

# Quarterly Report Q1 2017|2018

July 1, 2017, to September 30, 2017

**SEEDING  
THE FUTURE**  
SINCE 1856



# KWS Update

Economic environment	Earnings	Guidance
<ul style="list-style-type: none"> <li>Positive trend in demand for rye</li> <li>Negative exchange rate effects, especially in South America</li> </ul>	<ul style="list-style-type: none"> <li>Net sales grow by 2% despite negative exchange rate effects</li> <li>EBIT negative as typical for the period</li> </ul>	<ul style="list-style-type: none"> <li>Guidance unchanged from that published in the 2016/2017 Annual Report (October 26, 2017)</li> </ul>

## KWS in Figures

### KWS Group

in € millions	1st quarter of 2017/2018	1st quarter of 2016/2017	1st quarter of 2015/2016	1st quarter of 2014/2015
<b>Net sales and income</b>				
Net sales	136.0	133.3	117.2	105.3
EBIT	-38.8	-28.8	-47.0	-35.1
Net financial income/expenses	-18.2	-19.5	-19.2	-17.0
Net income for the period	-38.5	-34.8	-44.5	-35.4
<b>Financial position and assets</b>				
Capital expenditure	11.8	18.5	15.7	56.2
Depreciation and amortization	11.9	11.7	10.8	8.9
Equity	781.3	729.3	686.5	624.0
Equity ratio in %	53.1	51.6	53.2	49.8
Net debt <sup>1</sup>	134.8	190.1	163.9	131.3
Total assets	1,472.2	1,414.2	1,290.8	1,253.2
Cash flow from operating activities	-74.9	-77.2	-41.3	-54.2
<b>Employees</b>				
Number of employees <sup>2</sup>	4,909	5,037	4,808	4,691
<b>Key figures for the share</b>				
Earnings per share in €	-5.78	-5.22	-6.66	-5.30

<sup>1</sup> = Short-term and long-term borrowings – cash and cash equivalents – securities

<sup>2</sup> Number of employees on September 30, 2017

### Reconciliation for the 1st quarter of 2017/2018

in € millions	Segments	Reconciliation	KWS Group
Net sales	138.6	-2.6	136.0
EBIT	-55.0	16.2	-38.8

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# Interim Group Management Report

## Importance of the First Quarter for the Fiscal Year

Our main markets are in the northern hemisphere, where our sales drivers corn and sugarbeet are sown in the spring. Due to the strongly seasonal nature of our business, the first quarter (July 1 to September 30) contributes between 10% and 15% of our total net sales for the fiscal year. Only our winter cereals and winter rapeseed 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 are included in the quarterly financial statements.

## Employees

### Number of employees by region

	September 30, 2017	September 30, 2016
Germany	1,986	1,999
Europe (excluding Germany)	1,625	1,695
North and South America	991	1,069
Rest of world	307	274
<b>Total</b>	<b>4,909</b>	<b>5,037</b>

At September 30, 2017, we had 4,909 employees<sup>1</sup> worldwide.

## Economic Report

### Performance of the KWS Group in the first quarter

The KWS Group grew its net sales slightly in the first quarter of fiscal 2017/2018. The main factors in that were positive winter cereals business – especially for rye – and good winter rapeseed business in Europe. Net sales (of soybean and corn) in South America did not quite reach the very good level of the previous year and declined slightly. The average exchange rate for the Argentinean peso was well below that of the same period in the previous year. The devaluation of pound sterling also had a slightly negative impact on the KWS Group's net sales.

<sup>1</sup> Number of employees on September 30, 2017, not including our equity-accounted companies. Please refer to the reconciliation table on page 7.

