

Group Management Report

20	Our Strategy
21	Industry Trends
22	Financial Performance
24	Cash Position
27	Financial Position
28	Research and Development
29	Purchasing
30	Employees
32	Risks and Opportunities
36	Outlook

02

Group Management Report

Our Strategy

CLAAS has its origins in agriculture and is deeply rooted there. Over the past two years, we have revised the CLAAS corporate mission and strategy in order to continue to grow sustainably and profitably along with our customers.

Growing together

Our vision puts the customer at the center. We aim to support our customers to help them achieve success and attain the best possible results for their business.

Our mission outlines how we want to achieve our vision and long-term goal. We seek to bring together passionate people, brilliant ideas, and advanced technologies to deliver lasting added value for farmers and contractors.

Our goal is to secure our independence as a family business and achieve sustainable, profitable growth along with our customers.

A clear value orientation

Our corporate mission statement contains the principles and values that we believe in and for which our brand stands. They are not just aspirational, but already shape our work on a day-to-day basis. At the same time, we know that there is always room for improvement.

We strive for excellence and proximity to our customers. We share our customers' passion for agriculture and deliver convenient, intuitive solutions and innovations.

We think and act entrepreneurially, which means not only being willing to take on responsibility, but also acting with honesty and integrity – this is how we want to deal with people.

As a family business, our strongest motivation is to always find a better solution.

Expanding the core business and breaking new technological ground

Our strategic plan includes several global initiatives that use new technologies to drive the expansion of our core business. We are putting an even stronger focus on the satisfaction of our customers and are combining that with specific growth and earnings targets. In line with this, we have launched a number of strategic programs whose ambitious goals we want to achieve by 2025. In addition to our core markets, our geographical focus is primarily on North America.

Over the past two years, we have laid a foundation for the future by renewing key elements in our harvester product portfolio with the new LEXION and the introduction of the TRION in the medium class segment. New CEMOS automatic functions were also developed in the last fiscal year.

After launching CEMOS for tractors in fiscal year 2020, CLAAS added Terranimo®, a new function for enhanced soil protection, in the past fiscal year. Together with the CTIC tire pressure control system and CLAAS POWER MANAGEMENT, significant performance improvements have been achieved. The Stage V update to the ARION 400 with a new top-of-the-range model brings with it improvements to lift and load capacity. CLAAS Tractor S.A.S. in Le Mans, France, has a state-of-the-art factory of the future that sets new standards in production. The aim is to intensify market penetration and achieve growth in new markets.

The service and spare parts sector is a particular focus of the strategic programs, ensuring our customers can continue to rely on CLAAS as a partner after they have purchased equipment. New digital systems at CLAAS and at dealer level to better analyze customer needs for more efficient on-site resource planning and faster logistics result in significant performance improvements, which immediately benefit the customer. Support for older CLAAS machines is now even more comprehensive thanks to SILVER LINE, a new spare parts production line. Continuous training and further improvements to service staff education play an equally important role, making CLAAS service stand out from the competition.

New technologies are being introduced in all areas, in products as well as in processes. For CLAAS, the four most important technology fields of the future are digitalization, autonomy, alternative drives, and smart farming. Important progress has been made in these areas, thanks to the manufacturer-independent farm management platform 365FarmNet and DataConnect, an open data interface for fleet management. The intensified cooperation with AgXeed B.V. in Venray, Netherlands, in the area of autonomy is also preparing CLAAS for important technologies of the future.

Industry Trends

Economic frameworks

The economic environment cooled down significantly, particularly at the start of the fiscal year. This was initially due to the Omicron variant of the coronavirus and the resulting political responses. China's zero-Covid policy, which resulted in repeated local lockdowns and subsequent interruptions to global supply chains, was one of the dominant factors. The economic environment declined significantly once again after the war in Ukraine began. As a result, the IMF made multiple corrections to its global growth forecast for 2022, which started the fiscal year at 4.9% and fell to 3.2% by the summer (prior year: 6.0%). The OECD guidance was even more pessimistic, forecasting growth of just 3.0%.

The economic cool-down was characterized by significant supply chain tension, along with considerable increases in the price of energy and food as a result of the war, leading to rising rates of inflation worldwide. Persistently high macroeconomic demand and scarcity in supply due to the factors referred to above resulted in commodity prices remaining substantially higher than the long-term average. The prices of both grain and crude oil reached new records before declining slightly at a high level in early summer. The food situation in many African and Middle Eastern countries deteriorated due to high grain prices and the lack of grain exports from the Black Sea region.

Although incomes increased as a result of higher prices for agricultural products and food, higher costs for intermediate

Focus on the customer

The exchange with our dealers and customers is and remains the most important instrument for creating lasting added value and growing together. We are supported in this exchange by continuously improving technologies for collecting comprehensive customer feedback and ensuring timely responses. This process is central to everything we do.

goods such as fertilizers had an adverse impact on the agricultural sector. Key inputs in the industrial sector, such as electricity and gas, also became more expensive. The price of crude oil remained above the 100-U.S.-dollar mark into July and had a negative effect on the agricultural industry through higher diesel costs.

The recovery in the international mechanical engineering industry initially continued in the past fiscal year, but increasingly weakened as a result of supply-side issues and, ultimately, the war in Ukraine. In its most recent base scenario for 2022, Oxford Economics forecasted a change in the interest environment and growth of 4% – although a resurgence of the pandemic would negatively impact these figures significantly.

According to estimates from the German Mechanical Engineering Industry Association (VDMA), the global agricultural equipment industry (including municipal, forestry, and gardening equipment) is expected to see record market volume of approximately €140 billion in 2022 and therefore achieve growth of 5% in real terms on the back of significant expansion in 2021. Despite demand remaining high, this growth was in many cases hampered by supply bottlenecks.

In the crop year 2021/22, global grain production (including rice) exceeded the prior year's level by 2.7% to stand at 2,799 million metric tons, according to the U.S. Department of Agriculture (USDA). Wheat production in 2021/22 was

780 million metric tons, which was another increase on the prior year's record. However, even stronger growth in consumption led to declining inventories (-5.0%). Corn stocks, on the other hand, increased thanks to record-breaking production of 1,217 million metric tons (+4.9%), following a marked decline in the prior year (-4.4%). Despite high initial hopes, the soybean harvest proved discouraging, as production declined by 3.5% to 356 million metric tons.

Regional industry developments

Europe recorded an average harvest in crop year 2021/22, with 138 million metric tons of wheat (+9.2%) and 71 million metric tons of corn (+5.2%). The agricultural policy situation remained uncertain in view of the environmental constraints associated with the European Green Deal. Against the backdrop of the war in Ukraine, idle land and crop rotation obligations were suspended for 2023 to boost agricultural production and take into account the escalating global food crisis.

In North America, the production of corn (+6.7%) and soybean (+5.9%) rose, whereas wheat production was down (-21.2%). In the United States, agricultural subsidiaries continued to decline in 2022 following record-breaking payments in 2020, which was an election year.

In South America, an extended drought in the first few months of the calendar year had a negative effect on harvests, particularly on the soybean harvests of key producers such as Brazil

and Argentina, as well as in Paraguay. The USDA lowered its estimates during the year, in some cases by up to 60%. Corn, on the other hand, proved to be robust.

