Consolidated Management Report of BayWa AG for the Financial Year 2020

Overview

The BayWa Group developed positively overall in 2020, despite the restrictions in many aspects of life and business as a result of the coronavirus pandemic. In certain business units, the corporate goals for the reporting year were exceeded by a substantial margin. Overall, the Energy Segment developed considerably better than expected. The Renewable Energies business unit, which achieved new highs in both revenues and operating result and was therefore able to benefit from the trend towards sustainable energy generation, was the main factor behind this development. The Conventional Energy business unit also exceeded the goals set for the financial year 2020. The positive development in the heating business was more than able to compensate for the share of earnings accounted for by TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, which was sold at the end of 2019. Likewise, the Building Materials Segment developed better than planned in the reporting year. The positive performance is attributable to the strength of the construction sector, as well as factors such as the segment's positioning as an integrated multi-specialist and the expansion of online channels. At the same time, the Agriculture Segment achieved a year-on-year improvement in earnings on the whole. In the domestic agricultural business, however, the economic situation remains unsatisfactory. Given the great importance of these business activities for the BayWa Group, the measures aimed at increasing profitability will be continued at an accelerated pace. By contrast, the international BayWa Agri Supply & Trade (BAST) and Global Produce business units in the Agriculture Segment developed positively. The Agricultural Equipment business unit, which benefited from extremely brisk demand for tractors, achieved the highest growth rates. In 2020, the BayWa Group once again benefited from its heavily diversified business activities and its strategic orientation towards international markets, as well as from forward-looking business areas and business models. Moreover, the coronavirus pandemic had only a minor impact on the BayWa Group.

On account of the low oil price, the Energy Segment's revenues stood at €4,245.8 million in total in 2020 and were therefore €228.5 million lower year on year. By contrast, earnings before interest and tax (EBIT) increased by 12.0% to €142.7 million, thereby setting a new record. The positive business development was driven by both business units. The Renewable Energies business unit sold wind farms and solar parks with an output of 667.0 megawatts (MW) in total in 2020, with the share of turnkey renewable energy plants increasing to roughly 94%. In 2019, that figure stood at just around 37% of a total completed project output of 911.6 MW. Overall, revenues rose by 26.6% to €2,500.6 million. Following €101.0 million in the previous year, earnings before interest and tax (EBIT) stood at €110.9 million in the reporting year. The improvement in both revenues and the operating result exceeded the positive expectations and was primarily attributable to project sales and growth in solar trading. Furthermore, the strategic development of the business unit was secured by adding a new partner as part of a capital increase. The Conventional Energy business unit benefited in 2020 from strong demand for heat energy carriers. The Conventional Energy business unit's revenues fell significantly by 30.2% to €1,745.2 million in the reporting year on account of the low oil price, having stood at €2,499.0 million in the previous year. Earnings before interest and tax (EBIT) improved by 20.5% to €31.8 million in 2020 (2019: €26.4 million) primarily due to good margins in the heating oil and fuel business, thereby reaching a new high.

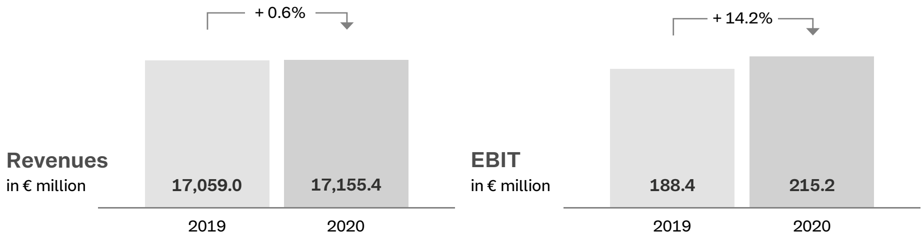
Note about these consolidated financial statements in all sections
For improved readability, gender-specific wording and formal reference to all gender identities are not used. The selected form stands for all genders (m/f/other).

The Agriculture Segment's revenues increased slightly by 1.2% to €10,988.0 million, with earnings before interest and tax (EBIT) improving significantly by €10.5 million to €107.1 million. In the BAST business unit, the handling volume of grain and oilseed stood at 22.9 million tonnes in the financial year 2020. Adjusted for the reclassification of the speciality trader Evergrain Germany GmbH & Co. KG (Evergrain) from the BAST business unit to the Agri Trade & Service business unit, this figure corresponds to a decrease of 1.2 million tonnes on a like-for-like basis. This decline is attributable to the strategic decision to close the Cefetra Hungary Kft. trading office in Hungary and the discontinuation of the export business in some regions of the Middle East. Due to the lower handling volume and the reclassification of Evergrain, the BAST business unit's revenues fell by 6.2% to €4,573.0 million in the reporting year. Earnings before interest and tax (EBIT) improved by 31.9% to €25.2 million. The improvement in earnings was due to a positive price trend in the second half of the year along with other factors, such as a default on receivables in the previous year in connection with the suspension of bread grain business with Iran. The Global Produce business unit's marketing volume once again saw strong growth of just over 31% to 499,259 tonnes in the financial year 2020. In its domestic business, the business unit was able to market 2019's smaller apple harvest with better fruit quality at rising prices in the reporting year. In the financial year 2020, T&G Global Limited marketed some 40% more apples than in the previous year. All in all, revenues in the Global Produce business unit increased by 11.2% to €938.5 million in the reporting year. Earnings before interest and tax (EBIT) improved by €4.9 million year on year to €41.8 million in 2020. In the Agri Trade & Service business unit, the development of the agricultural input business was generally subdued in 2020. By contrast, grain and oilseed trading volume increased year on year by 5.0% to just under 8.6 million tonnes on a like-for-like basis. Revenues in the Agri Trade & Service business unit increased by 4.4% to €3,606.7 million in the reporting year, primarily due to the higher sales volume in grain trading coupled with a significant year-on-year rise in prices. Earnings before interest and tax (EBIT) indicate a net loss of €14.3 million for 2020 following a positive result of €7.8 million in the previous year. This development was mainly due to high restructuring expenses in connection with the reorganisation of the agricultural trade business in eastern Germany. In addition, the low fertilizer prices led to significant pressure on trade margins. Furthermore, price hedging transactions in grain trading within the scope of the mark-to-market valuation at the end of the reporting period resulted in negative market values that will not be compensated for through basic business activities in the financial year 2021. The Agricultural Equipment business unit was able to significantly outperform the previous year and set new records. The sale of new machinery increased by 27.4% to 5,882 tractors in the reporting year. In the used equipment business, the sales figures increased by 14.4% year on year to 2,215 tractors. Overall, the Agricultural Equipment business unit generated revenues of €1,869.8 million, which equates to a year-on-year increase of 11.1%. In the reporting year, earnings before interest and tax (EBIT) benefited primarily from the strong new machinery business and rose significantly by 65.9% to €54.4 million.

The Building Materials Segment saw a very strong financial year 2020. The dry and mild spring months and the continued high demand for housing led to an increase in sales across the entire product range. In addition, BayWa's building materials sites in Germany remained open throughout the coronavirus-related lockdown phases due to their supply function for the construction industry. As a result, the Group also saw increased demand from customer groups that switched to ordering BayWa products online due to the temporary closures of DIY and garden centres in some German states. The BayWa Group's DIY and garden centres in Austria were forced to close for roughly one month. However, the above-average demand after the reopening of the stores more than made up for the closure-related loss of revenues. The eBusiness activities saw substantial growth, especially during the lockdown phases. At the same time, the ability to deliver products was ensured. Overall, the Building Materials Segment's revenues increased by 11.5% year on year to €1,899.0 million due to volume and price effects, thereby far exceeding the development expectations. The segment's earnings before interest and tax (EBIT) climbed 46.1% to €46.9 million, exceeding the forecast for slight improvement.

The Innovation & Digitalisation Segment's revenues fell slightly to €10.2 million in the reporting year (2019: €10.6 million), as customer contact was restricted due to the coronavirus pandemic. As predicted, the segment recorded negative earnings before interest and tax (EBIT) of €10.9 million (2019: minus €14.6 million).

BayWa Group



Total revenues at the BayWa Group increased by 0.6% to €17,155.4 million in the reporting year. Earnings before interest and tax (EBIT) improved by 14.2% to €215.2 million. All operating segments contributed to the rise in earnings. Earnings before tax also saw a significant increase to €111.2 million – a rise of 40.4% year on year. Due solely to disproportionately high tax expenses of €49.9 million, the consolidated net result for the year was on a par with the previous year at €61.3 million. The Board of Management and Supervisory Board will recommend to the Annual General Meeting a 5-cent increase in the dividend to €1.00 per share.

Background to the Group

Group structure and business activities

The BayWa Group

2020	Revenues (in € million)	Employees (annual average)
Energy	4,245.8	3,289
Agriculture	10,988.0	11,762
Building Materials	1,899.0	4,528
Innovation & Digitalisation	10.2	225
Other Activities	12.4	913
Total	**17,155.4**	**20,717**

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 trading into a provider of integrated solutions and a project developer in the core segments of 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 47 countries, either through itself or through Group companies.

BayWa AG conducts its business in the three operating segments and the 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 441 fully consolidated Group companies. Furthermore, 26 companies were included at equity in the consolidated financial statements of BayWa AG.

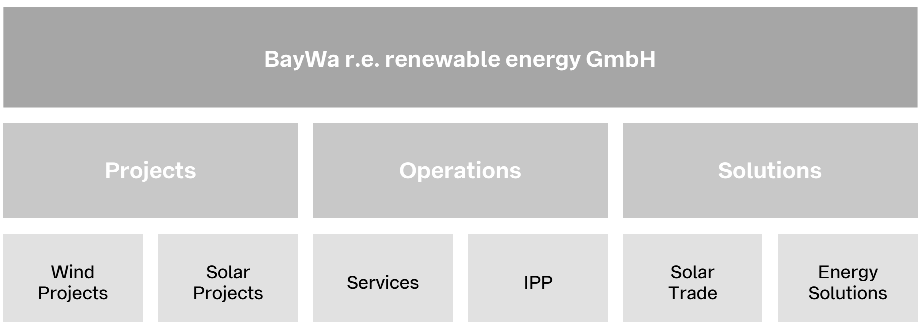
Energy Segment

In the financial year 2020, the Energy Segment accounted for just under 25% of consolidated revenues. The segment's business activities are divided into the Renewable Energies business unit, which is pooled in

BayWa r.e. renewable energy GmbH (BayWa r.e.), and the Conventional Energy business unit. In order to be able to exploit the existing growth potential in the markets for renewable energies more quickly, BayWa r.e. will be managed as a stock corporation (Aktiengesellschaft) going forward. The move was preceded by a capital increase at BayWa r.e. that involved a contribution of €530 million from funds managed by Energy Infrastructure Partners AG (EIP), giving them a 49% stake in BayWa r.e. In addition to strengthening BayWa r.e.'s three business divisions – Projects, Operations and Solutions – the company is slated to evolve in the medium term into an independent power producer with a generation capacity of up to 2.5 gigawatts (GW) from solar parks and wind farms. This expansion of the business portfolio increases the predictability of earnings growth and the continuity of cash flows.

Renewable Energies

The Group pools material aspects of the renewable energy value chain in BayWa r.e. 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. The Operations area comprises planning and technical services, the provision of consumables, technical and commercial management, the maintenance of plants, energy trading and the marketing of electricity from own plants as an independent power producer (IPP). Branches in Europe and South East Asia make it possible to provide customers of BayWa r.e. with 24-hour service around the globe. It currently oversees facilities with a total installed output of approximately 9.0 GW worldwide. In energy trading, BayWa r.e. markets electricity, gas and heat generated from renewable sources. Total direct marketing volume was 4.0 GW in 2020. The Energy Trading division will be included in the IPP business sector in the future. Solutions involves selling photovoltaic systems and components and tailored energy solutions to supply energy to commercial and industrial customers. The Renewable Energies business unit 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 30 countries.

Conventional Energy

In its Conventional Energy business unit, BayWa predominantly sells heating oil, fuels, lubricants and wood pellets, mainly in Bavaria, Baden-Württemberg, Hesse, Saxony and Austria. In the heating business, heating materials are primarily sold through in-house offices. Diesel and Otto fuels, as well as AdBlue, are sold through a total of 124 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 3,300 filling stations all over Germany. Electric vehicle customers can now charge their vehicles at some 33,000 charging stations in Germany and approximately 180,000 throughout Europe using the BayWa filling station card. Through the new 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. BayWa sells lubricants to commercial and industrial customers, as well as to farmers and operators of combined heat and power plants. 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. BayWa Haustechnik GmbH was reclassified from the Building Materials Segment to the Conventional Energy business unit effective 1 January 2021 in order to leverage synergies between energy carriers and technologies, primarily in the field of heating. The spectrum of services ranges from oil, gas, wood and pellet heating technology to heat pumps, solar systems, residential ventilation and sanitation technology.

Effective as at 1 January 2020, the Conventional Energy business unit's activities were restructured into five fields: lubricants, heating oil and diesel, wooden pellets, contracting and Mobility Solutions GmbH. The lubricant business comprises trading with the TECTROL brand and extensive applications and service packages for key customers, such as operators of biogas engines, as well as commercial customers. The field of heating oil and diesel supplies farmers and commercial customers – including construction sites and farms – with fuels. The field of wooden 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. Mobility Solutions GmbH is divided into three 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.

Agriculture Segment

The Agriculture Segment accounted for approximately 64% of consolidated revenues in 2020. The segment is divided into four business units: BayWa Agri Supply & Trade (BAST), Global Produce, Agri Trade & Service and Agricultural Equipment, covering the core elements of the value chain from field to marketing of agricultural products.

BAST

The BayWa Agri Supply & Trade (BAST) business unit acts as a supply chain manager from purchasing and logistics to distribution. It pools the activities not tied to a specific location, particularly international trading with grain, oilseed and specialities. The main customer groups are grain and oil mills, producers of starch and feedstuff, malt houses and breweries, as well as biofuel manufacturers. 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

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 5 sites in the Lake Constance and Neckar regions. BayWa is active in the international trading 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 business unit 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

The Agri Trade & Service business unit covers in particular the stages of the value chain of collecting, sales and service 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 186 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, 120 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).

Due to historically evolved structures in Germany, the agricultural business is concentrated primarily in the regions of Bavaria, Baden-Württemberg, Mecklenburg-West Pomerania, Thuringia, Saxony, Saxony-Anhalt and southern Brandenburg. The focal point when it comes to developing BayWa’s agribusiness in Germany is on site modernisation, process optimisation in the logistics chain, the expansion of e-commerce activities and employee development. Since 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 managed uniformly within the Group by BayWa Agrarhandel GmbH. 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 Aktiengesell-schaft (RWA), which maintains close business relations with 447 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 trade company that generates the highest sales in Germany.

Agricultural Equipment

The Agricultural Equipment business unit 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 280 locations and 757 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 accounted for just under 11% of consolidated revenues in the financial year 2020. The segment primarily comprises building materials trading 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 AFS Franchise-Systeme GmbH. The BayWa Group is one of Germany's market leaders in the building materials trade, with a total of 128 sites, and also ranks among the leading suppliers in Austria, with 30 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. For planning and calculation, the online services include the "Mr + Mrs Homes" property configurator. 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 has 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 building and energy efficiency. BayWa offers a wide range of tested low-emission building materials plus solutions for energy-efficient construction or renovation. 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 independent 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. With 22,445 users, who farm more than 30% of the agricultural space, BayWa takes up a leading market position in Germany. 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. Since 2020, it has also been involved in digital farm shop marketplaces and the Regioportal.

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 2020, the Board of Management consisted of five members: Prof. Klaus Josef Lutz (Chief Executive Officer, responsible for the BayWa Agri Supply & Trade and Global Produce business units), Andreas Helber (Chief Financial Officer), Marcus Pöllinger (member of the Board of Management, responsible for the Building Materials Segment and the Agri Trade & Service, Agricultural Equipment and Digital Farming business units), Matthias Taft (member of the Board of Management, responsible for the Energy Segment) and Reinhard Wolf (Chairman of the Board of Directors and General Director of RWA Raiffeisen Ware Austria Aktiengesellschaft).

The Board of Management is solely responsible for managing the Aktiengesellschaft with the primary aim of increasing its value 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, customer/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 business units, as well as at all significant affiliated companies. They are available to employees as additional contact partners and act as multipliers.

Corporate goals and strategy

BayWa remains true to its roots while continuing to evolve. The fundamental changes in the corporate environment and in the value chain call for adjustments or even entirely new business models. In keeping with the guiding principle "We serve basic human needs, providing leading projects and solutions for food, energy, mobility, heat and building", BayWa is becoming a trusted partner to its customers for the long term when it comes to integrated and sustainable solutions. The aim is to ensure the success of BayWa customers by combining products with advisory and other services and to make their work easier. As a strong partner to its customers, BayWa seeks to ensure that the company remains independent and competitive. True to the claim "United for success.", BayWa's corporate conduct has a long-term focus and is shaped by the company's responsibility towards customers, employees, society and the environment.

BayWa has set itself the target of taking on a pioneering role when it comes to sustainability and the development of green solutions across all of its business units. The company aims to achieve climate neutrality Group-wide from 2030 onwards. Since the start of the financial year 2018, BayWa r.e.'s business operations have been completely climate neutral. The carbon footprint of the BayWa r.e. Group was analysed, and measures to reduce greenhouse gas emissions were then identified and implemented. Carbon credits are used to compensate for the remaining emissions. German sites in the Global Produce business unit have also been operating climate neutrally since June 2018, and there are plans to ensure that international sites follow suit in future. In July 2019, BayWa joined the international RE100 initiative. In doing so, it has committed itself to covering 100% of its electricity needs from renewable energies throughout the Group by the end of 2020 – as a self-imposed corporate goal. This goal was achieved in the reporting year.

BayWa is taking two market-driven approaches with regard to its further strategic development: ensuring business continuity by enhancing competitive strength, as well as growth in new business areas by developing innovative, customer-focused business models. The Group's growth ambitions focus on the Renewable Energies, BAST and Global Produce business units.

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 and business units. 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 Energy 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 (e-mobility). 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 set the course for accelerated growth at BayWa r.e. Plans are in place to expand the project business to an annual volume of 3 GW in the medium term. 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 Conventional Energy business unit continuously promotes the expansion of mobility solutions in the fields of charging infrastructure for 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. To further develop the business, particularly in the expansion of the charging infrastructure network, BayWa Mobility Solutions GmbH acquired Berlin-based Hilmar Eichholz e.K. in October 2020. The newly acquired company specialises in buried cable construction, electrical installation and e-mobility. In the fields of conventional fuels, lubricants and heat energy carriers, BayWa performs a basic supply function, especially in rural regions.