# Earnings, Financial Position and Assets

## Earnings

### Abridged income statement

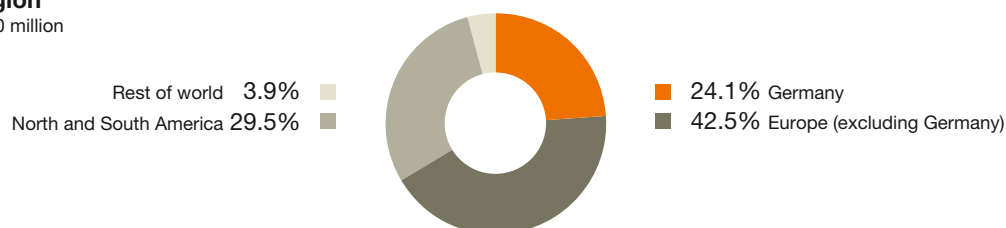
in € millions	1st quarter of 2017/2018	1st quarter of 2016/2017	+/-
Net sales	136.0	133.3	2.0%
Operating income	-38.8	-28.8	-34.7%
Net financial income/expenses	-18.2	-19.5	6.7%
Result of ordinary activities	-57.0	-48.3	-18.0%
Income taxes	-18.5	-13.5	-37.0%
<b>Net income for the period</b>	<b>-38.5</b>	<b>-34.8</b>	<b>-10.6%</b>
<b>Earnings per share (in €)</b>	<b>-5.78</b>	<b>-5.22</b>	<b>-11.5%</b>

### Slight growth in net sales in the first quarter

The KWS Group's net sales in the first quarter of fiscal 2017/2018 totaled €136.0 (133.3)<sup>1</sup> million, a rise of 2.0%. That was achieved primarily on the strength of revenue from our rye and winter rapeseed business. Corn and sugarbeet seed business declined slightly; however, no conclusions for the year as a whole can be drawn from that at the present time. After adjustment for exchange rate effects, the KWS Group's net sales would have been €141.1 million, an increase of 5.8%.

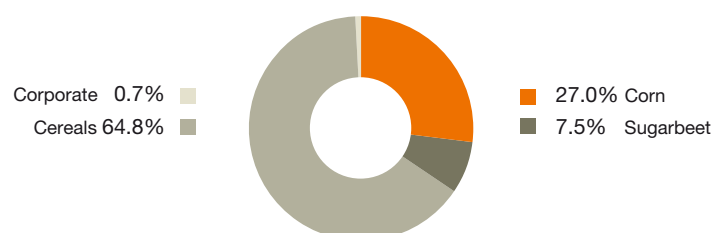
### Net sales by region

Total net sales €136.0 million



### Net sales by segment

Total net sales €136.0 million



<sup>1</sup> The figures in parentheses are those for the previous year.

## Research & development activities and marketing expanded – IT infrastructure strengthened

As planned, additional marketing activities were launched in the period under review, as were new projects aimed at strengthening our IT infrastructure. We also continued increasing our expenditure on research & development and further optimized our organizational structure. The balance of other operating income and other operating expenses fell, in particular due to the fact that there were lower positive special effects than those that had an impact in the previous year. The KWS Group's EBIT fell by 34.7% to €-38.8 (-28.8) million in the first quarter of fiscal 2017/2018.

Net financial income/expenses at September 30, 2017, was €-18.2 (-19.5) million and thus slightly up from the previous year. Since the main revenue from our joint ventures does not materialize until the third quarter, net income from equity investments in the first quarter was €-16.3 million and thus well in the red, but it was 6.2% above the level of the previous year (€-17.4 million). The interest result is made up of interest income and, predominantly, interest expenses. The balance improved slightly to €-1.9 (-2.1) million due to higher interest income.

Income taxes were €-18.5 (-13.5) million on earnings before taxes (EBT) of €-57.0 (-48.3) million. The result was a 10.6% fall in net income for the period to €-38.5 million (€-34.8 million) or €-5.78 (€-5.22) per share.

