad transnational diversification of the bank portfolio and the financial instruments, in particular, lower the financing risk within the BayWa Group.

Capital structure

in € million	2019	2020	2021	2022	2023	Change 2023/22
Equity	1,339.0	1,153.6	1,816.1	1,909.0	1,713.0	- 10.3%
Equity ratio (in %)	15.1	12.9	15.4	14.7	13.7	–
Short-term borrowing [1]	4,377.1	4,865.7	5,323.9	5,570.3	5,756.3	3.3%
Long-term borrowing	3,131.5	2,930.7	4,631.4	5,497.1	5,049.4	- 8.1%
Debt	7,508.6	7,796.4	9,955.3	11,067.4	10,805.7	- 2.4%
Debt ratio (in %)	84.9	87.1	84.6	85.3	86.3	–
Total capital (equity plus debt)	**8,847.6**	**8,950.0**	**11,771.4**	**12,976.4**	**12,518.7**	**- 3.5%**

1 Including liabilities from disposal groups

As at 31 December 2023, the BayWa Group's total assets amounted to €12,518.7 million, down 3.5%, or €457.7 million, on the previous year. The main drivers of this change are long-term and short-term borrowings totalling minus €261.7 million. Besides, equity decreased by €196.0 million compared to the previous year. This change is partly due to opposing developments: The inclusion of hybrid capital, a subordinated bond that fulfils the criteria of an equity instrument in accordance with IAS 32.11, had the effect of increasing equity by €99.3 million. By contrast, the consolidated net loss for the year of €93.4 million and the losses of €83.0 million from electricity supply contracts in energy trading in the Renewable Energies Segment recognised directly in equity contributed to the decline. The dividend distributions for the financial year 2022 totalling €87.2 million and the measurement effect from pension and severance pay obligations (minus €47.9 million) due to the lower IAS discounting rate at the end of the financial year 2023 also reduced equity.

Capital management

The capital structure of the Group is made up of debt and equity. The equity ratio was 13.7% (2022: 14.7%) of total equity at the end of the reporting period. In order to provide a relevant metric, BayWa's capital management uses an adjusted equity ratio. The adjustments concern the reserve recognised for actuarial gains and losses from provisions for pensions and severance pay obligations (including minority interests) of minus €199.5 million (2022: minus €167.7 million). The reason for this is that this reserve results from a change of parameters not within the company's control when calculating personnel provisions. Adjusted for this effect, the adjusted equity ratio stands at 15.3% (2022: 16.0%). The information as defined in Section 160 para. 1 item 2 of the German Stock Corporation Act (AktG) for treasury shares is included in the Notes to the Consolidated Financial Statements.

For trading companies such as the BayWa Group, a fixed equity ratio is only of limited relevance as a key business figure. In particular, the change in current assets with the storage of inventories in the form of agricultural commodities, as well as the acquisition of project licences and the recognition of wind farms and solar parks under construction in the Renewable Energies Segment, has a direct influence on the balance sheet total – and therefore also on the equity ratio – but actually forms the basis for trading activities in the subsequent year. As a result, the BayWa Group uses equity-to-fixed-assets ratio II as a target in its capital management process. Equity and long-term borrowing should cover at least 90% of non-current assets. As at 31 December 2023, the equity-to-fixed-assets ratio was approximately 138% (2022: 169%).

The debt ratio increased to 86.3% in the past financial year 2023 (2022: 85.3%). At the BayWa Group, short-term borrowing is used exclusively to finance short-term funds tied up in working capital. The status of short-term borrowing disclosed at year-end regularly reflects the highest level of utilisation on account of the warehousing of commodities in the agricultural division and/or unfinished products in the Renewable Energies Segment. Short-term borrowing was up by €186.0 million year on year from €5.570.3 to €5.756.3 million. The increase is the result of opposing developments: The green bond with a nominal volume of €500 million was reclassified to short-term debt due to the repayment obligation in June 2024, which contributed considerably to the increase in short-term debt (plus €674.5 million). This was offset by decreases in trade payables and inter-group business relationships totalling minus €252.7 million and in liabilities from commodity futures, FX hedges and interest rate hedges amounting to minus €141.4 million. The price trend on the energy and commodity markets is decisive for the latter. Following the enormous price increases in the previous year as a result of the war against Ukraine, prices for energy and commodities fell back to pre-war levels in 2023.

