

# QUARTERLY STATEMENT

of the BayWa Group

1 January until 30 September 2017

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## Quarterly Statement of the BayWa Group for the Period from 1 January to 30 September 2017

### Further rise in full-year earnings expected

- All three core operating segments – Agriculture, Energy and Building Materials – increase revenues and earnings year on year
- Significant improvement in operating performance despite negative one-off effects

in € million	Q3/17	Q3/16	%	9M/17	9M/16	%
Revenues	3,936.3	3,982.9	- 1.2	11,980.3	11,439.3	4.7
EBIT	17.5	30.1	- 41.9	90.3	85.4	5.7

The international trading and services group BayWa is reporting an increase in revenues to around €12.0 billion (9M/2016: €11.4 billion) in the first nine months of the current financial year. Earnings before interest and tax of €90.3 million were 5.7% up year on year as at 30 September 2017. This improvement in earnings was carried by all three core operating segments. In terms of agriculture, the extremely positive development of agricultural equipment business overcompensated in particular for the weather-related losses in fruit trading. In addition, the BayWa Agricultural Sales (BAV) business unit closed this year's harvest quarter up on the previous year, as did grain and oilseed trading activities, in spite of restructuring costs. This marks a continuation of the recovery observed in the Agriculture Segment, which is likely to make further gains in the final quarter. The Energy Segment benefited both from higher volumes of fuel sales and the further expansion of renewable energy project and service business. The increase in revenues and earnings in the Building Materials Segment was predominantly due to an increase in the volume of building materials sales caused by general economic conditions.

### Highlights in the third quarter of 2017

- Expansion of renewable energy business in Australia with the acquisition of wind park developer Future Energy and the opening of a new site in Melbourne.
- Acquisition of a 51% stake in Landhandel Knaup GmbH, Borchten-Alfen.
- Acquisition of a majority stake of 51% in Vista Geowissenschaftliche Fernerkundung GmbH, Munich, a service development firm for satellite applications.
- Selection of the start-ups taking part in this year's Acceleration Programme organised by Agro Innovation Lab (joint innovation platform run by BayWa and RWA).

## BayWa Group: Earnings Development from 1 January to 30 September 2017

- The **revenues** of the BayWa Group came to €11,980.3 million in the first nine months of the 2017 financial year, increasing by €541.0 million, or 4.7%, year on year.
- **Other operating income** of the BayWa Group stood at €109.8 million, down €18.0 million on the previous year. This fall was largely due to lower income from price gains.
- The **cost of materials** rose by €398.0 million, or 3.8%, in the reporting period and therefore by a disproportionately lower margin compared to revenues. As a consequence, the gross profit generated by the BayWa Group in the period from January to September increased by €107.9 million, or 9.3%, to €1,274.2 million.
- The rise in **personnel expenses** by €45.3 million, or 7.0%, to €694.1 million was primarily due to the additional business activities resulting from companies acquired in the current and previous financial years, as well as the rise in the number of employees, particularly in the Agriculture and Energy Segments.
- At €97.8 million, **depreciation and amortisation of property, plant and equipment and intangible assets** was slightly up on the previous year's figure of €91.9 million.
- **Other operating expenses** increased by €35.4 million, or 9.8%, year on year to €394.9 million. This increase was primarily due to the rise in expenses for IT equipment, fleet and maintenance costs and increased expenses for advertising.
- The **result of operating activities** generated in the first nine months of the year stood at €87.3 million, up €21.3 million, or 32.3%, on the previous year's figure.
- The €16.4 million fall in the **result of participating interests** was due to declines in shares recognised at equity (down by €13.9 million) and in other income from shareholdings (down by €2.5 million) and is largely affected by the disposal of several shareholdings in the financial year, but also by effects in the previous year.
- The BayWa Group's **EBIT** came to €90.3 million in the first three quarters of 2017. Compared to the previous year, this equates to a rise of €4.9 million, or 5.7%.
- **Net interest** amounted to €-52.1 million and remained almost on a par with the previous year's figure.
- Considering tax expenses of €10.2 million, the BayWa Group generated a **net result** of €28.0 million (9M/2016: €25.0 million) in the first nine months of the current financial year.