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. By taking these steps, BayWa will be further developing its core business on a functional and cost-efficient basis. In the BAST business unit, the new 2024 “Road to Ingredients” strategy also 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. 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 consolidation and optimisation, and digital services are being added to the business model. As part of the process, the number of German agricultural locations is to be reduced significantly in the medium term. At the same time, a network of efficient central warehouses and a logistics concept that will secure the ability to deliver goods for agriculture are being established to support the mission of helping people to meet their basic needs. The pressure to change resulting from the structural transformation 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 combined under the uniform management of 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 business unit. 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 business unit with the agricultural input business of the Agri Trade & Service business unit 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 business unit, BayWa’s objective is to offer retailers in Europe a diverse and attractive range of agricultural products throughout the year by systematically expanding its procurement base. The focus is on expanding the range of fruit and vegetable specialities. In addition, the New Zealand Group company T&G Global is being used as a platform for expanding exports to countries in Asia and tapping into new sales markets. 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 business unit’s full range of agricultural products. T&G Global also strengthened its market position in New Zealand in 2020 by acquiring the fruit trader Freshmax New Zealand Ltd (Freshmax). Freshmax supplies major supermarkets and wholesalers with fruit. In Germany, activities are focused on expanding the range of organic products and apple brands such as Jazz and Envy.

In the Agricultural Equipment business unit, 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 a new 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. 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. The FarmFacts product family was expanded in the third quarter of 2020 to include the open trading platform NEXT Marketplace. Initially launched in the test region of Saxony and Thuringia, the platform enables farmers to obtain offers for agricultural inputs from different providers and conclude 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 a trusted regional producer.

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. 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 will also contribute to meeting this goal. The financing of the BayWa Group was ensured at all times in the financial year 2020, 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; the key earnings figures EBITDA, EBIT and EBT are primarily used as the most significant financial performance indicators. The development of financial performance indicators in the financial year 2020 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.

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 business units and the segments have earned their cost of capital. Interest on average capital invested in the business units is charged by applying the weighted average cost of capital (WACC) model. The return on invested capital (ROIC) of the business units 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 business unit (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

With its Group-wide climate strategy, BayWa aims to help keep global warming to significantly below 2 degrees Celsius as part of its ambitious goal of being climate neutral from 2030 onwards. 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 five climate targets are:

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

Along with the reduction of greenhouse gas emissions, BayWa is increasingly paying attention to the physical risks of climate change and the impact on its own business activities. A long-term shift in climatic conditions, along with extreme weather events, could fundamentally change global agricultural production and the flow of goods. Agricultural trade and logistics are therefore directly affected. To better understand the impact in the field of agriculture and increase the resilience of the agricultural value chain, BayWa has been identifying and assessing risks and opportunities, and developing strategic guidance, with the help of scenario analyses and interdisciplinary workshops since 2019.

In the reporting year, the international non-profit organisation Carbon Disclosure Project (CDP) awarded BayWa's climate protection commitment with a B rating, placing the company above the average for the industry and for Europe. CDP is an international non-profit organisation that annually evaluates the commitment of companies, local governments and countries in the fields of climate and environmental protection. BayWa's successful performance is due, among other things, to the disclosure of climate-related risks and opportunities and a closer link between the climate and corporate strategies, as well as additional information on greenhouse gas emissions along the value chain (Scope 3).

The consolidated non-financial report is part of the Sustainability Report 2020, which is published on the website www.baywa.com/en/responsibility/at-a-glance.html.

Employees

The number of employees at BayWa rose once again in the financial year 2020. By the end of the year, the BayWa Group employed 21,207 employees (2019: 19,193). In terms of an annual average, the number of employees rose year on year by 1,886 to 20,717, equating to an increase of 10.0%. This development was driven in particular by the Agriculture Segment, with the lion's share attributable to the Global Produce business unit, where seasonal workers in Peru were included in the headcount for the first time in the financial year 2020. The number of employees also rose in the Renewable Energies business unit and in the Building Materials Segment. In the other segments and business units, the number of employees remained virtually unchanged year on year.

In 2020, 370 trainees started their career at BayWa. With a total of 1,411 trainees, BayWa is one of the largest companies in Germany to offer trainee programmes, and, with a trainee ratio of approximately 6%, BayWa is providing 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**	Change 2020/19	
Energy	2,079	2,407	2,812	3,289	477	17.0%
Agriculture	10,613	10,428	10,580	11,762	1,182	11.2%
Building Materials	4,113	4,211	4,371	4,528	157	3.6%
Innovation & Digitalisation	158	183	198	225	27	13.6%
Other Activities	587	775	870	913	43	4.9%
BayWa Group	**17,550**	**18,004**	**18,831**	**20,717**	**1,886**	**10.0%**

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 and take place at the subsidiaries FarmFacts GmbH and VISTA Geowissenschaftliche Fernerkundung GmbH.

Research focuses primarily on pilot projects on the topics of site-specific sowing and fertilization, as well as satellite-based remote sensing services and applications for agriculture, water management and the environment. Development pertains mainly to software and digital applications for digital farming.

FarmFacts focuses first and foremost on software modules for controlling agricultural processes, as well as telematic applications and management software for the automated steering of agricultural machinery. In the reporting year, FarmFacts GmbH expanded the product portfolio under the NEXT Farming brand to include a pioneering product innovation. The NEXT Marketplace was launched in late summer 2020. NEXT Marketplace incorporates purchasing and sales directly into the farm management system for the first time in the industry. Initially available for fertilizer purchasing in Saxony and Thuringia, NEXT Marketplace was expanded over the course of the second half of 2020 to the German states of Saxony-Anhalt, Brandenburg and Mecklenburg-West Pomerania, with seed also being added to the product range. E-commerce plays an increasingly important role in agricultural trade. Rising pressure on margins is making buying and selling prices a decisive success factor for farmers and providers. With NEXT Marketplace, NEXT Farming has worked with farmers and providers to develop an innovative marketplace that farmers can use to buy and sell goods quickly and transparently, directly in the software. This intelligent integration combines business and agronomic management with the procurement of agricultural inputs. The integrated use of data makes it possible to optimise all aspects of a farm’s operations. Providers benefit from time and cost efficiency in trading activities and, above all, from easy access to new customers. All this makes NEXT Marketplace a relevant competitive advantage.

Launched in the previous year, the cloud-based NEXT Machine Management by aag module – which was developed in cooperation with the agricultural equipment manufacturers AGCO, Krone, Kuhn, Lemken, Pöttinger and Rauch – provides a data management software for processing and assessing all data generated by machinery and equipment, regardless of the manufacturer. In the reporting year, NEXT Machine Management by aag was expanded to include a telemetry solution that can be used to track the location of machinery in real time and provides users with insights into the latest machinery data, such as current consumption, throughput or application volume. This makes it easier to plan and schedule machinery for more efficient use of fleets and professional process monitoring.

The Group company VISTA Geowissenschaftliche Fernerkundung GmbH transforms the latest scientific findings and methods into operational services and applications and develops digital services for various needs on the basis of satellite data and the PROMET spatial crop growth model. PROMET calculates the development of crops with tremendous precision in hourly calculation intervals. This approach is based on the processing of very large quantities of data and requires extensive technical capacities and expertise. Together with up-to-the-minute satellite data, the method 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. Services developed on this basis can be used in hydrology, agriculture and the environmental sciences, as well as to develop indicators for measuring sustainable agriculture. Accurate local forecasts of nutrient and water requirements, for example, are offered for site-specific fertilization and irrigation. The derived yield potential for field sections is used to create ready-to-go application maps for optimal seeding rates that can be deployed immediately by farmers in appropriate professional agricultural applications such as NEXT Farming without having to switch to other media.

The YPSILON portal offers harvest forecasts for Europe for the most important agricultural products. In 2020, YPSILON was expanded to Ukraine and Russia and validated through extensive backtesting. As a result, it will also be possible to offer the yield forecast service for this region from 2021.

The year 2020 saw a noticeable increase in research enquiries related to sustainability and the impact of climate change on the future production conditions for certain cultures in certain regions. In combination with the spatial crop growth model, satellite data has the potential to provide very valid scenarios in response to these current questions for the future.

As at 31 December 2020, 77 employees worked in research and development (2019: 73 employees). The BayWa Group's research and development expenses totalled €462,150 in the financial year 2020 (2019: €400,000). Own work capitalised with regard to new digital farming products amounted to some €4.5 million (2019: €2.6 million).

Financial Report

Operative business development

Energy Segment

Market and industry development 2020/21

Development of renewable energies
According to Bloomberg New Energy Finance (BNEF), global investments in solar and wind energy stood at USD291.3 billion in 2020 and were therefore up roughly 4% on the level seen in 2019 (USD279.1 billion). In Europe, investments rose by a substantial 53% to USD87.2 billion, ahead of the USD71.6 billion invested in North and South America (a decrease of 11%). In Asia, investments stood at USD132.5 billion, marking a roughly 6% decline year on year (BNEF, Energy Transition Investment online tool). Investments in solar energy increased year on year by 12% to USD148.6 billion, whereas global investments in wind energy decreased by 6% to USD142.7 billion (BNEF, Energy Transition Investment Trends Summary 2021, p. 7). The decline was attributable solely to the sharp drop in investments in onshore wind projects. By contrast, offshore wind projects saw a steep 56% rise in investments to USD50 billion.

In the field of onshore wind energy, approximately 66.8 gigawatts (GW) were added worldwide in 2020, with Asia accounting for the lion's share as in previous years (55%), followed by North America (25%) and Europe (20%) (BNEF, Global Wind Market Outlook, 4Q 2020, p. 6). Germany accounted for 1.3 GW of the 13.5 GW in new onshore wind energy installations in Europe, equating to a substantial increase compared to the previous year (0.9 GW). There is still a lack of approved projects as a result of growing local opposition as well as lengthy approval proceedings, which present the German wind energy industry with major challenges. The most important European countries for the construction of onshore wind turbines in 2020 were Spain, with 2.1 GW, and Sweden, with 1.7 GW. In North and South America, new installations were primarily driven by the US (14.3 GW) and Argentina (0.9 GW). In the Asia-Pacific region, China (32.4 GW) and Australia (1.4 GW), as well as other markets such as Japan (0.6 GW), recorded an increase in the expansion of onshore wind energy. By contrast, the expansion in India slowed significantly to 1.3 GW in 2020 following 2.4 GW in the previous year. For 2021, the BNEF forecasts a global expansion of roughly 75 GW for onshore wind turbines, which would mean a further substantial increase compared to the 66.8 GW generated in 2020 (BNEF, Global Wind Market Outlook, 4Q 2020, p. 6).

Global photovoltaic (PV) installation capacities increased by some 132 GW in 2020. However, the year-on-year growth rates varied tremendously from country to country. In Europe, expansion increased year on year by more than 100% in some cases in Greece (0.4 GW), Portugal (0.5 GW) and Poland (1.7 GW). Germany (4.6 GW) and the Netherlands (3.1 GW) saw double-digit percentage increases in solar capacity compared to 2019. A significant decline was recorded in Spain, where 2.9 GW were installed in 2020 (2019: 5 GW). In Asia, China (40 GW), Japan (8 GW) and Taiwan (1 GW) saw further increases, whereas the rate of expansion in India fell significantly year on year to around 4 GW (2019: 11.6 GW) on account of projects being postponed until 2021. In the US, around 14 GW in new PV systems were installed, corresponding to a growth rate of just under 22% (2019: 11.5 MW). Expansion was inconsistent in Africa and the Middle East. While South Africa and Israel set new expansion records of 0.9 GW and 1.7 GW respectively, Egypt and the United Arab Emirates reported significantly lower expansion rates of approximately 0.7 GW each compared to 2019 (1.5 GW and 2 GW). In South America, a year-on-year increase in PV system installation was seen in Brazil (3.9 GW; 2019: 2.8 GW) and Argentina (0.5 GW; 2019: 0.3 GW) (BNEF, Global PV Market Outlook, 4Q 2020, pp. 2–3). According to the latest forecasts, the expansion of photovoltaic systems is expected to continue to grow very strongly in 2021, with between 151 GW and 194 GW expected worldwide (BNEF, Global PV Market Outlook, 4Q 2020, p. 1).

Development of conventional energy
In the field of conventional 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 2020, the price of crude oil reached a high for the year of just under USD69 per barrel. The lockdowns in nearly all countries due to the coronavirus pandemic led to a sharp drop in demand for kerosene (jet fuel), fuel and lubricants. As a result, the price of oil fell to a low for the year of just under USD16 per barrel by April. That month, the Organization of the Petroleum Exporting

Countries (OPEC) plus Russia and Mexico approved reducing global daily crude oil production by 10%, which led to a rapid recovery of crude oil prices to over USD40 per barrel in May and June. From August, the production cuts were reduced from 9.7 million barrels to 7.7 million barrels a day. Consequently, the price of oil fell from its interim high of just over USD45 per barrel back to around USD36 per barrel. In autumn, a surge in the coronavirus pandemic led to further restrictions in many countries. However, a renewed far-reaching lockdown of economic activity did not materialise, allowing crude oil prices to recover to approximately over USD50 per barrel by the end of the year. Overall, the oil price in 2020 averaged USD42 per barrel, below the forecast average of roughly USD61 per barrel. Forecasts made by the US Energy Information Administration (EIA) about the development of crude oil prices in 2021 predict that the oil price will hover at USD49 per barrel on average. Based on the current forecasts, the relationship between oversupply from production and global consumption is set to decline for 2021 as a whole (EIA, Short-Term Energy Outlook, 8 December 2020, pp. 1, 18). 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 followed the development of crude oil prices and was significantly lower year on year throughout 2020. Heating oil prices fell consistently until the end of October. Despite an increase of just under 50% in November and December, heating oil was a good 18% cheaper at the end of 2020 as compared to the previous year-end figure (TECSON, Heizölpreise, 2020). Sales of heating oil in Germany increased by 3.3% year on year in 2020 (BAFA, Amtliche Mineralöldaten, 2020). The main reason for this may have been that consumers used the lower prices for stockpiling. 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. The newly introduced carbon pricing system could have a stronger effect in 2021, as consumers are likely to have used the lower prices in 2020 to fill up their tanks in advance. The consumption of wood pellets increased by 6.4% in Germany in 2020. Due to the high number of newly installed pellet-fired systems in 2020, accelerated consumption of pellets is expected for 2021 (DEPV, Pelletproduktion und -verbrauch in Deutschland, Zubau von Pelletfeuerungen in Deutschland).

Total fuel sales in Germany fell by 7.9% in 2020. Sales of Otto fuels decreased by 9.7%, while sales of diesel decreased by 7.1%. Total lubricant sales decreased by 19.4% in 2020. Machine, base oils and process oils in particular saw significant sales decreases (BAFA, Amtliche Mineralöldaten, 2020). As a result, sales volumes of fuels and lubricants fell short of the forecast, which had anticipated stable sales development. 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 3.5% in Germany, a moderate increase in demand is expected in 2021 (IMF, World Economic Outlook, January 2021). However, the reduction in mileage as a result of the lockdown and the trend towards mobile working are likely to have the opposite effect (BayWa, own market analysis).

Business performance

The Renewable Energies business unit once again saw highly positive development in 2020. Plant sales achieved a total output of 667.0 megawatts (MW) in the reporting year, with the share of turnkey renewable energy plants increasing to roughly 94%. In 2019, that figure stood at just around 37% of a total completed project output of 911.6 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. In the field of solar energy, 14 free-standing solar parks with a total output of 224.5 MW and five floating PV projects with an output of 77.8 MW were sold. Of the total output, 160.7 MW were attributable to the Netherlands, 44.1 MW to Malaysia, 41.6 MW to Spain, 30.0 MW to France and 25.9 MW to Japan. The sales in Malaysia and Japan show that BayWa r.e. has successfully gained a foothold in the Asian market and will continue executing projects there in the future. Eleven wind farms with a total output of 364.6 MW (2019: 282.8 MW) were sold in the national markets of the US (250.0 MW), Germany (58.0 MW), France (22.7 MW), the UK (24.0 MW) and Croatia (10.0 MW). BayWa r.e. will continue to assume responsibility for the commercial and technical management and maintenance of most of these plants going forward. BayWa r.e.'s service business recorded a rise in total plant capacity under its management around the world of more than 8% to more than 9.0 GW in 2020 (2019: 8.3 GW). Despite delays on the part of customers, new mandates for the technical and commercial management of wind farms and solar parks (including floating PV) were gained. The Energy Trading division managed a direct marketing portfolio of around 4.0 GW in 2020 (2019: 3.5 GW) and recorded electricity sales of around 13 terawatt hours (TWh) (2019: 6.9 TWh). Some 3.5 GW of the direct marketing portfolios are managed by Clean Energy Sourcing GmbH (2019: 3.3 GW), with around 500 MW managed by Italy-based Clean Energy S.r.l. (2019: 210 MW). The financial year 2020 was characterised by particular challenges and a realignment, combined with the strategic goal of significantly increasing trading volume from 2021. In trading with photovoltaic (PV) modules, the total output of PV modules sold rose by just over 27% to 1 gigawatt peak (GWp). The inverter and assembly system product groups saw an increase of around 35%, raising the output of the sold inverters to more than 2 GW. Revenues from assembly systems increased to over €80 million. The growth is primarily attributable to the continued high demand for renewable energies and the unabated ability of European solar trading companies to deliver. Revenues of more than €100 million have already been processed in these product areas through the web stores established in these national markets. The August 2020 acquisition of the US-based company Enable Energy Inc., with a strong focus on business with industrial customers, also contributed to growth. The Energy Solutions business division successfully completed its first full financial year in 2020 and is positioning itself internationally as a developer of integrated solutions in the fields of renewable energies for businesses. All told, revenues increased by 26.6% to €2,500.6 million in 2020. Following €101.0 million in the previous year, earnings before interest and tax (EBIT) reached a new high of €110.9 million in the reporting year. The improvement in both revenues and the operating result is primarily attributable to project sales and growth in solar trading and exceeded the positive expectations.

The coronavirus pandemic also had an effect on BayWa r.e. in the reporting year. In particular, the decline in electricity prices had an impact on the profitability of projects and on the earnings of existing plants. Some projects were affected by delays in approval processes, restricted mobility among workers and supply bottlenecks, which led to delays in construction in certain cases. 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.