Long-term borrowing fell by €447.7 million to €5,049.4 million. The main driver of this change is the reclassification of the green bond from long-term to current short-term debt. In addition, both deferred tax liabilities (minus €75.3 million) and liabilities from derivatives (minus €50.7 million) contributed to the decline in long-term borrowing. Other non-financial liabilities (up €95.7 million) – mainly due to the increase in other taxes – and lease liabilities (up €46.0 million) had the opposite effect.

Gearing

The BayWa Group's management assesses and manages the capital structure in regular intervals via factors such as the key indicators "adjusted net debt/adjusted equity" and "adjusted net debt/EBITDA".

Calculating adjusted net debt involves deducting cash and cash equivalents from short-term and long-term debt at banks. Non-recourse financing arrangements are also deducted despite them carrying interest. They pertain to loans extended to project companies in the Renewable Energies Segment that are solely based on project cash flow instead of the BayWa Group's credit rating. Lenders have no access whatsoever to the BayWa Group's assets and cash flows outside each project company. EBITDA generated by the project companies during the reporting year came to €54.1 million (2022: €63.7 million). Grain inventories for immediate use are also deducted. These inventories could be converted into cash and cash equivalents as soon as they are recorded due to their highly liquid and current nature as well as their daily prices listed on international markets and stock exchanges. Any price risk is fully eliminated by a physical asset for sale, either through concluding a sales agreement with a highly solvent business partner or through a forward contract on the stock exchange. On account of the highly liquid nature of these inventories, the BayWa Group deems it to be appropriate to deduct them as cash and cash equivalents when calculating net debt and the related financial key figures.

In € million	31/12/2023	31/12/2022
Long-term and short-term debt at banks	5,423.9	5,278.8
Less cash and cash equivalents	- 233.3	- 221.8
Net debt	**5,190.6**	**5,057.0**
Less non-recourse financing	- 575.0	- 418.2
Less inventories for immediate use	- 958.9	- 1,208.5
Adjusted net debt	**3,656.7**	**3,430.3**
EBITDA	587.3	858.8
Adjusted equity	1,912.5	2,076.7
Adjusted net debt / adjusted equity (in %)	**191.2**	**165.2**
Adjusted net debt / EBITDA	**6.2**	**4.0**

Given the different business models between the BayWa Group's primary trading business and project development, which mainly takes place in the area of renewable energies, gearing is subject to differences in recognition, reporting and review, depending on the business activity. The use of the borrowed funds differs in the two fields of business. Furthermore, borrowing as part of project development is accrued over a longer period of time before the corresponding inflows result from the sale of the projects. Both aspects are taken into account in the calculation of adjusted net debt for trade business. The Renewable Energies Segment's financial liabilities, cash and cash equivalents, and EBITDA generated in the financial year are deducted in the process. The value of the key indicator "Adjusted net debt/EBITDA" should lie between 3.0 and 4.5 for the BayWa Group trade activities and is determined using the following approach:

In € million	31/12/2023	31/12/2022
Long-term and short-term debt at banks	3,313.6	3,246.2
Less cash and cash equivalents	- 128.3	- 86.8
Net debt	**3,185.3**	**3,159.4**
Less non-recourse financing	0.0	0.0
Less inventories for immediate use	- 958.8	- 1,208.5
Adjusted net debt	**2,226.5**	**1,950.9**
EBITDA	**318.0**	**494.5**
Adjusted net debt / EBITDA	**7.0**	**3.9**

The above-mentioned target range was not achieved in the financial year 2023. The main reason for this is business development, particularly in the Agri Trade & Service, Building Materials and Global Produce Segments. There were declines in earnings compared to the previous year for various reasons (see "Operative business development" at the beginning of this financial report).