## BayWa Group: Assets Development from 1 January to 30 September 2017

- The **total assets** of the BayWa Group stood at €7,045.2 million as at the end of the third quarter, up €570.4 million on the figure recorded at the end of the previous financial year. This is predominantly due to the typical seasonal rise in current assets, and particularly inventories.
- The **equity** of the BayWa Group amounted to €1,119.8 million as at 30 September 2017, up from the €1,098.3 million posted at the end of the 2016 financial year.
- **Non-current liabilities** amounted to €2,187.4 million on the reporting date, €104.7 million lower than the figure recorded at the end of the 2016 financial year. This decline was primarily the result of the sale of several renewable energies project companies and the loss of the associated long-term project funding.
- **Current liabilities** climbed from €3,084.3 million to €3,738.0 million in the reporting period. This increase was predominantly the result of a rise in trade payables, most of which were attributable to the increase in inventories and receivables.

## Business Performance by Segment from 1 January 2017 to 30 September 2017

### Agriculture Segment

in € million	Revenues			EBIT		
	9M/17	9M/16	%	9M/17	9M/16	%
BAST	4,408.4	4,532.4	- 2.7	- 4.7	- 6.3	25.1
BAV	2,218.4	2,237.0	- 0.8	19.3	16.7	16.0
Fruit	593.5	506.1	17.3	22.4	35.4	- 36.8
Agricultural Equipment	1,026.8	910.8	12.7	12.6	- 0.7	> 100
<b>Agriculture Segment</b>	<b>8,247.1</b>	<b>8,186.3</b>	<b>0.7</b>	<b>49.6</b>	<b>45.1</b>	<b>10.0</b>

The Agriculture Segment at the BayWa Group is divided into the four business units: BAST (BayWa Agri Supply & Trade), BAV (BayWa Agricultural Sales), Fruit and Agricultural Equipment. It, therefore, covers the entire value chain, from the field to the marketing of produce. After nine months of the current financial year, the Agriculture Segment generated a slight year-on-year rise in revenues, which was due to higher revenue contributions from the Fruit and Agricultural Equipment business units. The first-time full-year inclusion of Dutch tropical fruit trading company, TFC Holland B.V., and the rise in farmers' investment propensity had a positive impact in this area. This overcompensated for the slight volume-related fall in revenues involving produce and operating resources compared to 2016. Due to declining grain prices in the summer months, export and marketing activities for standard produce such as wheat and corn were mostly subdued. In addition, the strategic decision to limit trading activities in Romania and Italy also contributed to the decline in sales volumes. The operating result in the Agriculture Segment (EBIT) increased noticeably in year-on-year terms as at 30 September 2017. The earnings improvement was primarily due to the significant rise in sales of new and used tractors with corresponding demand for services, but also a result of the rise in earnings of the BayWa Agricultural Sales (BAV) business unit owing to cost savings. As expected, fruit trading fell short of the figures recorded in the previous year due to a delay to the start of the marketing season for overseas apples and the failed harvest in Europe; the previous year's figure had benefited from extraordinary income of roughly €7 million from the sale of the packaging logistics business unit at T&G Global Limited.

## Energy Segment

in € million	Revenues			EBIT		
	9M/17	9M/16	%	9M/17	9M/16	%
Conventional Energy	1,656.1	1,479.1	12.0	13.1	10.7	22.1
Renewable Energies	844.4	591.5	42.8	49.9	47.0	6.2
<b>Energy Segment</b>	<b>2,500.5</b>	<b>2,070.6</b>	<b>20.8</b>	<b>63.0</b>	<b>57.7</b>	<b>9.1</b>

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. This segment recorded significant year-on-year revenue growth in the first nine months of the current financial year, predominantly as a result of the international expansion of BayWa r.e. renewable energy GmbH's business and the high average oil price compared to 2016. Besides the volume-related increases in earnings in conventional energy business, the marked rise in the segment's operating result (EBIT) compared to the previous year was also due to the earnings contribution of BayWa r.e. The period between January and the end of September 2017 saw solar, wind and biogas plants with a total output of 290 megawatts (MW) sold in Germany, the UK, Australia and the US.