As expected, the Conventional Energy business unit benefited from increased demand for heat energy carriers in the financial year 2020. Sales volumes of heating oil increased by a further 2.0% year on year, as customers took advantage of the significant year-on-year drop in heating oil prices and the reduced value added tax rate in the second half of the year to stock up. In addition, the climate package, which came into effect at the start of 2021, is likely to have led to panic buying, as increases in the price of heating oils are to be expected as a result of carbon pricing. The marketing volume of wood pellets also rose, achieving an increase of 6.8%. The growth was mainly attributable to BayWa AG’s core regions in Germany, where sales benefited from the previous year’s expansion in production capacity at WUN Pellets GmbH and the higher number of installed pellet heating systems. In heat contracting, BayWa Energie Dienstleistungs GmbH (EDL) put its first project into operation in Geisenfeld in late 2020. The project covered conventional heating on the basis of wood pellets, as well as a landlord-to-tenant model using renewable electricity from the building’s own PV system. In fuels, sales at the Group fell year on year by 9.7% on a like-for-like basis adjusted for the sale of TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, thereby developing less strongly than expected. The decline was caused by mobility restrictions and lower demand among large-scale consumers as a result of the coronavirus-related lockdowns. By contrast, business with the BayWa filling station card, the acceptance of which was further expanded, developed positively. In e-mobility, the number of charging stations and charging points that can be used with the BayWa filling station card also increased. Moreover, the Group started offering LNG for heavy goods transport by building the corresponding filling stations. With a decline of 14.3%, sales of lubricants saw weaker-than-expected development in 2020. The main reasons for this development were temporary plant closures in the industrial and manufacturing sector as a result of the coronavirus pandemic and the weakening economic growth. As anticipated, the Conventional Energy business unit’s revenues fell significantly by 30.2% to €1,745.2 million in the reporting year, having stood at €2,499.0 million in the previous year. Earnings before interest and tax (EBIT) improved by 20.5% to €31.8 million in 2020 (2019: €26.4 million) primarily due to good margins in the heating oil and fuel business, thereby reaching a new record high – in contrast to the expectations.

At €4,245.8 million, the Energy Segment’s total revenues for the financial year 2020 were up by €228.5 million year on year. Earnings before interest and tax (EBIT) increased by 12.0% to €142.7 million, thereby setting a new high.

Agriculture Segment

Market and industry development 2020/21

Development of grain and oilseed

Global balance of grain (excluding rice) in millions of tonnes	Grain year			Change	
	2018/19	2019/20	**2020/21**	2020/21 compared to 2019/20	
Production					
World	2,129.0	2,175.5	2,212.3	36.8	1.7%
thereof: wheat	730.9	763.9	773.4	9.5	1.2%
thereof: coarse grain	1,398.1	1,411.6	1,438.9	27.3	1.9%
Consumption					
World	2,155.9	2,174.2	2,223.5	49.3	2.3%
thereof: wheat	734.7	747.0	769.3	22.3	3.0%
thereof: coarse grain	1,421.2	1,427.2	1,454.2	27.0	1.9%
Inventory changes					
World	- 26.9	1.3	- 11.2		
thereof: wheat	- 3.8	16.9	4.1		
thereof: coarse grain	- 23.1	- 15.6	- 15.3		

European balance of grain (excluding rice) in millions of tonnes	Grain year			Change	
	2018/19	2019/20	**2020/21**	2020/21 compared to 2019/20	
Production					
EU	284.8	316.5	297.6	- 18.9	- 6.0%
thereof: Germany	37.9	44.2	43.3	- 1.0	- 2.1%
Consumption					
EU	289.2	289.8	286.6	- 3.2	- 1.1%
thereof: Germany	41.7	43.0	42.0	- 1.0	- 2.3%
Inventory changes					
EU	- 4.4	26.7	11.0		
thereof: Germany	- 3.8	1.2	1.3		

Sources: USDA, Grain: World Markets and Trade, February 2021, pp. 23, 29; DRV, Jahresbericht Agrarwirtschaft 2020, p. 12; DRV, Getreideernte Bundesrepublik 2019 und Vorschätzung 2020

Global grain harvest yields were 2.2% higher in the grain year 2019/20 than in the previous year. Global consumption continued to increase by just under 1%. In total, grain production covered consumption. However, global consumption outpaced production for coarse grain, particularly corn. By contrast, wheat inventories rose, meaning that the quantity in stock would mathematically be enough to cover global needs for 147 days. The European Union harvested 6.0% less grain in 2020 than in the previous year (USDA, Grain: World Markets and Trade, February 2021, pp. 23, 29). This decline was attributable to lower hectare yields and a decrease in land available for cultivation. The German grain harvest decreased by 2.1% compared to the already weak level seen in the previous year and was therefore a good 5% lower than the average for 2014 to 2019 (DBV, Situationsbericht 2020/21, p. 167 et seq.). Despite the globally relaxed supply situation, grain prices rose considerably in the second half of 2020 due to brisk global demand for wheat and unfavourable growing conditions in parts of Europe, North America, the Black Sea region and Argentina (DBV, Situationsbericht 2020/21, p. 169). The increase in the price of corn was particularly sharp, as the tight supply here led to lower-than-expected inventories, especially in the US. The grain price index of the Food and Agriculture Organization of the United Nations (FAO) amounted to 115.7 points in December 2020, which was approximately 19% above the value of 97.2 points seen in December 2019 (www.fao.org/worldfoodsituation/foodpricesindex/en). On the MATIF commodity futures exchange, wheat prices in 2020 fell from €189 per tonne at the start of the year to €174 per tonne by mid-March before subsequently trading between €177 and €192 per tonne until August. By the end of the year, prices had increased to around €211 per tonne on account of high demand and the tight supply situation in some regions (DBV, Situationsbericht 2020/21, p. 172; MATIF and CBOT commodity exchange, February 2021). According to the latest forecasts from the U.S. Department of Agriculture (USDA), global grain production in 2020/21 – excluding rice – is likely to be up slightly on the previous year's volume by 1.7%. Global consumption is expected to rise by 2.3%. As in previous years, coarse grain consumption outpaced production, leading to a reduction of inventories. By contrast, the current harvest season is likely to result in enough wheat to cover global consumption, as in the previous year. At roughly 144 days, the coverage of the inventories is only slightly lower than it was in the previous year (USDA, Grain: World Markets and Trade, February 2021, pp. 23, 29). 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 2020/21, p. 170).

Soya meal, which accounts for over 70% of all oilseed meal, was harvested globally in the marketing year 2019/20 at around 243 million tonnes, up just under 4% on the previous year (USDA, Oilseeds: World Markets and Trade, February 2021, p. 11). In the first half of 2020, global oilseed production benefited from favourable weather conditions, particularly in the US and South America, leading to a decline in soya meal prices from around €300 per tonne at the start of the year to around €263 per tonne in early August on the Chicago Board of Trade (CBoT) commodity futures exchange. The dry weather in many global cultivation regions led to a strong rally towards the end of summer that drove prices up to just under €390 per tonne by the end of the year in light of an anticipated decline in harvests. Global production is expected to rise by around 4.1% to 253 million tonnes in marketing year 2020/21 (USDA, Oilseeds: World Markets and Trade, February 2021, p. 11). Based on the latest harvest forecasts, demand is expected to be met by global supply despite an assumed further increase in consumption. Nevertheless, prices continued rising to around €420 per tonne at the start of the year, mainly due to strong demand from China (DBV, Situationsbericht 2020/21, p. 174).

Development of fruit cultivation

At 1.27 million tonnes, the fruit harvest was somewhat smaller in Germany in 2020 than in the previous year (1.28 million tonnes). For many types of fruit, late frosts during the bloom phase in April and May led to lower harvest volume than in the previous year (DBV, Situationsbericht 2020/21, p. 181). Cherries, mirabelles, strawberries and pears suffered major losses. At 1.02 million tonnes, the apple harvest in 2020 exceeded the volume seen in the previous year by 3.2% (Destatis, Land- und Forstwirtschaft, Fischerei, Baumobst, 2020, p. 18). At around 10.7 million tonnes, the 2020 harvest in the EU was almost 1% lower than in the previous year and a good 20% below the previous record from 2018 (WAPA, EU 28 apple production by country, 2020). Due to the tighter supply from the previous year's harvest and higher demand for fruit due to factors such as the coronavirus pandemic, apple prices increased sharply throughout most of 2020 and were more than 30% above their five-year average at the end of the year. In the EU, prices were around 32% higher than the average for the past five years in mid-2020 due to the smaller harvest volume in 2019. Because warehousing from the 2020 harvest was roughly 8% higher than in the previous year, prices fell again somewhat towards the end of 2020 (EU apple dashboard, 2020). At the start of 2021, warehousing volume in the EU was some 280,000 tonnes higher in total than in the previous year. However, the volume in storage is only average in a long-term comparison. Moreover, inventories are low in some countries, such as Austria, Belgium, France and Spain. Against this background, prices are expected to remain relatively stable in 2021.

In the southern hemisphere, the harvest volume of apples declined by 4.3% year on year to approximately 4.8 million tonnes in 2020, a level which was below expectations. In New Zealand, the harvest volume was 3.8% higher than in the previous year. However, a rise of 6% had been expected. The increase is attributable to having more land under cultivation and positive development of vegetation. Based on the current status of fruit development, the World Apple and Pear Association (WAPA) forecasts that the apple harvest in the southern hemisphere will increase by just under 6% to 5.1 million tonnes in 2021. By contrast, the harvest volume is expected to decline by just under 5% in New Zealand (WAPA, Southern Hemisphere Fresh Apple and Pear Crop Forecast, February 2021, p. 11).

Development of agricultural inputs

Demand for agricultural inputs is highly dependent on the weather, among other factors. Overall, market conditions for the agricultural inputs trade remained difficult, primarily due to the stricter regulations on the use of fertilizers and crop protection. The long period of dryness in the first half of the year prevented the application of fertilizer in some regions. Fertilizer prices fell by 1.4% on average year on year, primarily due to lower energy prices in 2020 (Destatis, Index of purchase prices of the means of agricultural production 2020). The lower purchase prices led to significant stockpiling, especially in the fourth quarter of 2020. As a result, sales of all types of fertilizer rose by a good 6% year on year in Germany in 2020 (Destatis, Düngemittelversorgung, 2020). In 2021, sales of nitrogen and phosphate fertilizers in particular are expected to fall further 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 (www.agrarheute.com/pflanze/neue-duengeverordnung-wichtigsten-aenderungen-ueberblick-568064). As a result of the low demand, and assuming that weather and vegetation conditions are normal, prices of fertilizers are expected to remain constant or fall slightly in the first half of 2021 and to increase slightly in the second half of the year. 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. In 2020, sales of crop protection products were a good 6% lower than in the previous year, as expected (BayWa, own market analysis), due to the dry weather conditions and a resulting low treatment rate, a decline in rapeseed cultivation area from the sowing of winter crops in 2019 and restrictions on a growing number of substances (www.agrarheute.com/pflanze/getreide/immer-weniger-wirkstoffe-so-schrumpft-auswahl-beim-pflanzenschutz-568334). Prices for crop protection products climbed slightly by 0.9% year on year in 2020 (Destatis, Index of purchase prices of the means of agricultural production 2020). Assuming largely unchanged cultivation structure, normal weather conditions and stable prices, the use of crop protection is expected to decrease again in 2021 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. Total area under cultivation in Germany increased by just over 2% in 2020 (Destatis, press release 168, 15 May 2020, and press release 526, 21 December 2020). Seed sales in the industry are therefore likely to have also increased slightly in 2020, despite forecasts of stable development. Seed prices were stable overall in 2020 (Destatis, Index of purchase prices of the means of agricultural production 2020). Assuming largely constant areas under cultivation and normal weather conditions, seed sales in 2021 should be at the level of the previous year. Feedstuff production rose slightly nationwide by 0.5% to 23.95 million tonnes of mixed feed in the marketing year 2019/20. The slight increase was attributable to pigfeed, whereas feedstuff for cattle and poultry were on a par with the previous year (DRV Jahresbericht 2020, p. 31). Feedstuff prices were 0.5% below the previous year's level at the end of 2020 (Destatis, Index of purchase prices of the means of agricultural production 2020). The market is forecast to decline slightly in 2021, as animal stocks are expected to fall. The anticipated decrease in livestock numbers is a result of high production costs, low pork prices and increasing legal requirements. In pig farming, the combination of African swine fever and the backlog in terms of pigs for slaughter are expected to lead to a significant reduction in animal stocks in the short to medium term. Stocks of cattle are expected to remain constant, whereas stocks of poultry are expected to increase slightly (DRV, Jahresbericht Agrarwirtschaft 2020, p. 32).

Development of agricultural equipment

The revenue and income situation of German farmers improved in the harvest year 2019/2020 compared to the disappointing previous year. However, farming income is likely to once again fall short of the level in the previous year on average in 2020/21 (DBV, Situationsbericht 2020/21, p. 149). Accordingly, the economic barometer for agriculture, which measures sentiment in the agricultural sector, rose in the first half of 2020 before falling sharply in the second half of the year (DBV, Konjunktur- und Investitionsbarometer Agrar, first and second quarter of 2021, p. 1). Agricultural equipment manufacturers' sales increased by 5% to €9.0 billion in 2020, according to estimates by the VDMA (German Mechanical Engineering Industry Association), thereby setting a new record. Tractors accounted for the strongest growth, with an 11% increase in sales. Fertilizer and crop protection equipment also saw strong demand, with a particular focus on machinery for high-precision application that minimises the use of resources. As a result, both segments were able to build on the positive trend seen in previous years (VDMA Agricultural Machinery Association, press release 8 February 2021, https://lt.vdma.org/en/viewer/-/v2article/render/61369955). At 30%, the general propensity of farmers to make investments in the first half of 2021 fell significantly short of the previous-year figure of 33%. At €3.6 billion, the planned investment volume for the first six months of 2021 is significantly lower than in the same period of the previous year 2020 (€3.8 billion). Whereas investments in machinery and equipment are expected to match the level seen in the previous year, a more marked decrease is anticipated for farm buildings and for farm and animal equipment (DBV, Konjunktur- und Investitionsbarometer Agrar, first and second quarter of 2021, p. 5 et seq.).

Business performance

BAST business unit

The BayWa Agri Supply & Trade (BAST) business unit comprises international grain and oilseed trading activities. Invoiced grain and oilseed trading volume stood at 22.9 million tonnes in the financial year 2020. Adjusted for the reclassification of the malting barley speciality trader Evergrain Germany GmbH & Co. KG (Evergrain) from the BAST business unit to the Agri Trade & Service business unit, this figure corresponds to a decrease of 1.2 million tonnes on a like-for-like basis; stable development had been originally forecast. This decline is attributable to the strategic decision 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 trading business was impacted both negatively and positively by the coronavirus pandemic. For example, logistics costs rose sharply in the first quarter of 2020. In March, trading picked up briefly, fuelled by fears that future deliveries could be negatively affected by coronavirus-related restrictions. Trading activities were restricted on account of lockdowns, particularly in Italy and Spain, and trade in standard products such as wheat and corn was rather subdued. Alongside the pandemic, political uncertainties – such as the trade conflict between the US and China – had a negative impact. The coronavirus pandemic also led to delays in transactions. On a positive note, the supply chains stood up to the challenge posed by the coronavirus pandemic, and the speciality business saw relatively stable development. In the second half of 2020, anticipated declines in harvests in many cultivation regions led to a rally that continued virtually unabated until the end of the year. The rise in prices was boosted by strong demand from China for feedstuff grain. All in all, the BAST business unit's revenues declined in the reporting year due to the lower handling volume and the reclassification of Evergrain, falling by 6.2% to €4,573.0 million following €4,875.8 million in the previous year. The original forecast had envisaged stable development. Earnings before interest and tax (EBIT) improved by 31.9% from €19.1 million in the previous year to €25.2 million in the reporting year, achieving the significant rise originally forecast. The improvement in earnings was due to the positive price trend in the second half of the year along with other factors, such as a default on receivables in the previous year in connection with the suspension of bread grain business with Iran.

Global Produce business unit

The Global Produce business unit's marketing volume once again saw strong growth in the financial year 2020. Tropical fruit recorded the strongest sales growth, rising just under 42%. In the categories dessert pome fruit and vegetable fruits, marketing volumes were up a good 30% year on year. Following the high growth rates in the previous year, soft and stone fruit saw a further increase of around 9%. All in all, fruit sales at the BayWa Group rose by a good 31% year on year in 2020 to 499,259 tonnes following 380,550 tonnes in the previous year. In its domestic business, the business unit was able to market 2019's smaller apple harvest at rising prices in the reporting year. The better fruit quality compared with the previous year also contributed to this development. Pressure from imports also declined significantly, as marketing volumes were lower than in previous years in many major EU producer countries. The supply of summer fruit from domestic harvests and the supply of stone fruit from southern Europe were also lower than in the previous year. Due to lower harvest volumes and a year-on-year decline in inventories, prices were stable at a high level, fuelled in part by a temporary increase in demand for healthy food such as fruit in the wake of the coronavirus pandemic. In the international business, T&G Global Limited (T&G Global) in New Zealand benefited from an above-average harvest, good fruit quality and strong export business at the start of the local apple season. Moreover, marketing volumes increased following the acquisition of the fruit trader Freshmax New Zealand Ltd (Freshmax) in May 2020. In the financial year 2020, T&G Global marketed some 40% more dessert pome fruit in total than in the previous year. The production of premium tomatoes at Al Dahra BayWa Agriculture LLC in the United Arab Emirates was affected by flood damage in the reporting year. However, the financial impact was compensated for by business interruption insurance. All in all, revenues in the Global Produce business unit increased by 11.2% to €938.5 million in the reporting year, thereby significantly exceeding the expectations. Earnings before interest and tax (EBIT) improved by €4.9 million year on year to €41.8 million in 2020. As a result, EBIT was largely within the expected range despite a lack of seasonal workers and packers in New Zealand due to restrictions on entry into the country in connection with the coronavirus pandemic, which made it impossible to harvest part of the fruit crop.

