

Number: 05023-PIU14 | As at 9 November 2023

Performance as expected in third quarter – BayWa confirms full-year guidance for 2023

BayWa Group reaffirms its EBIT target of between €320 million and €370 million.

Despite some difficult general market conditions, the BayWa Group has achieved strong operating earnings for the first nine months of the financial year. Earnings before interest and tax (EBIT) amounted to €214.6 million at the end of the third quarter (previous year: €459.8 million). Revenues were down compared to the exceptional previous year, as expected, at €18.2 billion for the reporting period (previous year: €20.1 billion). “Significant price drops for many raw materials coupled with the high interest rates are creating difficult market conditions at present. However, as a diversified portfolio company and with targeted risk management in areas such as German agricultural business, we were able to take precautions and achieve strong operating earnings,” said Marcus Pöllinger, Chief Executive Officer of BayWa AG. “And I am confident as regards the fourth quarter due to the project sales still outstanding in the Renewable Energies Segment. I can therefore reconfirm our EBIT target of between €320 million and €370 million for 2023.”

Above average results for Agricultural Equipment and Cefetra Group Segments

Performance in the Renewable Energies Segment declined year on year in the third quarter, as expected, due to the differing cycles in sales of renewable energy projects within a year. Reasonable comparisons of project business can therefore only be made on a year-by-year basis. BayWa anticipates that the sale of solar parks and wind farms with total output of 175 MW and almost 800 MW in project rights in the final quarter will contribute to the expected rise in earnings. The uncertainties regarding fuel and heat carrier supply triggered by the war in Ukraine have largely subsided, which is reflected in the lower prices for many raw materials. Earnings in the Energy Segment therefore stabilised around the pre-Ukraine war level.

The Cefetra Group Segment achieved above-average earnings and similarly strong performance year on year in the specialities business, primarily in starch and proteins, and in nuts and legumes from Africa. As expected, earnings in domestic agricultural trade were adversely affected by the stockpiling in the previous year, farmers’ reluctance to buy and falling prices. By contrast, BayWa continued to profit from a high order backlog in trade in agricultural machinery, and actually exceeded the record result of the previous year. The effects of Cyclone Gabrielle that hit New Zealand in February of this year continue to be felt in the Global Produce Segment in the form of harvest losses and clean-up costs. Consumer demand for premium fruit varieties and exotic fruits also remained subdued due to

high inflation. The slump in the construction sector continues to impact the Building Materials Segment. The order situation is weak in residential construction in particular due to the high current interest rates and high material costs for energy-intensive building materials. BayWa has introduced a cost-cutting programme to stabilise business in the Building Materials Segment. Demand for retail and warehouse buildings is providing positive momentum in the commercial construction segment, as are infrastructure projects in road and bridge building in the public construction sector.

Individual segment performance

Renewable Energies Segment

The Renewable Energies Segment generated revenues of €4.3 billion after the first nine months of the current financial year (previous year: €4.5 billion) and EBIT of €105.8 million (previous year: €161.7 million). The contributing factors were project sales with a total output of just under 140 MW and the flourishing trade in photovoltaic modules. The Independent Power Producer business entity also matched its strong performance from the first half of 2023 in energy trading. BayWa expects the strong performance in the Renewable Energies Segment to continue in the final quarter and make a significant contribution to the anticipated leap in earnings.

Energy Segment

EBIT in the Energy Segment amounted to €13.5 million as at 30 September 2023 (previous year: €44.8 million), which was down year on year as expected. Revenues came to €2.0 billion (previous year: €2.4 billion). The supply situation improved considerably during the reporting period as compared with 2022, and the prices of heat carriers such as heating oil and wood pellets also declined. BayWa expects demand for and sales of wood pellets and heating oil to be boosted by the approaching winter in the fourth quarter.

There has been a slight decline in fuel sales due to the rising number of electric vehicles. By contrast, the supply situation in the lubricants business has eased, primarily in Austria, with sales increasing by around 15% year on year. The expansion in charging infrastructure also developed positively. BayWa Mobility Solutions GmbH was awarded the contract for the Bavarian section of the Deutschlandnetz, a network of high-power charging points. The construction and operation of 20 BayWa charging stations over the next three years mark the BayWa subsidiary's entry into the CPO (charge point operator) market.

