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BayWa on track for a new record operating result

Strong development in the third quarter despite the coronavirus crisis

Munich, 12 November 2020 – BayWa AG, Munich, has continued the positive development seen in the first half of the year by recording a significant improvement in earnings after nine months. Earnings before interest and tax (EBIT) increased to €102.7 million (Q1–3/2019: €77.3 million). All three operating segments – Energy, Agriculture and Building Materials – contributed to this rise. Due to price effects, revenues fell year on year to stand at €12.2 billion (Q1–3/2019: €12.5 billion).

Heating oil, agricultural equipment, fruit and building materials have been benefiting from solid demand for several months. In addition, international agricultural trade and project business involving solar parks and wind farms developed into drivers of earnings in the third quarter. “In view of climate change, the megatrend of promoting the expansion of renewable energies worldwide continues unabated, regardless of the coronavirus pandemic,” says Klaus Josef Lutz, Chief Executive Officer of BayWa AG.

Outlook

Although the further development of the coronavirus pandemic remains difficult to predict, BayWa’s Chief Executive Officer is optimistic for the final quarter: “In terms of how it is positioned, BayWa is resistant to the

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crisis. Thanks to our supply function for essential sectors, such as agriculture, energy and construction, I expect us to continue being able to work and serve our customers without restrictions.” Despite the coronavirus pandemic, Lutz expects an operating profit for the year over the previous year.

Numerous planned project sales in Europe and the US, including a 250 MW wind farm in California, and flourishing international trade involving photovoltaic (PV) modules will both contribute to earnings development between now and the end of the year. The high demand for heating oil could receive an additional boost in the final months of the year from the carbon tax, which will be levied from 2021.

The signs for the final quarter are also good in the agricultural division, with BayWa benefiting in the international commodity business from higher price fluctuations and from continued stability in the specialities business. Thanks to good harvests in BayWa’s core regions and higher collecting volume than in the previous year, the German agricultural business is able to take advantage of the generally good market environment. Income from the trading business usually does not become apparent for some months to come. The historically low fertilizer prices and the reduced value-added tax rate could provide demand for agricultural

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inputs with a further boost. In national and international fruit trading, the market environment also offers good opportunities on account of above-average apple prices, which also benefit trade margins, and a typical rise in demand for exotic fruits around Christmas. The outlook for the Agricultural Equipment business unit, which has seen high orders, likewise remains positive. The Building Materials Segment will continue its above-average revenues and earnings development in the final quarter, provided the weather cooperates.

Energy Segment

The Energy Segment reported a price-related decline in revenues to €2.7 billion as at the end of the third quarter (Q1–3/2019: €3.0 billion). By contrast, EBIT rose significantly to €48.0 million (Q1–3/2019: €25.4 million). In the Renewable Energies business unit, various project sales in Europe and Asia, as well as strong PV component trading business, made a contribution to the positive result. The low crude oil price and the reduction in the value-added tax rate in the second quarter kept sales of heat carriers such as heating oil high. The expansion of BayWa's mobility solutions, particularly in the field of liquefied natural gas (LNG), also had a positive effect on earnings.

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Agriculture Segment

Revenues in the Agriculture Segment stood at €8.1 billion as at the third quarter (Q1–3/2019: €8.2 billion). EBIT improved year on year to €77.5 million (Q1–3/2019: €65.8 million).

Anticipated weather-related production shortfalls in important cultivation regions around the world and higher demand for agricultural commodities, particularly in China, led to a price rally in the third quarter, from which BayWa's international agricultural business profited to a great extent. A very good apple harvest and strong export business in New Zealand, along with above-average apple prices in Germany, resulted in a significant rise in revenues in the Global Produce business unit.

By contrast, the German agricultural business saw both positive and negative developments. On the one hand, unfavourable weather conditions, low fertilizer prices and the consequences of the German Fertiliser Application Ordinance had a negative impact on sales of agricultural inputs. On the other hand, the harvests were good in BayWa's core region, which led to a year-on-year increase in collecting volume.

The agricultural equipment business continues to boom thanks to high order volume for new machinery. The service business will also remain on a high, stable level,

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as higher machinery sales are associated with maintenance contracts and services.

Building Materials Segment

The Building Materials Segment generated revenues of €1.4 billion in the third quarter (Q1–3/2019: €1.3 billion). Thanks to a rise in earnings to €39.2 million (Q1–3/2019: €23.3 million), EBIT improved significantly year on year. So far, the coronavirus pandemic has had little impact on the construction sector in Germany, with order intake nearly on a par with the high level seen in the same period of the previous year. The Building Materials Segment benefited from ongoing low-interest rates and the reduction in the value-added tax rate mid-year. The coronavirus-fuelled trend towards spending money that was originally earmarked for holiday travel on renovating and improving homes and gardens also had a positive effect. The entire building materials range, especially gardening and landscaping products, benefited from this development.

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Press release

The BayWa logo consists of the word "BayWa" in white, sans-serif font, centered within a solid green square.

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