In Russia, wheat production declined considerably after initially positive indications (-11.9%). At 75 million metric tons, however, it remained above the long-term average in 2022. In Ukraine, the war resulted in substantial uncertainty regarding harvest estimates during the year. Crop year 2021/22 saw record wheat and corn harvests, but grain exports stalled significantly from February onwards due to the blockade of Black Sea ports. As a result, domestic inventories reached historic highs that did not start to fall gradually until shipments recommenced in the summer in a sustained environment of extreme instability.

In Asia, agricultural production continued to expand further in both China and India, with harvests of all crops increasing.

Due to the strong crop year and favorable financing terms, particularly in the first half of the fiscal year, the agricultural equipment market once again recorded high demand in 2022 and saw largely positive development despite significant supply-side disruption. The booming market in South America was one particular focal point of this trend. Robust growth was reported in North America, and sales also continued rising in Europe, albeit at a lower rate than that observed in 2021. In Russia, on the other hand, the market collapsed at times due to sanctions and boycotts. The Chinese agricultural equipment market grew, whereas the market in India declined.

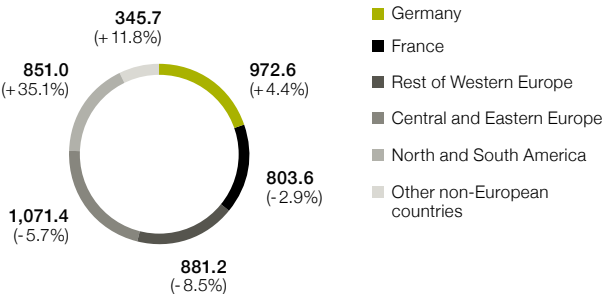
Financial Performance

Net sales by region 71

The CLAAS Group generated net sales of €4,925.5 million in the past fiscal year, an increase of 2.7% on the prior year. Despite the major challenges posed by supply bottlenecks for important components, CLAAS was able to meet the majority of customer orders and record an increase in sales. Sales in core CLAAS markets developed largely positively. The change in important exchange rates, such as the U.S. dollar or the Russian ruble, had a positive impact on sales, as did the increase in the prices of certain product groups during the year. The share of sales generated outside Germany amounted to 80.3% (prior year: 80.6%).

1_Net Sales by Region

in € million/in % compared to prior year



Industry Trends
Financial Performance

Net sales in Germany totaled €972.6 million, up from €931.8 million in the prior year, predominantly due to the increase in sales of forage harvesters and service and spare parts business. In addition, sales of forage harvesting machinery, telehandlers, and wheel loaders also rose year on year.

Net sales generated in France declined from €827.6 million in the prior year to €803.6 million. This was due to delivery delays and the deferral of sales of new machinery, particularly combine harvesters and tractors, into the next fiscal year. Service, spare parts, and accessories business developed positively.

Sales generated in the Rest of Western Europe fell overall to €881.2 million (prior year: €963.0 million). Spain, Austria, and the United Kingdom recorded particularly sharp declines in sales due to delivery delays. Demand for CLAAS products developed particularly positively compared to the prior year in Scandinavian countries.

At €1,071.4 million, net sales in Central and Eastern Europe were down 5.7% compared to the prior-year figure of €1,136.2 million. In particular, sales in Ukraine and Russia have been declining significantly since mid-February due to the war. As in the prior year, Poland, Romania, the Baltic countries, and Hungary were all able to record high levels of sales.

Net sales in North and South America developed extremely well, climbing 35.1% to €851.0 million. Significant growth was generated in North America through new machine sales of combine harvesters, forage harvesters, and tractors. CLAAS

was able to increase its sales in Argentina in spite of the difficult ongoing political and economic conditions.

At €345.7 million, net sales generated in other countries outside of Europe were up 11.8% year on year (prior year: €309.3 million), with China, Australia, and New Zealand generating the highest sales figures.

Income ↗ 2

Gross profit on sales declined by €101.9 million year on year, causing the gross profit margin to fall from 22.1% to 19.5%. The substantial decrease in gross profit on sales was mainly the result of rising input costs for materials, parts, and components caused by high inflation and supply-side shortages. In addition, CLAAS invested significantly in supplying customers with the machines they had ordered – or, alternatively, rental or used machines – in time for the start of the summer harvest.

Selling, general and administrative expenses increased year on year, but only at a slightly higher rate than sales. Increased expenses for digitalization projects were offset by lower marketing and communication expenses. There was also a rise in business travel expenses and hospitality costs, which had been at a low level due to the coronavirus pandemic.

Research and development costs rose to a new record high at CLAAS. They included the development and renewal of harvesting machinery and tractors, investments in electronics architecture for machine control and connectivity, and expenses for the digitalization of agricultural processes. Please refer to the section on “Research and Development” for more information.

2_Income Statement (Summary)

in € million	2022	2021	Change
Net sales	4,925.5	4,797.8	127.7
Cost of sales	-3,967.1	-3,737.5	-229.6
Gross profit on sales	958.4	1,060.3	-101.9
Selling, general and administrative expenses	-497.2	-474.3	-22.9
Research and development expenses	-256.4	-251.9	-4.5
Other operating income, net	-7.7	32.8	-40.5
Operating income	197.1	366.9	-169.8
Income from investments, net	21.6	22.1	-0.5
Financial result	-52.4	-31.9	-20.5
Income before taxes	166.3	357.1	-190.8
Net income	88.1	272.6	-184.5

The other operating result decreased by €40.5 million year on year. In the current fiscal year, other operating income, at €140.8 million, was above the average level of prior years. Other operating expenses were up by €84.2 million to €148.5 million. This was due to impairments recognized in accordance with IAS 36 following an impairment test of the asset portfolio. The impairment test was triggered by a change in the geopolitical assessment with regard to long-term sales opportunities, supply sources, and supply chains. Further information on impairments pursuant to IAS 36 are presented in Notes 14 and 15 to the consolidated financial statements.

Income from investments mainly includes the respective share of income of the financing and leasing business of the CLAAS Financial Services companies and was on par with the prior year.

The decline in the financial result was mainly due to the considerable deterioration in income from securities. Falling bond and fund prices had a negative effect on the securities portfolio. In addition, there were negative effects from the foreign exchange result. Particularly unfavorable currency translation effects were reported in relation to the Hungarian forint and the Russian ruble. By contrast, interest income improved compared to the prior year.

In summary, CLAAS was able to maintain its operating income at a relatively stable level in spite of supply chain disruption and the war in Ukraine. Income before taxes decreased by €190.8 million year on year to €166.3 million, predominantly due to the impairments referred to above, and therefore fell significantly short of our original expectations. This deterioration in income was largely not cash-effective.

Cash Position

Liquid assets ↗3

As of the reporting date, the CLAAS Group's liquidity amounted to €1,041.8 million (prior year: €1,237.9 million). Liquid assets are mainly held as fixed-term deposits, money market securities, and investment funds. The drop in liquidity was mainly the result of an increase in working capital by €116.8 million and the repayment of the first tranche of the U.S. private placement of €146.9 million.

