

Semiannual Report 2019|2020

July 1 to December 31, 2019

**SEEDING
THE FUTURE**
SINCE 1856



KWS in Figures

KWS Group

in € millions	1st half of 2019/2020	1st half of 2018/2019	1st half of 2017/2018	1st half of 2016/2017	1st half of 2015/2016
Net sales and income					
Net sales	329.6	289.1	244.1	280.0	219.5
EBITDA	-50.8	-51.8	-65.8	-46.9	-82.1
EBIT	-92.0	-76.6	-89.6	-70.3	-106.3
Net financial income/expenses	-27.4	-21.1	-29.0	-25.8	-28.7
Net income for the period	-86.5	-61.2	-80.6	-64.3	-95.8
Financial position and assets					
Capital expenditure	49.1	41.8	27.9	33.6	54.2
Depreciation and amortization	41.2	24.8	23.8	23.4	24.2
Equity	858.7	798.2	705.1	702.6	617.2
Equity ratio in %	36.4	50.0	48.2	47.4	45.5
Net debt ¹	642.5	174.6	223.8	236.6	281.6
Total assets	2,359.0	1,596.9	1,463.5	1,481.0	1,356.7
Cash flow from operating activities	-86.5	-70.3	-127.3	-85.1	-99.8
Free cash flow ²	-530.2	-116.1	-154.8	-127.2	-159.1
Employees					
Number of full-time employees ²	4,448	4,008	3,866	3,965	3,811
Key figures for the share					
Earnings per share in € ³	-2.62	-1.85	-2.44	-1.95	-2.88

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

² Takes into account the acquisition of Pop Vriend Seeds

³ In FTE at December 31

⁴ Earnings per share of previous periods adjusted due to share split.

Reconciliation for the 1st half of 2019/2020

in € millions	Segments	Reconciliation	KWS Group
Net sales	365.2	-35.6	329.6
EBIT	-112.8	20.8	-92.0

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Interim Group Management Report

Importance of the 1st Half 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 half of the year (July 1 to December 31) contributes around 25% 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 period under review. In addition, net sales of corn, soybean and sugarbeet seed from our activities in the southern hemisphere and – as of this fiscal year – from vegetable seed are included in the semiannual financial statements.

Economic Report

Performance of the KWS Group in the 1st half of the fiscal year

The KWS Group grew its net sales sharply by around 14% in the first six months of fiscal 2019/2020. The newly established Vegetables Segment remains buoyant on the back of high demand for spinach seed and made a major contribution of €44.3 million to the KWS Group's increase in net sales. The Cereals Segment also generated sustained high growth in net sales of around 13%, in particular due to the continuing dynamic nature of our hybrid rye seed business. The Sugarbeet and Corn Segments, which do not generate significant net sales and income until the spring sowing season in the third quarter (January to March), reported a decline in revenue, in particular due to intra-seasonal shifts (see also the segment report on page 7).

Earnings, financial position and assets

Earnings

Condensed income statement

in € millions	1st half of 2019/2020	1st half of 2018/2019	+/-
Net sales	329.6	289.1	14.0%
EBITDA	-50.8	-51.8	1.9%
Operating income	-92.0	-76.6	-20.1%
Net financial income/expenses	-27.4	-21.1	-29.8%
Result of ordinary activities	-119.4	-97.7	22.2%
Income taxes	-32.8	-36.5	10.0%
Net income for the period	-86.5	-61.2	-41.4%
Earnings per share in €¹	-2.62	-1.85	-41.4%

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

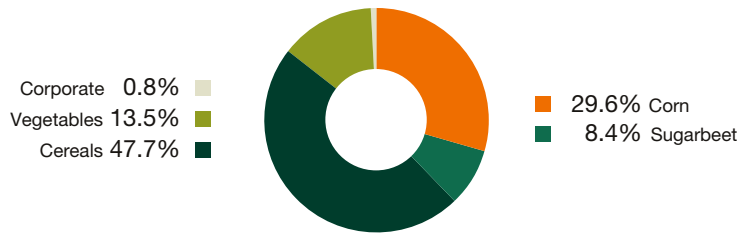
Sharp increase in net sales – EBITDA slightly up year over year

The KWS Group's net sales in the first half of fiscal 2019/2020 rose by 14.0% to a total of €329.6 (289.1)¹ million. The increase was mainly attributable to the fact that revenue from the acquired vegetable seed business (Pop Vriend Seeds) was included for the first time. In addition, cereal seed business again performed positively and – due to the seasonal course of our business – accounted for a large share of total net sales (47.7%) in the first half of the year.

¹ The figures in parentheses are those for the previous year..

