

Quarterly Report
Q1 2020|2021

July 1, 2020, to September 30, 2020

SEEDING
THE FUTURE
SINCE 1856



KWS in Figures

KWS Group

in € millions	1st quarter of 2020/2021	1st quarter of 2019/2020 ¹	1st quarter of 2018/2019	1st quarter of 2017/2018	1st quarter of 2016/2017
Net sales and income					
Net sales	184.1	191.0	141.4	136.0	133.3
EBITDA	-27.3	-21.8	-21.9	-26.9	-17.1
EBIT	-50.5	-42.3	-34.3	-38.8	-28.8
Net financial income/expense	-15.2	-22.2	-18.3	-18.2	-19.5
Net income for the period	-47.9	-46.6	-39.0	-38.5	-34.8
Financial position and assets					
Capital expenditure	19.9	19.3	19.5	11.8	18.5
Depreciation and amortization	23.2	20.6	12.4	11.9	11.7
Equity	906.8	930.7	826.9	781.3	729.3
Equity ratio in %	39.0	40.3	53.9	53.1	51.6
Net debt ²	620.6	620.3	157.8	134.8	190.1
Total assets	2,325.2	2,307.9	1,533.5	1,472.2	1,414.2
Cash flow from operating activities	-91.6	-117.7	-100.9	-74.9	-77.2
Free cash flow	-119.1	-533.2	-123.4	-87.5	-103.2
Employees					
Number of employees ³	4,610	4,365	4,065	3,895	3,841
Key figures for the share					
Earnings per share in € ⁴	-1.45	-1.35	-1.18	-1.17	-1.05

¹ Adjusted for effects from the final purchase price allocation for the Pop Vriend Seeds Group

² Short-term + long-term borrowings – cash and cash equivalents – securities

³ FTE: Full time equivalents

⁴ Earnings and dividend per share of previous periods adjusted due to share split

Reconciliation for the 1st quarter of 2020/2021

in € millions	Segments	Reconciliation	KWS Group
Net sales	187.1	-3.1	184.1
EBIT	-62.5	12.1	-50.5

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Business Performance and Key Financial Indicators

Importance of the First Quarter for the Fiscal Year

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

Economic Report

Business performance of the KWS Group in the first three months of 2020/2021

The KWS Group's business performance in the period under review was impacted by negative exchange rate effects. Net sales fell by 3.6% in nominal terms, but rose by 6.8% on a comparable basis (excluding exchange rate effects). The main negative exchange rate effects came from the fall in value of the Argentinian peso, the Brazilian real and a number of Eastern European currencies.

From the operational perspective, the opening quarter went largely as expected. Net sales in the Corn Segment increased on the back of good seed business in South America. The Cereals Segment posted net sales at the level of the previous year after adjustment for exchange rate effects. Sales of vegetable seeds decreased significantly due to lower demand in the food service market segment in connection with the Covid-19 pandemic. The Sugarbeet Segment posts only low net sales in the first quarter due to seasonal reasons.

Earnings, financial position and assets

Earnings

Condensed income statement

in € millions	1st quarter of 2020/2021	1st quarter of 2019/2020 ¹	+/-
Net sales	184.1	191.0	-3.6%
EBITDA	-27.3	-21.8	-25.2%
EBIT	-50.5	-42.3	-19.4%
Net financial income/expenses	-15.2	-22.2	31.5%
Result of ordinary activities	-65.6	-64.6	-1.5%
Income taxes	-17.7	-18.0	1.7%
Net income for the period	-47.9	-46.6	-2.8%
Earnings per share in €	-1.45	-1.41	-2.8%
EBIT-margin in %	-27.4	-22.2	-

¹ The figures for the previous year have been adjusted for effects from the final purchase price allocation for the Pop Vriend Seeds Group.

Net sales fall year on year due to exchange rate effects

The KWS Group's net sales in the first three months of fiscal 2020/2021 were €184.1 (191.0) million, 3.6% below the previous year. Assuming constant exchange rates, the KWS Group grew its net sales by 6.8%.

The Cereals and Corn Segments accounted for a major share of total net sales, namely 59% and 24% respectively.

Net sales by segment

Total net sales €184.1 million¹



¹ Without net sales of our equity consolidated companies

The region where we generated most of our business was Europe, which accounted for 62% of net sales (Thereof Germany: 21%), while net sales from North and South America contributed 30% of the total. Revenues from our North American and Chinese equity-accounted companies are only included at the segment level (see the section Segment reports on pages 7 to 8).

