Quarterly Statement

BayWa Group 1/2019

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

Positive start to season confirms growth targets

- Consolidated operating result (EBIT) negative, as is typical for the season
- Earnings increase in all three core operating segments – Agriculture, Energy and Buildings Materials – year on year
- Mild weather conditions favour domestic agricultural and building materials business
- Conventional energy business benefits from backlog demand in heating business
- BayWa r.e.: project development and plant construction running on schedule; majority of projects to be sold in second half of year

After the first three months of financial year 2019, the international trading and services group BayWa reported a 7.4% increase in revenues to approximately €4.1 billion compared to the same period in the previous year. Earnings before interest and tax (EBIT) was negative in the reporting period, as is typical for the season, however it was able to be increased from minus €41.0 million to minus €13.8 million year on year. The positive business development was reflected in all three core operating segments, Agriculture, Energy and Building Materials. The main reason for the significantly improved start to the first quarter were the mild weather conditions, which led to anticipatory effects in the Agriculture and Building Materials Segments in particular. In some regions, farmers began to till their fields up to four weeks earlier than in the previous year, which was affected by snow and a long period of frost. Building materials trading activities progressed in a similar manner. The major rise in earnings in the Energy Segment was primarily due to increased demand for heating oil and fuels as well as the sale of BMH Biomethan GmbH, Munich, Germany. Most sales of wind and solar parks take place in the second half of the year. As a result, the Group has a solid starting point from which to achieve its targets for the year.

The first three months of the year are only of limited relevance to the annual result due to the seasonal business development at BayWa and weather-related fluctuations. However, the Group management regards the solid start to the current financial year as further confirmation of its growth expectations over the year as a whole.

Highlights in the first quarter of 2019

- NORD/LB Norddeutsche Landesbank and BayWa r.e. conclude financing agreement for three wind parks in Italy with a total output of 66 megawatts (MW).
- First-time inclusion of speciality trader Royal Ingredients Group International B.V., Alkmaar, Netherlands
- Commissioning and operation at full capacity of WUN Pellets GmbH (formerly: WUN Energie Gmbh), Wunsiedel, Germany
- New "BayWa Portal" went online in February 2019

Earnings Development from 1 January to 31 March 2019

The BayWa Group's revenues rose by €282.5 million, or 7.4%, year on year in the first quarter of 2019 and stood at €4,079.6 million. There was also a rise in other operating income, which increased by €6.5 million year on year to €39.8 million largely as a result of currency effects from valuation business. Other operating expenses included contrasting currency effects.

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.

In spite of the disproportionately high increase in cost of materials in relation to revenues of €273.9 million, or 7.7%, to €3,808.6 million, gross profit rose by €37.5 million, or 10.3%, to €400.3 million. This was predominantly due to the €22.9 million rise in inventories.

The increase in personnel expenses by €21.7 million, or 9.4%, to €253.4 million was primarily due to the rise in the number of employees, particularly in the Renewable Energies business unit.

Other operating expenses fell by €26.5 million to €115.5 million. This decline was particularly due to the application of IFRS 16 Leases, 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 €55.0 million, depreciation and amortisation of property, plant and equipment and intangible assets was up slightly on the previous year (Q1/2018: €33.5 million).

The result of operating activities amounted to a loss of €23.6 million and was therefore €20.8 million higher than the previous year.

Income from participating interests came to €9.8 million, up €6.4 million year on year. This was mostly attributable to other income from participating interests, which was €6.5 million higher than the previous year. Income from participating interests recognised at equity was roughly on a par with the previous year's figure at €1.8 million (Q1/2018: €1.9 million).

The BayWa Group's earnings before interest and tax (EBIT) stood at a loss of €13.8 million in the first quarter of 2019.