Agri Trade & Service business unit
The Agri Trade & Service business unit comprises the agricultural input business, the collecting of agricultural products and the grain and oilseed marketing activities in Germany and those managed by the Austrian Group company Raiffeisen Ware Austria Aktiengesellschaft (RWA). The development of the agricultural input business was generally subdued in 2020. In addition to the fundamental restrictions due to the German Fertiliser Application Ordinance (DüV), a delayed start to the season and unfavourable weather conditions in the first quarter led to lower demand for fertilizers. At mid-year, farmers' inventories were relatively high, as they were unable to apply fertilizer. Concurrently, the sharp drop in oil prices in the wake of the coronavirus pandemic led to a fall in prices, particularly for nitrogen fertilizers, resulting in pressure on trading margins. In the fourth quarter of 2020, the rising prices led to stockpiling for the upcoming fertilizer season. At 2.4 million tonnes, sales volumes for the BayWa Group were 3.1% higher year on year, albeit with significantly worse margins. Sales of crop protection products, especially herbicides, were also down year on year due to the weather-related lower incidence of crop disease. In addition, the less extensive sowing of winter rapeseed in the previous year, which requires a particularly large amount of crop protection products, had a detrimental effect on demand. Seed sales increased by 10.7% in the reporting year, thereby developing much better than expected. The drivers of growth were higher demand in Austria and eastern Europe, whereas sales within Germany fell slightly. In the Agri Trade & Service business unit, grain and oilseed trading volume increased year on year by 5.0% to just under 8.6 million tonnes on a like-for-like basis in 2020, in line with expectations. While harvest volumes deteriorated significantly year on year in much of Germany, the harvests in BayWa's collecting territory developed positively for the most part. Grain trading benefited from strong deliveries, especially in the second half of the year, despite coronavirus-related delays in purchasing behaviour, particularly with regard to malting barley. In total, sales in grain trading rose by 8.3% year on year. BayWa also benefited from strong subsequent collecting business, which offers corresponding marketing potential for 2021. This development stood in contrast to a 16.6% decline in oilseed handling volume that was attributable primarily to the widespread lack of winter rapeseed sowing in 2019 due to unfavourable weather conditions. All in all, revenues in the Agri Trade & Service business unit increased by 4.4% to €3,606.7 million in the reporting year, primarily due to the higher sales volume in grain trading coupled with a significant year-on-year rise in prices, and therefore developed in line with expectations. Earnings before interest and tax (EBIT) indicate a net loss of €14.3 million for 2020 following a positive result of €7.8 million in the previous year and therefore fell short of expectations. This development was mainly due to high restructuring expenses in connection with the reorganisation of the agricultural trade business in eastern Germany. In addition, the low fertilizer prices led to significant pressure on trade margins. Furthermore, price hedging transactions in grain trading within the scope of the mark-to-market valuation at the end of the reporting period resulted in negative market values that will not be compensated for through basic business activities in the financial year 2021.

Agricultural Equipment business unit
BayWa's Agricultural Equipment business unit was able to significantly outperform the previous year and set new records. The sale of new machinery increased by 27.4% to 5,882 tractors in the reporting year. In the used equipment business, the sales figures increased by 14.4% year on year to 2,215 tractors. Farmers in BayWa AG's core regions in southern Germany benefited from more favourable weather conditions, thereby contributing to this development. Harvests were not as affected by the summer dryness as in other parts of the country. As a result, farmers' income situation remained comparatively stable. The reduction of the value added tax rate in Germany in the second half of 2020 is likely to have triggered additional incentives to buy and contributed to the strong growth of the agricultural equipment business. Moreover, BayWa was able to continue consistently making deliveries even during the coronavirus-related closures of plants at manufacturers such as Fendt. Demand also benefited from new product launches at Fendt and from increased demand for discontinued models at attractive prices. In the service business and in spare parts sales, above-average registration figures in previous years and higher new machinery sales in the reporting year led to corresponding increases in revenues. In the international business, the Dutch Group company Agrimec Group B.V. was able to expand its sales territory in the reporting year by taking over another firm. Furthermore, the sales structures were adjusted, with Agrimec responsible for all AGCO brands and the subsidiary Abemec B.V. in charge of all other manufacturer brands. In addition, the three locations of the trading company Van Arendonk that were taken over in May 2019 contributed to revenues and earnings throughout the year. After two weaker years, Agrimec therefore reported significant growth once again in the sale of both new and used tractors. The Agricultural Equipment business unit generated total revenues of €1,869.8 million in 2020, which equates to a year-on-year increase of 11.1%. The Agricultural Equipment business unit therefore developed much better than expected in 2020. In the reporting year, earnings before interest and tax (EBIT) benefited

primarily from the strong new machinery business and rose significantly by 65.9% to €54.4 million following €32.8 million in the previous year. The high demand pushed days in inventory to a very low level for tractors and machinery at BayWa locations, which also helped to improve operating earnings.

Overall, the Agriculture Segment's grain and oilseed handling volume was down just over 2% year on year to 31.5 million tonnes in the financial year 2020. This decline was attributable to the development of oilseed. As expected, the segment's revenues increased slightly by 1.2% to €10,988.0 million (2019: €10,857.5 million). Earnings before interest and tax (EBIT) improved substantially by €10.5 million to €107.1 million (2019: €96.6 million). As a result, the improvement was somewhat less pronounced than anticipated.

Building Materials Segment

Market and industry development 2020/21

The German construction sector was able to continue its growth in 2020 despite the coronavirus pandemic. Revenues in the construction industry were roughly 3% higher year on year in total. As a result, the growth rate was lower than forecast at the end of 2019 (plus 7.0%). In spite of the coronavirus pandemic, it was possible to continue operating largely as normal on construction sites. As in the previous year, all branches of the construction industry contributed to growth. Residential construction recorded a roughly 4% increase (Argumentationslinie der Präsidenten des ZDB und des HDB, 17 December 2020, p. 3). Growth was primarily due to construction of new multi-storey residential properties, where building completions rose by 2.5% year on year in 2020 (Heinze, Monatspräsentation February 2021, p. 26). The high demand on residential markets in urban centres and the extremely low interest rates continued to act as the main drivers of this growth. In the commercial construction sector, revenues increased by some 1% and therefore fell short of the growth rate of 5.5% forecast at the beginning of the year. From September 2020, order intake saw a decline that was primarily attributable to weaker commercial building construction due to the coronavirus-related economic strain on many industries. In civil engineering, the growth was largely supported by investments by publicly financed utility and waste management companies, as well as by Deutsche Bahn's investment in railway lines, bridges and tunnels (Argumentationslinie der Präsidenten des ZDB und des HDB, 17 December 2020, p. 4). Public-sector construction saw a roughly 3% increase in revenues and therefore also fell slightly short of the 4.0% forecast at the start of the year. The growth was mainly attributable to public-sector building construction by local authorities, which did not need to limit their investment activities because the German federal government and states compensated for coronavirus-related trade tax shortfalls (Argumentationslinie der Präsidenten des ZDB und des HDB, 17 December 2020, p. 5).

The German construction sector expects to see a sideways trend on the whole in 2021. Supported by multi-storey residential construction, as in the past, revenues in residential construction are likely to increase by around 3% (Argumentationslinie der Präsidenten des ZDB und des HDB, 17 December 2020, p. 3), with the number of completed residential units set to rise by roughly 11% to 174,000. In conventional owner-occupied home construction, on the other hand, growth is expected to be low (Heinze, Monatspräsentation February 2021, p. 25 et seq.). By contrast building industry revenues are expected to fall by some 2% in total in commercial construction due to the coronavirus-related revenue losses in major segments of the manufacturing sector and in the service sector in 2020, which are reflected in lower investment activity in structural engineering. In civil engineering, however, development is likely to be more stable, as the German federal government's investment grants to Deutsche Bahn have been significantly topped up and the expansion of the broadband network is picking up speed (Argumentationslinie der Präsidenten des ZDB und des HDB, 17 December 2020, p. 4). Revenues in public-sector construction are also expected to decline by around 2%. Although the German federal government's budget provides for a roughly €800 million increase in spending on the expansion of trunk roads and federal waterways in 2021, it remains to be seen whether these investments actually materialise. A decline in construction investment by local authorities also appears possible, as it is uncertain whether the German federal government's investment grants will remain in place in 2021 (Argumentationslinie der Präsidenten des ZDB und des HDB, 17 December 2020, p. 5).

The Austrian construction sector posted a decline in 2020 due to the restrictions in economic activity resulting from the coronavirus pandemic. According to estimates, real construction investments were 3.2% lower year on year (WIFO, press release, Economic Outlook for 2020 to 2022: Compensation of High Economic Losses, p. 2). What this indicates, however, is that the construction industry weathered the pandemic far better than other sectors of the economy. While the industry was still able to successfully navigate the first lockdown in spring, the second lockdown in autumn had a more marked effect, as the business and public sectors reduced their investments and residential construction demand among private households also declined. Furthermore, construction sites saw major delays in summer and autumn due to infected workers, official quarantine orders, staff shortages on account of border closures and stricter safety measures. Bottlenecks also materialised on the supplier side as many companies were forced to temporarily suspend production (www.trend.at/wirtschaft/wie-bauwirtschaft-corona-11730042).

Prior to the start of a further lockdown, Austrian construction investment had been forecast to grow by 3.1% in 2021. The expectations for overall economic growth in Austria were downgraded from 4.5% to 2.5% in the event of a further lockdown or the extension of a lockdown (WIFO, press release, Economic Outlook for 2020 to 2022: Compensation of High Economic Losses, p. 3). Against this backdrop, the recovery can be expected to be less marked in the construction industry as well and is expected to be compensated for by rising construction volume in structural and civil engineering. However, structural engineering is expected to see only moderate growth. Somewhat higher growth is anticipated in civil engineering against the backdrop of the civil engineering projects in tunnel, railway and power line construction already under way for several years now.

Business performance

The Building Materials Segment saw a very strong financial year 2020. 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 gardening and landscaping, roofing, dry construction, construction equipment and tool product ranges recorded very high demand, as BayWa's building materials sites in Germany remained open throughout the coronavirus-related lockdown phases due to their supply function for the construction industry. As a result, the Group also saw increased demand from customer groups that switched to ordering BayWa products online due to the temporary closures of DIY and garden centres in some German states. Over the further course of the year, business benefited from high demand in the gardening and landscaping segments, as well as in redevelopment and renovation, as many people spent their holidays at home due to the restrictions on travel. The BayWa Group's DIY and garden centres in Austria were forced to close for roughly one month. However, the above-average demand after the reopening of the stores more than made up for the closure-related loss of revenues. The strong growth in roofing and dry construction is attributable to strong construction activity and the successful implementation of the multi-specialist strategy. For example, the sale and product range specialisations in wooden construction, formwork equipment, prefabricated components and roofing were significantly expanded in 2020. A new central warehouse was built for construction timber, and logistics offerings were expanded to include special crane vehicles for dry construction. The expansion of the private brand range also continued. Moreover, the Building Materials business unit invested in online channels in the reporting year and further improved efficiency through second-level support and the introduction of automatic inventory management. The eBusiness activities therefore recorded substantial growth, especially during the lockdown phases. At the same time, the ability to deliver products was ensured, which benefited the warehouse business in particular in the reporting year. Overall, the Building Materials Segment's revenues increased by 11.5% year on year to €1,899.0 million due to volume and price effects, thereby far exceeding the development expectations. In the second half of 2020, BayWa Bau Projekt GmbH started marketing its first residential units. Demand was consistently high, and selling prices either remained stable or increased slightly. The segment's earnings before interest and tax (EBIT) climbed 46.1% to €46.9 million, exceeding the forecast for slight improvement. As in the previous year, the positive sales development contributed to this improvement, as did the successful expansion of the high-margin range of private brands, the expansion of the multi-specialisation concept and the linking together of online and stationary sales channels through the Click & Collect function as part of efforts to position the company as an integrated multi-specialist.

Innovation & Digitalisation Segment

Market and industry development 2020/21

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). Based on a global market volume of around USD3.4 billion in 2017, annual growth of just under 13% to around USD5.5 billion is forecast for the digitalised precision farming market in 2021 (Roland Berger, Focus October 2019: Farming 4.0: How precision agriculture might save the world, p. 10). 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 only slightly in 2020, reaching around €92.5 billion in total for all goods and services (2019: €92.2 billion). This development is solely attributable to the nearly 53% decline recorded in the service sector 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. By contrast, revenues involving goods (e-commerce) saw an increase of 14.6% to €83.3 billion. E-commerce therefore saw even stronger growth than anticipated at the start of 2020, according to estimates by Bundesverband E-Commerce und Versandhandel Deutschland e.V. (German e-commerce and distance selling trade association – bevh). At 20.2%, online marketplaces recorded the highest growth rates. With €40.8 billion in revenues, they remained by far the largest sales channel in the German e-commerce sector. Pure players – companies without bricks-and-mortar stores – grew by 11.2% to €12.0 billion, whereas multi-channel retailers recorded an 8.7% increase in revenues to €28.0 billion (bevh, Präsentation Jahrespressegespräch 2020, pp. 3, 4, 18). Online purchases also increased sharply in agriculture. The industry saw a growing number of platforms, and one in five farmers already makes purchases for their farms online (https://agrar-trends.de/agrarhandel-per-mausklick-zahl-der-online-plattformen-boomt/). According to a survey, the figures were even slightly higher than that in crop farming in Germany at the end of 2019 and, at 21%, were also above the European average (McKinsey, Unlocking the online retail opportunity with European farmers, 2020). bevh expects the e-commerce sector in Germany to maintain a large share of the coronavirus-related additional demand in 2021 once shops reopen and anticipates strong growth of around 12.5% to just under €94 billion. Overall interactive retail involving goods and services could therefore exceed the €100 billion threshold for the first time in 2021 (bevh, press release 26 January 2021, E-Commerce beschleunigt Wachstum deutlich ..., p. 2).

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 activities. However, the revenues and income from the activities are attributed to the business unit or segment responsible for the respective sold product. The offerings in Digital Farming mainly include the NEXT Farming OFFICE and NEXT Farming LIVE software products of FarmFacts GmbH, satellite-based products for site-specific cultivation from the Group company VISTA Geowissenschaftliche Fernerkundung GmbH, analyses and advisory services, as well as hardware components. The latter is also offered and sold through the Agricultural Equipment business unit's sales structures. Increasingly stricter requirements under the German Fertiliser Application Ordinance (DüV) – which is associated with an optimisation of fertilizer volumes and stricter documentation obligations – led to increased interest in digital farming and farm management products among farmers, resulting in a marked increase in sales of the NEXT Farming LIVE software package. The NEXT Marketplace trading platform from FarmFacts was launched in the test region of Saxony and Thuringia in July 2020, with Saxony-Anhalt, Brandenburg and Mecklenburg-West Pomerania being added over the course of the year. NEXT Marketplace enables farmers to obtain offers for agricultural inputs from different providers and conclude purchase and delivery agreements directly from their NEXT Farming software. Initially, the marketplace offered fertilizer and seed, but was expanded to include crop protection products as well in early 2021. In the service sector, revenues increased due to rising demand for soil sampling services. At a good 46%, the largest share of revenues came from software licences and software maintenance contracts, followed by satellite-based products for site-specific cultivation, including analyses and advice, and soil sampling, with a share of just over 34%. Sensors, measurement systems for soil analysis programmes and other hardware accounted for just under 20% of revenues. However, the restrictions in connection with the coronavirus pandemic led to a decline in customer contact by sales staff. In addition, no trade fairs were held, which are important events for attracting new customers and keeping in touch with existing ones. By contrast, BayWa's eBusiness channels benefited from a very sharp rise in demand. Sales transacted through the BayWa Portal tripled in the financial year 2020 due to the coronavirus-related restrictions and the continuous expansion of the online systems. For example, the BayWa Portal saw expansions to its product ranges and improvements in the product search feature, as well as new functions such as information videos. Furthermore, the offerings of the Energy Segment, as well as TecParts, were incorporated into the BayWa Portal. The BayWa digital farm shop marketplace Radimundi and the Regioportal created a sales channel that enables local producers to directly market their products and lets end customers buy from a trusted regional producer. All in all, revenues in the Innovation & Digitalisation Segment fell to €10.2 million in 2020 (2019: €10.6 million) – in contrast to the slight increase that was originally forecast. As predicted, the Innovation & Digitalisation Segment recorded negative earnings before interest and tax (EBIT) of €10.9 million (2019: minus €14.6 million). The main reason for this was, on the one hand, a high level of investment in the development of digital farming solutions such as new software modules. On the other hand, the segment also carries out a service role for the operating business units by hosting and further developing the BayWa Portal, which does not generate any direct income. The decline in the loss in the reporting period is attributable to the charging of services for eBusiness activities to the corresponding business units.

Development of Other Activities in 2020

At €12.4 million, the Other Activities Segment's revenues in the reporting year were essentially on a similarly low par with 2019 (2019: €13.7 million). Earnings before interest and tax (EBIT) resulting from Other Activities consist of the Group's administration costs, as well as consolidation effects; in 2020, they came to minus €70.6 million following minus €53.1 million in the previous year. The reduction in revenues compared to the previous year was primarily attributable to the coronavirus-related lack of bank dividends and income from participating interests, as well as hedging transactions for currency risks. Moreover, the Group incurred additional expenditures in connection with the coronavirus pandemic for hygiene measures and measures to protect the health of employees and customers, as well as for additional IT equipment.

Assets, financial position and earnings position of the BayWa Group

Asset position

Composition of assets [1]

In € million	2016	2017	2018	2019	**2020**	Change 2020/19
Non-current assets	2,355.8	2,396.9	2,476.8	3,257.0	3,707.6	13.8%
thereof: land and buildings	850.4	854.6	827.2	1,377.1	1,456.4	5.8%
thereof: investments	189.1	232.6	204.5	218.3	194.0	- 11.1%
thereof: investment property	41.6	40.9	38.2	46.7	51.0	9.2%
Non-current asset ratio (in %)	36.4	36.9	33.0	36.8	41.0	–
Current assets	4,094.2	4,077.4	5,030.4	5,585.9	5,331.7	- 4.6%
thereof: inventories	2,380.3	2,322.7	2,909.5	3,286.4	2,939.2	- 10.6%
Current asset ratio (in %)	63.2	62.8	67.0	63.1	59.0	–
Assets/disposal groups held for sale	24.9	13.7	4.2	4.7	5.1	8.5%
Total assets	**6,474.9**	**6,488.0**	**7,511.5**	**8,847.6**	**9,044.4**	**2.2%**

1 The previous year's figures have been adjusted in accordance with IAS 8.42. Please see Note (A.5.) of the Notes to the Consolidated Financial Statements for further details.

The BayWa Group's non-current assets stood at €3,707.6 million as at 31 December 2020. Compared to the previous year's reporting date, it therefore rose by €450.6 million, or 13.8%, from €3,257.0 million.