Cash flow statement and development of cash and cash equivalents

In € million	2019	2020	2021	2022	2023
Cash flow from operating activities	- 24.9	675.9	- 583.6	- 337.2	455.0
Cash flow from investment activities	- 149.4	- 251.5	- 197.2	- 293.2	- 378.7
Cash flow from financing activities	282.6	- 482.6	1,009.0	451.5	- 61.0
Cash and cash equivalents at the end ot the period [1]	229.7	168.4	399.1	221.8	233.3

1 Including outflow of funds due to changes in the group of consolidated companies and in exchange rates in the amount of €3.8 million

The cash flow from operating activities came to €455.0 million in the financial year 2023, a year-on-year increase of €792.2 million. Based on cash earnings that were €256.4 million lower than in the previous year, this increase was mainly due to a clear reduction in inventories, trade receivables and other assets not allocable to investment and financing activities in the total amount of €444.9 million. Compared to the same period of the previous year, in which there was an increase in inventories and receivables, the cash inflow was therefore €1,531.1 million higher. Offsetting this is higher cash outflow of €348.2 million as a result of the decrease in trade payables and other liabilities not allocable to investment and financing activities, as well as the €64.1 million decrease in current and medium-term provisions.

Cash flow from investment activities saw a cash outflow of €378.7 million for the reporting year. As a result, cash outflows for investment activities rose year on year by €85.5 million. Payments for company acquisitions came to €43.9 million (2022: €91.1 million). This was offset by incoming payments from the divestiture of companies totalling €83.2 million (2022: €61.5 million). In the financial year 2023, investments in intangible assets, property, plant and equipment and financial assets totalled €541.6 million (2022: €379.1 million), the majority of which were attributable to wind farms and solar parks as part of the Renewable Energies Segment's IPP business entity. This amount was offset by incoming payments from the disposal of intangible assets, property, plant and equipment, and investments of €103.0 million (2022: €106.0 million).

The cash flow from financing activities came to minus €61.0 million in the financial year 2023, a year-on-year decrease of €512.5 million. Cash inflows resulted from the raising of loans totalling €1,003.7 million and the issue of a hybrid bond in the amount of €100 million. By contrast, in addition to interest payments (€335.2 million) and dividend payments at BayWa AG and at subsidiaries (totalling €87.2 million), the repayment of loans amounting to €645.9 million in particular led to cash outflows.

In an overall analysis of the cash flow from operating activities, investment and financing activities, and in consideration of changes to the group of consolidated companies and changes in foreign exchange rates, the cash inflow from operating activities was compensated for by the cash outflow from financing and investment activities. As a result, cash and cash equivalents at the end of the reporting year came to €233.3 million, which was €15.3 million higher than in the previous year.

Financial base and capital requirements

The BayWa Group's financial base is replenished by funds from the short-term debt for working capital and by funds from operating activities. Investment financing and the ongoing financing of operations have a considerable impact on the capital requirements of BayWa AG, as do the repayment of debt and ongoing interest payments. The overall view of liquidity and debt is determined through the calculation of adjusted net liquidity or net debt and used for internal financial management as well as for external communication with financial investors and analysts. Net liquidity and net debt is derived from the sum total of cash and cash equivalents less bank debt and outstanding loans, as reported in the balance sheet.

Along with the syndicated loan and short-term borrowing, the company also finances itself by way of a multi-currency Commercial Paper Programme with a total volume of €1,000.0 million. At the end of the reporting period, securities had been issued in euros in the amount of €632.4 million (2022: €641.7 million) with an average weighted residual term of 48 days (2022: 54 days). At the end of the reporting period, €152.1 million (2022: €145.8 million) in receivables had been financed at their nominal value from the ongoing Asset-Backed Securitisation (ABS) Programme.

In December 2023, BayWa AG issued a sustainable bonded loan in the amount of €11.0 million as part of a private placement. The conditions for the loan are linked to the sustainability rating of the agency MSCI. An increase in the present rating from AA to AAA reduces the current interest margin. A downgrade increases the interest margin. The term is 10 years.

In October 2023, a bonded loan of €25.0 million was issued as part of a private placement. The term is 5 years. A sustainable bonded loan of €117.5 million was issued in November 2023, which mainly served to refinance the bonded loans maturing in the financial year 2023. The conditions for the loan are linked to the sustainability rating of the agency MSCI. An decrease in the present from AA would increase the current interest margin. The bonded loan has an average term of 5.5 years.