Net interest in the first three months of the year was down €8.1 million year on year at minus €24.1 million. The deterioration was primarily due to the rise in interest expenses of €27.7 million (Q1/2018: €17.8 million). This was largely due to the first-time application of IFRS 16 Leases: since 1 January 2019, the compounding effect of lease liabilities has to be reported under interest expenses. This effect stood at roughly €4.0 million in the first quarter of 2019. In addition, interest expenses rose by a particularly high margin in the BayWa Agri Supply & Trade (BAST) business unit due to the rise in borrowing in the first quarter of 2019.

Including tax expenses of €0.9 million, this resulted in a loss for the first quarter of 2019 of €38.8 million, which was €4.9 million above the previous-year figure.

Asset Development from 1 January to 31 March 2019

The BayWa Group's total assets stood at €8,799.3 million as at the end of the first quarter and were therefore €1,287.8 million, or 17.1%, higher than at the end of the 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 €1,362.8 million and was €26.3 million or 1.9% higher than the figure reported as at 31 December 2018.

Non-current liabilities amounted to €2,675.4 million as at 31 March 2019, up from the figure of €2,074.7 million reported at the end of financial year 2018. The increase in non-current liabilities was predominantly the result of the rise in financial lease liabilities due to the first-time application of IFRS 16. These liabilities rose by €603.4 million to €767.9 million compared to 31 December 2018.

Current liabilities increased by €713.4 million, or 17.6%, to €4,761.1 million in the first quarter of 2019. The increase in trade payables was due to seasonal factors and reflects the growth in inventories.

Business Performance of the Segments from 1 January to 31 March 2019

Agriculture Segment

	Revenues			EBIT		
in € million	Q1/2019	Q1/2018	Change in %	Q1/2019	Q1/2018	Change in %
BAST	1,414.4	1,420.1	- 0.4	4.3	8.0	- 46.3
Agri Trade & Service	904.4	813.4	11.2	3.0	- 6.2	> 100
Global Produce	191.0	185.7	2.9	- 1.7	- 3.5	51.4
Agricultural Equipment	313.9	309.0	1.6	0.6	- 1.0	> 100
Agriculture Segment	**2,823.8**	**2,728.2**	**3.5**	**6.1**	**- 2.7**	**> 100**

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 involving agricultural produce and operating resources. The Global Produce business unit encompasses global trade with fruit and vegetable fruits. The Agricultural Equipment business unit trades in agricultural machinery and plants and offers a wide range of services.

The Agriculture Segment made a better start to the current financial year than to the previous year. Mild weather conditions benefited domestic agricultural business in particular. The early start to the season led to increased demand for fertilisers. Trade in produce also developed positively as grain inventories from the previous year were able to be marketed at improved trade margins. As expected, opportunities in international grain and oilseed trade were limited due to low price volatility and only permitted correspondingly low profit margins. As in 2018, the Agricultural Equipment business unit again recorded a strong opening quarter in which it benefited from a solid order buffer and moderate weather conditions. The shift forwards in field management resulted in greater-than-usual demand for maintenance and services in workshops in the first quarter. Marketing volume in fruit trading rose in comparison to the extremely weak first quarter of the previous year. However, apple prices are low due to the strong harvest throughout Europe, which is why profit margins are moderate in Germany. The Global Produce business unit is likely to receive added impetus with the start of the marketing season for the new apple harvest in New Zealand. The rise in earnings before interest and tax (EBIT) of €8.8 million to €6.1 million (Q1/2018: minus €2.7 million) was primarily due to the stabilisation of agricultural input business and above-average profit margins in domestic product trade. The high willingness to invest in agricultural equipment and the early start to the vegetation cycle are other factors that should bolster the result in the Agriculture Segment.

