Press release

BayWa

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<u>Presentation of half-year results for 2019</u>

BayWa AG significantly increases its operating result

Munich, 8 August 2019 - BayWa AG, Munich, has significantly increased its operating result (EBIT) in the first half of 2019 in comparison to the same period in the previous year: as at 30 June 2019, EBIT amounted to €52.2 million (2018: €32.1 million). Revenues rose slightly to €8.4 billion (2018: €8.3 billion). The improvement in EBIT is largely due to positive developments in the operative business units, especially in the Energy Segment. “In the first half of the current financial year, BayWa has increased its operating business by about €12 million. I am delighted that this was not only due to the Renewable Energies and Conventional Energy business units, but also to German agricultural trade, which – year on year – experienced a significant leap in results,” explains BayWa AG’s CEO, Klaus Josef Lutz. The required conversion to lease accounting according to IFRS 16 also had a positive effect on the result of around €7 million, which in turn had the opposite impact on interest expenses.

Overall, Lutz is looking to the second half of 2019 with optimism: this is because, like last year, BayWa r.e. renewable energy GmbH (BayWa r.e.) has planned most project sales for the final quarter and conventional energy

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already has a large lead in the results, he assumes that the Energy Segment will produce a result which exceeds the high figure from last year.

Even if the weather conditions in Germany this year were again not perfect, domestic agricultural trade should continue its stable performance. International agricultural trade will still have to deal with markets affected by global political and economic uncertainties and relatively low volatility. BayWa sees good opportunities for the fruit trading business: In Germany and Europe a declining harvest is expected, with market prices rising accordingly and additional distribution options for products from the Southern Hemisphere. Similar can be said for trade with tropical fruits. In the first half of 2019, Agricultural Equipment recorded a higher volume of orders than in the same period last year and may continue to close the earnings gap. If the current favourable conditions continue, it can be assumed that the Building Materials Segment will go on performing well in 2019. Due to the overall positive outlook, CEO Lutz expects the consolidated EBIT for 2019 to exceed that for 2018.

Agriculture Segment: Significant increase in results for domestic agricultural trade

In the first half of 2019, the Agriculture Segment recorded revenues of €5.7 billion (2018: €5.8 billion). EBIT rose slightly to €53.6 million (2018: €52.4 million). The increase

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in the operating result was due to much better performance in the domestic produce and agricultural input business this year, so that the increase in EBIT in the Agri Trade & Service business unit was more than able to compensate for the slight falls in the other business units within the segment. The segment's revenues in the first half of 2019 fell slightly due to lower sales volumes in international trade in grain and oilseed in the BayWa Agri Supply & Trade (BAST) business unit. In the first six months of 2019, international business was characterised by low volatility. BayWa's specialities business performed according to expectations in the first half of 2019 and was able to better its contribution to the operative result year on year.

The improvement in the Agri Trade & Service business unit is primarily due to better sales of grain stocks from last year. In addition, the business unit benefited from the early start to the season and rising fertilizer prices. Significantly more seeds were sold in the reporting period in 2019 than in the first six months of 2018.

Despite the unfavourable weather conditions in New Zealand and the resulting decline in the quality of the apple harvest as well as falling apple prices in Germany after 2018's record harvest, the operating result in the Global Produce business unit in the first half of 2019 was almost identical year on year. This is mainly due to the

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New Zealand Group company T&G Global Limited (T&G Global) being able to sell the largest part of its apple exports to Asia, especially China, where there was a higher demand after frosts depleted the harvest. In this way, T&G Global was more than able to compensate for the weak demand in the EU. Trade in tropical fruits also performed well, due to the establishment of new sales channels in Germany.

Even if, as expected, the Agricultural Equipment business unit did not match the extraordinarily good result from the previous year in the first half of 2019, agricultural equipment business is still thriving due to farmers' continuing strong desire to invest in the core distribution business of BayWa: sales of second-hand tractors increased year on year by 9 percent; the number of new machines sold even matched the high sales figures from the first half of 2018. The necessary higher IT costs, which are included in the half-year result, had the opposite effect.

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Energy Segment: Continued growth in results

In the first half of 2019, the Energy Segment recorded increases in both revenues and EBIT year on year: revenues amounted to €1.9 billion (2018: €1.6 billion). EBIT was €12.1 million (2018: €1.3 million). This performance was, on the one hand, due to increased sales of heating oil caused by lower prices. On the other hand, strong trading with photovoltaic (PV) components was recorded and proceeds from the sale of BayWa r.e. projects also improved.

In the Conventional Energy business unit, the increasing demand for liquid and solid combustibles (pellets) as well as fuels resulted in the high EBIT and revenues from the previous year being once again exceeded as at 30 June 2019.

In the first half of 2019, the Renewable Energies business unit was characterised by the project development and the start in construction of numerous wind and solar power projects. As planned, BayWa r.e. will again sell the majority of its wind and solar power plants in the final quarter of 2019. In order to realise the expected further strong growth of BayWa r.e. in the field of solar and wind power plant construction, BayWa r.e. acquired the business of the British Forsa Energy at the start of the year. This acquisition secured access to a pipeline of Scottish onshore wind park projects with an overall output of 350 megawatts (MW).

In the first half of 2019, BayWa r.e. was also able to continue its growth trajectory in trading with PV components and double the number of PV modules sold year on year. The business of the commercial and technical operation of large solar and wind energy plants

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also performed well. For example, BayWa r.e. just took over servicing for the 300 MW onshore wind park portfolio of the Talanx Group.

Building Materials Segment

In the Building Materials Segment, the weather-related gap in sales in Q1 2019 was completely closed by 30 June of this year. The Segment benefited from companies in the industry operating at high capacity as well as increased investments in the transport infrastructure. The ongoing boom in residential construction also pushed sales of prefabricated construction modules. However, the industry's high capacity utilisation limits the scope for sales expansion. Still, revenues and operating results in the first six months of 2019 remained almost constant year on year: as at 30 June 2019, revenues in the Building Materials Segment amounted to €775.3 million (2018: €797.7 million). In the same period, EBIT came to €7.0 million (2018: €7.4 million).

Innovation & Digitalisation Segment

This segment pools all activities of the Group in its Digital Farming, eBusiness and Agro Innovation Lab areas. In the first half of 2019, there was a small increase in revenues to €5.0 million (2018: €4.9 million), which was due to an increase in the number of customers and licence agreements. Due to necessary investments in the development of software products, the operating result

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(EBIT) for the segment stood at minus €6.5 million (2018: minus €6.0 million).

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