# Quarterly Statement Q1–3/2020

BayWa Group

BayWa

# 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

### Strong third quarter – BayWa reaffirms targets for the year

- Earnings (EBIT) up year on year after nine months; significant improvement in earnings in all three operating segments
- Energy Segment: sales of renewable energy projects expanded, brisk trade in photovoltaic components; heating business benefits from oil price
- Agriculture Segment: rising agricultural prices boost product and fruit trading; good development in the Agricultural Equipment business unit
- Building Materials Segment: buoyant willingness to purchase in the construction sector; building materials trade flourishing

After the first nine months of the current financial year, the BayWa Group reported a price-related year-on-year decrease in revenues of 2.2% to around €12.2 billion (Q1–3/2019: €12.5 billion). Earnings before interest and tax (EBIT) increased from €77.3 million in the previous year to €102.7 million as at 30 September 2020. This significant improvement in earnings was carried by all three core operating segments.

The Energy Segment recorded a €22.6 million increase in earnings to €48.0 million in total (Q1–3/2019: €25.4 million). The positive development is primarily attributable to project business at BayWa r.e. renewable energy GmbH, which successfully realised several international projects. For the first time, a solar project of just under 40 megawatts (MW) has been constructed in Malaysia and sold to a local investor. As in previous years, the lion's share of the planned project sales is scheduled for the final quarter. Trade in photovoltaic (PV) components and business involving heat energy carriers were able to match the strong development seen in the first half of the year and contributed accordingly to the positive result in the Energy Segment. The Agriculture Segment generated a year-on-year increase in earnings of €11.7 million, bringing the total up to €77.5 million (Q1–3/2019: €65.8 million). Strong demand for soya and corn, coupled with rising prices, was the main driver behind the earnings growth in the BayWa Agri Supply & Trade (BAST) business unit. Fruit trading in the Global Produce business unit also benefited from good price development and was able to fully compensate for last year's one-off effect resulting from the sale of a property through the operating result. While the result in the Agricultural Equipment business unit was able to post another increase year on year, the domestic agricultural input business was forced to contend with a decline in the price of fertilizers and sluggish demand for crop protection. Development in the building materials trade remains dynamic. After nine months, the Building Materials Segment recorded earnings growth of nearly €16 million to €39.2 million in total (Q1–3/2019: €23.3 million).

For 2020 as a whole, management confirms its forecast of achieving a consolidated operating result (EBIT) at least on a par with the previous year despite the coronavirus pandemic.

### Highlights in the third quarter of 2020

- BayWa r.e. promotes the expansion of agrophotovoltaic (Agri-PV) systems in Europe; largest Agri-PV installation in the Netherlands completed
- BayWa Mobility Solutions GmbH opens an additional LNG filling station in Eching near Munich, Germany
- Ground broken in Lappersdorf, Germany: BayWa invests €4.5 million in a new building materials trading site

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 2020

The BayWa Group's total assets stood at €9,413.3 million as at the end of the third quarter and were therefore €546.1 million, or 6.2%, higher than at the end of the financial year 2019. This development was primarily due to the increase in unfinished goods, which largely related to the Renewable Energies business unit and renewable energy plants under construction.

Equity stood at €1,280.5 million and was €78.1 million, or 5.7%, lower than the figure reported as at 31 December 2019. The decline resulted in particular from dividend distributions and from various matters to be recognised through other comprehensive income, including currency differences and measurement effects.

Non-current liabilities amounted to €3,143.4 million as at 30 September 2020 and were therefore on a par with the figure reported at the end of the financial year 2019.

In the third quarter of 2020, current liabilities increased by €612.3 million, or 14.0%, compared to the value as at the end of the fiscal year 2019 to stand at €4,989.4 million. The increase primarily related to trade payables and short-term debt, the latter of which were associated with the financing of renewable energy plants under construction.

# Earnings Development from 1 January to 30 September 2020

The BayWa Group's revenues fell by €275.2 million, or 2.2%, year on year to stand at €12,197.8 million as at the end of the third quarter of 2020. This decline stands in contrast to a substantial €287.2 million rise in inventory changes to €650.7 million, which mainly reflects the activities of the Renewable Energies business unit and is attributable to the renewable energy plants under construction. Other operating income increased by €12.4 million to €138.5 million. A slight increase was also seen in other own work capitalised, which rose by €2.8 million year on year to stand at €11.3 million.

Like revenues, the cost of materials decreased by €103.6 million to stand at €11,520.3 million, pushing gross profit up by €130.8 million year on year to €1,478.0 million.

