

Quarterly Report Q1 2019|2020

July 1, 2019, to September 30, 2019

**SEEDING
THE FUTURE**
SINCE 1856



KWS in Figures

KWS Group

in € millions	1st quarter of 2019/2020	1st quarter of 2018/2019	1st quarter of 2017/2018	1st quarter of 2016/2017	1st quarter of 2015/2016
Net sales and income					
Net sales	191.0	141.4	136.0	133.3	117.2
EBIT	-39.2	-34.3	-38.8	-28.8	-47.0
Net financial income/expenses	-22.2	-18.3	-18.2	-19.5	-19.2
Net income for the period	-44.6	-39.0	-38.5	-34.8	-44.5
Financial position and assets					
Capital expenditure	452.1	19.5	11.8	18.5	15.7
Depreciation and amortization	17.2	12.4	11.9	11.7	10.8
Equity	932.5	826.9	781.3	729.3	686.5
Equity ratio in %	40.9	53.9	53.1	51.6	53.2
Net debt ¹	620.3	157.8	134.8	190.1	163.9
Total assets	2,280.2	1,533.5	1,472.2	1,414.2	1,290.8
Cash flow from operating activities	-117.7	-100.9	-74.9	-77.2	-41.3
Employees					
Number of full-time employees ²	4,365	4,065	3,895	3,841	3,866
Key figures for the share					
Earnings per share in € ³	-1.35	-1.18	-1.17	-1.05	-1.35

1 = Short-term and long-term borrowings – cash and cash equivalents – securities

2 In FTE at September 30. As of the start of fiscal year 2018/2019 we have modified our reporting to FTE in line with internal corporate controlling and adapted the previous-year's figures accordingly.

3 Earnings per share of previous periods adjusted due to share split.

Reconciliation for the 1st quarter of 2019/2020

in € millions	Segments	Reconciliation	KWS Group
Net sales	195.7	-4.7	191.0
EBIT	-54.3	15.1	-39.2

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Interim Group Management Report

Importance of the First Quarter for the Fiscal Year

Our core markets are in the northern hemisphere, where our main sales drivers corn and sugarbeet seed are sown in the spring. Due to the strongly seasonal nature of our business, the first quarter (July 1 to September 30) contributes around 15% of our total net sales for the fiscal year. Only our winter cereals and winter rapeseed seed business is largely over by the end of the quarter. In addition, net sales of corn, soybean and sugarbeet seed from our activities in the southern hemisphere and from vegetable seed are included in the quarterly financial statements.

Economic Report

Business performance of the KWS Group in the first three months of 2019/2020

The KWS Group grew its net sales sharply by around 35% in the first three months of fiscal 2019/2020.

Net sales in the Corn Segment increased by around 28% on the back of pleasing seed business in South America. The Cereals Segment also generated high growth in net sales of 18%, in particular due to the continuing dynamism in our hybrid rye seed business. The newly founded Vegetables Segment has already made a significant contribution to the KWS Group's increase in net sales to an amount of €27.0 million, mainly from spinach seed. The Sugarbeet Segment generally posts only low net sales in the first quarter due to seasonal reasons.

Earnings, financial position and assets

Earnings

Condensed income statement

in € millions	1st quarter of 2019/2020	1st quarter of 2018/2019	+/-
Net sales	191.0	141.4	35.1%
Operating income	-39.2	-34.3	14.3%
Net financial income/expenses	-22.2	-18.3	21.3%
Result of ordinary activities	-61.4	-52.6	16.7%
Income taxes	-16.8	-13.6	23.5%
Net income for the period	-44.6	-39.0	14.4%
Earnings per share in €¹	-1.35	-1.18	16.7%

¹ Earnings per share of previous periods adjusted due to share split.

