Quarterly Statement Q1–3/2019

BayWa Group

Contents

Note

Amounts are stated in millions of euros and rounded to one decimal place, unless otherwise stated. This may result in minor discrepancies in sum totals and when calculating percentages.

Quarterly Statement[1]

Overview of Business Performance of the BayWa Group

BayWa on track to achieve its targets – annual result likely to significantly outperform previous year

- Revenues and earnings (EBIT) up year on year after nine months; significant improvement in earnings in Agriculture and Energy Segments
- Agriculture Segment: earnings growth in fruit trading; trade tensions negatively impact international produce trade
- Energy Segment: strong heating business; flourishing trade in photovoltaic components, project sales expected in final quarter
- Building Materials Segment: construction activity remains brisk, high demand in building materials trade to continue until end of year

After the first nine months of the current financial year, the BayWa Group reported an increase in revenues of 2.3% compared to the same period in the previous year to €12.5 billion (Q1–3/2018: €12.2 billion). Earnings before interest and tax (EBIT) increased from €28.3 million in the previous year to €77.3 million as at 30 September 2019. This improvement in earnings was carried by all three core operating segments.

The Energy Segment recorded the largest year-on-year rise in earnings due to strong demand in the heating business and brisk trade in photovoltaic components. The sale of wind plants and solar parks is scheduled for the fourth quarter and will exceed the last year's total sold capacity of around 450 megawatts (MW) by more than 200 MW. Development in the Agricultural Segment was mixed. The market conditions for the agricultural inputs trade remained difficult, primarily due to the stricter regulations on the use of crop protection and fertilizer, as well as the decline in rapeseed cultivation. Tensions in foreign trade also led to a decline in exports in grain trading. As a result of the challenging agricultural markets, the BayWa Agri Supply & Trade (BAST) business unit was unable to match the previous year, whereas the Agri Trade & Service business unit succeeded in posting higher earnings thanks to higher grain recording volume and the strong first half of 2019. The fruit business, which benefited from the sale of the previous year's good harvest and portfolio adjustments, recorded strong development. Along with the fruit trade, the continued high demand in agricultural equipment contributed to the rise in the Agricultural Segment's overall earnings. The slight jump in revenues in the Building Materials Segment is, above all, due to an increase in the volume of building materials sold on account of the general economic conditions. This trend should continue until the end of the year.

For 2019 as a whole, management confirms its forecast of achieving a consolidated operating profit (EBIT) higher than in the previous year.

Highlights in the third quarter of 2019

- Expansion of renewable energies business in Canada (acquisition of solar trader National Solar Distributors Inc. and software provider PowerHub)
- Expansion of BayWa r.e. project pipeline: Acquisition of roughly 1.3 gigawatts in wind farm project in the US (Wyoming)
- BayWa Agricultural Centre of Competence opened in Wernberg-Köblitz, Germany

1 This quarterly statement was prepared in accordance with IFRS principles. It is not an interim financial report in accordance with IAS 34 or a financial statement in accordance with IAS 1.

Asset Development from 1 January to 30 September 2019

The BayWa Group's total assets stood at €8,947.2 million as at the end of the third quarter and were therefore €1,435.7 million, or 19.1%, higher than at the end of financial year 2018. This was primarily due to the typical seasonal rise in current assets as well as the first-time application of the new leasing standard IFRS 16.

Equity stood at €1,333.1 million and was €56.0 million, or 4.0%, lower than the figure reported as at 31 December 2018. The decline was mainly the result of the dividend payment of €44.3 million and various matters measured at fair value recognised directly in equity.

Non-current liabilities amounted to €3,211.8 million as at 30 September 2019, up significantly from the figure of €2,074.7 million reported at the end of financial year 2018. This increase was predominantly the result of the rise in financial lease liabilities due to the first-time application of IFRS 16. These liabilities rose by €558.2 million to €722.7 million compared to 31 December 2018. In addition, the increase is attributable to the non-current financial liabilities, which resulted primarily from the issuing of a green bond.

Current liabilities increased by €319.8 million, or 7.9%, to €4,367.5 million in the third quarter of 2019. The increase in trade liabilities was due to seasonal factors and reflects the growth in inventories.

Earnings Development from 1 January to 30 September 2019

The BayWa Group's revenues rose by €276.3 million, or 2.3%, year on year and stood at €12,473.0 million as at the end of the third quarter of 2019. There was also a slight increase in other operating income, which rose by €3.8 million year on year to stand at €126.1 million.