The increase in personnel expenses by €60.4 million, or 7.6%, to €852.7 million was first and foremost due to the rise in the number of employees, particularly in the Global Produce and Renewable Energies business units, as well as a rise in pay scales.

At €365.2 million, other operating expenses were down slightly year on year in the first three quarters. Depreciation and amortisation of property, plant and equipment and intangible assets increased by €15.5 million, or 10.6%, to €162.1 million.

The result of operating activities more than doubled, increasing by €56.7 million compared to the first nine months of 2019 to stand at a profit of €98.0 million.

Income from participating interests fell by €21.3 million, or 78.3%, to €5.9 million. The decline was due in particular to disposal gains in the previous year that resulted 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 decreased by €10.0 million to minus €1.2 million.

The BayWa Group's earnings before interest and tax (EBIT) stood at a profit of €102.7 million as at the third quarter of 2020.

Net interest in the first nine months improved by €2.4 million year on year to stand at €76.9 million.

Including tax expenses of €7.5 million, this resulted in net income for the first three quarters of the financial year 2020 of €18.3 million – an increase of €19.8 million compared to the same period in 2019.

# Business Performance of the Segments from 1 January to 30 September 2020

## Energy Segment

| | Revenues | | | EBIT | | |
|---|---|---|---|---|---|---|
| In € million | **Q1–3/2020** | Q1–3/2019 | Change in % | **Q1–3/2020** | Q1–3/2019 | Change in % |
| Renewable Energies | 1,329.8 | 1,081.2 | 23.0 | 22.0 | 3.9 | > 100 |
| Conventional Energy | 1,323.6 | 1,908.1 | - 30.6 | 26.0 | 21.5 | 20.9 |
| **Energy Segment** | **2,653.4** | 2,989.3 | - 11.2 | **48.0** | 25.4 | 89.0 |

The Energy Segment comprises the BayWa Group's trading activities in fossil and renewable heating oil, 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. After nine months, the segment reported a price-related year-on-year decline in revenues of 11.2%, but was able to nearly double its operating result (EBIT) from €25.4 million to €48.0 million. This noticeable rise compared to the same period in the previous year was due in particular to project sales at BayWa r.e.

The sale of the Schönberg 2 wind farm in Germany (4.7 MW), the Le Champ Grand wind farm in France (9.0 MW) and the Gebeng solar park in Malaysia (38.9 MW) made a significant contribution to the result. In addition, the Renewable Energies business unit benefited from dynamic trading activities involving photovoltaic (PV) components, with higher income in Germany and Switzerland making a particularly substantial contribution. Accordingly, the total output of the PV modules sold was 29.8% higher year on year. All in all, solar parks and wind farms with a total output of over 107 MW were sold in Germany, the Netherlands, France and Malaysia in the reporting period. As in previous years, the lion's share of the planned project sales is scheduled for the final quarter.

In the Conventional Energy business unit, the heat energy carrier trade benefited from high demand that was mainly attributable to the development of the oil price. In the reporting period, the crude oil price was roughly 30% lower than in the same period of the previous year. The reduction of the value added tax rate, which has been in effect since July, is likely to have offered additional incentives to buy. Consumers viewed the tax cut as a signal to buy and took advantage of it to stock up. The carbon tax that has been adopted for 2021 is said to have already led to panic buying, as it will result in an increase in the price of fuels. The expansion of new business at BayWa Mobility Solutions GmbH and the commissioning of two additional liquefied natural gas (LNG) filling stations also made a positive contribution to the result.

## Agriculture Segment

| | Revenues | | | EBIT | | |
|---|---|---|---|---|---|---|
| In € million | **Q1–3/2020** | Q1–3/2019 | Change in % | **Q1–3/2020** | Q1–3/2019 | Change in % |
| BAST | 3,281.0 | 3,645.0 | - 10.0 | 16.6 | 10.6 | 56.6 |
| Global Produce | 711.6 | 613.4 | 16.0 | 30.2 | 30.2 | 0.0 |
| Agri Trade & Service | 2,764.9 | 2,709.7 | 2.0 | 6.7 | 10.5 | - 36.2 |
| Agricultural Equipment | 1,358.6 | 1,222.9 | 11.1 | 24.0 | 14.5 | 65.5 |
| **Agriculture Segment** | **8,116.1** | 8,191.0 | - 0.9 | **77.5** | 65.8 | 17.8 |

The Agriculture Segment is divided into four business units: BayWa Agri Supply & Trade (BAST), Global Produce, Agri Trade & Service and Agricultural Equipment. The BAST and Agri Trade & Service business units cover national and international trade in agricultural products 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 nine months of the current financial year, the Agriculture Segment achieved revenues nearly on a par with the previous year. The operating result (EBIT) improved by 17.8% in the reporting period, which was primarily due to higher earnings contributions in the BAST and Agricultural Equipment business units.