## Financial situation

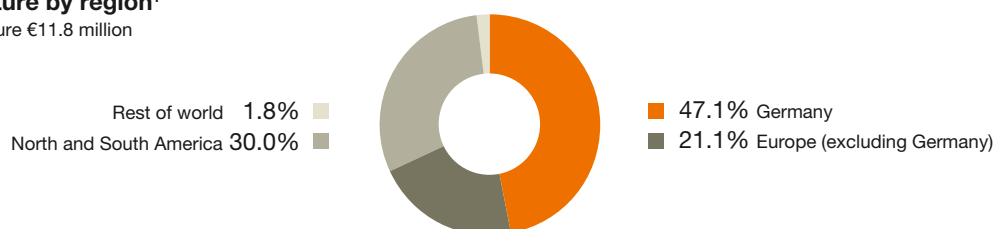
### Selected key figures for the financial situation

in € millions	1st quarter of 2017/2018	1st quarter of 2016/2017	+/-
Cash and cash equivalents	110.8	68.7	61.3%
Net cash from operating activities	-74.9	-77.2	3.0%
Net cash from investing activities	-12.6	-26.0	51.5%
Net cash from financing activities	5.8	8.0	-27.5%

Net cash from operating activities in the first quarter of the fiscal year was €-74.9 (€-77.2) million. The increase in inventories is a key factor influencing the net cash outflow customary at this time of the year. Cash earnings were €-31.8 (€-22.9) million. Net cash from investing activities fell by €13.4 million to €-12.6 (-26.0) million due to lower capital expenditure on property, plant and equipment. Cash and cash equivalents totaled €110.8 (68.7) million.

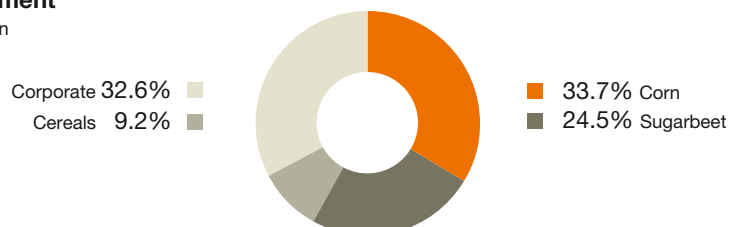
### Capital expenditure by region<sup>1</sup>

Total capital expenditure €11.8 million



### Capital expenditure by segment

Total capital expenditure €11.8 million



The KWS Group invested a total of €11.8 (€18.5) million in the first quarter of fiscal 2017/2018. The main focus of that is on erecting and expanding production and research & development capacities. We plan to increase our capital spending to more than €100 million for the year as a whole.

<sup>1</sup> Without capital expenditures of our at equity consolidated companies.

## Assets

### Abridged balance sheet

in € millions	September 30, 2017	June 30, 2017	+/-
<b>Assets</b>			
Noncurrent assets	675.4	680.1	-0.7%
Current assets	796.8	815.1	-2.2%
<b>Equity and liabilities</b>			
Equity	781.3	836.9	-6.6%
Noncurrent liabilities	356.8	358.8	-0.6%
Current liabilities	334.1	299.5	11.6%
<b>Total assets</b>	<b>1,472.2</b>	<b>1,495.2</b>	<b>-1.5%</b>

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. Inventories rose by €75.2 million to €270.1 (194.9)<sup>1</sup> million. Cash and cash equivalents fell by €76.8 million due to financing of our general business operations. Trade receivables were €286.5 (302.6) million. Negative operating income resulted in the decline in equity customary at this time of the year and the equity ratio fell to 53.1% (56.0%). Net debt was €134.8 (48.5) million. Finally, total assets at September 30, 2017, were €1,472.2 (1,495.2) million.

### 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	138.6	-2.6	136.0
EBIT	-55.0	16.2	-38.8
Number of employees as of September 30, 2017	5,483	-574	4,909
Capital expenditure	45.7	-33.9	11.8
Total assets	1,611.9	-139.7	1,472.2

<sup>1</sup> The figures in parentheses in this section are those at June 30, 2017.