Net sales by region

Total net sales €184.1 million¹



¹ Without net sales of our equity consolidated companies

EBITDA, EBIT and net income negative as is customary for the quarter

The KWS Group's key figures for operating income and net income for the period are typically negative in the first quarter. EBITDA was €-27.3 (-21.8) million, while EBIT was €-50.5 (-42.3) million. The Group recorded a lower gross profit, as well as higher function costs for research and development and administration, while selling expenses fell year over year.

Net financial income/expenses was €-15.2 (-22.2) million. Since the earnings contributed by the equity-accounted joint ventures do not materialize until the third quarter, net income from equity investments in the first quarter is well in the red. It totaled €-12.0 (-16.9) million. The interest result improved to €-3.2 (-5.3) million due to a fall in interest expenses.

Income taxes totaled €-17.7 (-18.0) million. The result was net income for the period of €-47.9 (-46.6) million or €-1.45 (-1.41) per share.

Financial situation

Selected key figures for the financial situation

in € millions	1st quarter of 2020/2021	1st quarter of 2019/2020	+/-
Cash and cash equivalents	142.5	126.2	12.9%
Net cash from operating activities	-91.6	-117.7	22.2%
Net cash from investing activities ¹	-27.6	-415.5 ¹	93.4%
Free cash flow	-119.1	-533.3¹	77.7%
Net cash from financing activities	148.2	86.3	71.7%

¹ Including the acquisition of Pop Vriend Seeds

The KWS Group's seasonal course of business impacts its cash flow statement, which changes significantly in the course of the year. The net cash from operating activities was €-91.6 (-117.7) million. The improvement is mainly attributable to working capital management.

The net cash used in investing activities fell significantly to €-27.6 (-415.5) million; the high level of the previous year was a result of the acquisition of Pop Vriend Seeds. KWS partly uses a revolving line of credit and issues short-term commercial papers in order to finance its general business operations during the year. The net cash from financing activities increased to €148.2 (86.3) million. Cash and cash equivalents totaled €142.5 (126.2) million.

The KWS Group invested a total of €19.9 (19.3) million in the first three months of fiscal 2020/2021. The main focus of that is on erecting and expanding production and research and development capacities.

Assets

Condensed balance sheet

in € millions	September 30, 2020	June 30, 2020	+/-
Assets			
Noncurrent assets	1,270.8	1,273.7	-0.2%
Current assets	1,054.1	961.3	9.7%
Assets held for sale	0.4	0.4	-
Equity and liabilities			
Equity	906.8	994.5	-8.8%
Noncurrent liabilities	846.9	795.5	6.5%
Current liabilities	571.5	445.5	28.3%
Total assets	2,325.2	2,235.5	4.0%

The KWS Group's balance sheet during the year is impacted significantly 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 €100.4 million to €314.4 (214.1)¹ million. Cash and cash equivalents increased to €121.9 (91.5) million, while trade receivables fell slightly to €422.8 (432.6) million. The equity ratio was 39.0% (44.5%) and net debt was €620.6 (620.3) million. Total assets at September 30, 2020, were €2,325.2 (2,235.5) million.

¹ The figures in parentheses in this section are those at June 30, 2020.

Employees

Number of full-time employees by region¹

	September 30, 2020	June 30, 2020	+/-
Germany	2,044	2,006	1.9%
Europe (excluding Germany)	1,481	1,455	1.8%
North and South America	910	954	-4.5%
Rest of world	174	184	-5.4%
Total	4,610	4,598	0.3%

¹ Full-time employees (FTE) at the balance sheet date

At September 30, 2020, we had 4,610 full-time employees worldwide (June 30, 2020: 4,598).

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	187.1	-3.1	184.1
EBIT	-62.5	12.1	-50.5
Number of employees as of September 30, 2020	5,058	-448	4,610
Capital expenditure	20.5	-0.6	19.9
Total assets	2,407.1	-81.9	2,325.2

Corn Segment

The Corn Segment grew its net sales by around 6% to €46.9 (44.4) million in the first quarter despite negative exchange rate effects. Argentina and Brazil, our main markets in South America, made a major contribution to that and we expanded business significantly in them (in terms of local currency). However, net sales were impacted heavily by negative exchange rate effects from the fall in value of the Argentinean peso and the Brazilian real. In the regions of Europe and North America, we do not generate any significant net sales in the first quarter due to seasonal reasons. The segment's income was €-41.0 (-37.5) million.

