

3rd Quarterly Report of the KWS Group
Fiscal year 2011/2012

July 1, 2011, to March 31, 2012

Seeding the future
since 1856



3rd Quarterly Report 2011/2012

Dear shareholders and friends of KWS,

The quarterly figures presented in this report confirm the positive guidance in our ad-hoc release of April 17, 2012. It appears that the KWS Group will be able to grow its net sales for the 2011/2012 fiscal year (ending on June 30, 2012) by around 15% compared with the previous year (€855.4 million)*. Operating income (EBIT) will surpass the previous year's figure (€116.6 million) by approximately 20%, for an EBIT margin of just over 14%. Such positive performance on this unexpected scale is largely attributable to good demand for our corn varieties in the spring sowing season 2012. Not only has the overall cultivation area for corn increased – the strong demand also reflects the excellent performance of our products.

Business development in the first nine months

The third quarter is the one where we post our strongest net sales and thus the source of the largest contribution margins in our fiscal year. In the other quarters, income is overshadowed by our structural costs, which are spread evenly over the year.

All product segments recorded sharply higher net sales and income in the first nine months. Net sales at the KWS Group in the period from July 1, 2011, to March 31, 2012, increased by 21% to €793.7 (656.2) million. In the first nine months, the KWS Group's operating income improved by just over 25% to €171.0 (136.4) million. All segments contributed to this positive performance, with the Corn Segment posting the strongest growth.

Net financial income/expenses improved year on year thanks to solid liquidity. The figure for income tax expenses was obtained by applying the effective tax rate planned for the fiscal year as a whole to the pre-tax profits for the first nine months.

Income statement

In € million	3rd quarter		1 st -3 rd quarter	
	2011/2012	Prev. year	2011/2012	Prev. year
Net sales	602.2	505.2	793.7	656.2
Operating income	202.2	176.0	171.0	136.4
Net financial income/expenses	-0.5	-2.0	-3.5	-4.7
Result of ordinary activities	201.7	174.0	167.5	131.7
Income taxes	55.5	48.8	44.6	35.6
Net income for the period	146.2	125.2	122.9	96.1
Minority interest	0.2	0.3	3.9	3.3
Net income for the period after minority interest	146.0	124.9	119.0	92.8
Earnings per share (€)	22.12	18.92	18.03	14.07

Statement of comprehensive income

In € million	3 rd quarter		1 st -3 rd quarter	
	2011/2012	Prev. year	2011/2012	Prev. year
Net income for the period	146.2	125.2	122.9	96.1
Gain/loss from financial instruments available for sale	-0.2	0.0	-0.1	0.0
Currency translation for foreign subsidiaries	-3.0	-8.7	10.0	-18.9
Comprehensive income for the period	143.0	116.5	132.8	77.2
of which shareholders of KWS SAAT AG	142.7	116.3	128.6	74.0
of which minority interest	0.3	0.2	4.2	3.2

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 3rd quarterly report of the KWS Group was prepared in accordance with IAS 34, and has 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. The Notes appended to the annual financial statements as of June 30, 2011, therefore apply accordingly. We redefined our segments effective July 1, 2011. The operating income for the Corporate Segment now includes all our cross-segment expenses. Product-related R&D costs are now carried directly in the product segments. The previous year's figures in the segment report have been adjusted accordingly due to these changes. 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 report of the KWS Group on the first nine months of the current fiscal year includes the separate 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. As in the Semiannual Report, 54 companies are fully consolidated and seven proportionately consolidated in the Group.

Capital expenditure

The KWS Group invested a total of €33.8 (30.3) million in the first three quarters of the current fiscal year, i.e. more than the amount of depreciation of €19.9 (17.7) million. As mentioned in the Semiannual Report, the capital spending mainly related to the acquisition of new breeding areas and buildings for our potato business in the Netherlands and expansion of production capacities in Argentina.

Of the investments in property, plant and equipment and intangible assets of €33.8 (28.9) million, 34% was in the Sugarbeet Segment (including potatoes), 31% in the Corn Segment, 21% in the Corporate Segment and the remaining 14% in cereals activities.

