

1<sup>st</sup> Quarterly Report of the KWS Group  
Fiscal year 2011/2012

July 1 to September 30, 2011

Seeding the future  
since 1856



# 1<sup>st</sup> Quarterly Report 2011/2012

Dear shareholders and friends of KWS,

The first quarter (July to September) traditionally contributes only around 10% of the KWS Group's annual net sales. We generate initial sales from corn and sugarbeet hybrids in the southern hemisphere, in Argentina and Chile. However, our main sales markets are in the northern hemisphere, where sugarbeet and corn are sown in the spring.

Our business performance in the first quarter was characterized by positive cereals business. In 2011, we launched QualityPlus® in Germany, a quality brand for cereal seed that exceeds the already high quality requirements demanded by law. Seed with this brand name is processed solely in specially certified plants in close cooperation with selected production partners; it sold out completely in the fall sowing season.

Net sales in the first three months of fiscal 2011/2012 were €93.1 (71.1)\* million, a rise of just over 30% year on year. However, the pro rata costs mean that operating income in the first two quarters is generally negative. In the period under review, it improved slightly to €-22.6 million compared with the previous year (€-24.0 million) as a result of higher cereal net sales.

Net financial income/expenses also improved slightly as a result of interest income from the higher positive net cash balance at June 30, despite the continuing low level of interest. The figure for income taxes was obtained by applying the effective tax rate per company planned for the fiscal year as a whole to the pre-tax profits for the quarter.

\* The figures in parentheses are those for the previous year

## Income statement

€ millions	1 <sup>st</sup> quarter	
	2011/2012	Previous year
Net sales	93.1	71.1
Operating income	-22.6	-24.0
Net financial income/expenses	-1.0	-1.4
Result of ordinary activities	-23.6	-25.4
Income taxes	-7.5	-8.4
<b>Net income for the period</b>	-16.1	-17.0
of which shareholders of KWS SAAT AG	-18.3	-18.2
of which minority interest	2.2	1.2
<b>Earnings per share (€)</b>	-2.77	-2.76

## Statement of comprehensive income

€ millions	1 <sup>st</sup> quarter	
	2011/2012	Previous year
<b>Net income for the period</b>	-16.1	-17.0
Currency translation for foreign subsidiaries	5.4	-12.6
<b>Comprehensive income for the period</b>	-10.7	-29.6
of which shareholders of KWS SAAT AG	-12.9	-30.7
of which minority interest	2.2	1.1

## Capital expenditure

In the first quarter, KWS invested €17.4 (13.5) million in property, plant and equipment. It is therefore again showing capital expenditure well above depreciation at €6.4 (5.8) million.

The investments relate mainly to the acquisition of new breeding areas and buildings for our potato business in the Netherlands.

Out of total capital expenditure of €17.8 (14.0) million within the KWS Group, 51% was in the Sugarbeet Segment, 28% in the Corporate Segment, 15% in the Corn Segment and 6% in the Cereals Segment.

## Segment report

We redefined our segments effective July 1, 2011. In the future, product-related R&D costs will be carried directly in the product segments, and the Breeding & Services Segment will be discontinued de facto, since it also shed its main operating division in fiscal 2010/2011 when potato business was assigned to the Sugarbeet Segment.

Revenue from our farms, services for third parties and net sales from strategic projects, such as our corn activities in China, will be consolidated under the remaining segment, which is now called **Corporate**. All together, that will account for a maximum of 3% of the KWS Group's net sales in the current fiscal year. The operating income for Corporate includes our cross-segment expenses. That includes administrative costs for all central functions at the KWS Group, as well as costs for long-term research projects whose results are not yet ready for the market. We have accordingly adjusted the previous year's figures on the basis of these changes.

€ millions	1 <sup>st</sup> quarter	
	2011/2012	Previous year
<b>Net sales</b>	93.1	71.1
Sugarbeet	10.6	8.1
Corn	25.4	21.4
Cereals	55.5	40.7
Corporate	1.6	0.9
<b>Operating income</b>	-22.6	-24.0
Sugarbeet	-7.6	-14.1
Corn	-24.0	-13.8
Cereals	18.9	12.0
Corporate	-9.9	-8.1
<b>Capital expenditure</b>	17.8	14.0
Sugarbeet	9.1	3.0
Corn	2.7	6.6
Cereals	1.0	1.8
Corporate	5.0	2.6

## The individual product segments

Around 60% of net sales from our cereals and winter rapeseed business are generated in the first quarter of the fiscal year. Above all, there was greater demand for hybrid rye in connection with the continuing good level of prices for cereals for consumption. Sales of our high-yielding varieties more than doubled in Poland. Sales of our other winter cereal varieties (wheat and barley) remained at the good level of the previous year, while business with winter rapeseed rose slightly. Net sales in the **Cereals Segment** in the first quarter increased by 36% year on year to €55.5 (40.7) million. Operating income rose by around 58% to €18.9 (12.0) million thanks to high-margin hybrid rye business. It should be noted here that the segment's costs are spread evenly over the fiscal year as a whole, while the contribution margins and net sales are mainly generated in the first and second quarters.