Investments

In the financial year 2023, the BayWa Group invested a total of €736.7 million (2022: €618.4 million) in intangible assets (€67.9 million) and property, plant and equipment (€668.8 million), taking into account the acquisitions made. Investments in property, plant and equipment in the financial year 2023 primarily related to wind farms and solar parks to expand the IPP portfolio in the Renewable Energies Segment. Additional investments were made in the financial year in the repair and maintenance of technical facilities and machinery, buildings, facilities (under construction) and office fixtures and fittings, as modern locations and seamlessly operating facilities are a precondition for efficient logistics processes.

Real estate no longer used for operations was sold off wherever appropriate in the financial year 2023. The proceeds accruing from these transactions are used to reduce debt or to finance the Group's growth.

Excluding company acquisitions, roughly 60.0% of total investments in non-current assets at the BayWa Group were accounted for by the Renewable Energies segment. In addition, the Agri Trade & Service Segment accounted for 10.7% of the investments, the Global Produce Segment for 7.1% and the Building Materials Segment for 6.0%. The remaining 16.4% of the investments were distributed among Other Activities and the Agricultural Equipment, Cefetra Group, Energy and Innovation & Digitalisation Segments.

Earnings position

in € million	2019	2020	2021	2022	**2023**	Change 2023/22
Revenues	17,059.0	16,464.7	19,839.1	27,061.8	23,948.2	- 11.5%
EBITDA	403.0	464.8	552.8	858.8	587.3	- 31.6%
EBITDA margin (in %)	2.3	2.8	2.8	3.2	2.5	–
EBIT	188.4	211.6	266.6	504.1	304.0	- 39.7%
EBIT margin (in %)	1.0	1.1	1.3	1.9	1.3	–
EBT	79.2	107.6	160.6	319.6	- 37.7	>- 100,0%
Consolidated net result for the year	65.1	59.5	128.8	239.5	- 93.4	>- 100,0%

The revenues of the BayWa Group fell by 11.5%, or €3,113.6 million, to €23,948.2 million in the financial year 2023. This was due in particular to the year-on-year decline in energy and commodity prices in the trading business, which led to lower revenues in the Agri Trade & Service (down €851.4 million to €4,899.3 million), Cefetra Group (down €801.9 million to €5,309.3 million), Renewable Energies (down €699.8 million to €5,789.4 million), Energy (down €523.6 million to €2,820.0 million), Building Materials (down €358.6 million to €1,988.3 million) and Global Produce Segments (down €42.7 million to €878.6 million). By contrast, revenues in the Agricultural Equipment Segment increased (up €162.8 million to €2,239.3 million). In the Innovation & Digitalisation (up €0.0 million to €10.4 million) and in Other Activities Segments (up €1.6 million to €13.6 million), revenues were on a par with the previous year.

Other operating income decreased year on year by €81.2 million to €411.7 million. This development was mainly due to considerably lower foreign exchange gains of €132.9 million (2022: €212.7 million), which were offset by foreign exchange losses of €145.5 million (2022: €219.8 million) (recognised under other operating expenses). In addition, income from the release of provisions fell by €23.7 million to €42.5 million. The decline in income from the release of provisions is due in particular to special effects from the previous year. In the financial year 2022, the non-granting of necessary building permits for a project in the UK in the Renewable Energies Segment led to a release of provisions recognised in profit or loss in the amount of €30.3 million; there were no comparable special effects for individual business transactions relating to the release of provisions in the reporting year 2023.

In the financial year 2023, the BayWa Group reported an increase in inventories of €157.1 million (2022: €370.4 million), which was chiefly attributable to incomplete real estate projects in the Building Materials Segment and to wind and solar energy projects in the Renewable Energies Segment that were under construction.

In conjunction with the decline in revenues due to lower energy and commodity prices, the BayWa Group's cost of materials fell by €3,294.3 million to €21,286.9 million in the reporting year. Taking into account the lower revenues and the decline in the cost of materials, gross profit fell by €103.9 million to €3,273.2 million in the financial year 2023, which corresponds to a decrease of 3.1%.

Personnel expenses climbed year on year by €95.6 million to €1,605.3 million. This was due in particular to the company acquisitions in the financial year 2023 and the continued growth in the Renewable Energies Segment, as well as the one-off special payment totalling just under €30.0 million in total to parts of the workforce to mark the 100th anniversary of BayWa AG.