## Building Materials Segment

in € million	Revenues			EBIT		
	9M/17	9M/16	%	9M/17	9M/16	%
<b>Building Materials Segment</b>	<b>1,218.6</b>	<b>1,168.6</b>	<b>4.3</b>	<b>21.6</b>	<b>18.8</b>	<b>14.5</b>

The Building Materials Segment mainly comprises Group trading activities involving building materials in Germany and Austria. The segment's revenues were up year on year in the first nine months of the current financial year because demand for building materials was bolstered by the lively development of the German construction sector. Due to the rise in order intake for companies in the industry, sales have increased over the year to date almost across the board in terms of the building materials range. In addition, the targeted specialisation strategy, focusing on areas such as flat roof construction or building components, had a positive impact, with the volume-related earnings rise in the first half of

the year able to be increased further in the summer months. As a result, the segment's operating result (EBIT) was significantly up on the previous year's figure as at 30 September 2017.

### Innovation & Digitalisation Segment

in € million	Revenues			EBIT		
	9M/17	9M/16	%	9M/17	9M/16	%
<b>Innovation &amp; Digitalisation Segment</b>	<b>4.8</b>	<b>4.4</b>	<b>9.8</b>	<b>- 7.9</b>	<b>- 6.2</b>	<b>- 27.6</b>

The new Innovation & Digitalisation Segment, which was set up in the second half of 2016, pools together all of the BayWa Group's digital farming and e-business activities. The significant increase in the segment's revenues compared to the previous-year period after the first nine months of 2017 was due to the broader range of products on offer and the international expansion of sales activities in the summer months. Due to the year-on-year increase in investments for the development of digital farming solutions and the new BayWa Online World, the segment posted a €1.7 million decline in EBIT as at 30 September 2017, as expected.

### Other Activities

EBIT resulting from Other Activities, including transition, largely comprises Group administration costs as well as consolidation effects and stood at €-36.0 million (9M/2016: €-30.1 million) as at 30 September 2017. The year-on-year decline in earnings was mostly due to delay effects. The final quarter is expected to provide significant relief in this regard with one-off earnings.

## **Outlook**

The outlook for the final quarter is positive for the BayWa Group's core operating segments. In terms of agricultural trading, high grain inventories are likely to benefit the BayWa Agri Supply & Trade (BAST) business unit, with the global competitiveness of European quality wheat forecast to improve over the course of the year and result in increased marketing potential. With autumn seed-sowing delayed by weather conditions, the majority of seasonal demand for operating resources is likely to shift into the autumn months. The Agritechnica trade fair, which is set to be held in mid-November 2017, should have a positive impact on agricultural equipment business and, as experience shows, usually leads to rising demand. Fruit trading business will not be able to escape the effects of harvest losses in Germany and Europe, as rising apple prices are not likely to fully compensate for declines in sales volumes. Slight recovery effects are expected from overseas apple business through to the end of the year. The Energy Segment should at least match the high level of full-year earnings recorded in 2016, as BayWa r.e. has planned for further plant sales in Germany, the UK, Italy and the US by the end of the year. The Big Timber wind park in the US, with a total output of 25 MW, was sold in October. In addition, demand for heat energy carriers such as heating oil and wood pellets is expected to rise in the upcoming winter months. 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 on the condition that construction activity is not hampered by unusually poor weather conditions. All in all, the current underlying conditions mean that significant year-on-year rises in revenues and earnings are achievable. In addition, the Group is likely to receive extraordinary income from the marketing of the BayWa high-rise complex in the final quarter.

