

Annual Report 2006|2007

Segments of the KWS Group

Sugar beet KWS SAAT AG As well as 15 subsidiaries and affiliated companies* Net sales € 199.9 million Operating income € 35.1 million
Corn KWS MAIS GMBH As well as 15 subsidiaries and affiliated companies Net sales € 275.5 million Operating income € 13.3 million
Cereals LOCHOW-PETKUS GMBH As well as 3 subsidiaries and affiliated companies Net sales € 54.5 million Operating income € 5.3 million
Breeding & Services KWS SAAT AG As well as 10 subsidiaries and affiliated companies Net sales € 109.0 million (net sales of third parties € 8.1 million) Operating income € 10.1 million

*Subsidiaries and affiliated companies see page 74

Key Figures of the KWS Group

Fiscal year (in millions of Euro)	2006/07	2005/06	2004/05	2003/04	2002/03*
Net sales	537.9	505.0	495.3	444.5	424.3
Operating income	63.9	46.7	56.3	52.3	50.0
as a % of net sales	11.9	9.2	11.4	11.8	11.8
Net income	38.2	28.4	34.8	29.8	28.9
as a % of net sales	7.1	5.6	7.0	6.7	6.8
Cash flow (after tax)	38.1	42.4	47.0	43.0	52.1
Equity	366.1	338.0	326.2	294.0	226.1
Equity ratio in %	60.0	58.6	57.0	59.5	52.5
Balance sheet total	609.8	577.0	572.4	494.4	431.0
Return on equity in %	11.6	8.9	10.8	10.1	14.2
Return on assets in %	6.9	5.3	7.5	6.5	7.2
Fixed assets	189.4	188.6	185.6	169.2	120.7
Capital expenditure	27.2	23.8	36.9	24.7	20.7
Depreciation	16.1	17.0	16.8	16.7	21.1
Average number of employees	2.739	2.652	2.550	2.516	2.336
Personnel costs	111.3	109.1	101.4	98.3	97.0
Performance of KWS shares in €					
Dividend per share	1.40	1.20**	12.00***	11.00***	11.00***
Earnings per share	5.61	4.16	5.09	4.27	4.25
Cashflow per share	5.77	6.42	7.12	6.52	7.89
Equity per share	55.47	51.21	49.42	44.55	34.26

* Financial statements according to HGB
** Dividend of € 1.00 plus anniversary bonus of € 0.20
*** Value after the 1:10 share split

The KWS brand

The KWS brand is an expression of the more than 150-year history of our company. It embodies all the values that have been evolved and lived over so many years and that generations of people at KWS have created and developed in a continuing dialog with our customers. The result is a deep trust in our products and in our employees.

The cornerstones of KWS' brand include:

- High and sustained investments in research & development so that we can keep on offering our customers higher-yielding and more robust varieties. The task here is to recognize the challenges in agriculture early enough to develop future-oriented solutions.
- Nurturing of personal relationships. It is important to us that we are a trusted partner and expert advisor for our customers.
- Our independence as a seed specialist. Our independence as a company with a family ownership tradition ensures that we are free to make our own decisions and operate as we need to.

On this basis, we will stay under the KWS brand and strengthen the trust placed in us. Looking to the future and yet conscious of our tradition, we have adopted a new slogan for our work:

Seeding the future
since 1856



Disclaimer:
This translation of the original German version of the annual report has been prepared for the convenience of our English-speaking shareholders. The German version is legally binding.

KWS SAAT AG

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The English version of our annual report is available upon request.
Auf Anfrage senden wir Ihnen gern den Jahresabschluss der KWS SAAT AG.

Photos/illustrations:
Dominik Obertreis • Eberhard Franke • KWS-Gruppenarchiv • Peter Heller
Ronald Schmidt • Stefan Blume

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left to right: Philip von dem Bussche – Sugar beet, New Markets/Products
 Dr. Dr. h.c. Andreas J. Büchting (Chairman) – Corporate Affairs
 Dr. Hagen Duenbostel – Finance, Controlling, IT
 Dr. Léon Broers (Deputy) – Breeding and Research
 Dr. Christoph Amberger – Corn, Cereals, Marketing

Chairman's Foreword

Dear shareholders and friends of KWS,

We are very pleased to report an exceptionally good fiscal year. The 6.5 % increase in net sales to € 538 million and the 36.8 % improvement in our operating result (EBIT = earnings before income and taxes) to € 63.9 million are the highest figures in our company's history. Although we had raised our forecast in the course of the year, we still surpassed it by a significant margin. The stock market has generously rewarded our business success and the long-term preparations we have made, and its profit expectations extend far into the future. This is reflected in the rise in the price of the KWS share by about 80 % in fiscal 2006/2007.

Every one of our 2,739 employees in 68 countries has made his or her individual contribution to the success of the KWS Group through hard work, creativity, talent and great dedication. The Executive Board would like to express its most sincere thanks – on behalf of the Supervisory Board as well – for what our employees have achieved and for their personal commitment.

The gratifying development of our business is based on continued good business in **sugar beet seed**, steadily growing demand for our corn and cereal varieties and greater use of plants for producing energy.

With relatively stable net sales, sales volumes for sugar beet seed were better than expected in the second year of reform of the European Sugar Market Regime. The EU's offer of an allowance as an incentive for the industry to opt out of sugar production was taken up to only a small extent, with the result that the cultivation area for quota sugar fell by just 5 %. While KWS gained market share in Europe – particularly in France – net sales outside the EU declined, among other things as a result of the weak US dollar. Cost cutting in distribution and seed production, coupled with sale volumes far above the levels planned, caused a considerable increase in the segment's result.

Our **corn business** posted double-digit growth, above all in Southeastern Europe, Germany and North America. Earnings improved significantly year-on-year, despite the rising costs of setting up and expanding distribution structures in our growth markets. The growth in net sales in the **cereals** segment was boosted by strong demand for hybrid rye and barley. Earnings rose significantly.

The greatest challenge remains the continuous development of seed for higher-yielding plants. This is because the steadily growing demand for agricultural raw materials – not only for food and feed, but now also as a climate-friendly alternative to fossil fuels – has already led to shortages in all relevant markets worldwide. "Green genetic engineering" is a key technology that can make a major contribution to solving the global energy problem and feeding the world's population. As Germany's largest plant breeder, we have been developing this important technology for more than 20 years. Our operations are traditionally research-intensive, and our goal is to continue conducting top-flight research in Germany in the future. This appears to be feasible only if a more innovation-friendly stance is adopted – including in the German Genetic Engineering Act, since innovation is only possible if the results of research also have a chance of being applied in practice.

Many people have played their part in the KWS SAAT Group's success – its employees, of course, but also and especially our customers and business partners. We thank all of them for their loyalty and our excellent working relationship. We also thank our shareholders for their deep trust. We will continue to do everything in our power to ensure the success of KWS in the international agricultural markets.

With best regards from Einbeck on behalf of the entire Executive Board,

Dr. Andreas J. Büchting

Dr. Dr. h.c. Andreas J. Büchting
 Chairman of the Executive Board

The KWS share

Stable shareholder structure ensures continuity +++ KWS share with better development than relevant indices +++ Strong assessment of long-term bioenergy possibilities +++ Increased share-price volatility

KWS SAAT AG, a medium-sized company with a rich tradition, is still run in part today by the sixth-generation descendants of its founding family. This is reflected in the shareholder structure: The Büchting, Arend Oetker and Giesecke families hold a majority stake of 56.3 %, while Tessner Beteiligungs GmbH owns 10.6 %; 33.1 % of KWS SAAT AG's shares are free-floating. This stable shareholder structure ensures continuity at the company.

KWS' shares far outperformed the German stock indices in the past fiscal year 2006/2007 (July 1, 2006, to June 30, 2007). Starting at € 70.00 on June 30, 2006, the KWS share closed at € 128.00 on June 30, 2007 – an impressive gain of more than 80 %.

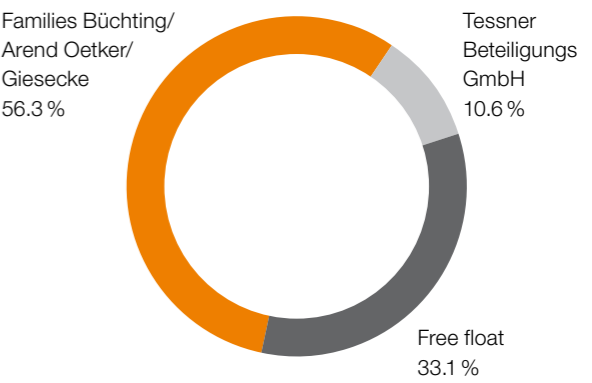
This dynamic performance not only reflects the trust investors have in the seed business, which has developed positively despite a number of adversities that had to be dealt with, such as the reform of the EU Sugar Market Regime.

Rather, the stock market also seems to have recognized the long-term prospects of growing agricultural markets as embodied by KWS. The issues of climate protection and alternative sources of energy, coupled with extremely high prices – seen in a historical perspective – for fossil fuels, currently dominate media headlines. That has positively influenced the share price of solar energy and bioenergy companies, but also that of KWS.

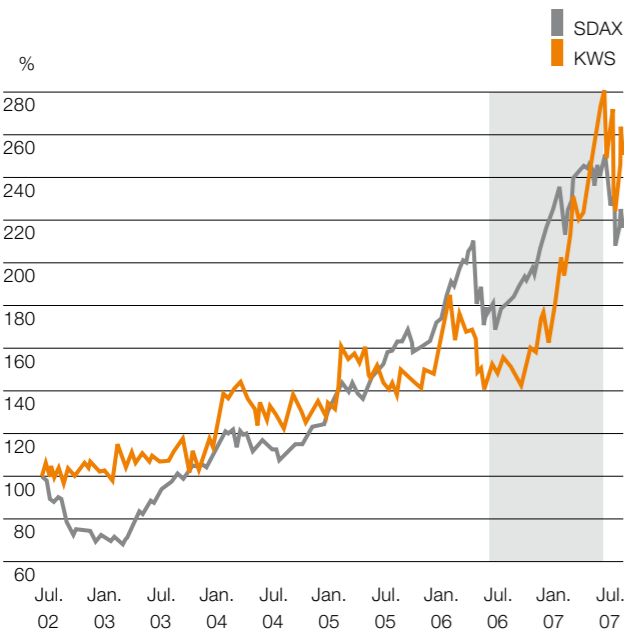
KWS' growth expectations remain good. Its core business is still the development of innovative plants. Future business will depend to a key extent on permanently increasing seed performance. KWS is the world market leader in sugar beet seed, it is showing very strong growth in corn and has a stable cereal business. Overall, it boasts an interesting portfolio of products for producing biogas, biodiesel and bioethanol from plants – a segment that now accounts for something over 5 % of the KWS Group's net sales.

The positive assessment of profit potentials that lie far in the future at KWS has also increased the share's volatility. Recent public discussions of the effects of the Sugar Market Regime, taxes on biodiesel, the possibility of feeding biogas into the supply network or the impact of the weather on harvest yields, for example, had a strong influence on the KWS share price in the summer of 2007.

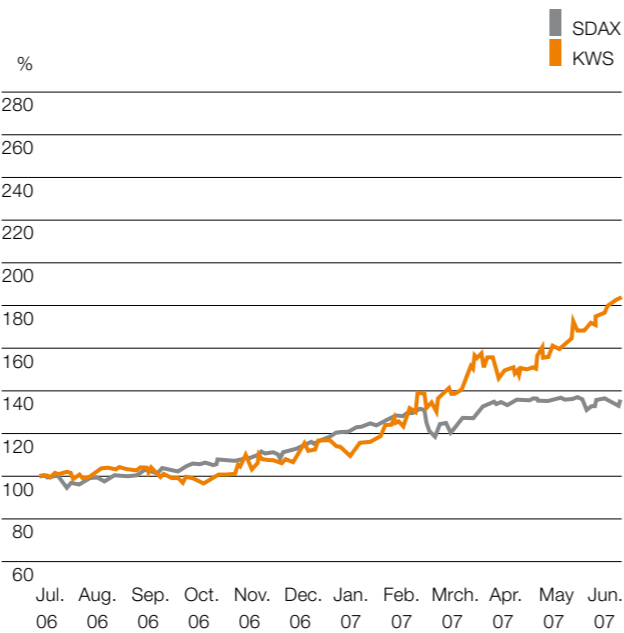
Shareholder structure
on June 30, 2007



Performance of the KWS share over the past 5 years



Performance of the KWS share over the past year



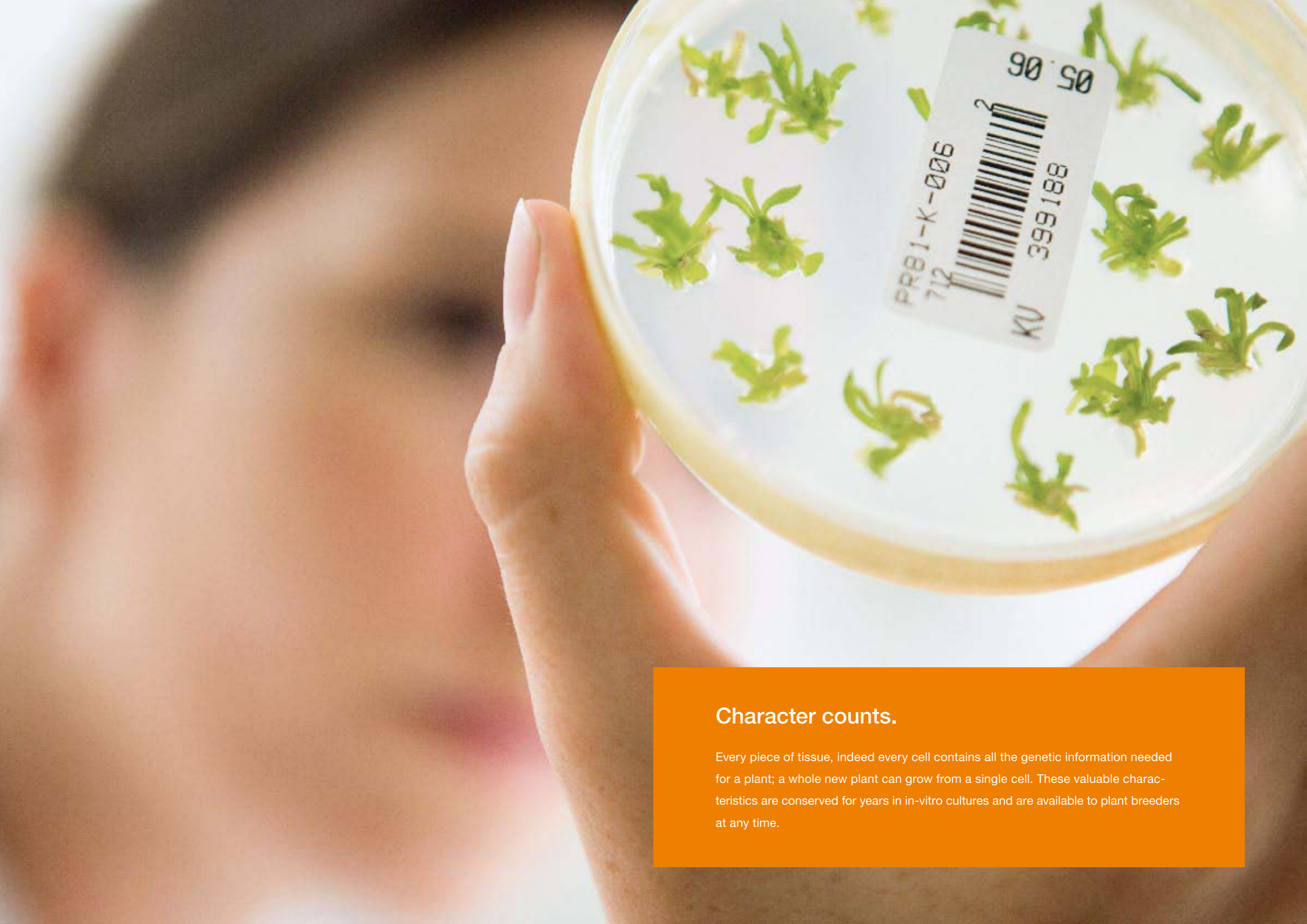
Financial calendar

November 30, 2007
December 13, 2007
February 28, 2008
May 29, 2008
October 30, 2008