At €1,095.9 million, other operating expenses were up by €23.9 million on the previous year's figure of €1,072.0 million in the financial year 2023. Other operating expenses primarily consisted of expenses due to foreign exchange losses of €145.5 million (2022: €219.8 million), fleet maintenance expenses of €86.7 million (2022: €88.1 million); maintenance expenses of €85.7 million (2022: €87.4 million) and other expenses due to general sales and other costs in the amount of €233.7 million (2022: €172.3 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) fell by €271.5 million, or 31.6%, to €587.3 million in the financial year 2023 (2022: €858.8 million).

At €283.3 million, amortisation and depreciation at the BayWa Group was €71.4 million lower in the financial year 2023 than in the previous year (€354.7 million). The main reason for year-on-year decline in amortisation and depreciation was a necessary impairment in the financial year 2022: In the Renewable Energies Segment, the construction of a wind farm in the US with a total output of 95 megawatts was partially halted due to site-related uncertainties, resulting in substantial delays and cost increases. This led to an impairment loss of €55.6 million in the previous year. There was no comparable impairment in the reporting year 2023.

In the financial year 2023, the BayWa Group generated earnings before interest and tax (EBIT) of €304.0 million. This figure was €200.1 million, or 39.7%, below the EBIT of the of €504.1 million recorded in the financial year 2022. Compared to the financial year 2021 (EBIT: €266.6 million), EBIT rose by €37.4 million, or 14.0%, as at 31 December 2023.

The financial result comprises income from participating interests, which is allocated to EBITDA and EBIT, and net interest. At €15.2 million, income of the BayWa Group from participating interests was lower in the reporting year than the €63.3 million seen in the previous year. This development was due to the €2.3 million decrease in the equity result to €11.9 million and to the €45.8 million fall in other income from shareholdings to €3.3 million. The latter is due in particular to the sale of Karadoc Solar Farm HoldCo Pty Ltd, Melbourne, Australia, (including its subsidiaries) in the Renewable Energies Segment in the financial year 2023 and the non-recurring effect from the sale of the Bioenergy portfolio in the financial year 2022. The BayWa Group's net interest fell by €157.2 million to minus €341.7 million in the financial year 2023. This decrease was mainly driven by the €159.9 million rise in interest expenses to €362.0 million due to the sustained high interest rates in the financial year 2023. By contrast, interest income, at €20.3 million, was on a par with the previous year's figure of €17.6 million.

The BayWa Group's earnings before tax (EBT) decreased by €357.3 million year on year to minus €37.7 million. This decline is attributable to the deterioration in earnings in all operating segments of the BayWa Group. Only in Other Activities were earnings before tax higher than in the previous year. Together with the consolidation effects shown in the reconciliation, this represents an increase of €56.5 million.

Income tax expense for the BayWa Group came to €55.7 million in the financial year 2023 (2022: €80.1 million), which corresponds to a tax rate of 147.7% (2022: 25.1%). The increase in the tax rate was due in particular to value adjustments on deferred tax assets, tax expenses relating to other periods and higher trade tax additions triggered by the higher level of interest rates. After deducting income tax expense, the BayWa Group generated a consolidated net loss of €93.4 million for the financial year 2023. Compared to the previous year, this corresponds to a decrease of €332.9 million.

The share of profit due to shareholders of the parent company stood at minus €98.4 million (2022: €168.1 million). Earnings per share (EPS), calculated from the portion of the result attributable to the shareholders of the parent company in relation to the average number of shares outstanding of 35,862,389 (dividend-bearing shares less treasury shares), stood at minus €2.84 in the financial year 2023 and were therefore below the value of €4.36 in the previous year.

At the end of the reporting period, BayWa AG had considerable order volumes that had yet to be fulfilled in the Agricultural Equipment Segment. The order backlog on 31 December 2023 was €523.8 million (2022: €625.7 million). Of this total, €463.2 million (2022: €561.4 million) was attributable to new machinery, and €49.8 million (2022: €53.9 million) to indoor equipment (farm and animal equipment). The €101.9 million decrease in order backlog is due to high deliveries in the financial year 2023, which made it possible to largely reduce the exceptionally high order backlog from the previous year as well as orders received during the year. Furthermore, the good producer prices at the end of the financial year incentivised farmers to invest, allowing the order backlog to be built up again.