Segment report

In € million	3 rd quarter		1 st -3 rd quarter	
	2011/2012	Prev. year	2011/2012	Prev. year
Net sales	602.2	505.2	793.7	656.2
Sugarbeet	197.8	167.9	235.0	198.4
Corn	392.3	326.9	463.8	380.4
Cereals	9.4	8.1	87.5	71.8
Corporate	2.7	2.3	7.4	5.6
Operating income	202.2	176.0	171.0	136.4
Sugarbeet	83.0	83.4	76.3	65.8
Corn	123.9	98.0	90.8	71.1
Cereals	-1.4	-1.5	26.6	20.9
Corporate	-3.3	-3.9	-22.7	-21.4
Capital expenditure	5.8	7.7	33.8	28.9
Sugarbeet	0.5	0.8	11.6	5.4
Corn	2.7	1.5	10.6	9.5
Cereals	2.6	2.5	4.6	6.0
Corporate	0.0	2.9	7.0	8.0

The individual segments

The dynamic growth of our **Corn Segment** continues unabated in the current fiscal year. In the period under review, the segment recorded a very gratifying rise in net sales of 22% to €463.8 (380.4) million. Above all, business in North America increased sharply. In addition, we were able to sell more corn seed in France, Southeastern Europe and Russia. Farmers also grew more corn in Germany, especially as this was the best alternative following the regional failure of the winter wheat harvest. The segment's income at March 31, 2012, was €90.8 (71.1) million, up almost 28% year on year. However, it should be noted in this respect that the segment's earnings tail off sharply toward the end of the fiscal year as a result of low net sales combined with a constant level of costs (see the forecast report).

North America, where our business is based almost wholly on our genetically improved herbicide-tolerant sugarbeet varieties, is the strongest market for the **Sugarbeet Segment** in terms of net sales. We were able to grow markedly there again year on year. Apart from our strong market position in the German sugarbeet seed business, we managed to improve our position in Russia and Ukraine for the first time in years. However, we did not match last year's sales figures in France and the UK.

Our seed potato business, which was fully integrated in the Sugarbeet Segment for the first time in the current year, suffered from a significant drop in prices for potatoes for consumption. In the face of low selling prices, many farmers decided to use farm saved seed instead of certified seed. Net sales at the Sugarbeet Segment in the first nine months were €235.0 (198.4) million. Its income rose by 16% to €76.3 (65.8) million.

The cereals sowed in the fall were exposed to extremely low temperatures in winter. That led to sometimes considerable failures as a result of frost damage, meaning farmers had to plant again in the spring. Winter wheat and winter barley were hit especially hard, while hybrid rye was not damaged as it is very winter-hardy. Hybrid rye sales have increased in the current fiscal year by just over 25%. Net sales at the **Cereals Segment** after the first three quarters were €87.5 (71.8) million. Its income was €26.6 (20.9) million.

Net sales at the **Corporate Segment** are derived primarily from revenues from our farms and our still young corn activities in China. They totaled €7.4 (5.6) million in the first nine months, but are reduced by cross-segment function costs and research expenditures. The segment's income at March 31, 2012, was € -22.7 (-21.4) million.

Balance Sheet of the KWS Group

In € million	March 31, 2012	June 30, 2011	March 31, 2011
ASSETS			
Intangible assets	58.9	59.7	49.4
Property, plant and equipment	243.8	226.4	224.9
Financial assets	4.0	4.1	5.6
Noncurrent tax assets	5.0	5.1	5.0
Deferred tax assets	31.4	29.1	27.5
Noncurrent assets	343.1	324.4	312.4
Inventories and biological assets	156.0	129.0	144.7
Trade receivables	527.4	268.2	424.1
Marketable securities	33.8	36.6	20.1
Cash and cash equivalents	99.9	110.3	101.0
Current tax assets	20.8	14.3	18.0
Other current assets	21.5	19.2	18.8
Current assets	859.4	577.6	726.7
Total assets	1,202.5	902.0	1,039.1
EQUITY AND LIABILITIES			
Subscribed capital	19.8	19.8	19.8
Capital reserve	5.5	5.5	5.5
Retained earnings	597.4	484.0	510.3
Minority interests	24.7	21.0	21.4
Equity	647.4	530.3	557.0
Long-term provisions	62.3	63.0	62.7
Long-term borrowings	17.8	19.4	20.1
Trade payables	2.3	2.3	1.6
Deferred tax liabilities	20.4	24.7	18.4
Other long-term liabilities	8.5	9.3	9.3
Noncurrent liabilities	111.3	118.7	112.1
Short-term provisions	152.2	107.4	113.9
Short-term borrowings	88.2	14.2	73.0
Trade payables	105.7	69.4	97.1
Current tax payables	54.0	25.5	48.2
Other liabilities	43.7	36.5	37.8
Current liabilities	443.8	253.0	370.0
Liabilities	555.1	371.7	482.1
Total equity and liabilities	1,202.5	902.0	1,039.1

In order to avoid supply bottlenecks, additional seed multiplication capacities were created in South America in the previous year, resulting in higher inventories this fiscal year. Of the €156 million in inventories, the Corn Segment accounted for around 70% and Sugarbeet for 23%. The anticipated sales in the fourth quarter will reduce inventories.