Report on the 1st quarter of 2007/2008
Annual Shareholders' Meeting in Einbeck
Report on the 2nd quarter of 2007/2008
Report on the 3rd quarter of 2007/2008
Annual press conference in Hanover;
analyst conference in Frankfurt

Key data of KWS SAAT AG

Securities identification number	707400
ISIN	DE0007074007
Stock exchange identifier	KWS
Transparency level	Prime Standard
Index	SDAX, GEX
Share class	Individual share certificates
Number of shares	6,600,000
Capital stock at June 30, 2007	€ 19,800,000
Share price high (June 29, 2007)	€ 129,00
Share price low (October 11, 2006)	€ 67,10
Average number of shares traded	
– in Xetra	5,000
– in floor trading in Frankfurt	6,900
Designated sponsor	Sal. Oppenheim jr. & Cie. KGaA



Character counts.

Every piece of tissue, indeed every cell contains all the genetic information needed for a plant; a whole new plant can grow from a single cell. These valuable characteristics are conserved for years in in-vitro cultures and are available to plant breeders at any time.

Seeding the future!

Spotlight topic

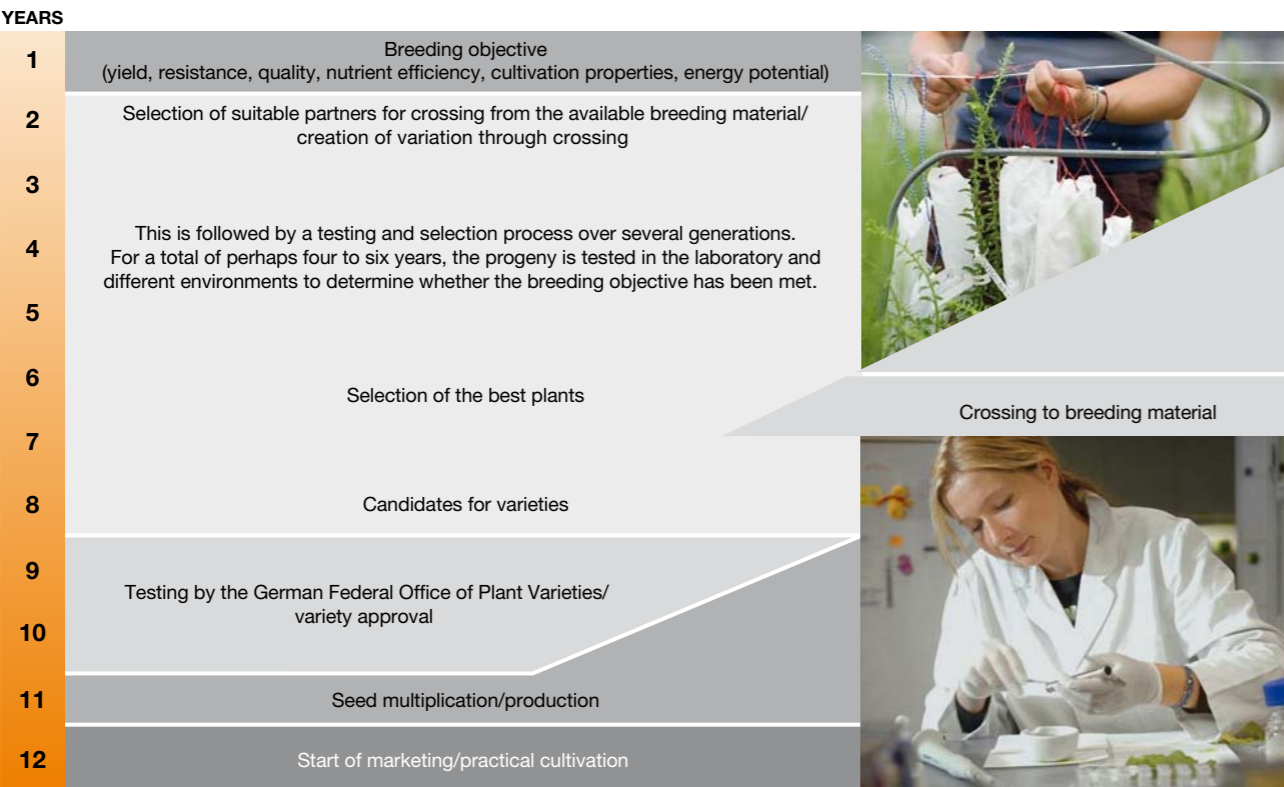
Innovative plant breeding will play a key role in our future. To leverage the full potential of plants in overcoming the challenges that lie ahead of us, it must be possible to put important results of plant research seamlessly into practice. That demands close interaction between business and science and an innovation-friendly climate in the country.

Did you know that you eat around 30 trillion genes in a bowl of pea soup? And an estimated 20,000 of them are different genes? And did you also know that many plants have more genetic building blocks than a human being? That is true of our food crops corn, wheat and barley, for example. One thing you probably did not know is that all genetically engineered improvements to date have involved just 10 genes that were removed from natural organisms and incorporated in our crops.

Small cause, big effect. A single additional gene, for example, has succeeded in protecting corn against its greatest pest worldwide – the European corn borer. For a number of years now, cotton has also possessed such resistance – and without it, it could only be grown with intensive use of chemical pesticides.

Conventional plant breeding

The breeding objective can be achieved through crossing and selection within the species



Will it also be possible in the future to protect our crops against drought or to increase yields? Up to now, these properties have been improved step by step through traditional crossing of desirable partners. To master all the challenges of the future, it appears that it will be indispensable for all available breeding methods to be used hand in hand. This also entails the coexistence of ecological, conventional and modern methods of genetic engineering.

However, nature's genetic building blocks are so varied and comprehensive that we can only guess at the opportunities they harbor for overcoming the major challenges of our times.

Developing the future!

Traditional plant breeding involves crossing and selection within a species. If a breeding objective cannot be achieved in this way, gene transfer is a conceivable solution and should be examined in each case. This enables the use of valuable traits from nature for our crops.

These include growing demand for agricultural products as a result of an increasing world population, the decrease in agricultural areas owing to desertification and urbanization, the necessity of reducing CO₂ emissions, and the negative influences of climate change. In accomplishing these tasks, we will need greater courage to innovate to be able to sow the seed of the future, too.

nome research program GABI, which in its current phase has about € 60 million in funding from the public and private sectors.

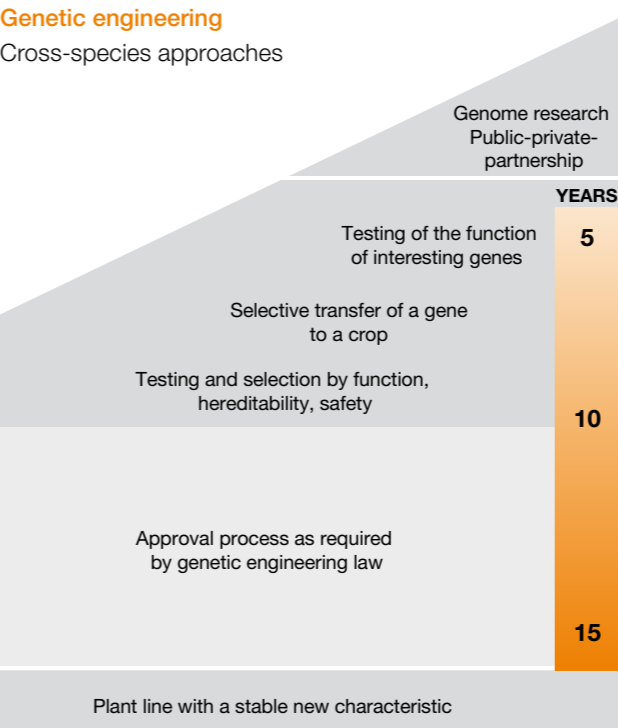
In the next stage, individual genes will be specifically selected and their function tested in different concepts and plant types. If a gene is able to demonstrate its quality under greenhouse conditions, the identified gene will be transferred to a crop plant. Here high priority is attached to selective transformation, with a focus on ensuring that approval can be obtained later.

Numerous tests and analyses are required to meet the high standards demanded by the approval authorities in different countries. In addition to in-house results, data is collected externally in order to complete the application documents. The extensive approval process takes into account questions of safety for use as food or feed and for subsequent commercial cultivation in the open.

The high costs involved in gaining approval for a genetically modified trait necessarily restricts the number of possible approaches. The objective here must be to create general conditions that enable diversity, yet ensure safety.

The newly developed characteristics are transferred to traditional breeding material by means of conventional crossing. These characteristics can then be incorporated in the practical development of varieties.

Only the best candidates are registered for field testing – lasting several years – by the offices responsible for plant varieties in the individual countries. Seed multiplication is begun at the same time. If a variety obtains approval for distribution, it can generally be marketed for only three to five years before being replaced by its improved successors. The pace of innovation in today's plant breeding industry is thus even faster than in many other innovative sectors.



Genetic engineering – through the transfer of additional hereditary traits – opens up new possibilities for breeders where conventional breeding runs up against its limits.

Researchers from science and the business community are conducting fundamental work on isolating and characterizing the function of genes as part of international genome research programs. One example of this is the national ge-

Report of the Supervisory Board



Dr. Guenther H. W. Stratmann
Chairman of the Supervisory Board

The Supervisory Board carefully monitored and advised the management of KWS SAAT AG in accordance with the law and the company's Articles of Association throughout fiscal 2006/2007. It was integrated at an early stage of all key decisions of strategic and fundamental importance for the company. Following thorough deliberations, the Supervisory Board approved the submitted measures and business transactions requiring its consent. The Executive Board provided the Supervisory Board with prompt and extensive information in written and oral form. Its detailed discussions focused on corporate policy, corporate and financial planning, the risk situation and risk management, the general development of the various businesses and profitability. The Chairman of the Supervisory Board was also in close contact with the Chairman of the Executive Board and the Executive Board as a whole outside of the meetings of the Supervisory Board, and he took part in key meetings of the Executive board, where he was informed about special occurrences and the general development of the various businesses and closely followed important decision-making processes. The Supervisory Board held five meetings in fiscal 2006/2007. All its members participated in at least four of the five meetings.

Focal areas of deliberations

In the year under review, the Supervisory Board dealt in particular with the restructuring of the Executive Board and other leadership positions in connection with the retirement of Dr. Dr. h.c. Andreas J. Büchting, the Chairman of the Executive Board. Concluding thirty years of work on the Executive Board, he will resign at the Annual Shareholders' Meeting in December and at the same time be a candidate for the Supervisory Board. It is envisaged that he will be elected Chairman of this body. Philip von dem Bussche will take over his position as Chairman of the Executive Board and continue the successful model of a company with a tradition of family ownership. This will be the first time since the company was formed 151 years ago that the Executive Board will have no members from the company's founding families. However, the representatives of the Büchting/ Giesecke and Arend Oetker families will continue to closely follow and support the fortunes of the company from their positions on the Supervisory Board.

The reform of the European Sugar Market Regime and its economic effects on the company were a key topic of discussion in fiscal 2006/2007. In addition, the deliberations focused on further development of the fast growing market for energy plants, the sale of the operating side of the potato business, the possible applications of developments in genetic engineering, the restructuring and expansion efforts in Southern and Southeastern Europe and compliance matters.

Corporate governance and committees

Other focal issues of the Supervisory Board were corporate governance and control. It followed and discussed the further development of the corporate governance standards and drove their implementation forward in cooperation with the Executive Board. The Executive Board and Supervisory Board issued a new compliance declaration on October 30, 2007 (see page 17). The Committee for Executive Board Affairs held one meeting, which focused on compensation structures and the financing out of pension obligations for the Executive Board. It also formed a nominating committee to handle the selection of appropriate candidates for the upcoming new election of the Supervisory Board. Both committees reported on their work to the full Supervisory Board. Following the Annual Shareholders' Meeting on December 13, 2007, the Supervisory Board intends to establish an Audit Committee that will deal, among other things, with matters relating to the preparation and publication of financial statements, risk management and compliance.

Personnel issues

Dr. Léon Broers was appointed as a deputy member of the Executive Board of KWS SAAT AG effective February 1, 2007. After successfully familiarizing himself with his new duties, he took over responsibility for research and breeding on July 1, 2007. He will also assume responsibility for energy plants effective January 1, 2008.

Annual and consolidated financial statements and auditing

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the independent auditor chosen at the Shareholders' Meeting and commissioned by the Supervisory Board, has audited the financial statements of KWS SAAT AG that were prepared by the Executive Board for fiscal 2006/2007 and the financial statements of the KWS Group (consolidated financial statements), as well as the management report of KWS SAAT AG and the KWS Group (Group management report), including the accounting reports and awarded them its unqualified audit certificate.