Sharp increase in net sales

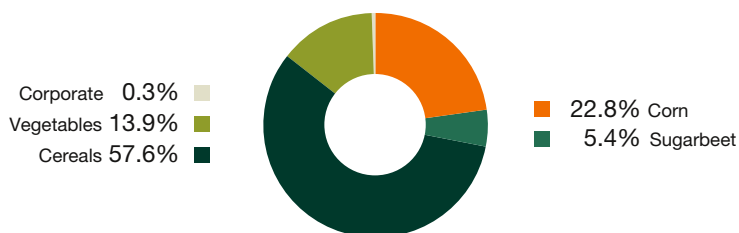
The KWS Group's net sales in the first three months of fiscal 2019/2020 were €191.0 (141.4)² million and so well up on the previous year. The strong growth in the Corn and Cereals Segments and the fact that revenue from the acquired vegetable seed business (Pop Vriend Seeds) was included for the first time had a positive impact on that.

The Cereals and Corn Segments accounted for a major share of total net sales, namely 58% and 23% respectively.

² The figures in parentheses are those for the previous year.

Net sales by segment

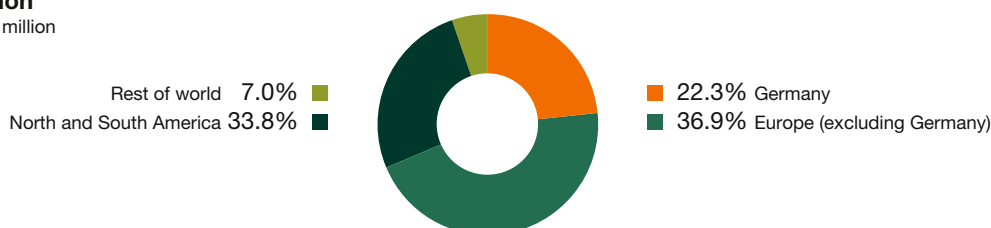
Total net sales €191.0 million



The region where we generated most of our business was Europe, which accounted for 59% of net sales (Germany: 22%), while net sales from North and South America contributed 34% of the total. Revenues from our North American and Chinese equity-accounted companies are only included at the segment level (see the section Segment reports on pages 7 to 8).

Net sales by region

Total net sales €191.0 million



EBIT and net income negative as customary for the period

The KWS Group's operating income (EBIT) in the first quarter is typically negative and was €-39.2 (-34.3) million. Although it posted a higher gross profit, there were also higher function costs for research & development, sales and administration. Income generated by receivables management activities also had a positive impact on EBIT in the previous year.

Net financial income/expenses was €-22.2 (-18.3) million. Since the earnings contributions from our equity-accounted joint ventures do not materialize until the third quarter, net income from equity investments in the first quarter is well in the red. It totaled €-16.9 (-16.0) million. The interest result was €-5.3 (-2.4) million, and thus down on the previous year, due to an increase in interest expense.

Income taxes totaled €-16.8 (-13.6) million. The result was net income for the period of €-44.6 (-39.0) million or €-1.35 (-1.18) per share.

Financial situation

Selected key figures for the financial situation

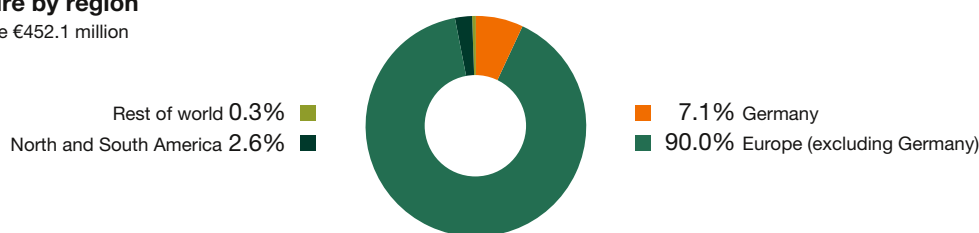
in € millions	1st quarter of 2019/2020	1st quarter of 2018/2019	+/-
Cash and cash equivalents	126.2	98.5	28.1%
Net cash from operating activities	-117.7	-100.9	16.7%
Net cash from investing activities	-415.5	-22.5	1,746.7%
Free cash flow	-533.3	-123.4	332.2%
Net cash from financing activities	86.3	30.7	181.1%

The KWS Group's seasonal course of business impacts its cash flow statement, which changes significantly in the course of the year. The net cash from operating activities was €-117.7 (-100.9) million.

