Consolidated Management Report of BayWa AG for the Financial Year 2021

Note about these consolidated financial statements

- The segment report has been changed since the previous year. The previous business units now constitute the reportable segments within the meaning of IFRS 8. Consequently, the BayWa Group's business activities are divided into the Renewable Energies, Energy (formerly: Conventional Energy), Cefetra Group (formerly: BayWa Agri Supply & Trade, BAST), Global Produce, Agri Trade & Service, Agricultural Equipment and Building Materials Segments. In the management report, these segments are assigned to the energy, agriculture and building materials business units. Please see Note E.2 of the Notes to the Consolidated Financial Statements for further details.
- Error corrections pursuant to IAS 8 were applied in the financial year 2021. The previous year's figures have been adjusted accordingly. Please see Note A.7 of the Notes to the Consolidated Financial Statements for further details.
- Qualitative and comparative statements are used to describe changes in results and earnings, as well as forecast ranges. Explanation of the qualitative and comparative statements:
  slight, moderate, low ≙ 1–5%; noticeable, clear ≙ 5–10%;
  substantial, considerable ≙ 10–20%; significant ≙ > 20%
- For reasons of readability, gender-specific wording and formal reference to all gender identities are not used. The selected form stands for all genders (m/f/other).

Overview

The BayWa Group developed very positively in 2021, despite the ongoing coronavirus pandemic. In nearly all business units and segments, the corporate goals for the reporting year were met or exceeded.

Overall, the development of the energy business unit exceeded expectations by a clear margin. The Renewable Energies Segment, which continued to benefit from the trend towards greater sustainability and set new records in terms of revenues and earnings before interest and tax (EBIT), was the main driver of this performance. As expected, operating earnings fell by nearly 50% in the Energy Segment due to lower demand for heating oil and fuels.

In the agriculture business unit, the international Cefetra Group and Global Produce Segments saw positive development and clear increases in revenues and EBIT in some cases, primarily due to higher prices. The Agri Trade & Service Segment also achieved revenue growth year on year and once again generated a positive EBIT contribution following a loss in the previous year. The Agricultural Equipment Segment succeeded in beating its revenue record from the previous year, even though EBIT fell, as expected.

The building materials business unit, with the segment of the same name, exceeded the development expectations by a clear margin. Continued strong construction activity helped the segment to set new revenue and EBIT records.

The BayWa Group's revenues grew by 20.5% to €19,839.1 million in the financial year 2021. At €266.6 million, EBIT climbed to its highest level in the company's history. In 2021, the BayWa Group again benefited from its heavily diversified business activities and its strategic international orientation, which went a long way to limiting the impact of the coronavirus pandemic on the BayWa Group, as in the previous year.

Revenues in the Renewable Energies Segment rose by 61.1% to €3,560.0 million in the financial year 2021. Plant sales achieved a total output of 612.8 megawatts (MW) in the reporting year, with turnkey energy plants accounting for a share of roughly 74%. At €135.0 million, BayWa r.e. set a new record in terms of EBIT and saw a significant increase compared to the previous record of €110.9 million, which was set in the previous year. The improvement in both revenues and EBIT exceeded the high expectations and was primarily attributable to project sales and growth in solar trading. In trade activities involving photovoltaic (PV) modules, the total output of PV modules sold rose by some 73% to more than 2 gigawatt-peak (GWp). A capital increase of €530 million and the addition of a new partner helped set the course for the segment's strategic development going forward. As part of the capital increase, BayWa r.e. renewable energy GmbH was converted into an Aktiengesellschaft (stock corporation) under German law and started trading as BayWa r.e. AG on 31 March 2021. In the Energy Segment, EBIT was down on the previous-year figure in 2021, as expected. This was due in particular to a significant decline in demand for heating oil and fuels on account of the sharp rise in oil prices and additional price increases caused by the introduction of carbon pricing. Thanks to the sharp rise in heating oil and fuel prices, revenues increased by 21.9% to €2,128.2 million, following €1,745.2 million in the previous year. EBIT fell by 45.3% from last year's record of €31.8 million to €17.4 million in 2021, primarily due to the lower demand for heating oil and fuels. However, business involving wood pellets saw clear gains, helping to compensate for part of the drop in earnings from heating oil and fuel.

The Cefetra Group Segment comprises international grain and oilseed trade activities. The Cefetra Group Segment's grain and oilseed handling volume fell by 4.8% to 21.8 million tonnes in the financial year 2021. This decline was caused by the strategic decision in 2020 to close the Cefetra Hungary Kft. trading office in Hungary and the discontinuation of the export business in some regions of the Middle East. By contrast, the specialities business – and Royal Ingredients in particular – developed very positively. In addition, the range of specialities was expanded to include dairy products and alternatives for the food industry (through Cefetra Dairy B.V.) and special crops of African origin (through the new Sedaco DMCC trading centre in Dubai). The Cefetra Group Segment's revenues increased by 18.8% to €4,996.3 million in the reporting year, mainly due to price effects. EBIT rose by 79.6% to €38.8 million in the reporting year. High volatility enabled improved profit margins from product trade activities. The expansion of the higher-margin specialities business and further product diversification in sustainable products also contributed to the increase in earnings.

The Global Produce Segment recorded a considerable 11% decrease in marketing volume to 444,337 tonnes in the financial year 2021, with figures down year on year in all product categories. Marketing volume was a good 10% lower year on year in dessert pome fruit, the largest category by volume. In particular, lower apple marketing volume, revenue losses in New Zealand on account of local lockdown measures and the rise in logistics costs for all imported goods had a negative impact. Tropical fruit, soft and stone fruit, and vegetable fruits also saw weather-related declines in sales. Overall, the Global Produce Segment generated revenues of €960.7 million in the reporting year, following €938.5 million in the previous year. The lower sales volumes were largely balanced out by higher product prices on the markets. EBIT increased by €0.8 million year on year to stand at €42.6 million in 2021, following €41.8 million in the previous year. The year-on-year improvement in earnings is primarily attributable to one-off income from the sale of properties no longer required for business purposes of €13.0 million and the awarding of additional cultivation rights for Envy premium apples.

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 trade in agricultural inputs and the collection and marketing of agricultural products in eastern Germany were pooled in BayWa Agrarhandel GmbH in 2021, allowing BayWa to optimise logistics and the efficiency of its activities while strengthening its marketing position. In the agricultural input business, sales of fertilizer benefited in the first half of 2021 from optimum weather conditions and higher prices. Crop protection product trade also expanded thanks to more favourable weather conditions, as the wet and warm weather necessitated greater use of fungicides in particular compared to the dry previous years. Seed demand was on a par with the previous year. BayWa benefited from its wide product range and higher demand for its private brands in all main product groups. In terms of feedstuff, BayWa managed to keep its sales volume on a par with the previous year. Grain and oilseed trading volume decreased in the Agri Trade & Service Segment by 2.4% year on year to just under 8.4 million tonnes in 2021. Overall, revenues in the Agri Trade & Service Segment increased by 16.9% to

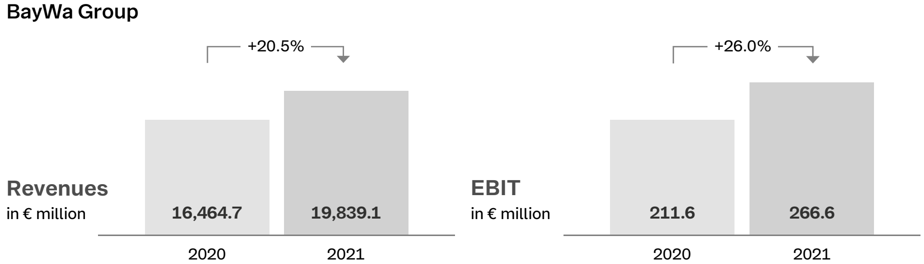
€4,178.7 million, primarily on account of the clear year-on-year rise in grain prices. EBIT stood at €12.3 million in 2021, following a negative EBIT of €14.3 million in the previous year.

In the Agricultural Equipment Segment, the boom seen in 2020 did not continue in 2021. The reduction in the value added tax rate, which expired on 31 December 2020, led to anticipatory effects. In the reporting year, however, invoicing was shifted into the following year in some cases on account of the tense supply situation. With new machinery sales of 4,973 units in 2021, the Agricultural Equipment Segment sold 909 fewer tractors than in the previous year. Still, that figure was considerably higher than the average for the past five years – including the record-setting year of 2020. In the Agricultural Equipment Segment's service business and spare parts sales, the above-average registration figures in past years led to an increase in capacity utilisation, with workshops benefiting from their substantial stocks and inventories in a market environment plagued by supply bottlenecks for spare parts. In the international business, the Dutch Group company Agrimec Group B.V. performed roughly on a par with the previous year. All in all, the Agricultural Equipment Segment surpassed its record revenues from 2020 by 2.1% in the reporting year, with revenues of €1,909.0 million. By contrast, EBIT fell to €48.6 million in 2021, following €54.4 million in the previous year. The decline was mainly attributable to lower new machinery sales and cost increases under collective wage agreements.

The Building Materials Segment saw a very positive financial year 2021. Alongside the high-revenue structural engineering segment, the civil engineering, roofing, gardening and landscaping, dry construction, construction equipment and tool product ranges recorded very high demand. The marked growth was attributable to strong construction activity and the successful implementation of the multi-specialist strategy. The sale and product range specialisations in wooden construction, formwork equipment, prefabricated components, metal roofing, flat roofing and pallets, which were introduced in 2020, continued to be an important success factor in 2021. In addition, the Building Materials Segment benefited from the fact that, as a key part of the economy, the building materials locations in Germany was unaffected by the temporary closures to stop the spread of the coronavirus in the first half of 2021. BayWa Bau Projekt GmbH was also able to make a positive contribution to business development and is becoming an important pillar of BayWa's building materials trade activities. Overall, the Building Materials Segment's revenues increased by 9.8% to €2,084.2 million in the financial year 2021, with EBIT increasing by 56.1% to €73.2 million, following €46.9 million in the previous year.

The Innovation & Digitalisation Segment's revenues increased to €11.1 million in 2021, following €10.2 million in the previous year. At a good 42%, the largest share of revenues came from software licences and software maintenance contracts, followed by services such as satellite-based products for site-specific cultivation, including analyses and advice, and soil sampling, with a share of just over 36%. Sensors, measurement systems for soil analysis programmes and other hardware accounted for just under 22% of revenues. As predicted, the Innovation & Digitalisation Segment recorded negative EBIT. However, the segment also carries out a service role for the operating segments by hosting and further developing the BayWa Portal, which does not generate any direct income. Negative EBIT of €20.2 million was reported in the reporting year, following minus €10.9 million in the previous year. The higher loss was caused by impairments on property, plant and equipment and intangible assets, such as discontinued IT applications and obsolete software.

BayWa Group



Total revenues at the BayWa Group increased by 20.5% to €19,839.1 million in the reporting year. EBIT improved by 26.0% to €266.6 million. Earnings before tax also saw a clear increase to €160.6 million – a rise of 49.3% year on year. At €128.8 million, the consolidated net result for the year was up significantly year on year following tax expenses of €31.8 million. The share of the consolidated net result for the year attributable to BayWa's shareholders increased by 96.9% to €70.0 million. Earnings per share stood at €1.63 following

66 cents in the previous year. The Board of Management and Supervisory Board will recommend to the Annual General Meeting a 5-cent increase in the dividend to €1.05 per share.

Background to the Group

Group structure and business activities

The BayWa Group

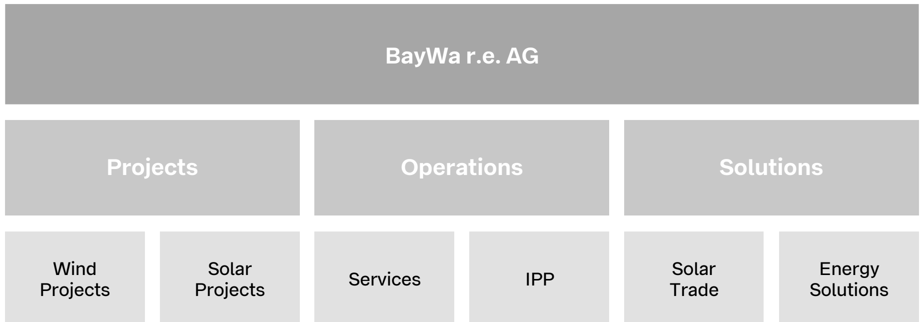
2021	Revenues (In € million)	Employees (annual average)
Renewable Energies	3,560.0	2,821
Energy	2,128.2	1,359
Cefetra Group	4,996.3	496
Global Produce	960.7	3,650
Agri Trade & Service	4,178.7	3,408
Agricultural Equipment	1,909.0	3,805
Building Materials	2,084.2	4,454
Innovation & Digitalisation	11.1	240
Other Activities	10.9	952
Total	**19,839.1**	**21,185**

BayWa AG was established in 1923 and has its principal place of business in Munich. Through consistent growth and the continual expansion of its scope of services, BayWa has grown from its humble beginnings in agricultural cooperative trade activities into a provider of integrated solutions and a project developer in the business units energy, agriculture and building materials. The BayWa Group's business activities encompass planning, wholesale, retail and logistics, as well as extensive supporting services and consultancy. Its business focus is on Europe, but BayWa has also established an international trade and procurement network by maintaining important activities in the US and New Zealand and business relations from Asia to South America. The BayWa Group has registered places of business in 50 countries, either through itself or through Group companies.

BayWa AG conducts its business in seven operating segments and the development-focused Innovation & Digitalisation Segment, both directly and through its subsidiaries, which are included in the group of consolidated companies. Besides the parent company, BayWa AG, the BayWa Group comprises 521 fully consolidated Group companies. Furthermore, 25 companies were included at equity in the consolidated financial statements of BayWa AG.

Renewable Energies Segment

The Group pools material aspects of the renewable energy value chain in BayWa r.e. AG. BayWa r.e. pursues a three-pronged diversification strategy for its business portfolio: by country, by energy carrier and by business activity. Business activities are divided into three business divisions: Projects, Operations and Solutions.



Projects encompasses international project planning, management and the construction of wind farms and solar parks as well as the sale of finished plants. Going forward, BayWa r.e. also plans to expand its activities to include offshore wind turbines. The Operations division comprises planning and technical services, the provision of consumables, technical and commercial management, the maintenance of plants, energy trade activities and the marketing of electricity from own plants as an independent power producer (IPP). Branches in Europe and South East Asia make it possible to provide customers of BayWa r.e. with 24-hour service around the globe. A control room in Irvine, California, USA, was set up in 2021 to increase global coverage and strengthen the growing service business in North America. In the service business, the company currently oversees facilities with a total installed output of approximately 9.7 gigawatts (GW) worldwide. In energy trade activities, which is part of the IPP business entity, BayWa r.e. markets electricity, gas and heat generated from renewable sources. Solutions involves selling photovoltaic systems and components and tailored energy solutions to supply energy to commercial and industrial customers. The Renewable Energies Segment has had a strong international focus since its founding in order to reduce reliance on individual national markets. BayWa r.e. is now represented in Europe, in North America, in the Asia-Pacific region and in Africa, amounting to a total of 29 countries.

Energy Segment

In its Energy Segment, BayWa predominantly sells heating oil, fuels, lubricants and wood pellets, mainly in Bavaria, Baden-Württemberg, Hesse, Saxony and Austria. The Energy Segment's activities are divided into the fields of lubricants, heating oil, diesel and Otto fuels, wood pellets, contracting and BayWa Mobility Solutions GmbH. BayWa sells lubricants to commercial and industrial customers, as well as to farmers and operators of combined heat and power plants. The lubricant business comprises trade in the TECTROL brand and extensive applications and service packages for key customers, such as operators of biogas engines, as well as commercial customers. In addition, the Interlubes digital platform is used for selling lubricants and agricultural inputs from all major manufacturers and brands online to B2B users in the areas of commerce, industry, municipal services, transportation, agriculture and forestry. Furthermore, BayWa Haustechnik GmbH provides installation services for heating, plumbing and ventilation across regional boundaries at 14 locations. The spectrum of services ranges from oil, gas, wood and pellet heating technology to heat pumps, solar systems, residential ventilation and sanitation technology. The field of heating oil and diesel and Otto fuels supplies farmers and commercial customers – including construction sites and farms – with fuels. Heating materials are primarily sold through in-house offices. Diesel and Otto fuels, as well as AdBlue, are sold through a total of 120 Group filling stations and partner stations in Germany. In addition, BayWa supplies fuels, as well as AdBlue, to resellers and wholesalers. In Austria, further filling stations are managed by subsidiaries. The Group company GENOL Gesellschaft m.b.H. acts as a wholesale fuel supplier to cooperative filling stations. In addition to its filling station operations, BayWa also offers a fleet filling station card. This means that users of the BayWa filling station card can now take advantage of some 3,500 filling stations all over Germany. Electric vehicle customers can now charge their vehicles at over 200,000 charging stations throughout Europe using the BayWa charging card, which covers some 95% of the charging stations in Germany. The field of wood pellets includes selling to private consumers and commercial customers in addition to production at the subsidiary WUN Pellets GmbH. Under the independent Pellog brand, BayWa also offers logistics services for external wood pellet retailers. In contracting, the focus is on energy solutions in the fields of biomass, CHP units and gas for the hotel sector, municipal services and the residential construction segment in southern Germany. BayWa Mobility Solutions GmbH is divided into the fields Light Vehicle, Heavy Vehicle and Digital Mobility. The Light Vehicle field comprises electromobility and drives forward the planning and expansion of the charging infrastructure. The

Heavy Vehicle field establishes a network of filling stations for liquefied natural gas (LNG) as a lower greenhouse gas emissions alternative to conventional fuels. Digital Mobility offers the whole system with filling station and charging card, related app and billing for customers and – as a white label system – also for third parties. Through the www.chargemondo.de platform, BayWa Mobility Solutions GmbH offers consumers the chance to configure a custom-tailored package solution for a private charging station from a single source, from planning to assembly and set-up – including registration with the grid operator and applying for funding.

Cefetra Group Segment

The Cefetra Group Segment acts as a supply chain manager from purchasing and logistics to distribution. It pools the activities not tied to a specific location, particularly international grain and oilseed trade activities. The main customer groups are grain and oil mills, producers of starch and feedstuff, malt houses and breweries, as well as biofuel manufacturers. Through targeted acquisitions, the segment is expanding its business involving goods such as starch products, rice, legumes and organic products as part of its specialities strategy. In doing so, Cefetra is diversifying its product portfolio and benefiting from markets with less intense competition compared to exchange-traded standard products. When it comes to the procurement and marketing of agricultural products, BayWa possesses a global trading network as well as inland and deep water ports.

Global Produce Segment

In Germany, BayWa is one of the leading single sellers of dessert pome fruit to wholesalers and retailers in the food industry and a supplier of organic pome fruit. BayWa also collects, sorts, stores, packages and provides services for fruit customers in Germany and abroad as a marketer under contract at its five sites in the Lake Constance and Neckar regions. BayWa is active in the international trade of fresh products through its New Zealand subsidiary T&G Global Limited (T&G Global). T&G Global maintains international trade relationships in the Americas, Asia, Australia and Europe. Through the marketing of dessert pome fruit between the northern and southern hemispheres, BayWa is in a position to provide trade partners with fresh agricultural products all year round, expand its product range and seize sales opportunities for German fruit on the international growth markets.

The existing sales structures of T&G Global and its affiliated companies offer the potential to open up additional sales markets, particularly in Asia. BayWa has expanded its portfolio to include exotic speciality fruits, particularly in the fast-growing “ready-to-eat” market, through the majority interest in the Dutch supplier TFC Holland B.V. (TFC), significantly strengthening its position as a leading international supplier of fruit and pome fruit. TFC has long-standing international trade relations in all procurement markets for tropical fruits – mainly for avocado and mango – as well as with the European food retail industry. The BayWa subsidiary Al Dahra BayWa Agriculture LLC also produces vegetable fruits in climate-controlled greenhouses in the United Arab Emirates for the local market. Through acquisitions and investments, the Global Produce Segment is oriented internationally and offers a broad product range from pome fruit through to exotic fruits. Due to the increasing concentration in food wholesale and retail, setting the company apart from the competition through an attractive diversified product portfolio featuring specialities plays an increasingly important role.

Agri Trade & Service Segment

The Agri Trade & Service Segment covers in particular the collecting, sales and service stages of the value chain of for farms. It supplies farmers with agricultural inputs such as seed, fertilizers, crop protection and feedstuff throughout the entire agricultural year and takes responsibility for collecting and marketing the harvest. For its harvest collecting activities, BayWa maintains a network of 168 high-performance locations in its core regions, with significant transport, processing and storage capacities. This provides seamless goods delivery, quality inspection, processing, correct storage and care of agricultural products. BayWa sells products to local, regional, national and international companies in the foodstuff, wholesale and retail industries through its in-house trade departments. Alongside its services for conventional agriculture, BayWa is gradually expanding its range of products and services for organic farming and the marketing structures for organically grown products on a regional basis. In addition, 118 BayWa sites are certified to trade agricultural inputs for organic agriculture. BayWa is also a member of Biokreis, the fourth-largest organic farming association in Germany, and a licensed user of the Bayerische Bio-Siegel (Bavarian organic seal). By offering a full range of products and services from seed to marketing, BayWa strives to be the most efficient partner for trade in EU organic products and organic agricultural inputs for current and new organic farms.

Due to historically evolved structures, the agricultural business is concentrated in Germany primarily in southern parts of the country. In addition, BayWa Foundation is also active in parts of northern and eastern Germany. The focal point when it comes to developing BayWa's agribusiness in Germany is site modernisation, process optimisation in the logistics chain, the expansion of e-commerce activities and employee development. By expanding its digital services, such as the BayWa Portal for agriculture, BayWa is also gaining new customers beyond its traditional regions. BayWa is represented throughout Austria through its subsidiary RWA Raiffeisen Ware Austria Aktiengesellschaft (RWA), which maintains close business relations with 442 cooperative warehouses. Numerous privately owned medium-sized trading enterprises, mainly operating locally, make up the competitive environment for agricultural products. By contrast, there are also a number of wholesalers operating nationwide that offer agricultural inputs. All told, BayWa is the agricultural company that generates the highest sales in Germany.

Agricultural Equipment Segment

The Agricultural Equipment Segment offers a full line of machinery, equipment and systems for all areas of agriculture. Important customer groups are also those in forestry, municipal services and commercial customers. Aside from tractors and combine harvesters, the range of machinery also includes versatile municipal vehicles, road-sweeping vehicles, mobile systems for wood shredding and forklift trucks for municipal services and commercial operations. The range on offer for forestry extends from large machinery and equipment such as forestry tractors, wood splitting and chipping machinery, forest milling cutters and mulchers, cable winches and road and path construction machinery through to small appliances such as chainsaws and brush cutters and the necessary protective clothing. In addition, a workshop network with 278 locations and 780 mobile service vehicles provide maintenance and repair services for machinery and equipment.

The Agricultural Equipment business sector comprises product management for new machinery, especially AGCO-brand machinery (Fendt, Massey Ferguson, Challenger and Valtra), as well as international activities. CLAAS sales and service through the joint affiliated companies are equally positioned form an organisational perspective. The Agricultural Equipment special business sector is divided into the product categories municipal services, forestry, indoor equipment and irrigation technologies. For products made by AGCO and CLAAS, BayWa operates a specialised network of in-house workshops in southern and eastern Germany and in the Netherlands that are tailored to manufacturer brands. The sale of products is complemented by trade in spare parts and the provision of mobile service vehicles for maintenance and repair services. BayWa also sells used machinery via its sites and online platforms.

In BayWa's traditional core regions, the market for agricultural equipment is focused primarily on replacement investments and the modernisation of machinery and systems. Against this backdrop, developing international markets with above-average growth potential is becoming increasingly more important. BayWa is currently represented with subsidiaries or joint ventures in the Netherlands, Canada and South Africa.