The modernisation and expansion of the Group's network of locations resulted in investments in land and buildings of €155.5 million. Of this amount, €105.0 million – a significant portion – was attributable to leases. This was offset by the sale of locations no longer required in the amount of €51.2 million. Taking into account the depreciation of buildings in the amount of €83.7 million, the book value of land and buildings at the Group increased by €79.3 million to €1,456.4 million. The increase in technical facilities and machinery was due in particular to repair and maintenance investments of €130.2 million. Depreciation of technical facilities and machinery amounted to €60.1 million in the financial year 2020. Prepayments and assets under construction also increased by €63.2 million to €148.8 million. Investments in the modernisation of the vehicle fleet led to an increase in fixtures and office equipment. Overall, additions to property, plant and equipment associated with investment activities in the amount of €420.6 million was offset by depreciation in the amount of €203.4 million. Taking into account disposals of €116.0 million, property, plant and equipment climbed by €402.2 million in total and stood at €2,468.5 million as at 31 December 2020.

Investments decreased by €24.3 million from €218.3 million to €194.0 million in the financial year 2020. The decline resulted in particular from the fair value measurement of the shares in Raiffeisen Bank International, Vienna, Austria; the book value stood at €64.6 million as at the end of the financial year 2020 (2019: €86.1 million). In addition, shareholdings in affiliated companies fell by €8.6 million. By contrast, Group companies increased by €6.1 million, or 15.4%, from €39.6 million to €45.7 million. Other loans and payments on account for investments, along with loans to affiliated companies and Group companies, were on a par with the previous year.

Investment property increased slightly year on year by €4.3 million and stood at €51.0 million at the end of the reporting period. Non-current receivables and other assets fell by €7.9 million. Deferred tax assets stood at €285.1 million and were therefore up year on year (2019 adjusted: €278.1 million).

Current assets fell by €254.2 million year on year, or 4.6%, totalling €5,331.7 million as at 31 December 2020. Inventories were the main driving factor behind this development and saw a significant decrease of €347.2 million, or 10.6%, to €2,939.2 million due to a €195.4 million year-on-year decline in unfinished goods to €966.6 million that was attributable to the projects completed by the end of the year in the Renewable Energies business unit and due to lower inventories in the BAST business unit, which made a significant contribution to the €149.6 million decline in the goods reported under inventories.

In contrast to the development of inventories, current liabilities and other assets increased by €155.2 million, or 7.6%, to €2,210.1 million due in particular to a €345.7 million rise in other current financial assets. Trade receivables, however, fell by €199.5 million. Receivables from income taxes stood at €58.4 million as at 31 December 2020 and were therefore virtually on a par with the previous year (2019: €59.8 million).

At 12.8 million as at 31 December 2020, biological assets were down slightly on the previous year's figure. In addition, cash and cash equivalents fell by €61.3 million and stood at €168.4 million as at 31 December 2020 (2019: €229.7 million). At 5.1 million, non-current assets and disposal groups held for sale were on a par with the previous year. At the end of the reporting period, this item predominantly contained real estate inventories which are intended to be sold in the subsequent year.

BayWa places an emphasis on ensuring matching maturities in the financing of assets. Current liabilities of €4,752.3 million in total – consisting of short-term debt, trade payables, 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 €5,336.8 million. There was roughly 116% coverage for non-current assets amounting to €3,707.6 million through equity and long-term borrowing of €4,292.1 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.

The most important financing principle of the BayWa Group consists in observing the principle of matching maturities. Short-term debt is used to finance the working capital. Investments in property, plant and equipment, as well as acquisitions, are funded from equity, bonded loans and other long-term loans. This includes issued bonded loans, long-term loans from banks and associated companies as well as the hybrid bond issued in October 2017. Capital market measures replace financing from short-term credit lines, but without clearing or terminating them, and therefore diversify the refinancing portfolio.

In addition, the project companies in the Renewable Energies business unit 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 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	2016	2017	2018	2019	**2020**	Change 2020/19
Equity	1,098.3	1,435.5	1,389.1	1,339.0	1,256.1	- 6.2%
Equity ratio (in %)	17.0	22.1	18.5	15.1	13.9	–
Short-term borrowing [2]	3,084.4	2,986.8	4,047.7	4,377.1	4,752.3	8.6%
Long-term borrowing	2,292.2	2,065.7	2,074.7	3,131.5	3,036.0	- 3.0%
Debt	5,376.6	5,052.5	6,122.4	7,508.6	7,788.3	3.7%
Debt ratio (in %)	83.0	77.9	81.5	84.9	86.1	–
Total capital (equity plus debt)	**6,474.9**	**6,488.0**	**7,511.5**	**8,847.6**	**9,044.4**	**2.2%**

1 The previous year's figures have been adjusted in accordance with IAS 8.42. Please see (A.5.) of the Notes to the Consolidated Financial Statements for further details.

2 Including liabilities from non-current assets held for sale

The BayWa Group's total assets stood at €9,044.4 million on 31 December 2020 and were therefore €196.8 million, or 2.2%, higher than the previous year's figure. The €82.9 million decline in equity stood in contrast to a rise in borrowing. While short-term borrowing rose by €279.7 million, long-term borrowing fell year on year by €95.5 million.

Capital management

The capital structure of the Group is made up of debt and equity. The equity ratio was 13.9% (2019 adjusted: 15.1%) 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 €329.9 million (2019: minus €289.6 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 17.5% (2019: 20.0%). Due to the initial application of IFRS 16 as at 1 January 2019, the previous year also contained an adjustment to the adjusted equity ratio of 1.4 percentage points. The capital increase of €530 million at BayWa r.e. renewable energy GmbH, which was contractually agreed in December 2020, has yet to have an effect on the equity ratio and will not have a positive effect on the equity ratio until the financial year 2021 once the regulatory authorities have issued their final approval.

For trading companies such as 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 2020, the equity-to-fixed-assets ratio was 116%.

The debt ratio rose to 86.1% in the financial year (2019 adjusted: 84.9%). However, the rise was attributable solely to short-term borrowing, which 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 increasingly on account of unfinished products in the Renewable Energies business unit. The rise in short-term borrowing related primarily to financial liabilities from commodity futures, FX hedges and interest rate hedges (up €386.0 million to €507.3 million), which stood in contrast to a rise in the other current financial assets resulting from these transactions in a comparable amount. This was offset by declines in short-term debt (down €96.5 million to €2,217.1 million) and trade payables (down €84.3 million to €964.4 million).

Long-term borrowing fell by €95.5 million in the financial year 2020 and amounted to €3,036.0 million as at 31 December 2020. The increase in lease liabilities (up €55.3 million) and pension provisions (up

€34.0 million) stood in contrast to material decreases in long-term debt, which fell by €186.9 million, or 14.4%, to €1,114.2 million.

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 business unit 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 €17.9 million (2019: €20.5 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	**31/12/2020**	31/12/2019
Long-term and short-term debt at banks	3,331.3	3,614.7
Less cash and cash equivalents	- 168.4	- 229.7
Net debt [1]	**3,162.9**	**3,385.0**
Less non-recourse financing	- 101.1	- 71.4
Less inventories for immediate use	- 799.9	- 900.2
Adjusted net debt [1]	**2,261.9**	**2,413.4**
EBITDA	468.4	403.0
Adjusted equity	1,586.0	1,648.2
Net debt (adjusted)/equity (adjusted) (in %)	**142.6**	**146.4**
Net debt (adjusted)/EBITDA	**4.8**	**6.0**

1 Net debt will decrease accordingly in the financial year 2021 due to the capital increase at BayWa r.e. renewable energy GmbH and the associated cash inflow of €530 million.

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 business unit 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 business unit's financial liabilities, cash and cash equivalents, and EBITDA generated in the financial year are deducted in the process. The value of the key indicator "adjusted net debt/EBITDA" should lie between 3.0 and 4.5 and is determined using the following approach:

In € million	**31/12/2020**	31/12/2019
Long-term and short-term debt at banks	1,857.1	1,936.6
Less cash and cash equivalents	- 116.0	- 177.4
Net debt	**1,741.1**	**1,759.2**
Less non-recourse financing	–	–
Less inventories for immediate use	- 799.9	- 900.2
Adjusted net debt	**941.2**	**859.1**
EBITDA	300.9	265.1
Net debt (adjusted)/EBITDA	**3.1**	**3.2**

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

In € million	2016	2017	2018	2019 adjusted	**2020**
Cash flow from operating activities	208.6	- 170.2	- 452.2	- 24.9	674.8
Cash flow from investment activities	- 123.6	- 60.5	- 243.0	- 149.4	- 274.8
Cash flow from financing activities	- 63.0	235.9	710.8	282.6	- 458.2
Cash and cash equivalents at the end of the period [2]	104.4	105.5	120.6	229.7	168.4

1 The previous year's figures have been adjusted in accordance with IAS 8.42. Please see (A.5.) and (A.6.) 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 minus €3.1 million

The cash flow from operating activities came to €674.8 million in the financial year 2020, a year-on-year increase of €699.7 million. With consolidated net income for the year down €3.8 million year on year, this increase was primarily the result of the year-on-year rise in cash earnings, as well as a decline in inventories, trade receivables and other assets not allocable to investing and financing activities, along with a rise in cash flow due to the increase in trade payables and other liabilities not allocable to investing and financing activities.

Cash flow from investing activities saw a cash outflow of €274.8 million for the reporting year. As a result, cash outflow for investing activities increased year on year by €125.4 million. Payments for company acquisitions came to €18.2 million (2019: €53.4 million). In the financial year 2020, investments of €332.0 million were made in intangible assets, property, plant and equipment, and investments (2019: €292.1 million), which were offset by incoming payments from the disposal of intangible assets, property, plant and equipment, and investments of €81.6 million (2019: €152.5 million).

Cash flow from financing activities in the financial year 2020 stood at minus €458.2 million and was therefore €740.8 million lower year on year. In the previous year, the emission of a green bond with a volume of €500 million led to a corresponding cash inflow. By contrast, the reporting year saw a cash outflow, as debt reduction increased year on year. Additional cash outflows resulted from dividend payments at BayWa AG and its subsidiaries totalling €59.5 million and from interest payments of €107.8 million.

In an overall analysis of the cash flow from operating activities, investment and financing activities, and in consideration of changes to the group of consolidated companies and changes in foreign exchange rates, the cash inflow from operating activities was more than compensated for by the cash outflow from investment and financing activities. As a result, cash and cash equivalents at the end of the reporting period came to €168.4 million, which was €61.3 million lower 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 calculated from the sum total of cash and cash equivalents less bank debt and outstanding loans, as reported in the balance sheet.

Along with 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 €990.0 million (2019: €849.0 million) with an average weighted residual term of 55 days (2019: 59 days). At the end of the reporting period, €130.6 million (2019: €126.6 million) in receivables had been financed at their nominal value from the ongoing Asset-Backed Securitisation Programme.

In June 2020, BayWa AG reached an agreement on additional credit lines totalling €300.0 million in order to counteract a major shift on the capital market, especially the drying-out of the market for commercial papers. These backup lines were not utilised prior to the preparation of the financial statements. KfW loans or other support programmes were not utilised.

Investments

In the financial year 2020, the BayWa Group invested a total of €464.7 million (2019: €321.5 million) in intangible assets (€44.1 million) and property, plant and equipment (€420.6 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 2020. The proceeds accruing from these transactions are used to reduce debt or to finance the Group's growth.

Including company acquisitions, roughly 42.1% of total investments in non-current assets at the BayWa Group were accounted for by the Energy Segment, where the lion's share was attributable to the Renewable Energies business unit. Aside from the aforementioned segment, 35.2% of investments were attributable to the Agriculture Segment, with 10.3% going to the Building Materials Segment, and 2.3% earmarked for the Innovation & Digitalisation Segment. The remaining 10.1% are accounted for by investments in Other Activities.

Earnings position [1]

In € million	2016	2017	2018	2019	**2020**	Change 2020/19
Revenues	15,409.9	16,055.1	16,625.7	17,059.0	17,155.4	0.6%
EBITDA	272.6	318.4	315.3	403.0	468.4	16.2%
EBITDA margin (in %)	1.8	2.0	1.9	2.3	2.7	–
EBIT	144.7	171.3	172.4	188.4	215.2	14.2%
EBIT margin (in %)	0.9	1.1	1.0	1.1	1.3	–
EBT	69.6	102.4	92.6	79.2	111.2	40.4%
Consolidated net result for the year	**52.7**	**67.2**	**54.9**	**65.1**	**61.3**	**- 5.8%**

1 The previous year's figures have been adjusted in accordance with IAS 8.42. Please see (A.5.) of the Notes to the Consolidated Financial Statements for further details.

The revenues of the BayWa Group rose by 0.6%, or €96.4 million, to €17,155.4 million in the financial year 2020. The Building Materials Segment saw the most significant growth in revenues, with a rise of €196.2 million to €1,899.0 million. The Agriculture Segment also recorded an increase in revenues that was attributable to two opposing developments: revenues rose in the Global Produce (up €94.6 million), Agri Trade & Service (up €152.3 million) and Agricultural Equipment business units (up €186.4 million) in the financial year 2020, but fell by €302.8 million in the BayWa Agri Supply & Trade (BAST) business unit. The Energy Segment recorded a year-on-year decline in revenues of €228.5 million in total, with the segment's two business units seeing contrasting development. Thanks to the sustained positive development of business, the Renewable Energies business unit saw revenues grow by €525.3 million to a level of €2,500.6 million. By contrast, revenues in the Conventional Energy business unit fell by €753.8 million in total to €1,745.2 million due to the drop in heating oil and diesel prices on commodity markets and the sale of TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH in the previous year. The Innovation & Digitalisation Segment and Other Activities recorded slight declines in revenues of €0.4 million and €1.4 million respectively in the financial year 2020.

Other operating income increased by €127.4 million to €353.0 million in the reporting year. The key drivers of this development were higher income from foreign exchange gains of €161.3 million (2019: €46.3 million), which was offset by foreign exchange losses of €174.1 million (recognised under other operating expenses). By contrast, income from the disposal of assets decreased by €7.2 million to €39.6 million in the financial year 2020. At €26.5 million, rental income also fell short of the previous year's figure (2019: €30.1 million).

In the financial year 2020, the BayWa Group reported an increase in inventories of €155.7 million, which was primarily attributable to incomplete wind farms and solar parks in the Renewable Energies business unit.

Despite the increase in revenues, the cost of materials decreased by €177.3 million, or 1.1%, to €15,335.7 million. Gross profit therefore improved by €336.3 million, or 16.7%, to €2,344.8 million.

Personnel expenses climbed year on year by 9.5%, or €103.0 million, to €1,184.9 million. The main drivers of this development were the company acquisitions in the financial year 2020 and the sustained growth in the Renewable Energies business unit.

At €694.7 million, other operating expenses were up by €65.3 million, or 10.4%, on the previous year's figures of €629.4 million in the financial year 2020. Other operating expenses primarily consisted of expenses due to foreign exchange losses of €174.1 million (2019: €47.6 million), maintenance expenses of €71.3 million (2019: €62.7 million) and expenses due to dismantling and waste management obligations of €12.1 million (2019: €7.1 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by €65.4 million, or 16.2%, to €468.4 million in the financial year 2020 (2019: €403.0 million).

Depreciation and amortisation at the BayWa Group rose by €38.6 million, or 18.0%, to €253.2 million in the reporting year. The increase was largely due to impairment losses necessitated by two wind turbines in the Renewable Energies business unit.

All in all, the BayWa Group's earnings before interest and tax (EBIT) rose by €26.8 million, or 14.2%, to €215.2 million in the financial year 2020.

The financial result comprises income from participating interests, which is allocated to EBITDA and EBIT, and net interest. At €3.2 million, income from participating interests was lower in the reporting year than the €105.8 million seen in the previous year. This development was due to the decrease in the equity result by €14.5 million to minus €3.3 million, but also to the decline in other income from participating interests by €88.1 million to €6.5 million. The decline was due to the gains from the sale of the shares in TESSOL Kraftstoffe, Mineralöle und Tankanlagen Gesellschaft GmbH in the previous year. Net interest improved to minus €104.0 million (2019: minus €109.2 million). Despite a pandemic-related overall rise in the cost of raising funds and direct costs of securing liquidity of around €2 million, interest expenses fell in the financial year 2020 thanks to a positive effect from optimised inventory management and a corresponding reduction in funds.

The BayWa Group's earnings before tax (EBT) increased by €32.0 million to €111.2 million year on year, equating to a rise of 40.4% thanks to significant improvements in earnings in the operating segments Energy Segment (up €15.0 million), Building Materials Segment (up €13.1 million) and Agriculture Segment (up €11.1 million), as well as in the Innovation & Digitalisation Segment (up €3.7 million). By contrast, Other Activities, along with the consolidation effects presented in the transition, saw a fall in earnings of €10.9 million in total.

Due solely to disproportionately high tax expenses, the consolidated net result for the year was on a par with the previous year (prior to adjustment pursuant to IAS 8). Income tax expense for the BayWa Group amounted to €49.9 million in the financial year 2020 (2019 adjusted: €14.1 million), which corresponds to a tax rate of 44.9% (2019 adjusted: 17.8%). The planning-related Group tax rate stands at 29.13%. The main reasons for the increase in income tax expense are value adjustments on deferred tax assets of €17 million that were performed on the basis of adjusted estimates regarding the usability of loss carryforwards at subsidiaries. This expense is non-cash. Furthermore, the non-deductibility of expenses from exchange rate differences related to existing intragroup loans coupled with the taxability of the corresponding gains from opposing hedging transactions increased taxes at the level of the parent company. The resulting tax expenses of €12.4 million are also non-cash.

The share of profit due to shareholders of the parent company stood at €36.6 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 35,279,062 (dividend-bearing shares less treasury shares), therefore stood at 68 cents in the financial year 2020.

