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Resilient first half of 2020: BayWa sees earnings increase in all operating segments

Munich, 6 August 2020 – Thanks to its high share of essential business activities, BayWa AG, Munich, Germany, proved to be resilient to the crisis in the first half of 2020. Earnings before interest and tax (EBIT) improved to €53.8 million (H1/2019: €52.2 million). At €8.2 billion, revenues were nearly on a par with the previous year (H1/2019: €8.4 billion). The positive development was driven by a significant increase in earnings in all operating segments. BayWa benefited first and foremost from the prevailing strength of the construction sector and from brisk demand for fruit, agricultural equipment and heating oil. “In an environment strongly influenced by the coronavirus pandemic and by difficult macroeconomic conditions, BayWa fulfilled its basic supply function in the fields of agriculture, building materials and energy,” said BayWa Chief Executive Officer Klaus Josef Lutz. “An unusually strong second quarter more than made up for the typical seasonal decline in the first three months.”

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Subject to the further development of the COVID-19 crisis, Lutz is optimistic with regard to the second half of the year: “Overall, BayWa’s business development is set to pick up significantly once again, particularly in the Energy Segment on account of the slated project sales.” BayWa

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r.e. renewable energy GmbH (BayWa r.e.) plans to sell solar and wind energy projects with a total output of 1.2 gigawatts (GW) for the year as a whole, with the lion's share of the projects usually scheduled for sale in the final quarter. In the Conventional Energy business unit, the growth momentum appears likely to weaken following the strong first half of the year, especially for heating oil, as end customers' heating oil tanks are well filled. Nevertheless, EBIT should outperform the high level recorded in the previous year.

The agricultural division is showing positive development. BayWa expects international agricultural trade to benefit from strong export and marketing activities in southern Europe, a region that has been particularly hard hit by the COVID-19 crisis, and from continued stability in specialities trading. The harvest volume and quality forecast for Germany and Austria are also expected to have a positive effect on agricultural trade activities in BayWa's core regions. Demand for agricultural inputs will also recover if farmers take advantage of the historically low fertilizer prices. Promising signals are also emerging for the national and international fruit business. Following promising trade in apples imported from overseas, good marketing opportunities are on the horizon in Germany as well ahead of the country's upcoming pome fruit harvest.

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The reduction of the value added tax rate should provide additional incentives to buy for agricultural equipment and in the Building Materials Segment. While demand for agricultural equipment is expected to normalise after a strong six months, BayWa anticipates a further rise in demand for building materials supported by high order backlog at construction companies, the sustained high need for housing and higher demand for building materials among private households. Due to the coronavirus, private households are increasingly investing their savings in home renovation projects rather than travel. Thanks to the encouraging signs, Lutz expects earnings at least on a par with the previous year in operating business.

Energy Segment

At €1.8 billion (H1/2019: €1.9 billion), the Energy Segment reports a decline in revenues for the first half of 2020. By contrast, EBIT increased to €16.7 million (H1/2019: €12.1 million). Business involving heating oil and wood pellets benefited from high demand on account of the price trend on the crude oil market, thereby allowing the Group to more than make up for the coronavirus-related decline in the fuels and lubricants business.

Moreover, strong business involving photovoltaic (PV) components at BayWa r.e. contributed to the positive EBIT for the first half of the year, and growth in this field

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was able to continue. Of the project sales with a total output of 1.2 GW that are planned for this year, 54 megawatts have so far been completed, including Europe's largest floating solar park in Bomhofspas, Netherlands. The majority of project sales is expected in the final quarter.

Agriculture Segment

Revenues in the Agriculture Segment stood at €5.6 billion in the first half of the year (H1/2019: €5.7 billion). Driven to a considerable extent by the positive development in agricultural equipment and Global Produce, EBIT rose to €61.6 million (H1/2019: €53.6 million).

Although supply chains have fundamentally stood the test of the COVID-19 crisis, international trade in grain and oilseed was negatively impacted by restrictions in trading, particularly in the heavily affected region of southern Europe. In addition, political uncertainty factors such as the trade dispute between the US and China had a negative impact on business involving soya meal, with attractively priced imports from the US leading to price pressure in Europe.

By contrast, the Global Produce business unit benefited both in Germany and in international markets from the higher demand for fruit. High prices for pome fruit had a favourable effect on the national apple business, and

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sales of exotic fruits rose significantly. The acquisition of the New Zealand-based fruit trader Freshmax New Zealand Ltd, Auckland, New Zealand, also made a positive contribution to the half-year results.

However, the German agricultural business was unable to match the good results seen in the previous year. Dry conditions in spring and pressure on margins negatively affected trade in fertilizers, whereas seed business benefited from a shift towards higher-margin product lines, a good private brand strategy and higher demand for catch crops.

Agricultural equipment business saw high demand, reflected in sales of new machinery and in service business. Thanks to the good availability of agricultural equipment products, BayWa was fully able to make deliveries even during the temporary closure of its suppliers' plants.

Building Materials Segment

The Building Materials Segment generated revenues of €876.8 million in the first half of 2020 (H1/2019: €775.3 million). EBIT stood at €17.2 million (H1/2019: €7.0 million). One of the main reasons for this significant rise in earnings was that new customer groups switched to BayWa products by placing orders online following the temporary compulsory closures of DIY and garden

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centres in some German states on account of the coronavirus. Nearly all product lines benefited from this development. With many people spending their holidays and free time this year in their own gardens or at home, sales of DIY and gardening products have seen a particularly strong upward trend.

Innovation & Digitalisation Segment

Revenues in the Innovation & Digitalisation Segment increased to €5.6 million in the first half of 2020 (H1/2019: €5.0 million) thanks to the constant growth of the product range, more new customers and the international expansion of sales activities. As expected, the segment reported EBIT of minus €6.8 million (H1/2019: minus €6.5 million) due to investments, primarily in the further development of digital farming solutions.

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