Building Materials Segment

The Building Materials Segment primarily comprises building materials trade activities in southern and eastern Germany and Austria. In addition, BayWa serves a number of franchise partners in the building materials and retail business in Austria through its Austrian subsidiary Lagerhaus Franchise GmbH. The BayWa Group is one of Germany's market leaders in the building materials trade, with a total of 127 sites, and also ranks among the leading suppliers in Austria, with 28 sites. The number of franchise locations currently totals 985.

In the building materials trade, BayWa mainly caters to the needs of small and medium-sized construction companies, tradesmen, commercial enterprises and municipalities. Private developers and homeowners are also important customers. The key success factors in this business are physical proximity to the customer, the product mix, advisory services and close relations with commercial customers. BayWa takes these factors into account with a targeted focus on its customer groups when it comes to sales and customer consulting services. One example of this is the BayWa Building Materials Online portal, which business customers can use to place orders 24/7. When it comes to preparing offers, BayWa makes optimised processes possible through a GAEB interface, which uses the file format developed by Germany's Gemeinsamer Ausschuss Elektronik im Bauwesen (joint committee on electronics in the construction sector). A further focal point lies in offering specialities in fields such as wooden construction and construction timber, formwork equipment and precast concrete elements, as well as flat roofs. In addition, BayWa AG provides bathroom modules made from wood through its stake in the start-up Tjiko GmbH. These bathrooms are individually designed using a digitally controlled process and configurator and are manufactured in series with complete interior fittings. The Tjiko bathroom module system is chiefly aimed at property developers and general contractors of large residential construction projects who want to realise an economical and highly individualised bathroom design in the properties. In addition, BayWa works with developers on the implementation of projects in Germany. To this end, it enters into joint ventures with construction companies or property developers as a partner and primarily acts as a provider of concepts.

Further areas of focus in the Building Materials Segment include healthy construction and energy efficiency. BayWa offers a wide range of tested low-fume building materials plus solutions for energy-efficient construction, renovation and modernisation. Thanks to its private brand lines for construction components and landscaping; for structural and chemical products, as well as insulation materials; for healthy-living building materials and cleaning agents; and for roofing accessories, BayWa is increasingly becoming an initiator of new products. In the case of conventional construction materials, being close to the customer is a significant competitive advantage. At the same time, the cost of transporting heavy or bulky construction materials with relatively low added value necessitates excellent location structures and optimum logistics.

Innovation & Digitalisation Segment

BayWa has plotted a clear course into the digital future through the Innovation & Digitalisation Segment, which is responsible for developing and marketing digital products and services for enhancing productivity in agriculture. It also pools the BayWa Group's e-commerce activities. With its software product NEXT Farming OFFICE, the Group company FarmFacts GmbH offers farmers a future-oriented and inter-operable farm management system. It enables farmers to seize the opportunities of smart farming, irrespective of the type of farm or farm size. BayWa is also driving forward the use of satellite data in agriculture in its partnership with the European Space Agency (ESA). The goal is to optimally incorporate satellite data into agriculture processes in order to create positive effects regarding the use of resources and water, as well as for harvest yields. The distribution and marketing of the resulting data is carried out by the Group subsidiary VISTA Geowissenschaftliche Fernerkundung GmbH.

In e-commerce, BayWa is active through multiple platforms, such as the BayWa Portal for agriculture and the BayWa Building Materials Online portal, alongside digital farm shop marketplaces and the Regio-Portal.

Other Activities

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

Management, monitoring and compliance

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

As at 31 December 2021, the Board of Management consisted of four members: Prof. Klaus Josef Lutz (Chief Executive Officer, responsible for the Renewable Energies, Cefetra Group and Global Produce Segments), Andreas Helber (Chief Financial Officer), Marcus Pöllinger (member of the Board of Management, responsible for the Agri Trade & Service, Agricultural Equipment, Digital Farming, Building Materials and Energy Segments) and Reinhard Wolf (Chairman of the Board of Directors and General Director of RWA Raiffeisen Ware Austria Aktiengesellschaft). Matthias Taft, who was a member of the Board of Management until 31 March 2021 and was responsible for the Renewable Energies and Energy Segments, stepped down from the BayWa AG Board of Management and became the CEO of BayWa r.e. AG with effect from 1 April 2021. Responsibility for the Renewable Energies Segment was consequently handed over to Chief Executive Officer Prof. Klaus Josef Lutz, with responsibility for the Energy Segment going to Board of Management member Marcus Pöllinger.

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

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

Details on cooperation between the Board of Management and the Supervisory Board and on corporate governance at BayWa AG are presented in the Supervisory Board report and the corporate governance declaration. These are publicly available at www.baywa.com/en/group/corporate-governance/corporate-governance.

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

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

Corporate goals and strategy

BayWa's corporate strategy for 2025, Sustainable Solutions for Life, acts as the foundation for strategic development. At its heart is the goal of increasing earnings before interest and tax (EBIT) to between €400 million and €450 million. Over 70% of that amount will be attributable to multinational business, and over 50% will stem from sustainable business activities. At the same time, the company plans to reduce its greenhouse gas emissions by 22%. The strategy focuses on multiple objectives, such as the further internationalisation of the Group's business; expanding and deepening the range of products and services; the digitalisation of the Group's processes, the product portfolio and sales channels; and accelerating the transition from being a company that primarily focuses on trade to one that is a project manager and provider of solutions. The Group's growth ambitions focus on the Renewable Energies, Cefetra Group and Global Produce Segments.

The strategic pursuits at a functional level are fourfold: Within business models and the organisation, the objective is to press ahead with digitalisation. In operating business, the plan is to optimise management and expand the points of customer contact to strengthen Group brands. Particular focus is being placed at Group level on strengthening the BayWa umbrella brand across all segments. An organisational set-up marked by close collaboration across divisions and high-performing employees and managers will improve corporate performance. Finally, BayWa plans to continuously analyse its business portfolio for future growth and earnings potential with the aim of ensuring and increasing the profitability of the BayWa Group's business operations on a sustained basis.

The objective in the Renewable Energies Segment is to further advance the expansion of renewable energies. Another focus is on scale, continued internationalisation and expanding the service business, as well as on the provision of integrated energy solutions. Examples include the combination of installations for renewable energy with efficient energy storage systems, as well as the cross-segment development of innovative products and services, for example with regard to electromobility. BayWa r.e. Energy Ventures GmbH invests in fledgling start-ups offering innovative solutions in the energy industry as a lead investor or co-investor. The addition of a strategic partner in the first quarter of 2021 set the course for accelerated growth at BayWa r.e. In exchange for a contribution of €530 million, funds advised by Energy Infrastructure Partners AG (EIP) acquired a 49% stake in the BayWa subsidiary by way of a capital increase. As part of the capital increase, BayWa r.e. renewable energy GmbH was converted into an Aktiengesellschaft (stock corporation) under German law and started trading as BayWa r.e. AG on 31 March 2021. Plans are in place to expand the project business to an annual volume of 3 GW in the medium term by scaling up offshore wind energy business, among other things. The plans also envisage the development of a portfolio of own solar parks and wind farms with a capacity of 2.5 GW to allow the company to market electricity as an independent power producer (IPP) for the generation of stable cash flows.

The Energy Segment is positioning itself as a logistics provider. In the fields of conventional fuels, lubricants and heat energy carriers, BayWa performs a basic supply function, especially in rural regions. In the heating business, the segment is focused on expanding its business involving climate-neutral wood pellets. As part of the strategy, the logistics provider Pellog GmbH, a wholly owned BayWa AG Group company, took over the business activities of the haulage company Heyne & Naumann GmbH in Oelsnitz, Germany, on 1 January 2022 with the aim of expanding its capacities in the logistics market. The Energy Segment also continuously promotes the expansion of mobility solutions in the fields of charging infrastructure for electromobility (e-mobility), LNG filling stations and digital mobility. Furthermore, BayWa also offers e-mobility solutions created on the basis of comprehensive fleet analysis and targeted at fleet operators. Contracting services in the fields of cooling and power consumption for multi-family homes – along with the installation, maintenance and operation of charging infrastructure for external customers – round out the range of offerings.

In the field of agriculture, the Group is affirming its aim of becoming Europe's leading agricultural trade, distribution and logistics provider with global reach. BayWa aims to deepen existing customer ties and attract new customers by seizing opportunities to export to international markets; expanding the agricultural products range through the addition of specialities such as starch products, hops and legumes; and presenting new service offerings. Sustainability and traceability are becoming integral aspects of supply chains. By taking these steps, BayWa will be further developing its core business on a functional and cost-efficient basis. In the Cefetra Group Segment, the 2024 Road to Ingredients strategy provides for the expansion of the product range to include processed products and the expansion of the marketing offer for organically and regionally produced agricultural goods. For instance, Cefetra Group has entered the milk and dairy products market, offering its customers a broad range of dairy products such as cheese, butter and milk powder, as well as milk alternatives. In addition, Cefetra Group has established a new trading centre in Dubai. Sedaco DMCC trades in special crops such as oilseed, nuts and legumes of African origin. Sedaco DMCC also operates additional trading offices in Tanzania and Nigeria, as well as collection points in various African regions. For Cefetra Group, one of Europe's largest importers of grain and oilseed, the new activities mark another important step in the expansion of its specialities strategy. In addition, BayWa is boosting its position as supply chain manager and diversifying its portfolio through international partnerships.

In the collecting and agricultural input business, the location structure is undergoing continuous review and optimisation, and digital services are being added to the business model. At the same time, a network of efficient central warehouses and a logistics concept that secures the ability to deliver goods for agriculture is being established to support the mission of helping people to meet their basic needs. To this end, transport logistics were centralised in 2021, with the SAP module TM & Organisation being introduced in transport scheduling. In terms of process digitalisation, BayWa enhanced the functionality of the BayWa Portal in 2021. The introduction of an agent login function strengthens the link between online and offline sales activities by allowing sellers to market products to customers directly through the company-owned online channel baywa-landwirtschaft.de. Moreover, the extensive use of a CRM system in sales and marketing helps to optimise customer service and support. The pressure to change resulting from the structural transition of agriculture is very high in northern and eastern Germany, as large sections of farmland in this important agricultural region are concentrated in the hands of an ever decreasing number of farms that are building up their own storage and logistics capacities. This development has led to excess capacities for all agricultural traders. In order to increase its competitiveness, BayWa restructured its eastern German agricultural business effective 1 January 2021. The trade in agricultural inputs and the collection and marketing of agricultural products in Saxony, Saxony-Anhalt, Thuringia, Brandenburg and Mecklenburg-West Pomerania have been pooled in BayWa Agrarhandel GmbH, a wholly owned subsidiary of BayWa AG. The restructuring allows BayWa to optimise logistics and the efficiency of its local activities while strengthening its marketing position in agricultural trade in Germany. These measures are aimed at significantly reducing the capital tied up in the Agri Trade & Service Segment.

Sales are being geared towards integrated solutions, since the rise in the digitalisation of agriculture is resulting in a change in requirements. The use of digitally controlled machinery and equipment for the application of agricultural inputs often requires specially adapted varieties of seed, fertilizer or crop protection products. BayWa has therefore combined the services of the Agricultural Equipment Segment with the agricultural input business of the Agri Trade & Service Segment in order to offer farmers a one-stop service. The range of e-commerce activities is also being constantly expanded, and BayWa is driving forward digital processing in logistics in its German agricultural trade business. The digitalisation of the value chain supports the successful management of the increasing complexity and dynamics of logistics processes in the "physical Internet" – i.e. in the storage, transport and delivery of goods – with the aim of increasing customer benefits while reducing costs. Targeted diversification of the product portfolio and the expansion of the private brand business are also helping to stabilise profitability.

In the Global Produce Segment, the goal is to develop new, attractive core product categories and ensure supply and delivery security in important areas through vertical integration. To this end, BayWa AG pooled its fresh products business in the fruit sector in the wholly owned subsidiary BayWa Global Produce GmbH in 2021. Based on a new company structure featuring a central management team, BayWa will strategically advance its trade activities in the field of fruit and vegetables in order to leverage the potential of the globally growing demand for fresh products through investments and partnerships. At the same time, the newly established company underscores the significance of the fruit and vegetable trade by creating a separate brand with a unique image on the market. As a result of the new organisational structure, the holdings in the Group companies BayWa Obst GmbH & Co. KG, Germany; T&G Global Limited (T&G Global), New Zealand; TFC Holland B.V. (TFC), Netherlands; and Al Dahra BayWa Agriculture LLC, United Arab Emirates, will be transferred to BayWa Global Produce GmbH. The goal is to leverage synergies and attract new customers on the basis of an overarching strategy through the international marketing of the Global Produce Segment's full range of agricultural products. TFC will move to a new location with increased capacities over the course of the year, allowing the Dutch company that specialises in exotic fruit and vegetables to build a foundation for the further expansion of its business activities. The clear development of storage, ripening and processing capacities enables modern and efficient production processes. At the same time, TFC is ensuring direct access to products and further expanding its year-round avocado offerings through a long-term partnership with producers in southern Africa. By establishing VentureFruit, a new company specialising in plant genetics and variety management, T&G Global aims to serve producers, traders and consumers worldwide with new premium fruits. Upon founding, VentureFruit also became a partner of the research institute Plant & Food Research with the aim of investing in the development of new soft fruit varieties and catering to the growing global demand.

In the Agricultural Equipment Segment, BayWa is further strengthening the brand-specific sales organisations. In order to increase efficiency, it has been split into agricultural equipment on the one hand and special technology for municipalities, industry and forestry operations on the other. In addition, the focus is on the development of cross-vendor digital interfaces and the development of the water management business division.

In the Building Materials Segment, the focus is on expanding the range of private brands and specialities in areas such as construction timber, among other things. The portfolio is also being increasingly centred on sustainable building materials. Additional focal points include digitalisation and continuous measures to improve efficiency. Thanks to the successful integration of bricks-and-mortar retail with the BayWa Building Materials Online portal, BayWa now offers a comprehensive omni-channel service covering its entire sales region. The online offerings will be successively expanded to include additional resources such as second-level support. Process efficiency will be enhanced through systems for automatic inventory management. To ensure the ability to deliver goods at all times, a network of central warehouse locations that will be complemented by efficient logistics is being set up. Bau Projekt GmbH is active in property development through joint ventures as part of alliances with property developers and contractors in Germany.

The Innovation & Digitalisation Segment encompasses the fields of Digital Farming and eBusiness. In terms of Digital Farming, BayWa's goal is to assume a leading role as a professional partner for agriculture. With its software products NEXT Farming OFFICE and NEXT Farming LIVE, the subsidiary FarmFacts GmbH is the market leader in Germany and the driving force behind smart farming at the BayWa Group. Through the open trading platform NEXT Marketplace, FarmFacts offers farmers the option of obtaining offers for agricultural inputs from different providers and concluding purchase and delivery agreements directly from the NEXT Farming software that they already use. In addition, FarmFacts is generating opportunities for growth on the international markets. Smart farming solutions go beyond the bounds of precision agriculture such as site-specific farm management. Together with its subsidiary VISTA Geowissenschaftliche Fernerkundung GmbH, BayWa is overseeing a pilot project that uses data provided by Sentinel 2 satellites in the ESA's Corpernicus programme to calculate yield potential for crops such as wheat, corn and rapeseed.

With the BayWa Portal for agriculture, BayWa's eBusiness includes the portal platform for online trade and has a cross section function within the BayWa Group when it comes to digitalising interfaces and processes between BayWa and its customers. The focus here is on an omni-channel approach and further development into a smart digital customer platform and the digitalisation of customer-centric processes. By developing regional, digital farm shop marketplaces for local producers, BayWa is also opening up new higher-margin sales channels that enable end customers to buy local products from trusted regional producers.

BayWa Venture GmbH is BayWa's open innovation platform. Its goal is to find and roll out new business models for BayWa and its Group companies that make a lasting, measurable difference. The business models are rolled out through BayWa Venture Investments and BayWa Venture Start-Up Partnerships. BayWa Venture Investments invests in international start-ups on behalf of the BayWa Group. Investments usually take the form of a minority stake. The capital is primarily used to advance product development with the goal of achieving market readiness. The investments focus on selected innovations from the fields of ag tech and food tech. BayWa Venture Partnerships promotes innovation through collaboration and support covering the entire value chain. Start-ups receive access to BayWa's operating business, industry networks, markets and customers. The partnership ranges from brainstorming and discussing ideas together to testing, pilot projects, product and service development and sales cooperation.

The investment portfolio of BayWa Venture GmbH consists of eight minority stakes. The BayWa Protein Challenge took place in June 2021. As part of the challenge, BayWa Venture screened roughly 300 start-ups by way of a global start-up scouting process and took a closer look at 30 of these start-ups through the standardised BayWa Venture start-up selection and evaluation process. In the end, three start-ups were chosen for addition to the BayWa Venture GmbH investment portfolio.

From 2022, BayWa AG will pool the existing activities in the field of protein into two divisions, Protein Trade and Protein Ventures, for successive expansion. Protein Trade will cover the customer-centric speciality trade in healthy, regional and sustainable products with the food industry. Protein Ventures will pool investment and development activities related to protein technology start-ups.

With its corporate financing, BayWa puts its faith in tried-and-tested, reliable partners in the cooperative federation. Furthermore, it makes sure that there is sufficient diversification in terms of financing sources so as to guarantee its independence and limit risks. Increasingly, BayWa also relies on financing instruments with sustainability-related elements, with a €350 million ESG-linked bonded loan, a €1.7 billion ESG-linked syndicated financing agreement and a €500 million green bond. Efficient management of working capital is vital at the BayWa Group, as it represents a net figure for current assets less current liabilities. BayWa aims to maintain a balanced capital structure. The capital increase at BayWa r.e. in 2021 also contributes to meeting this goal. The financing of the BayWa Group was ensured at all times in the financial year 2021, despite the influence of the coronavirus pandemic. Furthermore, it was not necessary to make use of any government aid.

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 2021 is described in the Financial Report in the section “Financial Performance Indicators”. BayWa reports on its non-financial performance indicators in its separate Sustainability Report. There are no particularly important non-financial performance indicators requiring separate disclosure in the management report.

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

Sustainability at BayWa

Sustainability strategy

BayWa enhanced its sustainability strategy in the reporting year in order to rise to the global challenges and set the strategic course in sustainability matters for the years ahead.

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

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

Climate strategy

The core sustainability strategy topic of climate and energy is heavily influenced by the Group-wide climate strategy. With its climate strategy, BayWa aims to help keep global warming to well below 2 degrees Celsius as part of its ambitious goal of being climate neutral by 2030. To achieve this, the company plans to significantly reduce its energy consumption and the greenhouse gas emissions attributable to its sites, company cars and in-house logistics activities over the next few years; source more electricity from renewable energy sources; and compensate for remaining greenhouse gas emissions by purchasing high-quality carbon credits.

BayWa’s climate targets and progress

- Cover 100% of its electricity needs with renewable energies by the end of 2020; this goal was achieved once again
- Reduce energy consumption by 22% by 2025 (base year 2017, in terms of EBITDA); this goal was achieved once again in 2021 (minus 43%)
- Reduce greenhouse gas emissions by 22% by 2025 (base year 2017); by 10% in 2021
- Build and provide 10 GW in generation capacities from renewable energies by 2025; 7.8 GW achieved in 2021
- Climate neutrality in own operations from 2030 onwards (Scope 1 and 2)

BayWa is aware of its responsibility for greenhouse gas emissions that occur in the upstream and downstream value chain (Scope 3). As a result, the collection of Scope 3 emissions data was further refined and expanded in 2021. The Group plans to define Scope 3 targets in the future.

The Carbon Disclosure Project (CDP) awarded BayWa AG a climate rating of B for 2021 for its coordinated measures in response to environmental and climate action issues. The company therefore maintained its good score from the previous year and improved its performance in certain areas. This means that BayWa’s commitment to environmental sustainability remains above the average for both Europe and the industry.

Protecting human rights

The BayWa Group is committed to upholding human rights. It therefore plans to implement the due diligence requirements defined in the German Act on Corporate Due Diligence in Supply Chains (LkSG), which was adopted in Germany in 2021. BayWa is also subject to other national regulations, such as the UK Modern Slavery Act. In September 2021, the new Corporate Social Compliance department was set up to ensure compliance with statutory regulations.

Additional sustainability targets and measures at the BayWa Group are detailed in the combined non-financial report, which is part of the separate Sustainability Report 2021 that is published on the website www.baywa.com/en/responsibility/at-a-glance.

Employees

The number of employees at the BayWa Group increased once again in the financial year 2021. By the end of the year, the BayWa Group employed 21,468 employees (2020: 21,207). In terms of an annual average, the number of employees rose by 468, or 2.3% year on year, to 21,185. The increase was fuelled by the Renewable Energies Segment (549 additional employees) and the Energy Segment (342 additional employees). In the Energy Segment, the development was attributable primarily to the reassignment of BayWa Haustechnik GmbH, which was still allocated to the Building Materials Segment in 2020. Nevertheless, the Building Materials Segment recorded strong organic growth in the financial year 2021, helping to keep the number of employees on a par with the previous year. The number of employees fell in the Global Produce Segment (347 fewer employees) and the Agri Trade & Service Segment (94 fewer employees). In the other segments and business units, the number of employees remained roughly unchanged year on year.

BayWa is one of the largest companies in Germany to offer trainee programmes. In 2021, 464 trainees started their career at BayWa. All in all, the BayWa Group employs 1,395 trainees. With a trainee ratio of approximately 6%, BayWa provides training to young people that goes beyond the needs of the company.

Development of the average number of employees at the BayWa Group

	2017	2018	2019	2020	**2021**	Change 2021/20	
Renewable Energies	1,101	1,449	1,826	2,272	2,821	549	24.2%
Energy	978	958	986	1,017	1,359	342	33.6%
Cefetra Group	563	438	487	477	496	19	4.0%
Global Produce	2,925	2,768	2,788	3,997	3,650	- 347	- 8.7%
Agri Trade & Service	3,496	3,543	3,533	3,502	3,408	- 94	- 2.7%
Agricultural Equipment	3,629	3,679	3,772	3,786	3,805	19	0.5%
Building Materials	4,113	4,211	4,371	4,528	4,454	- 74	- 1.6%
Innovation & Digitalisation	158	183	198	225	240	15	6.7%
Other Activities	587	775	870	913	952	39	4.3%
BayWa Group	**17,550**	**18,004**	**18,831**	**20,717**	**21,185**	**468**	**2.3%**

Research and development in the Innovation & Digitalisation Segment

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

Research is conducted as part of pilot projects and focuses primarily on new methods of sowing and fertilization, as well as satellite-based remote sensing services and applications for agriculture, water management and the environment. Development pertains mainly to eBusiness solutions and new digital applications for digital farming. In eBusiness, the focus is on further advancing digital service offerings such as online purchasing while enhancing and optimising advice apps. Digital Farming offers farmers new ways of optimising their operating processes and thereby allows them to work more cost-efficiently and sustainably. Under the NEXT Farming brand, the BayWa Group company FarmFacts provides a farm management system that helps farmers to manage and oversee agricultural processes and machinery using telematics. NEXT Marketplace, which was launched by FarmFacts in 2020, has also been available in the German state of Hesse since June 2021. Hesse is now the sixth German state after Saxony, Thuringia, Saxony-Anhalt, Brandenburg and Mecklenburg-West Pomerania in which NEXT Farming OFFICE customers can access this free digital marketplace for enquiries and comparing offers. NEXT Marketplace makes it possible to buy and sell agricultural inputs and agricultural products quickly and transparently. In light of the rising pressure on margins in agriculture, these features make NEXT Marketplace a clear competitive advantage for customers.