The **Corn Segment** sold less rapeseed in the first quarter than in the same period of the previous year. This was more than compensated for by improved seed sales in South America. As a result, net sales in the first quarter increased by 19% to €25.4 (21.4) million. The segment's net income for the period was €-24.0 (€-13.8) million, well below the previous year. However, the figures for the same period of the previous year were impacted by positive special effects at the segment.

Sugarbeet seed and seed potato business also do not play a significant role in the first quarter of our fiscal year. Both products are not sown or planted until the spring. As a result, net sales in the **Sugarbeet Segment** were just €10.6 (8.1) million. The segment's income improved to €-7.6 (€-14.1) million.

## Basis of accounting and reporting

The KWS Group is a consolidated group as defined in the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB), London, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All disclosures on KWS are therefore disclosures on the Group within the meaning of these regulations. The quarterly financial statements of the KWS Group were prepared in accordance with IAS 34, and exactly the same accounting methods applied in the preparation of the consolidated financial statements as of June 30, 2011, were used. The Notes appended to the annual financial statements as of June 30, 2011, therefore apply accordingly. Income taxes were calculated on the basis of the individual country-specific income tax rates, taking account of the planning for the fiscal year as a whole.

## Companies consolidated in the KWS Group

The quarterly consolidated financial statements of the KWS Group include the single-entity financial statements of KWS SAAT AG and its subsidiaries in Germany and other countries in which it directly or indirectly controls more than 50% of the voting rights. In addition, joint ventures are proportionately consolidated according to the percentage of equity held in those companies. Subsidiaries and joint ventures that are considered immaterial for the presentation and evaluation of the financial position and performance of the Group are not included.

The number of companies consolidated in the KWS Group did not change, with the result that a total of 53 companies will be fully consolidated and seven proportionately consolidated in fiscal 2011/2012.

# Balance Sheet of the KWS Group

€ millions	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010
<b>ASSETS</b>			
Intangible assets	59.6	59.7	48.1
Property, plant and equipment	238.9	226.4	224.6
Financial assets	3.9	4.1	4.6
Noncurrent tax assets	5.1	5.1	5.3
Deferred tax assets	44.3	29.1	39.5
<b>Noncurrent assets</b>	<b>351.8</b>	<b>324.4</b>	<b>322.1</b>
Inventories and biological assets	165.1	129.0	170.5
Trade receivables	212.5	268.2	190.6
Marketable securities	17.0	36.6	22.6
Cash and cash equivalents	61.6	110.3	45.5
Current tax assets	16.2	14.3	21.7
Other current assets	31.1	19.2	24.7
<b>Current assets</b>	<b>503.5</b>	<b>577.6</b>	<b>475.6</b>
<b>Total assets</b>	<b>855.3</b>	<b>902.0</b>	<b>797.7</b>
<b>EQUITY AND LIABILITIES</b>			
Subscribed capital	19.8	19.8	19.8
Capital reserve	5.5	5.5	5.5
Retained earnings	471.0	484.0	418.2
Minority interests	23.2	21.0	19.9
<b>Equity</b>	<b>519.5</b>	<b>530.3</b>	<b>463.4</b>
Long-term provisions	62.7	63.0	62.2
Long-term borrowings	18.6	19.4	20.8
Trade payables	2.2	2.3	1.8
Deferred tax liabilities	24.7	24.7	18.3
Other long-term liabilities	8.8	9.3	10.0
<b>Noncurrent liabilities</b>	<b>117.0</b>	<b>118.7</b>	<b>113.1</b>
Short-term provisions	64.5	107.4	70.2
Short-term borrowings	25.6	14.2	42.3
Trade payables	70.8	69.4	55.9
Current tax payables	26.9	25.5	26.6
Other liabilities	31.0	36.5	26.2
<b>Current liabilities</b>	<b>218.8</b>	<b>253.0</b>	<b>221.2</b>
<b>Liabilities</b>	<b>335.8</b>	<b>371.7</b>	<b>334.3</b>
<b>Total equity and liabilities</b>	<b>855.3</b>	<b>902.0</b>	<b>797.7</b>

The increase in inventories is due to the absorption of the new harvest in 2011. The potential risks of realization were reflected by additional adjustments.

Year on year, trade receivables rose more slowly than sales. We have since received payment of 55.5% of the accounts receivable. Net liquidity at September 30, 2011, was €34.4 (5.0) million, after €113.3 (81.4) million on June 30, 2011.