The Supervisory Board received and discussed the financial statements and management reports of KWS SAAT AG and the KWS Group, along with the report by the independent auditor of KWS SAAT AG and the KWS Group and the proposal on utilization of the net profit for the year made by KWS SAAT AG. It also received detailed explanations of questions on the agenda at its meeting to discuss the financial statements on October 30, 2007. The auditor

took part in the meeting and reported on the main results of its audit. Based on the findings of its examination, the Supervisory Board does not raise any objections. It gives its consent to the financial statements of KWS SAAT AG, which are thereby approved. The Supervisory Board also gives its consent to the statements of the KWS Group. It also endorses the proposal by the Executive Board on the appropriation of the profits of KWS SAAT AG.

The Supervisory Board dealt with the disclosures in accordance with Section 289 (4) and Section 315 (4) HGB (German Commercial Code). The Supervisory Board has examined the notes to the management report referred to.

The Supervisory Board expresses its thanks to the Executive Board and all employees of KWS SAAT AG and its subsidiaries for the work they have done and their personal commitment in fiscal 2006/2007.

Einbeck, October 30, 2007

Dr. Guenther H. W. Stratmann
Chairman of the Supervisory Board

Supervisory Board		
Dr. Carl-Ernst Büchting Einbeck Honorary Chairman	Goetz von Engelbrechten Uelzen Farmer	Jürgen Kunze Einbeck Chairman of the Works Council of KWS SAAT AG
Dr. Guenther H. W. Stratmann Düsseldorf Attorney-at-law Chairman	Eckhard Halbfäß Einbeck Farmer Member of the Works Committee of KWS SAAT AG	Prof. Dr. Ernst-Ludwig Winnacker Brussels, Belgium European Research Council (ERC) – Secretary General
Dr. Arend Oetker Berlin Businessman Deputy Chairman		

Corporate Governance Report

KWS SAAT AG supports the goals of the German Corporate Governance Code – responsible, value-oriented and transparent corporate governance – and has firmly integrated these goals in its company guidelines. The Executive Board and Supervisory Board have dealt in considerable detail with the code. KWS SAAT AG complies with its recommendations, with only a few exceptions specific to the company and its industry.

Binding principles of the “Code of Business Ethics”

The management and supervisory bodies of our tradition-rich company take into account the recommendations of the German Corporate Governance Code and their business management perspective when making decisions, but they also feel especially committed to standards of ethical conduct. With our own Code of Business Ethics, we have gone beyond the German Corporate Governance Code to create binding and audited rules of conduct that reflect these moral and ethical standards. The Code of Business Ethics, an abridged version of which has been published on our Internet site, relates in particular to our responsibility for:

- International business transactions in compliance with legal requirements
- Fair competition
- Avoidance and elimination of corruption
- Protection of confidential information
- Work safety and active protection of the environment

Corporate communications ensures that all shareholders are treated equally

KWS communicates information on its own initiative, openly, quickly, regularly and in full, so as to win and strengthen the trust of its shareholders, employees, business partners and members of the public at large, as well as to allay any fears and worries they might have. New and significant circumstances that are of importance to the company's business development and may have a significant impact on its share price are published immediately in ad hoc releases. All obligatory publications, company reports and relevant announcements and press releases are made available to interested persons promptly on our Internet web site. In this way, we ensure that all shareholders enjoy equal treatment. You can find the financial calendar containing the dates of KWS SAAT AG's main regular publications on page 9.

Cooperation between the Executive Board and the Supervisory Board

At KWS we regard good corporate governance as embodying a spirit of trust and cooperation between the manage-

ment, supervisory and decision-making bodies, with the objective of guiding the company to success and monitoring it responsibly. The Executive Board and Supervisory Board, supported by the independent external auditor, are responsible for this guidance and monitoring in day-to-day operations.

The Executive Board develops the company's strategic orientation in collaboration with the Supervisory Board and manages the KWS Group under its own responsibility. It conducts business transactions independently, with the goal of ensuring the company's long-term success. In making decisions, the Executive Board takes care to ensure fair competition, the well-being of all employees and its responsibility to society and the environment. The Bylaws of the Executive Board, which are published on our Internet site, delineate the areas of competency and responsibility of the individual members and define business transactions that require the consent of the Supervisory Board.

The Supervisory Board advises, monitors and appoints the Executive Board

One-third of the six-member Supervisory Board is made up of employee representatives, and two-thirds are shareholder representatives. Due to his considerable services to the company, Dr. Carl-Ernst Büchting is Honorary Chairman of the Supervisory Board. The Supervisory Board advises, monitors and appoints the Executive Board and its Chairman and safeguards the interests of the company, its shareholders and employees. It is consulted at an early stage regarding business transactions of fundamental importance to the company. The Supervisory Board also meets in the absence of the members of the Executive Board if this is advisable to enable independent deliberation and decision-making.

To ensure that the Supervisory Board can discharge its duties in a structured manner, it has Bylaws, which are also published on our Internet site, and can form committees to ensure that it conducts its work efficiently. There are no personal conflicts of interest on the part of Supervisory Board members that might result from agreements to provide consulting or services for additional remuneration. The Report of the Supervisory Board on page 14 provides details on the work of the Supervisory Board and its cooperative relationship of trust with the Executive Board in the past fiscal year.

Effective risk control

Risks are an unavoidable part of entrepreneurial activities. A company's success is determined by whether the poten-

tial stemming from the opportunities it seizes is greater than the possible impact of the risks. Consequently, effective risk control by means of an early warning system is crucial. We have continuously developed our integrated risk management system in order to be able to respond to the constantly changing demands placed on the company. We give a detailed report on the risks for future development on page 38 and on the measures and systems we have provided to control and avoid risks.

Auditor awards unqualified audit certificate

The independent auditor Deloitte & Touche GmbH has been appointed by the Supervisory Board to audit the financial statements. It has audited the annual financial statements and consolidated financial statements of KWS SAAT AG and awarded them an unqualified audit certificate. You can find the full wording of the audit certificate on page 75. The Supervisory Board has ensured that the auditors have no conflicts of interest, that the independence of its audit is assured and that no auditor has signed more than six audit certificates in the past ten years.

The Annual Shareholders' Meeting is the decisive source of governance at KWS SAAT AG

It makes decisions on important matters, such as appropriation of profits, capital measures or changes to the Articles of Association. It also elects the members of the Supervisory Board and selects the company that audits the financial statements.

Each share entitles its holder to one vote. To make it easier for shareholders to cast their votes, proxies can be appointed to vote on their behalf and in accordance with their instructions at the Annual Shareholders' Meeting. We also publish the Notice of the Annual Shareholders' Meeting and the Annual Report on our Internet site

We invite our shareholders to the next ordinary Annual Shareholders' Meeting on December 13, 2007, at 11:00 a.m. on the business premises of our company at Grimsehlstraße 31, Einbeck, Germany.

Compliance declaration in accordance with section 161 AktG (German Stock Corporation Act)

I. The Executive Board and Supervisory Board of KWS SAAT AG declare in compliance with section 161 AktG (German Stock Corporation Act) that – with the exception of the points stated under II – the company has complied with the recommendations of the German Corporate Governance Code in the version dated June 12, 2006,

since the last compliance declaration on October 30, 2006, and has complied, does now comply, and will comply in the future with the recommendations of the German Corporate Governance Code in the version dated June 14, 2007, which was published on July 20, 2007, in the Electronic Federal Gazette.

II. During the 2006/2007 fiscal year, KWS SAAT AG did not implement the following provisions of the code and/or will not implement them:

The deductible recommended by **clause 3.8** in the D&O insurance coverage for the Supervisory and Executive Boards has not been provided for to date.

An Audit Committee in conformance with **clause 5.3.2** has not been established to date. Instead, regular and intensive discussions are conducted between the Chairman of the Supervisory Board, the Executive Board and the statutory auditors, with the result that the Supervisory Board was able to conduct a careful and effective examination of the financial statements. The Supervisory Board intends to establish such an Audit Committee following the election of the new Supervisory Board at the Annual Shareholders' Meeting on December 13, 2007.

In compliance with **section 5.4.4**, it shall not be the rule for the former Chairman of the Executive Board to become Chairman of the Supervisory Board. Nevertheless, the current Chairman of the Executive Board of KWS SAAT AG, Dr. Dr. h.c. Andreas J. Büchting, will be a candidate for election to the Supervisory Board at the coming Annual Shareholders' Meeting. It is envisaged that he will take over as Chairman of this body. Dr. A. Büchting, who has managed the company since 1978, has many years of extensive experience in the very specialized sector of plant breeding, and his election is thus a logical step. Moreover, it accords with the character and interests of a company with a family ownership tradition for representatives of the families to be involved in influential positions.

KWS SAAT AG publishes its consolidated financial statements and interim reports within the period of time defined in the regulations for the Prime Standard of Deutsche Börse. Observance of the recommended deadlines of 90 and 45 days respectively in **clause 7.1.2** is not ensured because of the seasonal course of business.

Einbeck, October 30, 2007

The Supervisory Board

The Executive Board



Crossing and selection.

Future innovations lie in crossing valuable traits. Creating higher-yielding variations requires precise knowledge of the characteristics of the individual plants to be crossed.

Report on the performance of the KWS Group

Prudent planning and farsighted investments in new, fast growing markets were the foundation for the KWS Group's very good operating income, which increased by 36.8%. Cost structures in the sugar beet seed segment were adjusted to reflect anticipated market corrections. KWS has successfully continued the expansion of its corn business.

The KWS Group's growth picked up speed in fiscal 2006/2007. Above all, dynamic corn seed business in Germany and North America contributed to the good performance. Despite changes in the Sugar Market Regime, net sales of sugar beet seed did not fall as forecast, since the cultivation area in the European Union has not yet shrunk by the amount expected. The larger market share captured by KWS varieties and more wide-scale processing of industrial beet into bioethanol meant that net sales were almost at the level of the previous year. Net income in the sugar beet segment improved again thanks to the timely initiation of cost adjustments. The cereal and rapeseed varieties profited from greater demand for energy plants.

The KWS Group

Apart from KWS SAAT AG, the consolidated KWS Group comprised a total of 45 (45) subsidiaries and associated companies in fiscal 2006/2007. Two Turkish subsidiaries were merged into one company. A seed processing company has been established in Romania and KWS has acquired the minority interests in the Hungarian joint venture. A total of 41 (40) companies were fully consolidated and 3 (4) foreign companies were proportionally consolidated. Two companies are still included in the KWS Group's financial statements at equity (see list of consolidated companies on page 74). One fully consolidated company and two companies included in the financial statements at equity were sold in fiscal 2007.

Net sales continue to grow

In the year under review, the KWS Group's net sales rose by € 32.9 million to € 537.9 million, with particular growth being posted by the corn and cereals segments. Sugar beet seed business did not quite achieve the level of net sales of the previous year. KWS grew in Germany and foreign countries, in particular in Europe and America. Sales in foreign countries still account for 76 % (76 %) of total sales.

Overview of product segments

Sugar beet business better than expected

In the year under review, net sales totaling € 199.9 (205.4) million were generated in the sugar beet segment, around 37 % of the figure for the Group. As a result of the reform of the Sugar Market Regime, the cultivation area for quota sugar in the European Union fell by approximately 70 thousand ha to 1.6 million ha, while the area used for ethanol production increased from 130 thousand to 160 thousand ha or just over 9 % of the total sugar beet cultivation area. The main growth driver in 2006/2007 was demand in the 27 EU states, where we were able to increase our market share, in particular in France. Outside the EU, net sales in the sugar beet segment fell as a result of the weak US dollar and a lower volume of seed sales in Turkey.

Corn accounts for over 50 % of Group's net sales

We again posted double-digit growth in corn business. Net sales increased by 13.7 % to € 275.5 (242.2) million, accounting for 51 % of KWS' business volume. We achieved growth in all regions, above all in Southeastern Europe, Germany and North America. There is still great demand for genetically improved products in the U.S., especially for varieties in which several important properties have been improved by genetic engineering methods.

Growing volume of sales in cereals business

Net sales in the cereals product segment rose to € 54.5 (50.2) million. The LOCHOW-PETKUS Group was able to strengthen its good market position in cereals breeding in Europe



The sugarbeet seed from the new harvest is processed and piled in Einbeck during the winter months for the whole of Europe. Our production employees work on the basis of annual work-time models, reflecting the seasonal differences dictated by nature.

Successful cost management

Adjustments in distribution structures reflecting changing market conditions in the individual product segments spurred earnings in the year under review. We were able to secure and further expand our market positions. Selling costs rose to € 101.5 (99.7) million, while the percent of net sales they represent fell to 18.9 %, following 19.8 % in the previous year. Cost of production likewise increased below-proportionately in relation to net sales and was € 339.1 (327.7) million, with the result that gross profit rose by 12.1 % to € 198.8 (177.3) million. Administrative costs increased by 4.3 % to € 38.5 (36.9) million as a result of expansion of the Group's uniform software system and amounted to 7.2 % (7.3 %) of net sales.

At € 5.1 (6.0) million, the balance of other operating income and other operating expenses was at the level of the previous year.

Operating income with strong growth

The operating income for the KWS Group increased year-on-year by 36.8 % to € 63.9 (46.7) million. There were structural adjustments and cost cutting in the area of distribution in the sugar beet segment. In addition, seed production was

reduced, resulting in above-planned sales from existing stocks and far lower allowances on inventories. Operating income in the sugar beet segment improved to € 35.1 (24.9) million as a result of these effects. Its contribution to Group income remained very strong at 55.0 % (53.3 %).

Expansion of distribution structures in Southeastern Europe and North America was again pursued vigorously in the corn segment. Despite higher selling costs, however, operating income rose to € 13.3 (10.4) million and accounted for 20.9 % (22.3 %) of the Group's earnings.

Sales in the cereals segment increased to € 54.5 (50.2) million thanks to growing hybrid rye business and higher sales volumes for barley. Following the previous year's slump, operating income rose to € 5.3 (1.7) million and was 8.3 % (3.7 %) of Group earnings.

Our breeding & services segment posted stable income of € 10.1 (9.6) million, accounting for 15.8 % (20.7 %) of the Group's earnings.



Summer is a busy time in our trial fields. Every cover conceals a numbered candidate, but only a few of these varieties become big names.

Lower financial results

The SAKA-RAGIS Group was not able to profit sufficiently from the good market climate for seed potatoes in 2007. This strained net income from associated companies at the KWS Group, causing it to fall to € –0.5 (0.7) million. In the meantime, we have sold our holdings (effective July 1, 2007), since there was no possibility of increasing our stake in them even in the long term. Nevertheless, we regard seed potato business as being strategically important and will continue our research in this field.