Financial performance indicators

BayWa orients the short-term management of its corporate divisions with the development of key earnings indicators EBITDA, EBIT and EBT. EBIT acts as the most important financial performance indicator. Key earnings indicators for the segments of the BayWa Group developed as follows in the financial year 2023:

Key financial earnings figures

	Earnings before interest, tax, depreciation and amortisation (EBITDA)			Earnings before interest and tax (EBIT)			Earnings before tax (EBT)		
In € million **2023**		change (absolute)	change (in %)		change (absolute)	change (in %)		change (absolute)	change (in %)
Renewable Energies	271.3	- 93.0	- 25.5	193.8	- 45.3	- 18.9	58.5	- 102.7	- 63.7
Energy	34.1	- 37.2	- 52.2	17.8	- 35.8	- 66.8	14.7	- 37.2	- 71.7
Cefetra Group	73.8	- 7.2	- 8.9	64.6	5.1	8.6	27.7	- 19.1	- 40.8
Agri Trade & Service	68.6	- 87.6	- 56.1	26.4	- 78.3	- 74.8	- 30.7	- 102.7	> - 100,0
Agricultural Equipment	109.6	15.8	16.8	84.6	14.4	20.5	50.2	- 4.3	- 7.9
Global Produce	19.1	- 37.3	- 66.1	- 15.1	- 36.2	> - 100,0	- 32.7	- 43.1	> - 100,0
Building Materials	44.2	- 61.5	- 58.2	6.6	- 63.8	- 90.6	- 30.4	- 79.4	> - 100,0
Innovation & Digitalisation	- 4.5	1.1	19.6	- 10.8	0.6	5.3	- 12.7	- 0.4	- 3.3

The difference in the contributions from each segment to the total earnings of the BayWa Group in all three key earnings indicators, EBITDA, EBIT and EBT, is calculated from the earnings contribution of the Other Activities Segment as well as on the basis of economic influence factors at Group level. BayWa does not perform any entrepreneurial management in the Other Activities Segment, as this segment encompasses peripheral activities that are of secondary importance in the BayWa Group. Group-wide economic influence factors are circumstances not attributable to the operational management of the segments.

Medium- to long-term portfolio optimisation of the BayWa Group is carried out through value-oriented management. Using economic profit as a basis, this system calculates the surplus return on invested capital (ROIC) of the business units or segments by means of their risk-weighted costs of capital.

Economic Profit

In € million **2023**	Renewable Energies	Energy	Cefetra Group	Agri Trade & Service	Agricultural Equipment	Global Produce	Building Materials
Net Operating Profit	193.8	17.8	64.6	26.4	84.6	- 15.1	6.6
Average invested capital [1]	3,266.9	130.6	636.5	1,429.3	863.9	442.7	886.4
ROIC (in %)	5.93	13.64	10.16	1.84	9.79	- 3.40	0.74
Weighted average cost of capital (WACC) (in %)	7.90	8.60	7.00	7.00	9.10	6.60	8.50
Difference (ROIC less WACC) (in %)	- 1.97	5.04	3.16	- 5.16	0.69	- 10.00	- 7.76
Economic profit by segment	**- 64.3**	**6.6**	**20.1**	**- 73.7**	**6.0**	**- 44.3**	**- 68.8**

