

Semiannual Report of the KWS Group
Fiscal year 2011/2012

July 1 to December 31, 2011

Seeding the future
since 1856



Interim report 2011/2012

Dear shareholders and friends of KWS,

Since the strong-selling products corn and sugarbeet are not sown until the spring, the KWS Group's seed business from July to December is generally characterized by low net sales and normally accounts for just under one-fifth of the total annual figure. However, our costs are spread evenly over the fiscal year, so our operating income in the first six months is typically negative. Nevertheless, it improved year on year, above all on the back of successful cereals business. For the spring sowing season, we expect good sales opportunities in the Corn and Sugarbeet Segments.

Business development in the first six months

In the first half of fiscal 2011/2012, the KWS Group's net sales rose year on year by 27% to €191.5 (151.1)* million, mainly thanks to our cereals business. The Cereals Segment's net sales in the first six months were €78.1 million, already above the figure for the whole of fiscal 2010/2011. Once again, the hybrid rye business of KWS LOCHOW proved to be the growth driver. We also increased net sales in our main segments of Corn and Sugarbeet, although their substantive sales activities do not start until the spring.

Operating income (EBIT) in the first half improved thanks to the increase in net sales by €8.4 million to € -31.2 (€ -39.6) million. This rise is the result of higher profitability at the Sugarbeet and Cereals Segments, while the planned increase in breeding and selling expenses impacted the Corn Segment. Research & development expenditure in the first six months was €60.9 (51.7) million.

Interest on tax back payments reduced net financial income/expenses. The figure for income taxes was obtained by applying the effective tax rate planned for the fiscal year as a whole to the pre-tax profits for the half year.

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 semiannual financial statements of the KWS Group were prepared in accordance with IAS 34, and have not been examined by an auditor or undergone a complete statutory audit. Exactly the same accounting methods applied in the preparation of the consolidated financial statements as of June 30, 2011, were used. As reported after the first quarter, we redefined our segments effective July 1, 2011, and product-related R&D costs have been carried directly in the product segments. The operating income for the Corporate Segment now includes all our cross-segment expenses. The Notes appended to the annual financial statements as of June 30, 2011, therefore apply accordingly; intersegment sales are not shown. 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 consolidated semiannual 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 increased by one fully consolidated company as a result of the establishment of BETASEED GMBH, Frankfurt, effective October 1, 2011. As a result, a total of 54 companies will be fully consolidated and seven proportionately consolidated in 2011/2012.

Income statement (first half of the year)

in € million	2 nd quarter		1 st half	
	2011/2012	Prev. year	2011/2012	Prev. year
Net sales	98.4	79.9	191.5	151.1
Operating income	-8.6	-15.6	-31.2	-39.6
Net financial income/expenses	-2.0	-1.4	-3.0	-2.7
Result of ordinary activities	-10.6	-17.0	-34.2	-42.3
Income taxes	-3.4	-4.9	-10.9	-13.2
Net income for the period	-7.2	-12.1	-23.3	-29.1
of which shareholders of KWS SAAT AG	-8.7	-13.8	-27.0	-32.0
of which minority interest	1.5	1.7	3.7	2.9
Earnings per share (€)	-1.31	-2.09	-4.09	-4.85

Statement of comprehensive income (first half of the year)

in € million	2 nd quarter		1 st half	
	2011/2012	Prev. year	2011/2012	Prev. year
Net income for the period	-7.2	-12.1	-23.3	-29.1
Gain/loss from financial instruments available for sale	0.1	0.0	0.1	0.0
Currency translation for foreign subsidiaries	7.7	2.3	13.0	-10.2
Comprehensive income for the period	0.6	-9.8	-10.2	-39.3
of which shareholders of KWS SAAT AG	-1.1	-11.5	-14.1	-42.2
of which minority interest	1.7	1.7	3.9	2.9

The statement of comprehensive income reconciles the income for the period with the change in equity. Currency translations – in particular for the US dollar – on the reporting date meant that equity increased by €13.0 (€ -10.2) million.

Capital expenditure

Investments in property, plant and equipment were €26.9 (20.2) million in the first two quarters of the fiscal year, while depreciation was €10.9 (10.2) million. The rise in capital expenditure is attributable in part to acquisition of new breeding areas and buildings for our potato business in the Netherlands, and expansion of production capacities in Argentina.