Net sales by segment

Total net sales €329.6 million



The region where we generated most of our business was Europe, which accounted for 54% of net sales (Germany: 20%). Revenues from our North American equity-accounted companies were relatively low due to seasonal factors (see the section “Segment reports” on pages 7 to 9).

Net sales by region

Total net sales €329.6 million



The KWS Group’s operating income (EBIT) in the first six months is typically negative and was €–92.0 million following €–76.6 million in the same period of the previous year. Although it posted a higher gross profit, there were also higher function costs for research and development, sales and administration. Income generated by receivables management activities also had a positive impact on EBIT in the previous year.

EBIT for the period under review includes non-cash effects related to the acquisition of Pop Vriend Seeds. They result from the sale of inventories that were taken over and remeasured at fair value (€–5.7 million) and from amortization of intangible assets (€–11.1 million) as part of the purchase price allocation. Excluding those effects, EBIT was €–75.2 million, an improvement of around 2% over the previous year.

Due to the effects on depreciation and amortization as part of the purchase price allocation and to enable better comparability, the KWS Group will not only report its EBIT, but also its operating income before depreciation and amortization (EBITDA) from now on. EBITDA in the period under review was €–50.8 million and so slightly above the figure for the previous year (€–51.8 million).

Net financial income/expenses declined to €–27.4 (–21.1) million, mainly due to the fall in net income from our equity-accounted companies to €–19.7 (–16.0) million. Since the main revenue from our joint ventures does not materialize until the third quarter (January to March), net income from equity investments in the first half of the year is usually well in the red. The interest result decreased to €–7.8 (–5.1) million, mainly due to higher interest expense connected to financing the acquisition of Pop Vriend Seeds.

Income taxes totaled €–32.8 (–36.5) million. The result was net income for the period of €–86.5 (–61.2) million or €–2.62 (–1.85) per share.

Financial situation

Selected key figures for the financial situation

in € millions	1st half of 2019/2020	1st half of 2018/2019	+/-
Cash and cash equivalents	190.1	150.0	26.7%
Net cash from operating activities	-86.5	-70.3	-23.0%
Net cash from investing activities	-443.7	-45.8	<-100%
Free cash flow	-530.2	-116.1	<-100%
Net cash from financing activities	147.7	74.2	99.0%

The KWS Group's seasonal course of business impacts its cash flow statement, which changes significantly in the course of the year. Net cash from operating activities was €-86.5 (-70.3) million.

The net cash used in investing activities rose sharply to €-443.7 (-45.8) million, mainly as a result of the acquisition of Pop Vriend Seeds. After adjustment for the acquisition, the net cash from investing activities was €48.9 million. 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 €147.7 (74.2) million. Cash and cash equivalents totaled €190.1 (150.0) million.

Excluding the acquisition of Pop Vriend Seeds, the KWS Group invested a total of €49.1 (41.8) million in the first six months of fiscal 2019/2020. The main focus of our capital spending, which will total around €100 million in the current fiscal year, is on erecting and expanding production and research and development capacities.

Capital expenditure by region

Total capital expenditure €49.1 million



Capital expenditure by segment

Total capital expenditure €49.1 million



Assets

Condensed balance sheet

in € millions	December 31, 2019	June 30, 2019	+/-
Assets			
Noncurrent assets	1,273.5	760.5	67.5%
Current assets	1,085.5	1,346.8	-19.4%
Assets held for sale	0.0	7.6	-
Equity and liabilities			
Equity	858.7	963.5	-10.9%
Noncurrent liabilities	862.5	364.4	>100%
Current liabilities	637.8	785.3	-18.8%
Liabilities held for sale	0.0	1.8	-
Total assets	2,359.0	2,115.0	11.5%

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 reflects the acquisition of Pop Vriend Seeds. Inventories rose to €439.6 (177.3)¹ million due to seasonal reasons. Cash and cash equivalents were €152.3 (139.8) million, while trade receivables totaled €227.5 (402.1) million. The equity ratio fell to 36.4% (45.5%) and net debt was €642.5 (497.9) million. Total assets at December 31, 2019, were €2,359.0 (2,115.0) million.

Employees

Number of full-time employees by region

	December 31, 2019	December 31, 2018
Germany	1,966	1,721
Europe (excluding Germany)	1,442	1,293
North and South America	865	821
Rest of world	175	173
Total	4,448	4,008

At December 31, 2019, we had 4,448 full-time employees worldwide.

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.