FarmFacts gave its NEXT Farming platform an extensive upgrade last year by launching a professional version. The software combines essential documentation and contract management functions, from field management and the implementation of local rules under the German Fertiliser Application Ordinance (DüV) to agricultural equipment connectivity. The web application NEXT Farming LIVE has also been comprehensively enhanced. In mid-August 2021, FarmFacts launched the Climate Farmer Initiative (CFI), in which it offers future-focused project partnerships on a regional level. The CFI enables companies and local governments to honour farmers' regional climate protection measures.

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

In the past financial year, VISTA and FarmFacts joined forces to make an important contribution to digitalising grassland management. Together with BayWa, the two partners launched an optimised grassland management system based on satellite maps and process documentation in NEXT Farming LIVE. The launch at selected pilot farms marked the final step in the SattGrün project, which began in early 2018. The system offers farmers new options for yield monitoring and detecting pest infestation, especially cockchafer larvae (white grubs).

As at 31 December 2021, 77 employees worked in research and development (2020: 77 employees). The BayWa Group's research and development expenses totalled €1.3 million in the financial year 2021 (2020: €0.5 million). Own work capitalised with regard to new digital farming products amounted to some €4.4 million (2020: €4.5 million).

Financial Report

Operative business development

Energy business unit

Market and industry development 2021/22

Development of renewable energies
A major topic for the global renewable energies industry in 2021 was the tense situation in supply chains (particularly for solar modules) and the resulting price increases and delivery delays. Experts expect the situation to ease over the course of 2022. Moreover, European markets in particular have seen an extreme rise in electricity prices that has been driven by a scarcity of natural gas and the resulting increase in gas prices (BNEF Signposts, 4Q 2021, p. 10). Due to the higher need for capital for hedging (futures) and higher costs to balance out deviations from forecasts and projections, the increases are a major challenge not only for consumers of electricity, who face higher costs, but also for electricity traders and marketers of electricity from renewable energy plants. At the same time, the higher electricity prices have had a positive impact on current income from renewable energy plants that market their electricity in intraday trading and on the prices attainable for long-term power purchase agreements (PPAs) between renewable energy power plants and (industrial) electricity customers.

Global photovoltaic (PV) installation capacities increased by some 173 gigawatts (GW) in 2021 – a new record for the industry despite difficult conditions due to global supply chain problems. Of the expansion, approximately 101 GW was attributable to free-standing solar parks, with roof systems accounting for roughly 72 GW. On a regional level, the Asia-Pacific region recorded the largest share of total expansion (56%), followed by the Americas (24%) and Europe, the Middle East and Africa (19%). Spain (3 GW), France and Germany (both approximately 1.5 GW) were the most important markets for the expansion of free-standing plants in Europe. In the Asia-Pacific region, China was the main driver of growth (30 GW), followed by India (10 GW) and Japan (5 GW). In the Americas, the US remains the largest market, with an expansion of 23 GW. In the roof-system segment, China (32 GW) and the US (6 GW) also saw the strongest growth in their regions, with Germany (4 GW), the Netherlands (3 GW) and Poland (2 GW) accounting for the largest share of growth in Europe. The overall photovoltaic market is forecast to expand by more than 200 GW in 2022, which would constitute a continuation of the global solar market's strong growth (BNEF, Global PV Market Outlook, 4Q 2021; BNEF solar database).

In the field of onshore wind energy, 79 GW of capacity was added worldwide in 2021, with Asia accounting for the lion's share as in previous years (50%), followed by the Americas (26%) and Europe, the Middle East and Africa (24%) (BNEF, Global Wind Market Outlook, 4Q 2021). The leading European countries in terms of expansion in 2021 were Sweden, with more than 3 GW, and Germany, with just under 3 GW – a clear increase compared with the previous year. In North and South America, new installations were primarily driven by the US (13 GW), with growth in Asia mainly attributable to China (25 GW). For 2022, BNEF forecasts global expansion of roughly 76 GW for onshore wind energy (BNEF, Global Wind Market Outlook, 4Q 2021). A new record was set in the field of offshore wind energy in 2021, with global installation of 13 GW, double the figure seen in the previous year. The lion's share, more than 10 GW, was added in China. At more than 1 GW, the Netherlands was the second-strongest market. Offshore wind turbine expansion is expected to stand at 11 GW in 2022, with China, the UK and Taiwan leading the pack.

The global climate change conference (COP 26) in Glasgow in November 2021 sent positive signals for the renewable energies industry – through greater efforts to achieve the 1.5-degree goal under the Paris climate agreement, through a declaration on reducing and ending reliance on coal power and through the creation of structures for global carbon trading (BNEF Signposts, 4Q 2021, p. 4 et seq.).

Development of energy
In the field of energy, the price of crude oil plays a key role in the development of demand and the prices of various fossil energy carriers. At the start of 2021, the crude oil price stood at around USD50 per barrel. As hopes of overcoming the coronavirus pandemic rose and the expectations of an economic recovery grew, the

price of crude oil increased over the course of the year to stand at just under USD86 per barrel at the end of October. In late autumn, a renewed increase in the number of infections fuelled fears of new restrictions. As a result, the price of oil fell back to around USD70 per barrel by the start of December (TECSON, Rohölpreis, 2021). Overall, the oil price in 2021 averaged at USD71 per barrel, clearly above the forecast average of USD49 per barrel. Forecasts made by the US Energy Information Administration (EIA) about the development of crude oil prices in 2022 predict that the oil price will hover at USD83 per barrel on average. In the first quarter of 2022, the price of oil continued to rise due to anticipated supply bottlenecks in connection with the escalation of the Ukraine crisis (EIA, Short-Term Energy Outlook, 8 February 2022, p. 1). In the heating sector, demand for fossil fuels is generally subject on the one hand to fluctuations in consumption determined by weather conditions. On the other hand, purchasing behaviour is influenced by price trends. The price of heating oil largely follows the development of crude oil prices and was substantially higher year on year throughout 2021. Heating oil prices have seen a nearly uninterrupted rise since their multi-year low in October 2020 and had more than tripled by March 2022 (TECSON, Heizölpreise, 2022). Sales of heating oil in Germany decreased by 28.1% year on year in 2021 (BAFA, Amtliche Mineralöldaten, 2021). The most likely cause of the decrease is that consumers took advantage of the noticeably lower prices in the previous year – in part due to the introduction of carbon pricing and the end of the reduced value added tax rate in 2021 – to stock up before the end of the financial year 2020. Factors such as the rise of renewable energies, the increased use of gas, and cuts to consumption due to modern technologies and energy-efficient building renovations have resulted in a long-term structural decline in heating oil consumption in Germany. This trend is also likely to continue going forward and may be strengthened by the continuous rise in carbon pricing. The consumption of wood pellets increased by 29.5% in Germany in 2021. Thanks to attractive subsidy programmes, the number of newly installed pellet-fired systems continued to increase in 2021. Accelerated consumption of pellets is therefore expected for 2022 (DEPV, Pelletproduktion und -verbrauch in Deutschland, Zubau von Pelletfeuerungen in Deutschland).

Total fuel sales in Germany rose by 0.8% in 2021. Sales of Otto fuels increased by 1.6%, while sales of diesel increased by 0.4%. Total lubricant sales grew by 7.1% in 2021 (BAFA, Amtliche Mineralöldaten, 2021). In general, demand for fuels and lubricants is primarily dependent on factors such as vehicle stock, mileage and the development of the economy as a whole. In light of the anticipated overall economic growth of 3.8% in Germany, a moderate increase in demand is expected in 2022 (IMF, World Economic Outlook, January 2022). However, the reduction in mileage as a result of potential coronavirus-related mobility restrictions and the trend towards mobile working are likely to have the opposite effect. In addition, policymakers have set a target of having 7 to 10 million electric cars on the road by 2030. As a result, a structural reduction in demand for fuels and lubricants can be expected (BayWa, own market analysis).

Business performance

Renewable Energies Segment
The Renewable Energies Segment saw positive development in 2021. Plant sales achieved a total output of 612.8 megawatts (MW) in the reporting year, with turnkey energy plants accounting for a share of roughly 74%. In 2020, that figure stood at around 94% of a total sold project output of 667.0 MW. Alongside the construction of turnkey wind farms and solar parks, total output also includes the sale of ready-to-build project rights and general contracting services such as planning, procurement and construction services.

Three wind turbines and project rights for the construction of a wind farm with a total output of 119.8 MW (2020: 364.6 MW) were sold in the national markets of Sweden (62.0 MW), France (29.0 MW) and Germany (28.8 MW). BayWa r.e. will assume responsibility for the commercial and technical management of the lion’s share of these turbines and wind farms. In addition, the pipeline was further strengthened through the acquisition of two project development companies in Germany and France.

In the field of solar energy, seven free-standing solar parks and a floating solar park (floating PV) with a total output of 394.0 MW were sold, as were the project rights for the construction of a battery storage system (99.0 MW, 396 MWh). Of the total solar output, 203.0 MW was attributable to Spain, 90.5 MW to the Netherlands, 64.6 MW to Poland and 35.0 MW to Japan. The sales in Poland and Japan demonstrate that BayWa r.e. has successfully gained a foothold in new markets. In the Netherlands, the Group completed the full takeover of the project development company GroenLeven by acquiring the remaining minority interest.

The IPP division (independent power producer) operates selected solar parks and wind farms and successfully completed its first full financial year in 2021. As at the end of the year, the area had 19 wind farms and solar parks in Europe, North America and Australia with a total output of roughly 0.7 GW. The IPP division's first financial year was positive overall. Some of the European wind farms were able to benefit from the high electricity prices. Early in the year, however, a winter storm in the US state of Texas led to significant negative effects for the wind farms located there. Alongside the portfolio of its own wind farms and solar parks, the Energy Trading division was incorporated into IPP. Here, the sharp rise in electricity prices led to higher revenues and higher structuring costs, which were also attributable to the increase in volatility.

BayWa r.e.'s service business recorded a rise in total plant capacity under its management around the world of over 7% to more than 9.7 GW in 2021 (2020: 9.0 GW). This growth was rounded out by successful sales of additional services in PV Repowering in Germany, Italy, France and the UK. The opening of the Remote Operational Control Center (ROCC) in Irvine, California, USA, enhances the global coverage of the international 24/7 control-room network (with additional locations in Munich and Bangkok) and strengthens the growing service business in North America.

In trade activities involving photovoltaic (PV) modules, the total output of PV modules sold rose by roughly 73% to more than 2 gigawatt-peak (GWp). The inverter and assembly system product groups saw an increase of around 40% and 50%, respectively. Business involving storage products grew by roughly 206% year on year. The growth is primarily attributable to the continued high demand for renewable energies and the unabated ability of solar trading companies to deliver. Revenues of more than €240 million have already been processed in these product areas through the web stores established in national markets. Overall, the lion's share of solar trade revenues were generated in Europe, the Middle East and Africa (68%), followed by the Americas (28%) and Asia (4%). The activities in Poland and the Novotegra private brand have been continued as independent companies since the start of 2021 in order to enable further growth. In October 2021, Novotegra further expanded its substructures portfolio by acquiring PV Integ. Trade in eastern Europe also expanded following an acquisition in the Czech Republic in May 2021. In late 2021, the acquisition of Beacon Solar helped to further strengthen the Group's business in North America.

In 2021, the Energy Solutions division expanded its project pipeline through successful sales activities and completed existing projects, allowing it to further cement its position as an international developer of integrated solutions for companies in the fields of renewable energies.

Revenues in the Renewable Energies Segment rose by 61.1% to €3,560.0 million in the financial year 2021. At €135.0 million, EBIT climbed to a new record and exceeded the previous record of €110.9 million, which was set in 2020, by a significant margin. The improvement in the operating result is primarily attributable to strong growth in solar trade activities. The IPP business division also exceeded the previous year's result by a clear margin. Alongside the improvement in the operating result from energy trade activities, a significant portion of the earnings improvement in IPP came from power plants that were allocated to other business divisions in the financial year 2020.

The coronavirus pandemic once again had an effect on BayWa r.e. in the reporting year. Some projects were affected by delays in approval processes, restricted mobility among workers and supply bottlenecks. Protecting the health of staff was the top priority at the project sites and in the offices. The risk of infection was minimised through targeted measures, such as adapting hygiene standards, mask mandates and (wherever possible) mobile working.

Energy Segment

In the Energy Segment, the operating result was down on the high previous-year figure in 2021, as expected. This was due in particular to a 21.5% decline in demand for heating oil on account of the sharp rise in oil prices and additional price increases caused by the introduction of carbon pricing. However, the introduction of carbon pricing also means that wood pellets are becoming an increasingly attractive carbon-neutral energy carrier in the heating business. Sales of wood pellets climbed by 23.1% in 2021. Production capacity expansion at the two pellet plants in Wunsiedel in the previous year also had a positive effect. Storage capacities and the vehicle fleet were also expanded in 2021. External demand for logistics services related to wood pellets increased sharply in 2021. In the fuel business, sales volumes were down by a marginal 2.1% on the previous year due to coronavirus-related restrictions, particularly in the first half of 2021. The decline was caused by mobility restrictions and lower demand among large-scale consumers as a result of the coronavirus-related lockdowns. Sales of lubricants and operating resources such as AdBlue increased by 5.0% year on year thanks to efforts to ensure the ongoing ability to make deliveries in a fragile market environment characterised by scarcity of resources and disruptions in global supply chains. Biodegradable lubricants also saw positive development year on year. In Regensburg, Karlsruhe, Freiberg am Neckar, Sinsheim and Erlensee, BayWa Mobility Solutions GmbH opened five further liquefied natural gas (LNG) filling stations, expanding its range of CO_2-optimised solutions. A total of nine LNG filling stations were in operation as at the end of 2021. BayWa Mobility Solutions received an attractive follow-up order for the expansion of e-mobility charging infrastructure following the construction of 250 fast charging stations at 80 Hellweg DIY and garden centres in 2020. The follow-up order calls for the construction of 36 charging points per location for an energy utility company in Petersberg (North Rhine-Westphalia), Zwickau (Saxony) and Meerane (Saxony). In addition, 75 charging parks at car parks belonging to the retail chains Rewe, Penny, Lidl, Toom and Hagebau will be constructed on behalf of the client. Thanks to the sharp rise in heating oil and fuel prices, the Energy Segment's revenues increased by 21.9% to €2,128.2 million in the reporting year, following €1,745.2 million in the previous year. EBIT fell by 45.3% from last year's record of €31.8 million to €17.4 in 2021, primarily due to the lower demand for heating oil and fuels.

Agriculture business unit

Market and industry development 2021/22

Development of grain and oilseed

Global balance of grain (excluding rice) In millions of tonnes	Grain year			Change	
	2019/20	2020/21	**2021/22**	2021/22 compared to 2020/21	
Production					
World	2,179.4	2,209.8	2,278.6	68.8	3.1%
thereof: wheat	762.2	775.9	778.6	2.7	0.3%
thereof: coarse grain	1,417.2	1,433.9	1,500.0	66.1	4.6%
Consumption					
World	2,179.3	2,231.6	2,281.5	49.9	2.2%
thereof: wheat	746.9	783.0	787.5	4.5	0.6%
thereof: coarse grain	1,432.4	1,448.6	1,494.0	45.4	3.1%
Inventory changes					
World	0.1	- 21.8	- 2.9		
thereof: wheat	15.3	- 7.1	- 8.9		
thereof: coarse grain	- 15.2	- 14.7	6.0		

Sources: USDA, Grain: World Markets and Trade, January 2022, pp. 23, 29; DRV, Jahresbericht Agrarwirtschaft 2021, p. 11; BLE, Getreideverbrauch Deutschland, Inlandsverwendung insgesamt

European balance of grain (excluding rice) In millions of tonnes	Grain year			Change	
	2019/20	2020/21	**2021/22**	2021/22 compared to 2020/21	
Production					
EU	291.5	282.0	293.7	11.7	4.1%
thereof: Germany	44.2	43.3	42.3	- 1.0	- 2.3%
Consumption					
EU	266.0	264.3	266.2	1.9	0.7%
thereof: Germany	42.8	42.9	42.0	- 0.9	- 2.1%
Inventory changes					
EU	25.5	17.7	27.5		
thereof: Germany	1.4	0.4	0.3		

Sources: USDA, Grain: World Markets and Trade, January 2022, pp. 23, 29; DRV, Jahresbericht Agrarwirtschaft 2021, p. 11; BLE, Getreideverbrauch Deutschland, Inlandsverwendung insgesamt

Global grain harvest yields were 1.4% higher in the grain year 2020/21 than in the previous year. At the same time, global consumption increased by 2.4%, whereas inventories decreased by 3.5%, or 21.8 million tonnes. The European Union harvested 4.1% more grain in the grain year 2021/22 than in the previous year (USDA, Grain: World Markets and Trade, January 2022, pp. 23, 29). The rise, which materialised despite virtually no change in land available for cultivation, is attributable to higher hectare yields (DBV, Situationsbericht 2021/22, p. 185). The German grain harvest decreased by 2.3% compared to the already weak level seen in the previous year and was therefore a good 5% lower than the average for 2015 to 2020; the development is primarily attributable to lower hectare yields (DBV, Situationsbericht 2021/22, p. 186, DRV, Jahresbericht Agrarwirtschaft 2021, p. 11). Grain prices rose noticeably throughout 2021 against the backdrop of the generally tenser supply situation. The main reasons for this development were a scarcer supply of wheat due to poorer harvests in important exporting countries such as Canada, Russia and the US. Additionally, exports were restricted on account of logistical bottlenecks in the supply chain (DBV, Situationsbericht 2021/22, p. 186 et seq.). The grain price index of the Food and Agriculture Organization of the United Nations (FAO) amounted to 140.5 points in December 2021, which was approximately 21% above the value of 116.4 points recorded in December 2020 (www.fao.org/worldfoodsituation/foodpricesindex/en). On the MATIF commodity futures exchange, wheat prices initially rose in 2021 from €214 per tonne at the start of the year to €250 per tonne in early March. Prices were highly volatile between March and early July, ranging from just under €258 per tonne in late April to a low for the year of around €197 per tonne in early July. From this level, prices rose continuously until the end of November to stand at €311 per tonne. At the end of the year, wheat was trading on the MATIF for €280 per tonne. According to the latest forecasts from the US Department of Agriculture (USDA), global grain production in 2021/22 – excluding rice – is likely to be up on the previous year's volume by 3.1%. Global consumption is expected to rise by 2.2%. Global wheat consumption outpaced production by around 9 million tonnes, leading to a reduction of inventories. By contrast, the current harvest season is likely to result in enough coarse grain to cover consumption. In the medium term, the FAO and OECD expect to see a moderate rise in nominal grain prices accompanied by sustained marked price volatility. Factoring in inflation, however, they anticipate a decline in real prices (DBV, Situationsbericht 2021/22, p. 187).

Soya meal, which accounts for over 70% of all oilseed meal, was harvested globally in the marketing year 2020/21 at around 248 million tonnes, up 1% on the previous year (USDA, Oilseeds: World Markets and Trade, January 2022, p. 10). The price of soya meal stood at around €400 per tonne at the start of 2021. On account of favourable weather conditions, harvest expectations were raised continuously between January and July, leading to a decline in soya meal prices to around €300 per tonne on the Chicago Board of Trade (CBoT) commodity futures exchange by mid-October. By the end of the summer, however, it started to become apparent that the dry weather in many global cultivation regions could result in lower harvest volumes than previously forecast. Consequently, prices rose back to around €400 per tonne between then and the end of the year. Global production is expected to rise by around 3.1% to 256 million tonnes in marketing year 2021/22 (USDA, Oilseeds: World Markets and Trade, January 2022, p. 10).

Development of fruit cultivation

At 1.22 million tonnes, the fruit harvest was 8% lower in Germany in 2021 than in the previous year (1.33 million tonnes). Most types of fruit fell short of the previous year's yields due to late frosts and unfavourable weather conditions, with apples, pears, strawberries, cherries, plums, prune plums and most soft fruit seeing the greatest impact (DBV, Situationsbericht 2021/22, p. 199). At 1.0 million tonnes in 2021, the apple harvest volume fell short of the previous year's figure by 1.8% but still exceeded the multi-year average for 2011 to 2020 by 4.6% (Destatis, press release 10 January 2022, Apple yields again at a high level, plum yields down by 14% in 2021). Following a weak EU apple harvest in 2020, the 2021 harvest in the EU rose by a good 11% year on year to stand at around 11.7 million tonnes (WAPA, EU 27 apple production by country, 2021). Due to the tighter supply from the previous year's harvest, apple prices remained above their five-year average in Germany throughout 2021. Nevertheless, prices fell by around 24% prior to the start of marketing for the new harvest in August due to excess market inventory attributable to stocks from the previous harvest and from overseas that arrived in Europe with a delay due to logistics bottlenecks. By contrast, average apple prices in the EU remained relatively stable and clearly met or exceeded the five-year average (EU apple dashboard, 2022). At 11.7 million tonnes, the new European apple harvest was slightly above the amount needed for market equilibrium (WAPA, Northern Hemisphere Apple and Pear Crop Forecast, December 2021). Moreover, inventories in the EU at the start of the year were roughly 5% higher than in 2020 (WAPA, Northern Hemisphere Apple and Pear Stocks, January 2022). Against this backdrop, prices were able to return to a normal level in the new marketing year following two years of below-average harvest volumes and relatively high prices.

In the southern hemisphere, the harvest volume of apples increased by 7.3% year on year to approximately 5.2 million tonnes in 2021, a level which was above expectations. In New Zealand, however, the harvest volume was down 10.4% year on year, primarily due to hail damage. 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 decrease by just under 7% to 4.9 million tonnes in 2022. The decline is largely attributable to lower harvest volumes in Brazil and Argentina. By contrast, the harvest volume is expected to increase by just under 15% in New Zealand (WAPA, Southern Hemisphere Apple and Pear Crop Forecast, February 2022, pp. 9, 11). The rise is due first and foremost to more favourable weather conditions than in the previous year and an increase in land available for cultivation.

Development of agricultural inputs

Demand for agricultural inputs is highly dependent on the weather, among other factors. In addition, the use of fertilizers and crop protection products is subject to increasing restrictions due to ever-stricter regulations. As a result, sales of fertilizers fell by around 7.3% in the reporting year despite optimum weather conditions (Destatis, Domestic sales of fertilisers, Genesis 42321-0003). In addition to political regulations such as the German Fertiliser Application Ordinance (DüV), high fertilizer prices saw farmers exercise restraint in terms of their purchasing activities and not stock up as much for the new season. Fertilizer prices increased by 10.3% on average year on year in 2021, primarily due to higher energy prices, bringing them to multi-year highs in some cases (Destatis, Index of purchase prices of the means of agricultural production, Genesis 61221-0001). The sharp rise in natural gas prices in Europe caused the price of nitrogen fertilizers to triple over the course of 2021, as their production is particularly energy intensive. In some cases, this extreme increase in prices led manufacturers to scale back production, resulting in a scarcer supply. The Ukraine conflict also had a negative impact due to severe restrictions on local fertilizer production and continued high natural gas prices on account of the conflict. Fertilizer prices are expected to remain high in the first half of 2022 as a consequence of the sustained high energy prices. In 2022, sales of nitrogen and phosphate fertilizers in particular are expected to fall due to the continued tightening of requirements under the German Fertiliser Application Ordinance (DüV), especially the blanket reduction of fertilizer needs by 20% in areas marked red and their expansion. At the same time, the high purchase prices are leading farmers to exercise considerable restraint in their plans for the new fertilizer season. Sales of crop protection products increased by around 2% in 2021. The crop protection trade benefited from the damper and milder weather conditions compared to the previous year, which resulted in a higher need for fungicides in particular. Prices for crop protection products climbed by 3.6% year on year in 2021 (Destatis, Index of purchase prices of the means of agricultural production, Genesis 61221-0001). The demand for crop protection depends crucially on the weather, which determines the growing conditions for weeds, fungal diseases and animal pests, and is subject to considerable fluctuations. Assuming largely unchanged cultivation structure, normal weather conditions and stable prices, the use of crop protection is expected to decrease again structurally in 2022 due to the social and political factors. 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 on a par with the previous year in 2021 (Destatis, Field crops and grassland, acreage, 2021, 20 January 2022). As a result, seed sales in the industry are likely to have also seen stable development in 2021. Seed prices increased by 8.2% year on year in 2021 (Destatis, Index of purchase prices of the means of agricultural production, Genesis 61221-0001). Assuming largely constant areas under cultivation and normal weather conditions, seed sales in 2022 should be on a par with the previous year. At 23.91 million tonnes of mixed feed, feedstuff production was approximately as high as in the previous year nationwide in the marketing year 2020/21 (2019/20: 23.95 million). By animal species, roughly 9.81 million tonnes was attributable to pigfeed, 7.13 million tonnes to cattle feed, 6.36 million tonnes to poultry feed and 0.61 million tonnes to horse feed and other mixed feed (DRV, Jahresbericht Agrarwirtschaft 2021, p. 29). Feedstuff prices were 16.9% higher than the previous year's level at the end of 2021 (Destatis, Index of purchase prices of the means of agricultural production, Genesis 61221-0001). In pig farming, African swine fever and lower consumer demand are expected to lead to a significant reduction in animal stocks in the short to medium term. Cattle stocks are likely to remain relatively constant in the near future, with a slight increase forecast for poultry. However, the latest outbreak of avian influenza and the associated bans on the reintroduction of poultry will probably lead to a decline in feedstuff sales. Against this backdrop, slightly negative market development can be expected in 2022 (DRV, Jahresbericht Agrarwirtschaft 2021, p. 30).