Earnings were up significantly year on year in the BAST business unit. In international trade involving grain and oilseed, the Group benefited from a strong rally on agricultural commodity markets that materialised in August and September due to the anticipated decline in harvests. The dry weather in many global cultivation regions, such as the Black Sea region, unsettled farmers increasingly. Against this backdrop, willingness to sell the old harvest was lower and was coupled with higher international demand for grain. Strong demand for feedstuff grain came from China in particular, as the pig population has started to recover there. The specialities business was relatively stable. Higher margins helped to compensate for lower sales volumes.

The new European apple harvest is likely to be slightly lower than last year's already weak harvest due to spring frosts in most cultivation regions. The forecast for the German apple harvest is largely unchanged from the previous year. In addition, stocks had been depleted by the start of the season. Accordingly, apple prices in Germany remain at an above-average level, which is also benefiting trade margins. The Global Produce business unit recorded a positive start to domestic apple marketing, which should continue until the end of the year. In New Zealand, T&G Global Limited benefited from an above-average harvest and strong export business at the start of the local apple season. Moreover, marketing volumes increased following the acquisition of the fruit trader Freshmax New Zealand Ltd, which itself had a positive effect on earnings in the reporting period.

The market conditions for the domestic agricultural trade business were characterised by mixed development. While some German states in the south recorded growth in a multi-year comparison, the preliminary harvest volume in the north was lower. All in all, the harvest volume (grain and grain maize) for 2020 is expected to be 3% lower year on year in Germany mainly due to late frosts in April and May, marked dryness in spring and a lack of soil moisture in some regions. Nevertheless, the Agri Trade & Service business unit recorded a slight year-on-year increase in grain collecting volume. Orders will be placed on the corresponding trading contracts in the months ahead and will be recognised through profit or loss. In the agricultural input business, sales of crop protection products, especially herbicides, were down year on year due to weather-related factors. Fertilizer sales volumes remained on a par with the low level seen in the previous year due to the strict fertilizer application ordinances. Moreover, a sharp year-on-year decline in fertilizer prices led to significant pressure on trade margins and had a negative impact on earnings in the business unit.

The improvement in earnings in the Agricultural Equipment business unit can be attributed to increased demand for new machinery. As a result, sales rose by 18.4%. The lower value added tax rate, which has been in effect since July, most likely had a positive impact on sales volumes. Accordingly, demand for maintenance and services also increased. High order intake and stable demand in the service business have raised expectations of a strong final quarter in the Agricultural Equipment business unit.

## Building Materials Segment

| | Revenues | | | EBIT | | |
|---|---|---|---|---|---|---|
| In € million | **Q1–3/2020** | Q1–3/2019 | Change in % | **Q1–3/2020** | Q1–3/2019 | Change in % |
| **Building Materials Segment** | **1,410.5** | 1,275.2 | 10.6 | **39.2** | 23.3 | 68.2 |

The Building Materials Segment mainly comprises Group trading activities involving building materials in Germany and Austria. Despite the coronavirus pandemic, order intake in the construction industry between January and August was nearly on a par with the high level seen in the previous year. The Building Materials Segment took advantage of domestic construction activity and was able to significantly increase revenues year on year in the first nine months. In addition to ongoing low interest rates and the reduction in the value added tax rate mid-year, money that would otherwise have been earmarked for holiday travel was increasingly spent on home renovation projects due to the coronavirus pandemic. Sales volumes of the entire building materials portfolio benefited from this trend, with product ranges for gardening and landscaping enjoying particularly brisk demand. Online sales also developed positively, as the willingness to use digital channels to make purchases is increasing. Accordingly, the operating result (EBIT) increased by just under 16% year on year to €39.2 million (Q1–3/2019: €23.3 million).

## Innovation & Digitalisation Segment

| | Revenues | | | EBIT | | |
|---|---|---|---|---|---|---|
| In € million | **Q1–3/2020** | Q1–3/2019 | Change in % | **Q1–3/2020** | Q1–3/2019 | Change in % |
| **Innovation & Digitalisation Segment** | **8.1** | 7.0 | 15.7 | **- 8.4** | - 10.2 | 17.6 |

The Innovation & Digitalisation Segment pools all activities of the BayWa Group in its Digital Farming and eBusiness divisions. The rise in revenues in the segment during the reporting period was primarily attributable to higher order intake due to more intensive sales and marketing of smart farming solutions in the third quarter. Soil sample services and hardware components were in higher demand. The eBusiness division has recorded a significant increase in online sales since the start of the coronavirus pandemic. Revenues here have tripled on average year on year. The Agriculture Segment accounted for the lion's share of this trend. However, the revenues and income from the activities are attributed to the business unit or segment responsible for the respective sold product. Moreover, FarmFacts GmbH's open trading platform NEXT Marketplace was launched in the third quarter. Farmers can use the platform directly from their already installed NEXT Farming software to obtain agricultural input offers from various providers and conclude purchase and delivery agreements. As predicted, the operating result (EBIT) was negative but rose slightly year on year in the reporting period to minus €8.4 million.