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

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	365.2	-35.6	329.6
EBIT	-112.8	20.8	-92.0
Number of employees as of December 31, 2019	4,903	-455	4,448
Capital expenditure	50.1	-1.0	49.1
Total assets	2,413.5	-54.5	2,359.0

Corn Segment

Net sales in the Corn Segment fell year on year to €133.4 (145.3) million, mainly due to seasonal fluctuations in the time of sowing. The sowing season for winter corn in Brazil, a major corn-growing region, began later than in the previous year, with the result that some of our deliveries were not made until after the end of the period under review. However, there was a sharp increase in revenue in North America in the previous year as a result of early sales, especially of soybean seed. Business in Argentina performed very well, with volumes there rising by 13%. Only low revenue is usually generated in Europe in the first half of the year.

The segment's EBIT was €-68.2 (-64.0) million. The segment generates the lion's share of its revenue and income in the spring sowing season in the third quarter (January to March).

Sugarbeet Segment

Net sales at the Sugarbeet Segment fell in the first half of the year to €27.9 (45.3) million. A higher proportion of early sales had resulted in a sharp increase in net sales in the same period of the previous year. In the current fiscal year, however, we did not record such sales and deliveries until after the New Year.

The segment's income in the first six months was €-46.3 million, well down from the previous year (€-22.7 million). That is mainly attributable to the lower net sales in the period under review and to income generated by receivables management activities in the previous year. As is customary, revenue from sugarbeet seed is still low in the first half of the year; significant net sales are not expected until the spring sowing season in the third quarter (January to March).

Cereals Segment

Net sales in the Cereals Segment in the first half of the year rose by 13% to €157.1 (139.0) million. This increase was mainly attributable to successful hybrid rye seed business (+29%), which benefited from good general conditions and, related to that, higher cultivation area. While dry conditions for the sowing season hampered European winter rapeseed business, rye varieties deliver a relatively reliable yield under dry conditions compared to other cereal crops. The segment's income increased to €53.8 (47.0) million, in particular due to higher contribution margins from hybrid rye business.

The segment generates the lion's share of its revenue and income in the first half of the year.

Vegetables Segment

The Vegetables Segment, which includes the business activities of the vegetable seed producer Pop Vriend Seeds acquired effective July 1, 2019, made a significant contribution of €44.3 million to the KWS Group's increase in net sales in the first half of the year. On a pro-forma basis, the business has continued to grow dynamically and benefited from sustained high demand for spinach seed, in particular in North America. The segment's income (before acquisition-related effects) was €19.1 million. Including non-cash effects as part of the purchase price allocation from the sale of inventories that were taken over and remeasured at fair value (€-5.7 million) and from amortization of intangible assets (€-11.1 million), the segment's income was €2.3 million.

Corporate Segment

Net sales in the Corporate Segment totaled €2.5 (2.7) 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 half of the year, in particular due to higher personnel costs as part of the reorganization project GLOBE. The segment's income was €-54.4 (-51.6) million.

Overview of the segments

in € millions	2nd quarter of 2019/2020	2nd quarter of 2018/2019	1st half of 2019/2020	1st half of 2018/2019
Net sales				
Corn	89.0	111.5	133.4	145.3
Sugarbeet	17.3	32.0	27.9	45.3
Cereals	45.1	43.9	157.1	139.0
Vegetables	17.3	0.0	44.3	0.0
Corporate	0.9	1.5	2.5	2.7
Total	169.5	188.9	365.2	332.3
EBIT				
Corn	-30.7	-23.7	-68.2	-64.0
Sugarbeet	-17.8	-5.3	-46.3	-22.7
Cereals	17.2	19.1	53.8	47.0
Vegetables	-0.7	0.0	2.3	0.0
Corporate	-21.7	-26.5	-54.4	-51.6
Total	-53.7	-36.4	-112.8	-91.3

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

The KWS Group still expects growth in net sales of 8% to 12% and an EBIT margin of 11% to 13% in fiscal 2019/2020.

The guidance does not include non-cash effects as part of the now completed purchase price allocation for the acquisition of Pop Vriend Seeds. They result from the sale of inventories that were taken over and remeasured at fair value (anticipated effect in the current fiscal year: around €-10 million) and from amortization of intangible assets (around €-22 million). The KWS Group's EBITDA is expected to be slightly above that of the previous year.

The measures to contain the corona virus in China are expected to have only a minor impact on the KWS Group's earnings in the current financial year.

The guidance for the Vegetables Segment has changed from the last one in the Quarterly Report for Q1 2019/2020 as follows:

The segment's net sales are now expected to be in the order of €80 to €90 million (previously: €80 million). Taking into account the above non-cash effects related to the acquisition of Pop Vriend Seeds, the segment is now expected to break even. Excluding those effects, we expect the EBIT margin for the Vegetables Segment to be in the range of 30% to 35%.