Energy Segment

	Revenues			EBIT		
in € million	Q1/2019	Q1/2018	Change in %	Q1/2019	Q1/2018	Change in %
Conventional Energy	595.6	515.4	15.6	5.7	1.6	> 100
Renewable Energies	368.4	260.4	41.5	1.2	- 5.1	> 100
Energy Segment	**964.1**	**775.8**	**24.3**	**6.9**	**- 3.5**	**> 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. There were no significant sales of wind or solar parks in the reporting quarter. As in the previous year, the number of renewable energy project sales is expected to increase sharply in the second half of the year. Projects with a total output of approximately 660 megawatts (2018: 450 MW) have been earmarked for sale in the current financial year. In its energy trading business, BayWa r.e. sold BMH Biomethan GmbH, Munich, Germany, through profit or loss. There was a significant increase in conventional energy business on a year-on-year basis. Heating oil business recorded high demand, with the harsh winter in the previous year meaning that household stocks were low and demand for heating oil and wood pellets was revived. In addition, the investment in the new pellets plant of WUN Pellets GmbH (formerly: WUN Energie GmbH), Wunsiedel, Germany, allowed the business unit to achieve improved price terms in its wood pellet trading activities. Fuel trading also saw volume-related increases, with the expansion of the sales region for the BayWa filling station card having a positive impact. Compared to the same quarter of the previous year, this led to a significant rise in EBIT in the Energy Segment from minus €3.5 million to a total of €6.9 million.

Building Materials Segment

	Revenues			EBIT		
in € million	Q1/2019	Q1/2018	Change in %	Q1/2019	Q1/2018	Change in %
Building Materials Segment	**285.8**	**287.9**	**- 0.7**	**- 14.6**	**- 15.7**	**7.0**

The Building Materials Segment mainly comprises Group trading activities involving building materials in Germany and Austria. The short winter resulted in an early and dynamic start to the building materials trade season. Construction activities on sites recommenced as early as February in some regions. The favourable weather conditions and stable development of the construction industry led to a rise in sales across the whole range of products. Demand for building materials also increased in civil engineering, an effect that is normally only observed later on in the calendar year. High order backlog is likely to result in high capacity utilisation through to the end of the year. Due to the positive underlying conditions, the negative EBIT for the segment that is typical for the season decreased year on year by €1.1 million to minus €14.6 million (Q1/2018: minus €15.7 million) Against this backdrop, the segment is expected to break even as early as the second quarter of the year.

Innovation & Digitalisation Segment

	Revenues			EBIT		
in € million	Q1/2019	Q1/2018	Change in %	Q1/2019	Q1/2018	Change in %
Innovation & Digitalisation Segment	**2.3**	**2.0**	**15.0**	**- 3.2**	**- 3.0**	**- 6.7**

The Innovation & Digitalisation Segment pools all of the BayWa Group’s activities in the fields of Digital Farming and eBusiness. The segment’s slight year-on-year rise in revenues in the reporting period is attributable to the continuous development of the product range, the international expansion of sales activities and new customer growth. In addition, the new “BayWa Portal” went online in February. This is likely to lead to further revenue increases in subsequent months. In terms of the operating result, however, this growth is neutralised by investments, particularly in the development of digital farming solutions. Accordingly, the segment reported negative EBIT on par with the previous year in the reporting period.

Other Activities

EBIT resulting from Other Activities, including transition, primarily comprises Group administration costs as well as consolidation effects and stood at minus €9.1 million (Q1/2018: minus €16.2 million) as at 31 March 2019.

Outlook

Owing to seasonal factors, the first quarter is of limited informative value for revenues and earnings over the course of the year as a whole. Management is optimistic that the Group will be able to achieve its targets for the year, provided that no negative influences are exerted on business by exceptional weather conditions and market developments.