## Other Activities

EBIT resulting from Other Activities, including transition, primarily comprises Group administration costs as well as consolidation effects and stood at minus €53.6 million (Q1–3/2019: minus €27.0 million) as at 30 September 2020. The reduction in revenues compared to the same period in 2019 was primarily attributable to the coronavirus-related lack of bank dividends and income from Group companies (€11.8 million), as well as hedging transactions for currency risks (€7.0 million). The coronavirus pandemic has also resulted in additional costs (€3.9 million). Moreover, the previous year's result benefited from one-off effects such as the sale of Kartoffel-Centrum Bayern GmbH (€3.9 million) and the sale of the shares in AHG- Autohandelsgesellschaft mbh (€3.1 million).

# Outlook

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

In the Renewable Energies business unit, the period until the end of the year will continue to be shaped by project sales. Numerous plants are slated for sale in Europe and the US. In the US, the sale of a 250 MW wind farm in California will make a substantial contribution to earnings in the final quarter. The international PV module trade and the service business also offer additional earnings potential. In the Conventional Energy business unit, 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. Anticipatory effects could result from the new carbon tax, which will be levied starting in 2021, and the return to the 19% value added tax rate from 2021. 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 will match the level seen in the previous year.

Price volatility on international grain and oilseed markets could continue until the end of the year. Increased uncertainty due to the coronavirus pandemic, along with higher demand from China in general, is likely to continue fuelling fluctuations in agricultural commodity prices. The anticipated price volatility could result in additional opportunities for the BAST business unit. Stable development is expected in the specialities trade between now and the end of the year, as this particular field is subject to significantly lower price fluctuations. The Global Produce business unit is likely to see positive development until the end of the year. In addition to the marketing of the German apple harvest at above-average prices, international activities are likely to also benefit from the seasonal rise in demand for exotic fruits in the run-up to Christmas. In the Agri Trade & Service business unit, the grain contracts concluded for this year's harvest will mainly be recognised through profit or loss in the months ahead. A year-end rally in the ailing agricultural input business is unlikely. However, the relatively low fertilizer prices and the increase in the value added tax rate at the start of 2021 could lead to increased stockpiling on the part of farmers. The cost of restructuring the eastern German agricultural business will have a negative impact on earnings in the Agri Trade & Service business unit. However, the positive development of the other business units in the Agriculture Segment will fully compensated for this effect. The Agricultural Equipment business unit, which is likely to match the high earnings level seen in the previous year due to the continued rise in orders, is also expected to perform well for 2020 as a whole.

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. In addition, BayWa Projekt GmbH will sell its first residential units in the final quarter. The current underlying conditions mean that significant year-on-year rises in revenues and earnings are achievable for 2020 as a whole.

For 2020 as a whole, the BayWa Group is expected to generate EBIT that is at least on a par with the level seen in the previous year despite the coronavirus pandemic.

*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 2020

### Assets

| In € million | | 30/09/2020 | 31/12/2019 |
|---|---|---|---|
| | | | |
| **Non-current assets** | | | |
| Intangible assets | | 421.8 | 403.7 |
| Property, plant and equipment | | 2,105.3 | 2,066.3 |
| Participating interests recognised at equity | | 200.2 | 208.0 |
| Other financial assets | | 187.2 | 218.3 |
| Investment property | | 49.8 | 46.7 |
| Income tax claims | | 0.0 | 0.0 |
| Other receivables and other assets | | 29.3 | 35.9 |
| Deferred tax assets | | 307.3 | 297.7 |
| | | **3,300.9** | **3,276.6** |
| **Current assets** | | | |
| Securities | | 1.2 | 1.3 |
| Inventories | | 3,705.5 | 3,286.4 |
| Biological assets | | 13.1 | 13.6 |
| Income tax claims | | 61.8 | 59.8 |
| Financial assets | | 334.9 | 150.3 |
| Other receivables and other assets | | 1,832.0 | 1,844.8 |
| Cash and cash equivalents | | 161.1 | 229.7 |
| | | **6,109.6** | **5,585.9** |
| **Non-current assets held for sale/disposal groups** | | **2.8** | **4.7** |
| | | | |
| **Total assets** | | **9,413.3** | **8,867.2** |