3_Net Liquidity

in € million	Sept. 30, 2022	Sept. 30, 2021	Change
Cash and cash equivalents	507.9	539.1	- 31.2
Securities	533.9	698.8	- 164.9
Liquid assets	1,041.8	1,237.9	- 196.1
Financial liabilities*	611.8	757.4	- 145.6
Net liquidity	430.0	480.5	- 50.5

* Excluding derivative financial instruments.

Financial liabilities and credit facilities

The remaining tranche of the 2012 U.S. private placement, the "Schuldscheindarlehen" (German private placement) issued in euros in 2015, and another "Schuldscheindarlehen" issued in euros in a total of four tranches in 2020 were the largest individual financial liabilities items. The disproportionate decline in cash and cash equivalents and securities compared

to financial liabilities resulted in net liquidity decreasing by €50.5 million.

For general financing purposes, the CLAAS Group had access to credit facilities from banks with a total volume of €826.4 million as of the balance sheet date, including a flexible syndicated loan that was increased to €500 million in the reporting year. Of the available credit facilities, €787.0 million were not utilized.

Further information on financial liabilities and the financial risk management are presented in Notes 25 and 35 to the consolidated financial statements.

Off-balance-sheet measures

CLAAS uses an asset-backed securitization program (ABS program) to sell trade receivables to a structured entity on a revolving basis. Due to the seasonal nature of sales realization in the agricultural equipment industry, substantial financing is needed during the course of the year. In working capital, the relatively low level of capital tied up at the end of the fiscal year generally leads to a high liquidity level. The ABS program helps to effectively mitigate seasonal liquidity fluctuations during the year. The volume of receivables transferred amounted to €224.4 million as of September 30, 2022 (prior year: €159.8 million).

Financial Performance
Cash Position

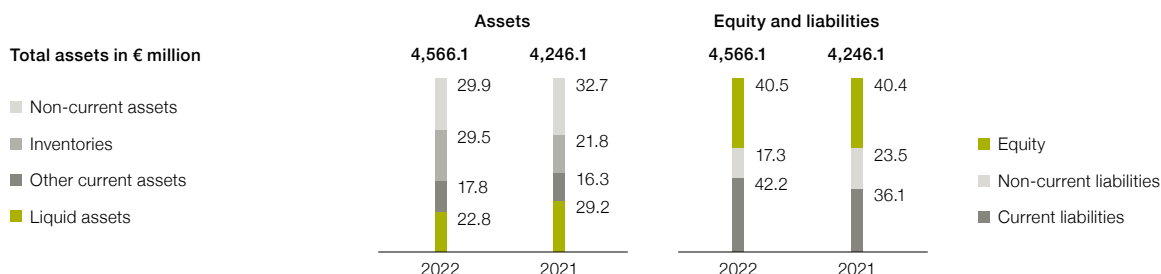
Asset and capital structure ↗ 4

Non-current assets were covered by long-term financing, consisting of equity and non-current liabilities, at a ratio of 193.7% as of the balance sheet date (prior year: 195.2%). Non-current assets plus 50.0% of inventories were funded by

long-term financing at a ratio of 129.6% (prior year: 146.4%). These figures testify to the CLAAS Group's sound capital structure.

4_Balance Sheet Structure

in %



Cash flows ↗ 5

5_Statement of Cash Flows (Summary)

in € million	2022	2021	Change
Cash and cash equivalents at beginning of year	539.1	524.1	15.0
Cash flows from operating activities	225.5	580.5	-355.0
Cash flows from investing activities	-53.6	-507.3	453.7
Cash flows from financing activities	-249.2	-68.2	-181.0
Effect of foreign exchange rate changes on cash and cash equivalents	46.1	10.0	36.1
Change in cash and cash equivalents	-31.2	15.0	-46.2
Cash and cash equivalents at end of year	507.9	539.1	-31.2

The decline in cash inflow from operating activities was mainly due to the significantly lower net income. The increase in working capital also had a negative effect.

Cash outflow from investing activities predominantly comprised outflow from capital expenditure. Cash inflow from the sale of money market securities acquired in the prior year had an offsetting effect.

The cash outflow from financing activities resulted mainly from the repayment of the first tranche of the U.S. private placement, dividend payments, and the repayment of lease liabilities.

Changes in cash and cash equivalents due to foreign exchange rates were much more positive than in prior years, primarily as a result of the development of the U.S. dollar and Russian ruble exchange rates.

The development of the free cash flow due to the influences described before is as follows: ➤ 6

6 _ Free Cash Flow

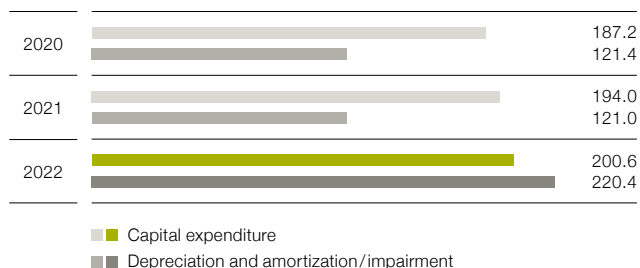
in € million	2022	2021	Change
Cash flows from operating activities	225.5	580.5	-355.0
Net capital expenditure in intangible assets, property, plant and equipment, borrowings, and investments	-203.3	-199.0	-4.3
Free cash flow	22.2	381.5	-359.3

Capital expenditure ➤ 7

Capital expenditure came to €200.6 million in the reporting year. The additions mainly related to investments in the construction, expansion, and modernization of production and sales sites, in innovative technologies, and in new products. The ratio of capital expenditure to sales stood at 4.1% (prior year: 4.0%).

7 _ Capital Expenditure, Depreciation and Amortization/Impairment

in € million



A multi-year plant structure project was launched at the production site in Bad Saulgau, Germany, in the past fiscal year. The project is centered on adapting production equipment, plant infrastructure, and, in particular, production capacities in line with continuously rising demand and future growth. The site is currently being expanded and an existing 5,000 m² space restructured to create additional assembly areas. At the end of 2021, work started on the construction of the new social building for employees at the site. The energy-efficient building, which features an extensive green roof and photovoltaic and solar thermal system, commenced operation in September 2022.

The new CLAAS Academy in Le Mans, France, opened in October, following its relocation from Evreux, France. The new location adjacent to the tractor production site optimizes logistics and communications channels and enhances dialogue between the employees at the site.

CLAAS Tractor S.A.S. also expanded the factory premises by purchasing a new plot of land. New storage capacities for machines and parts at the site will allow further process and logistical optimization.

At CLAAS Agricultural Machinery (Shandong) Co. Ltd. in Gaomi, China, the renovation work as part of the plant development project was completed at the end of the last calendar year. The first phase of the project involved constructing a new conveyor system and renovating the assembly line hall floor to improve assembly infrastructure. The renovations will result in sustained improvements to operating processes at the production site, taking into account the increasing demand for CLAAS combine harvesters in Asia.

The project to expand the automatic small parts warehouse at CLAAS Service and Parts GmbH in Hamm, Germany, continued. The expansion of the bays will secure storage capacity for further growth in the range of parts and increase availability. The small parts warehouse commenced operation in November 2022.

In addition, CLAAS is investing in the expansion and digitalization of business processes at all levels of the sales organization. New systems and applications are set to enhance communication among CLAAS, dealers, and customers.