*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 net worth, financial position and earnings situation of the Group diverging negatively from the target figures cited in this report should not be discounted.*

## **Financial Calendar**

### **Publication of the 2017 financial statements**

29 March 2018, 10.00 am – Press Conference, Munich

29 March 2018, 4.00 pm – Analyst Conference, Frankfurt am Main



# Consolidated Financial Statements of BayWa AG pursuant to IFRS

## Consolidated Balance Sheet as at 30 September 2017

In € million

Assets	30/09/2017	31/12/2016
<b>Non-current assets</b>		
Intangible assets	230.415	212.623
Property, plant and equipment	1,391.272	1,402.715
Participating interests recognised at equity	215.152	215.161
Other financial assets	257.341	189.059
Investment property	38.561	41.585
Non-current income tax claims	0.025	0.025
Other receivables and other assets	54.352	48.557
Deferred tax assets	248.694	246.013
	<b>2,435.812</b>	<b>2,355.738</b>
<b>Current assets</b>		
Securities	1.966	1.966
Inventories	2,494.253	2,380.289
Current biological assets	10.548	15.137
Current income tax claims	37.099	43.365
Financial assets	197.130	153.141
Other receivables and other assets	1,700.171	1,395.854
Cash and cash equivalents	145.109	104.436
	<b>4,586.276</b>	<b>4,094.188</b>
<b>Non-current assets held for sale/disposal groups</b>	<b>23.125</b>	<b>24.931</b>
<b>Total assets</b>	<b>7,045.213</b>	<b>6,474.857</b>
<b>Shareholders' equity and liabilities</b>		
	30/09/2017	31/12/2016
<b>Equity</b>		
Subscribed capital	89.297	89.297
Capital reserve	108.153	108.153
Revenue reserves	564.121	537.042
Other reserves	29.858	69.850
	<b>791.429</b>	<b>804.342</b>
<b>Equity net of minority interest</b>	<b>791.429</b>	<b>804.342</b>
Minority interest	328.373	294.003
	<b>1,119.802</b>	<b>1,098.345</b>
<b>Non-current liabilities</b>		
Pension provisions	655.438	660.729
Other non-current provisions	88.020	86.292
Financial liabilities	1,013.715	1,105.191
Financial lease obligations	158.154	164.139
Trade payables and liabilities from inter-group business relationships	1.288	2.874
Financial liabilities	7.174	9.476
Other liabilities	87.059	89.950
Deferred tax liabilities	176.601	173.514
	<b>2,187.449</b>	<b>2,292.165</b>
<b>Current liabilities</b>		
Pension provisions	28.934	29.238
Other current provisions	155.984	179.989
Financial liabilities	1,773.699	1,512.403
Financial lease obligations	7.486	8.371
Trade payables and liabilities from inter-group business relationships	1,220.725	894.310
Current income tax liabilities	24.879	29.924
Financial liabilities	173.729	152.628
Other liabilities	352.526	277.484
	<b>3,737.962</b>	<b>3,084.347</b>
<b>Liabilities from non-current assets held for sale/disposal groups</b>	<b>-,-,-</b>	<b>-,-,-</b>
<b>Total shareholders' equity and liabilities</b>	<b>7,045.213</b>	<b>6,474.857</b>