Financial performance indicators

BayWa orients the short-term management of its corporate divisions with the development of key earnings indicators EBITDA, EBIT and EBT. Key earnings indicators for the segments of the BayWa Group developed as follows in the financial year 2020:

Key financial earnings figures

	Earnings before interest, tax, depreciation and amortisation (EBITDA)			Earnings before interest and tax (EBIT)			Earnings before tax (EBT)		
In € million **2020**		change (absolute)	change (in %)		change (absolute)	change (in %)		change (absolute)	change (in %)
Renewable Energies	167.4	29.5	21.4	110.9	9.9	9.8	70.0	8.8	14.4
Conventional Energy	44.9	6.1	15.7	31.8	5.4	20.5	32.5	6.2	23.6
Energy Segment	**212.3**	**35.6**	**20.1**	**142.7**	**15.3**	**12.0**	**102.5**	**15.0**	**17.1**
BAST	34.7	6.3	22.2	25.2	6.1	31.9	19.7	10.5	> 100.0
Global Produce	72.1	10.6	17.2	41.8	4.9	13.3	34.9	4.7	15.6
Agri Trade & Service	28.0	- 16.9	- 37.6	- 14.3	- 22.1	> - 100.0	- 31.5	- 24.9	> - 100.0
Agricultural Equipment	75.7	22.3	41.8	54.4	21.6	65.9	44.1	20.8	89.3
Agriculture Segment	**210.5**	**22.3**	**11.8**	**107.1**	**10.5**	**10.9**	**67.2**	**11.1**	**19.8**
Building Materials Segment	**75.7**	**18.7**	**32.8**	**46.9**	**14.8**	**46.1**	**36.5**	**13.1**	**56.0**
Innovation & Digitalisation Segment	**- 5.4**	**3.7**	**40.7**	**- 10.9**	**3.7**	**25.3**	**- 11.1**	**3.7**	**25.0**

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 **2020**	Renewable Energies	Conventional Energy	BAST	Global Produce	Agri Trade & Service	Agricultural Equipment	Building Materials
Net operating profit	110.9	31.8	25.2	41.8	- 14.3	54.4	46.9
Average invested capital[1]	2,057.1	38.5	475.0	399.3	1,104.6	611.6	551.6
ROIC (in %)	5.39	82.62	5.31	10.46	- 1.29	8.89	8.50
Weighted average cost of capital (WACC) (in %)	4.30	5.20	4.70	5.50	4.60	5.70	5.10
Difference (ROIC less WACC) (in %)	1.09	77.42	0.61	4.96	- 5.89	3.19	3.40
Economic profit by business unit	**22.4**	**29.8**	**2.9**	**19.8**	**- 65.1**	**19.5**	**18.7**
		Energy				Agri Trade & Service	Building Materials
Economic profit by segment		**55.2**				**- 22.9**	**18.7**

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

In the financial year 2020, the Energy and Building Materials Segments, as well as the BAST, Global Produce and Agricultural Equipment business units of the Agriculture Segment, achieved positive economic profit (in other words, a positive net result after respective capital costs). In the Energy Segment, the Renewable Energies business unit was able to maintain a high level, with economic profit of €22.4 million (2019: €32.5 million) thanks to strong international project business. In the Conventional Energy business unit, economic profit increased in the reporting year, primarily through a rise in margins in the fuel business to €29.8 million (2019: €26.6 million). The Energy Segment's economic profit totalled €52.2 million (2019: €59.1 million). Due to very positive business development, the Building Materials Segment was able to increase its economic profit significantly to €18.7 million in the financial year 2020 (2019: €8.9 million). Within the Agriculture Segment, the Global Produce business unit generated an economic profit of €19.8 million following €16.5 million in the previous year. The Agricultural Equipment and BAST business units also recorded a marked increase from €0.9 million to €19.5 million and from minus €9.4 million to €2.9 million. The Agri Trade & Service business unit reported economic profit of minus €65.1 million (2019: minus €42.3 million). The Agriculture Segment as a whole recorded economic profit of minus €22.9 million in the financial year 2020 (2019: minus €34.2 million).

Comparison of forecast business development with actual business development

A moderate rise in revenues and a moderate increase in earnings before interest and tax (EBIT) in the financial year 2020 were forecast for the BayWa Group in the Outlook section of the 2019 Consolidated Management Report. Revenues at Group level climbed by 0.6%, which was within the forecast range. With a 14.2% increase, consolidated earnings before interest and tax (EBIT) significantly outperformed the expectations. The Energy Segment performed significantly better than originally forecast both in terms of revenues and earnings. The Building Materials Segment also exceeded expectations when it comes to revenue and earnings development. The Agriculture Segment achieved the revenue targets set in the forecast, yet the improvement in operating earnings was somewhat lower than anticipated. In terms of revenues, the Innovation & Digitalisation Segment developed somewhat worse than expected in the reporting year due to the coronavirus pandemic. Operating earnings developed in line with expectations.

General statement on the business situation of the Group

The BayWa Group developed positively overall in 2020, despite the restrictions in many aspects of life and business as a result of the coronavirus pandemic. In certain business units, the corporate goals for the reporting year were exceeded by a substantial margin. Overall, the Energy Segment developed considerably better than expected. The Renewable Energies business unit, which achieved new highs in both revenues and operating result and was therefore able to benefit from the trend towards sustainable energy generation, was the main factor behind this development. The Conventional Energy business unit also exceeded the goals set for the financial year 2020. The positive development in the heating business was more than able to compensate for the share of earnings accounted for by TESSOL Kraftstoffe, Mineralöle und Tankanlagen GmbH, which was sold at the end of 2019. Likewise, the Building Materials Segment developed better than planned in the reporting year. The positive performance is attributable to the strength of the construction sector, as well as factors such as the segment's positioning as an integrated multi-specialist and the expansion of online channels. At the same time, the Agriculture Segment achieved a year-on-year improvement in earnings on the whole. In the domestic agricultural business, however, the economic situation remains unsatisfactory. Given the great importance of these business activities for the BayWa Group, the measures aimed at increasing profitability will be continued at an accelerated pace. By contrast, the international BayWa Agri Supply & Trade (BAST) and Global Produce business units in the Agriculture Segment developed positively. The Agricultural Equipment business unit, which benefited from extremely brisk demand for tractors, achieved the highest growth rates. In 2020, the BayWa Group once again benefited from its heavily diversified business activities and its strategic orientation towards international markets, as well as from forward-looking business areas and business models. Moreover, the coronavirus pandemic had only a minor impact on the BayWa Group.

Outlook

Outlook for the BayWa Group

Prospects for the BayWa Group are positive overall for 2021 on the basis of the expected underlying conditions in the operational segments. However, this expectation is conditional upon there not being any serious restrictions in global economic activity as a result of a further wave of the coronavirus pandemic. Thanks to available vaccines, it should be possible to contain the coronavirus pandemic and bring it largely under control over the course of 2021. Group revenues are likely to increase moderately in consideration of anticipated developments in the operating segments. The Group's earnings before interest and tax (EBIT) are likely to improve moderately in 2021. Revenues are forecast to rise slightly in the Energy Segment in 2021, as growth in the Renewable Energies business unit will be able to more than compensate for declines in the Conventional Energy business unit. The segment's earnings before interest and tax (EBIT) are likely to be on a par with the previous year. The Agriculture Segment is expected to see a minor decline in revenues and operating earnings, as the Agricultural Equipment business unit probably will not be able to match the previous year's high earnings level. Revenues in the Building Materials Segment are expected to increase slightly in 2021, mainly due to price effects. The reclassification of BayWa Haustechnik from the Building Materials Segment to the Conventional Energy business unit will counteract this development. Earnings before interest and tax (EBIT) will be below the high value of the previous year in 2021. The revenues reported in the Innovation & Digitalisation Segment are expected to increase significantly from a low level in 2021. The negative earnings before interest and tax (EBIT), which range in the negative lower double-digit millions, are expected to deteriorate significantly. In 2021, earnings before interest and tax (EBIT) in Other Activities will benefit from distributions of income from participating interests and dividends that did not materialise in 2020 due to the coronavirus pandemic. Overall, the negative EBIT from Other Activities is likely to improve significantly in 2021 due to the absence of the previous year's coronavirus-related one-off expenses.

Outlook for the Energy Segment

The Renewable Energies business is expected to continue on its growth course in international markets in 2021. The first quarter is already likely to exceed the same quarter of the previous year in terms of revenues and EBIT, thanks in particular to solar project sales.

In the Projects business division, the project pipeline for wind and solar energy system and plant sales in 2021 totals 1.1 gigawatts (GW), of which some 841 megawatts (MW) are attributable to solar energy projects and some 260 MW to wind energy projects. In the Solar Projects business section, the focus will be on the US (roughly 379 MW), the Netherlands (roughly 221 MW) and Spain (109 MW). In the Netherlands, growth will primarily be driven by GroenLeven, the project development company for solar energy plants in which a majority share was acquired in 2018. In February 2021, BayWa r.e. tied into the successful sale of the 11.9 MW Izumi solar park in December 2020 by selling the 35 MW Isohara solar park in Kita-Ibaraki City, Japan. The buyer of the solar park is D&D Solar GK, a joint venture established by Osaka Gas and Development Bank of Japan (DBJ) that previously acquired the Izumi solar park from BayWa r.e. In Poland, the largest solar park to date, with an output of 64.6 MW, will be built in the first half of 2021. For the project, which will be executed and operated without subsidies, BayWa r.e. signed a ten-year power purchase agreement (PPA) with HeidelbergCement. The Wind Projects business section plans to implement projects with a volume of 143 MW in Europe – particularly in the national markets of Sweden, Germany, Italy and France – followed by 99 MW in the US and 18 MW in Australia in the APAC region. Further positive earnings contributions from project sales are additionally expected in the years ahead thanks to the recent entry into the Benelux market and the expansion of activities in Spain. In the Services business section of the Operations business division, BayWa r.e. acquired the assets of Kaiserwetter Energy Asset Management GmbH, Hamburg, in February 2021. The company develops and markets software-as-a-service solutions, which provide software solutions online as needed, for plant management. Through the acquisition, BayWa r.e. is expanding its range of solutions in the field of renewable energy plant management and is strengthening its globally successful service business. From 2021, energy trading will operate under the newly established IPP (independent power producer) business section. Going forward, IPP will independently operate selected solar parks and wind farms with a total output of up to 2.5 gigawatts in the medium term. By the end of 2021, the IPP portfolio will encompass approximately 20 renewable energy plants with a total output of over 600 MW, with the capacity of the renewable energy plants ranging from over 100 MW to smaller plants offering less than 3 MW. At the start of 2021, the energy trading business already had direct marketing agreements with a total output of over 7.2 GW, corresponding to an increase of 77% compared to 2020. The Solutions business division contains the Solar Trade and Energy Solutions business sections. In the Solar Trade business section, trading in photovoltaic components should continue to benefit from rising demand for new system solutions and attractive prices for photovoltaic modules. The full-year inclusion of the US company Enable Energy Inc., which was acquired in the second half of 2020, is expected to make a positive contribution to the development of revenues and earnings. In addition, the activities in Poland and the “novotegra” private brand, which was previously managed through the German trading company, will be continued as independent companies in order to generate further growth. 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. There is tremendous potential for corporate PPAs 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. 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.

Overall, the Renewable Energies business unit’s revenues are expected to rise significantly year on year, primarily due to the well-filled project pipeline and the further growth in photovoltaic component trading. Earnings before interest and tax (EBIT) are likely to exceed the level recorded in the previous year by a substantial margin.

BayWa AG has successfully concluded the investor search for the planned capital increase at BayWa r.e. renewable energy GmbH (BayWa r.e.). BayWa AG and funds advised by Energy Infrastructure Partners AG (formerly: Credit Suisse Energy Infrastructure Partners AG) (EIP) signed binding contracts regarding an investment by the funds in the amount of €530 million in BayWa r.e. renewable energy GmbH. The funds advised by EIP will make an equity contribution of €530 million in BayWa r.e. and will acquire a 49% stake in BayWa r.e. as part of this capital increase against cash contribution. Once EIP makes the cash contribution, BayWa AG will own 51% (formerly: 100%) of BayWa r.e. renewable energy GmbH. Upon entry of the capital increase, BayWa r.e. renewable energy GmbH will be converted into an Aktiengesellschaft (stock corporation) under German law and trade in future as BayWa r.e. AG.

In the Conventional Energy business unit, BayWa Mobility Solutions GmbH continues driving forward the expansion of the charging infrastructure for electric light vehicles as a provider of solutions for light vehicles. The acquisition of Hilmar Eichholz e.K. is seen a key driver of growth in this area, as demand for charging infrastructure increased sharply with the significant growth in electric vehicle registration figures in 2020. In heavy vehicles, the development of a filling station network for liquefied natural gas (LNG) for heavy goods transport will be continued, as rising demand for LNG is expected in the medium term. The LNG filling stations brought into operation in 2020 will make a full-year contribution to revenues and earnings in 2021. The number of LNG filling stations is set to increase to 10 by the end of 2021, more than double the current figure. For further growth in digital mobility, alliances are of tremendous importance for helping BayWa customers to gain access to as many electric charging stations as possible in Germany and Europe. The goal for 2021 is to reach a figure of around 4,000 filling stations in Germany that are connected to the BayWa filling station and charging card through unilateral acceptance contracts with medium-sized filling stations, among other things. As a result, the BayWa filling station and charging card will in future be accepted at nearly one in four fillings stations and by roughly 95% of the public charging infrastructure in Germany. With its filling station card and billing systems, BayWa also offers an all-in-one solution with filling station and charging card, related app and billing for customers and – as a white label system – also for third parties. In the heating business, the introduction of carbon pricing in Germany at the start of 2021 has helped to make wood pellets, a climate-neutral energy carrier, more attractive. Sales of wood pellets are likely to continue rising in 2021, 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. Furthermore, the service activities for pellets in Germany, which are pooled in the "pellog" brand, will contribute to growth. In heat contracting, prospecting is under way for multiple projects with developers of residential, commercial and mixed-use real estate. The properties require heating from renewable energies, as well as additional products such as electricity or cooling from renewable sources. Sales are expected to increase in the area of heat contracting. Sales of heating oil are strongly influenced by the oil price. The low prices in 2020 and the increase in prices due to the introduction of carbon pricing from 1 January 2021 led to extensive stockpiling and increased demand for heating oil in 2020. Conversely, demand for heating oil is expected to be much lower in 2021. Even against the backdrop of a slight recovery of the coronavirus-weakened economy, lower sales volume is anticipated in the business with lubricants and agricultural inputs in 2021 due to the difficult year encountered by mechanical and plant engineering, the transport sector and the automotive industry in 2020. For AdBlue, a return to growth is not expected until the pandemic has been overcome and the registration figures for Euro VI diesel vehicles rises. The fall in sales volume will be counteracted in earnings terms with an expansion of the service portfolio, such as monitoring fluid usage in machinery and arranging preventative maintenance. In fluid management, the fluid manager (IOT sensor) automatically records lubricant and agricultural input tank levels at industrial, trading and commercial companies, as well as in agriculture, enabling direct delivery to raise supply reliability. In the fuel market, declines in sales are to be expected as a result of the ongoing coronavirus pandemic and the associated restrictions on mobility. Due to the anticipated significant decline in sales of heating oil and fuels, the Conventional Energy business unit's revenues are likely to fall significantly year on year in 2021. Earnings before interest and tax (EBIT) are also expected to decline significantly on the whole. The reclassification of BayWa Haustechnik to the Conventional Energy business unit effective 1 January 2021 will counteract this effect. However, the revenue and earnings contributions from building services will not be able to compensate for the lower revenues and earnings contributions from high-volume business involving heating oil, fuels and lubricants.

In total, revenues in the Energy Segment are set to rise slightly on the previous year in 2021 based on the forecast developments, with growth in the Renewable Energies business unit capable of more than offsetting the declines in the Conventional Energy business unit. The segment's earnings before interest and tax (EBIT) are likely to be slightly lower than in the previous year.

Outlook for the Agriculture Segment

In the BayWa Agri Supply & Trade (BAST) business unit (BAST, renamed Cefetra Group with effect from 1 January 2021), the handling volume of grain and oilseed is likely to rise slightly in 2021. The handling volume of standard products should be on a par with the previous year. By contrast, specialities and sustainable products are likely to see further growth. The BAST business unit's revenues will probably rise significantly compared to 2020 if the prices for grain and oilseed remain at their current high level over the course of the year. Earnings before interest and tax (EBIT) are also expected to improve substantially in 2021 thanks primarily to the expansion of the higher-margin specialities business and further product diversification, especially in sustainable products, within ongoing business activities. On the cost side, measures to enhance process efficiency through digitalisation and automation will contribute to the improvement in earnings. Logistics costs, which rose sharply in the previous year due to the coronavirus pandemic, are also expected to normalise gradually. Moreover, the absence of restructuring expenses, which had a negative impact on earnings in 2020, will contribute to the improvement.

The Global Produce business unit will continue its successful business development in 2021, in part because Global Produce and its products cater to the global, fundamental need for healthy food – especially in times of the coronavirus pandemic. The entire marketing volume of the BayWa Group is likely to be on a par with the previous year in 2021. In New Zealand, the harvest volume will be lower year on year due to hail damage. The damage mainly affects apples, which were close to being ripe for harvesting due to the late stage in the season, as well as summer fruits such as cherries. As a result, the volume of high-quality dessert fruit in particular is likely to be lower than in the previous year, with a larger quantity accordingly being supplied to the fruit juice industry at lower prices. Moreover, the harvest volume could be negatively impacted by renewed coronavirus-related restrictions on entry into the country for seasonal workers. By contrast, T&G Global will benefit from a better product mix. In particular, the share of the high-quality apply variety Envy being exported to Asian countries and North America at attractive prices is set to increase. The fruit trader Freshmax New Zealand Ltd (Freshmax) will contribute to the marketing volume, as well as to revenues and operating earnings, for the full year for the first time. Furthermore, T&G Global has entered into a joint venture with Carsol, the largest blueberry producer in South America, and will take over the marketing of the goods in China and other markets in South East Asia. At Al Dahra BayWa Agriculture LLC in the United Arab Emirates, the greenhouses were once again made fully operational once the flood damage had been cleaned up. Three to four harvests can be expected for 2021, the marketing of which will contribute to revenues and operating earnings. Overall, the Global Produce business unit's revenues will be on a par with the previous year. In terms of operating earnings, the better product mix at T&G Global, cost-reduction measures already under way and the earnings contributions from Freshmax, the joint venture with Carsol and Al Dahra BayWa Agriculture will more than compensate for the negative impact of the hail damage in New Zealand. However, the continued restrictions on entry into the country for seasonal workers will have a negative impact at T&G Global. As a result, earnings before interest and tax (EBIT) are likely to be roughly on a par with the previous year.

