

Quarterly Report of the KWS Group

Fiscal Year 2007/2008

July 1 to September 30, 2007

KWS SAAT AG



Report of the Executive Board

Dear shareholders and friends of KWS,

The first quarter of our fiscal year (July 1 to June 30) is characterized by low net sales due to seasonal differences. We generate an average of just 10% of our annual sales in the months July to September, since the main generators of revenue – corn and sugarbeet – are not sown until the spring. By contrast, our winter cereal and winter rapeseed varieties are sown in the fall. Accordingly, 59% of our business in the first quarter was generated in the cereals segment, 28% from oil seed, which is part of the corn segment, and 10% from sugarbeet seed.

Business performance

Net sales at the KWS Group in the first quarter of fiscal 2007/2008 were € 61.9 (51.9)* million, a 19% year-on-year increase that resulted largely from success in the rye and rapeseed business. However, the early sowing season in the fall meant that net sales were higher in the first quarter, so this must be taken into account when comparing these quarterly statements with those of the same period in the previous year. As a result of the positive sales performance, the KWS Group's operating income was far better than that of the year before: € -15.3 (€ -20.1) million. It is negative due to the seasonal nature of our business.

The figure for net financial income/expenses reflects interest income from investment of the positive net cash balance at June 30, 2007, interest expense from financing the company's operations and the profit from the potato activities sold at July 1, 2007. 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 quarter. Due to the corporate income tax reform in Germany, the tax rate has fallen from 38.1% to just under 30%. Adjustments to deferred tax assets and liabilities resulted in income of € 1.0 million.

* The figures in parentheses give the corresponding values for the previous year

Income statement

€ millions	1 st quarter	
	2007/08	Previous year
Net sales	61.9	51.9
Operating income	-15.3	-20.1
Net financial income/expenses	5.7	-0.8
Result of ordinary activities	-9.6	-20.9
Income taxes	-5.9	-7.7
Net income for the year	-3.7	-13.2
Minority interest	1.3	0.1
Net income after minority interest	-5.0	-13.3
Earnings per share (€)	-0.76	-2.01

The individual segments

The cultivation of cereals in Europe revived strongly as a result of the sharp increase in cereal prices. The LOCHOW-PETKUS Group, in which KWS' cereals activities are bundled, was able to take a very good slice of this growth. In particular, sales of hybrid rye grew by just over 20%, meaning our market share was again far in excess of the 50% mark. Sales of winter barley were also positive, while we recorded slight losses in market share in the wheat business. Net sales at the **cereal segment** were € 36.3 (29.6) million, up 23% year-on-year. At the same time, the segment's income rose to € 6.4 (5.1) million.

Although the areas used to cultivate cereal crops in Europe increased primarily at the expense of winter oil seed rape, we were again able to grow our net sales for this crop by just over 20%. This is mainly attributable to the rapid shift away from line varieties to high-yielding hybrids. In the wake of this, we have been able to steadily increase our market share in this interesting product segment. The share accounted for by hybrids in rapeseed business is now 45%. This success is mainly reflected in the first quarter performance of the **corn segment**, where net sales rose to € 17.4 (14.0) million. Despite the budgeted increase in selling expenses, the segment's income for the quarter is up year-on-year at € -9.4 (-10.9) million.

Net sales in the **sugarbeet segment** are € 6.3 (6.9) million, i.e. on a par with the previous year. The anticipated restrictions on cultivation areas pursuant to reform of the European Sugar Market Regime are not yet reflected in this result, since this crop is not planted until spring. The segment's quarterly income of € -1.5 (-3.3) million therefore does not indicate any trend for the fiscal year as a whole. In the first quarter, adjustments to sales structures and the payment of receivables for which allowances had already been formed had a positive impact.

Capital expenditure

In the first quarter, KWS invested € 7.8 (5.6) million in property, plant and equipment. It is therefore showing capital expenditure well above depreciation at € 3.6 (3.4) million. Our biggest single investments in property, plant and equipment relate to a processing plant for corn seed in Romania and production and storage capacities for sugarbeet seed and cereals.