Development of agricultural equipment

The economic situation of German farmers saw clear deterioration in the marketing year 2020/21 compared to the previous year. Earnings were roughly 15% lower on average at professionally run farms. It remains to be seen whether farms' earnings will recover in the marketing year 2021/22, as the price increases for many crops and products are offset by substantial rises in the cost of agricultural inputs (DBV, Situationsbericht 2021/22, p. 167 et seq.). Accordingly, the economic barometer for agriculture, which measures sentiment in the agricultural sector, posted clear declines in the second half of the year after rising to an interim high in the middle of 2021 (DBV, Konjunktur- und Investitionsbarometer Agrar, first and second quarter of 2022, p. 1). Agricultural equipment manufacturers' revenues, however, remained unaffected. According to estimates by the VDMA (German Mechanical Engineering Industry Association), the industry's revenues increased by 16% to €10.5 billion in 2021, thereby setting a new record. Tractors, digital system solutions and crop protection equipment saw the strongest growth. The sustained uptrend on agricultural commodities markets is considered to be the main driver of this positive business development (VDMA Agricultural Machinery

Association, press release 4 February 2022, Trotz Rekordergebnis: Landtechnikindustrie kann Umsatzpotential nicht voll ausschöpfen). At 37%, the general propensity of farmers to make investments was still noticeably higher in the first half of 2022 than in the previous year (30%). At €5.0 billion, the planned investment volume for the first six months of 2022 is also clearly higher than in the same period of the previous year 2021 (€3.6 billion). Investments were up year on year in all areas, with the exception of investments in farm buildings (DBV, Konjunktur- und Investitionsbarometer Agrar, first and second quarter of 2022, pp. 5–6). The subsidy programmes as part of the Bauernmilliarde (farmers' billion) are likely to have played a key role in raising investment propensity.

Business performance

Cefetra Group Segment
The Cefetra Group Segment comprises international grain, oilseed and specialities trading activities, covering the stages of the value chain from purchasing and logistics to distribution. The trading environment was marked by higher price volatility in 2021 due to overall tighter supply and fluctuating market expectations for harvests. As a result, forecasts for wheat harvest volumes and quality levels were revised downwards by a clear margin in the second quarter of 2021 due to a lack of precipitation in key growing regions. This led to a noticeable price increase on commodities exchanges in the second half of the year. The price of corn rose at the start of May due to unexpectedly strong demand for feedstuff grain from China, before easing again as the year went on. The trend in soya meal prices was less volatile. However, rising demand in the fourth quarter led to higher prices. The Cefetra Group Segment's grain and oilseed handling volume fell by 4.8% to 21.8 million tonnes in the financial year 2021. This decline was caused by the strategic decision in 2020 to close the Cefetra Hungary Kft. trading office in Hungary and the discontinuation of the export business in some regions of the Middle East. The remaining trading contracts expired at the beginning of 2021. By contrast, the specialities business – and Royal Ingredients B.V. in particular – developed very positively. New customer groups were acquired in this area, and trade with the US was expanded. In addition, the range of specialities was expanded to include dairy products and alternatives for the food industry (through Cefetra Dairy) and special crops of African origin (through the new Sedaco trading centre in Dubai). The Cefetra Group Segment's revenues increased by 18.8% to €4,996.3 million in the reporting year, up from €4,205.6 million in the previous year, mainly due to price effects. EBIT rose by 79.6% from €21.6 million in the previous year to €38.8 million in the reporting year, thanks primarily to the expansion of the higher-margin specialities business and further product diversification in sustainable products, as well as increased volatility in the commodities business. The Cefetra Group Segment also benefited from the optimisation of its supply chains in a challenging market environment. In addition, restructuring expenses that had weighed on earnings in 2020 no longer applied.

Global Produce Segment
The Global Produce Segment's marketing volume declined by a clear margin in the financial year 2021, with figures down year on year in all product categories. The strongest decline in sales was recorded in tropical fruit, with a drop of 13%, followed by soft and stone fruit and vegetable fruits; in this case, the volume was almost 12% lower than in the previous year. Marketing volume was a good 10% lower year on year in dessert pome fruit, the largest category by volume. All in all, the marketing volume of the Global Produce Segment decreased by 11% to 444,337 tonnes in the financial year 2021, down from 499,259 tonnes in the previous year. In the segment's domestic business, 2020's EU-wide smaller apple harvest initially led to rising prices. The increased price level was reflected in purchasing restraint in almost all European countries, following a strong rise in demand in the previous year due to the coronavirus pandemic. In addition, late deliveries from the southern hemisphere due to a lack of available containers created a temporary stock overhang in the second half of the year, which triggered a noticeable drop in prices when it coincided with the new harvest in the northern hemisphere. The summer fruit season was marked by frost damage and unsettled weather. The unusually cool month of May significantly delayed the start of harvesting for many fruit varieties. The wet weather affected the quality and quantity of strawberries and cherries in particular. Due to the reduced supply from both domestic harvests and southern Europe, the prices for most summer fruits were higher than in the previous year. In its international business, T&G Global recorded a nearly 12% decline in marketing volume. New Zealand's apple harvest volume was down significantly on the previous year as a result of hail damage during the blossom period. In addition, a percentage of the apples grown could not be harvested owing to the shortage of fruit pickers and seasonal workers resulting from coronavirus-related border closures. As a result, exports also shrank noticeably. Marketing volume for vegetable fruits at T&G Global in New Zealand was almost 17% lower year on year due to the shortage of harvesters. By contrast, Al Dahra BayWa Agriculture LLC

was able to resume production of premium tomatoes in the United Arab Emirates in the reporting year. Overall, the Global Produce Segment generated revenues of €960.7 million in the reporting year, following €938.5 million in the previous year. The lower sales volumes were largely balanced out by higher product prices on the markets. EBIT increased by €0.8 million year on year to stand at €42.6 million in 2021, following €41.8 million in the previous year. Lower marketing volumes (especially for apples), revenue losses in New Zealand on account of local lockdown measures and the rise in logistics costs for all imported goods had a negative impact on earnings. The year-on-year improvement in earnings is primarily attributable to one-off income from the sale of properties no longer required for business purposes of €13.0 million and the awarding of additional cultivation rights for Envy premium apples.

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. As at 1 January 2021, BayWa restructured its agricultural business in eastern Germany in order to increase its competitiveness. The trade in agricultural inputs and the collection and marketing of agricultural products in Saxony, Saxony-Anhalt, Thuringia, Brandenburg and Mecklenburg-West Pomerania have been combined under the management of BayWa Agrarhandel GmbH, a wholly owned subsidiary of BayWa AG. The restructuring has allowed BayWa to optimise logistics and the efficiency of its local activities while strengthening its marketing position in agricultural trade in Germany.

In the agricultural input business, sales of fertilizer benefited in the first half of 2021 from optimum weather conditions and higher prices. However, the sharp rise in fertilizer prices over the entire year, largely due to higher energy prices, meant that farmers exercised marked restraint in stocking up for the new season from autumn onwards. In addition, the stricter requirements of the German Fertiliser Application Ordinance (DüV) continued to have a dampening effect on demand. At 2.3 million tonnes, sales volumes for the BayWa Group were 3.6% lower year on year. BayWa benefited from fertilizers stored at more favourable conditions, which it was able to sell at better margins in the reporting year due to the consistent increase in prices. Crop protection product trade also benefited from more favourable weather conditions, as the wet and warm weather necessitated greater use of fungicides in particular compared to the dry previous years. All in all, prices for crop protection products increased, due especially to a shortage of various active agents. BayWa succeeded in expanding its revenues at a higher rate than the price increases on the market. Seed sales increased slightly by 0.5% in the reporting year. BayWa benefited from its wide product range and higher demand for its private brands in all main product groups. BayWa recorded strong growth in rapeseed, as high commodity prices and favourable weather conditions made for a positive market environment. In terms of feedstuff, BayWa managed to keep its sales volume on a par with the previous year, thanks largely to positive development in complementary ranges, especially private brands. Grain and oilseed trading volume in the Agri Trade & Service Segment fell by 2.4% year on year to just under 8.4 million tonnes in 2021, which was somewhat lower than expected. Although grain volume was down 4.6% year on year on account of the smaller harvest in Germany, there was a 15.5% increase in oilseed volume. Grain market price developments were very positive in 2021, with prices reaching multi-year highs due to tighter grain stocks. Fluctuating and generally higher price levels gave rise to market opportunities that were exploited in product trading. Overall, revenues in the Agri Trade & Service Segment increased by 16.9% to €4,178.7 million, primarily on account of the clear year-on-year rise in grain and agricultural input prices. EBIT stood at €12.3 million in the reporting year, following a negative EBIT of €14.3 million in the previous year.

Agricultural Equipment Segment

As expected, the boom seen in 2020 in the Agricultural Equipment Segment did not continue in 2021. The reduction in the value added tax rate, which expired on 31 December 2020, led to anticipatory effects. With new machinery sales of 4,973 units in 2021, the Agricultural Equipment Segment also sold 909 fewer tractors than in the previous year. Still, that figure was considerably higher than the average for the past five years – including the record-setting year of 2020. Sales figures in the used equipment business were also lower in 2021 at 2,119 tractors, compared to 2,215 in the previous year, yet remained at an above-average level. On the whole, the agricultural equipment business performed noticeably better than had been anticipated, given the exceptional year in 2020. Inflation fears, high product prices and comparatively good revenues for arable farmers boosted willingness to buy. In parallel, supply chain disruptions and logistical bottlenecks caused constraints on manufacturers' ability to deliver. Since manufacturers were unable to provide any binding commitments for machinery and equipment deliveries, the volume of orders in the Agricultural Equipment Segment at the end of

2021 was significantly higher than the previous year's record level. In addition, there were no anticipatory effects in the final quarter due to the reduction in value added tax, unlike in the previous year. Instead, invoicing was shifted into the following year in some cases on account of the tense supply situation. In the Agricultural Equipment Segment's service business and spare parts sales, the above-average registration figures in past years led to an increase in capacity utilisation. By maintaining good stock levels, the central warehouse for spare parts succeeded in handling the at times tense supply situation within the specialised product ranges and was able to meet the demand of workshop customers for spare parts and accessories to a large extent. In international business, the Dutch Group company Agrimec Group B.V. largely held firm at the previous year's level, although investment restraint persisted due to strict legal regulations regarding phosphate, nitrate and particulate matter. In addition, pressure was exerted by the growing shortage of skilled workers and, on the customer side, the reduction in the number of customers due to a lack of successors at farms. The EBIT of Agrimec Group B.V. was primarily impacted by integration costs for the acquisition of two operations in 2021. All in all, the Agricultural Equipment Segment surpassed the previous year's record revenues of €1,869.8 million by 2.1% to achieve €1,909.0 million in 2021. By contrast, EBIT dropped to €48.6 million in the reporting year, down from €54.4 million in the previous year, due mainly to reduced new machinery sales and cost increases under collective wage agreements.

Building materials business unit

Market and industry development 2021/22

Development of building materials

Overall, the German construction sector stagnated in 2021 due to the effects of the coronavirus pandemic. Revenues in the construction industry increased marginally by 0.5% compared to the previous year's figure. In this context, demand for construction services rose once again over the course of 2021. However, that rise was counteracted by mounting difficulties in sourcing materials and the resulting clear increase in purchasing prices. As in previous years, residential construction remained the mainstay of the construction industry in 2021, with an increase of around 2% (Argumentationslinie der Präsidenten des ZDB und des HDB, 16 December 2021, pp. 2–3, ZDB/HDB revenue forecast). Growth was primarily attributable to construction of new multi-storey residential properties, where building completions rose by 4.3% year on year in 2021 (Heinze, Monatspräsentation January 2022, p. 26). The high demand on residential markets continued to act as the main driver of this growth. In the commercial construction sector, revenues increased by around 1%, which was an improvement on the forecast at the beginning of the year. This is primarily due to an increase in demand for warehousing facilities for online retail, whereas investments by industry and the hotel and restaurant sector continued to shrink. The drop in revenues of 3% in the public-sector construction industry was more pronounced than expected at the beginning of the year. The decrease was primarily attributable to higher spending on personnel and social welfare by municipalities, which limited the amount investment in construction projects. In public-sector civil engineering, the change in highway construction from contract administration by the federal states to direct administration by the federal government led to a decline in the flow of orders in 2021 compared to previous years (Argumentationslinie der Präsidenten des ZDB und des HDB, 16 December 2021, pp. 3–5).

The German construction sector expects growth to increase again by a total of 5.5% in 2022. The main contributor to this will once again be residential construction, which is expected to grow by around 7% (ZDB/HDB revenue forecast). Multi-storey residential construction remains the main factor driving growth in this area, with the number of residential units completed expected to increase by a good 6% to 179,000 units. (Heinze, Monatspräsentation January 2022, p. 25 et seq.) Commercial construction is also projected to develop in a much more expansive manner again. Following two weak years marked by the coronavirus pandemic, investment is expected to grow by around 6%, driven mainly by sizeable order volumes in the major manufacturing and services sectors. However, the initial signs of slower growth will be seen as the year progresses. Commercial civil engineering should benefit from increasing investments in railways. Moderate growth in revenues of around 2% is also expected in public-sector construction. However, this growth is purely price-driven, and the real level of public-sector investment in construction is likely to continue to decline. At the municipal level, for example, a decline in investment in construction of almost 9% is expected for 2022 based on the current financial situation, which will lead to a further increase in the backlog of investments (Argumentationslinie der Präsidenten des ZDB und des HDB, 16 December 2021, pp. 4–5).

Following the downward trend in the Austrian construction industry in 2020 brought about by the coronavirus pandemic, the industry once again reported significant growth of 5.4% in 2021. All areas of the construction sector contributed to growth in 2021. Nevertheless, the positive order situation was in many cases counteracted by difficulties in the pace of construction due to record prices for raw materials and supply chain problems that limited the availability of materials. The favourable development of the industry should continue in 2022, with investment in construction expected to increase by 2.6% (WIFO, Euroconstruct at www.wko.at).

Business performance

Building Materials Segment
The Building Materials Segment saw a very strong financial year 2021. The dry and mild spring months and the continued high demand for housing led to an increase in sales across the entire product range. Alongside the high-revenue structural engineering segment, the civil engineering, roofing, gardening and landscaping, dry construction, construction equipment and tool product ranges recorded very high demand. The strong growth was attributable to strong construction activity and the successful implementation of the multi-specialist strategy. The sale and product range specialisations in wooden construction, formwork equipment, prefabricated components, metal roofing, flat roofing, construction components and pallets, which were introduced in 2020, therefore continued to be an important success factor in 2021. Thanks to its specialisation and geographical diversity, the Building Materials Segment was able to anticipate market developments at an early stage and secure corresponding quotas, allowing its ability to deliver to exceed that of its competitors by a clear margin in most areas. This was particularly beneficial for the warehouse business in the reporting year. In addition, the Building Materials Segment is likely to have benefited from the fact that, as a key part of the economy, the building materials locations in Germany remained unaffected by the temporary closures to stop the spread of the coronavirus in the first half of 2021. BayWa Bau Projekt GmbH was also able to make a positive contribution to business development. All in all, four times as many units were sold from projects currently in the marketing phase as in the previous year. Demand was high, and selling prices either remained stable or increased slightly. Eight new projects were acquired for the project pipeline in 2021. Tjiko GmbH's bathroom modules made from wood also saw very positive development in the reporting year. Against this backdrop, BayWa increased its stake in Tjiko from 20% to 46.3%. Overall, the Building Materials Segment's revenues increased by 9.8% to €2,084.2 million in 2021 due to volume and price effects. The Building Materials Segment's EBIT rose by 56.1% to €73.2 million. As in the previous year, the positive sales development contributed to this improvement, as did the expansion of the specialisation concept and integrated services in addition to the linking of online and stationary sales channels as part of efforts to position the company as an integrated multi-specialist.

Innovation & Digitalisation Segment

Market and industry development 2021/22

There is a wide range of statements being made about the global market volume for digital farming. These differences between these statements are due to the fact that market observers have differing opinions about how to define the market. Growth of over 12% a year is expected between now and 2026 (www.globenewswire.com/news-release/2020/10/07/2104753/0/en/Global-Smart-Farming-Market-to-2026-Market-is-Estimated-to-Grow-at-a-CAGR-of-12-36.html). The European smart farming market is expected to grow from USD586 million in 2018 to up to USD1.2 billion in 2023, corresponding to an average growth rate of more than 15% a year (BIS Research, Europe Farm Management Software and Services Market Analysis & Forecast (2018–2023), p. 23). This growth is being driven by the increases in productivity of up to 30% achievable through smart farming (www.handelsblatt.com/technik/digitale-revolution/digitale-revolution-big-data-auf-dem-acker-wie-die-landwirtschaft-mit-ki-den-welthunger-bekaempft/25190588.html).

In Germany, overall market volume in interactive retail (online and mail-order retail) and e-commerce grew significantly by 15.8% in 2021, reaching €107.1 billion in total for all goods and services (2020: €92.5 billion). Although gross revenues generated with products in e-commerce increased by 19% to €99.1 billion in 2021, up from €83.3 billion in the previous year, services suffered a further decline of 12.8% to €8.0 billion. As in the previous year, the decline was due to the lower booking figures in the event ticket, mobility and travel segments as a result of the restrictions related to the coronavirus pandemic. All in all, e-commerce therefore saw stronger growth than anticipated at the start of 2021, according to estimates by Bundesverband

E-Commerce und Versandhandel Deutschland e.V. (German e-commerce and distance selling trade association – bevh). Online marketplaces recorded growth of 19.9%; at €50.5 billion in revenues, they remained by far the largest sales channel in the German e-commerce sector. Online pure players – companies without bricks-and-mortar stores – grew by 18.4% to €29.5 billion, whereas multi-channel retailers recorded an 16.7% increase in revenues to €14.7 billion (bevh, Präsentation Jahrespressegespräch 2022, pp. 2, 5, 6). bevh expects the share of revenues in overall retail generated by e-commerce to increase further in 2022. Currently, the association expects gross revenues generated by goods to increase by a further 12.0% to over €110 billion in 2022 (bevh, press release 26 January 2022, E-Commerce ist das neue „Normal" – Branchenumsatz wächst 2021 auf mehr als 100 Mrd. Euro). The market volume for agricultural goods sold via e-commerce currently remains low at €0.5 billion, but is expected to grow to €4.1 billion by 2025.

Business performance

The Innovation & Digitalisation Segment pools all activities of the BayWa Group in its Digital Farming and eBusiness areas. The eBusiness area covers nearly all of the BayWa Group's online sales activities. However, the revenues and income from the activities are attributed to the segment responsible for the respective sold product. The offerings in Digital Farming mainly include the NEXT Farming OFFICE and NEXT Farming LIVE software products, as well as analyses, advisory services and hardware components from FarmFacts GmbH. Added to this are satellite-based products for site-specific cultivation from the Group company VISTA Geowissenschaftliche Fernerkundung GmbH, which are also marketed via FarmFacts GmbH. At a good 42%, the largest share of revenues came from software licences and software maintenance contracts, followed by services (36%) such as soil sampling and satellite-based products for site-specific cultivation, including analyses and advice. Sensors, measurement systems for soil analysis programmes and other hardware accounted for just under 22% of revenues. Online revenues at BayWa via eBusiness channels grew by 42% in 2021 thanks to the continuous expansion of online systems and technical developments, as well as an extended product range. The focus for the BayWa farm shop marketplace and the Radimundi regional portal is on expanding the product portfolio and tapping into new regions. All in all, revenues in the Innovation & Digitalisation Segment rose to €11.1 million in 2021 (2020: €10.2 million), excluding online revenues through eBusiness channels, which are attributed to the corresponding segment. As predicted, the Innovation & Digitalisation Segment recorded negative EBIT. However, the segment also carries out a service role for the operating segments by hosting and further developing the BayWa Portal, which does not generate any direct income. Negative EBIT of €20.2 million was reported in the reporting year, following minus €10.9 million in the previous year. The higher loss was caused by impairments on property, plant and equipment and intangible assets, such as discontinued IT applications and obsolete software.

Development of Other Activities in 2021

At €10.9 million, the Other Activities Segment's revenues in the reporting year were essentially on a similarly low par with the previous year (2020: €12.4 million). EBIT resulting from Other Activities consists of the Group's administration costs, as well as consolidation effects; in 2021, it came to minus €81.1 million, following minus €70.6 million in the previous year. The decline in earnings compared to the previous year is primarily due to higher expenditures in connection with the coronavirus pandemic for hygiene and protection measures for employees and customers, as well as additional IT equipment. Furthermore, employees were paid a coronavirus bonus. Moreover, write-downs were recognised on a subsidiary in Hungary and on receivables.

Assets, financial position and earnings position of the BayWa Group

Assets position

Composition of assets [1]

In € million	2017	2018	2019	2020 adjusted	**2021**	Change 2021/20
Non-current assets	2,396.9	2,476.9	3,090.5	3,538.9	3,771.3	6.6%
thereof: land and buildings	854.6	827.2	1,377.1	1,456.4	1,481.3	1.7%
thereof: technical facilities and machinery	372.0	342.9	411.3	642.4	753.4	17.3%
thereof: investments	232.6	204.5	218.3	194.0	254.9	31.4%
Non-current asset ratio (in %)	36.9	33.0	35.2	39.5	32.0	–
Current assets [2]	4,091.1	5,034.6	5,691.4	5,411.1	8,000.1	47.8%
thereof: inventories	2,322.7	2,909.5	3,286.4	2,939.2	4,213.0	43.3%
thereof: assets from derivatives	139.7	220.1	145.7	457.4	1,049.1	> 100%
Current asset ratio (in %)	63.1	67.0	64.8	60.5	68.0	–
Total assets	**6,488.0**	**7,511.5**	**8,781.9**	**8,950.0**	**11,771.4**	**31.5%**

1 The previous year's figures have been adjusted in accordance with IAS 8.42. Please see Note A.7 of the Notes to the Consolidated Financial Statements for further details.

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

The BayWa Group's total assets stood at €11,771.4 million on 31 December 2021 and were therefore €2.821.4 million, or 31.5%, higher than the previous year's figure. Aside from non-current assets, the increase relates in particular current assets.

Non-current assets grew by €232.4 million, or 6.6%, year on year to amount to €3,771.3 million as at 31 December 2021 (2020: €3,538.9 million).