Investments in the testing and production of new products made within the scope of the extensive development program accounted for a substantial share of capital expenditure.

At the end of the fiscal year, CLAAS had financial obligations totaling €9.7 million relating to future capital expenditure.

Financial Position 8

8_Balance Sheet (Summary)

in € million	Sept. 30, 2022	Sept. 30, 2021	Change
Assets			
Intangible assets	318.5	313.5	5.0
Property, plant and equipment	613.8	612.2	1.6
Right-of-use assets	89.7	82.6	7.1
Investments accounted for using the equity method	156.3	160.8	-4.5
Inventories	1,348.8	926.5	422.3
Trade receivables	454.3	441.3	13.0
Liquid assets	1,041.8	1,237.9	-196.1
Other assets	542.9	471.3	71.6
Total assets	4,566.1	4,246.1	320.0
Equity and liabilities			
Equity	1,847.9	1,717.1	130.8
Financial liabilities	611.8	757.4	-145.6
Provisions	1,085.0	1,132.6	-47.6
Trade payables	454.1	278.4	175.7
Other liabilities	567.3	360.6	206.7
Total equity and liabilities	4,566.1	4,246.1	320.0

Total Group assets rose by €320.0 million year on year to €4,566.1 million compared to September 30, 2021. One main reason for this substantial increase was the significant rise in inventories on the assets side. This trend was accompanied by a rise in equity, trade payables, and prepayments.

Intangible assets increased slightly year on year to €318.5 million, mainly as a result of the addition of licenses of €15.3 million.

The rise in inventories by €422.3 million played a key role in the rise in working capital and was primarily caused by the increase of raw materials, consumables and supplies to ensure that CLAAS can respond flexibly to possible bottlenecks in the delivery of parts from suppliers. In addition, inventories of work in progress and finished goods climbed by a total of €296.6 million. Shortages in the availability of certain components and parts, primarily in relation to the combine harvester product group, resulted in a significant number of machines not being completed. CLAAS plans to deliver these machines in the first few months of fiscal year 2023. Inventories of new machines, particularly combine harvesters and forage

harvesters, increased, as some machines were not completed until shortly before the reporting date. There was also an increase in inventories of used machines and spare parts.

Trade receivables and payables also increased. The considerable rise in trade payables was not able to compensate for the higher level of inventories, raising working capital by €116.8 million overall. As a result, the share of working capital to total assets edged up to 24.3%. Working capital developed as follows: 9

9_Working Capital

in € million

2020	994.7
2021	992.6
2022	1,109.4

Other assets increased by €71.6 million to €542.9 million. They mainly comprise deferred taxes, tax receivables, and assets relating to the ABS program.

The change in the equity of the CLAAS Group involves a variety of factors, some of which with opposing effects. While net income less the dividend paid in the current year had only a slightly positive impact, the significantly higher discount rate for pension provisions and the currency translation differences in relation to foreign assets and liabilities caused by the improved U.S. dollar exchange rate led to positive effects on equity. Despite the rise in total assets, the equity ratio only increased slightly to 40.5% (prior year: 40.4%).

The fall in provisions resulted from various effects. Other provisions climbed by €64.4 million, whereas pension provisions were down by €103.1 million. This was due to the increased discount rate referred to above. Tax provisions fell due to the less favorable earnings situation compared with the prior year.

In addition to the silent partnership, other liabilities mainly include deferred income, other taxes, and liabilities to investments.

Research and Development

In the reporting year, research and development costs increased by 6.4% to €279.1 million, **↗ 10**. Activities were focused on new models and the further development of harvesting machinery and tractors. Investments in electronics architecture for machine control and connectivity, as well as in the digitalization of agricultural processes, also continue to account for a significant share of the CLAAS Group's total research and development costs.

Product innovations

In fiscal year 2022, intensive work was carried out on the development of the new 2023 LEXION generation. The TRION cabs, together with the MONTANA models, which enable chassis slope compensation, will supplement the CLAAS product portfolio. Selected LEXION models will also come with increased engine power and greater grain tank volume. In addition, the new CEMOS CONNECT function will make it possible to transfer optimal machine setup data to an entire fleet of combine harvesters.

The TRION 740 and the AXION 900 TERRA TRAC were unveiled in Omaha, USA, this fiscal year, expanding the U.S. product portfolio. With its state-of-the-art concept, high threshing performance and quality, efficient fuel consumption, and user-friendly operation, the TRION 740 meets the requirements of many farmers in North America. The AXION 900 TERRA TRAC delivers added benefits thanks to its comfort, outstanding soil protection, and enhanced productivity and efficiency. With standard four-point cab suspension and fully-suspended tracks, this tractor also has an exceptional ride.

10_Research and Development

		2022	2021
Research and development costs	in € million	279.1	262.3
Research and development cost ratio	in %	5.7	5.5
Capitalized development costs	in € million	67.8	53.2
Capitalization ratio	in %	24.3	20.3
Amortization / impairment of capitalized development costs	in € million	45.1	42.9
Share of workforce involved in research and development at the CLAAS Group	in %	12.5	12.2
Active patents	Number	4,410	4,409

CLAAS is now introducing the Stage V emissions standard to its range of narrow-gauge and special tractors. A new transmission, new cab with a flat floor, and a new design are among the upgrades to the NEXOS series. The new contemporary look features the signature "Y" design first launched in 2019 in the current LEXION and also seen in the TRION. The flattened shape of the hood enhances the driver's view to the front. In addition, MAXI CARE protection offered with large CLAAS tractors is now being expanded to the narrow-gauge segment too.

With the new VARIANT 500, CLAAS is introducing a number of new features as well as the typical CLAAS "Y" design to the range of round balers with variable bale chambers. The improvements include optimized baling pressure control, a new cutting unit for VARIANT HD models, and larger tires for more soil protection.

Financial Position
Research and Development
Purchasing

The new CLAAS CEMIS 1200 is now available for LEXION, JAGUAR, and CLAAS tractors, replacing the previous S10 universal terminal. In addition to automated steering, it also handles online documentation, ISOBUS and task control applications, section control, and variable quantity control. The design, graphics, and operation using the 12-inch multi-touch screen are based on the CLAAS CEBIS, making operation intuitive and simple.

After a number of successful joint projects, CLAAS is intensifying its further cooperation with Dutch start-up AgXeed B.V., based in Venray, Netherlands, for the development and marketing of autonomous agricultural machines. With its follow-up investment, CLAAS is securing further access to innovative technologies that feature in autonomous agricultural equipment. At the same time, AgXeed is benefiting from the international network and the expertise of the CLAAS Group in many areas, from development to sales and service. In spring 2022, CLAAS Vertriebsgesellschaft mbH, based in Herzebrock-Clarholz, Germany, and AgXeed developed a concept to position AgXeed in the sales and service market of the CLAAS dealer network in Germany and Switzerland. With its autonomous tractors, the start-up offers an intelligent, sustainable, and fully autonomous farming system with scalable hardware, virtual planning tools and comprehensive data models, making it one of the leading companies in these areas in Europe today.