In the Agri Trade & Service business unit, the high subsequent collection volume from 2020, combined with good prices, forms the basis for positive development in the grain and oilseed business in the first half of 2021. Sales contracts that are likely to result in profits in the first half of 2021 were also signed in 2020. Moreover, the export business is benefiting from the diversification of the customer portfolio to include Italy and Switzerland. Trade in organic products is also likely to continue growing in the financial year 2021, with two or three locations being newly certified for trading in organic products. Assuming normal weather conditions, an average harvest and a slight year-on-year increase in the grain and oilseed collecting and marketing volume are to be expected in product trading in Germany in 2021. Since the second half of 2020, prices for agricultural products have risen significantly worldwide and have reached their highest level since mid-2014, with grain, oilseed and plant oils seeing the sharpest increase. One of the main reasons for the rally is the coronavirus pandemic, which has disrupted global supply chains through numerous trade restrictions, thereby triggering massive stockpiling that has led to galloping inflation of food prices in many important countries. The consequences of the coronavirus pandemic could lead to a sustained, high-level boom in demand that keeps prices high or even pushes them higher. In the agricultural input business, sales of fertilizers are likely to fall, as the limits on nitrogen and phosphate fertilizers are having an increasingly marked impact over time. Moreover, the amount of land under cultivation for organic farming is constantly rising. For BayWa, this environment also offers opportunities to increase market share, as the cut-throat competition mainly affects providers with a low degree of specialisation. 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. Due to a slight decline in animal stocks, demand for feedstuff is expected to dip slightly. All in all, revenues in the Agri Trade & Service business unit should increase moderately in 2021. The increases in sales volumes and revenues will also have a positive impact on the earnings of the Agri Trade & Service business unit. The efforts to realign the location structure will continue systematically. For example, ten locations were closed at the start of 2021. The previous year saw high restructuring expenses for the structural optimisation measures that are expected to be much lower in 2021. As a result, earnings before interest and tax (EBIT) in the Agri Trade & Service business unit are expected to be positive again in 2021, resulting in significant improvement compared to the current year.

The Agricultural Equipment business unit benefited from very strong new machinery business in 2020, especially in Germany. This boom will not continue in 2021. The reduction in the value added tax rate, which expired on 31 December 2020, led to anticipatory effects, meaning that the financial year 2021 started with a lower level of orders. Positive momentum could come from subsidy programmes that provide for one billion euros in additional federal funds between 2021 and 2024 for helping agriculture to adapt to the new fertilizer ordinances. In addition, moderate growth is expected in the service business on account of the higher number of tractors. Austria is expected to see a slight decline in new business involving tractors, with a supporting effect from the extension of the 7% investment bonus until the end of May 2021. The positive trend in the business involving accessories and spare parts is likely to continue due to ongoing product range expansions. In the Netherlands, the strict legal requirements concerning phosphate, nitrate and particulates, as well as three dry years in succession, led to a general reluctance to invest. Business involving new tractors is expected to stabilise at a low level in 2021. However, the Dutch subsidiary Agrimec B.V. is likely to continue down its growth path, as it took over two additional agricultural equipment trading companies in the first quarter of 2021. Overall, the Agricultural Equipment business unit's revenues are expected to fall significantly year on year in 2021, mainly due to the normalisation of business in Germany. Earnings before interest and tax (EBIT) in the Agricultural Equipment business unit are therefore also expected to fall significantly.

On the whole, BayWa anticipates a slight decline in revenues and earnings before interest and tax (EBIT) in the Agriculture Segment in the financial year 2021 on the basis of anticipated developments in the individual business units.

Outlook for the Building Materials Segment

The construction sector expects to see slower growth than in the previous year due to a shortage of skilled workers and capacity constraints at construction companies, as well as delays in construction permit processes due to the coronavirus pandemic (BayWa, own market analysis). Against this backdrop, the Building Materials Segment anticipates sales volume on a par with the previous year, along with a shift away from new building activities to modernisation and renovation of existing properties in residential construction. Positive momentum in this area is also likely to come from subsidy programmes – especially for energy-related renovation measures, which have received more funding as part of the German federal government's Climate Action Programme 2030 – 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 2021 will continue to be on expanding the range of specialisations and digital solutions. Here, special attention will be paid to digitalising the professional customer interface, among other things, in order to make the calculation and offer process far more efficient for both parties. In bathroom modules, a dedicated production line for wooden construction in series will be set up in order to participate in the growth in this market. Further growth is also expected through the BayWa Building Materials Online portal. Ultimately, rising earnings contributions are expected in BayWa Bau Projekt GmbH's business, as some projects are in the execution phase or building permits for starting construction in 2021 have already been received. Revenues in the Building Materials Segment are expected to increase slightly in 2021, mainly due to price effects. The reclassification of BayWa Haustechnik from the Building Materials Segment to the Conventional Energy business unit will counteract this development. Earnings before interest and tax (EBIT) will be significantly below the high value of the previous year in 2021.

Outlook for the Innovation & Digitalisation Segment

In the Innovation & Digitalisation Segment, the revenues are minor in size. The segment's activities are mainly based around investments and development costs for future digital product and service offerings. Growth of FarmFacts is set to be driven by the national and international expansion of sales of the NEXT Farming OFFICE and NEXT Farming LIVE software packages. In addition, FarmFacts has developed a manufacturer-independent machine data management system for the Agrar Application Group (aag), in which six respected agricultural equipment companies have joined forces to create open software solutions. The NEXT Machine Management by aag module, which was presented at Agritechnica in November 2019 and has been integrated into the NEXT Farming LIVE farm management software, was expanded to include new functions in 2020. Rising marketing figures are to be expected in 2021 due to factors such as stricter fertilization regulations, as site-specific fertilization on the basis of sensor- and satellite-supported data ensures effective and efficient cultivation. At the same time, the nutrient management product portfolio ensures the integrated, compliant calculation of fertilizer needs, nutrient requirements and agronomically optimised fertilization planning, making it possible to optimise the volume of fertilizer used and meet the stricter documentation requirements. In addition, efforts will be made to promote regional expansion and the further development of the NEXT Marketplace trading platform in terms of content. Revenues from BayWa's eBusiness activities are set to increase through the further development of the BayWa Portal. "Mein Konto" (my account) will create a central point of entry (single sign-on) for all sections. The full range of e-commerce offerings of the Agri Trade & Service, Building Materials, Conventional Energy and Agricultural Equipment business units will be provided through this single sign-on, making all items, services and content available online. However, revenues and income from these activities are attributed to the respective business unit or segment responsible for the individual product sold. The revenues reported in the Innovation & Digitalisation Segment are expected to increase significantly from their current low level in 2021. The negative earnings before interest and tax (EBIT), which range in the negative lower double-digit millions, are expected to deteriorate significantly. In particular, the project and marketing costs related to the launch of the NEXT Marketplace platform, as well as the further development of the BayWa Portal, are expected to have a negative effect for which cost-saving measures in other areas will not be able to fully compensate.

Other Activities

No revenue forecast has been made for Other Activities, as the size of such activities is insignificant in terms of the business development of the Group. In 2021, the development of earnings before interest and tax (EBIT) will benefit from distributions of income from participating interests and dividends that did not materialise in 2020 due to the coronavirus pandemic. Overall, the negative EBIT from Other Activities is likely to improve significantly in 2021 due to the absence of the previous year's coronavirus-related one-off expenses.

Opportunity and Risk Report

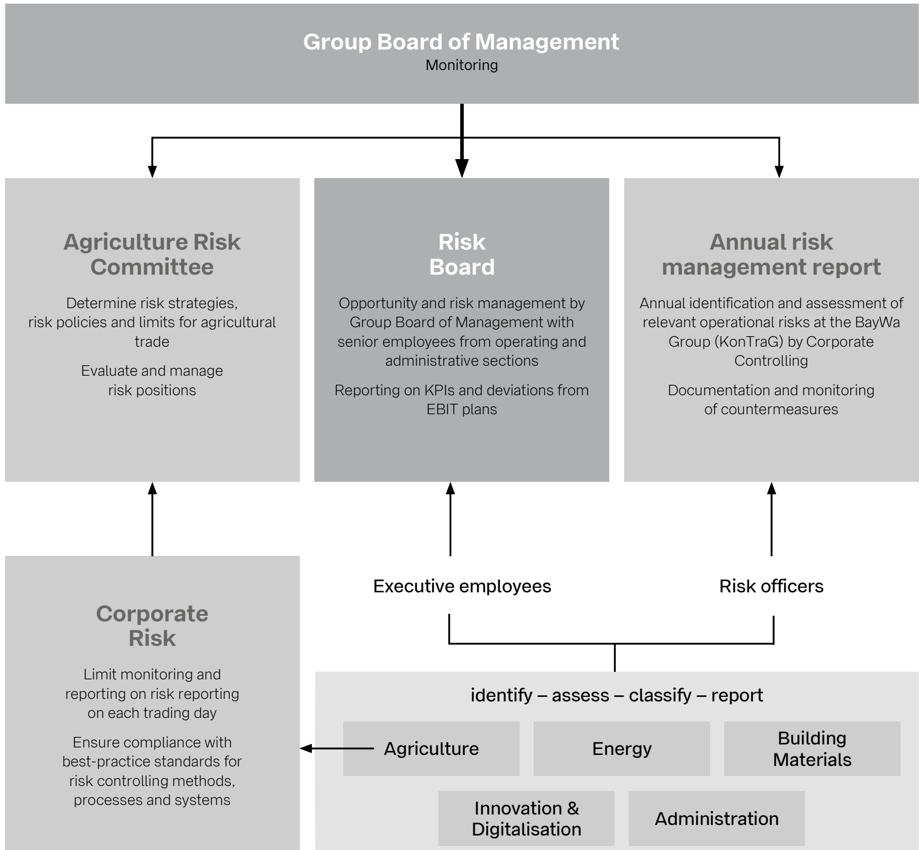
Principles of opportunity and risk management

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.

Structure of opportunity and risk management within 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 business units 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 business units. 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 trading activities with agricultural commodities, including the associated hedging transactions, which encompasses the relevant business activities of BayWa AG, BayWa Agrarhandel GmbH and BayWa Agri Supply & Trade B.V. 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 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 business units.

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.

		Risks		Opportunities	
		Risk classification	Y/y change	Opportunity classification	Y/y change
Market risks and opportunities					
	Sales market	significant	increased [1]	material	constant
	Procurement	considerable	increased [1]	material	increased
	Competition	considerable	increased [1]	immaterial	constant
	Image	noticeable	increased [1]	immaterial	constant
	Price	substantial	increased [1]	material	constant
	Loss of customers	low	increased [1]	/	/
Operating risks and opportunities					
	Sales	considerable	increased	material	increased
	Environmental impact	significant	reduced [1]	immaterial	constant
	Production	noticeable	increased	immaterial	constant
	Inventory	noticeable	reduced [1]	material	constant
	Product quality	considerable	increased [1]	immaterial	constant
	Case of damage	considerable	increased	/	/
	Project	significant	reduced [1]	material	increased
Risks and opportunities of the organisational structure and workflow					
	IT	considerable	reduced [1]	immaterial	constant
	Quality	substantial	increased	immaterial	constant
	Personnel	significant	reduced [1]	immaterial	constant
	Organisation	considerable	increased [1]	immaterial	constant
Financial risks and opportunities					
	Financial market	considerable	reduced [1]	immaterial	constant
	Group companies	low	reduced	immaterial	constant
	Default on receivables	considerable	increased [1]	/	/
	Interest	low	increased [1]	immaterial	constant
	Liquidity	noticeable	increased [1]	immaterial	constant
	Currency	noticeable	increased [1]	immaterial	constant
	Taxes	noticeable	increased [1]	/	/
Strategic risks and opportunities					
	Corporate strategy	noticeable	reduced	immaterial	constant
	Investments	low	increased [1]	immaterial	constant
	Acquisitions and disposals	low	increased [1]	material	increased
	Market development	noticeable	increased [1]	immaterial	constant
	Innovation and technology	noticeable	reduced	material	constant
Legal risks and opportunities					
	Contracts	considerable	increased [1]	/	/
	Changes in legislation	significant	increased [1]	immaterial	constant
	Liability and insurance	noticeable	increased	/	/
	Violations of the law	substantial	reduced [1]	/	/
Compliance risks and opportunities					
	Corruption/fraud	considerable	increased	/	/
	Product safety/standards	low	constant	/	/
	Data protection	low	increased [1]	/	/
	Compliance with laws and guidelines	significant	increased [1]	/	/

1 No year-on-year change in risk classification

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 2020 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. 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 when these financial statements were prepared, only individual claims had been asserted against BayWa, 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 extremely unlikely in this context that third parties will 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 legal regulations. 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.

Operating risks and opportunities

In the energy business, the Renewable Energies business unit 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 the Biden administration's re-entry of the US into the Paris climate agreement have a positive impact on business prospects. These two effects are long-term in nature and do not influence business to a material extent at the current time. By contrast, the tense situation in the trade conflict between the US and China, which is likely to continue 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 in the short term. 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. Climatic risks (wind, sunshine) also play a role for BayWa's electricity-generating Group companies in the Renewable Energies business unit 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 Conventional Energy business unit 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 can also restrict the availability of and sales opportunities for agricultural products. This is offset by the rise in product and geographical presence diversification in the Agriculture 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 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 second-level support.

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 Agriculture 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. 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 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 2020 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.

On 23 June 2016, UK citizens voted in favour of exiting the EU in a referendum (Brexit). The United Kingdom left the EU effective 31 January 2020. What followed was an eleven-month transitional period until 31 December 2020, during which a trade agreement for the period after 31 December 2020 was supposed to be reached. The EU–UK Trade and Cooperation Agreement came into effect provisionally on 1 January 2021. The approval of the European Parliament is required for the agreement to become binding. Among other things, the accord on the future relationship provides for an extensive economic partnership based on a free-trade agreement that stipulates neither customs duties nor quotas, therefore avoiding significant barriers to trade. 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. The companies concerned will review the consequences of the new regulations. In 2020, the Group generated some 7% of its revenues in the United Kingdom. Those revenues were attributable to the BayWa Agri Supply & Trade (BAST), Global Produce and Renewable Energies business units. On account of the extent of business activities and the Group structure, Brexit is not expected to have any significant negative effects on the BayWa Group.

At the end of 2019, the first cases of human infection with the novel coronavirus occurred in China. Since the start of 2020, the virus has spread to nearly every country in the world, and the number of infections has increased sharply worldwide. The countermeasures taken led to a significant decline in activity in many sectors of the economy due to the temporary closure of businesses, among other things. 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 – were not affected by the closures in Germany. Isolated restrictions on business activity resulted primarily in the BAST and Global Produce business units due to the international links in supply chains, transport capacity bottlenecks and the resulting reduction in the availability of primary materials and products. In sea freight, for example, connections were initially cancelled over a period of weeks (blank sailings). Following the successive restarting of production in China, ports were overwhelmed, and shipping companies increased freight rates. In aviation, the sharp decrease in passenger flights also led to a lack of freight capacities, as more than 40% of airfreight is carried as belly freight on passenger aircrafts. The Renewable Energies business unit saw delays in a few projects, with approval processes taking longer due to limited processing capacities at the competent authorities. Moreover, the BayWa Group incurred additional expenditures for measures to protect the health of employees and customers, such as the development and introduction of hygiene concepts. 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. There is no way of reliably estimating the scale of the negative or case-by-case positive impacts on the BayWa Group's business activities at the current time. Based on the experiences in connection with the impact of the coronavirus pandemic and lockdowns in 2020, it can be assumed that even future constraints can be counteracted through appropriate measures.

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 2020, the average interest rate for variable-interest financial liabilities stood at 0.869% (2019: 1.388%).

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 creditworthiness. 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 addition, financing instruments such as multicurrency commercial paper programmes or asset-backed securitisation (ABS) are used, as are bonded loans. 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 services and deliveries that are not up to standard, payment disputes or from breaches of regulatory or tax requirements. This may lead to individual Group companies having to pay compensation or financial penalties or being imposed with other civil or criminal sanctions. The Group's business activities in more than 40 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 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 accounted for.

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

The cost-effectiveness of renewable energy generation facilities is currently still 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 business unit. The portfolio is diversified in terms of countries, energy carriers and business divisions (projects and service on the one hand, and trading on the other).

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.

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 business unit, 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. There is a risk that the profitability of the projects may be lower than planned or that project sales may be delayed if it is not possible to meet deadlines for applicable electricity supply obligations or if expected revenue does not materialise to the expected extent. 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.

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 counteracts these risks by further expanding its recruiting activities and by offering its employees extensive training and continuous professional development opportunities. 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 1,411 trainees at the end of 2020, 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. 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 and continuity and also secures the transfer of expertise down the generations.

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, disaster recovery plans and training in data protection, serve to safeguard data processing. The IT resources are pooled in a separate subsidiary, BayWa IT GmbH. 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 units. In addition, various certifications document the fulfilment of the relevant legal requirements.

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 prescribed accounting standards. Corporate Accounting acts as a direct point of contact for the managers of 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 debt 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

The Remuneration Report is part of the Management Report and explains the system of remuneration for members of the Board of Management and the Supervisory Board in consideration of the principles and recommendations of the German Corporate Governance Code (GCGC) in the financial year 2020. The remuneration system outlined here governs only the remuneration granted directly by BayWa AG to four of the five Board of Management members, as only four Board of Management members receive remuneration from BayWa AG. However, the Remuneration Report discloses the remuneration of all five Board of Management members of BayWa AG in the reporting year. BayWa AG plans to revise the remuneration system in the financial year 2021 to take the amendments to the GCGC 2020 and the changes in the law in the German Stock Corporation Act (ARUG II) into account.

Remuneration of the Board of Management

The remuneration system is geared towards the sustainable and long-term development of BayWa AG. The Supervisory Board reviews the material contractual elements and adapts them annually, if needed. In designing the remuneration system and determining the amount of remuneration, the Supervisory Board pays heed to the responsibilities and performance of the Board of Management members and to the situation and strategy of the company, as well as the customariness of the remuneration. To judge the customariness of the Board of Management remuneration, the Supervisory Board's Board of Management Committee informs itself at least once a year as to the remuneration of the senior management staff and the workforce, as well as its development over time. Furthermore, the Supervisory Board compares the remuneration system and the remuneration amounts with other appropriate companies and consults with an independent remuneration expert. This was done most recently in November 2020. Most importantly, however, the remuneration system should offer incentives for sustainable corporate management and value enhancement. Positive and negative developments alike are taken into account through multi-year assessment bases, adjustment rules for unusual events and policies on special bonuses and forced remuneration cuts.

The remuneration of the four members of the Board of Management with an employment contract with BayWa AG consists of an annual fixed salary, a short-term variable component (annual bonus), a long-term variable component (dividend from what is known as the bonus bank), benefits and, in some cases, remuneration for sideline activities. Since 1 January 2010, the target ratio of fixed remuneration to annual bonus and bonus bank has been roughly 50 to 20 to 30 based on 100% target achievement.