The net cash used in investing activities rose sharply to €-415.5 (-22.5) million, mainly as a result of the acquisition of Pop Vriend Seeds. KWS partly uses a revolving line of credit and issues short-term commercial papers in order to finance its general business operations during the year. The net cash from financing activities increased to €86.3 (30.7) million. Cash and cash equivalents totaled €126.2 (98.5) million.

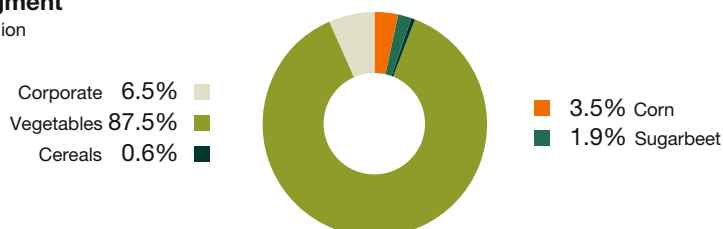
Capital expenditure by region

Total capital expenditure €452.1 million



Capital expenditure by segment

Total capital expenditure €452.1 million



The KWS Group invested a total of €452.1 (19.5) million in the first three months of fiscal 2019/2020. The sharp increase is attributable to the acquisition of Pop Vriend Seeds. The main focus of our general capital spending, which will total around €100 million in the current fiscal year, is on erecting and expanding production and research & development capacities.

Assets

Condensed balance sheet

in € millions	September 30, 2019	June 30, 2019	+/-
Assets			
Noncurrent assets	1,204.9	760.5	58.4%
Current assets	1,075.3	1,346.8	-20.2%
Assets held for sale	0.0	7.6	-
Equity and liabilities			
Equity	932.5	963.5	-3.2%
Noncurrent liabilities	810.1	364.4	122.3%
Current liabilities	537.6	785.3	-31.5%
Liabilities held for sale	0.0	1.8	-
Total assets	2,280.2	2,115.0	7.0%

The KWS Group's balance sheet during the year is impacted sharply by the seasonal course of its business. There are thus usually significant changes in balance sheet items, in particular for working capital, in the course of the year. The balance sheet also takes into account the acquisition of Pop Vriend Seeds, the allocation to individual balance sheet items is to be regarded as provisional before finally determining the effects. Inventories rose by €138.9 million to €316.2 (177.3)¹ million. Cash and cash equivalents fell to €106.9 (139.8) million, while trade receivables increased to €430.8 (402.1) million. The equity ratio was 40.9% (45.5%) and net debt was €620.3 (497.9) million. Total assets at September 30, 2019, were €2,280.2 (2,115.0) million.

¹ Disclosures in parentheses in this section are those at June 30, 2019.

Employees

Number of full-time employees by region

	September 30, 2019	September 30, 2018
Germany	1,948	1,695
Europe (excluding Germany)	1,310	1,400
North and South America	934	796
Rest of world	173	174
Total	4,365	4,065

At September 30, 2019, we had 4,365 (4,065) full-time employees worldwide. The year-on-year increase is mainly attributable to a growing headcount in Germany and the workforce of the Pop Vriend Seeds Group, which has been part of the KWS Group since July 1, 2019.

Segment Reports

Reconciliation with the KWS Group

The KWS Group's interim consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The segments are presented in the economic report in line with our internal corporate controlling structure in accordance with GAS 20. The main difference is that we no longer carry the revenues and costs of our equity-accounted joint ventures and associated companies in the statement of comprehensive income. The KWS Group's reported net sales and EBIT will therefore be lower than the total for the segments. The earnings contributed by the equity-accounted companies are instead included under net financial income/expenses. In addition, their assets are included separately in the KWS Group's balance sheet. Our equity-accounted companies are included proportionately in the segment reports in line with our internal corporate controlling structure.

The difference from the KWS Group's statement of comprehensive income is summarized for a number of key indicators in the reconciliation table:

Reconciliation table

in € millions	Segments	Reconciliation	KWS Group
Net sales	195.7	-4.7	191.0
EBIT	-54.3	15.1	-39.2
Number of employees as of September 30, 2019	4,832	-467	4,365
Capital expenditure	457.3	-5.2	452.1
Total assets	2,413.5	-133.3	2,280.2

Corn Segment

The Corn Segment grew its net sales sharply by 28% to €44.4 (34.8) million in the first quarter. Our growing business in the main markets of South America – Brazil and Argentina – made a major contribution to that. In the regions of Europe and North America, the first quarter sees no significant revenue from early sales of corn seed. The segment's income was €-37.5 (-41.2) million.