### Corn Segment

In the first quarter of fiscal 2017/2018, the Corn Segment's net sales were €39.3 (71.4) million, a year-on-year fall of 45.0%. That was mainly attributable to the transfer of our rapeseed activities from the Corn Segment to the Cereals Segment. Winter rapeseed business generated around 35% of the segment's net sales in the same quarter of the previous year. In South America, net sales were slightly below the figure for the strong previous year, and the Argentinean peso depreciated further. In the core regions of Europe and North America, the first quarter sees no significant revenue from early sales of corn seed, and net sales remained constant there. As a result of the transfer of rapeseed operations and the associated earnings, segment income fell to €-40.4 (-24.5) million.

### Sugarbeet Segment

Net sales in the Sugarbeet Segment in the first quarter were slightly down year on year at €10.3 (12.8) million. The revenue mainly comes from the sale of sugarbeet seed in Chile, East Asia and the U.S. No significant net sales are generated in the other regions at this early stage. The segment's income in the first quarter was €-17.4 (-13.1) million. In the previous year, a special effect related to seed production had a positive impact on earnings.

### Cereals Segment

Net sales at the Cereals Segment at the end of the first quarter were 76.2% higher year on year at €88.1 (50.0) million and thus significantly higher than at the same point in the previous year. For the first time, all rapeseed activities were assigned to the Cereals Segment – the main reason for its rise in net sales. Successful seed business also contributed to the rise in net sales: European winter rapeseed business rose by about 15%. In addition, hybrid rye seed business went well in Germany and Poland. Net sales of rye were expanded at double-digit growth rates in both countries. Our net sales of barley and wheat remained stable overall. The segment's income was €27.9 (11.9) million.

### Corporate Segment

Net sales in the Corporate Segment totaled €0.9 (1.4) 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. In addition to an increase in expenditure for distribution due to European marketing measures, which launched as planned, general administrative expenses also rose as we strengthened our IT infrastructure and optimized our organizational structure. The segment's income was €-25.1 (-20.2) million.

## Overview of the segments

in € millions	1st quarter of 2017/2018	1st quarter of 2016/2017	+/-
<b>Net sales</b>			
Corn	39.3	71.4	-45.0%
Sugarbeet	10.3	12.8	-19.5%
Cereals	88.1	50.0	76.2%
Corporate	0.9	1.4	-35.7%
<b>Total</b>	<b>138.6</b>	<b>135.6</b>	<b>2.2%</b>
<b>EBIT</b>			
Corn	-40.4	-24.5	-64.9%
Sugarbeet	-17.4	-13.1	-32.8%
Cereals	27.9	11.9	134.5%
Corporate	-25.1	-20.2	-24.3%
<b>Total</b>	<b>-55.0</b>	<b>-45.9</b>	<b>-19.8%</b>



## Opportunity and Risk Report

There has been no significant change in the situation as to opportunities and risks compared with at June 30, 2017. 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 53 of the 2016/2017 Annual Report.

## Forecast Report

### Changes to the forecast for the KWS Group's statement of comprehensive income

We are sticking by our guidance for the KWS Group for the end of the fiscal year (June 30, 2018), despite the fact that the US dollar will probably fall sharply in value. We still expect a slight increase in net sales for the current fiscal year 2017/2018. As far as can be seen at present, the KWS Group will post a double-digit EBIT margin below the figure for the previous year (12.2%). Due to expansion of our research & development projects, we anticipate an increase in the R&D intensity in excess of the previous year's 17.7%. Capital spending is expected to be at least €100 million.