The fixed salary of the Board of Management members is reviewed regularly (at least once every two years) without entitlement to a raise. The fixed salary should correspond to 50% of total remuneration.

Short-term variable remuneration takes the form of an annual bonus that corresponds to 40% of the fixed salary based on 100% target achievement. The amount is based on the achievement of targets set annually by the Supervisory Board, usually at the first meeting of the financial year. The targets are geared towards the financial success of the company (result of ordinary activities) and/or towards individually agreed targets. Individual targets are usually based on targets resulting from the financial success of a segment (EBIT) and operative or strategic targets, as well as targets related to sustainability, such as achieving climate neutrality in individual divisions. The targets or comparison parameters are not adjusted subsequently. The Supervisory Board reviews target achievements in the first quarter of the financial year following the financial year to be reviewed. The agreed bonuses are paid out in full, usually in the second quarter of the following financial year, if the targets are achieved. If the targets are exceeded, the bonus will be increased, but only up to a maximum amount (cap) of 150%. The bonus will be reduced proportionately down to €0.00 if the targets are not fulfilled. The relationship between the target and the bonus is linear. As the current provision for the annual bonus and any additional costs or savings for the previous year are recognised in the financial year, the actually disclosed total for the annual bonus may exceed the maximum amount of 150%. Both negative and positive developments are therefore taken into account in calculating the annual bonus.

The long-term variable component takes the form of what is known as a bonus bank. The bonus bank will be supplemented or charged on a yearly basis depending on the extent to which objectives, linked to the success of the Group (earnings before tax) and determined by the Supervisory Board for three years in advance, have been achieved, exceeded or undershot. This amount currently stands at €1.4 million per year based on 100% target achievement. The share of remuneration for the Board of Management member accounted for by the bonus bank should exceed the annual bonus upon 100% target achievement. If objectives are exceeded, the amount which can be transferred to the bonus bank is capped at approximately 135% of the target figure, or €1.9 million per year at the present time. At the same time, failure to achieve the targets results in a charge on the bonus bank in the amount of the same target value of up to minus €1.9 million at the present time. If there is a credit balance on the bonus bank, one-third will be provisionally paid out for the past financial year to the members of the Board of Management, usually in the second quarter of the following year. The remaining two-thirds of the credit balance in the bonus bank will remain in the bonus bank and will be paid out in equal amounts in the second and third year following the financial year in question. The amount is paid linearly, meaning that the amount carried in the bonus bank will be paid out provisionally to members of the Board of Management in contractually agreed equal instalments across three financial years, provided there is a sufficient credit balance in the bonus bank and after calculating negative bonuses. If, owing to payments made in previous years or charges reducing the bonus bank, there is a negative balance in the bonus bank, the respective Board of Management members are obliged to pay back the provisional payments made in the two preceding years. Both negative and positive developments are therefore also taken into account in calculating long-term variable remuneration.

All Board of Management employment contracts contain provisions that make it possible to reduce the remuneration of the Board of Management members (i.e. fixed salary, annual bonus and bonus bank) in the event of unusual developments and a deterioration in the company's situation. The bonus bank may even be clawed back in the event of negative economic development. The Supervisory Board is therefore able to account for unusual developments in appropriate instalments.

The non-performance-related component comprises an annual fixed salary and benefits, such as the use of a company car (in some cases with a driver) and contributions to accident, health and baggage insurance. The costs are borne by BayWa AG. The Board of Management member is responsible for paying any taxes on the non-cash benefits. Income tax is refunded for selected events. BayWa AG also pays any contributions to pension schemes or similar expenses (benefit plans or life insurance policies) up to the amount that the company would otherwise have had to pay had an employment relationship subject to social security law existed.

In addition, there are pension commitments for the members of the Board of Management. These commitments can either take the form of an agreed fixed amount, or are based partly on the most recent fixed salary (30%) or on a fixed salary paid to the Board of Management member in the past. Occupational disability cover in the same amount and a survivor's pension of 60% of the pension commitment are provided if the measurement is based on a fixed salary. In this case, the post-employment benefit insurance may not be drawn upon before the age of 64. The Board of Management employment contracts do not provide for an age limit. However, they do stipulate that an extension should not be granted once the member has achieved the statutory retirement age.

Since December 2012, all obligations from pension commitments have been transferred to an external pension fund in the form of an earned entitlement, or to a provident fund. Running payments made to the pension fund or provident fund are included in the overall remuneration disclosed for the Board of Management.

In consultation with the Supervisory Board, Board of Management members may and should accept Supervisory Board mandates and similar positions at companies in which BayWa AG directly or indirectly holds a stake. The acceptance of these mandates is usually without remuneration. For the acceptance of certain mandates at RWA AG, Korneuburg, Austria, and T&G Global Limited, Auckland, New Zealand, the Supervisory Board has approved the payment of Supervisory Board remuneration to the members of the Board of Management. The acceptance of paid or unpaid sideline activities at non-Group entities requires the prior written consent of the Supervisory Board's Board of Management Committee. Said consent may be revoked at any time. If the Board of Management Committee approves the acceptance of the sideline activity outside the Group, the Supervisory Board must decide whether and to what extent the remuneration is to be taken into consideration upon submission for consideration by the Board of Management Committee. Remuneration from sideline activities must be reported to the Chairman of the Supervisory Board once a year.

At its own discretion, the Supervisory Board may make further non-recurring bonus payments to recognise outstanding performance or achievements on the part of a Board of Management member. The Supervisory Board has made use of this option only one time in the past five financial years.

The company also maintains an insurance policy against legal proceedings and pecuniary losses and a D&O insurance and legal protection policy on behalf of its Board of Management members and in the interests of the company. BayWa AG pays the insurance premiums. The policies provide for a deductible for the Board of Management members. The company also promises the Board of Management members insurance cover corresponding in key points to these insurance policies both for the term of this contract and for a period of twelve years after its termination, unless doing so is not possible for the company or is financially no longer feasible based on the market conditions and the financial circumstances of the company.

There are no commitments in the employment contracts of the Board of Management members if service to the company is prematurely terminated. There are also no Change of Control clauses.

The caps on the maximum annual bonus and bonus bank payments limit the remuneration for each Board of Management member and the Board of Management as a whole.

Since March 2020, the fixed salary of Chief Executive Officer Prof. Klaus Josef Lutz has stood at €1.5 million a year. He is entitled to an annual bonus based on target achievement of €0.00 to €900,000; for 100% target achievement, the annual bonus amounts to €600,000. In the reporting year, the target was the result of ordinary activities. Depending on the extent to which the long-term targets are met, up to €760,000 is deposited in the bonus bank for Prof. Lutz, or an amount of up to €760,000 is debited against the bonus bank; for 100% target achievement, the allocation to the bonus bank amounts to €560,000. On 31 December 2020, the bonus bank for Prof. Lutz had a positive balance of €1,386,666. Furthermore, the Chief Executive Officer has a vested entitlement to an annual pension of €356,400.

The fixed salary of Board of Management member Andreas Helber stands at €642,000 a year. He is entitled to an annual bonus based on target achievement of €0.00 to €385,200; for 100% target achievement, the annual bonus amounts to €256,800. In the reporting year, the result of ordinary activities accounted for 70% of the targets, with 30% consisting of individual targets. Depending on the extent to which the long-term targets are met, up to €380,000 is deposited in the bonus bank for Mr Helber, or an amount of up to €380,000 is debited against the bonus bank; for 100% target achievement, the allocation to the bonus bank amounts to €280,000. On 31 December 2020, the bonus bank for Mr Helber had a positive balance of €693,334. Furthermore, the Board of Management member has a vested entitlement to an annual pension of 30% of his fixed salary (currently €192,600).

Since November 2020, the fixed salary of Board of Management member Marcus Pöllinger has stood at €600,000 a year. For the financial year 2020, he is entitled to an annual bonus based on target achievement of €0.00 to €216,000; for 100% target achievement, the annual bonus amounts to €144,000 (basis: fixed salary as at March 2020). Mr Pöllinger has individual targets that are geared towards the financial success of the segments for which he is responsible. Depending on the extent to which the long-term targets are met, up to €380,000 is deposited in the bonus bank for the Board of Management member, or an amount of up to €380,000 is debited against the bonus bank; for 100% target achievement, the allocation to the bonus bank amounts to €280,000. On 31 December 2020, the bonus bank for Mr Pöllinger had a positive balance of €583,333. Furthermore, the company pays €120,000 for the pension of the Board of Management member (fixed amount).

The fixed salary of Board of Management member Matthias Taft stands at €600,000 a year. He is entitled to an annual bonus based on target achievement of €0.00 to €360,000; for 100% target achievement, the annual bonus amounts to €240,000. Mr Taft had individual targets. Some were geared towards the financial success of the segment for which he was responsible. However, organisational or strategic targets were also agreed. Depending on the extent to which the long-term targets are met, up to €380,000 is deposited in the bonus bank for the Board of Management member, or an amount of up to €380,000 is debited against the bonus bank; for 100% target achievement, the allocation to the bonus bank amounts to €280,000. On 31 December 2020, the bonus bank for Mr Taft had a positive balance of €693,334. The Board of Management member has a vested entitlement to an annual pension of 30% of his fixed salary (currently €180,000).

Board of Management member Reinhard Wolf receives no remuneration from BayWa AG. The remuneration from the Group company RWA AG, Korneuburg, Austria, is detailed in the table below.

The total remuneration of all five Board of Management members for the financial year 2020 came to €10.7 million (2019: €9.4 million); of this amount, €4.7 million (2019: €3.5 million) was variable. Contributions of €1.9 million (2019: €2.2 million) were paid in benefits after termination of the employment contract (pensions). This amount was offset by a repayment for a former Board of Management member of €0.3 million, resulting in actual expenses of €1.7 million. An amount of €3.6 million (2019: €3.6 million) was paid out to former members of the Board of Management of BayWa AG and their dependants.

The remuneration of all five Board of Management members that was paid by BayWa AG stood at €9.3 million (2019: €8.2 million) for the financial year 2020. The Board of Management members received further payments from RWA AG, Korneuburg, Austria (Prof. Lutz and Helber: €19,200 each; Wolf: €1.2 million), and T&G Global Limited, Auckland, New Zealand (Prof. Lutz: €25,625; Helber: €20,500). BayWa AG paid €3.6 million (2019: €3.6 million) to former members of the Board of Management of BayWa AG and their dependants.

At its meeting on 24 March 2021, the Supervisory Board plans to adopt a slightly adjusted remuneration system on the basis of the system described here. The new system provides for changes to the pension commitments, among other things. A maximum annual remuneration of €2.5 million for a Board of Management member and twice that amount for the Chief Executive Officer (i.e. €5 million) is also planned.

In the financial year 2020, the Board of Management members neither received nor were promised loans from the company or payments from third parties in connection with their position as members of the Board of Management.

The remuneration payments for the Board of Management members are itemised below:

In € thousand	Prof. Klaus Josef **Lutz**	Andreas **Helber**	Marcus **Pöllinger**	Matthias **Taft**	Reinhard **Wolf**	**Total 2020**
Fixed remuneration						
Annual basic salary	1,427.2	642.0	400.0	600.0	550.0	3,619.2
Benefits	40.6	22.3	23.2	30.3	74.2	190.6
Fixed remuneration from Group mandates	44.8	39.7	–	–	–	84.5
Total fixed remuneration	**1,512.6**	**704.0**	**423.2**	**630.3**	**624.2**	**3.894,3**
Variable remuneration						
Short-term variable remuneration [1]	993.6	459.1	144.7	480.0	330.0	2,407.4
Long-term variable remuneration						
Tranche 2017–2019	–	–	–	–	–	–
Tranche 2018–2020	–	–	–	–	–	–
Tranche 2019–2021	–	–	–	–	–	–
Tranche 2020–2022	760.0	380.0	380.0	380.0	–	1,900.0
Other variable remuneration	400.0	–	–	–	–	400.0
Total variable remuneration	**2,153.6**	**839.1**	**524.7**	**860.0**	**330.0**	**4,707.4**
Pensions [2]	**1,010.4**	**287.8**	**120.0**	**332.3**	**361.0**	**2,111.5**
Total remuneration	**4,676.6**	**1,830.9**	**1,067.9**	**1,822.6**	**1,315.2**	**10,713.2**

1 The short-term variable remuneration contains amounts related to the previous year (2019): Prof. Lutz €93,000, Helber €73,900, Taft €120,000, Wolf €110,000

2 The pension amount disclosed for Mr Wolf includes the allocation to pensions and severance pay in the amount of €291,702.

As the remuneration granted to the Board of Management members for the financial year 2020 did not coincide with the payment in the financial year in question in some cases, the amount paid to them for the financial year

2020 is presented separately below. Fixed remuneration, annual bonus and pensions are each stated as payments for the financial year. In terms of the bonus bank, the respective tranche actually paid is shown.

In € thousand	Prof. Klaus Josef **Lutz**	Andreas **Helber**	Marcus **Pöllinger**	Matthias **Taft**	Reinhard **Wolf**	**Total 2020**
Fixed remuneration						
Annual basic salary	1,427.2	642.0	400.0	600.0	550.0	3,619.2
Benefits	40.6	22.3	23.2	30.3	74.2	190.6
Fixed remuneration from Group mandates	44.8	39.7	–	–	–	84.5
Total fixed remuneration	**1,512.6**	**704.0**	**423.2**	**630.3**	**624.2**	**3,894.3**
Variable remuneration						
Short-term variable remuneration [1]	900.0	385.2	144.7	360.0	220.0	2,009.9
Long-term variable remuneration						
Tranche 2017–2019	170.0	85.0	–	85.0	–	340.0
Tranche 2018–2020	220.0	110.0	–	110.0	–	440.0
Tranche 2019–2021	203.3	101.7	101.7	101.7	–	508.4
Tranche 2020–2022	–	–	–	–	–	–
Other variable remuneration	400.0	–	–	–	–	400.0
Total variable remuneration	**1,893.3**	**681.9**	**246.4**	**656.7**	**220.0**	**3,698.3**
Pensions [2]	**1,010.4**	**287.8**	**120.0**	**332.3**	**361.0**	**2,111.5**
Total remuneration	**4,416.3**	**1,673.7**	**789.6**	**1,619.3**	**1,205.3**	**9,704.1**

1 The short-term variable remuneration contains amounts related to the previous year (2019): Prof. Lutz €93,000, Helber €73,900, Taft €120,000, Wolf €110,000.

2 The pension amount disclosed for Mr Wolf includes the allocation to pensions and severance pay in the amount of €291,702.

Remuneration of the Supervisory Board

Since 1 July 2018, the remuneration of the Supervisory Board has been based on the responsibilities and the scope of tasks of the members of the Supervisory Board.

Supervisory Board members receive a fixed annual remuneration of €45,000 payable in four equal amounts after the end of the quarter for the respective quarter. Variable remuneration, as based on dividends or other factors, is not paid.

The Chairman of the Supervisory Board receives three times the amount and the Vice Chairmen twice the amount of remuneration paid. The members of the Supervisory Board also receive an additional fixed annual remuneration of €3,000 for committee work. Remuneration for the Mediation Committee is paid only if the committee was actually convened in the financial year. The committee chairmen receive three times this amount.

Supervisory Board members who serve on the Supervisory Board and/or its committees for only part of the financial year will receive remuneration on a proportionate basis.

Members of the Supervisory Board are reimbursed for their expenses and value added tax which falls due on account of their activities as member of the Supervisory Board or its committees. In addition, members of the Supervisory Board are also included in the company's group accident insurance policy. The company also maintains an insurance policy against legal proceedings and pecuniary losses and a D&O insurance and legal protection policy on behalf of its Supervisory Board members and in the interests of the company. The company pays the insurance premiums.

The total remuneration of the Supervisory Board from the Group came to €1.1 million (2019: €1.1 million), with BayWa AG paying €1.0 million of this amount (2019: €1.0 million). The Supervisory Board members of RWA

AG, Korneuburg, Austria, received further remuneration, with Mr Nüssel receiving €19,200 and Dr. Lang receiving €28,800.

In addition to Supervisory Board remuneration, employee representatives who are employees of the BayWa Group receive compensation not connected to their activities for the Supervisory Board. The sum total of such compensation received by the employee representatives came to €0.5 million (2019: €0.5 million).

The itemised disclosure of remuneration paid to the members of the Supervisory Board is as follows:

In €	Basic remuneration	Committee work	Cooperative Council	Supervisory Board RWA AG	Benefits	**Total 2020**
Manfred Nüssel, Chairman	135,000	39,000	2,250	19,200	374	195,824
Klaus Buchleitner Vice Chairman	90,000	3,000	–	–	152	93,152
Werner Waschbichler Vice Chairman	90,000	9,000	–	–	152	99,152
Wolfgang Altmüller	45,000	12,000	–	–	152	57,152
Theo Bergmann	45,000	3,000	–	–	152	48,152
Andrea Busch	45,000	–	–	–	152	45,152
Renate Glashauser	45,000	3,000	–	–	152	48,152
Jürgen Hahnemann	45,000	3,000	–	–	152	48,152
Monika Hohlmeier	45,000	3,000	–	–	152	48,152
Stefan Kraft	45,000	–	–	–	152	45,152
Michael Kuffner	45,000	6,000	–	–	152	51,152
Dr. Johann Lang	45,000	9,000	1,500	28,800	374	84,674
Bernhard Loy	45,000	3,000	–	–	152	48,152
Wilhelm Oberhofer	45,000	9,000	–	–	152	54,152
Joachim Rukwied	45,000	3,000	–	–	152	48,152
Monique Surges	45,000	3,000	–	–	152	48,152
	900,000	**108,000**	**3,750**	**48,000**	**2,876**	**1,062,626**

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

Composition of subscribed capital

The subscribed capital of BayWa AG amounted to €90,671,895.04 as at the reporting date and is divided up into 35,418,709 registered shares with an arithmetical portion of €2.56 each in the share capital. Of the shares issued, 34,035,811 are registered shares with restricted transferability and 139,647 recently registered shares with restricted transferability (dividend-bearing employee shares from 1 January 2021 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-AG, 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

Following a resolution by the Annual General Meeting on 28 July 2020, and 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 25 May 2025 by up to a nominal amount of €4,642,503.68 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).

Following a resolution by the Annual General Meeting on 5 June 2018, and 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 with restricted transferability 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).

Following a resolution by the Annual General Meeting on 7 June 2016, and 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 2021 by up to a nominal amount of €12,500,000 through the issuance of new registered shares with restricted transferability 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 2016).

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, 22 March 2021

BayWa Aktiengesellschaft

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