Out of total capital expenditure of € 8.2 (5.8) million within the KWS Group, 26% was in the breeding & services segment, 34% in the corn segment, 24% in the sugarbeet segment and 16% in cereals.

Segment report

€ millions	1 st quarter	
	2007/08	Previous year
Net sales	61.9	51.9
Sugarbeet	6.3	6.9
Corn	17.4	14.0
Cereals	36.3	29.6
Breeding & services	1.9	1.4
Operating income	-15.3	-20.1
Sugarbeet	-1.5	-3.3
Corn	-9.4	-10.9
Cereals	6.4	5.1
Breeding & services	-10.8	-11.0
Capital expenditure	8.2	5.8
Sugarbeet	2.0	1.2
Corn	2.8	1.8
Cereals	1.3	0.6
Breeding & services	2.1	2.2

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 Committee (IFRIC). The quarterly financial statements of the KWS Group were prepared in accordance with IAS 34, and exactly the same accounting methods applied in the preparation of the consolidated financial statements as of June 30, 2007 were used. The Notes appended to the annual financial statements as of June 30, 2007, therefore apply accordingly. The 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 quarterly financial statements of the KWS Group include 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.

Effective July 1, 2007, the companies consolidated in the KWS Group changed by one fully consolidated company and the two companies included at equity with the formation of KWS SCANDINAVIA A/S, Guldborgsund / Denmark, and the disposal of our potato activities. As a result, a total of 41 companies will be fully consolidated and three proportionately consolidated in 2007/2008.

Balance Sheet of the KWS Group

€ millions	September 30, 2007	June 30, 2007
Assets		
Intangible assets	34.9	35.4
Property, plant and equipment	150.8	147.9
Other financial assets	5.9	6.0
Noncurrent tax assets	7.9	7.1
Deferred tax assets	14.6	16.3
Noncurrent assets	214.1	212.7
Inventories	125.5	90.6
Trade receivables	199.4	204.2
Marketable securities	2.2	20.0
Cash and cash equivalents	31.5	48.1
Current tax assets	13.6	7.8
Other current assets	17.8	16.0
	390.0	386.7
Noncurrent assets held for sale	0.0	10.4
Current assets	390.0	397.1
Total assets	604.1	609.8
Equity and Liabilities		
Subscribed capital	19.8	19.8
Capital reserve	5.5	5.5
Retained earnings	311.6	320.8
Minority interests	21.3	20.0
Equity	358.2	366.1
Long-term provisions	60.2	59.3
Long-term borrowings	3.7	3.9
Trade payables	2.3	2.4
Deferred tax liabilities	14.5	16.7
Other long-term liabilities	4.4	4.5
Noncurrent liabilities	85.1	86.8
Short-term provisions	39.7	71.3
Short-term borrowings	27.2	4.5
Trade payables	53.6	39.8
Current tax payables	19.1	19.2
Other liabilities	21.2	20.7
Subtotal of current liabilities	160.8	155.5
Liabilities directly connected to noncurrent assets held for sale	0.0	1.4
Current liabilities	160.8	156.9
Liabilities	245.9	243.7
Total equity and liabilities	604.1	609.8

The increase in inventories is due to the absorption of the new harvest in 2007. Inventories at the corn segment are around 15% lower year-on-year, while they increased by 14% in the sugarbeet segment. The necessary risks of realization were reflected by additional adjustments. We have since received payment of one third of the accounts receivable at June 30, 2007. The reduction in current provisions was primarily due to the payment of royalties that had been outstanding as of June 30.

Following the slight net loss in the first three months of this fiscal year, we can still report an almost unchanged equity ratio of 59%, compared with 60% on June 30, 2007. The net financial balance as of September 30, 2007, amounted to €3 (-29) million, after €60 (44) million on June 30, 2007.