Apart from land and buildings (plus €24.9 million), the increase is mainly due to repair and maintenance investments in technical facilities and machinery, which rose by €111.0 million, or 17.3%, to €753.4 million. Offsetting this are prepayments and assets under construction, which decreased by €59.0 million to €89.8 million (2020: €148.8 million).

At €254.9 million, investments were also €60.9 million, or 31.4%, higher than at the close of the previous year. The increase resulted chiefly from the fair value measurement of the shares in Raiffeisen Bank International, Vienna, Austria; the book value stood at €99.5 million as at the end of the financial year 2021 (2020: €64.6 million).

Current assets grew by €2,589.0 million, or 47.8%, year on year, totalling €8,000.1 million as at 31 December 2021. The main factors responsible for the increase are inventories and assets from derivatives. Inventories rose by €1,273.8 million, or 43.3%, to €4,213.0 million. This is attributable to the €562.3 million year-on-year increase in unfinished goods to €1,528.9 million, which is due primarily to the projects in the Renewable Energies Segment that had not been fully completed by the end of the year. Furthermore, the Cefetra Group and Agri Trade & Service Segments in particular registered higher inventories; at €2,615.7 million, the goods recognised under inventories were €678.2 million higher than in the previous year.

Current assets from derivatives increased by €591.7 million to €1,049.1 million (2020: €457.4 million). This increase results primarily from the Renewable Energies Segment, specifically energy trading. Here, assets from derivatives increased by more than €600 million year on year, particularly on account of the sharp rise in energy prices in the second half of 2021 and higher trading volume.

The BayWa Group places an emphasis on ensuring matching maturities in the financing of assets. Current liabilities of €5,323.9 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 €8,000.1 million. There was roughly 171.0% coverage for non-current assets amounting to €3,771.3 million through equity and long-term borrowing of

€6,447.5 million. Ensuring matched maturities in financing is an important quality criterion for the financing partners of BayWa in the context of raising short-term 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. 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 form 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 sections 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 within the whole Group and the same-day provision of liquidity. 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.

In 2021, the BayWa Group changed its financing strategy with a view to significantly strengthening its financial profile. In September 2021, an agreement for sustainable syndicated loan in the amount of €1.7 billion was signed with ten partner banks. 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 new credit line must be used by September 2024 and can be extended twice for one year in each instance. The new syndicated loan replaces the bilateral and unsecured credit lines extended by the participating banks that were payable on a daily basis. 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 issued bonded loans (for the terms and conditions, please refer to Note C.16 of the Notes to the Consolidated Financial Statements), a corporate bond issued in June 2019 (coupon of 3.125%, listed on the Luxembourg Stock Exchange, ISIN XS2002496409, denomination per unit of €1,000, term ends 26 June 2024) and a hybrid bond issued in October 2017 (coupon of 4.25% pa, listed on the Luxembourg Stock Exchange, ISIN XS1695284114, denomination per unit of €1,000, no fixed term with unilateral right of termination by the issuer in October 2022). 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 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 that was issued 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 [1]

In € million	2017	2018	2019	2020 adjusted	**2021**	Change 2021/20
Equity	1,435.5	1,389.1	1,339.0	1,153.6	1,816.1	57.4%
Equity ratio (in %)	22.1	18.5	15.1	12.9	15.4	–
Short-term borrowing [2]	2,986.8	4,047.7	4,377.1	4,865.7	5,323.9	9.4%
Long-term borrowing	2,065.7	2,074.7	3,131.5	2,930.7	4,631.4	58.0%
Debt	5,052.5	6,122.4	7,508.6	7,796.4	9,955.3	27.7%
Debt ratio (in %)	77.9	81.5	84.9	87.1	84.6	–
Total capital (equity plus debt)	**6,488.0**	**7,511.5**	**8,847.6**	**8,950.0**	**11,771.4**	**31.5%**

1 The previous year's figures have been adjusted in accordance with IAS 8.42. Please see Note A.7 of the Notes to the Consolidated Financial Statements for further details.

2 Including liabilities from disposal groups

The BayWa Group's total assets stood at €11,771.4 million on 31 December 2021 and were therefore €2.821.4 million, or 31.5%, higher than the previous year's figure. This increase is attributable to the €662.5 million rise in Group equity to €1,816.1 million, which is chiefly the result of the equity contribution at BayWa r.e. AG, Munich, Germany, in the amount of €530.0 million from funds advised by the Swiss investor Energy Infrastructure Partners AG (EIP). Conversely, both short-term borrowing increased by €458.2 million to €5,323.9 million and long-term borrowing by €1,700.7 million to €4,631.4 million.

Capital management

The capital structure of the Group is made up of debt and equity. The equity ratio was 15.4% (2020: 12.9%) 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 (including minority interests) of minus €284.5 million (2020: minus €295.3 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 17.8% (2020: 16.2%). 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 in the fields of renewable energies, 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 2021, the equity-to-fixed-assets ratio was 171.0%.

The debt ratio fell to 84.6% in the financial year (2020: 87.1%). 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 agricultural commodities and/or unfinished products in the Renewable Energies Segment. The increase in short-term borrowing by €458.2 million to €5,323.9 million mainly pertains to liabilities from derivatives, especially from commodity futures, FX and interest rate hedging transactions (up €643.3 million to €1,152.3 million) and is chiefly the result of energy trading in the Renewable Energies Segment following the sharp rise in energy prices in the second half of 2021, as well as an increase in trading volume. Growth in liabilities from derivatives is offset by a similar increase in assets from derivatives. This was counteracted by declines in short-term debt (down €749.8 million to €1,467.31 million) and other current financial liabilities (down €18.4 million to €113.4 million).

Long-term borrowing increased by €1,700.7 million in the financial year 2021 and amounted to €4,631.4 million as at 31 December 2021. The increase in short-term debt (up €1,603.1 million) – due primarily to the drawing down of the sustainable syndicated loan in the amount of €935 million signed in September 2021 – is offset by decreases in non-current pension provisions, which declined by €64.7 million to €704.8 million as a result of higher actuarial interest rates.

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 €33.0 million (2020: €17.9 million). Grain inventories for immediate use are also deducted. These inventories could be converted into cash and cash equivalents as soon as they are recognised 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	**31/12/2021**	31/12/2020 adjusted
Long-term and short-term debt at banks	4,184.6	3,331.3
Less cash and cash equivalents	- 399.1	- 168.4
Net debt	**3,785.5**	**3,162.9**
Less non-recourse financing	- 396.2	- 101.1
Less inventories for immediate use	- 1,099.1	- 799.9
Adjusted net debt	**2,290.1**	**2,261.9**
EBITDA	552.8	464.8
Adjusted equity	2,100.6	1,449.0
Net debt (adjusted)/equity (adjusted) (in %)	**109.0**	**156.1**
Net debt (adjusted)/EBITDA	**4.1**	**4.9**

Given the different business models (trade and project development), gearing is subject to differences in recognition, reporting and review. The use of the borrowed funds for project financing in the Renewable Energies Segment is different from the traditional trade-related business units. 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. This is taken into account in the calculation of adjusted net debt for the trading 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 "Net debt (adjusted)/EBITDA" should lie between 3.0 and 4.5 and is determined using the following approach:

In € million	31/12/2021	31/12/2020
Long-term and short-term debt at banks	2,469.8	1,857.1
Less cash and cash equivalents	- 238.6	- 116.0
Net debt	**2,231.2**	**1,741.1**
Less non-recourse financing	–	–
Less inventories for immediate use	- 1,099.1	- 799.9
Adjusted net debt	**1,132.1**	**941.2**
EBITDA	353.8	300.9
Net debt (adjusted)/EBITDA	**3.2**	**3.1**

Cash flow statement and development of cash and cash equivalents [1]

In € million	2017	2018	2019	2020 adjusted	2021
Cash flow from operating activities	- 170.2	- 452.2	- 24.9	675.9	- 583.6
Cash flow from investment activities	- 60.5	- 243.0	- 149.4	- 251.5	- 197.2
Cash flow from financing activities	235.9	710.8	282.6	- 482.6	1,009.0
Cash and cash equivalents at the end of the period [2]	105.5	120.6	229.7	168.4	399.1

1 The previous year's figures have been adjusted in accordance with IAS 8.42. Please see Note A.7 of the Notes to the Consolidated Financial Statements for further details.

2 Including inflow/outflow of funds due to changes in the group of consolidated companies and in exchange rates in the amount of €2.5 million

The cash flow from operating activities came to minus €583.6 million in the financial year 2021, a year-on-year decline of €1,259.5 million. Based on cash earnings that were €91.5 million higher than in the previous year, this decline was mainly due to a clear increase in inventories, trade receivables and other assets not allocable to investment and financing activities in the amount of €2,198.1 million. The increase in inventories is due to projects in the Renewable Energies Segment that have not yet been completed and are recognised as unfinished goods, as well as a rise in inventories in the Cefetra Group and Agri Trade & Service Segments. Offsetting this is higher cash inflow of €1,042.0 million as a result of the increase in trade payables and other liabilities not allocable to investment and financing activities.

Cash flow from investment activities saw a cash outflow of €197.2 million for the reporting year. As a result, cash outflows for investment activities decreased year on year by €54.3 million. Payments for company acquisitions came to €70.8 million (2020: €18.2 million). In the financial year 2021, investments of €239.0 million were made in intangible assets, property, plant and equipment, and investments (2020: €332.0 million), which were offset by incoming payments from the disposal of intangible assets, property, plant and equipment, and investments of €108.6 million (2020: €81.6 million).

The cash flow from financing activities came to €1,009.0 million in the financial year 2021, a year-on-year increase of €1,491.6 million. Cash inflows resulted from the raising of loans in the amount of €868.5 million and from the capital increase at BayWa r.e. AG in the amount of €530 million via funds managed by the Swiss investor Energy Infrastructure Partners AG (EIP). By contrast, dividend payments at BayWa AG and its subsidiaries totalling €67.6 million, as well as interest payments of €117.1 million, resulted in 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, cash outflow from operating and investment activities was more than compensated for by cash inflow from financing activities. As a result, cash and cash equivalents at the end of the reporting period came to €399.1 million, which was €230.7 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, which received its most recent top-up of €500.0 million in 2017, taking it to 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 €720.0 million (2020: €990.0 million) with an average weighted residual term of 86 days (2020: 55 days). At the end of the reporting period, €129.7 million (2020: €130.6 million) in receivables had been financed at their nominal value from the ongoing Asset-Backed Securitisation Programme.

In December 2021, BayWa AG issued a sustainable bonded loan in the amount of €350.0 million. The purpose of this bonded loan is to refinance bonded loans due in 2021 and the pre-financing of bonded loans maturing in 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. A downgrade increases the interest margin. The bonded loan has an average term of 6.3 years.

Investments

In the financial year 2021, the BayWa Group invested a total of €375.8 million (2020: €464.7 million) in intangible assets (€60.3 million) and property, plant and equipment (€315.5 million), in addition to the acquisitions made. The investments made in the financial year were primarily for the purpose of repair and maintenance of technical facilities and machinery, buildings, facilities (in 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 2021. The proceeds accruing from these transactions are used to reduce debt or to finance the Group's growth.

Excluding company acquisitions, roughly 22.1% of total investments in non-current assets at the BayWa Group were accounted for by the Renewable Energies Segment. In addition, the Building Materials Segment accounted for 21.3% of the investments, the Global Produce Segment for 15.1% and the Other Activities Segment for 13.6%. The remaining 27.8% of the investments were distributed among the Agri Trade & Service, Agricultural Equipment, Energy, Innovation & Digitalisation and Cefetra Group Segments.

Earnings position [1]

In € million	2017	2018	2019	2020 adjusted	**2021**	Change 2021/20
Revenues	16,055.1	16,625.7	17,059.0	16,464.7	19,839.1	20.5%
EBITDA	318.4	315.3	403.0	464.8	552.8	18.9%
EBITDA margin (in %)	2.0	1.9	2.3	2.8	2.8	–
EBIT	171.3	172.4	188.4	211.6	266.6	26.0%
EBIT margin (in %)	1.1	1.0	1.1	1.3	1.3	–
EBT	102.4	92.6	79.2	107.6	160.6	49.3%
Consolidated net result for the year	**67.2**	**54.9**	**65.1**	**59.5**	**128.8**	**> 100.0%**

1 The previous year's figures have been adjusted in accordance with IAS 8.42. Please see Note A.7. of the Notes to the Consolidated Financial Statements for further details.

The revenues of the BayWa Group rose by 20.5%, or €3,374.4 million, to €19,839.1 million in the financial year 2021 thanks to clear revenue growth in all operating segments. The Renewable Energies Segment recorded the greatest increase in revenues, rising from €1,350.3 million to €3,560.0 million, followed by the Agri Trade & Service Segment with an increase from €604.4 million to €4,178.7 million. Increased revenues were also achieved in the Cefetra Group (up €790.7 million to €4,996.3 million), Energy (up €383.0 million to €2,128.2 million), Building Materials (up €185.2 million to €2,084.2 million), Agricultural Equipment (up €39.2 million to €1,909.0 million) and Global Produce (up €22.2 million to €960.7 million) Segments. In the Innovation & Digitalisation (up €0.9 million to €11.1 million) and in Other Activities Segments (down €1.5 million to €10.9 million), revenues were on a par with the previous year.

Other operating income increased year on year by €50.5 million to €404.2 million. The key drivers of this development were higher income from foreign exchange gains of €178.9 million (2020: €161.3 million), which was offset by foreign exchange losses of €182.8 million (recognised under other operating expenses). At €96.9 million, other income was also higher than the figure of €77.3 million seen in the previous year.

In the financial year 2021, the BayWa Group reported an increase in inventories of €928.8 million (2020: €446.6 million), which was chiefly attributable to incomplete wind farms and solar parks in the fields of renewable energy.

In spite of an increase in the cost of materials of €3,517.8 million, or 23.5%, to €18,457.1 million, gross profit increased by €389.2 million, or 16.6%, to €2,731.3 million in the reporting year.

Personnel expenses climbed year on year by 11.4%, or €135.6 million, to €1,320.5 million. The main drivers of this development were the company acquisitions in the financial year 2021 and the sustained growth in the Renewable Energies Segment.

At €855.0 million, other operating expenses were up by €159.4 million, or 22.9%, on the previous year's figure of €695.6 million in the financial year 2021. Other operating expenses primarily consisted of expenses due to foreign exchange losses of €182.8 million (2020: €174.1 million), maintenance expenses of €79.0 million (2020: €71.3 million) and other expenses due to general sales and other costs of €129.5 million (2020: €50.4 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by €88.0 million, or 18.9%, to €552.8 million in the financial year 2021 (2020: €464.8 million).

Depreciation and amortisation at the BayWa Group rose by €33.0 million, or 13.0%, to €286.2 million in the reporting year. The increase was largely due to impairment losses necessitated by two biogas plants in the Renewable Energies Segment.

All in all, the BayWa Group's earnings before interest and tax (EBIT) rose by €55.0 million, or 26%, to €266.6 million in the financial year 2021.

The financial result comprises income from participating interests, which is allocated to EBITDA and EBIT, and net interest. At minus €3.0 million, income from participating interests was lower in the reporting year than the €3.2 million seen in the previous year. This development is mainly due to the decline in the equity result by €7.0 million to minus €10.3 million. The decline is attributable in particular to Amadeus Wind Holdings, LLC, Wilmington, USA, which has been included under the equity method since the financial year 2020. In February 2021, extreme weather conditions with heavy snowfall and freezing led to outages of the wind turbines operated by the entity, resulting in compensation payments in connection with fixed power purchase agreements. Other income from participating interests increased by €0.8 million year on year to €7.3 million. Net interest fell by €2.0 million, or 1.9%, to minus €106.0 million in the financial year 2021. This development is primarily due to the increase in interest expenses by €3.2 million, or 2.7%, to minus €121.7 million.

The BayWa Group's earnings before tax (EBT) increased by €53.0 million year on year to €160.6 million, equating to a rise of 49.3% thanks to improvements in earnings in the operating segments Agri Trade & Service (up €26.6 million), Renewable Energies (up €25.1 million), Building Materials (up €22.8 million) and Cefetra Group (up €17.6 million). This was offset by declining earnings in the operating segments Energy (down €15.9 million), Agricultural Equipment (down €5.8 million), Global Produce (down €1.6 million) and Innovation & Digitalisation (down €9.8 million). In addition, Other Activities, along with the consolidation effects presented in the transition, saw a fall in earnings totalling €6.0 million.

Income tax expense for the BayWa Group came to €31.8 million in the financial year 2021 (2020: €48.1 million), which corresponds to a tax rate of 19.8% (2020: 44.7%). After deducting income tax expense, the BayWa Group generated a consolidated net result of €128.8 million for the financial year 2021, equivalent to an increase of €69.3 million, or more than 100.0% on the previous year.

The share of profit due to shareholders of the parent company stood at €70.7 million (2020: €35.9 million). Earnings per share (EPS), which is 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 35,418,709 (dividend-bearing shares less treasury shares), therefore stood at €1.63 in the financial year 2021 (2020: 66 cents).

As the end of the reporting period, BayWa AG had significant order volumes that had yet to be fulfilled in the Agricultural Equipment Segment. On 31 December 2021, order volumes amounted to €378.0 million (2020: €177.6 million). Of this total, €309.6 million (2020: €134.7 million) was attributable to new machinery, and €56.4 million (2020: €36.7 million) to indoor equipment (farm and animal equipment). This strong increase is the result of significantly lower invoices in sales as a result of the tight delivery situation and the expiry of existing manufacturer conditions.

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 2021:

Key financial earnings figures

	Earnings before interest, tax, depreciation and amortisation (EBITDA)			Earnings before interest and tax (EBIT)			Earnings before tax (EBT)		
In € million **2021**		change (absolute)	change (in %)		change (absolute)	change (in %)		change (absolute)	change (in %)
Renewable Energies	198.9	31.5	18.8	135.0	24.1	21.7	95.1	25.1	35.9
Energy	32.9	- 12.0	- 26.7	17.4	- 14.4	- 45.3	16.6	- 15.9	- 48.9
Cefetra Group	48.5	17.4	55.9	38.8	17.2	79.6	33.7	17.6	> 100.0
Global Produce	76.5	4.4	6.1	42.6	0.8	1.9	33.3	- 1.6	- 4.6
Agri Trade & Service	59.3	31.3	> 100.0	12.3	26.6	100.0	- 4.9	26.6	84.4
Agricultural Equipment	72.2	- 3.5	- 4.6	48.6	- 5.8	- 10.7	38.3	- 5.8	- 13.2
Building Materials	104.0	28.3	37.4	73.2	26.3	56.1	59.3	22.8	62.5
Innovation & Digitalisation	- 3.4	2.0	37.0	- 20.2	- 9.3	- 85.3	- 20.9	- 9.8	- 88.3

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 **2021**	Renewable Energies	Energy	Cefetra Group	Global Produce	Agri Trade & Service	Agricultural Equipment	Building Materials
Net operating profit	135.0	17.4	38.8	42.6	12.3	48.6	73.2
Average invested capital[1]	2,421.3	79.6	525.8	412.4	1,171.5	653.5	624.5
ROIC (in %)	5.58	21.83	7.38	10.33	1.05	7.43	11.73
Weighted average cost of capital (WACC) (in %)	4.40	5.50	5.10	5.70	4.80	6.50	5.50
Difference (ROIC less WACC) (in %)	1.18	16.33	2.28	4.63	- 3.75	0.93	6.23
Economic profit by segment	**28.5**	**13.0**	**12.0**	**19.1**	**- 43.9**	**6.1**	**38.9**

1 Intangible assets + property, plant and equipment + net working capital

In the financial year 2021, the Building Materials, Renewable Energies, Cefetra Group, Energy, Agricultural Equipment and Global Produce Segments achieved positive economic profit (in other words, positive net result after respective capital costs). Due to positive business development, the Building Materials Segment succeeded in increasing its economic profit by a clear margin to €38.9 million in the financial year 2021 (2020: €18.7 million). The Cefetra Group Segment likewise registered an increase in its economic profit to €12.0 million (2020 adjusted: minus €0.7 million). The Renewable Energies Segment also saw an increase in its economic profit to €28.5 million, up from €22.4 million in the previous year, as a result of its strong international project business and favourable development in solar trading. By contrast, the Energy (€13.0 million, 2020: €29.8 million), Agricultural Equipment (€6.1 million, 2020: €19.5 million) and Global

Produce (€19.1 million, 2020: €19.8 million) Segments reported a decline in economic profit. In the Energy and Agricultural Equipment Segments, the decreases were due to a weaker result after the exceptional economic situation in the previous year. The increase in the cost of capital also contributed to the decline. In spite of a substantial improvement, the Agri Trade & Service Segment recorded a negative economic profit of minus €43.9 million in the reporting year (2020: minus €65.1 million).

Comparison of forecast business development with actual business development

Segment	Indicator	Forecast [1]	Actual [1]
Renewable Energies	revenues	significant increase	significant increase
	EBIT	substantial increase	significant increase
Energy	revenues	significant decrease	significant increase
	EBIT	significant decrease	significant decrease
Cefetra Group	revenues	substantial increase	substantial increase
	EBIT	substantial increase	significant increase
Global Produce	revenues	no change	slight increase
	EBIT	no change	slight increase
Agri Trade & Service	revenues	moderate increase	substantial increase
	EBIT	significant increase	significant increase
Agricultural Equipment	revenues	significant decrease	slight increase
	EBIT	significant decrease	substantial decrease
Building Materials	revenues	slight increase	clear increase
	EBIT	significant decrease	significant increase

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

General statement on the business situation of the Group

In 2021, BayWa performed superbly in a market environment that became more and more challenging for many companies. In certain business areas, the corporate goals for the reporting year were exceeded by a clear margin. All in all, the Renewable Energies Segment developed well beyond expectations and achieved new records in both revenues and earnings before interest and tax (EBIT). By contrast, EBIT fell by nearly 50% in the Energy Segment, as expected, due to lower demand for heating oil and fuels. In the agricultural business, the international Cefetra Group and Global Produce Segments saw positive development and clear increases in revenues and earnings in some cases, primarily due to higher prices. The Agri Trade & Service Segment also achieved revenue growth year on year and once again generated a positive EBIT contribution following a loss in the previous year. The Agricultural Equipment Segment succeeded in beating its revenue record from the previous year, even though EBIT fell, as expected. Likewise, the Building Materials Segment developed clearly better than anticipated in the reporting year. Continued strong construction activity helped the segment to set new revenue and EBIT records. In 2021, the BayWa Group again benefited from its heavily diversified business activities and its strategic international orientation, which went a long way to limiting the impact of the coronavirus pandemic on the BayWa Group, as in the previous year.

Outlook

Outlook for the BayWa Group

The financial year 2021 at the BayWa Group was the most successful year in the company's history to date, thanks in part by a number of positive market factors. These developments are expected to return to normal in a number of areas in 2022. Prospects for the BayWa Group continue to be generally positive overall for 2022. BayWa's diversified business model is characterised by a high degree of resilience. Against this backdrop, the BayWa Group's EBIT is likely to be substantially higher in 2022 than the record level achieved in 2021. Significant increases in EBIT are expected, especially in renewable energies and in international trade in agricultural products. In addition, the restructuring process within the Agri Trade & Service Segment is likely to have a positive effect on earnings. The negative impacts on Innovation & Digitalisation and Other Activities should also decrease significantly compared to the previous year. This outlook is based on the assumption that the coronavirus pandemic will not trigger any new negative economic effects during the rest of the year. Political uncertainty concerning a further escalation of the Ukraine conflict, with the possible result of distortions on the markets for commodities and agricultural products, also remains high.

Outlook for the Renewable Energies Segment

The Renewable Energies Segment will continue on its growth course in the international markets in 2022. Projects with a total capacity of 1.2 gigawatts (GW) are planned in the solar and wind energy sectors for the financial year 2022. Some of these projects will be assumed by the IPP division (independent power producer).