### Changes in the forecast for segment reporting<sup>1</sup>

The expectations for our segments are likewise unchanged from the guidance in the 2016/2017 Annual Report:

#### Sugarbeet

	2017/2018	2016/2017
Net sales	below previous year	€455 million
EBIT margin	slightly below previous year	33.2%

#### Corn

	2017/2018	2016/2017
Net sales	above previous year	€825 million
EBIT margin	slightly above previous year	7.1%

#### Cereals

	2017/2018	2016/2017
Net sales	≥20%	€109 million
EBIT margin	at the previous year's level	9.4%

#### Corporate

	2017/2018	2016/2017
Net sales	at the previous year's level	€4.8 million
EBIT	€-65 million to €-75 million	€-60.6 million

<sup>1</sup> The segment reporting proportionately includes the net sales and contributions to earnings from our equity-accounted companies in accordance with our internal corporate controlling structure.

# Abridged Interim Consolidated Financial Statements

## Statement of Comprehensive Income

in € millions	1st quarter of 2017/2018	1st quarter of 2016/2017
<b>I. Income statement</b>		
Net sales	136.0	133.3
<b>Operating income</b>	<b>-38.8</b>	<b>-28.8</b>
Net financial income/expenses	-18.2	-19.5
Result of ordinary activities	-57.0	-48.3
Income taxes	-18.5	-13.5
<b>Net income for the period</b>	<b>-38.5</b>	<b>-34.8</b>
<b>II. Other comprehensive income</b>		
Items that may have to be subsequently reclassified as profit or loss	-17.1	-3.8
thereof revaluation of available-for-sale financial assets	-0.1	0.0
thereof currency translation difference for economically independent foreign units	-12.5	-3.4
thereof currency translation difference from equity-accounted financial assets	-4.5	-0.4
Items not reclassified as profit or loss	0.0	0.0
thereof revaluation of net liabilities/assets from defined benefit plans	0.0	0.0
<b>Other comprehensive income after tax</b>	<b>-17.1</b>	<b>-3.8</b>
<b>III. Comprehensive income (total of I. and II.)</b>		
Net income for the period after shares of minority interests	-38.2	-34.5
Share of minority interests	-0.3	-0.3
<b>Net income for the period</b>	<b>-38.5</b>	<b>-34.8</b>
Comprehensive income after shares of minority interests	-55.3	-38.3
Share of minority interests	-0.3	-0.3
<b>Comprehensive income</b>	<b>-55.6</b>	<b>-38.6</b>
<b>Earnings per share (in €)</b>	<b>-5.78</b>	<b>-5.22</b>

## Balance Sheet

### Assets

in € millions	September 30, 2017	June 30, 2017	September 30, 2016
Intangible assets	85.1	87.4	92.4
Property, plant and equipment	387.6	389.3	386.2
Equity-accounted financial assets	131.0	151.8	129.7
Financial assets	3.2	3.1	2.2
Noncurrent tax assets	1.4	2.0	3.0
Other noncurrent financial assets	0.0	0.0	0.1
Deferred tax assets	67.1	46.5	56.5
<b>Noncurrent assets</b>	<b>675.4</b>	<b>680.1</b>	<b>670.1</b>
Inventories	270.1	194.9	251.7
Biological assets	4.4	13.6	4.8
Trade receivables	286.5	302.6	285.3
Marketable securities	5.7	9.5	24.3
Cash and cash equivalents	105.1	181.9	44.4
Current tax assets	70.4	60.0	62.8
Other current financial assets	30.7	40.6	48.5
Other current assets	23.9	12.0	22.3
<b>Current assets</b>	<b>796.8</b>	<b>815.1</b>	<b>744.1</b>
<b>Total assets</b>	<b>1,472.2</b>	<b>1,495.2</b>	<b>1,414.2</b>