## Shareholders' equity and liabilities

| In € million | | 30/09/2020 | 31/12/2019 |
|---|---|---|---|
| | | | |
| **Equity** | | | |
| Subscribed capital | | 90.3 | 90.3 |
| Capital reserves | | 118.2 | 118.2 |
| Hybrid capital | | 296.3 | 296.3 |
| Revenue reserves | | 465.8 | 471.9 |
| Other reserves | | - 15.3 | 47.1 |
| **Equity net of minority interest** | | **955.3** | **1,023.8** |
| Minority interest | | 325.2 | 334.8 |
| | | **1,280.5** | **1,358.6** |
| **Non-current liabilities** | | | |
| Pension provisions | | 721.8 | 735.5 |
| Other non-current provisions | | 63.6 | 59.5 |
| Debt | | 1,320.2 | 1,301.1 |
| Financial lease obligations | | 712.4 | 706.5 |
| Trade payables and liabilities from inter-group business relationships | | 5.7 | 7.2 |
| Income tax liabilities | | 0.0 | 0.0 |
| Financial liabilities | | 17.6 | 8.3 |
| Other liabilities | | 88.8 | 84.3 |
| Deferred tax liabilities | | 213.3 | 229.1 |
| | | **3,143.4** | **3,131.5** |
| **Current liabilities** | | | |
| Pension provisions | | 30.3 | 31.0 |
| Other current provisions | | 288.3 | 258.4 |
| Debt | | 2,420.2 | 2,313.6 |
| Financial lease obligations | | 67.7 | 68.2 |
| Trade payables and liabilities from inter-group business relationships | | 1,293.4 | 1,048.7 |
| Income tax liabilities | | 23.7 | 16.1 |
| Financial liabilities | | 290.6 | 121.3 |
| Other liabilities | | 575.2 | 519.8 |
| | | **4,989.4** | **4,377.1** |
| | | | |
| **Total shareholders' equity and liabilities** | | **9,413.3** | **8,867.2** |

# Consolidated Income Statement
# from 1 January to 30 September 2020

### Continued operations

| In € million | | **Q1–3/2020** | Q1–3/2019 |
|---|---|---|---|
| | | | |
| **Revenues** | | **12,197.8** | **12,473.0** |
| Inventory changes | | 650.7 | 363.5 |
| Other own work capitalised | | 11.3 | 8.5 |
| Other operating income | | 138.5 | 126.1 |
| Cost of materials | | - 11,520.3 | - 11,623.9 |
| **Gross profit** | | **1,478.0** | **1,347.2** |
| Personnel expenses | | - 852.7 | - 792.3 |
| Depreciation and amortisation | | - 162.1 | - 146.6 |
| Other operating expenses | | - 365.2 | - 367.0 |
| **Result of operating activities** | | **98.0** | **41.3** |
| Income from participating interests recognised at equity | | - 1.2 | 8.8 |
| Other income from shareholdings | | 5.9 | 27.2 |
| Interest income | | 9.3 | 9.8 |
| Interest expenses | | - 86.2 | - 89.1 |
| **Financial result** | | **- 72.2** | **- 43.3** |
| **Earnings before tax (EBT)** | | **25.8** | **- 2.0** |
| Income tax | | - 7.5 | 0.5 |
| **Net income/loss for the period** | | **18.3** | **- 1.5** |
| thereof: profit share of minority interest | | 20.1 | 18.9 |
| thereof: due to shareholders of the parent company | | - 1.8 | - 20.4 |
| **EBIT** | | **102.7** | **77.3** |
| **EBITDA** | | **264.8** | **223.9** |
| **Basic earnings per share (in €)** [1] | | **- 0.33** | **- 0.85** |
| **Diluted earnings per share (in €)** [1] | | **- 0.33** | **- 0.85** |

1 Previous year's figure corrected in accordance with IAS 8.49 a) – for more information, see Note (D.10.) of the Consolidated Financial Statements 2019, p. 137.

Munich, 12 November 2020

**BayWa Aktiengesellschaft**

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

# Financial Calendar

## Dates in 2021

**Consolidated financial statements for 2020**
25 March 2021, 10.30 am – Annual Results Press Conference, Munich
26 March 2021, 11.00 am – Analysts' Conference, Munich

**Publication of figures for the first quarter of 2021**
6 May 2021, 8.30 am – Analysts' Conference Call
6 May 2021 – Press release

**Annual General Meeting 2021**
15 June 2021, 10.00 am – ICM, Munich

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