Sugarbeet Segment

The Sugarbeet Segment posts only low net sales in the first quarter due to seasonal reasons. Net sales in the first three months were €16.1 million and thus above the level of the previous year (€10.6 million). The revenue mainly comes from the sale of sugarbeet seed in Chile and North Africa. The segment's income fell to €-32.2 (€-28.5) million.

Cereals Segment

Net sales in the Cereals Segment in the first quarter declined by around 3% to €109.1 (112.0) million, but were at the level of the previous year after adjustment for exchange rate effects. The level of hybrid rye seed business varied in our sales regions, and net sales from it were around 5% below the same period of the previous year. However, the growth prospects for hybrid rye remain positive. Winter rapeseed business grew by around 5% on the back of improved conditions in the sowing season in a number of European countries. The segment's income was €36.0 million and thus at the level of the previous year (€36.6 million).

Vegetables Segment

Sales in the vegetables segment fell significantly to €13.3 (27.0) million compared to the same quarter of the previous year, which showed a strong sales development. In addition, the food service market segment saw lower demand in connection with the Covid-19 pandemic. As a result of the course of business, EBITDA fell to €2.4 (8.7) million and EBIT (including non-cash effects as part of the purchase price allocation for the acquisition of Pop Vriend Seeds) also fell to €-3.3 (3.0) million.

Corporate Segment

Net sales in the Corporate Segment totaled €1.8 (1.6) 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 segment's income improved to €-22.0 (-30.9) million, mainly due to positive, exchange rate-related measurement effects from financial instruments.

Overview of the segments

in € millions	1st quarter of 2020/2021	1st quarter of 2019/2020 ¹	+/-
Net sales			
Corn	46.9	44.4	5.7%
Sugarbeet	16.1	10.6	52.1%
Cereals	109.0	112.0	-2.7%
Vegetables	13.3	27.0	-50.7%
Corporate	1.8	1.6	9.6%
Total	187.1	195.7	-4.4%
EBIT			
Corn	-41.0	-37.5	-9.3%
Sugarbeet	-32.2	-28.5	-12.9%
Cereals	36.0	36.6	-1.7%
Vegetables	-3.3	3.0	-211.2%
Corporate	-22.0	-30.9	28.7%
Total	-62.5	-57.3	-9.1%

¹ The figures for the previous year have been adjusted for effects from the final purchase price allocation for the Pop Vriend Seeds Group.

Opportunity and Risk Report

There has been no significant change in the situation as to opportunities and risks compared with at June 30, 2020. 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 78 of the 2019/2020 Annual Report.

Forecast Report

We are making no change to our forecast for KWS' statement of comprehensive income and its segments. You can find detailed information on the forecasts for the current fiscal year in the Combined Management Report starting on page 88 of the 2019/2020 Annual Report.

Report on Events after the Balance Sheet Date

There were no events after September 30, 2020, that can be expected to have a significant impact on the KWS Group's earnings, financial position and assets.

Statement of Comprehensive Income

in € millions	1st quarter of 2020/2021	1st quarter of 2019/2020 ¹
I. Income statement		
Net sales	184.1	191.0
Operating income	-50.5	-42.3
Net financial income/expenses	-15.2	-22.2
Result of ordinary activities	-65.6	-64.6
Income taxes	-17.7	-18.0
Net income for the period	-47.9	-46.6
II. Other comprehensive income after tax	-40.7	15.4
III. Comprehensive income (total of I. and II.)		
Net income for the period after shares of minority interests	-47.9	-46.6
Share of minority interests	0.0	0.0
Net income for the period	-47.9	-46.6
Comprehensive income after shares of minority interest	-88.7	-31.2
Share of minority interests	0.0	0.0
Comprehensive income²	-88.6	-31.2
Earnings per share in €	-1.45	-1.41

¹ The figures for the previous year have been adjusted for effects from the final purchase price allocation for the Pop Vriend Seeds Group.
² Includes effects from currency translation of foreign subsidiaries and from financial assets accounted at equity