In spite of the disproportionately high increase in cost of materials in relation to revenues of €310.3 million, or 2.7%, to €11,623.9 million, gross profit rose by €44.1 million, or 3.4%, to €1,347.2 million, due mainly to the €71.9 million rise in inventories.

The increase in personnel expenses by €61.1 million, or 8.4%, to €792.3 million was primarily due to the rise in the number of employees, particularly in the Renewable Energies business unit.

Other operating expenses fell by €91.0 million to €367.0 million. This decline was particularly due to the application of IFRS 16 Leasing, which has been mandatory since 1 January 2019, and the resulting shifts between rental and leasing costs on the one hand and interest expenses on the other. At €146.6 million, depreciation and amortisation of property, plant and equipment and intangible assets was up slightly on the previous year (Q1–3/2018: €98.9 million). The rise was mainly attributable to depreciation and amortisation of leased goods, which have been included for the first time since 1 January 2019 due to the introduction of IFRS 16.

The result of operating activities amounted to gains of €41.3 million and was therefore €26.3 million higher than in the same period in 2018.

Income from participating interests increased from €6.9 million to €27.2 million, which resulted mainly from the sale of BMH Biomethan GmbH, Munich, Germany, and Kartoffel-Centrum Bayern GmbH, Rain am Lech, Germany. Income from participating interests recognised at equity also increased by €2.4 million year on year to €8.8 million.

The BayWa Group's earnings before interest and tax (EBIT) stood at a profit of €77.3 million as at the third quarter of 2019.

Net interest for the first nine months of 2019 fell by €24.3 million year on year to minus €79.3 million. The deterioration was primarily due to the rise in interest expenses of €89.1 million (Q1–3/2018: €63.3 million), which was largely the result of the first-time application of IFRS 16. Since 1 January 2019, the compounding effect of lease liabilities has had to be reported under interest expenses. The interest expenses for leases stood at roughly €20.0 million in the third quarter of 2019.

Taking into account tax income of €0.5 million, this resulted in a negative consolidated net result of €1.5 million for the first three quarters of 2019, which is nevertheless €17.5 million higher than in the same period in the previous year.

Business Performance of the Segments from 1 January to 30 September 2019

Agriculture Segment

	Revenues			EBIT		
in € million	**Q1–3/2019**	Q1–3/2018	Change in %	**Q1–3/2019**	Q1–3/2018	Change in %
BAST	3,645.0	3,938.8	- 7.5	10.6	23.2	- 54.3
Agri Trade & Service	2,709.7	2,574.7	5.2	10.5	- 1.5	> 100
Global Produce	613.4	605.9	1.2	30.2	17.7	70.6
Agricultural Equipment	1,222.9	1,182.8	3.4	14.5	16.3	- 11.0
Agriculture Segment	**8,191.0**	8,302.2	- 1.3	**65.8**	55.7	18.1

The Agriculture Segment is divided into four business units: BayWa Agri Supply & Trade (BAST), Agri Trade & Service, Global Produce and Agricultural Equipment. The BAST and Agri Trade & Service business units cover national and international trade in agricultural produce and agricultural inputs. Global Produce encompasses global trade with fruit and fruiting vegetables. The Agricultural Equipment business unit involves trade in agricultural machinery and facilities and offers a comprehensive range of services.

After the first nine months of the current financial year, the Agricultural Segment recorded a slight decline in revenues, which was primarily attributable to the lower trading volume in the BAST business unit. Due to declining grain prices in the summer months of July and August, export and marketing activities for standard produce such as wheat and corn were mostly subdued. Feedstuff sales were also lower in the current reporting period, as trade had benefited in the previous year from higher demand due to the drought-related shortage in staple feed. In addition, trading activities in the MENA region were restricted due to economic and political factors. As a result, the BAST business unit saw a reduction in revenues and earnings for which the Agri Trade & Service business unit managed nearly to compensate. The market conditions for the domestic agricultural trade business were characterised by mixed development. There were major regional differences in the grain harvest depending on the weather. The harvest volume in eastern Germany was lower than the multi-year average due to dry conditions, whereas some German states in the west recorded increases. In total, the harvest volume in Germany is expected to be some 18% higher than the previous year's poor result, but slightly below the multi-year average. The decline in grain prices during the summer months, combined with the rise in agricultural input prices, led to a tangible reluctance to buy agricultural input. Autumn seed-sowing also got off to a later start in some regions due to dry weather conditions, leading to delay effects in agricultural input demand. Accordingly, fertilizer sales volume did not match the previous year's level. The reluctance to buy was probably attributable to the German Fertiliser Application Ordinance (DüV) as well as relative high early purchasing prices, especially for nitrogen fertilizers. Despite the challenging developments, the Agri Trade & Service business unit succeeded in achieving a year-on-year rise in earnings after the first nine months of the year, as the first half of 2019 was characterised by mild weather conditions and good grain margins.