### Equity and liabilities

in € millions	September 30, 2017	June 30, 2017	September 30, 2016
Subscribed capital	19.8	19.8	19.8
Capital reserve	5.5	5.5	5.5
Retained earnings	753.8	809.1	701.9
Minority interests	2.2	2.5	2.1
<b>Equity</b>	<b>781.3</b>	<b>836.9</b>	<b>729.3</b>
Long-term provisions	124.5	125.4	134.9
Long-term borrowings	199.7	200.8	226.9
Trade payables	1.0	1.2	1.2
Deferred tax liabilities	12.5	12.7	9.8
Other noncurrent financial liabilities	0.0	1.3	0.3
Other long-term liabilities	19.1	17.4	17.0
<b>Noncurrent liabilities</b>	<b>356.8</b>	<b>358.8</b>	<b>390.1</b>
Short-term provisions	78.6	72.8	83.2
Short-term borrowings	45.9	39.1	31.9
Trade payables	95.7	75.4	89.6
Current tax liabilities	35.7	25.6	24.9
Other current financial liabilities	5.6	16.3	2.7
Other liabilities	72.6	70.3	62.5
<b>Current liabilities</b>	<b>334.1</b>	<b>299.5</b>	<b>294.8</b>
<b>Liabilities</b>	<b>690.9</b>	<b>658.3</b>	<b>684.9</b>
<b>Total assets</b>	<b>1,472.2</b>	<b>1,495.2</b>	<b>1,414.2</b>

## Statement of Changes in Equity

### Changes in equity

in € millions	Group interests	Minority interests	Group equity
<b>07/01/2016</b>	<b>765.5</b>	<b>2.4</b>	<b>767.9</b>
Dividends paid	0.0	0.0	0.0
Net income for the year	-34.5	-0.3	-34.8
Other income after taxes	-3.8	0.0	-3.8
Total comprehensive income	-38.3	-0.3	-38.6
Changes in minority interests	0.0	0.0	0.0
Other changes	0.0	0.0	0.0
<b>09/30/2016</b>	<b>727.2</b>	<b>2.1</b>	<b>729.3</b>
<b>07/01/2017</b>	<b>834.5</b>	<b>2.5</b>	<b>836.9</b>
Dividends paid	0.0	0.0	0.0
Net income for the year	-38.2	-0.3	-38.5
Other comprehensive income after taxes	-17.1	0.0	-17.1
Total comprehensive income	-55.3	-0.3	-55.6
Changes in minority interests	0.0	0.0	0.0
Other changes	0.0	0.0	0.0
<b>09/30/2017</b>	<b>779.1</b>	<b>2.2</b>	<b>781.3</b>

## Cash Flow Statement

### Cash proceeds and payments

in € millions	1st quarter of 2017/2018	1st quarter of 2016/2017
<b>Net income for the period</b>	<b>-38.5</b>	<b>-34.8</b>
<b>Cash earnings</b>	<b>-31.8</b>	<b>-22.9</b>
Funds tied up in net current assets	-43.1	-54.3
<b>Net cash from operating activities</b>	<b>-74.9</b>	<b>-77.2</b>
<b>Net cash from investing activities</b>	<b>-12.6</b>	<b>-26.0</b>
<b>Net cash from financing activities</b>	<b>5.8</b>	<b>8.0</b>
Change in cash and cash equivalents	-81.7	-95.2
Changes in cash and cash equivalents due to exchange rate, consolidated group and measurement changes	1.1	0.0
Cash and cash equivalents at beginning of period (July 1)	191.4	163.9
<b>Cash and cash equivalents at end of period</b>	<b>110.8</b>	<b>68.7</b>

# Abridged 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, 2017, were used. The explanations in the Notes to the annual financial statements as of June 30, 2017, on pages 85 to 91 of the Annual Report therefore apply accordingly. The 2016/2017 Annual Report of the KWS Group can be read and downloaded at [www.kws.com/ir](http://www.kws.com/ir).

## Consolidated Group and Changes in the Consolidated Group

The abridged interim financial statements of the KWS Group for the first three months of fiscal 2017/2018 include the single-entity financial statements of KWS SAAT SE and its subsidiaries and joint ventures in Germany and other countries, the associated company and the joint operation, 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.