Cefetra Group Segment

Revenues of €3.9 billion (previous year: €4.6 billion) and EBIT of €50.6 million (previous year: €52.8 million) contributed to the continued above-average earnings of the Cefetra Group Segment. The prices on the international agriculture exchanges stabilised at a lower level than in the prior-year period. However, geopolitical tensions and extreme weather events such as El Niño caused price volatility, which Cefetra Group was able to exploit. Business with specialities achieved similarly strong performance year on year in the first nine months of 2023. BayWa anticipates a continuation of the positive international agricultural business in the final quarter, and believes that high earnings on a par with the previous year are possible.

Agri Trade & Service Segment

The Agri Trade & Service Segment recorded revenues of €3.9 billion in the first nine months of the current financial year (previous year: €4.4 billion) and closed with EBIT of €46.5 million (previous year: €152.3 million). BayWa recorded stable grain collecting volumes overall in its core regions in what was a very challenging harvest year for German agriculture. This also secured the company competitive advantages for the upcoming marketing season. Orders will largely be placed on the corresponding trading contracts in the months ahead and will be recognised through profit or loss.

Prices fell as expected in agricultural input trade. Sales of crop protection products and seed declined due to the unfavourable weather conditions. BayWa countered this with targeted risk management and reduced its inventories early. The company anticipates trade in agricultural inputs to increase again in the winter, when fears of rising prices cause farmers to stock up on fertilizer for the spring.

Agricultural Equipment Segment

Business development in the Agricultural Equipment Segment benefited from a high order backlog at the end of 2022. The increase in EBIT to €52.6 million (previous year: €47.5 million) and revenues of €1.7 billion (previous year: €1.5 billion) meant the segment exceeded the record result of the previous-year period. New machinery sales increased by 6.3%, due primarily to manufacturers' improved ability to deliver compared with the previous year. Demand in the segment has shifted since the beginning of the year from large machinery towards other product ranges such as attachments. The service business saw continued high demand for maintenance and servicing. For 2023 as a whole, BayWa expects above-average earnings in the Agricultural Equipment Segment. The Agritechnica, the world's leading trade fair for agricultural equipment, which is to be held in Hanover from 12 November after a four-year hiatus, will provide additional tailwind to the agricultural equipment business in the final quarter.

Global Produce Segment

Following the impact of Cyclone Gabrielle which hit New Zealand in February of this year, the Global Produce Segment closed the reporting period with EBIT of minus €4.7 million (previous year: €18.3 million) and revenues of €749.7 million (previous year: €703.8 million). The tropical cyclone had a severe effect following the good start to the year in terms of volume and quality of the harvest. Additional costs were also incurred for clean-up efforts. Moreover, demand for premium fruit varieties and exotic fruits remains subdued in Europe in particular, with consumer reluctance driven by high inflation. Performance in the fourth quarter will depend heavily on the marketing of the northern hemisphere harvest. The apple harvest was smaller in Germany this year due to adverse weather conditions, with a resulting price increase of up to 30%. BayWa expects increased demand for tropical fruits in the next few weeks as the run-up to Christmas approaches. However, EBIT in the Global Produce Segment for the year will depend to a large extent on the amount of compensation paid out for damage caused by Cyclone Gabrielle.

Building Materials Segment

The persistent slump in the construction industry has also continued to impact performance in the Building Materials Segment, which generated revenues of €1.5 billion in the third quarter (previous year: €1.8 billion) and EBIT of €5.8 million (previous year: €65.8 million). High interest rates and rising prices for a number of energy-intensive building materials are causing restraint and cancellations of orders in the residential construction segment. BayWa has introduced a cost-cutting programme to stabilise business in the Building Materials Segment, leading to the closure of five sites in Bavaria and the sale of one site in Erfurt by the end of November. Demand for retail and warehouse buildings is providing positive momentum in the commercial construction segment, as are infrastructure projects in road and bridge building in the public construction sector – although this has failed to compensate for the developments in residential construction. Performance for the remainder of this year will depend on the weather and developments in the winter quarter. BayWa Bau Projekt GmbH remains on track. The company develops real estate projects with regional partners, and started three new construction projects in Munich, Berlin and Traunstein in Bavaria in the third quarter.



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About BayWa AG

BayWa is a globally active group with the business units energy, agriculture and building materials. As a global player with revenues of €27.1 billion in 2022, it develops leading projects and solutions for the basic human needs of food, energy and building. BayWa AG has around 25,000 employees in over 50 countries. The headquarters of the parent company, which was founded in 1923 and is celebrating its 100th anniversary in 2023, are in Munich. Its roots lie in agricultural cooperative trading, and its mission is to provide rural regions with everything they require for agriculture. More information is available at www.baywa.com/press