The forecasts for the other segments are unchanged.

Condensed Interim Consolidated Financial Statements

Statement of Comprehensive Income

in € millions	2nd quarter of 2019/2020	2nd quarter of 2018/2019	1st half of 2019/2020	1st half of 2018/2019
I. Income statement				
Net sales	138.6	147.7	329.6	289.1
Operating income	-49.8	-42.2	-92.0	-76.6
Net financial income/expenses	-5.2	-2.8	-27.4	-21.1
Result of ordinary activities	-55.0	-45.0	-119.4	-97.7
Income taxes	-14.9	-22.9	-32.8	-36.5
Net income for the period	-40.0	-22.1	-86.5	-61.2
II. Other comprehensive income				
Items that may have to be subsequently reclassified as profit or loss	-11.1	11.0	4.2	-1.2
Items not reclassified as profit or loss	0.1	0.0	0.1	0.0
Other comprehensive income after tax	-11.0	11.0	4.3	-1.2
III. Comprehensive income (total of I. and II.)				
Net income for the period after shares of minority interests	-40.0	-22.5	-86.5	-60.7
Share of minority interests	-0.1	-0.2	-0.1	-0.5
Net income for the period	-40.1	-22.7	-86.6	-61.2
Comprehensive income after shares of minority interests	-50.9	-6.6	-82.2	-61.9
Share of minority interests	0.0	-0.2	0.0	-0.5
Comprehensive income	-50.9	-6.8	-82.2	-62.4
Earnings per share in €¹	-1.21	-0.67	-2.62	-1.85

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

Balance Sheet

Assets

in € millions	December 31, 2019	June 30, 2019	December 31, 2018
Intangible assets	506.5	92.1	82.8
Right-of-use assets	58.8	0.0	0.0
Property, plant and equipment	476.6	444.5	422.6
Equity-accounted financial assets	134.2	154.0	136.0
Financial assets	5.3	5.1	4.4
Noncurrent tax assets	1.5	1.4	1.2
Deferred tax assets	90.6	63.4	92.3
Noncurrent assets	1,273.5	760.5	739.3
Inventories	439.6	177.3	363.7
Biological assets	6.5	16.1	4.9
Trade receivables	227.5	402.1	190.1
Marketable securities	37.8	19.9	30.3
Cash and cash equivalents	152.3	139.8	119.7
Current tax assets	97.2	81.0	79.6
Other current financial assets	70.4	487.1	36.6
Contract assets IFRS 15	1.2	2.7	0.0
Noncurrent assets held for sale	53.0	20.7	32.7
Current assets	1,085.5	1,346.8	857.6
Assets held for sale	0.0	7.6	0.0
Total assets	2,359.0	2,115.0	1,596.9

Equity and liabilities

in € millions	December 31, 2019	June 30, 2019	December 31, 2018
Subscribed capital	99.0	99.0	19.8
Capital reserve	5.5	5.5	5.5
Retained earnings	754.2	856.3	770.6
Minority interests	0.0	2.7	2.3
Equity	858.7	963.5	798.2
Long-term provisions	135.7	145.4	127.6
Long-term borrowings	566.3	182.3	158.0
Trade payables	0.7	0.8	0.8
Deferred tax liabilities	93.8	16.4	23.6
Other noncurrent financial liabilities	47.2	0.3	0.3
Other long-term liabilities	18.8	19.2	18.4
Noncurrent liabilities	862.5	364.4	328.7
Short-term provisions	55.4	50.2	29.6
Short-term borrowings	266.3	475.4	166.6
Trade payables	126.5	88.5	120.5
Current tax liabilities	36.3	48.9	32.4
Other current financial liabilities	22.4	17.4	9.1
Contract liabilities IFRS 15	4.9	18.8	0.0
Other current liabilities	126.0	86.0	111.8
Current liabilities	637.8	785.3	470.0
Liabilities held for sale	0.0	1.8	0.0
Liabilities	1,500.3	1,151.4	798.7
Total assets	2,359.0	2,115.0	1,596.9

Statement of Changes in Equity

Changes in equity

in € millions	Group interests	Minority interests	Group equity
07/01/2018	879.0	2.8	881.8
Adjustment due to IFRS 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
Dividends paid	-21.1	0.0	-21.1
Net income for the year	-60.7	-0.5	-61.2
Other income after taxes	-1.2	0.0	-1.2
Total comprehensive income	-61.9	-0.5	-62.4
12/31/2019 adjusted ¹	797.8	2.3	800.1
07/01/2019	960.8	2.7	963.5
Dividends paid	-22.1	0.0	-22.1
Net income for the year	-86.5	0.0	-86.5
Other income after taxes	4.3	0.0	4.3
Total comprehensive income	-82.2	0.0	-82.2
Changes in minority interests	0.0	-2.7	-2.7
Adjustment due to IAS 29 (hyperinflation)	2.2	0.0	2.2
12/31/2019	858.7	0.0	858.7

¹ Adjusted due to adjustments to the opening balance sheet.