The reduction in current provisions was primarily due to the payment of royalties that had been outstanding as of June 30. Despite the net loss in the first three months of this fiscal year, the equity ratio therefore rose to 60.7%, after 58.8% on June 30, 2011.

### Cash Flow Statement

€ millions	1 <sup>st</sup> quarter	
	2011/2012	Previous year
Net income for the period	-16.1	-17.0
Cash earnings	-32.2	-30.4
Funds tied up in net current assets	-29.0	-27.8
Net cash from operating activities	-61.2	-58.2
Net cash from investing activities	-18.5	-14.8
Net cash from financing activities	10.6	30.7
Change in cash and cash equivalents	-69.2	-42.3
Cash and cash equivalents at beginning of period	146.9	113.7
Changes in cash and cash equivalents due to exchanging rate, consolidated group and measurement changes	0.9	-3.3
Cash and cash equivalents at end of period	78.6	68.1

Net cash from operating activities results mainly from the negative income for the period and the reduction in short-term provisions. Net cash from investing activities fell due to a slight increase in capital spending, while net cash from financing activities was impacted by lower borrowings.



## Statements of Changes in Equity of the KWS Group

€ millions	Group interests	Minority interests	Group equity
<b>Balance as at June 30, 2010</b>	<b>474.1</b>	<b>18.8</b>	<b>492.9</b>
Dividends paid	0.0	0.0	0.0
Changes in consolidation scope	0.0	0.0	0.0
Other changes	0.1	0.0	0.1
Consolidated net income for the period	-18.2	1.2	-17.0
Other gains (losses)	-12.5	-0.1	-12.6
<b>Total consolidated gains (losses)</b>	<b>-30.7</b>	<b>1.1</b>	<b>-29.6</b>
<b>Balance as at September 30, 2010</b>	<b>443.5</b>	<b>19.9</b>	<b>463.4</b>
<b>Balance as at June 30, 2011</b>	<b>509.3</b>	<b>21.0</b>	<b>530.3</b>
Dividends paid	0.0	0.0	0.0
Changes in consolidation scope	0.0	0.0	0.0
Other changes	-0.1	0.0	-0.1
Consolidated net income for the period	-18.3	2.2	-16.1
Other gains (losses)	5.4	0.0	5.4
<b>Total consolidated gains (losses)</b>	<b>-12.9</b>	<b>2.2</b>	<b>-10.7</b>
<b>Balance as at September 30, 2011</b>	<b>496.3</b>	<b>23.2</b>	<b>519.5</b>

As in the previous year, the changes in equity reflect the negative profit for the quarter. Total consolidated income increased by income totaling €5.4 million, which resulted from currency translation for foreign subsidiaries on the balance sheet date and was not recognized in profit, compared with a negative amount of €12.6 million in the previous year.

No dividends were paid out in the period under review.

## Employees\*

	1 <sup>st</sup> quarter	
	2011/2012	Previous year
Germany	1,599	1,516
Europe (excluding Germany)	1,141	1,055
America	976	940
Other countries	82	73
<b>Total</b>	<b>3,798</b>	<b>3,584</b>

\* at quarter end

At September 30, we had 3,798 employees worldwide. The workforce grew in all regions. We plan to increase it by almost 10% over the previous year (3,560) by the end of the current fiscal year.

## Outlook

Based on our business performance in the first quarter, there are no significant changes to the outlook we gave in the 2010/2011 Annual Report for the **Sugarbeet and Corn Segments**. Accordingly, we anticipate net sales of almost €300 million for the Sugarbeet Segment, including potatoes, and just over €500 million for the Corn Segment.

The **Cereals Segment** is already performing above our expectations and well above the level of the previous year. We expect the segment to post net sales of approximately €90 (77.4) million and operating income of around €18 (14.7) million for the fiscal year.

As far as can be seen at present, the **KWS Group** will generate net sales of around €910 (855.4) million and achieve an EBIT margin of just over 11%.

Our Annual Shareholders' Meeting will be held on December 14, 2011, at 11:00 a.m., as usual at the company's headquarters in Einbeck.

Einbeck, November 25, 2011

**KWS SAAT AG**

The Executive Board



Philip von dem Bussche



Christoph Amberger



Léon Broers



Hagen Duenbostel

## Financial calendar

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December 14, 2011	Annual Shareholders' Meeting in Einbeck
February 24, 2012	Report on the 2 <sup>nd</sup> quarter 2011/2012
May 24, 2012	Report on the 3 <sup>rd</sup> quarter 2011/2012
October 18, 2012	Publication of the 2011/2012 annual statements, Annual Press Conference and Analyst Conference in Frankfurt
November 29, 2012	Report on the 1 <sup>st</sup> quarter 2012/2013
December 13, 2012	Annual Shareholders' Meeting in Einbeck

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This translation of the original German version of the Quarterly Report has been prepared for the convenience of our English-speaking shareholders. The German version is legally binding.