New projects with a volume of approximately 0.4 GW are to be implemented in the Wind Projects business entity in the financial year 2022. The majority of them will be realised in the US, followed by Europe – especially in the national markets in the UK, Germany and Italy – and in the Asia-Pacific region. Higher positive earnings contributions from project sales are additionally expected in the years ahead thanks to the recent entry into the Greek market and the further expansion of activities in Spain. In addition to the sale of projects to third parties, power plants will be transferred to the IPP division in the years ahead. A first milestone for embarking on offshore project planning was reached at the beginning of January 2022: together with two partners, BayWa r.e. was awarded the contract for a floating offshore wind farm with a capacity of 960 megawatts (MW) as part of a tender procedure by Crown Estate Scotland. The 18 MW Arlena/Tessennano wind farm in Italy was sold in February 2022.

The Solar Projects business entity aims to implement projects with a total output of around 0.8 GW in the financial year 2022. The focus will most likely be on the markets in the US, Spain and the Netherlands. Although international supply chain issues persist, the overall environment should have a positive impact on the further business development of this global business entity, given the continued increase in demand for electricity, a favourable political environment and the steady growth in the number of regions with grid parity for solar installations.

The IPP division's portfolio will expand further and is expected to achieve 2.5 GW in the medium term. The portfolio is composed exclusively of projects that are developed and constructed in the Wind and Solar Projects business entities. The future expansion of the portfolio will focus primarily on parks in Europe with legally guaranteed tariffs or a power purchase agreement (PPA). The Energy Trading division aims to improve the risk-return ratio of its direct marketing portfolio in the medium term and plans to press ahead with activities in selected European markets, in particular by applying PPA and hedging solutions for internal and external customers.

By acquiring the assets of Kaiserwetter Energy Asset Management GmbH, Hamburg, Germany, the Services business entity has expanded the range of solutions it can offer in the area of operational management for renewable energy plants to include expertise in the field of data science, software development and software-related intellectual property for asset management. While the primary focus is on the Group's internal portfolio management in IPP, the software service offering resulting from this will also be marketed externally in the medium term, thereby expanding the global service business.

In the Solar Trade business entity, trading in photovoltaic components should continue to benefit from rising demand for new system solutions and attractive prices for photovoltaic modules. In Germany, high prices for electricity and ambitious PV expansion targets set by the new government, along with strong incentives including the mandatory use of photovoltaic systems in new buildings from 2022 onwards, suggest encouraging business development. Neighbouring countries in Europe have also launched subsidy programmes that will bring about increased demand. The expansion of charging infrastructure through charging points in commercial and residential areas for example, as well as a generally higher demand for electricity coupled with rising prices, will generate further opportunities for growth. The effects of climate change once again highlight the need for a transformation of the energy sector, which could further drive the acceptance of renewable energies and the development of the solar trade. To further strengthen the position of the solar trade worldwide, acquisitions are also planned for the years ahead. The acquisition of Beacon Solar in the financial year 2021 strengthens the Group's market presence in the US, while the purchase of PV Integ and the Czech section consolidates its business in Europe.

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

Earnings before interest and tax (EBIT) in the financial year 2022 are expected to increase significantly year on year. This positive earnings estimate is based on completed projects that are already scheduled to be sold in the first half of 2022. In addition, solar trading should benefit from the planned acceleration of the expansion of renewable energies. The expansion of the IPP division will further diversify the BayWa r.e. Group's revenue streams, thus making them more stable. The sharp rise in energy prices is expected to boost demand across all of BayWa r.e.'s business entities.

Outlook for the Energy Segment

In the Energy Segment, BayWa Mobility Solutions GmbH continues driving forward the expansion of the charging infrastructure for electric light vehicles. Project business is benefiting in particular, as market growth in e-mobility is being fuelled to a great extent by government subsidies. In heavy vehicles, the LNG business will be transferred from BayWa Mobility Solutions GmbH to BayWa Power Liquids GmbH with effect from 1 April 2022. The construction of three additional LNG filling stations and the introduction of bio-LNG are scheduled for 2022. In addition, the nine existing LNG filling stations will contribute to revenues and earnings throughout the year in 2022. In the heating business, the constant rise in carbon pricing in Germany is helping to make wood pellets, a climate-neutral energy carrier, more attractive. Sales of wood pellets are likely to see a double-digit percentage rise in 2022, as the number of installed pellet heating systems has grown considerably in recent years and the production capacities at WUN Pellets GmbH has been expanded. Moreover, plans are in place to establish new sales outlets with regional warehouses in our core market and throughout Germany. The pellet-related logistics and service activities offered under the Pellog brand, which were strengthened further in January 2022 with the acquisition of the haulage company Heyne & Naumann, will also help to drive growth. The start-up company hello:Heat will ultimately act as another sales channel for the distribution of pellets and services via e-commerce. Sales are expected to increase in the area of heat contracting, thanks in part to the anticipated recovery of the market for public-sector tenders. Given the investment backlog affecting many buildings, pressure is also growing on customers to take action with regard to the transformation of heating systems. Sales of heating oil are strongly influenced by price trends. In light of extremely high price levels, the market is expected to decline overall in 2022. Fuels Services GmbH will expand its market share, since it has competitive advantages in terms of logistics over smaller and medium-sized mineral oil dealers. This will enable Fuels Services GmbH to expand its service offering for third parties. Stable development or slight growth in sales is expected in the fuels trade, since the agricultural business is stable and the construction site business is growing due to long-term infrastructure projects. A permanent easing of the supply situation in the commodities sector is not expected in the lubricants and agricultural input business in 2022. In addition, the temporary reduced availability and development of prices of AdBlue in the previous year have led to very high demand and a sharp increase in stockpiling by customers. Demand is expected to rise moderately in the first half of 2022, should producers be able to deliver a sufficient supply of goods. The Energy Segment's EBIT is expected to be below the previous year's level by a clear margin, as persistently high price levels for fuels and heating oil are likely to have a dampening effect on demand. These negative effects on earnings in volume business will not be offset by the anticipated growth in earnings at Mobility Solutions and from higher sales of wood pellets.

Outlook for the Cefetra Group Segment

In the Cefetra Group Segment, the handling volume of grain and oilseed is expected to increase slightly in 2022. The trading volume of standard products should be on a par with the previous year. In specialities and sustainable products, growth is expected to be slower in 2022 than in 2021. Further diversification and the expansion of specialities in 2021 will create new potential, with Cefetra expanding its product range to include dairy products and alternatives for the food industry from Cefetra Dairy. In addition, special crops such as oilseed, nuts and legumes of African origin are being distributed through the new Sedaco trading centre. Logistics bottlenecks caused by the coronavirus pandemic and the resulting higher freight costs will also persist initially in 2022. As a supply chain manager, additional business potential will emerge for the Cefetra Group through the coordination and optimisation of supply chains, thus ensuring the procurement of products even in the event of potential supply shortages. Price volatility is expected to remain very high on account of the Ukraine conflict, which will result in corresponding marketing opportunities. However, the risk of default by counterparties will also increase, leading to higher hedging costs. In the specialities business, Cefetra will benefit from stocks built up during the reporting year, which will be marketed in 2022. All in all, EBIT in the Cefetra Group Segment is expected to see a significant year-on-year rise in 2022.

Outlook for the Global Produce Segment

The BayWa Group's total marketing volume of pome fruit, soft and stone fruit, tropical fruit and vegetable fruit is expected to rise slightly year on year in 2022, thanks in part to the anticipated higher apple harvest volume in New Zealand, where last year's harvest was adversely affected by hail damage. Quality levels are also high for all varieties, and fruit sizes have improved in comparison to in the previous year. The shortage of seasonal workers caused by the coronavirus pandemic meant that fewer apples were harvested in 2021. As a result of these lower volumes, the quantity exported in the marketing year 2020/21 fell by around 12% compared to the previous year. An increase in exports from New Zealand of around 7% is expected for the upcoming season, given that there have been no adverse weather events and greater numbers of seasonal workers will probably be available than in the previous year (USDA Gain Report Fresh Deciduous Fruit Annual NZ2021-0022). However, the ongoing rapid spread of the omicron variant in New Zealand could have a negative effect on the current harvest season. In addition, high sea freight rates could weigh on the result. Against this backdrop, marketing prices are expected to at least match the previous year's level. In Germany, marketing volume in 2022 will be slightly lower than in the previous year. In addition, the higher percentage of smaller fruit sizes will lead to lower domestic sales volumes and poorer margins. Moreover, excess stock remained from the last harvest and from late deliveries from the southern hemisphere at the start of the season. Marketing and the resulting stock reduction were rather modest in the first few months of the new financial year. Given this situation, a downward trend in prices is to be expected. In the tropical fruit business, sales volumes at TFC Holland B.V. (TFC) will increase in the medium term following its change of location in 2022 and the resulting increase in capacity. The new, state-of-the-art site in Waddinxveen, which is more favourable from the point of view of logistics, allows it to significantly expand its storage, ripening and processing capacities over an area of more than 26,000 square metres, thus providing scope for modern and efficient production processes. In parallel, TFC is moving ahead with its verticalisation strategy. Through a long-term partnership with producers in southern Africa, TFC is ensuring direct access to products and further expanding its year-round avocado offerings. EBIT will also benefit from the increased sales across the entire product range. However, it should be noted that the 2021 earnings included one-off income from the sale of properties no longer required for business purposes in the amount of €13.0 million, and that it will most likely not be possible to fully compensate for this effect with higher earnings from ongoing business activities in 2022. All in all, EBIT will therefore fall short of the previous year's figure by a clear margin.

Outlook for the Agri Trade & Service Segment

The Agri Trade & Service Segment is in a positive position going into 2022 thanks to the clearly increased value of trading portfolios in the grain and oilseed business. Assuming normal weather conditions, an average grain and oilseed harvest can be expected in product trading in Germany in 2022. The global supply balance should remain limited in calendar year 2022. Against this backdrop, there is an expectation that it will be possible to market the inventories from the 2021 harvest at higher prices in the first half of 2022. As both Ukraine and Russia are major grain producer countries, the escalation of the Ukraine crisis may also lead to supply bottlenecks, meaning that prices will at least remain stable at a high level and may rise further. BayWa solidifies its market share through continuous optimisation, increased efficiency and diversification. One of its strategic objectives is to expand the flow of goods in organic farming and to establish a leading market position in its core regions. The entry into force of the new EU agricultural policy on 1 January 2023 is expected to have a positive impact on the business with alternative fuels and trade in organic products. As a result, increased demand for these product groups could already start to emerge in 2022. In the agricultural input business, sales of fertilizers are likely to fall a further 5% to 10%, as limits on the use of nitrogen and phosphate fertilizers are having an increasingly marked impact over time. In addition, high fertilizer prices saw farmers exercise restraint in planning their quantities for use in 2022. Moreover, the amount of land under cultivation for organic farming is constantly rising. Crop protection sales are expected to decline moderately, with the growth of organic farming also having an impact in this area. In addition, societal pressure is also leading to restraint in application. Sales of seed are expected to remain stable on the whole. Environmental regulations, such as greening requirements, are having a positive effect on sale of seed for catch crops and resulting in higher demand for higher-margin speciality products. However, shifts in land available for main crops are having an opposite effect. One such example is corn, which is expected to see a decline of 5% to 20% in 2022, depending on the region. The market situation for feedstuff is likely to remain tense. Declining animal stocks in the medium to long term, fewer export opportunities (particularly for pork producers due to closure measures to halt the spread of animal diseases) and high prices for feedstuff grain are likely to continue having a negative effect on demand for compound feedstuff in Germany. It was against this backdrop that BayWa sold its 51% majority holding in the agricultural input and feedstuff trader Landhandel Knaup GmbH with effect from 1 January 2022. While declining animal stocks are expected in northern European countries, animal stocks in south eastern Europe are growing. In order to participate in this market growth, the Austrian RWA Raiffeisen Ware Austria AG acquired the mixed feed company Patent Co. DOO Misicevo, Subotica, Serbia, with effect from 31 January 2022. Patent Co. complements the RWA portfolio in the animal feed and feedstuff additives segments. Overall, a further significant year-on-year increase in EBIT is expected for the Agri Trade & Service Segment in 2022 as a result of the operating improvements.

Outlook for the Agricultural Equipment Segment

The underlying conditions for the Agricultural Equipment Segment are positive overall for 2022. Farmers' propensity to invest remains at a high level as a result of good milk and grain prices. The Bauernmilliarde (farmers' billion) subsidy measures, which will provide around €1 billion in additional federal funding by 2024 for adapting agriculture to the new fertilizer ordinances, should also provide additional positive momentum. In addition, the Agricultural Equipment Segment began 2022 with a very high order backlog. New machinery business is therefore likely to remain at an above-average level in Germany in particular. Stable demand is expected in the service business as a result of the large number of new tractors and machines registered in recent years. At the same time, an increased shortage of skilled workers and the continuing bottlenecks in the provision of spare parts are likely to have a negative impact. BayWa continuously invests in the modernisation of its locations to both meet the increasing demands of its agricultural customers and compensate for cost increases through efficiency gains. For example, the Forchheim location saw €8.1 million invested in a technical service centre and agricultural buildings, as well as in a filling station with a transshipment facility and an e-charging station. In international business, the Dutch Group subsidiary Agrimec B.V. is expected to continue down its growth path, as the two agricultural equipment trading companies acquired in the first quarter of 2021 will contribute to full-year revenues and earnings and the integration costs of the previous year will no longer apply. As a result of the expansion of the CLAAS market share and the aftersales business, the Canadian CLAAS International subsidiary expects further growth at its five existing branches as well as at the new location in Medicine Hat, Alberta, which opened in the first quarter of 2022. By contrast, the Austrian market is likely to see a clear decline. Lower demand combined with increasingly fierce competition could result in narrower trade margins. Overall, sales of machinery – particularly tractors – in the Agricultural Equipment Segment should once again reach the above-average level of the previous year, provided that manufacturer production and delivery capabilities are guaranteed. However, the current high order backlogs in Europe and the material bottlenecks at manufacturers are leading to exceptionally long waiting times for deliveries. Throughout the course of the year, manufacturers can be expected to pass on their upstream cost increases to retailers and end customers as price increases. As a result, farmers may temporarily exercise restraint in terms of their purchasing activities, especially as their existing machinery is very modern following years of high-level investments. The Agricultural Equipment Segment's EBIT is expected to see a significant year-on-year decrease from the previous year's high level as a result of the expected normalisation in demand for new machinery. Opportunities to match the previous year's high earnings level could still be possible if the supply chain bottlenecks ease over the course of the year.

Outlook for the Building Materials Segment

The Building Materials Segment expects to see slower growth in 2022 than in the previous year due to a shortage of skilled workers and capacity constraint, as well as supply bottlenecks in some product ranges. Against this backdrop, the Building Materials Segment anticipates sales volume on a par with the previous year, with the development of prices expected to see a slight increase of roughly 3%. The residential construction segment should expect a shift away from new building activities to modernisation and renovation of existing properties, along with a growing number of complete redevelopment projects as part of the generational change in property owners. The focus for the further development of the Building Materials Segment in 2022 will continue to be on expanding the range of specialisations and digital solutions, as well as the expansion of sustainable, more climate-neutral solutions. One focus of attention will be the digitalisation of the professional customer interface, among other things, in order to make the calculation and offer process far more efficient for both parties. Further growth is also expected through the BayWa Building Materials Online portal. BayWa Bau Projekt GmbH will launch a large number of new projects in 2022, the income from which will not accrue until during the execution phase in the years to come. As such, revenues for BayWa Bau Projekt GmbH will be on a par with the previous year. The Building Materials Segment's EBIT for 2022 is expected to be substantially below the previous year's high level, as year-on-year cost increases will lead to clearly narrower margins.

Outlook for the Innovation & Digitalisation Segment

The activities in the Innovation & Digitalisation Segment are mainly based on investments and development costs for future digital product and service offerings. The Innovation & Digitalisation Segment develops and test solutions for precision agriculture, and integrates them into various sales channels such as agricultural and equipment sales, including training and customer events. Developed solutions usually consist of components from FarmFacts, VISTA, agricultural equipment and the agricultural input business, including the services offered there, making it possible to offer customers one-stop package solutions. Market-ready products are then incorporated into the product range of the Agri Trade & Service and Agricultural Equipment Segments, such as an improved digitalised acreage index including an app, site-specific fertilisation, variable rain or drone services. In 2022, FarmFacts will focus on refining the product portfolio and concentrating on the two software products NEXT Farming LIVE and NEXT Farming OFFICE. In the medium term, the elements of the desktop and cloud software, along with their hardware and services, will be merged into one cloud-based solution under the name NEXT Farming. Sales in BayWa's eBusiness activities are expected to continue to grow through the further development of the BayWa portal for agriculture and the expansion of NEXT Marketplace. The creation of Mein Konto (my account) in 2021, which provides a central point of entry (single sign-on) for all eBusiness sections and the full range of e-commerce offerings of the Agri Trade & Service, Agricultural Equipment and Energy Segments, will be followed up with the incorporation of the Building Materials Segments and the FarmFacts activities in 2022. This will allow the customer to transition between the different applications more smoothly. In addition, user-friendliness will be improved with the scope of functions being expanded as well.

Within the scope of the further development of its eBusiness, the Innovation & Digitalisation Segment will assume a service-oriented function. All revenues and income generated in eBusiness are attributed to the respective operating segment responsible for the individual product sold. The Innovation & Digitalisation Segment's negative EBIT, which ranges in the negative lower double-digit millions, is expected to improve significantly. The elimination of extraordinary depreciation, in particular, will have a positive effect.

Other Activities

EBIT development in Other Activities in 2022 is expected to benefit from rising income from participating investments and dividends consolidated at equity as well as lower coronavirus-related expenses. Overall, the negative EBIT from Other Activities is likely to improve substantially in 2022.

Opportunity and Risk Report

Principles of opportunity and risk management

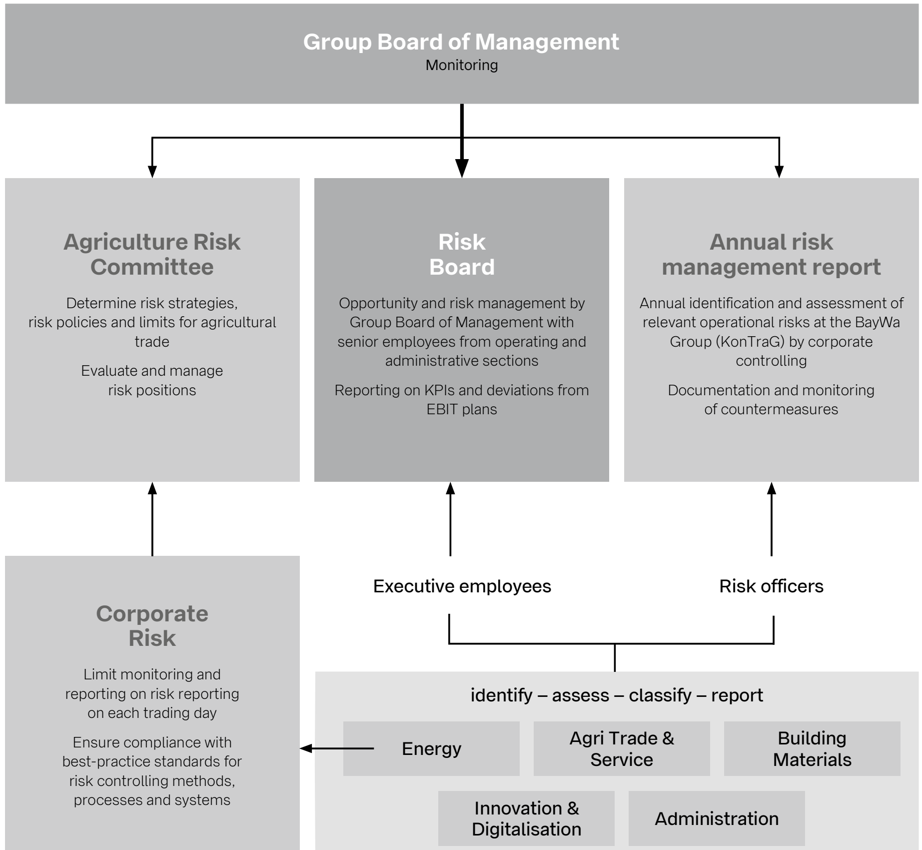
The management of opportunities and risks is an ongoing area of entrepreneurial activity which is necessary to ensure the long-term success of the company and is closely aligned with the long-term strategy and medium-term planning of the BayWa Group. BayWa makes use of opportunities that arise in the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

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

Moreover, in its corporate policy and ethical principles, as well as the Code of Conduct, the BayWa Group has established binding goals and a code of conduct which have been defined throughout the Group. They regulate individual employee actions when applying the corporate values, as well as their fair and responsible conduct towards suppliers, customers and colleagues.

A process for the integration of sustainability risks into risk management was launched in 2021. The Corporate Risk, Corporate Sustainability and Corporate Controlling departments are working across divisions to integrate sustainability topics into risk management. Sustainability-related risks were systematically presented in the risk management system for the first time within the scope of updating the risk management report in the autumn of 2021. Risk officers were made aware of the relevance of the corresponding risks and received guidance prepared by Corporate Sustainability and Corporate Risk, and a new 10- to 15-year long-term assessment period was also introduced. Guidance and methodology will be developed for the financial year 2022 so as to provide expert support for the risk officers and to standardise the Group-wide identification and assessment of climate-related risks. This methodology will be expanded in the next few years to include other sustainability risks.

Structure of opportunity and risk management within the BayWa Group



At the BayWa Group, opportunity and risk management is an integral component of the planning and management and control processes. A comprehensive risk management system based on the German Control and Transparency in Business Act (KonTraG) records and monitors both the development of the Group and any existing weak points on an ongoing basis. The risk management system covers all divisions and is included as a key component of reporting. A particularly important task of risk management is to guarantee that risks to the Group as a going concern are identified and kept to a minimum. This enables the management of the Group to react swiftly and effectively. All business divisions of the Group have risk officers and risk reporting officers who are responsible for implementing the reporting process.

A key component of the opportunity and risk management set-up is the Risk Board, which has been in place since the financial year 2009. Presided over by the Chief Executive Officer, the Risk Board, which consists of operations managers and support staff, meets regularly to discuss and assess operating opportunities and risks. Minuted meetings are used to develop an understanding of the opportunities and risks and form the basis of the measure of risk applied to operational decisions.

The Agriculture Risk Committee is part of Risk Governance and acts as the highest decision-making body for trading activities concerning agricultural commodities. It is composed of members of the Board of Management and others and meets regularly and when warranted. The Committee decides on risk guidelines and limit systems for the agricultural trade activities and, where necessary, implements risk-controlling and mitigating measures. A form of risk controlling that is independent of trading was established at both the level of the Corporate Risk organisational unit and in the individual agriculture trading companies to ensure that the provisions of the Agriculture Risk Committee are implemented in full, including adherence to limits. The risk officer's responsibility in the trading companies covers all risk processes within the company, including limit monitoring and reporting.

The Corporate Risk organisational unit's tasks are to execute risk controlling for the trading activities with agricultural commodities and to operate and develop the risk management system to monitor risks on each trading day. In addition, the unit also serves as a Group-wide competence centre to ensure compliance with best practices in relation to risk controlling methods, processes and systems in commodities trading as well as to guarantee adherence to financial market regulations on commodity derivatives.

Risk management process within the BayWa Group

In the Group-wide risk reporting process, risks are classified into categories, and estimates are made as to their probability of occurrence and potential financial impact. The risk management system is based on individual observations, supported by the relevant management processes, and forms an integral part of the core activities. It starts with strategic planning and proceeds through to procurement, sales and distribution and, finally, to the management of counterparty risk. As an extension of the planning process that takes place in the segments and in procurement, sales organisations and centralised functions, the risk management system serves to detect and assess potential divergences from expected developments. In addition to identifying and assessing key developments influencing business, this system facilitates the prioritisation and implementation of activities.