Cash Flow Statement

Cash proceeds and payments

in € millions	1st half of 2019/2020	1st half of 2018/2019
Net income for the period	-86.5	-61.2
Funds tied up in net current assets	-22.8	-2.9
Net cash from operating activities	-86.5	-70.3
Net cash from investing activities	-443.7	-45.8
Net cash from financing activities	147.7	74.2
Change in cash and cash equivalents	-382.6	-41.9
Changes in cash and cash equivalents due to exchange rate, consolidated group and measurement changes	-1.8	-0.7
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	190.1	150.0

Condensed Notes to the Interim Financial Statements

Basis of Accounting and Reporting

The KWS Group is a consolidated group as defined in the valid International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB), London, and adopted by the European Union, 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 interim financial statements as of December 31, 2019, were prepared as abridged financial statements in accordance with the provisions of IAS 34.

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 that was adopted for the first time in the current fiscal year, IFRS 16. The following deals only with those newly adopted standards that have a significant impact on the KWS Group's assets, financial position and earnings.

Changes to Significant Accounting Policies

First-time application of new IFRSs

The KWS Group applied the regulations of the new standard IFRS 16 "Leases" for the first time effective July 1, 2019. It superseded IAS 17 "Leases" and the related interpretations.

Under the new regulation, lessees no longer have to distinguish between finance and operating leases. Consequently, the lessee must in principle recognize all leases as right-of-use assets and lease liabilities in the balance sheet. In subsequent periods, the right-of-use asset is depreciated over the lease's term. This depreciation is recognized in the respective function costs. Interest expense is accrued on the lease liability in the course of the lease and the liability is reduced by the lease payments that have been made. The effect from the accrued interest is recognized in the interest expense under net financial income/expenses.

There will be no significant changes for lessors as a result of IFRS 16, with the exception of sub-leases, which must be classified in the future as a finance or operating lease in relation to the main lease agreement.

The standard was applied for the first time at the KWS Group retroactively without any adjustment to the previous year's figures. In application of the practical exemption permitted under IFRS 16, the KWS Group has not reviewed the agreements recognized in accordance with IAS 17 to determine whether a lease exists. The lease payments for short-term leases and leases where the underlying asset is of low value are still recognized as operating expenses in accordance with the available option. In addition, leases whose terms end within 12 months of the time of adoption of the standard were treated as short-term leases.

At the time of adoption of the standard, the KWS Group recognized the lease liabilities at the present value of the outstanding lease payments using the applicable incremental borrowing rate. The weighted average rate of interest at July 1, 2019, was 2.8%. The lease liabilities are carried under the item "Other financial liabilities" depending on when they are due. The right-of-use assets were recognized to the amount of the corresponding lease liabilities, adjusted for any prepaid or accrued lease payments if applicable. The right-of-use assets were reported in the balance sheet under a separate item "Right-of-use assets." Initial direct costs were not included in measuring the right-of-use asset at the time of adoption of the standard.

The main effects from adoption of IFRS 16 at July 1, 2019, are presented in the table below:

Reconciliation first time adoption of IFRS 16 at July 1, 2019

in € millions	July 1, 2019
Operating lease liabilities at June 30, 2019	40.9
Exemption for short-term leases	-1.7
Exemption for leases for low-value assets	-0.1
Miscellaneous	-0.1
Gross lease liabilities at July 1, 2019	39.0
Discounting	-4.3
Lease liabilities at July 1, 2019	34.7

The KWS Group's leases mainly relate to tenancy agreements for office space, lease agreements and leased vehicles. If the equity-accounted companies had been included on a pro-rata basis, there would have been lease liabilities of €39.3 million at July 1, 2019.

At December 31, 2019, the lease liabilities totaled €59.3 million and the right-of-use assets €58.8 million. Current depreciation was €4.7 million and the interest expense was €0.7 million. The increase in the right-of-use assets and lease liabilities is mainly attributable to the tenancy agreement for the new office building at our Berlin site.

Consolidated Group and Changes in the Consolidated Group

The abridged interim financial statements of the KWS Group for the first six 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.