Of the total capital expenditure of €28.0 (€21.2) million in the first half of the year, 39.7% was in the Sugarbeet Segment, 28.2% in the Corn Segment, 25.0% in the Corporate Segment and the remaining 7.1% in the Cereals Segment.

Segment report (first half of the year)

in € million	2 nd quarter		1 st half	
	2011/2012	Prev. year	2011/2012	Prev. year
Net sales	98.4	79.9	191.5	151.1
Sugarbeet	26.6	22.5	37.2	30.6
Corn	46.1	32.1	71.5	53.5
Cereals	22.6	23.0	78.1	63.7
Corporate	3.1	2.3	4.7	3.3
Operating income	-8.6	-15.6	-31.2	-39.6
Sugarbeet	0.9	-3.5	-6.7	-17.6
Corn	-9.1	-13.1	-33.1	-26.9
Cereals	9.1	10.4	28.0	22.4
Corporate	-9.5	-9.4	-19.4	-17.5
Capital expenditure	10.2	7.2	28.0	21.2
Sugarbeet	2.0	1.6	11.1	4.6
Corn	5.2	1.4	7.9	8.0
Cereals	1.0	1.7	2.0	3.5
Corporate	2.0	2.5	7.0	5.1

The individual product segments

Net sales for our **Cereals Segment** as of December 31, 2011, were already above the figure for the whole of fiscal 2010/2011. 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. Net sales at the Cereals Segment in the first half of the year were €78.1 (63.7) million, a year-on-year increase of 23%. Operating income rose by around 25% to €28.0 (22.4) million thanks to high-margin hybrid rye business. Since only slight net sales are made from summer cereal varieties in the second half of the year, yet the costs are spread evenly over the whole fiscal year, net income will fall by the end of the fiscal year.

The **Corn Segment** increased its net sales by 34% to €71.5 (53.5) million in the first half of the year. This growth comes from our key markets of North America, France and Germany. Demand for corn remains high in the current fiscal year. We will again benefit from this positive trend with our portfolio of high-yielding varieties and availability of sufficient seed. The segment's income was € -33.1 (€ -26.9) million and was impacted by expansion of our distribution activities and a further increase in the budget for our corn breeding programs.

Our sugarbeet seed and seed potato business shifted more strongly to the first half of the year than was the case in previous years. In the **Sugarbeet Segment**, we grew net sales by 22% to €37.2 (30.6) million. That includes initial sales of seed potatoes, amounting to about €10 million. Above all, our customers in the Netherlands and Russia stocked up early with sugarbeet seed. Including reversals of allowances for receivables, the segment's income improved to € -6.7 (€ -17.6) million.

Balance Sheet of the KWS Group

in € million	December 31, 2011	June 30, 2011	December 31, 2010
ASSETS			
Intangible assets	59.7	59.7	48.1
Property, plant and equipment	244.6	226.4	227.1
Financial assets	4.2	4.1	4.6
Noncurrent tax assets	5.0	5.1	5.0
Deferred tax assets	50.4	29.1	47.4
Noncurrent assets	363.9	324.4	332.2
Inventories and biological assets	259.9	129.0	233.8
Trade receivables	145.2	268.2	104.1
Marketable securities	35.1	36.6	24.4
Cash and cash equivalents	166.6	110.3	132.0
Current tax assets	28.4	14.3	23.8
Other current assets	43.3	19.2	41.5
Current assets	678.5	577.6	559.6
Total assets	1,042.4	902.0	891.8
EQUITY AND LIABILITIES			
Subscribed capital	19.8	19.8	19.8
Capital reserve	5.5	5.5	5.5
Retained earnings	454.7	484.0	394.1
Minority interests	24.4	21.0	21.2
Equity	504.4	530.3	440.6
Long-term provisions	61.5	63.0	62.5
Long-term borrowings	17.9	19.4	20.8
Trade payables	2.3	2.3	1.9
Deferred tax liabilities	25.8	24.7	18.5
Other long-term liabilities	8.7	9.3	9.7
Noncurrent liabilities	116.2	118.7	113.4
Short-term provisions	33.4	107.4	36.2
Short-term borrowings	210.9	14.2	163.9
Trade payables	105.1	69.4	80.9
Current tax payables	22.2	25.5	23.0
Other liabilities	50.2	36.5	33.8
Current liabilities	421.8	253.0	337.8
Liabilities	538.0	371.7	451.2
Total equity and liabilities	1,042.4	902.0	891.8

Inventories were increased as envisaged in the first half of the year in anticipation of the planned increases in net sales. The rise of €40 million in net sales in the first six months resulted in an increase in trade receivables year on year. Around 50% of the current liabilities are payments on account received from customers in North America.