The risk reports, which are regularly prepared by the business sections, are a cornerstone of the risk management system. These reports are consolidated into the annual risk management report by the Corporate Controlling department and are subject to evaluation by the Board of Management and by the heads of the segments. This includes all individual risks that could have an impact on the business activities of the BayWa Group, assigned to one of the seven risk categories – compliance risks, risks pertaining to organisational structure and workflow, operating risks, market risks, financial risks, legal risks and strategic risks – and their respective subcategories. The significance of each individual risk results from the potential impact on the assets, financial position and earnings of the BayWa Group in the event that the risk materialises, weighted by the likelihood of that risk materialising. The product of these two values is referred to as the expected value of damages. The expected value of damages per risk category is calculated by adding the expected value of damages of all subcategories assigned to the risk category. Their expected value of damages are formed by the sum of the expected value of damages of all individual risks contained. The sum of the expected value of damages form the basis for the classification of the risk categories in the BayWa Group.

A further risk management system is in place for the trade activities with agricultural commodities, including the associated hedging transactions, which encompasses the relevant business activities of BayWa AG, BayWa Agrarhandel GmbH, Evergrain GmbH & Co. KG (since 1 January 2022, Grainli GmbH & Co. KG) and Cefetra Group. The Minimum Requirements for Risk Management (MaRisk) published by the German Federal Financial Supervisory Authority (BaFin) serve as the benchmark for this risk management system. MaRisk includes arrangements governing the identification, assessment, management and monitoring of all material risk types, including counterparty risks as well as operating risks, such as quality and logistics risks. BayWa adapted the standards established in the financial services sector and leading trading companies for its agricultural trade activities due to the flexible and practical framework of the material regulations. Appropriate and effective risk management pursuant to MaRisk comprises in particular the formulation of strategies and the establishment of internal control procedures in consideration of the risk-bearing capacity. The internal control system (ICS) consists in particular of:
- Arrangements governing the organisational structure and workflow
- Processes for identifying, evaluating, managing, monitoring and reporting risks (risk management and control processes)
- The establishment of a risk controlling function

In order to manage market risks on each trading day, the positions, including the spreads (underlying risks), are determined and monitored for the associated agricultural trading companies. Value-oriented procedures, in addition to the volume limits, serve to ensure that the positions are managed in a manner that is appropriate for the risks. These procedures include the regular mark-to-market valuation (on at least a monthly basis) of pending agricultural transactions of German agricultural trade units and the determination of the trading results derived from this, as well as the portfolio-based value-at-risk procedure for the liquid products of all agricultural trade units. In addition, scheduled and ad hoc stress tests are performed to recognise the effect that extraordinary market price changes have on earnings and, where necessary, implement measures to reduce risks. The trading positions, as well as the risks they pose, are reported to the operating business sections and the local risk management officer on a daily basis, as well as to the Board of Management in the form of the Risk Board.

These control mechanisms are supported by a standardised IT system solution for risk management which has been in place for a number of years and has been certified by an external auditor.

The Global Book System (GBS) is used to coordinate trade management activities; it is responsible for the overarching coordination and optimisation of the trading and risk positions of the individual product lines in the trading of grain, oilseed and co-products for the national and international divisions. Fundamental market analyses are performed within the scope of the market research activities to estimate the global supply and demand situation. An additional focus is placed on implementing quantitative portfolio and risk analysis procedures, the results of which are discussed in weekly meetings with the trading departments. Given the volatility in the markets for agricultural products, BayWa works with specialists in the area of algorithm-controlled trading strategies in order to limit the effects of fluctuations in the market triggered by high frequency trading on BayWa’s positions.

Identification of opportunities within the BayWa Group

A dynamic market environment also gives rise to opportunities. The BayWa Group continuously monitors both macroeconomic trends, and the development of industry-specific and general environments and structures. These include government regulations, suppliers, customers and other stakeholders, as well as competitors. The identification of opportunities is integrated into the BayWa Group’s strategy and planning processes. The focus of the product and service portfolio is permanently reviewed based on these analyses. The identified opportunities are predominantly implemented on a decentralised basis in the segments.

Classification of risks and opportunities within the BayWa Group

The seven risk categories within the BayWa Group are divided into several sub-categories. The risks in these subcategories are classified as low, noticeable, considerable, significant or substantial on the basis of the theoretical expected value of damages. The theoretical expected value of damages is the amount that would result in the very unlikely event that all of the individual risks in a sub-category materialise at the same time. Risks are classified by considering the risk reduction measures (net view). The significance of the opportunities for the BayWa Group are assessed by way of a qualitative classification into material or immaterial. The following table provides a general overview of all risks and opportunities and depicts their significance for the BayWa Group in the financial year 2022.

		Risks		Opportunities	
		Risk classification	Y/y change	Opportunity classification	Y/y change
Market risks and opportunities					
	Sales market	considerable	reduced	material	constant
	Procurement	significant	increased	material	increased
	Competition	considerable	constant	immaterial	constant
	Image	noticeable	constant	immaterial	constant
	Price	substantial	constant	material	constant
	Loss of customers	low	constant	/	/
Operating risks and opportunities					
	Sales	noticeable	reduced	material	increased
	Environmental impact	significant	constant	immaterial	constant
	Production	noticeable	constant	immaterial	constant
	Inventory	noticeable	constant	material	constant
	Product quality	considerable	constant	immaterial	constant
	Case of damage	significant	increased	/	/
	Project	considerable	reduced	material	increased
Risks and opportunities of the organisational structure and workflow					
	IT	considerable	constant	immaterial	constant
	Quality	substantial	constant	immaterial	constant
	Personnel	significant	constant	immaterial	constant
	Organisation	considerable	constant	immaterial	constant
Financial risks and opportunities					
	Financial market	considerable	constant	immaterial	constant
	Group companies	considerable	increased	immaterial	constant
	Default on receivables	considerable	constant	/	/
	Interest	low	constant	immaterial	constant
	Liquidity	noticeable	constant	immaterial	constant
	Currency	considerable	increased	immaterial	constant
	Taxes	noticeable	constant	/	/
Strategic risks and opportunities					
	Corporate strategy	noticeable	constant	immaterial	constant
	Investments	noticeable	increased	immaterial	constant
	Acquisitions and disposals	low	constant	material	increased
	Market development	noticeable	constant	immaterial	constant
	Innovation and technology	considerable	increased	material	constant
Legal risks and opportunities					
	Contracts	considerable	constant	/	/
	Changes in legislation	significant	constant	immaterial	constant
	Liability and insurance	noticeable	constant	/	/
	Violations of the law	considerable	reduced	/	/
Compliance risks and opportunities					
	Corruption/fraud	considerable	constant	/	/
	Product safety/standards	low	constant	/	/
	Data protection	low	constant	/	/
	Compliance with laws and guidelines	substantial	increased	/	/

Risk classification (potential implications on earnings) according to expected value of damages		Assessment of the opportunities
low =	≤ €1.0 million	Qualitative classification / Categorisation into “material” and “immaterial”
noticeable =	≤ €2.5 million	
considerable =	≤ €5.0 million	
significant =	≤ €10.0 million	
substantial =	> €10.0 million	

Overall, at the time of the risk inventory carried out at the end of 2021 the BayWa Group was not exposed to any risks that could endanger its existence as a going concern.

Composition of the risk and opportunities categories within the BayWa Group

Key individual risks are described below.

Compliance risks

Group companies are and will continue to be faced with legal disputes and proceedings in relation to their operating business activities. For example, these can result from breaches of compliance regulations by individual employees. This may lead to individual Group companies having to pay compensation or financial penalties or being imposed with other civil or criminal sanctions. Reputational damage can also occur as a result. These risks are continuously monitored by corresponding specialist areas of the Group.

In March 2015, the Bundeskartellamt (German federal antitrust authority) initiated administrative offence proceedings. The proceedings were ended in January 2020. Since then, there has been a fundamental risk that customers could assert claims for compensation against BayWa AG. At the time at which these financial statements were prepared, only individual claims had been asserted against BayWa out of court, all of which have been refuted by BayWa. No further claims have been asserted or announced so far. It is BayWa AG's belief that the alleged misconduct did not result in any buyers suffering any financial damages whatsoever.

We assume, supported by the assessment of our legal advisers, that it is very unlikely in this context that third parties will be able to successfully assert any material claims against BayWa AG. Therefore, no risk provisions for this matter have been formed on the balance sheet.

BayWa's data protection risk relates to the incorrect handling of personal or customer-related data as well as the unlawful disclosure or use of said data. This risk is increasing due to the digital transformation of many business activities and increased awareness of the issue due to new legislation and case law. Advice and awareness programmes, as well as process controls, are in place to ensure compliance with data protection regulations within the Group. In general, BayWa ensures that customers retain sovereignty over their data.

The issuing of what are known as preference certificates represent a compliance risk for BayWa, as it leads to the reduction of import duties in the recipient country and can result in large penalty payments and the levying of other benefits if issued without authorisation. Civil law compensation claims by the customer for subsequently collected import duties are also possible. BayWa has introduced a range of processes and measures to help reduce this risk and achieve a 100% return rate. These include, among others, customer- and employee-specific communication measures, digital IT connections between the preferred tool and SAP, and centralised test processes.

Antitrust law violations also pose a compliance risk. Vertical and horizontal collusion can lead to significant fines, penalties and loss of reputation. Abuse of a dominant position in the market, corruption and money laundering offences also represent similar risks. To counter this risk, BayWa implements training workshops and online training courses, the elaboration and introduction of appropriate guidelines and Virtual Risk Solutions (VRS), audit controls, mandatory audits of cooperation agreements to be concluded, audits of association memberships and training of compliance officers on all relevant topics. The training sessions take place using a special academy platform. In addition, regular business partner audits are executed.

BayWa makes use of various tools to identify risks, including audits and risk analyses, newsletters and BayWa Live, a tip-off system, an ombudsman and a compliance hotline, as well as the aforementioned training of employees and compliance officers and the compliance officers as additional internal contacts.

Operating risks and opportunities

In the energy business, the Renewable Energies Segment is particularly affected by changes in subsidy measures and political frameworks. In this context, positive signals such as ambitious targets as part of the

European Commission's "green deal" and US President Biden's proposed "Build Back Better" agenda have a positive impact on business prospects. However, the European Commission's decision to classify nuclear energy and natural gas as sustainable under the EU taxonomy could potentially slow the expansion of renewable energies in Europe in the medium term. These effects are long-term in nature and have not influenced business to a material extent at the current time.

By contrast, the tense situation in the trade conflict between the US and China, which has continued under the Biden administration, and the sanctions due to the human rights abuse allegations being levelled at China may have a negative impact on the availability of system components and price trends. A task force was established to assess the risks to operational processes and initiate the appropriate countermeasures. Close cooperation with trade associations was also further expanded. Against the backdrop of mainly country-specific risks, revenue and earnings development is stabilised by means of geographic diversification at BayWa r.e. Diversification across multiple energy carriers – particularly wind energy and solar energy – reduces risk such as the loss of individual technology providers. Increased volatility in energy prices as well as climatic risks (wind, sunshine) also play a role for BayWa's electricity-generating Group companies in the Renewable Energies Segment and in energy trading. Long-term surveys mean that average wind and sunshine are relatively easy to forecast in the medium term on the basis of expert opinions, although both positive and negative deviations can occur at short notice that result in corresponding increases or decreases in revenue. The issue of grid connection is becoming increasingly important in countries such as Spain and Australia and may lead to unscheduled delays in project realisation or the full utilisation of the installed capacity. Such developments can be avoided if they are taken into account at an early stage during planning or by retrofitting storage systems or taking other measures to increase flexibility.

The Energy Segment largely comprises trading in crude oil-based products such as fuels and lubricants as well as heating oil. In general, the development of demand for heat energy carriers such as heating oil also depends on the level of consumption, weather conditions and the price trend. In the medium to long term, there is a risk that sales will decline as a result of the energy and mobility transition toward carbon-free renewable drive and heating concepts. However, new growth opportunities are also arising because of the trend towards electromobility. Apart from the default risk on trade receivables, these business activities are subject to little risk.

In the agricultural sector, changes in the political framework, such as changes to the regulation of markets for individual agricultural products and agricultural inputs, new regulations relating to protecting the environment or tax-related government subsidies of energy carriers, in addition to volatile markets, create risks. At the same time, however, they also open up new prospects and opportunities such as those in the areas of organic product ranges and digital farming. Extreme weather conditions can have a direct impact on offerings, quality, pricing and trading in agricultural products as well as downstream on the agricultural input business. In addition, trade conflicts and the resulting government-imposed economic sanctions can restrict the availability of and sales opportunities for agricultural products. This is offset by the rise in product and geographical presence diversification in the Agri Trade & Service Segment, as this has reduced the dependence on individual markets and increased procurement and marketing flexibility. In addition, BayWa also combats quality risks through standardised monitoring processes. Risks posed by a deterioration in the quality of inventories are reduced by corresponding warehousing standards. Logistics risks resulting from a lack of transport capacities due to weather conditions, pandemics or strikes are identified and managed early on by the early warning systems and mitigated to the greatest extent possible through flexible transport routes, for example. Coronavirus or similar pandemics could reduce demand for agricultural commodities and negatively impact the operation of locations. Structured, central and early crisis management is geared towards minimising such effects. Global climate change and increasing extreme weather conditions will also have a long-term effect on agriculture. A relatively constant annual increase in global demand for agricultural products stands in contrast to the annual fluctuation in production due to potential unfavourable weather conditions in key cultivation regions. The resulting volatility of prices for agricultural commodities leads to both price risks and opportunities to profit from price changes. The fruit- and vegetable-growing activities pose a financial risk to the Group, which arises from the delay between cash outflow for buying, growing and maintaining the crops as well as the costs of the harvest and cash inflow from the sale of the fruit. This risk is managed by actively monitoring net working capital. The development of income in the agriculture sector filters through directly to investment capacity and propensity and therefore to the sale of agricultural inputs and high-end agricultural equipment.

Political and economic factors exert the main influence on demand in the construction sector. The key factors behind economic demand are private consumption and public-sector demand, which depends directly on the development of public finances. Political factors of influence include, for instance, special depreciation for listed buildings, measures to promote improved energy efficiency and the construction of social housing. In general terms, ageing housing stock in Germany will encourage growing demand for modernisation and renovation. As the importance of digital sales channels for the development of business rises, so too do the requirements in terms of implemented processes and the availability of the technical systems. The online offerings will be successively optimised and expanded to include additional resources such as IT networking and professional customer portals. The shortage of skilled workers will increasingly influence market volume and necessitate industrial pre-fabrication solutions.

Infectious diseases, such as the recent COVID-19 pandemic, can have both regional and global effects. They can lead to illness-related absences of employees, as well as restrictions among suppliers and customers, to such an extent that production lines, or even whole sites, need to be shut down. Infectious diseases of this nature are also associated with state rules concerning physical distancing and hygiene measures, which can impair operating processes and cause high additional costs. Animal diseases, such as bird flu or swine fever, can also create additional operating costs due to the corresponding countermeasures ordered by the state. The unexpected discovery of contamination due to the use of pesticides in organic products, for example, is another situation that can lead to additional financial burdens from the destruction of huge batches of products and potential compensation claims.

The quality risks affecting agricultural commodities and products include genetic risks, heating and exudation, spontaneous combustion, contamination and deviations from the product specification. Cefetra Group also faces such risks and has taken a series of measures to counteract them, including the conclusion of back-to-back agreements, where quality is contractually agreed and symmetry is ensured; certifications such as GMP+ and GTP, as well as audits to ensure compliance; the conclusion of insurance policies against quality losses; efforts to maintain knowledge through quality training; monitoring programmes with the aim of better quality control; appointment of responsible persons for environmental, health and safety procedures for terminals and silos operated by Cefetra employees; and the introduction of a quality manual with clear guidelines for quality standards and procedures. Quality controls by independent laboratories are carried out when goods leave a port or arrive at their destination, for example. All parties are informed as soon as a harmful substance is discovered. The monitoring data is stored centrally. Customer complaints always result in the filing of a damages report, and all suppliers must declare goods that contain harmful substances.

Acts of sabotage, an airplane crash on a crop protection warehouse or the failure of fire extinguishing systems can all cause fires. BayWa has taken a number of measures to minimise the corresponding risk. These measures include the obligation of employees to adhere to maintenance regimes, ensuring sufficiently trained personnel are available to address bottlenecks caused by sickness, holidays or harvesting operations, as well as regular control and technical inspections and field work for trained and instructed warehouse and responsible commercial staff. Risk identification is based on the assessment of official complaints, statements in audit reports and a quarterly individual inspection by the occupational health and safety department. In the event of a risk situation, the site manager files a report to the responsible member of the Board of Management and (if applicable) to the Board of Management as a whole, as well as to the company controlling. Maintenance reports and plans, own inspection protocols and expert reports are all used for documentation.

Market risks and opportunities

General economic factors have an influence on consumer behaviour and investment patterns in BayWa's core markets. In the agricultural industry in particular, there is a trend towards ever larger agricultural operations that are conducting their business more professionally, particularly with regard to the customer structure. These environmental factors exert less of an influence on BayWa's business activities than on other companies. The BayWa Group's business model is largely geared to satisfying fundamental human requirements, such as the need for food, mobility, the supply of energy and shelter. Accordingly, the impact of cyclical swings in demand are likely to be less strong than in other sectors. As a result, BayWa is even able to turn certain opportunities arising in times of crisis to its advantage through, for instance, the identification and acquisition of suitable companies with a view to building up or expanding existing or new areas of business. However, BayWa is unable to fully decouple itself from severe setbacks to international economic development that result from, for example, slumps in global commodity prices.

BayWa trades in merchandise that displays very high price volatility, such as grain, oilseeds, fertilizers, mineral oil, biomethane, electricity, gas and solar components, especially in its Agri Trade & Service and Energy Segments. The warehousing of the corresponding merchandise and the conclusion of supply contracts governing the acquisition of goods in future means that the BayWa Group is also exposed to the risks and opportunities of price fluctuations. These price volatilities are likely to increase due to the conflict in Ukraine, seeing as Ukraine is the "breadbasket of Europe" and the fourth largest external food supplier, according to the European farmers' association. Whereas the risk inherent in mineral oils and biomethane is relatively low due to BayWa's pure distribution function, fluctuations in the price of grain, oilseed, fertilizers, electricity, gas or solar components may incur greater risks if there is no matching in the agreements on the buying and selling of merchandise. Furthermore, activities by financial investors, extreme weather conditions and technical market mechanisms can sometimes exacerbate price volatility considerably. In addition to absolute price risks, business developments may be influenced by various developments in local mark-ups, for example concerning logistics services, in forward rates as well as different quality grades. If no hedging transactions exist at the time when agreements are signed, the ensuing risk is monitored on an ongoing basis by the respective executive bodies, such as the Risk Board.

The BayWa Group uses a portfolio-based value-at-risk method to measure and control risks from commodity futures, which are treated as financial instruments as defined under IFRS 9 (International Financial Reporting Standard). The value-at-risk used by BayWa aims to quantify the negative changes in the value of a portfolio, which – with a certain degree of probability (95%) – will not be exceeded during a defined period of time (five trading days). The value-at-risk calculated as at 31 December 2021 amounted to €5.4 million and indicates that the potential loss from the commodity futures considered will, with a probability of 95%, not exceed €5.4 million within the next five trading days.

BayWa r.e. AG uses a cash-flow-at-risk method to measure and control risk from foreign currency transactions. The cash-flow-at-risk used by the BayWa r.e. aims to quantify the maximum loss from foreign currency transactions, which – with a certain degree of probability (95%) – will not be exceeded during a defined period of time. The cash-flow-at-risk calculated as at 31 December 2021 stands at €2.9 million for the following financial year, meaning that the potential losses from foreign currency transactions in the financial year 2022 will not exceed the value of €2.9 million with a level of probability of 95%.

Following the United Kingdom's exit from the European Union on 1 January 2021, the EU parliament voted in favour of the agreement that outlines the rules for future relations between Brussels and the United Kingdom by a large majority at the end of April 2021. The agreement entered into force on 1 May 2021 and contains numerous provisions, including on economic partnership. The provisions are based on a free trade agreement featuring neither quotas nor tariffs. Nevertheless, the new approach to the relationship creates non-tariff trade barriers, as there have been changes in many areas, such as travel, customs regulations, data protection law, industrial products and chemicals. Many products have become more expensive in the United Kingdom as a consequence of Brexit, and logistical challenges have resulted in some delivery interruptions. The Centre for European Reform think tank researched the effects of Brexit and came to the conclusion that the UK's trade of goods was 11% to 16% lower in many months during 2021 than it would have been without Brexit. BayWa generated around 7% of Group revenue in the United Kingdom in 2020, the year before Brexit took effect. This revenue was generated by the Cefetra Group, Global Produce and Renewable Energies Segments. In the past financial year, the share of revenue accounted for in the United Kingdom was also around 7%. As yet, Brexit has not had any significant negative impact on the BayWa Group so far due to the scope of business and the Group structure.

Political instability or changes of government in Germany, as in other countries, harbour risks for companies operating in these markets. Changes in market access conditions, such as higher tariffs, quota restrictions or stricter environmental or health and safety restrictions, can hamper the exchange of goods or make it more expensive.

The global economy began 2022 weaker than expected. Many countries, including Germany, once again imposed mobility restrictions due to the spread of the new coronavirus omicron variant. The manufacturing and service industries, as well as retail, were all affected by access restrictions and temporary work-at-home obligations. At the same time, stricter hygiene regulations and the demand for increased digitalisation have companies incurring additional, sometimes considerable costs. The sharp increase in online retail as a result of the coronavirus pandemic has led to drastic losses in conventional trade in some cases. One inherent risk at the present moment, is the emergence of new coronavirus variants that would prolong the pandemic and lead to new economic disruptions that are difficult to assess. One example here are rising energy prices and supply disruptions that have already led to significantly higher inflation. Should this development persist, it will also pose risks for companies, not to mention the increased geopolitical tensions and the ongoing climate emergency.

The BayWa Group also carries a portion of these risks. BayWa performs an essential function for society in the food and energy sectors. As a result, these business sectors – along with building materials markets, as suppliers and outfitters for the skilled trades and the commercial sector – have so far not been affected by coronavirus-related closures in Germany. Isolated restrictions on business activity resulted primarily in the Cefetra Group and Global Produce Segments due to the international links in supply chains, transport capacity bottlenecks and the resulting reduction in the availability of primary materials and products. There was also a partial shortage of seasonal workers in New Zealand due to restrictions on entry into the country. Some projects in the Renewable Energies Segment were affected by delays in approval processes, restricted mobility among workers and supply bottlenecks, which led to delays in construction in certain cases. The BayWa Group also incurred additional expenditures for measures to protect the health of employees and customers once again in the past financial year. On the other hand, the impact of the measures to combat the coronavirus pandemic led to dynamic growth in product sales through the Group’s various online platforms. On the basis of the previous experience in 2020 and 2021, BayWa expects to also be able to counter future restrictions through appropriate measures.