Interest expenses were impacted by a non-recurring charge of € 3.1 million as a result of the financing out of pension provisions and was € –5.6 (–3.7) million; liquidity improved sharply, resulting in net financial expense of € –6.0 (–2.5) million.

Lower tax rate as a result of a special effect

The result from ordinary activities was € 57.9 (44.2) million and total tax expenditures were € 19.7 (15.8) million, resulting in a tax rate for the Group of 34.0 %, compared with 35.7 % in the previous year. Pursuant to a change in tax legislation effective December 31, 2006, a corporate income tax credit balance of € 7.4 million had to be carried as assets by the German Group companies.

Sharp rise in net income

The KWS Group's net income was € 38.2 (28.4) million, a sharp 34.5 % rise year-on-year. Return on net sales after tax rose from 5.6 % to a gratifying 7.1 %.

High investments in R&D

Our investments in basic technology for developing genetically improved sugar beet are reported under the intangible assets, while capital spending on property, plant and equipment is aimed largely at further improving seed quality and expanding breeding and production capacities. The largest individual investments related to a corn drying plant in North America, a greenhouse and a new logistics hall in Einbeck. The KWS Group invested a total of € 27.2 (23.8) million in the year under review.

Of the total investments by the KWS Group, 55.7 % went to Germany, 20.6 % to the rest of Europe, 20.6 % to North and South America and 3.1 % to the rest of the world. Around 59 % of investments were made in the breeding & services segment and more than a fifth in the sugar beet segment.

During the fiscal year, the KWS Group recorded depreciation and amortization of € 16.1 (17.0) million, meaning that, once again, investments exceeded depreciation by a significant margin.

Improved assets situation

The total assets of € 609.8 (577.0) million are not significantly higher than the figure for the previous year, and with an increase in equity of € 28 million, the equity ratio is now 60.0 % (58.6 %). The KWS Group thus has very solid financing.

Net working capital fell slightly in the fiscal year. Receivables in the corn segment increased by € 11.3 million as a reflection of our business expansion, while inventories were reduced by € 19.4 million. In the sugar beet segment, net working capital increased by € 7.3 million. Totalling € 294.8 (293.3) million, inventories and receivables still accounted for around 48 % of total assets. On the balance sheet date, cash and cash equivalents, including securities, amounted to € 68.1 (55.6) million.

Equity rose to € 366.1 (338.0) million, and fully covered noncurrent assets and inventories. Debt capital remained almost unchanged at a total of € 243.7 (239.1) million, while long-term borrowings fell by € 7.1 million to € 86.8 (93.9) million, largely due to the external funding of pension commitments. Short-term borrowings rose by € 11.8 million to € 156.9 million and were covered at a rate of 181 % (180 %) by cash and cash equivalents and receivables.

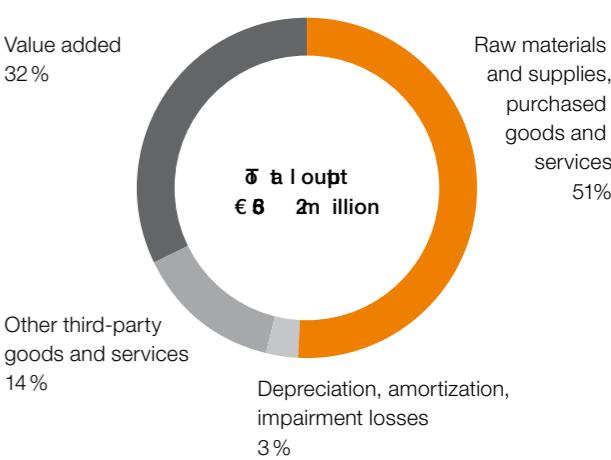
High cash flow improves net liquidity

Net cash from operating activities fell by € 2.3 million to € 51.1 (53.4) million. The ratio of cash flow to net sales was 9.5 % (10.6 %), underlining the KWS Group's great financial strength. Net funds used in investing activities were € 26.7 (20.1) million, yielding a free cash flow of € 24.4 (33.3) million, with net cash used in financing activities at € 11.1 (26.4) million. Net cash consequently improved markedly to € 59.7 (44.3) million.

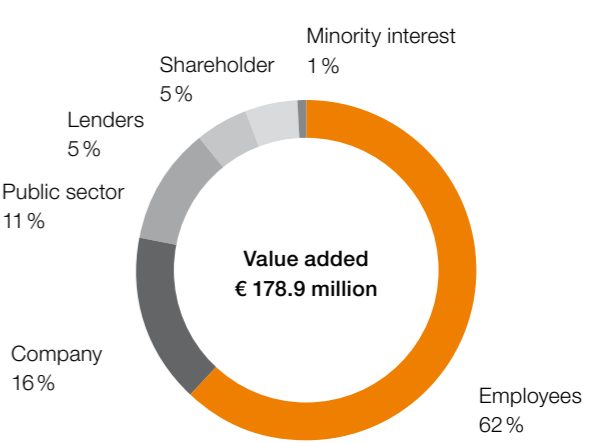
Proposed appropriation of profits

In December 2006, a dividend of € 1.00 per share, plus an anniversary bonus of € 0.20, was paid for fiscal 2005/2006. For the year under review, KWS SAAT AG achieved net income of € 18.3 million, compared to € 13.4 million for the previous year. The Executive and Supervisory Boards will propose payment of a dividend of € 1.40 for each of the 6,600,000 shares at the Annual Shareholders' Meeting, making the total distribution this year € 9.2 (7.9) million. € 9.0 (5.5) million are to be allocated to revenue reserves.

Creation of Value added



Distribution of Value added



Value added

In fiscal year 2006/2007, the KWS Group generated total output of € 563.2 (531.9) million, consisting of net sales of € 537.9 (505.0) million and other income of € 25.3 (26.9) million.

Deducting the costs of raw materials and supplies and of third-party goods and services attributable to cost of sales totaling € 286.6 (275.4) million, depreciation, amortization, and impairment losses of € 16.1 (17.0) million and other third-party goods and services of € 81.6 (78.8) million gives value added of € 178.9 (160.7) million.

The distribution was as follows: Employees received € 111.3 million, including social insurance and retirement benefit costs, compared with € 109.1 million in the previous year. Interest paid rose by € 2.6 million to € 8.7 million. The public sector received € 20.7 (17.1) million. Value added of € 1.1 (0.9) million was distributed to minority shareholders. The shareholders will receive a dividend of € 9.2 million, with the result that € 27.9 (19.6) million will be retained by the company.

A blue tractor is visible in the background, partially obscured by the wheat. Several people are standing on a raised platform or trailer behind the tractor, observing the field. The foreground is filled with green wheat stalks, some of which are in sharp focus.

High-performance products and professional consultation.

Healthy, high-yield varieties are a must. We build on that foundation with individual, intensive consultation. At field days, our customers get to know the newest KWS varieties.

Sugar beet segment

Fiscal 2006/2007 was shaped by an improvement in the mood in the agricultural sector. The consequences of reform of the Sugar Market Regime were cushioned since areas were used to cultivate industrial beet in more and more European countries.

Overall cultivation area in the 27 EU states again fell slightly by 2 % to 1.76 (1.80) million ha. The area used to produce quota sugar declined to 1.60 (1.67) million ha, while that for industrial beet increased to 0.16 (0.13) million ha. There was even an increase in total area in the key European markets of Germany, France, the Netherlands and Belgium, while cultivation areas in Poland and the UK remained virtually constant. Sugar beet cultivation area worldwide remained stable year-on-year at 5.1 million ha. Since reform of the Sugar Market Regime is not yet complete and there has to be a further reduction of 3.8 million tons of quota sugar in the short term, a marked drop in the cultivation area for producing quota sugar can be expected in the coming years.

Net sales were € 199.9 (205.4) million, not quite at the level of the previous year, but well above expectations at the beginning of the fiscal year. Unlike the previous year, the 27 EU states were the main growth drivers. Net sales of € 122.8 (116.9) million were generated here, while revenue in non-European countries declined and was just € 77.1 (88.5) million.

Key factors for our success in the EU 27 were the unexpectedly positive development of areas in our main markets and the strong position of KWS in nematode-resistant varieties. In non-European countries, net sales fell as forecast in Turkey, since there was enough seed in stock owing to the high quantities produced under license in the two previous years.

In anticipation of the effects of the looming reform of the European Sugar Market Regime, we launched several cost optimization programs in recent years. These measures are now gaining traction, and we are able to report a strong improvement in the segment's income to € 35.1 (24.9) million. The return on net sales was also well up year-on-year at 17.6% (12.1 %).

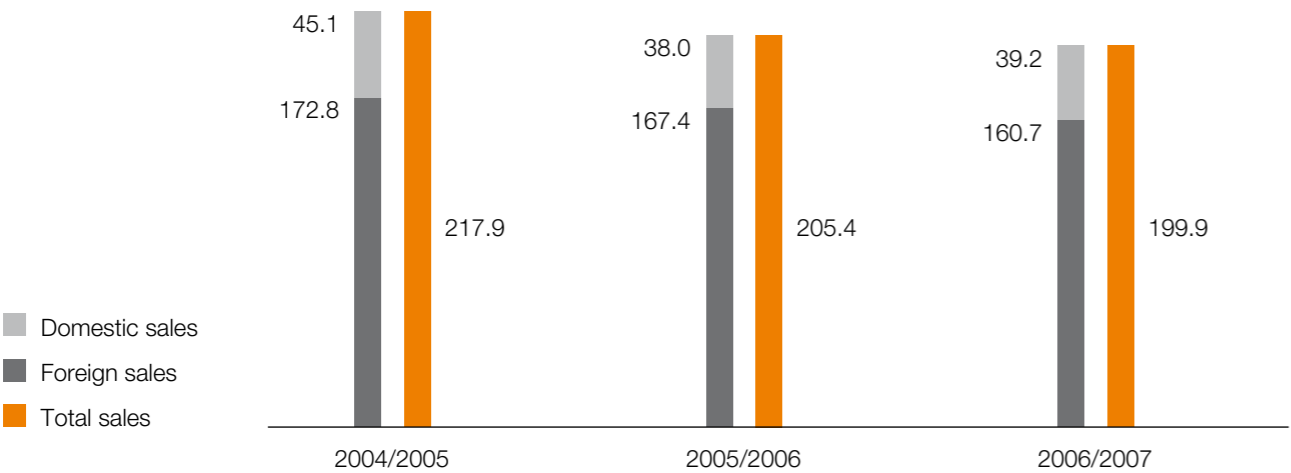
The regions

The trend in France was particularly positive. Apart from growing net sales due to the increase in cultivation areas, we were able to win market share to a gratifying extent. Net sales also rose in Germany as a result of expanded areas. In Central Europe, there was the loss of the Latvian market; in contrast, net sales increased slightly in Poland.



Innovation is the key: 80% of our net sales in France are generated from sugar beet varieties no older than three years. There is particularly great demand for varieties with dual resistance against the rhizomania virus and nematodes (soil pests).

Sugar beet segment sales in millions of €



We had lower shares in various Northern European markets as a result of significant competitive pressure. There were once again sharp reductions in areas in Southeastern Europe, especially in Hungary. Sugar beet cultivation was completely discontinued in Slovenia. However, we captured significant share in markets outside the EU 27, in particular in Serbia and Croatia.

In the U.S., the Betaseed varieties came under strong competitive pressure in the main cultivation area of the Red River Valley in Minnesota, and KWS lost market share. Overall, we have a strong and stable leading position, with a market share of more than 50%. In the past fiscal year, herbicide-resistant sugar beet varieties (Roundup Ready) were marketed on a small scale in the U.S for the first time. These

varieties are resistant to the active substance glyphosate. In the Russian Federation, net sales continued to grow, and the country is now the second-largest individual market in terms of volume after the U.S. In Turkey, business with the governmental sugar industry slumped as a result of its large inventories; however, the market share among private sugar refineries increased.

Corn segment

The international market for agricultural raw materials is characterized by a tight supply situation and high prices as a result. This led to an expansion of production worldwide. KWS profited significantly from this trend with its high-yielding corn and oil seed varieties.

The reasons for this were the high demand for corn to produce bioethanol, above all in North America, and rising consumption of processed animal products in Asia. As a result, our corn business grew again strongly by 13.7 % to € 275.5 (242.2) million. The segment's operating result rose by 28 % to € 13.3 (10.4) million.

On the strength of this, the corn segment remains on course as the main contributor to the KWS Group's net sales. The increase comes mainly from the regions of North America, Germany and Southeastern Europe.

With the exception of slight declines in France, we grew net sales in all other regions, in some cases strongly. Along with the positive trend in North America, Southeastern Europe was the biggest growth driver in Europe in percentage terms. This is the result of our development work in the past years, especially in Romania, Serbia and Hungary. Although we were able to increase sales in Southern Europe by 10 % year-on-year, the region did not make a positive contribution to the segment's operating result due to high selling costs.

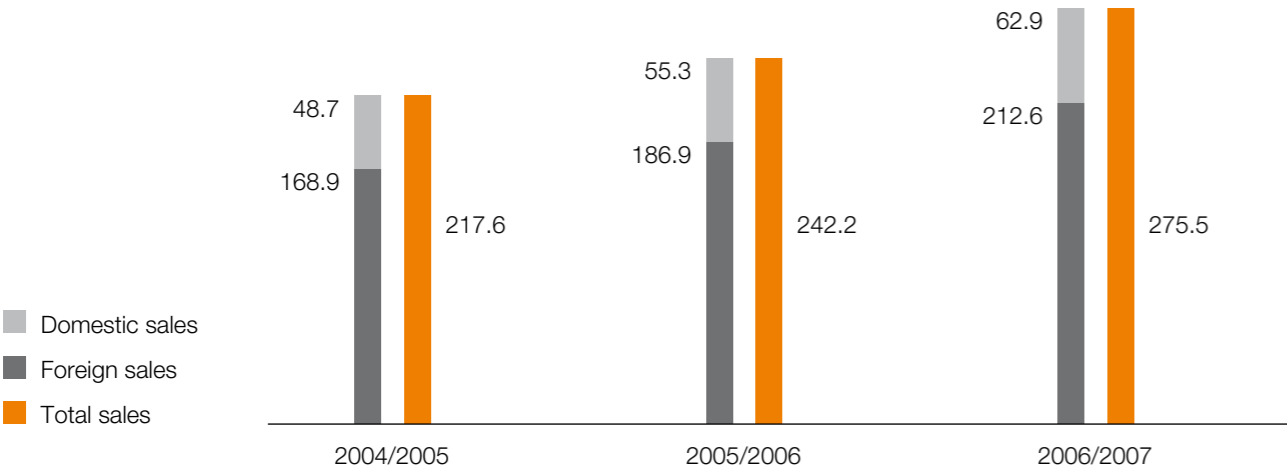
Sales volumes at AgReliant in North America profited from expansion in the cultivation area in the wake of greater demand for corn for ethanol production and the sales success of the triple stack varieties. These are genetically modified products that are resistant to the European corn borer, the corn root worm and the herbicide glyphosate. This trend is strengthening AgReliant's market position as the fourth-largest corn seed vendor in North America. The total net sales of AgReliant Genetics, LLC (U.S.) and AgReliant Genetics Inc. (Canada) rose by 15.8 % to € 227 (196) million. AgReliant is a joint venture with the French breeding company Vilmorin; it is consolidated at 50 % in the KWS Group.