Awards

At the SIMA trade fair in France, the latest LEXION generation was honored with the FARM MACHINE Award 2023 in the

combine harvester category. The combine harvester series, which was presented to the public in summer 2022, impressed the panel of experts with its optimized cab and rotating driver's seat and larger grain tank, as well as performance and crop flow optimization. The LEXION can also be equipped with the new CEMOS functionalities for process optimization in terms of productivity and efficiency.

The TRION combine harvester series won the FARM MACHINE Award 2022 in the combine harvester category, impressing the international panel of agriculture and agricultural equipment trade journalists. The TRION therefore validates the development target of a strongly customer-centric mid-range combine harvester featuring a broad range of different technologies.

The AGRITECHNICA Innovations Commission of the German Agricultural Society (DLG) has awarded silver medals to two CLAAS innovations. The integration of the Terranimo® application into the CEMOS operator assistance system for tractors made a mark on the panel, as did the CEMOS AUTO HEADER. Terranimo® is able to calculate the risk of harmful soil compaction for the combination of tractor and equipment and provide direct feedback to the operator. The application was developed in partnership with a research institute and two universities. The CEMOS AUTO HEADER automatically adjusts the settings on VARIO cutterbars in accordance with the prevailing threshing conditions. The assistance system adjusts the reel position to obtain an optimal, even crop flow, reducing the load on all of the combine harvester's systems.

Purchasing

The agricultural equipment industry developed extremely well in fiscal year 2022, with capacity utilization at high levels. However, widespread disruption to supply chains was also a factor. This, combined with the coronavirus crisis, initially led to a further rise in steel prices. The outbreak of the war in Ukraine in February 2022 ended a nascent easing at the beginning of the calendar year.

There were significant price increases in the fiscal year, with costs of steel products, logistics, and energy all rising.

Purchasing provided prompt and regular updates on the latest market situation and the associated risks. The most important tasks in the fiscal year were to safeguard contractually agreed prices and mitigate rapidly rising purchasing prices. Ensuring availability in cooperation with logistics areas became a second major focal point of activities. The matrix organization already in place in the areas of Purchasing and Supply Chain Management provided a solid basis for managing the crisis. Despite every effort being made, it was not possible to satisfy production requirements in full.

In terms of logistics, seaports were extremely busy, resulting in long waiting times for shipping companies and road transport. The situation in transportation logistics remains extremely strained. The critical global availability of all modes of transport is being exacerbated by a lack of drivers in Europe. Logistics bottlenecks and the deferral of high capacity utilization in production initially led to low demand for the specialized transportation of new machinery. Later, however, that same demand increased to excessive levels.

The department responsible for purchasing non-production material focused on major investments and IT projects, as well as on optimizing and systematically digitalizing purchasing processes. Projects in the area of business process digitalization were also commissioned, focusing in particular on the area of Sales and Service.

A core supplier strategy was also developed. Selecting a handful of particularly reliable core suppliers for each product group made it possible to largely counteract delivery delays and price increases in these areas, thereby boosting efficiency in the overall purchasing process.

Significant portions of the energy requirements at CLAAS locations have already been secured through long-term supply contracts. A concept was also developed in cooperation with the technical plant maintenance teams to mitigate the risks of potential gas shortages. Further information on this topic can be found in the “Purchasing risk” section.

Employees

HR indicators ➤ 11

Personnel expenses increased by around 8.7% to €891.5 million (prior year: €819.8 million). As of September 30, 2022, the CLAAS Group employed 12,116 people (prior year: 11,957) worldwide, approximately 50.4% of which outside of Germany ➤ 12.

Training

As of September 30, 2022, the CLAAS Group employed 792 apprentices (prior year: 775), 493 (prior year: 473) of which in Germany. CLAAS trains young people in Germany in various technical and business professions, as well as within a “dual study” program, with alternating phases of theory and practice. The same applies to other countries in which CLAAS operates, such as France, Hungary, the UK, and India.

Personnel development

At CLAAS, strategic corporate objectives are directly connected with targeted investments in its employees. Managers and employees coordinate qualification and further development opportunities with individual needs throughout their careers. Offerings include workplace learning, exchange formats, seminars, development programs, self-directed learning, or attendance at professional conferences. The demand for training opportunities at CLAAS is rising continuously. The

11 _HR Indicators

		2022	2021
Employees as of the balance sheet date ¹	Number	12,116	11,957
Male employees	in %	86.6	87.0
Female employees	in %	13.4	13.0
Average age	in years	41.0	40.2
Length of service	in years	11.9	11.7
Fluctuation	in %	7.9	6.4
Personnel expenses	in € million	891.5	819.8
Vocational and further training costs	in € million	22.3	19.1

¹ Including apprentices.

further training program was maintained and expanded through virtual alternatives during the pandemic.

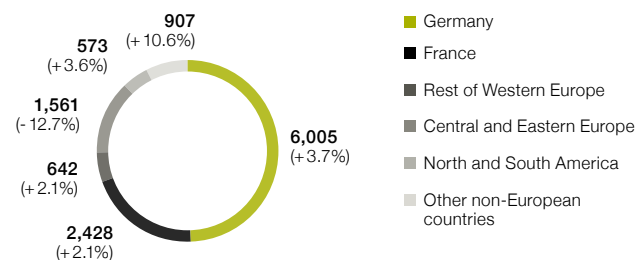
Junior staff development

CLAAS cooperates closely with schools and institutions of higher education, and exercises a wide range of vocational training and orientation initiatives. Fairs, training days, and internships enable young people to establish early contact with the potential employer. After graduating, school students may also apply to complete technical or commercial vocational training at any of our sites in Germany or enter into a bachelor's

Purchasing
Employees

12_Employees by Regions

Number of employees/in % compared to prior year



program at Duale Hochschule Baden-Württemberg. Maintaining contact with apprentices, students participating in the “dual study” system, and interns even after their time at the Company is very important to CLAAS. The CLAAS Next Generation program is used in a targeted manner to ensure the loyalty of talented young people in the long term. After finishing their studies, direct entry positions or the international trainee program offer a great opportunity for graduates to start their careers at CLAAS. The award-winning trainee program focuses on engineering, finance/controllers, sales, as well as software and electronics.

Employer rankings and employer branding

CLAAS has successfully positioned itself as an attractive company among its target groups so as to continue securing talents in the future. CLAAS is regarded as being a popular employer both nationally and internationally, a fact that is confirmed every year by the top positions that CLAAS secures in employer rankings. In addition, CLAAS was once again recognized as a “MINT Minded Company” this year. This award recognizes that CLAAS provides special support to students and specialists in the fields of science, technology, engineering, and mathematics and is perceived by them as a particularly attractive employer. CLAAS is also actively and systematically encouraging young women to enter technical professions.

CLAAS has joined forces with the Deutsche Lehranstalt für Agrartechnik (DEULA), based in Nienburg, Germany, to develop the Fast Ag Track initiative geared towards training Ukrainian refugees for jobs in agricultural equipment trading. Once they complete the training, which is intended to lead to a professional qualification, participants can quickly and simply find their feet in the working world with CLAAS sales partners.