Sugarbeet Segment

Net sales at the Sugarbeet Segment in the first quarter were €10.6 million and so at the level of the previous year (€13.3 million). Revenues mainly come from the sale of sugarbeet seed in the south of the U.S., Chile and North Africa. No significant net sales are generated in the other regions at this early stage. The segment's income in the first quarter was €-28.5 (-13.4) million. The fall in the segment's income was partly due to the income generated by receivables management activities in the previous year.

Cereals Segment

Net sales in the Cereals Segment in the first quarter rose by 18% to €112.0 (95.3) million. This increase was mainly attributable to successful hybrid rye seed business (+35%), which benefited from good general conditions and, related to that, higher cultivation area. Whereas dry conditions for the sowing season hampered our European winter rapeseed business, rye varieties deliver a relatively reliable yield under dry conditions than other cereal crops. The segment's income increased to €36.6 (32.9) million, in particular due to higher contribution margins from hybrid rye business.

Vegetables Segment

The Vegetables Segment, which includes the business activities of the vegetable seed company Pop Vriend Seeds acquired effective July 1, 2019, made a significant contribution of €27.0 million to the KWS Group's increase in net sales in the first quarter. On a pro-forma basis, the business has continued to grow dynamically and benefited from sustained high demand for spinach seed. The segment's income was €6.0 million (or €12.0 million before acquisition-related effects such as fair value measurement of inventories and (preliminarily determined) amortization of intangible assets – please also refer to the forecast report on page 9).

Corporate Segment

Net sales in the Corporate Segment totaled €1.6 (1.2) million. They are mainly generated from our farms. Since all cross-segment costs for the KWS Group's central functions and basic research expenditure are charged to the Corporate Segment, its income is usually negative. The costs consolidated in this segment rose in the first three months, in particular as a result of intensified research & development activities and higher personnel costs as part of the reorganization project GLOBE. The segment's income was €-30.9 (-28.1) million.

Overview of the segments

in € millions	1st quarter of 2019/2020	1st quarter of 2018/2019	+/-
Net sales			
Corn	44.4	34.8	27.6%
Sugarbeet	10.6	13.3	-20.6%
Cereals	112.0	95.3	17.6%
Vegetables	27.0	0.0	0.0%
Corporate	1.6	1.2	35.2%
Total	195.7	144.6	35.3%
EBIT			
Corn	-37.5	-41.2	9.0%
Sugarbeet	-28.5	-13.4	-112.8%
Cereals	36.6	32.9	11.2%
Vegetables	6.0	0.0	0.0%
Corporate	-30.9	-28.1	-10.1%
Total	-54.3	-49.8	-9.1%

Opportunity and Risk Report

There has been no significant change in the situation as to opportunities and risks compared with at June 30, 2019. Risks that jeopardize the company's existence are not currently discernible. You can find detailed information on the risk management system and the risk situation at the KWS Group in the Combined Management Report starting on page 75 of the 2018/2019 Annual Report.

Forecast Report

Forecast for the KWS Group's statement of comprehensive income

We are making no change to our forecast for the statement of comprehensive income for the current fiscal year. We expect an increase in net sales of 8% to 12% and an EBIT margin of 11% to 13%.

Changes in the forecast for segment reporting

The guidance for the Vegetables Segment has changed from the last one in the 2018/2019 Annual Report as follows:

- The segment's sales are still expected to be in the order of €80 million. Including the non-cash effects related to the acquisition of Pop Vriend Seeds – mainly from fair value measurement of inventories and (preliminarily determined) amortization of intangible assets –, an EBIT margin in the range of 5% to 10% is forecast. Excluding those effects, we expect the EBIT margin for the Vegetables Segment to be in the range of 30% to 35%. These ranges are provisional, since we have not yet completed the process of determining the above effects.

The forecasts for the other segments are unchanged from the 2018/2019 Annual Report.