Cash flow statement (first half of the year)

in € million	1 st half	
	2011/2012	Previous year
Net income for the period	-23.3	-29.1
Cash Earnings	-47.7	-47.4
Funds tied up in net current assets	-52.8	-22.2
Net cash from operating activities	-100.5	-69.6
Net cash from investing activities	-30.0	-24.0
Net cash from financing activities	179.7	139.4
Change in cash and cash equivalents	49.2	45.8
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	5.6	-3.1
Cash and cash equivalents at end of period	201.7	156.4

Higher inventories and receivables at December 31, 2011, resulted in net cash from operating activities of € -100.5 million. Net cash from investing activities of € -30.0 million and an increase of €40 million in net cash from financing activities meant that cash and cash equivalents at the balance sheet date were €201.7 (€156.4) million.

Statements of Changes in Equity (first half of the year)

in € million	Group interests	Minority interests	Group equity
Balance as at June 30, 2010	474.1	18.8	492.9
Dividends paid	-12.5	-0.5	-13.0
Consolidated net income for the period	-32.0	2.9	-29.1
Other gains (losses)	-10.2	0.0	-10.2
Total consolidated gains (losses)	-42.2	2.9	-39.3
Balance as at December 31, 2010	419.4	21.2	440.6
Balance as at June 30, 2011	509.3	21.0	530.3
Dividends paid	-15.2	-0.5	-15.7
Consolidated net income for the period	-27.0	3.7	-23.3
Other gains (losses)	12.9	0.2	13.1
Total consolidated gains (losses)	-14.1	3.9	-10.2
Balance as at December 31, 2011	480.0	24.4	504.4

Equity is impacted by the consolidated net income in the first half of the year and currency translation not recognized in the income statement. A dividend of €2.10 plus a bonus payment of €0.20 for each of the 6.6 million shares was set pursuant to a resolution adopted by the Annual Shareholders' Meeting on December 14, 2011, in Einbeck, resulting in a total payout of €15.2 (12.5) million. Minority interests changed in the first half of the year by €3.4 (2.4) million.

Employees

	1 st half	
	2011/2012	Previous year
Germany	1,511	1,419
Europe (excluding Germany)	932	832
America	1,337	1,212
Other countries	105	98
Total	3,885	3,561

The number of persons employed by the KWS Group at the end of the first six months was 3,885 (3,561). By the end of the fiscal year, the workforce is to be increased by approx. 8% compared with the previous year's level of 3,560.

Forecast report for 2011/2012

The development of business in the first half of the year suggests a positive trend for the Sugarbeet and Corn Segments as well. We forecast stable net sales of around €300 million and an improvement in income at the **Sugarbeet Segment**, including potatoes. We currently expect an EBIT margin of 22%.

The strong demand in the first half of the year has induced us to raise our sales forecast for the **Corn Segment** by €40 million to €540 million. Despite the envisaged expansion in distribution and breeding activities, the EBIT margin will be just over 10%.

The **Cereals Segment** continues to perform above our expectations and thus 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 almost €19 (14.7) million for the fiscal year as a whole.

As far as can be seen at present, the **KWS Group** will post net sales of about €940 (855.4) million in fiscal 2011/2012. Its EBIT margin is expected to be almost 12% after deduction of the Corporate Segment's function costs of some €30 million from the contributions to income made by the product segments.

Risks and opportunities

You can find detailed information on the risk management system and the risk situation at the Group in the section "Risks and chances for future development" on pages 45–47 of the 2010/2011 Annual Report.

Risks that jeopardize the company's existence are not currently discernible.

Declaration by legal representatives (Responsibility Statement)

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 24, 2012

KWS SAAT AG

The Executive Board

P. von dem Bussche

Ch. Amberger

L. Broers

H. Duenbostel

Financial calendar

May 24, 2012	Report on the 3rd quarter 2011/2012
October 18, 2012	Publication of the 2011/2012 financial statements; annual press conference and Analysts' Conference in Frankfurt
November 29, 2012	Report on the 1st quarter 2012/2013
December 13, 2012	Annual Shareholders' Meeting in Einbeck

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