Performance-based compensation

As a responsible employer, CLAAS offers its employees competitive, performance-based compensation that is aligned to the long-term requirements of the Company. Systematic job evaluation ensures that the remuneration structures are both sound and commensurate. All domestic employees may become silent partners of CLAAS through CMG CLAAS Mitarbeiterbeteiligungs-Gesellschaft mbH. The aim is to create a balance between the business interests of the CLAAS Group and employees’ professional, personal, and family needs. The options include flexible working hours, mobile working, staff programs to promote work-life balance, and the opportunity take advantage of arrangements to work from home.

Women in leadership positions

CLAAS aims to promote the training and education of young women through offers such as a Female Day and a mentoring program for students of science, technology, engineering, and mathematics (STEM). These measures have already resulted in candidates applying to join the training and trainee programs at CLAAS.

At the CLAAS Group, female employees account for approximately 13.4% of the total workforce worldwide. The aim is to at least maintain the percentage of women in leadership positions at a stable level and increase it where possible. With regard to the German Act on Equal Participation of Women and Men in Executive Positions (FüPoG II), the target of 8.3% defined for June 30, 2022, has been exceeded for the Supervisory Board, with 25.0% of its members being female. At the first two levels of management, the percentage stood at 7.7% (target: 7.7%) and 6.5% (target: 4.0%) respectively. The newly defined targets announced in July 2022 are 25.0% for the Supervisory Board and 7.7% and 6.5% respectively for the first two levels of management; they apply until June 30, 2027. As a company with a primarily technical focus, CLAAS has taken into account industry-specific factors and the current percentage of women in the workforce in defining its targets.

The above statement pursuant to Sec. 289f (4) of the German Commercial Code (HGB) is an integral part of the management report. The audit by the auditor is to be limited pursuant to Sec. 317 (2) Sentence 6 HGB to whether these disclosures have been made.

Risks and Opportunities

Internal control and risk management system

As a globally active corporate group, CLAAS is subject to various types of risk. Taking preventive measures to counter possible risks, as well as identifying, measuring, and adequately responding to these risks at an early stage, are key components of the CLAAS risk management system. At the same time, entrepreneurial activity at CLAAS also means deliberately entering into calculable risk to allow the Company to take advantage of the related opportunities.

Within the CLAAS Group, a uniform, Group-wide risk management system is an integral part of corporate management and the controlling organization. This serves to take advantage of opportunities, identify any significant risk that could endanger the ability of the Company to continue as a going concern, and ensure appropriate risk handling. The risk management system and implemented risk controlling utilize a wide variety of information for ongoing identification, evaluation, and control of risks. The existing system, which is continually being developed further, complies with all statutory early warning requirements.

The Group's reporting system represents an essential element in the continuous monitoring of economic risks. In addition to the data supplied for external reporting, detailed internal reports and evaluations are provided to decision makers on a monthly basis. Budgets are monitored for deviations, earnings projections are checked for feasibility, and any new risks are identified, evaluated, and documented on an ongoing basis. The assessments are made on an ongoing basis for the current fiscal year and as part of the strategy process over the medium-term planning horizon. The management report usually covers a period of twelve months. Risks are assessed on the basis of the probability of occurrence of an estimated maximum risk exposure before the implementation of counter-measures.

Within existing organizational structures, the risk management system is accounted for and supported by the operating and administrative areas of responsibility. In addition to the regular information provided, an obligation to prepare ad hoc risk reports ensures prompt Group Executive Board action at all times. The Internal Audit department of CLAAS is responsible for monitoring the adequacy of the risk management system and conformity with regulations.

The aim of the internal risk management system and the internal control system for the financial reporting process and the Group financial reporting process is to ensure the effectiveness of the accounting system and its adherence to generally accepted accounting principles and guarantee compliance with statutory norms, financial reporting standards, and intra-group accounting policies, which are binding for all companies included in the consolidated financial statements. The key information on this is available to the entire Group via the CLAAS intranet. CLAAS ensures that all information is up to date by conducting continuous analyses of any changes to determine their relevance and their impact on the financial statements. The Group Accounting department is primarily responsible for this task. CLAAS prepares its financial statements using a Group-wide reporting system that is also used for preparation of the budget, medium-term planning, and estimates during the fiscal year. The reporting system incorporates principles, processes, and controls to ensure that the financial statements comply with all requirements and are submitted on time. The following examples are representative of these principles, processes, and control mechanisms:

- Group-wide specifications for accounting, measurement, and account coding of key items that are updated and communicated to the responsible departments within the scope of training courses on an ongoing basis;
- Organizational measures in combination with access authorizations for accounting systems, segregation of duties, and rights of disposal;
- Dual control of financial reporting processes and in connection with the preparation of the financial statements;
- Internal audit procedures;
- Activities of external service providers.

The Internal Audit department conducts regular risk-oriented reviews as well as reviews on a case-by-case basis of key business processes at companies in Germany and abroad. It determines whether legal requirements and internal instructions are being adhered to, and also whether the internal control systems are effective and functional. As part of the reviews, the Internal Audit department agrees on suitable measures with the respective company management team, which are then implemented by the Company. The Internal Audit department also monitors their implementation. All audit results are reported as well. Internal audit activities, such as annual risk-oriented audit planning, documentation

Risks and Opportunities

of audit activities and results, reporting, and follow-up measures, are set forth in rules for the Internal Audit department and an audit manual. The tasks and activities are based on the rules of the Institute of Internal Auditors and of “Deutsches Institut für Interne Revision” (German Institute for Internal Audit), and they are supported by audit software. The most recent audit of the internal audit system in accordance with IDW PS 983 demonstrated full compliance with the quality assessment requirements.

Compliance

Compliance – the obligation to adhere to laws, internal regulations, and contractual commitments – is a core element of the corporate culture. The Group Executive Board has established the CLAAS Compliance Committee (CCC). The CCC prepares an annual report on compliance within the Group on behalf of the Group Executive Board and the Shareholders' Committee. It also reports on an ad hoc basis in the event of severe compliance breaches and advises the Group Executive Board in all relevant compliance-related matters at the Group. The CLAAS compliance organization is based on relevant standards governing compliance management systems.

A trust hotline was set up back in fiscal year 2021 for the confidential communication of grievances and breaches of laws and regulations within the Company. The overarching aim is to prevent harm to employees, customers, business partners, and the Company. In addition to using the internal channels, active or former employees of the CLAAS Group, as well as business partners such as sales partners, customers, or suppliers, can also turn to an external ombudsman in confidence with information.

More details on the main risks and opportunities are provided below.

Market risk

The risk landscape of CLAAS is affected by variations in harvest yields, decisions on agricultural policies, and farmers' incomes, as well as intense competition in the industry. In North America, CLAAS has successfully grown over the past few years and will continue to pursue its existing strategy in these markets.

In view of demand trends for agricultural equipment, markets in Asia, especially China and India, as well as in Central and Eastern Europe, are of particular importance to the CLAAS Group. These markets have huge potential; however, CLAAS

sales activities are hampered in some countries in these regions on account of the prevailing market conditions there. These include customs barriers, minimum requirements relating to the share of local manufacturing, payment and convertibility restrictions, political and economic insecurity, and even armed conflict, as is currently being seen in Ukraine. The war in Ukraine is also causing particular risks to our activities on an international scale. Compliance with the full range of sanctions is restricting production and significantly reducing the range of goods and services.