Condensed Interim Consolidated Financial Statements

Statement of Comprehensive Income

in € millions	1st quarter of 2019/2020	1st quarter of 2018/2019
I. Income statement		
Net sales	191.0	141.4
Operating income	-39.2	-34.3
Net financial income/expenses	-22.2	-18.3
Result of ordinary activities	-61.4	-52.6
Income taxes	-16.8	-13.6
Net income for the period	-44.6	-39.0
II. Other comprehensive income		
Other comprehensive income after tax	15.3	-12.3
III. Comprehensive income (total of I. and II.)		
Net income for the period after shares of minority interests	-44.6	-38.7
Share of minority interests	0.0	-0.3
Net income for the period	-44.6	-39.0
Comprehensive income after shares of minority interests	-29.3	-51.0
Share of minority interests	0.0	-0.3
Comprehensive income	-29.3	-51.3
Earnings per share in €¹	-1.35	-1.18

¹ Earnings per share of previous periods adjusted due to share split.

Balance Sheet¹

Assets

in € millions	September 30, 2019	June 30, 2019	September 30, 2018
Intangible assets	506.9	92.1	83.2
Property, plant and equipment	465.7	444.5	405.1
Equity-accounted financial assets	142.7	154.0	134.6
Financial assets	5.2	5.1	4.3
Noncurrent tax assets	1.5	1.4	0.8
Deferred tax assets	82.9	63.4	62.9
Noncurrent assets	1,204.9	760.5	690.9
Inventories	316.2	177.3	274.7
Biological assets	3.0	16.1	2.8
Trade receivables	430.8	402.1	318.5
Marketable securities	19.3	19.9	10.8
Cash and cash equivalents	106.9	139.8	87.7
Current tax assets	82.7	81.0	69.3
Other current financial assets	75.9	487.1	66.3
Contract assets IFRS 15	3.5	2.7	0.0
Noncurrent assets held for sale	37.0	20.7	12.5
Current assets	1,075.3	1,346.8	842.6
Assets held for sale	0.0	7.6	0.0
Total assets	2,280.2	2,115.0	1,533.5

Equity and liabilities

in € millions	September 30, 2019	June 30, 2019	September 30, 2018
Subscribed capital	99.0	99.0	19.8
Capital reserve	5.5	5.5	5.5
Retained earnings	828.0	856.3	799.1
Minority interests	0.0	2.7	2.5
Equity	932.5	963.5	826.9
Long-term provisions	138.8	145.4	128.3
Long-term borrowings	566.0	182.3	167.6
Trade payables	0.8	0.8	0.8
Deferred tax liabilities	60.0	16.4	19.5
Other noncurrent financial liabilities	26.0	0.3	0.0
Other long-term liabilities	18.5	19.2	16.9
Noncurrent liabilities	810.1	364.4	333.1
Short-term provisions	57.0	50.2	25.9
Short-term borrowings	180.5	475.4	88.7
Trade payables	136.3	88.5	123.2
Current tax liabilities	34.7	48.9	32.9
Other current financial liabilities	15.0	17.4	2.6
Contract liabilities IFRS 15	17.4	18.8	0.0
Other current liabilities	96.7	86.0	100.2
Current liabilities	537.6	785.3	373.5
Liabilities held for sale	0.0	1.8	0.0
Liabilities	1,347.7	1,151.4	706.6
Total assets	2,280.2	2,115.0	1,533.5

¹ The balance sheet takes into account the acquisition of Pop Vriend Seeds, the allocation to individual balance sheet items is to be regarded as provisional before finally determining the effects.

Statement of Changes in Equity

Changes in equity

in € millions	Group interests	Minority interests	Group equity
07/01/2018	879	2.8	881.8
Adjustment due to IIFRS 9 (after tax)	-4.8	0.0	-4.8
Adjustment due to IAS 29 (hyperinflation)	6.6	0.0	6.6
07/01/2018 adjusted	880.8	2.8	883.6
Net income for the year	-38.8	-0.3	-39.1
Other income after taxes	-12.2	0.0	-12.2
Total comprehensive income	-51.0	-0.3	-51.3
Other changes	-3.5	-0.0	-3.5
09/30/2018 adjusted¹	826.3	2.5	828.8
07/01/2019	960.8	2.7	963.5
Net income for the year	-44.6	0.0	-44.6
Other income after taxes	15.3	0.0	15.3
Total comprehensive income	-29.3	0.0	-29.3
Changes in minority interests	0.0	-2.7	-2.7
Adjustment due to IAS 29 (hyperinflation)	1.0	0.0	1.0
09/30/2019	932.6	0.0	932.5

¹ Adjusted due to adjustments to the opening balance sheet.