Corn business grew especially strongly – by 13.7 % – in Germany. Apart from posting higher sales volumes in our traditional field of silage and grain corn, we were able to expand our leading position in the relatively young market for energy corn. This market segment, which will gain in importance in the coming years, now accounts for around 15 % of the total corn cultivation area in Germany. KWS is increasingly profiting from special varieties such as ATLETICO and DECO, which were specifically developed for this use as part of our own breeding program.



Mass is class: As raw material for biogas plants, the hybrids from KWS' energy plant breeding program are the top choice.

Corn segment sales in millions of €



Corn sales in Southeastern Europe grew by just over 50 %. The subsidiaries we have established in this region in recent years are now established after several years of work and increasingly in a position to win new customers for KWS' varieties. This business necessitates relatively high marketing and selling costs, since the national vendors currently still dominate the market thanks to their traditional relationships with customers there. In the meantime, we have succeeded in building up local seed production operations.

KWS continues to expand strongly in the field of winter rapeseed, again recording an almost 30 percent increase in sales volumes, mainly in the regions Germany, Central Europe and Southeastern Europe. Distribution activities for sunflowers focused on Eastern and Southeastern Europe. As a result of sharply limited cultivation areas compared with 2005/2006, we did not achieve a significant increase. The subarea of oil seed in the corn segment contributed 14 % to total net sales.

Cereals segment

The LOCHOW-PETKUS Group, which bundles KWS' cereals activities, has firmly established itself among the leading European cereal breeders, with a sustained level of net sales in excess of € 50 million, of which around 50 % comes from business abroad.

Lochow-Petkus, which operates throughout Europe with over 250 employees, can look back on more than 125 years of experience in the breeding sector. Today the Lochow-Petkus Group consists of four companies –Lochow-Petkus GmbH in Bergen, the British company CPB Twyford Ltd, Lochow-Petkus Polska Sp. z o.o. and a 49-percent share of the French Momont Group.

Apart from Germany, its main sales markets are the UK, France and Poland. One positive factor is the steadily rising share of direct business as compared with the licensing of the high-yielding varieties that have been developed. The proportion of royalties has now been reduced to 36.6 % of net sales. Overall, the cereals segment increased net sales in fiscal 2006/2007 by 8.5 % to € 54.5 (50.2) million. The most important crop is hybrid rye, accounting for just over 36.5 % of net sales, followed by wheat (29 %) and barley (17 %). Rapeseed, triticale and oat varieties as well as grain legumes are also sold.

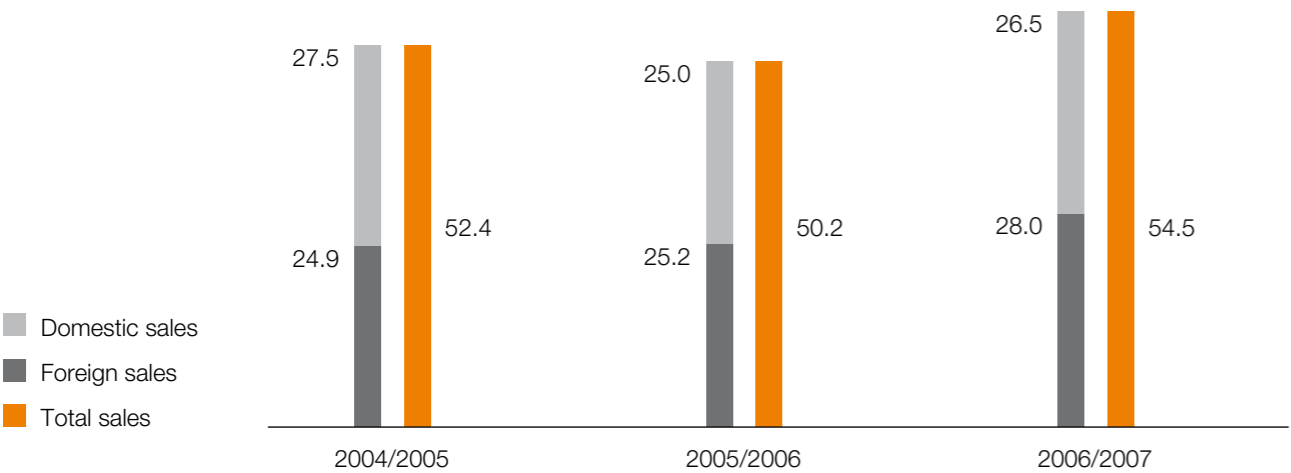
Broad diversification – in terms of both sales markets and the products of the LOCHOW-PETKUS Group – made it possible for the business volume of the cereals segment to match the high level of past years, despite the relative volatility of the cereals markets. However, growth rates like those in the corn segment can hardly be achieved due to the regional nature of wheat and barley and the use of farm-saved seed.

Hybrid rye business, which grew well year-on-year, and higher sales volumes for barley had a positive impact on segment earnings. However, a further major reason for this improvement was the fact that the previous year's figure was strained by an extraordinary effect, namely that the fiscal authorities claimed back value-added tax retroactively. In this regard, the segment's earnings rose to € 5.3 (1.7) million, meaning that our cereals business was able to regain its former earnings strength.



Something new in German fields: Rye is harvested as forage rye before maturation and the entire plant ensiled for biogas plants.

Cereals segment sales in millions of €



Following the last harvest, there was a sharp increase in demand and thus in the price for all agricultural raw materials. That was also true of rye. Rye is now also used as a cereal for producing ethanol and biogas. At the same time, intervention inventories were almost completely reduced. As a result, the price of rye for consumption almost matched that for wheat, and rye is growing in importance again for light and medium soils. We see further potential in the use of rye gas plant silage in the production of biogas.

Areas that had lain fallow are being cultivated again and production intensified overall in order to satisfy the growing demand for cereals and other agricultural raw materials. The result is rising demand for high-quality seed for high-yielding varieties.

Breeding & services segment

The breeding & services segment comprises our activities in the field of breeding, variety development and research. The segment also includes our central corporate functions and farming

The net sales of € 109.0 (103.3) million were generated largely from royalties for variety development from KWS' product segments. Segment earnings rose by 4.7 % to € 10.1 (9.6) million. The segment's external net sales of € 8.1 (7.2) million were earned from breeding services for third parties and at the farms. The success in breeding in fiscal 2006/2007 is reflected in the total of 267 (283) distribution approvals for new KWS varieties worldwide.

Sugar beet breeding

In fiscal 2006/2007, KWS launched the world's first genetically improved sugar beet in the U.S. These varieties possess tolerance to the active substance glyphosate, which is used to combat all types of weeds in farming. The glyphosate-tolerant sugar beet developed by KWS together with Monsanto has all the approvals necessary for cultivation, processing and use as food and feed in the U.S. Appropriate varieties are also available for all key markets in the U.S. Initial experience in using this technology clearly proves the system's economic and ecological advantages. The technology cuts production costs thanks to the use of fewer herbicides and fewer application steps. We expect to see great demand from American farmers in the coming year.

Before launch in the U.S., the necessary approvals for use as food and feed were applied for in all main export countries. These have now been obtained for Canada, Japan, Mexico and many other countries. The application process for importing and using products made from glyphosate-tolerant sugar beet was now also completed successfully in the EU in October 2007. We will also submit an application for cultivating glyphosate-tolerant sugar beet in the EU. However, this technology will not be able to be used in the EU before 2015 owing to the length of the approval process and subsequent variety testing.

Rapeseed breeding

Cultivation of winter rapeseed now plays an important role in many European countries. The oil obtained from it is used in food and for producing biodiesel. KWS has its own program for breeding winter rapeseed varieties and testing them in the main cultivation countries of France, Germany, Poland and the UK. This year, for the first time, a KWS hybrid variety – TASSILO – was awarded approval in France. In addition to the core markets, some of KWS' winter rapeseed material is also generating very high yields in Central and Southeastern Europe.

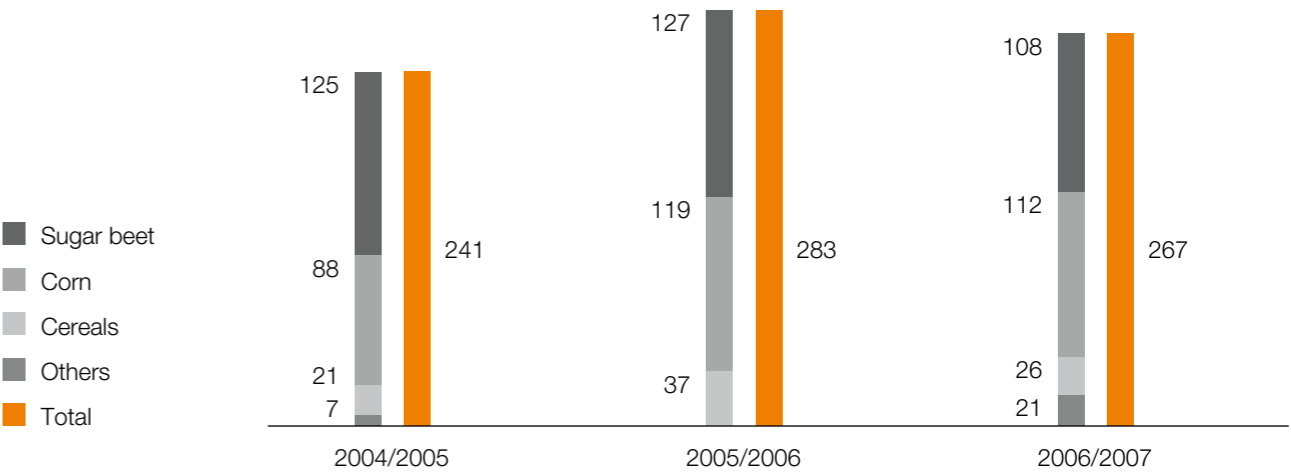
Energy plants

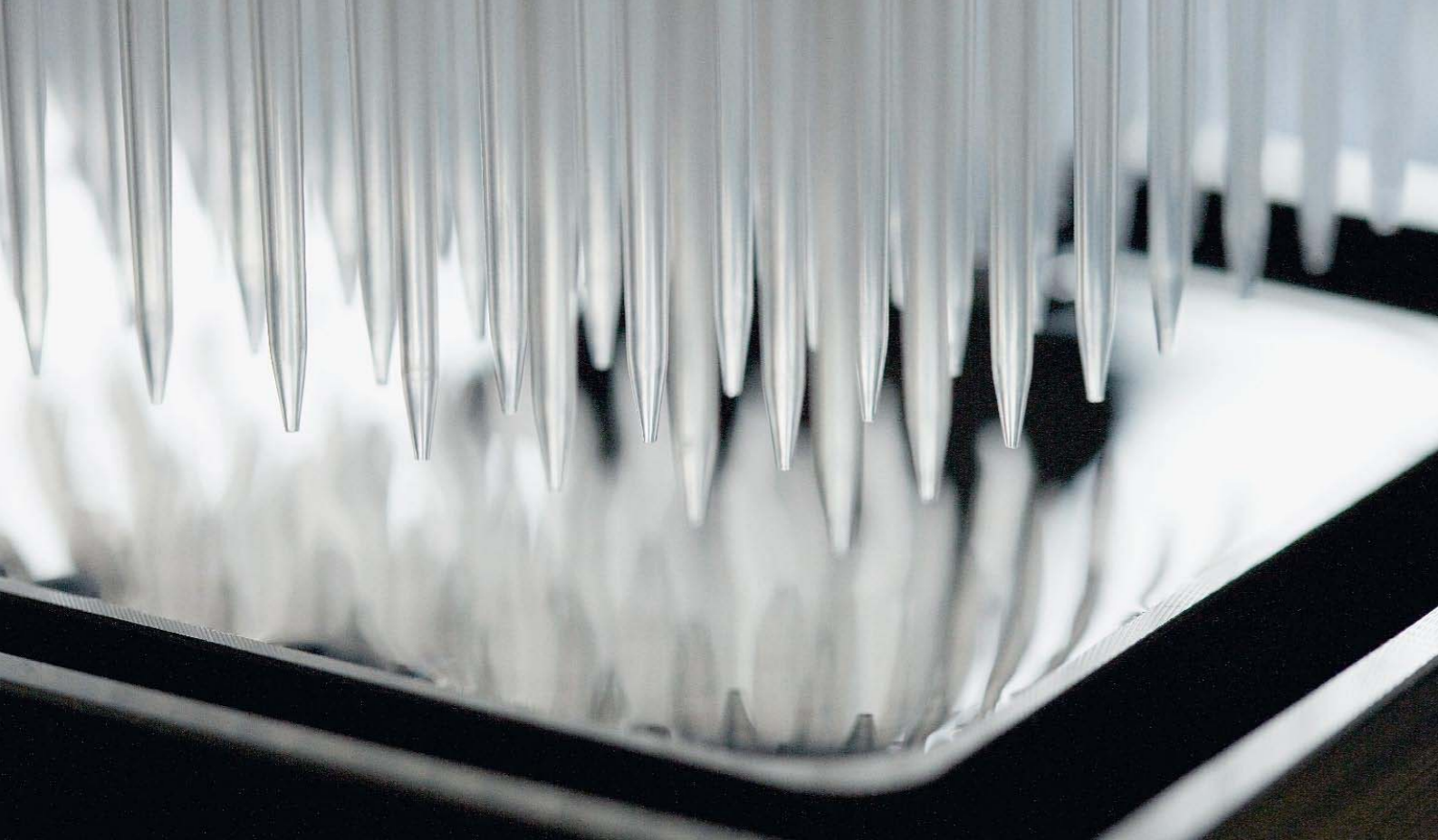
KWS has further intensified its activities with energy plants. In 2007, the existing research program aimed at developing sorghum for producing energy in Germany was expanded into a separate breeding program called "Energy Sorghum." The objective is to breed high-yielding hybrids with optimum properties for fermentation in biogas plants. The aim in the coming years is to improve sorghum's adaptation to the cool spring conditions in Central Europe. Compared with energy corn, sorghum needs far less water and yet has the potential for similarly high yields, especially in dry areas. In light of the increasing occurrence of dry periods, this is a very attractive addition to the KWS breeding portfolio.