A portion of the margins is also generated at Cefetra Group through pure position trading and spreads, such as inter-product spreads and time spreads. Cefetra is inherently exposed to commodity risks, such as spread/premium risk, inter-commodity risk and time-spread risk. The company usually hedges its positions through futures, which entails a risk of changes in value during the term of the future with a corresponding impact on earnings. Cefetra has put in place various measures to mitigate the corresponding risks, with the most important flat rate risks being taken and monitored centrally at the head office in Rotterdam, Netherlands. Risk officers carry out daily checks to see whether traders’ positions (including currency transactions) are within the specified position limits. Managing directors, trade managers and the risk officers also monitor spreads such as time spreads and intra-commodity risks on a daily basis in order to be able to respond quickly to changes. A market-to-market calculation of the gains and losses and the performance of the main risk centre is conducted every two weeks by Controlling, the risk officer, the managing director and the trade manager. A trading meeting is held on a weekly basis with the management board, traders and external market researchers, as well as internal and external market analysts, to discuss the market situation and position. Trade Management – made up of managing directors, trade managers and risk officers – also meets on a weekly basis to discuss the most important positions, spreads and risks for the week ahead. The risk officer sends a summary of the meeting to Cefetra Group’s risk CFO. Controlling sends out an overview of all transactions recorded in the system for review by the traders. The managing directors, trade managers, Controlling and the risk officer monitor the positions on a daily basis and regularly re-evaluate the current positions to ensure awareness of the current risk potential. Flat rate and premium limits are continuously reviewed and approved as required by Cefetra management. The risk officer checks the limits on a daily basis. In the event that the limits are exceeded, the responsible trade manager and traders are contacted and requested to abide by the limits within one working day. The risk officer prepares risk analyses on a daily basis and monitors the positions. These analyses are discussed with the management and the traders before being submitted to the Cefetra Group risk control committee. Data analytics is performed using the Tradesparent software solution. The value-at-risk method is used throughout the whole of the BayWa Group and is monitored by the risk management department on a daily basis.

Inventory risks due to drop in prices (long risk) lead to a reduction in gross profit and sales deductions. BayWa is exposed to this risk through its fertilizer business. This risk is reduced by actively decreasing inventories as well as monitoring and taking volatile market parameters, such as energy prices, into consideration when making assumptions. Additional measures to reduce risk include a weekly risk exposure report, the limitation on warehouse storage and a Risk Board at 14-day intervals which monitors inventories and decides on measures where necessary. In the event of a risk situation, the product area manager reports up to the Board of Management. Bilateral agreements with the industry serve as documentation.

Dependency on a small number of suppliers poses a risk to BayWa's business in crop protection products, especially due to the increase in competition over the long term due to direct sales through new communication channels. In order to avoid associated risks, such as poorer purchasing conditions, BayWa pursues a targeted purchasing management and strategy based on close monitoring of markets and an annual supplier evaluation in accordance with ISO within the scope of strategic planning, as well as media analysis and assessment of rumours or indiscretions. Communication in the event of risk situations takes place from the product area manager up to the Board of Management.

Dependence on procurement monopolies or oligopolies also harbours risks, including a possible drop in procurement prices or the lack of certain product alternative in specific quantities and qualities. BayWa is exposed to this risk in the feedstuff business in southern Germany, where there is a mixed feedstuff oligopoly of Deutsche Tiernahrung Cremer GmbH with Süfu+Deuka. In order to reduce this risk, BayWa relies on the diversification of suppliers, a multiple-supplier strategy when creating its product portfolio and the ongoing search for alternatives. BayWa also places a focus on its own Bonimal brand, which facilitates the exchange of suppliers where necessary and minimises dependence on manufacturers. Observations in day-to-day business, annual supplier assessments and target agreements with suppliers are also used to identify risks.

In today's globalised economy, companies face particular procurement risks in supply chains. Country-specific regulations, different logistics and transport routes, as well as production difficulties caused by a lack of parts and a shortage of skilled labour, can make just-in-time delivery difficult or even impossible. BayWa is affected by this risk in the Agricultural Equipment Segment. Measures to avoid this risk include active procurement and inventory management with early ordering of required product volumes, such as through securing construction sites, and taking longer delivery times in sales activities into consideration. Product management maintains close contact with suppliers, continuously analyses media reports, collects information on supply chains (EU/non-EU/elsewhere) and evaluates it to ensure the success of this approach. Documentation is done through newsletters and mail correspondence within the sector.

Insolvencies in upstream or downstream sectors can cause additional costs through negative effects on work and production processes as well as the supply of raw materials and products or primary materials. In order to minimise this risk, BayWa maintains business relationships with a large number of suppliers so that sufficient supplies are always ensured.

A deteriorated public sector financial situation leads to a decline in demand for building materials and, as a result, to a loss in revenues and gross profit. BayWa is also exposed to this risk. In order to identify potential risk, building permit statistics are evaluated with data on public-sector clients while also monitoring the development of public tenders. All of the corresponding findings flow into preliminary planning discussions and the building materials strategy.

Financial risks and opportunities

Within the BayWa Group, financial risks and opportunities are divided into multiple risk types that are described separately in the following.

Opportunities and risks from financial instruments

In addition to fixed- and variable-rate financial instruments, which are subject to varying degrees of interest rate risks, BayWa Group also uses derivative hedging instruments such as options and futures contracts to hedge its trading business. In addition to interest rate risk, these derivative hedging instruments are also subject to risks posed by changes to the prices of underlying transactions as well as, depending on the base currency in which the derivative instrument is denominated, currency risks. Transactions that were not conducted via a stock exchange are also subject to counterparty risk. However, due to the measures taken by BayWa described below, there is only a slight chance that these risks will materialise. By the same token, changes to interest rates, currency exchange rates or forward market prices can lead to unplanned opportunities.

Foreign currency opportunities and risks

BayWa's business activities are largely located in the euro zone. If foreign currency positions arise from goods and services transactions or projects, they are always hedged without delay. Other payment obligations or receivables denominated in a foreign currency are hedged at the time when they arise. Speculative borrowing or investing of financial resources denominated in foreign currencies is prohibited.

Interest rate opportunities and risks

Interest rate risk positions arise from the Group's floating-rate financing activities, especially from the issuing of short-term commercial papers, short-term loans as well as variable-interest bonded loans. Short-term debt is used mainly to finance working capital. To reduce the interest rate risk, which is not hedged using a natural hedge, BayWa uses derivative instruments in the form of futures, interest rate caps and swaps. In the financial year 2021, the average interest rate for variable-interest financial liabilities stood at 0.883% (2020: 0.869%).

Credit and counterparty risks and default risks

As part of its entrepreneurial activities, BayWa Group has an important function as a source of finance for its agricultural trading partners. In the context of so-called cultivation contracts, the Group is exposed to a financing risk arising from the upfront financing of agricultural inputs, the repayment of which is made through acquiring and selling the harvest. Moreover, BayWa grants financing to commercial customers, particularly in the construction sector, in the form of payment terms of a considerable scope. Beyond this, there are the customary default risks inherent in trade receivables. Risks are managed and monitoring using the SAP Credit Management system, which allocates customers into different risk classes depending on their credit-worthiness. The minimum requirements for credit management at the BayWa Group are defined in the Corporate Policy on credit management.

Liquidity risks

The liquidity risk is the risk that the BayWa Group may not – or only to a limited extent – be able to fulfil its financial obligations. At the BayWa Group, funds are generated through operations and by borrowing from financial institutions. In 2021, the BayWa Group changed its financing strategy with a view to significantly strengthening its financial profile. In September 2021, an agreement for sustainable syndicated loan in the amount of €1.7 billion was signed with ten partner banks. 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 new credit line must be used by September 2024 and can be extended twice for one year in each instance. The new syndicated loan replaces the bilateral and unsecured credit lines extended by the participating banks that were payable on a daily basis. In addition, financing instruments such as multicurrency commercial paper programmes or asset-backed securitisation (ABS), bonded loans or other long-term capital market instruments are used. Owing to the diversification of the sources of financing, the BayWa Group does not currently have any risk clusters concerning liquidity. The BayWa Group's financing structure, with its mostly matching maturities, ensures that interest-related opportunities are reflected within the Group.

Rating

Thanks to its good credit rating among banks, BayWa was again able to take corresponding financing measures in the reporting year. This achievement is due to the solidity as well as to the long and successful history of the company and its high enterprise value, underpinned by assets such as real estate. For reasons of cost effectiveness, BayWa AG deliberately dispenses with the use of external ratings.

Legal risks

Group companies are and will continue to be faced with legal disputes and proceedings in relation to their operating business activities. Such disputes and proceedings can relate to the assertion of claims based on breaches of contractual obligations, payment disputes or from breaches of regulatory or tax requirements. As a result, this may lead to individual Group companies having to pay compensation or financial penalties or being imposed with other civil or criminal sanctions. A Group-wide, risk-based compliance management system helps avoid breaches of legal requirements.

The Group's business activities in 50 countries means that its companies can also be exposed to political and legal risks to a small extent. Accordingly, legally existing claims of the Group could ultimately not be enforceable due to weak state structures or underdeveloped legal systems. These risks are continuously monitored by corresponding specialist areas of the Group and supported as necessary through appropriate risk management and compliance measures.

BayWa forms provisions for material legal and litigation risks if the occurrence of an obligation is probable and the amount can be adequately estimated. In individual cases, actual utilisation may exceed the amount of the provisions. The Board of Management believes that suitable provisions have been made.

Changes to the regulatory environment can influence Group development. In particular, this includes government intervention in the general framework conditions for the agricultural industry, for the implementation and saving of conventional energy and the renewable energies business. Negative impacts can result from the adjustment, reduction or abolition of funding measures. Conversely, new regulatory and legislative developments in the areas of renewable energies and environmental protection can also result in opportunities. In the construction sector, stricter building, energy efficiency or fiscal regulations may also have an impact on the development of business.

The cost-effectiveness of renewable energy generation facilities is often dependent on regulations and government subsidies. Politically motivated changes to subsidy parameters – in particular retroactive cuts to or abolition of feed-in tariffs – can significantly impact the value of such facilities, either in the form of lower future disposal prices or lower cash inflows from the operation of the facilities. BayWa combats the potential implications of such risks on earnings by pursuing a threefold diversification strategy in its Renewable Energies Segment. The portfolio is diversified in terms of countries, energy carriers and business sectors.

As a result of the financial crisis, the financial market is regulated by a wide range of laws. Derivative markets were a particular focal point of these measures, mainly to limit speculative trading involving commodities, especially in the agricultural sector. Of this large number of significant regulations, the European Market Infrastructure Regulation (EMIR) and the Markets in Financial Instruments Directive (MiFID II) are particularly relevant to BayWa's business activities. Trading on the Chicago Board of Trade (CBoT) is also subject to the US regulations of the Commodity Exchange Act (CEA), which are monitored by the Commodity Futures Trading Commission (CFTC). Besides additional costs, these new regulations also increase the risk of prosecution resulting from violations. Compliance with applicable financial regulatory measures is guaranteed by the use of a Group-wide risk management software program.

BayWa may also be exposed to risks through attacks on its IT infrastructure by hackers. At businesses, external attackers often use security gaps in software to collect client data or damage the company in some other way. Plans to standardise programming and eliminate in-house programming are aimed at minimising this risk. However, even standardised software can also be prone to security gaps, making hacker attacks possible. As such, websites are conceived and built in close collaboration with IT security, with pages being regularly reviewed and firewall settings and monitoring continuously being increased. Employee training on IT security topics is expanded on an ongoing basis.

Changes in agriculture policy, such as in the EU, can have a direct effect on BayWa's business. For example, changes in regulation regarding the amount of nutrients in soil can result in declining fertilizer application volumes. BayWa attempts to counteract these developments by gaining additional market share and making cost reductions. The respective state institutes inform BayWa about the changes to regulations and laws. The countermeasures are outlines in the annual strategy paper.

Cefetra Group is also exposed to risks from changes to agriculture policy, particularly in the UK. A project group monitors current developments very closely. Where possible, sales agreements are concluded with the same contractual terms and conditions and with the same origin as the original purchases. Contractual wording to mitigate the risk for Cefetra concerning import and export duties or bans is also included whenever possible. This wording is based on ongoing active information searches and a thorough overall market observation.

Strategic risks and opportunities

Through its strategic development into a provider of integrated solutions, the BayWa Group is expanding its role in the value chain and entering the project business more strongly. The resources necessary for the design and development of such solutions vary significantly in type and scope depending on the segment. In the Renewable Energies Segment, BayWa operates primarily as a project developer. This business activity also harbours certain risks, for instance that the planning and building of solar parks and wind farms are delayed and that they may be connected to the grid later than originally planned. If the deadline for the further reduction in feed-in tariffs is not adhered to, or if a contractually agreed date of delivery is missed, there is a risk that the low feed-in and electricity income could result in the profitability of the projects being lower than planned. The development of a larger asset portfolio of own electricity generation plants (IPP) reduces the risk of lost income due to delayed projects sales, as an increasing share of earnings comes from long-term electricity sales. The Group's strategic development also encompasses acquiring companies and financing start-ups. Here there is a risk that the investments made prove to be irrecoverable or only partially recoverable in the medium term compared to original expectations.

Changes in demand development on account of technological and societal trends pose a strategic risk for BayWa's building materials business. These include new construction methods or other sales channels, industrial pre-fabrication and increased online sales, among other things. Factors of this kind can lead to a drop in demand for building materials, resulting in a decline in revenues and income. BayWa counters these risks with a range of measures for the future-proof development of conventional construction for private developers, property developers and general contractors. These include expanding key account management for supraregional customers or providing assembly services, such as for windows and doors. Other measures include focusing on private brands, increasing productivity by digitalising customer and supplier interfaces, and expanding the specialisation in wood. Value creation in pre-fabrication will be steadily expanded through investments in Ceraflex Bayern GmbH (pre-fabricated large ceramics), Tjiko GmbH (bathroom modules) and further planned investments so as to counter the increased shortage of skilled labour.

A downturn in the construction industry resulting from corrections in subsidy programmes or increased mortgage interest rates also poses the risk of declining construction activity and falling revenue in building materials for BayWa. BayWa counters this risk by adjusting its marketing strategies and its cost and credit management, as well as through a value-based medium-term sensitivity analysis of the business sector using specific material factors.

Risks and opportunities of the organisational structure and workflow

In the area of organisational structure and workflow, the BayWa Group differentiates between a number of different risk types that are described separately in the following.

Opportunities and risks associated with personnel: As regards personnel, BayWa Group competes with other companies for highly qualified managers, as well as for skilled and motivated staff. The Group companies continue to require qualified personnel in order to secure future success. Excessively high employee turnover, brain drain and failure to win junior staff loyalty may have a detrimental effect on the Group's business performance. BayWa counters these risks by strengthening the BayWa employer brand, further expanding its recruitment activities, offering its employees extensive training and continuous professional development opportunities – both vertical and horizontal – and offering a modern and future-oriented working environment. Management based on trust, the tasking of employees in line with their natural talents and abilities, as well as the definition and adherence to our ethical guiding principles, are geared towards creating a positive working environment. At the same time, BayWa AG promotes the ongoing vocational training and development of its employees. With 1,395 trainees at the end of 2021, the Group ranks among the largest companies offering training specifically in rural areas. BayWa recruits a large majority of its future specialist and managerial employees from the ranks of these trainees, who then have extensive, individual development opportunities at BayWa. Long years of service to the company are a testament to the high-level of loyalty that employees display towards BayWa. This helps create an environment of stability as well as continuity and simultaneously secures the transfer of expertise down the generations.

Organisational changes within the company or the reallocation of responsibilities can result in the responsible manager receiving important information too late or not at all, or situations such as necessary maintenance work not being ordered on time. This can have serious legal and financial consequences for a company. BayWa addresses this challenge through appropriate internal communication measures and thorough briefings of everyone involved.

Cefetra usually sells goods under the terms "free on board (FOB)", "free on truck (FOT)" and "cost, insurance, freight (CIF)", and governs the transfer of risks between sellers and buyers. As a result, the company is responsible for the logistics for a considerable amount of its transactions. The logistics process is complex and risky for many reasons, such as different rules depending on the country, varying transportation and freight costs or fluctuating water levels. To mitigate these risks, the company's legal department concludes insurance policies against loss of and damage to shipments and processes the reporting of premiums and claims. Shipments are also monitored and tracked. An algorithm has been developed to monitor the water levels of the Danube, Rhine and Moselle rivers in order to forecast low and high water levels.

IT opportunities and risks: The use of cutting-edge information technology characterises the entire business activity of the BayWa Group. All key business processes are supported by IT and mapped using state-of-the-art software solutions. At a trading company with high numbers of employees, having work processes supported electronically is imperative. The continuous monitoring and reviewing of processes mapped electronically, however, involves more than the mere implementation of new IT components. It is always accompanied by an optimisation of process workflows, as a result of which opportunities in the form of synergy and cost-savings potential can be identified and implemented. At the same time, the risk inherent in the system rises in tandem with the growing complexity and dependency on the availability and reliability of the IT systems. The implementation of new IT systems entails the risk of additional time and personnel costs as well as initially limited functionalities, which may make it necessary to operate legacy systems longer than planned. Extensive precautionary measures such as firewalls, virus protection updated on a daily basis and penetration tests serve to safeguard data processing. Furthermore, data protection and IT security training sessions are organised for employees, with emergency plans and exercises in place. Operating IT was reintegrated at BayWa in 2021 to organisationally underpin the close collaboration with the specialist area. Segregated in organisational terms, a data protection officer monitors compliance with security and data protection standards.

Quality risks: The BayWa Group, as an agricultural supplier and a global purveyor and marketer of grain, oilseed and fruit – as well as a trader of energy carriers and building materials – is confronted with a wide range of national quality and safety standards. Compliance with the quality and safety requirements is guaranteed through the quality management teams of the respective business areas and segments. In addition, various certifications document the fulfilment of the relevant legal requirements.

Consultation errors in sales and any possible resulting damage for the customer, such as traces of crop protection products in grain from organic farmers, constitute a further risk that BayWa is exposed to. The company focuses on intensive product training to counter this risk.

Overall assessment of the opportunity and risk situation by Group management

An overall assessment of the current opportunity and risk situation shows that there are no risks which could endanger the Group as a going concern. There are currently no such risks discernible for the future either. All in all, the risks to the BayWa Group are limited and manageable.

Along with potentially non-influenceable or only indirectly influenceable geopolitical risks and macroeconomic risks, operational risks are also the focus of monitoring. As far as the latter are concerned, the BayWa Group has taken appropriate measures to manage and control these risks.

Internal control system and risk management system in relation to the Group accounting process

The internal control system (ICS), which monitors accounting processes, is a key component of opportunity and risk management. The BayWa Group has set up an internal control system in accordance with the legal standards, the functionality of which is monitored by Internal Audit. External specialists are regularly consulted to perform benchmark analyses and certifications and to introduce optimisation measures. The consolidated financial statements are drawn up through a centralised process. Compliance with legal provisions and regulations pertaining to the Articles of Association during this process is guaranteed by the corresponding accounting standards. The Corporate Accounting department acts as a direct point of contact for the managers and employees in accounting at the subsidiaries in matters pertaining to reporting and the annual and interim financial statements. Corporate Accounting prepares the consolidated financial statements pursuant to IFRS.

A control system which monitors the accounting process is designed to ensure the complete and timely capturing of all business transactions in accordance with the statutory provisions and the regulations laid down under the Articles of Association. Moreover, it serves to guarantee that stocktaking is duly and properly performed and that assets and liabilities are recognised, valued and disclosed appropriately. The control system uses both automatic and manual control mechanisms to ensure the regularity and reliability of accounting.

All subsidiaries included in this process are obliged to submit their figures on an IFRS basis in a standardised reporting form to BayWa. This allows for the prompt identification of deviations from planned targets with the opportunity to respond quickly.

Remuneration Report

As of the financial year 2021, the remuneration report is no longer part of the management report. It is published as a separate document and made permanently accessible on https://www.baywa.com/en/group/corporate-governance/corporate-governance.

Takeover-relevant Information – Reporting pursuant to Section 315a German Commercial Code (HGB)

Composition of subscribed capital

The subscribed capital of BayWa AG amounted to €91,250,199.04 as at the reporting date and is divided up into 35,644,609 registered shares with an arithmetical portion of €2.56 each in the share capital. Of the shares issued, 34,175,458 are registered shares with restricted transferability and 225,900 recently registered shares with restricted transferability (dividend-bearing employee shares from 1 January 2022 onwards). A total of 1,243,251 shares are registered shares not subject to restricted transferability. With regard to the rights and obligations granted by the shares (e.g. the right to a portion of the unappropriated retained earnings or to participate in the Annual General Meeting), reference is made to the provisions laid down under the German Stock Corporation Act (AktG). There are no special rights or preferences.

Restrictions on voting rights and the transfer of shares

Pursuant to Section 68 para. 2 of the German Stock Corporation Act (AktG), in conjunction with Article 6 of the Articles of Association of BayWa AG, the purchase of shares with restricted transferability by individuals and legal entities under civil and public law requires the approval of the Board of Management of BayWa AG. BayWa AG holds a small portfolio of registered shares (19,500 units), which, pursuant to Section 71b of the German Stock Corporation Act (AktG), do not carry voting rights as long as they are in BayWa AG's possession. There are no other restrictions that relate to the voting rights or the transfer of shares.

Affiliated companies with over 10% of voting rights

On the reporting date, the following shareholders held stakes in the capital that exceeded 10% of the voting rights:
- Bayerische Raiffeisen-Beteiligungs Aktiengesellschaft, Beilngries, Germany
- Raiffeisen Agrar Invest AG, Vienna, Austria

Legal requirements and provisions of the Articles of Association on the appointment or dismissal of members of the Board of Management and on amendments to the Articles of Association

Supplemental to Sections 84 et seq. of the German Stock Corporation Act (AktG), Article 9 of the Articles of Association of BayWa AG on the appointment or dismissal of members of the Board of Management also requires members of the Board of Management to be appointed by the Supervisory Board. Members of the Board of Management are appointed for a maximum term of five years, and reappointment is permitted. The Supervisory Board appoints the Chairman of the Board of Management.

Pursuant to Section 179 of the German Stock Corporation Act (AktG) in conjunction with Article 21 of the Articles of Association of BayWa AG, amendments to the Articles of Association are always passed by the Annual General Meeting.

Authorisation of the Board of Management relating in particular to the option of issuing or buying back shares

Subject to the approval of the Supervisory Board, the Board of Management is authorised to raise the share capital on or before 10 May 2026 by up to a nominal amount of €12,500,000 through the issuance of new registered shares against contributions in kind. The authorisation can be used in partial amounts. Shareholders' subscription rights are excluded. Subject to the approval of the Supervisory Board, the Board of Management is authorised to determine the further content of share rights and conditions under which the shares are to be issued (authorised capital in 2021). The Supervisory Board is authorised to amend the Articles of Association accordingly in line with the scope of the capital increase from authorised capital in 2021 or following the deadline for the use of authorised capital in 2021.

Subject to the approval by the Supervisory Board, the Board of Management is authorised to raise the share capital one or several times on or before 25 May 2025 by up to a nominal amount of €4,064,199.68 through the issuance of new registered shares with restricted transferability against cash contribution to the employees of BayWa AG and of affiliated companies within the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG). Shareholders' subscription rights are excluded. Subject to the approval of the Supervisory Board, the Board of Management is authorised to determine the further content of share rights and conditions under which the shares are to be issued (authorised capital 2020).

Subject to the approval of the Supervisory Board, the Board of Management is authorised to raise the share capital one or several times on or before 31 May 2023 by up to a nominal amount of €10,000,000 through the issuance of new registered shares against contributions in kind. The authorisation can be used in partial amounts. Shareholders' subscription rights are excluded. Subject to the approval of the Supervisory Board, the Board of Management is authorised to determine the further content of share rights and conditions under which the shares are to be issued (authorised capital 2018).

Furthermore, the Board of Management is authorised to offer held shares to third parties within the framework of the acquisition of or investment in companies or of mergers and to withdraw part or all of the shares without requiring a further resolution to be passed by the Annual General Meeting.

The Board of Management has not been further authorised by the Annual General Meeting to buy back shares. There are no agreements within the meaning of Section 315a para. 1 items 8 and 9 of the German Commercial Code (HGB).

Munich, 21 March 2022

BayWa Aktiengesellschaft

The Board of Management
Prof. Klaus Josef Lutz
Andreas Helber
Marcus Pöllinger
Reinhard Wolf