Cash Flow Statement

Cash proceeds and payments

in € millions	1st quarter of 2019/2020	1st quarter of 2018/2019
Net income for the period	-44.6	-39.1
Funds tied up in net current assets	-105.6	-72.0
Net cash from operating activities	-117.7	-100.9
Net cash from investing activities	-415.5	-22.5
Net cash from financing activities	86.3	30.7
Change in cash and cash equivalents	-447.0	-92.8
Changes in cash and cash equivalents due to exchange rate, consolidated group and measurement changes	-1.2	-1.3
Cash and cash equivalents at beginning of period (July 1)	159.8	192.6
Plus the cash deposited in a trust account for acquisition of the Pop Vriend Seeds Group	414.7	0.0
Cash and cash equivalents at end of period	126.2	98.5

Condensed Notes to the Interim Financial Statements

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. 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. Exactly the same accounting methods applied in the preparation of the consolidated financial statements as of June 30, 2019, were used, with the exception of the accounting standard IFRS 16 “Leases” that was adopted for the first time in the current fiscal year. IFRS 16 was applied using the modified retrospective method, which did not result in any adjustment to the previous year’s figures. The explanations in the Notes to the consolidated financial statements as of June 30, 2019, on page 99 of the 2018/2019 Annual Report therefore apply accordingly. The 2018/2019 Annual Report can be read and downloaded at www.kws.com/corp/en/company/investor-relations/financial-reports/.

Consolidated Group and Changes in the Consolidated Group

The abridged interim financial statements of the KWS Group for the first three months of fiscal 2019/2020 include the single-entity financial statements of KWS SAAT SE & Co. KGaA and its subsidiaries and joint ventures in Germany and other countries, the associated company and the joint operations, which are carried in accordance with IFRS 11 and IAS 28. Subsidiaries that are considered immaterial for the presentation and evaluation of the financial position and performance of the Group are not included.

The KWS Group completed acquisition of the shares in the Pop Vriend Seeds Group on July 1, 2019. The number of companies consolidated in the KWS Group has thus been enlarged by the holding company Birika B.V. (Amsterdam, Netherlands) and eleven subsidiaries in the Netherlands and Turkey. In addition, KWS CAPITAL SEMILLAS CANARIAS SL (Gran Canaria, Spain) was founded in July 2019 and included in the consolidated financial statements at a stake of 100%. The 51% stake in the French subsidiary RAZES HYBRIDES S.A.R.L. was sold in July 2019.

The number of companies consolidated in the KWS Group thus increased from 75 at June 30, 2019, to 87.

Related Parties

The related party disclosures in the 2018/2019 Annual Report and under Other notes in the section Notes for the KWS Group are essentially the same.

Report on Events after the Balance Sheet Date

There were no events after September 30, 2019, that can be expected to have a significant impact on the KWS Group’s earnings, financial position and assets.