Acquisition of the Pop Vriend Seeds Group

The KWS Group acquired the Pop Vriend Seeds Group, Andijk, the Netherlands, effective July 1, 2019. The number of companies consolidated in the KWS Group has thus been enlarged by the holding company Birika B.V., Amsterdam, the Netherlands, and eleven subsidiaries in the Netherlands and Turkey. KWS acquired the group by taking over all of the shares in Birika B.V.

Pop Vriend Seeds is a leading company in the breeding, production and distribution of vegetable seed. The company primarily specializes in seed for spinach, beans, mangelwurz and other vegetable crops and supplies customers in more than 100 countries. Pop Vriend has thus become part of the new Vegetables Segment.

The transferred consideration was just over €400 million and was paid in cash. The KWS Group raised bridge funding of €400 million to finance the purchase price. It was replaced at the end of August by the issue of borrower's notes to the same amount. These notes have a term of between five and ten years.

The fair values of the identified assets and liabilities of the Pop Vriend Seeds Group at the time of its acquisition are as follows:

Fair values of assets and liabilities at the time of acquisition

in € millions	July 1, 2019
Assets	408.4
Intangible assets	321.4
Right-of-use assets (IFRS 16)	0.2
Property, plant, and equipment	10.7
Financial assets	0.2
Deferred tax assets	0.4
Inventories	30.9
Trade receivables	23.3
Cash and cash equivalents	19.9
Other assets	1.4
Liabilities	-97.3
Long-term borrowings	-0.1
Short-term borrowings	-1.4
Trade payables	-2.8
Short-term provisions	-7.0
Deferred tax liabilities	-86.0
Fair value of the net assets	311.1
Goodwill	103.6

The acquired intangible assets identified as part of the purchase price allocation relate to approved varieties, technology, customer relationships, and the “Pop Vriend” brand.

The goodwill of €103.6 million from acquisition of the company essentially reflects the KWS Group’s entry into the strongly growing and profitable vegetable seed market. The goodwill is not tax-deductible.

The Pop Vriend Seeds Group currently generates almost all the net sales and income at the new Vegetables Segment. Please refer to the segment reporting for details.

Other changes in the consolidated group

In addition, KWS SEMILLAS CANARIAS SL, Gran Canaria, Spain, was established in July 2019 and BTS TURKEY Tarım Ticaret Limited Şirketi, Eskişehir, Turkey, in October 2019. Both companies are 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 on July 3, 2019. The stake’s fair value was the same as the sales price of €3.5 million. A profit of €0.3 million was made on the sales transaction and is carried under the other operating income.

The KWS Group sold its stake of 100% in KWS SEEDS THAILAND Co., Ltd. on November 22, 2019. The sales price was €1. A deconsolidation gain of €0.1 million resulted from sale of the stake and is carried under the other operating income.

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

Segment Reporting

Sales per segment

in € millions	Segment sales 1st half		Internal sales 1st half		External sales 1st half	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Corn	133.4	145.3	0.0	0.0	133.4	145.3
Sugarbeet	27.9	45.8	0.0	0.4	27.9	45.3
Cereals	157.2	139.3	0.1	0.2	157.1	139.0
Vegetables	44.3	0.0	0.0	0.0	44.3	0.0
Corporate	2.9	3.0	0.4	0.3	2.5	2.7
Segments acc. to management approach	365.7	333.4	0.5	0.9	365.2	332.3
Elimination of equity-accounted financial assets					-35.6	-43.2
Segments acc. to consolidated financial statements					329.6	289.1

Segment earnings

in € millions	2nd quarter of 2019/2020	2nd quarter of 2018/2019	1st half of 2019/2020	1st half of 2018/2019
Corn	-30.8	-23.7	-68.2	-64.1
Sugarbeet	-17.8	-5.3	-46.3	-22.7
Cereals	17.3	19.1	53.8	47.0
Vegetables	-0.7	0.0	2.3	0.0
Corporate	-21.7	-26.5	-54.4	-51.6
Segments acc. to management approach	-53.7	-36.4	-112.8	-91.4
Elimination of equity-accounted financial assets	3.9	-5.8	20.8	14.8
Segments acc. to consolidated financial statements	-49.8	-42.2	-92.0	-76.6
Net financial income/expenses	-5.2	-2.8	-27.4	-21.1
Earnings before taxes	-55.0	-45.0	-119.4	-97.7