Earnings in the Global Produce business unit rose significantly. The start to the new marketing season has been brisker than in the previous year due to lower self-supply by households through orchards and home gardens. Accordingly, it was possible to market the remaining volume of the previous year's record harvest at good prices during the reporting period and to seamlessly transition into marketing the new harvest. The new European apple harvest is likely to be around 20% lower than in the previous year. However, it appears to be of relatively high quality, which should ensure promising marketing opportunities for the quarters ahead. In the international fruit business, T&G Global benefited from strong trading results, especially in the Asia-Pacific market, with a focus on supplementary produce such as grapes, berries and citrus fruit. Within the scope of portfolio adjustments, the Global Produce business unit generated special income by selling a property in Auckland. As expected, the Agricultural Equipment business unit was not able to fully match the high level of earnings seen in the previous year, but did make up ground compared to the first half of the year. Higher order intake and stable demand in the service business have raised expectations of a strong final quarter in the Agricultural Equipment business unit. Overall, the Agriculture Segment's operating result (EBIT) was around €10 million higher than the previous year's figure as at 30 September 2019.

Energy Segment

	Revenues			EBIT		
in € million	**Q1–3/2019**	Q1–3/2018	Change in %	**Q1–3/2019**	Q1–3/2018	Change in %
Conventional Energy	1,908.1	1,756.7	8.6	21.5	10.8	99.1
Renewable Energies	1,081.2	827.0	30.7	3.9	- 20.9	> 100
Energy Segment	**2,989.3**	2,583.7	15.7	**25.4**	- 10.1	> 100

The Energy Segment comprises the BayWa Group's trading activities in fossil and renewable heating fuels, fuels and lubricants as well as its business in renewable energies, which is pooled in BayWa r.e. renewable energy GmbH. The Energy Segment experienced a strong third quarter. Trade in fuels even managed to exceed the high demand seen in previous quarters. One of the reasons may have been the short-term rise in the price of oil following the attacks on oil facilities in Saudi Arabia in mid-September. The resulting uncertainty on the markets led to an increase in orders, which the business unit managed to use to its own advantage. The climate package passed by legislators in late September may have already led to panic buying, as it calls for an increase in the price of fuels. The marketing volume of wood pellets has also risen. In this case, the relatively low prices may have encouraged consumers to stock up in advance. The Renewable Energies business unit benefited in particular from the sale of the French wind farm Les Landes (18 MW) and from the continual expansion of international trading activities involving photovoltaic (PV) components, with the number of PV modules sold almost doubling. The service business also saw greater capacity utilisation than in the previous year. The plans for 2019 call for global project sales with a total capacity of over 650 MW (2018: 450 MW). As a result, the further foundation for the continuation of the growth strategy in the Energy Segment has been laid. This positive development was already reflected in EBIT as at 30 September 2019, which rose significantly year on year.

Building Materials Segment

	Revenues			EBIT		
in € million	**Q1–3/2019**	Q1–3/2018	Change in %	**Q1–3/2019**	Q1–3/2018	Change in %
Building Materials Segment	**1,275.2**	1,292.6	- 1.3	**23.3**	22.3	4.5

The Building Materials Segment mainly comprises Group trading activities involving building materials in Germany and Austria. Business performance in the Building Materials Segment benefited from the ongoing strong trend in the German construction sector. In August, order intake fell slightly compared to the previous month due to the summer break, but resumed its rise in September. Overall, the construction sector operated at high capacity in the reporting quarter. Sales volumes of the entire building materials portfolio benefited from this trend, with product ranges for civil engineering and road construction, as well as for gardening and landscaping, enjoying increased demand. In gardening and landscaping, the segment also benefited from higher sales of private brand products. Order intake on the BayWa Building Materials Online portal nearly doubled year on year, allowing the segment to extend its sales region beyond BayWa's bricks-and-mortar building materials network. Accordingly, earnings increased year on year in the reporting period.