There were no changes in the consolidated group in the first quarter. The number of companies consolidated in the KWS Group is thus still the same as that at June 30, 2017.

## Related Parties

The related party disclosures in the 2016/2017 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, 2017, that can be expected to have a significant impact on the KWS Group's earnings, financial position and assets.

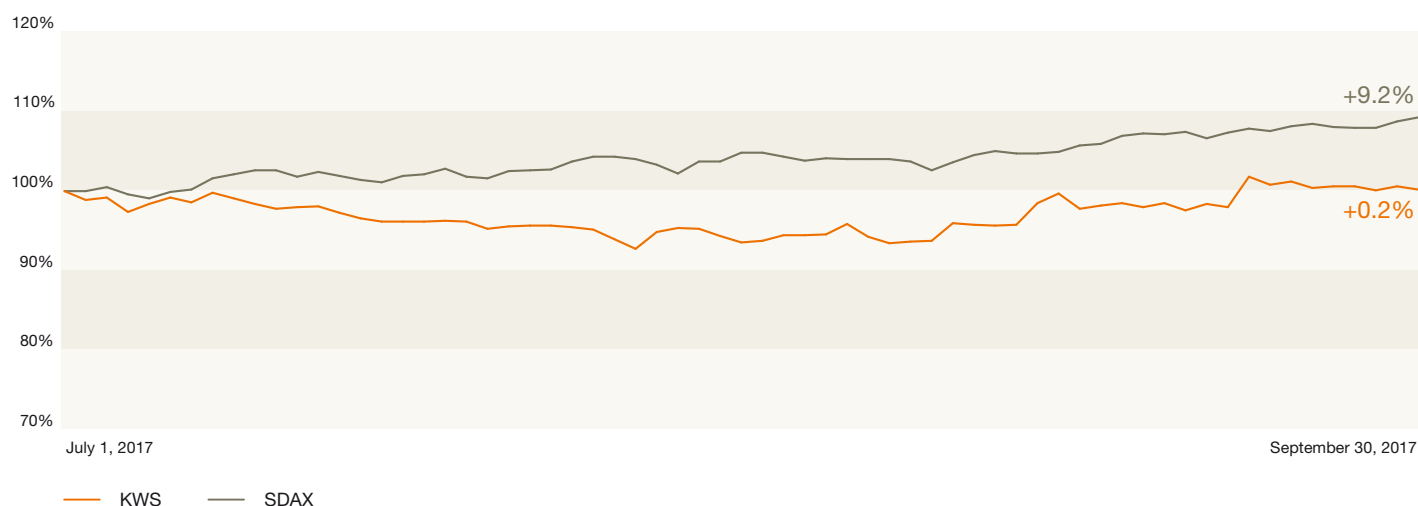
Einbeck, November 2017  
**KWS SAAT SE**  
The Executive Board

# Additional Information

## Share

### Share performance in the period under review

July 1, 2017, to September 30, 2017, XETRA closing prices



### Shareholder structure in November 2017

(6,600,000 shares)



### Share data

KWS SAAT SE	
Securities identification number	707400
ISIN	DE0007074007
Stock exchange identifier	KWS
Transparency level	Prime Standard
Index	SDAX
Share class	Individual share certificates
Number of shares	6,600,000

## Financial Calendar

Date	Event
December 14, 2017	Annual Shareholders' Meeting in Einbeck
February 27, 2018	Semiannual Report 2017/2018
May 17, 2018	Quarterly Report 9M 2017/2018
October 24, 2018	Publication of the 2017/2018 financial statements, Annual Press Conference and Analysts' Conference in Frankfurt
November 27, 2018	Quarterly Report Q1 2018/2019
December 12, 2018	Annual Shareholders' Meeting in Einbeck

## About this Report

The Quarterly Report can be downloaded on our Internet sites at [www.kws.de](http://www.kws.de) and [www.kws.com](http://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.

## Contact

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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 corn 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

Eberhard Franke

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