Operating assets and operating liabilities per segment

in € millions	Operating assets		Operating liabilities	
	2019/2020	2018/2019	2019/2020	2018/2019
Corn	770.2	839.1	148.4	137.5
Sugarbeet	327.7	287.7	69.0	61.6
Cereals	147.4	136.4	23.6	24.9
Vegetables	509.7	0.0	19.8	0.0
Corporate	199.6	134.1	96.0	90.0
Segments acc. to management approach	1,954.6	1,397.3	356.8	314.0
Elimination of equity-accounted financial assets	-239.1	-333.1	-38.4	6.8
Segments acc. to consolidated financial statements	1,715.5	1,064.2	318.4	320.8
Others	643.5	532.7	1,181.9	477.9
KWS Group acc. to consolidated financial statements	2,359.0	1,596.9	1,500.3	798.7

Financial Instruments

The explanations and methods stated in the section “Financial instruments” in the 2018/2019 Annual Report (pages 104 to 106 and 134 to 140) apply. The carrying amounts and fair values of the financial assets (financial instruments), split into the measurement categories in accordance with IFRS 9, are as follows:

Carrying amounts and fair values of the financial assets at December 31, 2019

in € millions	Financial assets				
	Fair Values	Carrying amounts			
		At amortized cost	At fair value through other comprehensive income	At fair value through profit or loss	Total carrying amount
Financial assets					
Financial assets	5.3	0.0	5.3	0.0	5.3
Trade receivables	227.5	227.5	0.0	0.0	227.5
Securities	37.8	37.8	0.0	0.0	37.8
Cash and cash equivalents	152.3	152.3	0.0	0.0	152.3
Other current financial assets	70.4	69.6	0.0	0.8	70.4
Of which derivative financial instruments	(0.8)	(0.0)	(0.0)	(0.8)	(0.8)
Total	493.4	487.2	5.3	0.8	493.4

Carrying amounts and fair values of the financial assets at June 30, 2019

in € millions	Financial assets				
	Fair Values	Carrying amounts			
		At amortized cost	At fair value through other comprehensive income	At fair value through profit or loss	Total carrying amount
Financial assets					
Financial assets	5.1	0.0	5.1	0.0	5.1
Trade receivables	402.1	402.1	0.0	0.0	402.1
Securities ¹	19.9	18.7	1.2	0.0	19.9
Cash and cash equivalents	139.8	139.8	0.0	0.0	139.8
Other current financial assets	487.1	486.5	0.0	0.6	487.1
Of which derivative financial instruments	(0.6)	(0.0)	(0.0)	(0.6)	(0.6)
Total	1,054.2	1,047.2	6.4	0.6	1,054.2

¹ Categorization has been adjusted. Money market accounts are presented within the category “amortized cost”

The carrying amounts and fair values of the financial liabilities (financial instruments), split into the measurement categories in accordance with IFRS 9, are as follows:

Carrying amounts and fair values of the financial liabilities at December 31, 2019

in € millions	Financial liabilities			
	Fair Values	Carrying amounts		
		At amortized cost	At fair value through profit or loss	Total carrying amount
Financial liabilities				
Long-term borrowings	566.3	566.3	0.0	566.3
Long-term trade payables	0.7	0.7	0.0	0.7
Other noncurrent financial liabilities	47.2	47.0	0.2	47.2
Of which derivative financial instruments	(0.2)	(0.0)	(0.2)	(0.2)
Of which lease liabilities	(47.0)	(47.0)	(0.0)	(47.0)
Short-term financial liabilities	266.3	266.3	0.0	266.3
Short-term trade payables	126.5	126.5	0.0	126.5
Other current financial liabilities	22.4	20.7	1.7	22.4
Of which lease liabilities	(12.3)	(12.3)	(0.0)	(12.3)
Of which derivative financial instruments	(1.7)	(0.0)	(1.7)	(1.7)
Total	1,029.4	1,027.6	1.9	1,029.4

Carrying amounts and fair values of the financial liabilities at June 30, 2019

in € millions	Financial liabilities			
	Fair Values	Carrying amounts		
		At amortized cost	At fair value through profit or loss	Total carrying amount
Financial liabilities				
Long-term borrowings	182.3	182.3	0.0	182.3
Long-term trade payables	0.8	0.8	0.0	0.8
Other noncurrent financial liabilities	0.3	0.3	0.0	0.3
Of which derivative financial instruments	(0.0)	(0.0)	(0.0)	(0.0)
Short-term financial liabilities	475.4	475.4	0.0	475.4
Short-term trade payables	88.5	88.5	0.0	88.5
Other current financial liabilities	17.4	16.1	1.3	17.4
Of which derivative financial instruments	(1.3)	(0.0)	(1.3)	(1.3)
Total	764.6	763.3	1.3	764.6

The table below shows the financial assets and liabilities measured at fair value:

Assets and liabilities measured at fair value

in € millions	December 31, 2019				June 30, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative financial instruments not part of a hedge under IFRS 9	0.0	0.8	0.0	0.8	0.0	0.6	0.0	0.6
Financial assets	0.0	5.3	0.0	5.3	1.2	5.1	0.0	6.3
Financial assets	0.0	6.1	0.0	6.1	1.2	5.7	0.0	6.9
Derivative financial instruments not part of a hedge under IFRS 9	0.0	1.9	0.0	1.9	0.0	1.3	0.0	1.3
Financial liabilities	0.0	1.9	0.0	1.9	0.0	1.3	0.0	1.3

¹ the prior year information has been adjusted

- Money market accounts have been reclassified to "amortized cost" and are not measured at fair value (level 1) anymore
 - Investments in closed funds have been reclassified from level 1 to level 2

Related Parties

Pursuant to the change in legal form to a partnership limited by shares on July 2, 2019, the personally liable partner KWS SE provides business management services on behalf of KWS SAAT SE & Co. KGaA. The services obtained under this business relationship totaled €1.3 million in the first half of fiscal 2019/2020.

Apart from that, the related party disclosures under "Other notes" in the section "Notes for the KWS Group" in the 2018/2019 Annual Report are essentially the same.


Report on Events after the Balance Sheet Date

There were no events after December 31, 2019, that can be expected to have a significant impact on the KWS Group's earnings, financial position and assets.

Declaration by Legal Representatives


We declare to the best of our knowledge that these interim consolidated financial statements give a true and fair view of the assets, financial position and earnings of the KWS Group in compliance with the accounting principles applicable to interim reporting, and that an accurate picture of the course of business, including business results, and the Group's situation is conveyed by the interim group management report, and that it describes the main opportunities and risks of the KWS Group's anticipated development.

Einbeck, February 2020
KWS SAAT SE & Co. KGaA
 The Executive Board


 Hagen Duenbostel


 Felix Büchting


 Léon Broers


 Peter Hofmann

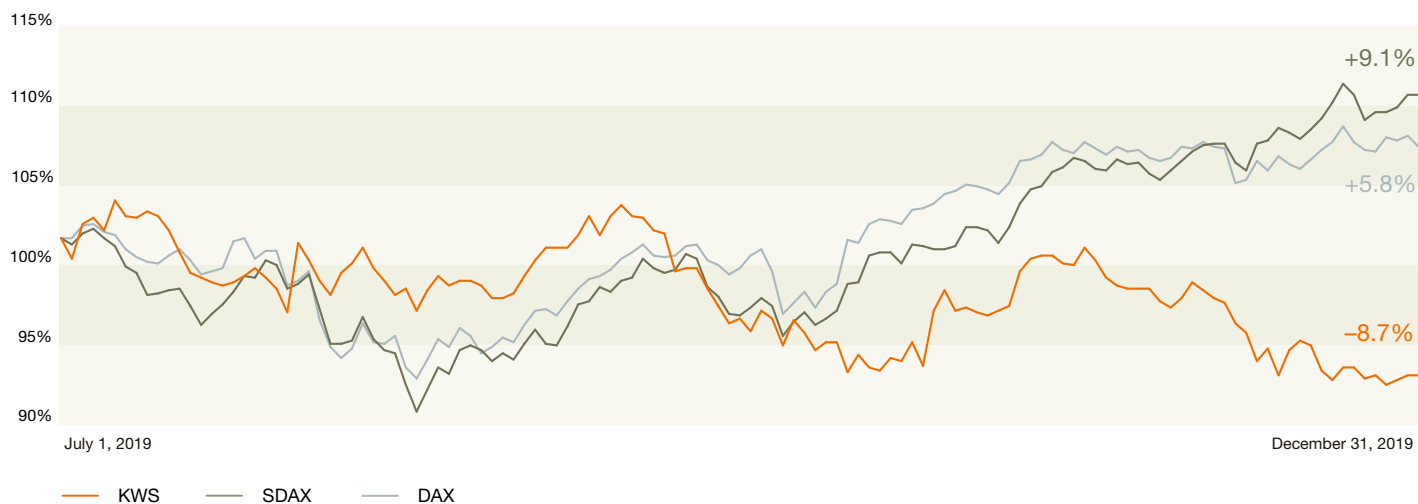

 Eva Kienle

Additional Disclosures

Share

Share performance in the period under review

July 1, 2019, to December 31, 2019, XETRA closing prices



Shareholder structure (at December 31, 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	Individual share certificates
Number of shares	33,000,000

Financial Calendar

Date	Event
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	Q1 Report 2020/2021
December 16, 2020	Annual Shareholders' Meeting in Einbeck

About this Report

The semiannual 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

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