Successful plant breeding starts with detailed knowledge of the plants. Genetically improved sugar beets are examined in the lab. The activity of the gene with the desired trait can be determined with a small leaf sample.

Marketing approval for new varieties





The use of modern equipment (such as this pipetting robot) helps make routine lab work precise and quick and increases throughput. And that lets our scientists concentrate on more important things.

New energy corn varieties certified

Our breeding work to develop special energy corn is increasingly resulting in the launch of new varieties. Following the first two corn hybrids in 2006, we were able to obtain approval for seven in 2007. KWS varieties occupy top positions in the official tests. Other focal energy plants in the focus at KWS are sugar beet and winter rye.

Plant breeding is again enjoying greater importance in EU research. KWS has helped shape the 7th Research Framework Program through the active collaboration of its scientists in the technology platforms "Plants for the Future" and "Biofuels" and is also involved in various EU projects. A joint project with German, French and Spanish partners was conducted as part of trilateral cooperation in plant genome

research. The objective is to improve the resistance of corn and wheat to fungi. However, the heart of these research activities remains the national program GABI (Genome Analysis in the Biological System of the Plant). The KWS Group is participating in eleven research projects in the GABI FUTURE program that embrace all the main varieties of the KWS portfolio.

Expansion of international corn breeding activities

In August 2006, KWS was able to purchase a breeding station in Argentina. This forms the basis for further expanding and intensifying our activities in the corn sector in South America. The goal is to establish our own regional breeding program for regionally adapted varieties as well as extensive testing in Argentina.

Outlook for the 2007/2008 fiscal year

We are aiming to further expand our sales volume in the current fiscal year 2007/2008. This is to be achieved through higher sales in the corn segment and greater business with sugar beet seed outside the 27 EU states.

Above all in the U.S., our goal is to grow sales of our new herbicide-tolerant **sugar beet varieties**. Moreover, we expect to be able to strengthen business in Turkey and Eastern Europe. However, quota sugar production in the EU must be reduced by a further 3.8 million t in the period covered by the Sugar Market Regime (up to fiscal 2009/2010) to reduce surpluses as required. To date, only 2.2 million t have been removed from the market, and the EU responded in February 2007 with an obligatory reduction in quotas of 13.5%. Additional incentives for producers to opt out are now to be created, meaning we will have to be prepared for at least a 15% decline in sugar beet cultivation in the EU despite an increase in area for industrial beet in the 2008 sowing period. A further exacerbating factor is that the high consumer prices for other crops – in particular wheat – favor a trend in crop cultivation in the EU away from sugar beet. We expect to be able to compensate for the anticipated losses in the EU through higher value added from the sales of genetically improved sugar beet varieties in the U.S. In this regard, we intend to continue the very good earnings in this segment in the year under review.

There are likewise special growth opportunities in the **corn segment** in North America, where bioethanol is increasingly being used as a fuel for automobiles. That will require that large areas remain under cultivation for grain corn. We are also planning to expand our markets in Southeastern Europe and to increase our sales of corn varieties that are rich in biomass for producing energy in Germany. Rape-seed business in Europe will again increase strongly this fiscal year. As a result, we expect further growth for the corn segment overall.

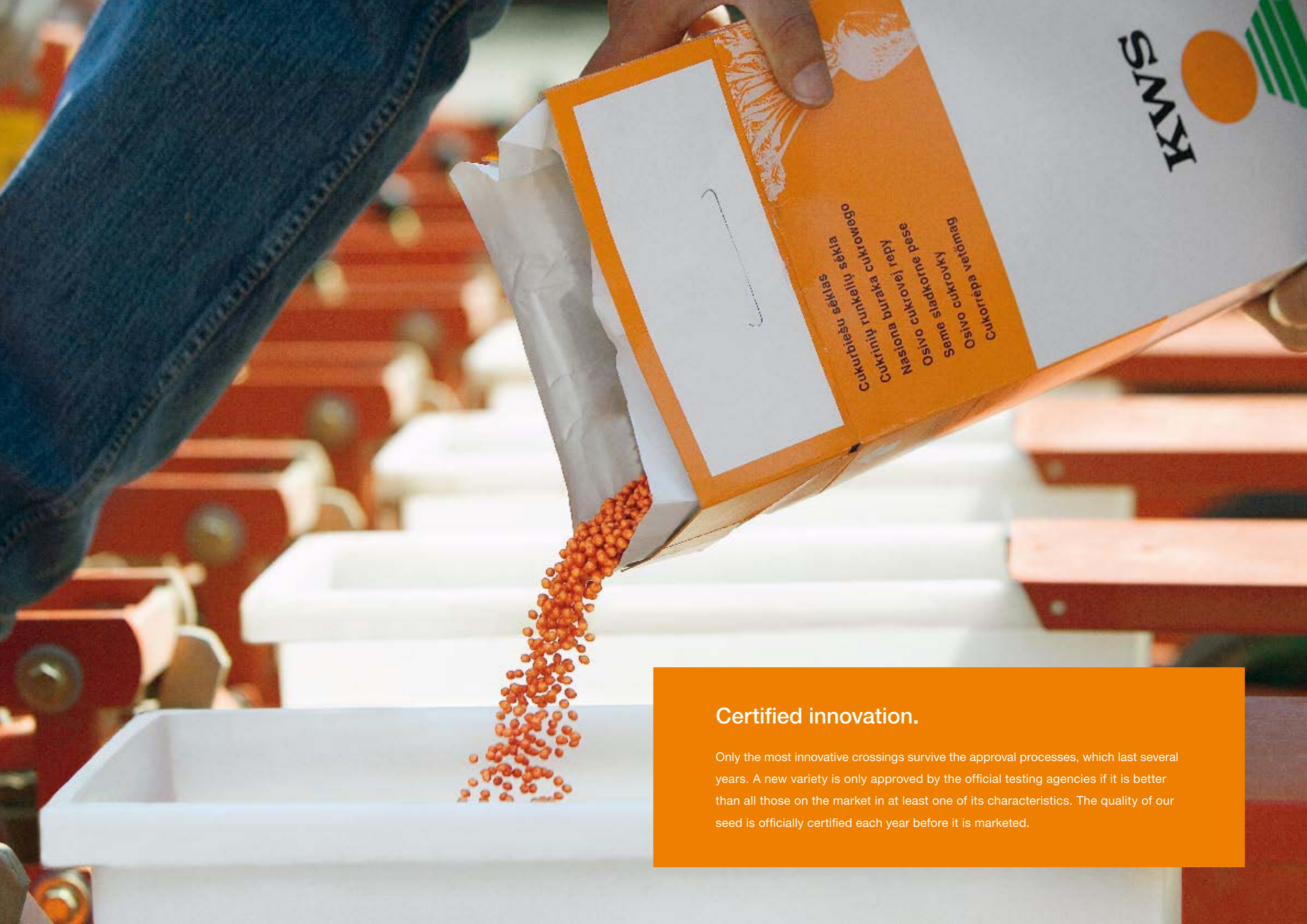
Earnings in this segment will be reduced by the budgeted increase in selling costs and higher expenditures for seed production. The poor harvests for seed multiplication in Europe as a result of the weather necessitate more expensive, counter-seasonal production in South America. Given that, there is limited potential to increase earnings in the current fiscal year.

In the **cereals segment**, seed availability is limited this growing season due to weather-related factors, with the result that we will probably not post any significant increase in sales volumes despite growing demand. Nevertheless, we expect to achieve net sales on a par with the previous year (€ 54.5 million).

The KWS Group's net income in 2007/2008 greatly depends not least on the development of the sugar beet seed business in Europe. If the anticipated reductions within the EU 27 can be compensated for by increases in sales volumes in other markets, we will have good opportunities to again post a good result.

The shares in RAGIS KARTOFFELZUCHT- & HANDELS-GESELLSCHAFT MBH, where the KWS Group's potato activities were bundled, were sold to the other shareholder and legally transferred to the purchaser on August 30, 2007, to create latitude for reorientation.

There have been no other events of particular significance since the end of last fiscal year.



KWS

Cukurbiešu sēklas
Cukrinu rūkeliņu sēklas
Nasiona buraka cukrowego
Osivo cukrowej repy
Osivo sladohne pese
Same sladohky
Osivo cukrowy
Cukorapa wotomag

Certified innovation.

Only the most innovative crossings survive the approval processes, which last several years. A new variety is only approved by the official testing agencies if it is better than all those on the market in at least one of its characteristics. The quality of our seed is officially certified each year before it is marketed.

Risks for future development

Our goal in managing our company is to leverage all strategic growth potential to the fullest. To do that, KWS must take certain reasonable risks. How these risks are handled in entrepreneurial fashion is a crucial factor of business success. The KWS group is subject to the usual economic and political risks in the countries in which it and its subsidiaries operate. In addition, the risks described below may significantly impair KWS' net sales, financial position and performance. These risks have been identified. However, other risks that have not yet been recognized or have been underestimated may also influence its business. No risks that pose a threat to the company's existence have been identified to date. In our view, there was no significant change in the risk situation in fiscal 2006/2007 compared with the previous year.

Risk management system

A suitable risk management system is needed to systematically and efficiently evaluate, document and control risks, the likelihood of their occurrence and their potential effects. KWS has firmly established such a system in its corporate planning and controlling and its reporting system. The risk management system is based on strategic planning and investment controlling, continuous operational controlling and the quality and process monitoring systems. The efficiency of the risk management system is ensured by a clear assignment of responsibilities and internal control and was established by the auditors as part of their audit of the annual financial statements.

In order to protect its assets, the company has a D&O insurance policy for the Executive Board and the Supervisory Board and for members of top management; the policy premium is paid by the company.

Market risks

The medium-term sales risk depends on product performance and the competitive situation. KWS addresses this risk with systematic analyses of the market and competition and by permanently developing higher-quality seed for innovative, high-yielding plants. KWS counters the risk of a decline in cultivation areas with its efforts to win market share and grow sales in other areas of production. A wide-ranging product portfolio contributes to a sensible diversification of risks. The company ensures the high quality of its products through strict internal quality standards and monitoring. KWS tackles the risks involved in investing in acquisitions and research and construction projects by means of efficient controlling and professional project management. It also addresses the liquidity risk with professional cash management, sufficient long-term, syndicated credit lines – of which only 40% was made use of in the year under review – and a comfortable equity ratio of 60.0%. It uses extensive trade credit insurance to counter the risk of losing receivables in risky regions and business segments. The risk of interest rate changes and currency risks are addressed through the usual standardized hedging instruments and derivative instruments.



A key factor in risk prevention is transparent and continuous communication.

Political risks

In the strongly regulated agriculture industry, political risks have a significant impact on business development. The new EU Sugar Market Regime, which came into effect on July 1, 2006, and will remain in force until September 30, 2015, has a serious effect on KWS, the world market leader in sugar beet seed.

Business with energy plants is currently experiencing a powerful upswing, sustained by the current debate on the climate and raw materials. However, demand is greatly dependent on the price of fossil fuels such as coal, oil and gas, and on general regulatory conditions, such as government market incentive programs for startup financing for the investments needed for bioenergy production, admixture ratios for biofuels or regulations on direct feeding of biogas into existing natural gas networks, to name a few examples. Yet it is not only directly related legislation that influences business activity in this area.

Reservations on the part of consumers can also influence opportunities for business development. For example, there is strong disapproval of biotechnology in agriculture in Europe. Worldwide, on the other hand, genetically improved crops are cultivated on more than 100 million hectares a year, with remarkable economic and ecological advantages. In the U.S. in particular, it is mainly genetically improved varieties that are cultivated and are helping to solve problems in agriculture. It is thus becoming more and more important for European agriculture to have access to future technologies such as genetic engineering, too.

Despite this fact, the impending amendment to the Genetic Engineering Act in Germany has created virtually insurmountable obstacles to practical cultivation. The relevant research facilities and the related highly qualified jobs at KWS are located for the most part in Germany, and the security of these jobs depends on a friendlier attitude toward innovation in Germany and Europe.

Weather-related risks

The agricultural production process of breeding and multiplying seed depends to a large extent on the weather. KWS counteracts the risk of production losses as a result of bad weather with a broad product range that needs a variety of weather conditions for a successful harvest. Seed multiplication is distributed over various locations in Europe and North America. Contra-seasonal multiplication is carried out in the winter half-year in Chile and Argentina if there are bottlenecks in seed availability.

Auditing

KWS has decided not to establish its own auditing department, but to have external audits conducted by experienced auditors. Several audits are held each year, covering processes and organizational units. The goals are to improve internal control systems and to increase efficiency. External auditing is thus a key component of risk management in ensuring that internal controls work.

Employees

Day-in and day-out, our employees work for the company around the world, with passion, commitment and skill. And they make a major contribution to increasing productivity in agriculture.

150 years ago – when the company was founded – one farmer fed three people. By 1950, the figure was ten. Now it is around 130. Plant breeding and our employees’ hard work have made a major contribution to this impressive increase in productivity.

To be successful in our business, you need to be independent and have staying power, diligence and, of course, sound, indepth knowledge and creativity. Our employees unite these traditional virtues with the latest know-how from science and research, and they take pleasure in their achievements.

Identifying and encouraging talents

2,739 employees in 68 countries work for the KWS Group worldwide. In a world characterized by a growing division of labor and specialization, pooling and leveraging their knowledge and ensuring the very best use of the abilities of every single person is the task faced every day in HR management. The focus of our personnel development strategy is to identify the various talents and initiate suitable training and development measures so that they can be encouraged and flourish. Continuing investments by the company and its employees in expanding their knowledge and refining their skills secures KWS’ competitive edge. In plant breeding, it is not so much fixed assets but the available know-how and experience of employees that determine market success.

Only satisfied employees with assignments matching their skills enjoy their work, identify with it and can fully unfold their talents. The ability to think, decide and act responsibly on their own is very important. KWS not only encourages these skills in its employees – KWS requires them. With a management style of trust and respect toward employees, KWS works to strengthen its employees’ commitment to the company and create a pleasant working environment with a focus on achievement. KWS encourages its employees to tackle new challenges in Germany and internationally, in a wide range of markets and different cultures.