Selected Financial Information

Consolidated Balance Sheet as at 31 March 2019

Assets

in € million		31/03/2019	31/12/2018
Non-current assets			
Intangible assets		349.1	338.1
Property, plant and equipment		2,050.9	1,399.9
Participating interests recognised at equity		217.9	214.6
Other financial assets		195.5	204.5
Investment property		36.2	38.2
Income tax claims		0.0	0.0
Other receivables and other assets		29.9	29.0
Deferred tax assets		245.6	252.6
		3,125.1	**2,476.9**
Current assets			
Securities		1.9	1.9
Inventories		3,079.7	2,909.5
Biological assets		7.0	16.5
Income tax claims		59.9	54.2
Financial assets		231.9	221.6
Other receivables and other assets		2,031.3	1,706.1
Cash and cash equivalents		260.4	120.6
		5,672.1	**5,030.4**
Non-current assets held for sale/disposal groups		**2.1**	**4.2**
Total assets		**8,799.3**	**7,511.5**

Shareholders' equity and liabilities

in € million	31/03/2019	31/12/2018
Equity		
Subscribed capital	89.9	89.9
Capital reserves	114.8	114.8
Hybrid capital	296.3	296.3
Revenue reserves	553.4	536.4
Other reserves	6.7	49.4
Equity net of minority interest	**1,061.1**	**1,086.8**
Minority interest	301.7	302.3
	1,362.8	**1,389.1**
Non-current liabilities		
Pension provisions	654.2	657.2
Other non-current provisions	53.1	52.8
Financial liabilities	889.8	883.1
Financial lease obligations	767.9	164.5
Trade payables and liabilities from inter-group business relationships	7.4	6.1
Income tax liabilities	0.3	0.4
Financial liabilities	7.3	5.2
Other liabilities	83.5	85.7
Deferred tax liabilities	211.9	219.7
	2,675.4	**2,074.7**
Current liabilities		
Pension provisions	31.5	31.4
Other current provisions	201.8	188.5
Financial liabilities	2,356.2	2,232.2
Financial lease obligations	50.5	11.2
Trade payables and liabilities from inter-group business relationships	1,517.6	1,016.7
Income tax liabilities	11.9	12.4
Financial liabilities	153.0	186.1
Other liabilities	438.6	369.2
	4,761.1	**4,047.7**
Total shareholders' equity and liabilities	**8,799.3**	**7,511.5**

Consolidated Income Statement from 1 January to 31 March 2019

Continued operations

in € million	Q1/2019	Q1/2018
Revenues	4,079.6	3,797.1
Inventory changes	88.5	65.6
Other own work capitalised	1.0	1.5
Other operating income	39.8	33.3
Cost of materials	- 3,808.6	- 3,534.7
Gross profit	**400.3**	**362.8**
Personnel expenses	- 253.4	- 231.7
Depreciation/amortisation	- 55.0	- 33.5
Other operating expenses	- 115.5	- 142.0
Result of operating activities	**- 23.6**	**- 44.4**
Income from participating interests recognised at equity	1.8	1.9
Other income from shareholdings	8.0	1.5
Interest income	3.6	1.8
Interest expenses	- 27.7	- 17.8
Financial result	**- 14.3**	**- 12.6**
Earnings before tax (EBT)	**- 37.9**	**- 57.0**
Income tax	- 0.9	13.3
Consolidated net result for the period	**- 38.8**	**- 43.7**
thereof: profit share of minority interest	- 0.8	- 0.8
thereof: due to shareholders of the parent company	- 38.1	- 42.9
EBIT	**- 13.8**	**- 41.0**
EBITDA	**41.2**	**- 7.5**
Basic earnings per share (in €)	**- 1.09**	**- 1.23**
Diluted earnings per share (in €)	**- 1.09**	**- 1.23**

Financial Calendar

Dates in 2019

Annual General Meeting 2019
28 May 2019, 10.00 am – ICM, Munich

Publication of figures for the second quarter of 2019
8 August 2019, 10.30 am – Press Conference Call
8 August 2019, 2.00 pm – Analysts' Conference Call

Publication of figures for the third quarter of 2019
7 November 2019, 10.30 am – Press Conference Call
7 November 2019, 2.00 pm – Analysts' Conference Call

Munich, 9 May 2019

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