Cash Flow Statement

€ millions	1 st quarter	
	2007/08	Previous year
Net income for the year	-3.7	-13.2
Cash earnings according to DVFA/SG	-1.0	-9.8
Funds tied up in net current assets	-57.5	-53.7
Net cash from operating activities	-58.5	-63.5
Net cash from investing activities	4.2	-9.5
Net cash from financing activities	22.5	31.7
Change in cash and cash equivalents	-31.8	-41.3
Cash and cash equiv.s at beginning of period	68.1	55.6
Changes in cash and cash equivalents due to exchanging rate, consolidated group and measurement changes	55.6	1.0
Cash and cash equivalents at end of period	33.7	15.3

The net cash from investing activities of € 4.2 million results from capital expenditure on property, plant and equipment of € 7.8 million in the first quarter minus the proceeds from sale of the potato activities.

Statements of Changes in Equity of KWS Group

€ millions	Group interests	Minority interests	Group equity
Balance as at June 30, 2006	319.4	18.6	338.0
Dividends paid	0.0	0.0	0.0
Changes in consolidation scope	0.0	0.0	0.0
Other changes	0.0	0.0	0.0
Consolidated net profit	-13.3	0.1	-13.2
Other gains (losses)	1.0	0.2	1.2
Total consolidated gains (losses)	-12.3	0.3	-12.0
Balance as at September 30, 2006	307.1	18.9	326.0
Balance as at June 30, 2007	346.0	20.0	366.0
Dividends paid	0.0	0.0	0.0
Changes in consolidation scope	0.0	0.0	0.0
Other changes	0.0	0.0	0.0
Consolidated net profit	-5.0	1.3	-3.7
Other gains (losses)	-4.1	0.0	-4.1
Total consolidated gains (losses)	-9.1	1.3	-7.8
Balance as at September 30, 2007	336.9	21.3	358.2

As in the previous year, the changes in equity reflect the negative profit for the quarter. No dividends were paid out in the period under review.

Employees*

	1 st quarter 2007/08	Previous year
Germany	1,188	1,222
Europe (excluding Germany)	642	597
America	768	702
Other countries	43	57
Total	2,641	2,578

* at quarter end

Of the above number, 510 (532) employees are included according to the percentage of equity held in the companies that employ them. This relates to 1,022 (1,066) employees of three proportionately consolidated associated companies. If these persons are included in full, the number of employees at the KWS Group is 3,153 (3,112).

Outlook

In the third year of reform of the European Sugar Market Regime, we currently expect cultivation area to fall sharply by up to 15% to around 1.5 (1.76) million ha. Of this, 1.3 million ha will probably be used for quota sugar and a further 200,000 ha for bioethanol production. The European Commission has significantly improved the conditions for returning quotas, with the result that the sugar industry has undertaken to remove at least 2 million tons from production in the coming business year. That corresponds to a further reduction in the quota of 13.5%. Moreover, the high harvest yields in the last sugar campaign will probably result in further restrictions on area. If these reductions are implemented, our sugarbeet seed business in the EU 27 could fall from € 123 million in the previous year to perhaps € 100 million in the current year. At the same time, however, we are planning a sharp increase in net sales in our core non-European markets (the U.S., Russia and Turkey). Above all, sales of our herbicide-tolerant, genetically improved sugarbeet in the U.S. are highly promising, with the result that our goal is to post stable net sales and earnings overall in the sugarbeet segment.

In connection with our positive business performance in the cereals segment and a planned increase in net sales in the corn business, we should succeed in again surpassing the KWS Group's

net sales of the previous year (€ 538 million) and maintain our operating income (€ 63.9 million). We currently forecast that the negative influence of the dollar exchange rate will have an impact of up to € 10 million on the KWS Group's net sales.

Our Annual Shareholders' Meeting will be held on December 13, 2007, at 11:00 a.m., as usual at the company's headquarters in Einbeck. We will publish the semiannual report on Thursday, February 28, 2008.

Einbeck, November 30, 2007

KWS SAAT AG

The Executive Board



A. Büchting



Ch. Amberger



P. von dem Bussche



H. Duenbostel



L. Broers (Deputy)

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