Consolidated Financial Statements of BayWa AG pursuant to IFRS

Consolidated Income Statement for the period from 1 January to 30 September 2017

In € million	1Q2017	2Q2017	3Q2017	01/01/ - 30/09/2017	1Q2016	2Q2016	3Q2016	01/01/ - 30/09/2016
<b>Revenues</b>	<b>3,807.873</b>	<b>4,236.133</b>	<b>3,936.335</b>	<b>11,980.341</b>	<b>3,468.398</b>	<b>3,988.022</b>	<b>3,982.872</b>	<b>11,439.292</b>
Inventory changes	118.473	- 26.478	2.782	94.777	138.139	9.186	- 33.468	113.857
Other own work capitalised	1.885	1.663	2.313	5.861	2.024	1.943	- 0.026	3.941
Other operating income	28.990	41.037	39.810	109.837	38.346	48.899	40.590	127.835
Cost of materials	- 3,566.953	- 3,779.508	- 3,570.156	- 10,916.617	- 3,308.647	- 3,595.951	- 3,614.034	- 10,518.632
<b>Gross profit</b>	<b>390.268</b>	<b>472.847</b>	<b>411.084</b>	<b>1,274.199</b>	<b>338.260</b>	<b>452.099</b>	<b>375.934</b>	<b>1,166.293</b>
Personnel expenses	- 223.316	- 239.522	- 231.287	- 694.125	- 208.508	- 222.980	- 217.382	- 648.870
Depreciation and amortisation	- 31.954	- 33.852	- 32.036	- 97.842	- 30.804	- 30.580	- 30.479	- 91.863
Other operating expenses	- 127.842	- 136.664	- 130.412	- 394.918	- 110.796	- 134.973	- 113.774	- 359.543
<b>Result of operating activities</b>	<b>7.156</b>	<b>62.809</b>	<b>17.349</b>	<b>87.314</b>	<b>- 11.848</b>	<b>63.566</b>	<b>14.299</b>	<b>66.017</b>
Income from participating interests recognised at equity	0.147	1.670	0.548	2.365	- 1.563	2.573	15.212	16.222
Other income from shareholdings	0.734	0.247	- 0.394	0.587	0.971	1.552	0.634	3.157
Interest income	1.419	1.718	1.877	5.014	1.597	1.589	1.934	5.120
Interest expense	- 18.633	- 20.429	- 18.058	- 57.120	- 19.081	- 20.130	- 17.905	- 57.116
<b>Financial result</b>	<b>- 16.333</b>	<b>- 16.794</b>	<b>- 16.027</b>	<b>- 49.154</b>	<b>- 18.076</b>	<b>- 14.416</b>	<b>- 0.125</b>	<b>- 32.617</b>
<b>Result of ordinary activities (EBT)</b>	<b>- 9.177</b>	<b>46.015</b>	<b>1.322</b>	<b>38.160</b>	<b>- 29.924</b>	<b>49.150</b>	<b>14.174</b>	<b>33.400</b>
Income tax	2.429	- 11.828	- 0.777	- 10.176	5.717	- 10.229	- 3.861	- 8.373
<b>Net result for the period</b>	<b>- 6.748</b>	<b>34.187</b>	<b>0.545</b>	<b>27.984</b>	<b>- 24.207</b>	<b>38.921</b>	<b>10.313</b>	<b>25.027</b>
of which: profit share of minority interest	2.363	9.942	7.860	20.165	0.593	13.918	3.640	18.151
of which: due to shareholders of the parent company	- 9.111	24.245	- 7.315	7.819	- 24.800	25.003	6.673	6.876
<b>EBIT</b>	<b>8.037</b>	<b>64.726</b>	<b>17.503</b>	<b>90.266</b>	<b>- 12.440</b>	<b>67.691</b>	<b>30.145</b>	<b>85.396</b>
<b>EBITDA</b>	<b>39.991</b>	<b>98.578</b>	<b>49.539</b>	<b>188.108</b>	<b>18.364</b>	<b>98.271</b>	<b>60.624</b>	<b>177.259</b>
Average number of shares				34,881,685				34,764,480
<b>Basic earnings per share * (in €)</b>				<b>0.22</b>				<b>0.20</b>
<b>Diluted earnings per share * (in €)</b>				<b>0.22</b>				<b>0.20</b>

\* Basic earnings per share (EPS) are calculated by dividing the profit for the period attributable to shares (net of minority interest) by the average number of shares. So-called potential shares (above all share options and convertible bonds), which can dilute earnings per share, were not issued, which means that diluted and basic earnings per share are the same.