At the same time, there are opportunities that go above and beyond current planning that can emerge from quicker growth in markets with a comparatively low level of mechanization. Risks and opportunities are managed centrally by monitoring and evaluating market-related indicators in conjunction with the specific country risks.

Markets and their early warning indicators are carefully observed on an ongoing basis in order to identify any fluctuations in demand or changing buying behavior in sales regions at an early stage. This ensures that product strategies are kept up to date and are adapted in response to changing customer requirements and reactions from competitors.

Research and development risk

Along with controlled risk-taking, acting entrepreneurially at CLAAS involves dealing in depth with all risks along the value chain. With innovation cycles becoming increasingly shorter, research and development play a pivotal role. The aim is to ensure that innovative and technically mature products are created and brought to market for the benefit of customers. Risks from possible mistakes in development, increased ramp-up costs for new products, delays to product launches, and regulatory requirements are counteracted through the systematic expansion and ongoing monitoring of research and development activities. CLAAS counteracts the risk that products may not be developed within the planned time frame, at targeted levels of quality, or at the specified costs by continuously and systematically monitoring the progress of all projects using a clearly defined process.

Purchasing risk

Fiscal year 2022 was characterized by persistently high supply risks. The coronavirus crisis and its aftermath continued to have a massive impact on the availability of materials. Besides material shortages, supplier production capacities were often not sufficient to satisfy the needs of all customers, resulting in

periodic and unexpected delivery bottlenecks. Isolated cyber-attacks at strategically important suppliers also posed challenges for the Purchasing department, but usually only had a temporary impact on the supply situation.

The stoppage of gas deliveries from Russia is an enormous risk to Germany and Western Europe. A drop in the gas supply and the associated drastic rise in the price of all energy carriers would have an impact on CLAAS production sites and on the suppliers of energy-intensive production material.

Despite missing parts and a high outlay for reworking due to targeted initiatives to safeguard assembly programs, the support of external advisers made it possible to maintain series production at the locations to a large extent, but not fully.

Future purchasing risks will continue to be monitored closely. Measures to increase supply chain resilience, such as supplier checklists to safeguard their supply capabilities or targeted measures aimed at critical suppliers, are being implemented with close collaboration of Purchasing, Logistics, and Production. Suppliers' financial situations also continue to be closely monitored.

Production risk

In CLAAS production, all equipment is serviced regularly, and any potential sources of risk are eliminated by renewing the equipment in order to reduce the risk of production downtime. In addition, advantageous insurance contracts protect CLAAS from the effects of production outages. Flexible working time models ensure that the required human resources can be adjusted to meet the degree of capacity utilization. To reduce quality risk, a central quality management department guarantees adherence to and fulfillment of predefined standards.

CLAAS is keeping a close eye on the looming gas crisis. Possible alternatives are being explored at our plants (such as filling up all oil tanks, substituting with electricity), so that production can continue even if gas availability is limited. If gas is rationed, CLAAS is likely to be classified as a medium- to low-priority consumer. We are more concerned about parts of the supply chain, particularly smaller companies such as cast iron and plastics suppliers. Producing these materials is an energy-intensive process, and it is more difficult for smaller

companies to take active measures. Because the past year has shown that alternative procurement sources are not readily available, CLAAS remains in close dialogue with its suppliers. It is not possible to determine whether there will be any material effect on operating income due to uncertainty over supply volumes and the potential for restrictions.

Thanks to the measures that have been taken at the plants concerned, we believe that a partial reduction in the supply of gas to CLAAS by 20 to 30% will cause only limited operational disruption in spite of the varying energy mixes at different production sites.

Personnel risk

CLAAS has a constant need for highly qualified specialists and management executives. At the moment, CLAAS does not see itself exposed to risks arising from a shortage of certain types of employees on the labor market and resulting delays in finding successors for critical positions. With its personnel strategy, CLAAS focuses above all on in-house junior staff advancement as well as systematic training and personnel development. Aside from "dual study" programs, the international trainee program ensures that highly qualified employees can be trained within the Company. In addition, CLAAS also offers measures to promote and maintain employee health. For a comprehensive description of personnel activities, please see the "Employees" section.

IT risk

Business processes at CLAAS are supported by powerful, state-of-the-art IT systems. The Group's uniform global IT strategy allows systems to be effectively and continuously adapted to reflect current requirements and developments. This also includes adapting to new and changing IT risks, which have increased significantly in recent years and which CLAAS now deems critical.

CLAAS implemented a security strategy at an early stage, which includes preventive measures as well as the timely detection of safety incidents in order to be able to react appropriately. Actively monitoring the threat situation in the cyber-security environment allows us to identify and implement the organizational and technical measures required to increase IT security.

In order to avoid disruption, CLAAS places particular importance on standardized hardware and software environments, the integrity and safety of data, and on user management. Reliable data backup systems are complemented by systematic and varied employee training.

Legal risk

CLAAS is exposed to risks relating to international and national tax, competition, patent, trade, and liability law. Decisions at the CLAAS Group are made after intensive legal review and consultation so as to avoid these risks. Selected risks are transferred to insurance companies by means of global master policies and national framework agreements on a uniform basis across the Group.

Financial risk

Due to its business activity, the CLAAS Group is exposed to risks and opportunities from exchange rate and interest rate volatility. On the procurement side, the CLAAS Group is exposed to commodity price and supply security risks. Credit risks that could result from payment default or delayed payments are minimized through active receivables management, close cooperation with banks, and credit insurers. Realization risks could impact accounts receivable in the event of a significant decline in operating performance or the restriction of the free movement of capital. These risks are identified for the entire CLAAS Group and measured, monitored, and managed centrally by Group Treasury. Forward exchange transactions, foreign currency options, and interest rate swaps are the main tools used to hedge interest and currency risks. The risk management software in use enables independent valuations, performance measurement, and forward-looking scenario simulations in relation to the utilized financial instruments. CLAAS is fully compliant with the risk management requirements that the European Market Infrastructure Regulation (EMIR) of the European Parliament and the European Council imposes on non-financial counterparties below the clearing threshold. Established risk management processes based on obligatory Group-wide procedural guidelines, which contain recommended actions, principles, and power of attorney directories, guarantee high process quality and stability.

CLAAS measures liquidity development on an ongoing basis in the form of daily, weekly, and monthly reports with an increasing level of detail. Potential liquidity risks are countered by maintaining sufficient financing commitments and cash and cash equivalents, as well as through the ABS program and the international cash management strategy.

Risk management in relation to financial instruments, as well as the quantifying of concluded hedging instruments, is explained in Notes 34 and 35 of the consolidated financial statements.

Strategic refinancing risks are managed at CLAAS by a relatively long duration target for drawn borrowings.

Risks related to payment security have become increasingly important in recent years. CLAAS is responding to this constantly growing challenge through Group-wide information and training for employees in affected areas, the monitoring of payment transactions as part of the scope of the cash management process, clear responsibility structures and process definitions, and the systematic implementation of dual control at all process levels, especially payment execution, among other measures. Great importance is also placed on preventing money laundering. Binding Group-wide guidelines are supplemented by corresponding employee training and the provision of information and documentation.

In the area of dealer and sales financing, the CLAAS policy of following a traditional captive financing model only to a limited extent has paid off. The risk mix has remained sustainable thanks to the close integration of associated CLAAS Financial Services companies into the risk management and lending processes of a major European commercial bank, and the practice of concentrating primarily on business with retail customers.