Innovation & Digitalisation Segment

	Revenues			EBIT		
in € million	**Q1–3/2019**	Q1–3/2018	Change in %	**Q1–3/2019**	Q1–3/2018	Change in %
Innovation & Digitalisation Segment	**7.0**	7.2	- 2.3	**- 10.2**	- 8.8	- 15.9

The Innovation & Digitalisation Segment pools all of the BayWa Group's activities in Digital Farming and eBusiness. The slight year-on-year decline in revenues as at 30 September 2019 was due to a change in invoicing and settlement for the NEXT Machine Management licences. Last year, the licence fees were invoiced and settled in the third quarter. This year, they will be invoiced and settled in the fourth quarter. Without the delay effect, revenues would have been on par with the previous year. The actual market launch of the NEXT Machine Management software is scheduled to take place at this year's Agritechnica. The software can be used for real-time telemetry and automatic documentation in machine management systems from a variety of different manufacturers, giving farmers greater transparency and providing them with a basis for improving their operating processes in future. Along with the NEXT Machine Management system, the focus at Agritechnica will be on the TalkingFields maps and weather stations. Eco- and crop-friendly fertilization will also be an important topic on account of the German Fertiliser Application Ordinance (DüV). Revenues are expected to increase in the final quarter due to the delay in invoicing and settlement as well as the new contracts that will be signed at Agritechnica. As predicted, EBIT is negative due to the high investments, especially in software development. Hiring in research and development, as well as in sales and marketing, also had a negative impact on earnings, as did the increased marketing efforts related to Agritechnica.

Other Activities

EBIT resulting from Other Activities, including transition, primarily comprises Group administration costs as well as consolidation effects and stood at minus €27.0 million (Q1–3/2018: minus €30.7 million) as at 30 September 2019. The improvement in earnings compared to the same period in 2018 was primarily attributable to the sale of the shares in AHG- Autohandelsgesellschaft mbH.

Correction Prospectus Supplement

On June 14, 2019 BayWa AG published a supplement to the prospectus dated May 31, 2019 in relation to €500,000,000 3.125 per cent Senior Notes due 2024 (the "**Supplement**"). The references to the year "2026" in Sections 6, 13, 22, 23 and 24 in the Supplement shall be replaced to refer to the year "2024".

Outlook

The prospects in the BayWa Group's three core operating segments remain positive for the final quarter.

In the BAST business unit, a possible easing of tensions in the trade conflict between the US and China could have a positive effect on grain trading. The increasing price volatility on international grain and oilseed markets, as well as the higher domestic grain inventories compared to the previous year, offer additional marketing potential. Because the storage season for agricultural inputs has so far been subdued, the odds of brisker business in the final quarter are good. With autumn seed-sowing delayed by weather conditions, the majority of seasonal demand for agricultural inputs is likely to shift into the autumn months. The agricultural equipment business is also expected to continue growing, as confirmed by higher order intake at the end of the reporting quarter and the anticipated momentum from Agritechnica, a leading industry trade fair scheduled for mid-November that usually leads to an increase in demand. The fruit harvest and the marketing season in the southern hemisphere are more or less over. As a result, the final quarter will be influenced by the harvest in the northern hemisphere, which promises high quality despite being smaller than in the previous year. The high quality favours the marketing of high-margin club apples. In addition, trade with tropical fruits is likely to benefit from Christmas business.

In the field of renewable energies, the period until the end of the year will continue to be shaped by project sales. Numerous further plant sales besides the Schönberg wind power plant in the German state of Mecklenburg-West Pomerania, which was sold at the start of the fourth quarter, are scheduled to take place in Europe as well as in the US and Mexico. Project sales with a total output of over 650 MW are planned worldwide for 2019. The international solar module trade and the service business also offer additional earnings potential. In the field of conventional energy, it remains to be seen whether trade with heating oil will pick up in the upcoming winter season following the positive development in recent months. The below-average price level compared with the 2018 calendar year could provide consumers with an incentive to at least fill up their tanks. Stable development of the business with fuels and lubricants is expected. All told, the Energy Segment will see a significant rise in earnings towards the end of the year and substantially outperform the previous year.

In the Building Materials Segment, the volume-related year-on-year revenue and earnings growth is likely to continue through to the end of the year, provided that construction activity is not hampered by unusually poor weather. The current underlying conditions mean that significant year-on-year rises in revenues and earnings are achievable for 2019 as a whole. In addition, the Group is likely to record special income from the sale of TESSOL GmbH.

Please note: The statements and figures forecast in this document are based on assumptions and are subject to unforeseeable risk. In as much as the assumptions of the company should prove to be inaccurate, or should other unforeseeable risks occur, the possibility of the actual assets, financial position and earnings position of the Group diverging negatively from the forecast target figures cited in this report should not be discounted.