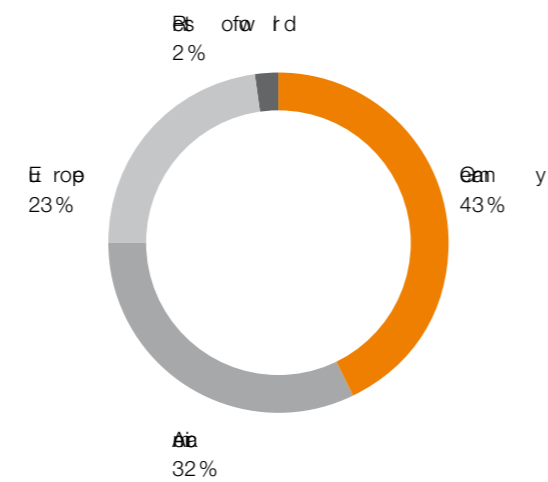
Measuring the success of HR management

Systematic surveys help management get a picture of the mood of the various teams and their level of satisfaction. Feedback from employees provides managers with important information on which to found their actions. On the basis of the surveys, we then initiate customized measures – for example training in team building, individual coaching or process optimization in day-to-day workflows.

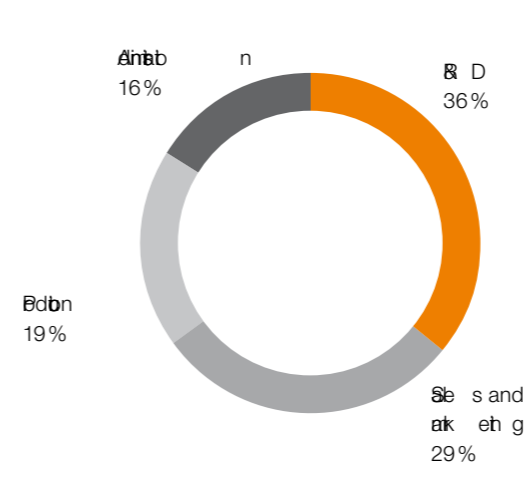
Employees in figures

In the fiscal year 2006/2007, the KWS Group employed 2,739 (2,652) people worldwide, of whom 777 (782) were at KWS SAAT AG. Personnel expenses at the KWS Group rose to € 111.3 (109.1) million; KWS SAAT AG accounted for € 37.7 (37.7) million of this.

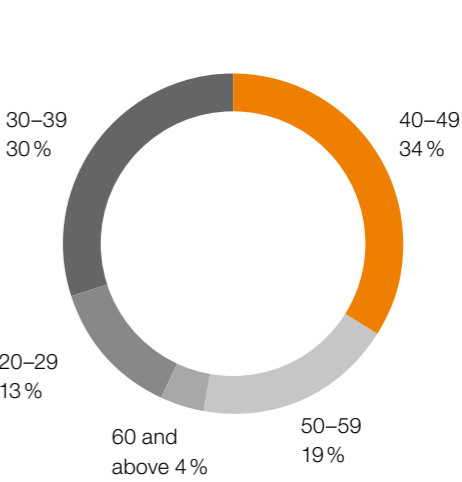
KWS Group employees by region



KWS Group employees by function, in %



KWS Group employees by age



The 2007 trainees have every reason to celebrate after successfully completing their training.

KWS SAAT AG takes its social responsibilities seriously and has been training young people for years – in numbers in excess of what we actually need ourselves. In fiscal 2006/2007, 72 (73) apprentices and 12 (12) trainees were employed. The company offers a broad variety of vocations: industrial clerks in the area of business administration, technical assistants and laboratory technicians in the field

of agricultural research, and in the technical field as industrial mechanics, energy-tech engineers specializing in plant engineering, and electronics engineers for operations technology. We think it is important for our junior staff to have international experience. For instance, we offer business administration trainees the possibility of working at subsidiaries abroad for several weeks.

A photograph of a cornfield with three people in the background. The foreground is filled with green corn plants, and the background shows three people standing in a field under a clear blue sky.

Planting seeds for success.

The quality of seed shows itself clearly in the field. Generations of our customers have trusted in the performance of KWS varieties.

Compensation report

The Supervisory Board’s compensation is set by the Annual Shareholders’ Meeting at the proposal of the Executive Board and Supervisory Board. It is based on the size of the company, the duties and responsibilities of the members of the Supervisory Board and the company’s economic situation. The remuneration includes not only a fixed payment, but also a variable component based on the dividend paid. Accordingly, Supervisory Board members receive fixed compensation of € 8,000 and a dividend-related payment of € 2,000 for each € 0.10 by which the dividend per share exceeds € 0.20.

The Chairman of the Supervisory Board receives three times and his or her deputy one-and-a-half times the total compensation of an ordinary member. There is currently no extra

compensation for work on committees. In the future, the Chairman of the Audit Committee is to receive one-and-a-half times the total compensation of an ordinary member of the Supervisory Board, provided he or she does not hold the office of Chairman or Deputy Chairman of the Supervisory Board. The members of the Supervisory Board are reimbursed for all expenses – including value-added tax – that they incur while carrying out the duties of their position.

Providing that the annual meeting of shareholders resolves the proposed dividend, total compensation of the members of the Supervisory Board will be € 272 thousand (€ 235 thousand), excluding value-added tax. In all 75 % or € 204 thousand (€ 168 thousand) of the total compensation is performance-related.

Supervisory Board compensation 2006/07 in €	Fixed	Performance-related	Total
Dr. Guenther H. W. Stratmann*	24,000.00	72,000.00	96,000.00
Dr. Arend Oetker**	12,000.00	36,000.00	48,000.00
Goetz von Engelbrechten	8,000.00	24,000.00	32,000.00
Eckhard Halbfaß	8,000.00	24,000.00	32,000.00
Jürgen Kunze	8,000.00	24,000.00	32,000.00
Prof. Dr. Ernst-Ludwig Winnacker	8,000.00	24,000.00	32,000.00
	68,000.00	204,000.00	272,000.00

*Chairman; **Deputy Chairman

The Executive Board’s compensation is set by the Committee for Executive Board Affairs of the Supervisory Board and is based on the size and activity of the company, its economic and financial situation and the level and structure of the compensation received by members of the Executive Board at comparable companies. It is composed of a fixed and a performance-related component. There are no stock-based components.

The fixed compensation is paid as a monthly salary. Apart from these salaries, there is also non-monetary compensation, such as a company car or phone. There are also accident insurance policies for the members of the Executive Board. The performance-related compensation is calculated on the basis of an individual percentage of the net profit for the year for the KWS Group. Payments for duties performed in subsidiaries and associated companies were € 24,000 (15,000) and are offset against the performance-related payment. There is to be an absolute upper limit for the variable compensation in the future.

Executive Board compensation 2006/07 in €	Fixed	Benefits in kind	Performance related	Total
Dr. Dr. h.c. Andreas J. Büchting*	195,000.00	82,501.76	426,253.33	703,755.09
Dr. Christoph Amberger	155,000.04	22,489.12	426,253.33	603,742.49
Philip von dem Bussche	155,000.04	18,812.70	294,168.89	467,981.63
Dr. Hagen Duenbostel	155,000.04	18,677.28	294,168.89	467,846.21
Dr. Léon Broers** (Deputy)	54,166.67	24,927.28	50,000.00	129,093.95
	714,166.79	167,408.14	1,490,844.44	2,372,419.37

*Chairman; ** partially from 02/01/2007 to 06/30/2007

Pension obligations are granted in the form of an obligation to provide benefits, with the annual pensions ranging between € 130 thousand and € 220 thousand. In fiscal 2006/2007, € 71 thousand (342 thousand) was allocated to the pension provisions in accordance with IAS 19 for pension obligations to members of the Executive Board. The benefit obligations to two pensioned members of the Executive Board and the member departing on December 13, 2007, were backed by a guarantee; pension provisions of € 901 thousand were formed for the following members of the Executive Board of KWS SAAT AG:

Compensation of former members of the Executive Board and their surviving dependents amounted to € 738 thousand (€ 732 thousand). Pension provisions recognized for this group of persons amounted to € 3,055 thousand (€ 7,800 thousand) as of June 30, 2007.

No loans were granted to members of the Executive Board and Supervisory Board in the year under review.

Pension commitments in €	07/01/2006	Personnel expenses	Interest expenses	06/30/2007
Dr. Dr. h.c. Andreas J. Büchting*	3,590,949.00	0.00	181,893.00	0.00
Dr. Christoph Amberger	602,103.00	44,147.00	32,551.00	678,801.00
Dr. Hagen Duenbostel	184,614.00	27,145.00	9,999.00	221,758.00
	4,377,666.00	71,292.00	224,443.00	900,559.00

*Chairman

Disclosures in accordance with Section 289 (4) and Section 315 (4) HGB (German Commercial Code)

The Executive Board provides the following explanations of the information in accordance with Section 289 (4) and Section 315 (4) HGB (German Commercial Code) in the management report and group management report:

The subscribed capital of KWS SAAT AG is € 19,800,000. It is divided into 6,600,000 no-par bearer shares. Each share grants the holder one vote at the Annual Shareholders' Meeting.

There may be limitations on the voting rights for the shares under the provisions of the German Stock Corporation Act (AktG). For example, shareholders are barred from voting under certain conditions (Section 136 AktG). In addition, no voting rights accrue to the company on the basis of the shares it holds (Section 71b AktG). The Executive Board is not aware of any contractual restrictions relating to voting rights or transfer of shares, subject to possible agreements between the family shareholders listed below.

The company has been informed of the following direct or indirect participating interests in the capital of KWS SAAT AG in excess of 10 % of the voting rights in accordance with Section 21 and Section 22 of the German Securities Trading Act (WpHG):

- The voting shares, including mutual allocations, of the members, foundations and companies of the families Büchting/Giesecke and Arend Oetker listed below each exceed 10 % and total 56.3 %.

Dr. agr. Carl-Ernst Büchting, Einbeck
Dr. Andreas J. Büchting, Einbeck
Christiane Stratmann, Meerbusch
Dorothea Schuppert, Augsburg
Michael C.-E. Büchting, Basel
Annette Büchting, Bremen
Stephan O. Büchting-Hansing, Ammerbuch-Entringen
Elke Giesecke, Altenberge
Christa Nagel, Springe
AKB Stiftung, Hanover
Büchting Beteiligungsgesellschaft mbH, Hanover

Dr. Arend Oetker, Berlin
Kommanditgesellschaft Dr. Arend Oetker Vermögens-
verwaltungsgesellschaft mbH & Co., Berlin

- The voting shares, including mutual allocations, of the shareholders stated below each exceed 10 % and total 10.6 %.

Hans-Joachim Tessner, Goslar
Tessner Beteiligungs GmbH, Goslar
Tessner Holding KG, Goslar

Shares with special rights that grant powers of control have not been issued by the company.

There is no special type of voting control for the participating interests of employees. Employees who have an interest in the company's capital exercise their control rights in the same way as other shareholders.

At KWS SAAT AG, members of the Executive Board are appointed and removed as provided for in Section 84 AktG. In compliance with Sections 179 ff. AktG, amendments to the Articles of Association of KWS SAAT AG require a resolution to be adopted by the Annual Shareholders' Meeting, by a majority of at least three quarters of the capital stock represented in adopting the resolution. The power to make amendments to the Articles of Association that only affect the wording (Section 179 (1) Sentence 2 AktG), has been conferred on the Supervisory Board in accordance with the Articles of Association of KWS SAAT AG.

The Executive Board is not now authorized to issue or buy back shares.

Significant agreements subject to the condition of a change in control pursuant to a takeover bid have not been concluded.

Moreover, there are no compensation agreements between the company and the members of the Executive Board or employees governing the case of a change in control.

Einbeck, October 11, 2007
KWS SAAT AG, THE EXECUTIVE BOARD

Annual Financial Statements of the KWS Group 2006/2007

Balance Sheet

at June 30, 2007;
figures in € thou-
sands, unless other-
wise specified

	Note No.	06/30/2007	Previous year
ASSETS			
Intangible assets	(2)	35,435	30,339
Property, plant and equipment	(3)	147,914	144,236
Investments in affiliated companies	(4)	0	6,074
Other financial assets	(5)	6,011	7,991
Noncurrent tax assets		7,124	0
Deferred tax assets	(6)	16,315	15,074
Noncurrent assets		212,799	203,714
Inventories	(7)	90,565	108,678
Trade receivables	(8)	204,238	184,643
Available-for-sale securities	(9)	19,980	13,298
Cash and cash equivalents	(10)	48,075	42,322
Current tax assets	(8)	7,814	6,156
Other current assets	(8)	15,889	18,212
Subtotal of current assets		386,561	373,309
Noncurrent assets held for sale	(11)	10,437	0
Current assets		396,998	373,309
Total assets		609,797	577,023

EQUITY AND LIABILITIES

Subscribed capital		19,800	19,800
Capital reserve		5,530	5,530
Retained earnings		320,718	294,012
Minority interest		20,036	18,622
Equity	(12)	366,084	337,964
Long-term provisions		59,263	69,590
Long-term borrowings		3,887	6,412
Trade payables		2,440	0
Deferred tax liabilities		16,683	16,922
Other long-term liabilities		4,530	1,000
Noncurrent liabilities	(13)	86,803	93,924
Short-term provisions		71,282	66,809
Short-term borrowings		4,510	4,940
Trade payables		39,838	38,727
Current tax payables		19,151	12,554
Other liabilities		20,688	22,105
Subtotal for current liabilities		155,469	145,135
Liabilities directly connected to noncurrent assets held for sale	(11)	1,441	0
Current liabilities	(14)	156,910	145,135
Liabilities		243,713	239,059
Total equity and liabilities		609,797	577,023

Income Statement

for the period July 1, 2006 through June 30, 2007; figures in € thousands,
unless otherwise specified

	Note No.	2006/07	Previous year
Net sales	(17)	537,930	504,958
Cost of sales		339,174	327,626
Gross profit on sales		198,756	177,332
Selling expenses		101,485	99,739
General and administrative expenses		38,505	36,872
Other operating income	(18)	22,575	23,351
Other operating expenses	(19)	17,472	17,414
Operating income		63,869	46,658
Interest and other income		3,112	2,378
Interest and other expenses		8,708	6,060
Share of profit from affiliated companies		-500	692
Other income from equity investments		73	471
Net financial income/expenses	(20)	-6,023	-2,519
Result of ordinary activities		57,846	44,139
Income taxes	(21)	19,674	15,772
Net income for the year	(23)	38,172	28,367
Share of minority interest		1,124	928
Net income after minority interest		37,048	27,439
Earnings per share (in €)		5,61	4,16