Overall risk assessment

Following the continuous analysis of the information provided by risk management and risk controlling in fiscal year 2022, all quantifiable risks were deemed to be not material to the extent that provisions have not already been made for them in the annual financial statements. For information on the existing financial risks, please see the notes to the consolidated financial statements.

The further escalating energy crisis may result in individual suppliers running into difficulties with their production. However, CLAAS does not anticipate any operational disruption under the most likely scenario at the current time, namely of a partial reduction in gas supplies by up to 30%.

The balance sheet risks of the war in Ukraine have largely been accounted for, above all by writing off property, plant and

equipment at the production site in Krasnodar, Russia, writing down inventories, and reducing deferred tax assets.

There are no identifiable risks for 2023 that could endanger the existence of the CLAAS Group or any of its major subsidiaries as going concerns, either individually or in conjunction with other risks, even in the event of further sanctions against Russia and a continuation of the war in Ukraine.

Outlook

Economic frameworks

Supply-side disruption and the ongoing risks relating to the coronavirus pandemic will continue to impact global economic development in 2023. The IMF forecasts growth of 2.7% in 2023, whereas the OECD was expecting 3.0% as of September. Consequently, an economic recovery is not on the horizon after a weak 2022, as limited availability, high commodity prices, inflationary pressure, and tighter monetary policy in response to inflation (particularly in developed economies), as well as weak growth in China, will have an adverse impact on global economic output. As a reaction to these factors, inflation is likely to slacken off somewhat at a high level and even fall to 4.4% in developed economies.

After its considerable recovery in 2021 and 2022, international trade will not be able to match the growth of economic output in 2023. This trend is likely to be driven by ongoing protectionist tendencies, increased transportation costs, the continued presence of coronavirus risks, and geopolitical tensions.

The international mechanical engineering sector will see weak sales growth of around 2% in 2023, according to the Oxford Economics' base scenario. Downside risks are the dominant factor here, with the potential for gas shortages in Europe and the associated danger of developed economies slipping into recession, which is exacerbated by the tightening of monetary policy. For the global agricultural equipment industry, the VDMA is forecasting price-related negative growth of around -2% in 2023, although rising machinery prices will give a further boost to sales.

Meanwhile, the USDA expects global grain production (including rice) to decline by a small margin to 2,747 million metric tons (-1.9%) in the current crop year 2022/23. The soybean harvest is expected to rise sharply to 391 million metric tons (+9.9%), whereas wheat production is set to stagnate at around 780 million metric tons and corn production is actually forecast to decline (-3.7%). All in all, global grain inventories will decrease due to the unwavering demand (-3.6%).

Regional industry developments

The USDA expects that the 2022/23 crop year in Europe will remain below the level of the prior year due to the unusually hot summer and dry conditions, particularly in the Mediterranean region. The high but extremely volatile grain prices are also proving to be a cost driver for many livestock farmers. Crop farms, meanwhile, are facing historically high costs for operating resources. In light of the considerable order backlog, European agricultural equipment manufacturers generally expect falling order intake and stagnating sales.

In Ukraine, the ongoing war is having a negative impact on the agricultural sector. As a result, the USDA expects the 2022/23 harvest to slump by 25 to 35% compared to the prior year. Further downside risks depend on the continuation of the war.

Russia is expecting a particularly high wheat harvest in 2023, which will help to stabilize demand. However, the Russian agricultural equipment market is only likely to recover slowly due to political factors and remain at its low level in 2023, as it is taking time for import substitution to have an effect. Nevertheless, manufacturers from Russia, China, and Belarus will gain significant market share here.

Risks and Opportunities
Outlook

In North America, expectations for the 2022/23 harvest are relatively low. The wheat harvest is likely to stagnate, and the production of corn and soy is set to decline due to the dry weather conditions. Despite this, the market for large agricultural machines is expected to record strong growth. In South America, soy and corn harvests are set to recover initially in 2022/23. The future momentum of South America's agricultural equipment market, which boomed in 2022, is strongly dependent on the change of government in Brazil and on inflation in the country, among other factors. Nevertheless, the agricultural equipment market is still expected to grow further in 2023.

After excellent harvests in 2021/22, India has already lowered its outlook for the wheat and rice harvests in 2022/23. Production is also likely to stagnate in China, where the introduction of the new China IV emissions standard will hamper the agricultural equipment market.

Geopolitical disruption caused by the war in Ukraine is expected to impact international availability of agricultural products. This, coupled with a growing global population and rising demand for feedstuff and food, is likely to cause continued volatility among grain prices at a high level, which will open up further potential for agricultural equipment in the future.

General statement on the development of business and outlook

Business in 2022 was shaped by significant changes to the political and economic frameworks. The war in Ukraine, and at times severely constrained and delayed handling periods in key Asian sea ports, caused further interruptions to supply chains and triggered massive price increases for production components and logistics services. The unusually high costs spikes during the year, especially compared to prior years, necessitated unscheduled wholesale price increases that dealers and retailers ultimately passed on to farmers and contractors. On the back of continued substantial global demand for agricultural equipment and the realized price increases, the CLAAS Group successfully further increased its sales by a small margin over the record-breaking prior-year level.

Thanks to the most state-of-the-art product range on the market, featuring the LEXION and TRION series, CLAAS reported a high intake of combine harvester orders, a significant share of which will not be delivered until fiscal year 2023

due to the longer lead times on production components. The same applies to the tractors product segment. In the forage harvester product segment, CLAAS successfully cemented its strong market position.

Despite the unscheduled price hikes over the course of the year, CLAAS was still unable to pass on the higher input costs to customers in full, which impacted the gross margin.

The CLAAS Group expects demand for agricultural equipment to remain stable overall in the main sales regions in Central and Western Europe, as well as in North America, in fiscal year 2023. CLAAS therefore anticipates a significant rise in sales year on year in fiscal year 2023, in spite of the uncertainties referred to above.

In view of the war in Ukraine, inflation and recession risks, and still smoldering international trade conflicts with the risk of new bilateral sanctions in trade, finance, and other aspects of the economy, adverse effects on sales and income at the CLAAS Group cannot be ruled out. At the same time, the supply situation, the ongoing energy crisis, and price trends on procurement markets all continue to pose major risks. The return to rising interest rates on financial markets, which has led to extreme revaluations of financial assets in some cases and to disruption to established exchange rate parity, is likely to have an adverse effect in the years to come.

Further risks may arise from weakening industry development and changing political frameworks for farmers in some markets.

The CLAAS Group will consistently pursue the strategy it has adopted and increasingly develop growth markets for CLAAS products. The capital expenditures of CLAAS in the current year will be on par with the high level of 2022. If market conditions change, the volume can be adapted. The development of innovative products and intelligent technologies will continue apace in the current fiscal year. However, it will take some time for the expenses associated with such development work to be recouped by the corresponding revenues. The CLAAS Group will continue its efforts to increase efficiency and achieve sustainable cost reductions in the current year. Due to the solid order backlog and expanded production capacities, the CLAAS Group expects earnings before taxes for the current fiscal year 2023 to be significantly higher than the prior-year level.