The rise in net sales also entailed higher trade receivables, which totaled €527.4 (424.1) million on the reporting date.

Stronger demand for genetically improved seed and related royalty payment obligations in the U.S. resulted in an increase in short-term provisions.

Cash flow statement

In € million	1 st -3 rd quarter	
	2011/2012	Previous year
Net income for the period	122.9	96.1
Cash earnings	116.7	102.8
Funds tied up in net current assets	-156.1	-105.4
Net cash from operating activities	-39.4	-2.6
Net cash from investing activities	-34.2	-32.6
Net cash from financing activities	56.6	47.7
Change in cash and cash equivalents	-17.0	12.5
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	3.7	-5.1
Cash and cash equivalents at end of period	133.6	121.1

The improvement in operating income resulted in higher cash earnings in the first three quarters. The net cash from operating activities fell to € -39.4 million year on year as a result of the funds tied up in net current assets.

Net cash from financing activities was impacted by higher borrowings, resulting in cash and cash equivalents of €133.6 (121.1) million at the end of the quarter.

Statements of Changes in Equity

In € million	Group interests	Minority interests	Group equity
Balance as at June 30, 2010	474.1	18.8	492.9
Dividends paid	-12.5	-0.6	-13.1
Consolidated net income for the period	92.8	3.3	96.1
Other gains (losses)	-18.8	-0.1	-18.9
Total consolidated gains (losses)	74.0	3.2	77.2
Balance as at March 31, 2011	535.6	21.4	557.0
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	119.0	3.9	122.9
Other gains (losses)	9.6	0.3	9.9
Total consolidated gains (losses)	128.6	4.2	132.8
Balance as at March 31, 2012	622.7	24.7	647.4

Equity is impacted by the income of the KWS Group and currency translation not recognized in the income statement.

The Annual Shareholders' Meeting in Einbeck on December 14, 2011, adopted a resolution to pay a dividend of €2.10 plus a bonus payment of €0.20. As a result, €15.2 (12.5) million was distributed to shareholders.

Minority interests changed in the first nine months by €3.7 (2.6) million.

Employees*

	1 st -3 rd quarter	
	2011/2012	Previous year
Germany	1,580	1,498
Europe (excluding Germany)	1,040	942
America	1,231	1,109
Other countries	121	101
Total	3,972	3,650

* at quarter end

In the period under review, the number of employees rose in all regions. We expect the KWS Group to have around 3,850 employees at the end of the fiscal year, an increase of approximately 8% from 3,560 in the previous year.

Forecast report for 2011/2012

The **Corn Segment** will increase its net sales and income for the year as a whole by almost 20%. Specifically, we expect net sales of around €570 million and operating income (EBIT) of some €76 million. That means a further increase in the segment's profitability to a gratifyingly high EBIT margin of more than 13%.

Following restructuring of our segments, the **Sugarbeet Segment** now also obtains value added from herbicide tolerance technology in North America. That, alongside moderate growth in operating business, is a further cause for this segment's improvement in income. We assume that net sales will increase by almost 4% to €305 million and operating income will be around €74 million.

The **Cereals Segment** will again grow slightly by the end of the year. We expect sales for the year as a whole to increase by just over 22% to approximately €95 (77.4) million. Income at the segment has risen above-proportionately and is expected to be around €20 (14.5) million.

We anticipate that the **KWS Group** will generate net sales of around €980 (855.4) million by the end of the current fiscal year 2011/2012. Operating income – after deduction of corporate function costs of some €30 million – is expected to improve to €140 (116.6) million, a year-on-year increase of around 20%. At the same time, we have again expanded our efforts in product development and sales in order to further improve our competitiveness.

Report on 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.

Einbeck, May 24, 2012

KWS SAAT AG

The Executive Board



P. von dem Bussche



Ch. Amberger



L. Broers



H. Duenbostel

Financial calendar

October 18, 2012 Publication of the 2011/2012 financial statements; Annual Press Conference and Analyst 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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