Einbeck, November 2019

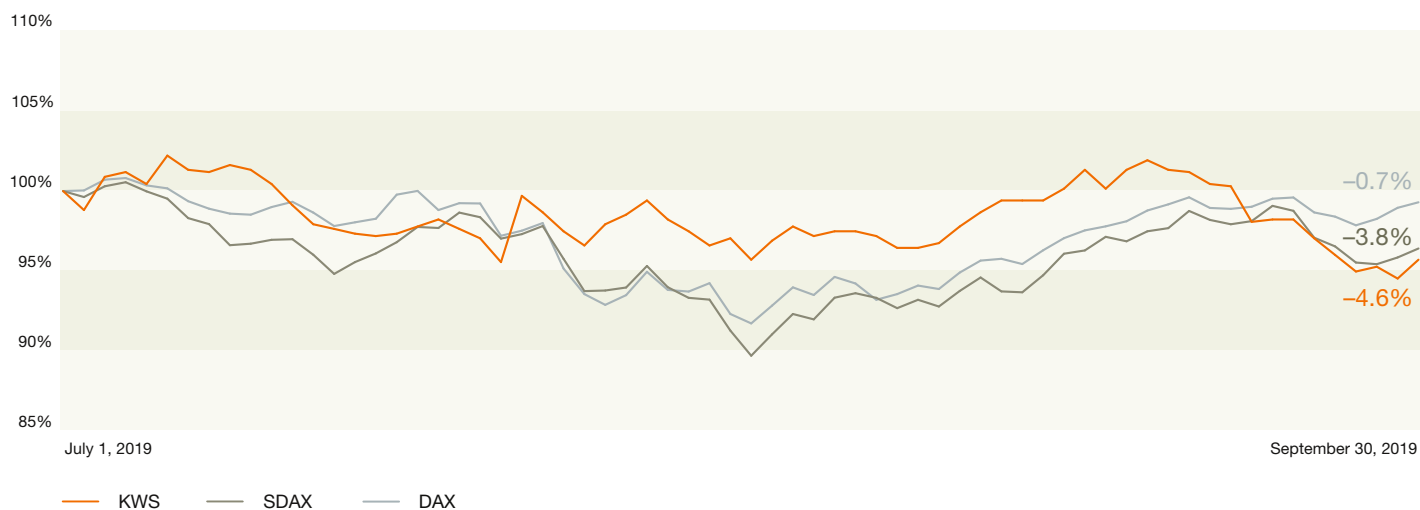
The Executive Board

Additional disclosures

Share

Share performance in the period under review

July 1, 2019, to September 30, 2019, XETRA closing prices



Shareholder structure September 30, 2019

(33,000,000 shares)



Share data

KWS SAAT SE & Co. KGaA	
Securities identification number	707400
ISIN	DE0007074007
Stock exchange identifier	KWS
Transparency level	Prime Standard
Index	SDAX
Share class	No-par value share
Number of shares	33,000,000

Financial Calendar

Date	Event
December 17, 2019	Annual Shareholders' Meeting in Einbeck
February 25, 2020	Semiannual Report 2019/2020
May 19, 2020	9M Report 2019/2020
October 23, 2020	Publication of the 2019/2020 annual statements, Annual Press Conference and Analysts' Conference in Frankfurt
November 24, 2020	Quarterly Report Q1 2020/2021
December 16, 2020	Annual Shareholders' Meeting in Einbeck

About this Report

The quarterly report can be downloaded on our websites at www.kws.de and www.kws.com. The KWS Group's fiscal year begins on July 1 and ends on June 30. Unless otherwise specified, figures in parentheses relate to the same period or date in the previous year. There may be rounding differences for percentages and numbers.

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Safe Harbor Statement

This document contains forward-looking statements about future developments based on the current assessments of management. These forward-looking statements may be identified by words such as “forecast,” “assume,” “believe,” “assess,” “expect,” “intend,” “can/may/might,” “plan,” “should” or similar expressions. These statements are subject to certain elements of uncertainty, risks and other factors that may result in significant deviations between expectations and actual circumstances. Examples of such risks and factors are market risks (such as changes in the competitive environment or risks of changes in interest or exchange rates), product-related risks (such as production losses as a result of bad weather, failure of production plants or quality-related risks), political risks (such as changes in the regulatory environment, including those with regard to the general regulatory framework for the cultivation of energy plants, or violations of existing laws and regulations, for example those regarding genetically modified organisms in seed) and general economic risks. Forward-looking statements must therefore not be regarded as a guarantee or pledge that the developments or events they describe will actually occur. We do not intend, nor do we assume any obligation, to update or revise these forward-looking statements, since they are based solely on circumstances on the day they were published.

Photo credits:

Florian Gahre

Date of publication: November 26, 2019

This translation of the original German version of the Quarterly Report Q1 2018/2019 has been prepared for the convenience of our English-speaking shareholders. The German version is legally binding