1 Immaterielle Vermögenswerte + Sachanlagen + Net Working Capital

In the financial year 2023, the Cefetra Group, Energy and Agricultural Equipment Segments generated a surplus over the respective cost of capital despite rising capital costs and a tense economic environment overall. In spite of the falling prices for agricultural products, the Cefetra Group Segment recorded an economic profit of €20.1 million (2022: €14.6 million). The Energy (€6.6 million, 2022: €45.3 million) and Agricultural Equipment Segments (€6.0 million, 2022: €15.6 million) also achieved a positive economic profit. By contrast, the Agri Trade & Service (minus €73.7 million, 2022: €11.4 million), Building Materials (minus €68.8 million, 2022: €14.2 million), Renewable Energies (minus €64.3 million, 2022: €52.0 million) and Global Produce Segments (minus €44.3 million, 2022: minus €6.5 million) each posted a negative economic profit. The main reasons for this are the persistently high level of interest rates and higher energy prices. In addition, the Agri Trade & Service Segment in particular was unable to match the previous year's very good result due to falling prices for agricultural products. Likewise, the Global Produce Segment's operating result in the financial year 2023 was negatively impacted by Cyclone Gabrielle, which caused extensive damage in large parts of the North Island of New Zealand, including on the plantations of the New Zealand subsidiary Turners & Growers New Zealand Limited, Auckland.

Comparison of forecast business development with actual business development

Segment	Indicator	Forecast [1]	Actual [1]
Renewable Energies	EBIT	slight decrease	substantial decrease
Energy	EBIT	sharp decrease	sharp decrease
Cefetra Group	EBIT	substantial decrease	clear increase
Agri Trade & Service	EBIT	sharp decrease	sharp decrease
Agricultural Equipment	EBIT	significant decrease	significant decrease
Global Produce	EBIT	slight decrease	sharp decrease
Building Materials	EBIT	significant decrease	sharp decrease
Group	**EBIT**	**significant decrease**	**significant decrease**

1 Explanation of the qualitative and comparative statements:
slight, moderate, low ≙ 1–5%; noticeable, clear ≙ 5–10%; substantial, considerable ≙ 10–20%; significant ≙ 20–50%;
sharp, steep, strong ≙ > 50%

General statement on the business situation of the Group and explanation of projections/deviation from planned targets

As forecast, the BayWa Group recorded a significant decline in EBIT in the financial year 2023 compared to the exceptional year 2022. The price shocks and supply bottlenecks on the commodity and energy markets triggered by the war against Ukraine largely dissipated in the financial year 2023. Lower prices and volatility than in the previous year also resulted in lower margin potential for BayWa in some cases. Cyclone Gabrielle in New Zealand also had an unexpected negative impact on the Global Produce Segment, as did the massive weakness in the construction industry.

Despite these more difficult conditions, the Agricultural Equipment and Cefetra Group Segments achieved an increase in EBIT and therefore performed better than expected. Business development in the Agricultural Equipment Segment benefited from farmers' high willingness to invest and improved availability of goods due to resolved supply chain problems. The Cefetra Group Segment again participated in trading opportunities resulting from price fluctuations in both the traditional and speciality business. In the previous year, earnings were negatively impacted by the cancellation of grain contracts due to the war. These burdens were not repeated in the reporting year. As expected, the Energy and Agri Trade & Service Segments recorded a sharp decline in EBIT. In the reporting year, lower prices on the energy and agricultural commodity markets led to lower trading margins. The Agri Trade & Service Segment was also negatively impacted by impairment losses on fertilizer inventories. The performance of the Renewable Energies, Global Produce and Building Materials Segments was weaker than expected. In the Renewable Energies Segment, the increase in earnings in energy trading was unable to compensate for the weak demand and the fall in module prices in solar trading. Damage caused by Cyclone Gabrielle in New Zealand had a negative impact on the Global Produce Segment in particular, resulting in reduced harvest volumes and increased costs. The Building Materials Segment was hit faster than expected by the slump in the construction industry in Germany in 2023 and recorded a substantial decline in sales, particularly in the building construction, gardening and landscaping and roofing product ranges. In addition, the segment was also disproportionately affected by inflation-related wage increases and special expenses for the bonus to mark BayWa's 100th anniversary due to the high share of personnel costs of over 70%.

At Group level, the developments described above resulted in a significant decline in EBIT compared to the previous year. At €304.0 million, BayWa's EBIT was almost 40% below the previous year's level. The annual forecast of €320 million to €370 million made in the 2023 reporting year was therefore missed slightly.

While the Board of Management still considers the operating performance to be satisfactory, taking into account certain negative special factors, the consolidated net result for the year developed very unsatisfactorily. High interest and tax expenses led to a deficit in the reporting year. The BayWa Group's profitability is to be sustainably improved through cost-cutting and optimisation measures. Measures were already introduced for this in 2023.