Selected Financial Information

Consolidated Balance Sheet as at 30 September 2019

Assets

in € million		30/09/2019	31/12/2018
Non-current assets			
Intangible assets		357.5	338.1
Property, plant and equipment		1,942.6	1,399.9
Participating interests recognised at equity		209.6	214.6
Other financial assets		214.1	204.5
Investment property		48.2	38.2
Income tax claims		0.0	0.0
Other receivables and other assets		49.2	29.0
Deferred tax assets		248.3	252.6
		3,069.5	**2,476.9**
Current assets			
Securities		1.9	1.9
Inventories		3,405.7	2,909.5
Biological assets		9.7	16.5
Income tax claims		61.2	54.2
Financial assets		191.9	221.6
Other receivables and other assets		1,994.8	1,706.1
Cash and cash equivalents		159.2	120.6
		5,824.4	**5,030.4**
Non-current assets held for sale/disposal groups		**53.3**	**4.2**
Total assets		**8,947.2**	**7,511.5**

Shareholders' equity and liabilities

in € million	30/09/2019	31/12/2018
Equity		
Subscribed capital	89.9	89.9
Capital reserve	114.8	114.8
Hybrid capital	296.3	296.3
Revenue reserves	544.9	536.4
Other reserves	- 15.1	49.4
Equity net of minority interest	**1,030.8**	**1,086.8**
Minority interest	302.3	302.3
	1,333.1	**1,389.1**
Non-current liabilities		
Pension provisions	648.2	657.2
Other non-current provisions	93.0	52.8
Financial liabilities	1,418.3	883.1
Financial lease obligations	722.7	164.5
Trade payables and liabilities from inter-group business relationships	5.9	6.1
Income tax liabilities	0.3	0.4
Financial liabilities	10.4	5.2
Other liabilities	93.7	85.7
Deferred tax liabilities	219.3	219.7
	3,211.8	**2,074.7**
Current liabilities		
Pension provisions	31.5	31.4
Other current provisions	210.5	188.5
Financial liabilities	2,043.4	2,232.2
Financial lease obligations	21.9	11.2
Trade payables and liabilities from inter-group business relationships	1,313.6	1,016.7
Income tax liabilities	15.4	12.4
Financial liabilities	157.8	186.1
Other liabilities	573.4	369.2
	4,367.5	**4,047.7**
Liabilities from non-current assets held for sale/disposal groups	**34.8**	**–**
Total shareholders' equity and liabilities	**8,947.2**	**7,511.5**

Consolidated Income Statement from 1 January to 30 September 2019

Continued operations

in € million		Q1–3/2019	Q1–3/2018
Revenues		**12,473.0**	**12,196.7**
Inventory changes		363.5	291.6
Other own work capitalised		8.5	6.1
Other operating income		126.1	122.3
Cost of materials		- 11,623.9	- 11,313.6
Gross profit		**1,347.2**	**1,303.1**
Personnel expenses		- 792.3	- 731.2
Depreciation and amortisation		- 146.6	- 98.9
Other operating expenses		- 367.0	- 458.0
Result of operating activities		**41.3**	**15.0**
Income from participating interests recognised at equity		8.8	6.4
Other income from shareholdings		27.2	6.9
Interest income		9.8	8.3
Interest expenses		- 89.1	- 63.3
Financial result		**- 43.3**	**- 41.7**
Earnings before tax (EBT)		**- 2.0**	**- 26.7**
Income tax		0.5	7.7
Net income/loss for the period		**- 1.5**	**- 19.0**
thereof: profit share of minority interest		18.9	19.1
thereof: due to shareholders of the parent company		- 20.4	- 38.1
EBIT		**77.3**	**28.3**
EBITDA		**223.9**	**127.2**
Basic earnings per share (in €)		**- 0.58**	**- 1.09**
Diluted earnings per share (in €)		**- 0.58**	**- 1.09**

Financial Calendar

Dates in 2020

Consolidated financial statements for 2019
26 March 2020, 10.30 am – Annual Results Press Conference, Munich
27 March 2020, 11.00 am – Analysts' Conference, Munich

Publication of figures for the first quarter of 2020
7 May 2020 – Press release
7 May 2020, 8.30 am – Analysts' Conference Call

Annual General Meeting 2020
26 May 2020, 10.00 am – ICM, Munich

Munich, 7 November 2019

The Board of Management
Prof. Klaus Josef Lutz (Chief Executive Officer)
Andreas Helber
Marcus Pöllinger
Matthias Taft
Reinhard Wolf

Contact
Investor Relations
Arabellastr. 4
81925 Munich
Germany
investorrelations@baywa.de
www.baywa.com