Balance Sheet¹

Assets

in € millions	September 30, 2020	June 30, 2020	September 30, 2019 ¹
Goodwill	116.4	117.3	120.7
Intangible assets	361.3	368.4	378.8
Right-of-use assets	44.5	46.3	35.2
Property, plant and equipment	492.3	494.2	465.7
Equity-accounted financial assets	151.1	162.0	142.7
Financial assets	6.1	6.2	5.2
Noncurrent tax assets	0.6	1.5	0.7
Other non-current receivables	7.9	18.4	0.0
Deferred tax assets	90.5	70.6	82.9
Noncurrent assets	1,270.8	1,284.8	1,231.7
Inventories	314.4	214.1	316.2
Biological assets	1.5	15.9	3.0
Contract assets IFRS 15	4.3	2.6	3.5
Trade receivables	422.8	432.6	430.3
Cash and cash equivalents	142.5	119.7	126.2
Current tax assets	77.2	82.6	83.5
Other current financial assets	50.4	53.1	76.5
Other current assets	40.9	29.7	37.1
Current assets	1,054.1	950.2	1,076.2
Assets held for sale	0.4	0.4	0.0
Total assets	2,325.2	2,235.5	2,307.9

Equity and liabilities

Subscribed capital	99.0	99.0	99.0
Capital reserve	5.5	5.5	5.5
Retained earnings	802.1	889.8	826.1
Minority interest	0.1	0.1	0.0
Equity	906.8	994.5	930.7
Long-term provisions	139.8	140.1	136.8
Long-term borrowings	572.4	521.7	566.0
Noncurrent lease liabilities	38.3	39.9	25.7
Other noncurrent financial liabilities	0.2	0.5	1.0
Deferred tax liabilities	88.8	92.3	91.6
Other noncurrent liabilities	7.5	1.0	18.6
Noncurrent liabilities	846.9	795.5	839.8
Short-term provisions	48.1	52.5	57.0
Short-term borrowings	190.7	93.7	180.5
Current lease liabilities	11.0	11.4	9.6
Trade payables	150.2	109.7	136.3
Current tax liabilities	42.8	41.8	34.7
Other current financial liabilities	8.2	5.3	17.1
Contract liabilities IFRS 15	21.2	19.2	17.4
Other current liabilities	99.3	111.9	84.7
Current Liabilities	571.5	445.5	537.4
Liabilities	1,418.4	1,241.0	1,377.2
Total equity and liabilities	2,325.2	2,235.5	2,307.9

¹ The comparative figures at September 30, 2019, have been adjusted for effects from the final purchase price allocation for the Pop Vriend Seeds Group.

Statement of Changes in Equity

Changes in equity

in € millions	Group interests ¹	Minority interests	Group equity
07/01/2019	960.8	2.7	963.5
Dividends paid	0.0	0.0	0.0
Net income for the year	-46.6	0.0	-46.6
Other income after taxes	15.4	0.0	15.4
Total comprehensive income	-31.2	0.0	-31.2
Changes in minority interests	0.0	-2.7	-2.7
Other changes	1.0	0.0	1.0
09/30/2019	930.6	0.0	930.6
07/01/2020	994.4	0.1	994.5
Dividends paid	0.0	0.0	0.0
Net income for the year	-47.9	0.0	-47.9
Other income after taxes	-40.7	0.0	-40.7
Total comprehensive income	-88.6	0.0	-88.7
Other changes	0.9	0.0	0.9
09/30/2020	906.6	0.1	906.8

¹ The figures for the previous year have been adjusted for effects from the final purchase price allocation for the Pop Vriend Seeds Group

Cash Flow Statement

Cash proceeds and payments

in € millions	1st quarter of 2020/2021	1st quarter of 2019/2020 ¹
Net income for the period	-47.9	-46.6
Net cash from operating activities	-91.6	-117.7
Net cash from investing activities	-27.6	-415.5
Net cash from financing activities	148.2	86.3
Change in cash and cash equivalents	29.0	-447.0
Changes in cash and cash equivalents due to exchange rate, consolidated group and measurement changes	-6.2	-1.2
Cash and cash equivalents at beginning of period (July 1)	119.7	159.8
Plus the cash deposited in a trust account for acquisition of the Pop Vriend Seeds Group	0.0	414.7
Cash and cash equivalents at end of period	142.5	126.2

¹ The figures for the previous year have been adjusted for effects from the final purchase price allocation for the Pop Vriend Seeds Group

Einbeck, November 2020
The Executive Board

Additional Disclosures

Share

Share data

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

Financial Calendar

Date	
December 16, 2020	Annual Shareholders' Meeting (virtual)
February 18, 2021	Semiannual Report 2020/2021
May 12, 2021	9M Report 2020/2021
October 20, 2021	Publication of the 2020/2021 annual statements, Annual Press Conference and Analysts' Conference

About this Report

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

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Safe Harbor Statement

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

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Marcel Bloemendaal

Date of publication: November 24, 2020