Statement of Changes in Fixed Assets 2006/2007

Figures in € thousands, unless otherwise specified

	Balance 07/01/2006	Currency translation	Changes in the consol. group	Additions	Disposals	Transfers	Balance 06/30/2007		Balance 07/01/2006	Currency translation	Changes in the consol. group	Additions	Disposals	Transfers	Balance 06/30/2007	Balance 06/30/2007	Previous year
	Gross values								Amortization/depreciation							Net book values	
Patents, industrial property rights and software	14,986	-93	9	6,826	1,112	41	20,657		9,985	-36	8	1,276	1,096	0	10,137	10,520	5,001
Goodwill	49,990	-586	5	157	0	-564	49,002		24,652	-8	5	2	0	-564	24,087	24,915	25,338
Intangible assets	64,976	-679	14	6,983	1,112	-523	69,659		34,637	-44	13	1,278	1,096	-564	34,224	35,435	30,339
Land and buildings	139,868	-469	27	3,859	1,435	3,389	145,239		44,227	-326	1	3,754	768	160	47,048	98,191	95,641
Technical equipment and machinery	116,392	-84	164	4,925	3,159	2,586	120,824		86,245	-15	35	6,534	2,926	-162	89,711	31,113	30,147
Operating and office equipment	52,312	52	83	4,805	4,520	317	53,049		38,258	140	53	4,280	4,015	2	38,718	14,331	14,054
Payments on account	4,394	9	21	6,191	3	-6,333	4,279		0	0	0	0	0	0	0	4,279	4,394
Property, plant and equipment	312,966	-492	295	19,780	9,117	-41	323,391		168,730	-201	89	14,568	7,709	0	175,477	147,914	144,236
Affiliated companies	6,074	0	0	0	861	-5,213	0		0	0	0	0	0	0	0	0	6,074
Other financial assets	8,755	33	0	422	36	-2,993	6,181		764	0	0	219	0	-813	170	6,011	7,991
Financial assets	14,829	33	0	422	897	-8,206	6,181		764	0	0	219	0	-813	170	6,011	14,065
Assets	392,771	-1,138	309	27,185	11,126	-8,770*	399,231		204,131	-245	102	16,065	8,805	-1,377*	209,871	189,360	188,640

* Transfer in "noncurrent assets held for sale" (see also "consolidated group and changes in the consolidated group", page 62, as well as item 11)

Statement of Changes in Equity

Figures in € thousands, unless otherwise specified

	Subscribed capital	Capital reserve	Accumulated group equity from earnings	Adjustments from currency translation	Other transactions	Equity		Minority interest	Adjustments from currency translation	Other transactions	Equity	
	Parent company							Minority interests				Group equity
				Comprehensive other group income					Comprehensive other group income			
Balance as at June 30, 2005	17,000	5,530	281,455	521	967	305,473		20,326	413	0	20,739	326,212
Dividends paid			-7,920			-7,920		-310			-310	-8,230
Changes in the consolidated group					219	219		24			24	243
Other changes	2,800		-2,800		-158	-158		-2,207			-2,207	-2,365
Consolidated net income			27,439			27,439		928			928	28,367
Other recognized gains (losses)				-5,284	-427	-5,711			-552	0	-552	-6,263
Total consolidated gains (losses)			27,439	-5,284	-427	21,728		928	-552	0	376	22,104
Balance as at June 30, 2006	19,800	5,530	298,174	-4,763	601	319,342		18,761	-139	0	18,622	337,964
Dividends paid			-7,920			-7,920		-264			-264	-8,184
Other changes						0		27			27	27
Consolidated net income			37,048			37,048		1,124			1,124	38,172
Other recognized gains (losses)				-2,470	48	-2,422			531	-4	527	-1,895
Total consolidated gains (losses)			37,048	-2,470	48	34,626		1,124	531	-4	1,651	36,277
Balance as at June 30, 2007	19,800	5,530	327,302	-7,233	649	346,048		19,648	392	-4	20,036	366,084

Cash Flow Statement

Figures in € thousands, unless otherwise specified

	Note	2006/07	Previous year
Net income (including minority interest) before extraordinary items		38,172	28,367
Depreciation/reversal of impairment losses (–) on property, plant, and equipment		16,065	16,377
Increase/decrease (–) in long-term provisions		–1,113	–58
Other noncash expenses/income (–)		–5,147	–7,218
Cash earnings according to DVFA/SG		47,977	37,468
Increase/decrease (–) in short-term provisions		7,923	15,326
Net gain (–)/loss from the disposal of assets		–375	–150
Increase (–)/decrease in inventories, trade receivables, and other assets not attributable to investing or financing activities		–7,353	7,096
Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities		14,216	–6,327
Net cash from operating activities before external financing of pension provisions		62,388	53,413
External financing of pension provisions		–11,256	0
Net cash from operating activities	(A)	51,132	53,413
Proceeds from disposals of property, plant, and equipment		1,783	1,062
Payments (–) for capital expenditure on property, plant, and equipment		–24,024	–16,669
Proceeds from the disposal of intangible assets		15	9
Payments (–) for capital expenditure on intangible assets		–4,390	–1,247
Proceeds from disposal of financial assets		36	244
Payments (–) for financial assets		–62	–320
Payments (–) for the acquisition of consolidated companies and other business units		–95	–3,175
Net cash from investing activities	(B)	–26,737	–20,096
Equity capital increase with no effect on profits		71	0
Dividend payments (–) to shareholders parent and minority		–8,184	–8,964
Proceeds from issuing bonds and borrowings		0	16,245
Payments (–) to redeem bonds and borrowings		–2,955	–33,727
Net cash from financing activities	(C)	–11,068	–26,446
Net cash changes in cash and cash equivalents		13,327	6,871
– Effect of exchange rate changes on assets		893	1,942
– Effect of exchange rate changes on equity		–1,939	–5,836
– Others		154	–212
Changes in cash and cash equivalents due to exchange rate, consolidated group, and measurement changes		–892	–4,106
Cash and cash equivalents at beginning of year		55,620	52,855
Cash and cash equivalents at end of year	(D)	68,055	55,620

Notes to the Cash Flow Statement

Figures in € thousands, unless otherwise specified; previous-year figures in parentheses

The cash flow statement, which has been prepared according to IAS 7 (indirect method), shows the changes in cash and cash equivalents of the KWS Group in the three categories of operating activities, investing activities, and financing activities. The effects of exchange rate changes and changes in the consolidated group have been eliminated from the respective balance sheet items, except those affecting cash and cash equivalents.

(A) Cash flows from operating activities

The cash proceeds from operating activities are primarily determined by the cash earnings according to DVFA/SG. They were € 47,977 thousand, € 10,509 thousand higher than the previous year. The proportion of DVFA/SG cash earnings included in sales was 8.9 % (7.4 %). Lower inventories, higher receivables and a increase in current provisions and liabilities resulted in cash proceeds of € 14,411 thousand (€ 15,945 thousand). The cash proceeds from operating activities also include interest income of € 3,052 thousand (€ 2,242 thousand) and interest expense of € 2,051 thousand (€ 3,013 thousand). € 11,256 (0) thousand was paid out for the external financing of pension commitments. Income tax payments amounted to € 14,679 thousand (€ 13,874 thousand).

(B) Cash flows from investing activities

A net total of € 26,737 thousand (€ 20,096 thousand) was required to finance investing activities. An amount of € 28,414 thousand (€ 17,916 thousand) was paid for intangible and tangible assets and an amount of € 62 thousand (€ 320 thousand) for financial assets. There were total cash receipts of € 1,834 thousand (€ 1,315 thousand) for disposals of assets. In the fiscal year under review, the remaining shares of external shareholders in KWS RAGT HYBROD KFT. were acquired at a total price of € 95 thousand.

(C) Cash flows from financing activities

Financing activities resulted in cash outflows of € 11,068 thousand (€ 26,446 thousand). The dividend payments to shareholders parent and minority related to the dividends of € 7,920 thousand (€ 7,920 thousand) paid to the shareholders of KWS SAAT AG, as well as profit distributions paid to other shareholders of and capital reductions at fully consolidated subsidiaries of € 264 thousand (€ 1,044 thousand). In addition, there were new borrowings of € 0 thousand (€ 16,245 thousand) and borrowings of € 2,955 thousand (€ 33,727 thousand) were repaid.

(D) Supplementary information on the cash flow statement

As in previous years, cash and cash equivalents are composed of cash (on hand and balances with banks) and current available-for-sale securities.

Cash and cash equivalents includes € 15,031 thousand (€ 7,640 thousand) from partially consolidated companies.

Information on acquisitions and disposals of subsidiaries and other business units

	2006/07	Previous year
Total amount of all purchase prices	95	0
Total amount of sales prices	0	0
Total amount of cash components of purchase prices	95	0
Total amount of cash components of sales prices	0	0
Total amount of all cash and cash equivalents acquired with the companies	153	0
Total amount of all cash and cash equivalents sold with the companies	0	0

Amounts of other assets and liabilities acquired or sold with the companies

	acquired		sold	
	2006/07		Previous year	
Assets	207	0	0	0
Current assets, incl. prepaid expenses (excluding cash and cash equivalents)	1,302	0	0	0
Provisions	–90	0	0	0
Liabilities, incl. deferred income	–1,630	0	0	0

Segment reporting

Figures in € thousands, unless otherwise specified; previous-year figures in parentheses

In accordance with its internal reporting system, the KWS Group is primarily organized by the following business segments:

- Sugar beet
- Corn
- Cereals
- Breeding & services

The research and development function is contained in the breeding & services segment. Because of their minor importance within the KWS Group, the distribution and production of oil and field seed are reported in the cereals and corn segments, depending on the legal entities involved.

Description of segments

Sugar beet

The results of the multiplication, processing and distribution activities for sugar beet seed are reported under the sugar beet segment. Under the leadership of KWS SAAT AG, fourteen (fifteen) foreign subsidiaries and affiliated companies and one (one) subsidiary in Germany are active in this segment.

Corn

KWS MAIS GMBH is the lead company for the corn segment. In addition to KWS MAIS GMBH, business activities are conducted by one German company (as in the previous year) and fourteen (thirteen) foreign companies of the KWS Group. The production and distribution activities of this segment relate to corn for grain and silage corn, and to oil and field seed.

Cereals

The lead company of this segment, which essentially concerns the production and distribution of hybrid rye, wheat, and barley, as well as oil and field seed, is LOCHOW-PETKUS GMBH, an 81 %-owned subsidiary of KWS SAAT AG, with – as in the previous year – its three foreign subsidiaries and affiliated companies in France, Great Britain, and Poland.

Breeding & services

This segment includes the centrally controlled corporate functions of research and breeding, as well as services for the KWS product segments of sugar beets, corn and cereals and consulting services for the KWS Group and other customers.

Considered a core competence for the KWS Group’s entire product range, **plant breeding**, including the related **bio-technology research**, is essentially concentrated at the parent company in Einbeck. All the breeding material, including the relevant information and expertise about how to use it, is owned by KWS SAAT AG, with respect to sugar beet and corn, and by LOCHOW-PETKUS GMBH, with respect to cereals. Research and breeding are also performed by the wholly-owned German subsidiary PLANTA ANGEWANDTE PFLANZENGENETIK UND BIOTECHNOLOGIE GMBH and breeding activities are conducted by ten other German and foreign subsidiaries and affiliated companies, as in the previous year.

Potato breeding and distribution in the KWS Group was the responsibility of SAKA-RAGIS PFLANZENZUCHT GBR in the year under review. This company is 45 % owned by the fully consolidated RAGIS KARTOFFELZUCHT- & HANDELSGESELLSCHAFT MBH, which was sold effective July 1, 2007.

Consulting services include the systems business of KWS SAAT AG and its agricultural operations, KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH, KWS SAATFINANZ GMBH, which mainly handles insurance for KWS, and EURO-HYBRID GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH.

The **other services** performed for the KWS product segments essentially include all the management services of KWS SAAT AG, such as holding company and administrative functions, including strategic development projects, which are not directly charged to the product segments or indirectly allocated to them by means of an appropriate cost formula.

Segment information

Segment sales contains both sales from third parties (external sales) and sales between the segments (intersegment sales). The prices for intersegment sales are determined on an arm’s-length basis. Uniform royalty rates per segment are used as the basis for this.

The breeding & services segment generates 92.6 % (93.1 %) of its sales from the other segments. The sales of this segment represents 1.5 % (1.4 %) of the Group’s external sales. The corn segment is the largest contributor of external sales, accounting for 51.2 % (48.0 %) of external sales, followed by sugar beet with 37.2 % (40.7 %) and cereals with 10.1 % (9.9 %).

	2006/07	Previous year	2006/07	Previous year	2006/07	Previous year
	Segment sales		Internal sales		External sales	
Sugar beet	199,880	205,377	0	8	199,880	205,369
Corn	275,689	242,487	160	246	275,529	242,241
Cereals	57,195	52,624	2,727	2,426	54,468	50,198
Breeding & services	109,043	103,328	100,990	96,178	8,053	7,150
KWS Group	641,807	603,816	103,877	98,858	537,930	504,958

External sales by region

	2006/07	Previous year
Germany	132,437	121,803
Europe (excluding Germany)	244,818	224,616
Americas	141,956	130,909
Rest of world	18,719	27,630
	537,930	504,958

70.1 % (68.6 %) of total sales are recorded in Europe (including Germany).

The operating income of each segment is reported as the **segment result**. The segment results are presented on a consolidated basis.

Depreciation and amortization charges of € 15,631 thousand (€ 16,377 thousand) allocated to the segments relate exclusively to intangible assets and property, plant, and equipment.

The **other noncash items recognized in the income statement** relate to noncash changes in the allowances on inventories and receivables, and in provisions.

The **operating assets** of the segments are composed of intangible assets, property, plant, and equipment, inventories and all receivables, other assets, and prepaid expenses that can be charged directly to the segments or indirectly allocated to them by means of an appropriate cost formula.

	2006/07		Previous year		2006/07		Previous year		2006/07		Previous year		2006/07		Previous year	
	Segment earnings		Depreciation and amortization		Other noncash items		Assets		Liabilities							
Sugar beet	35,104	24,864	3,904	4,404	3,855	9,549	136,941	127,193	27,462	28,855						
Corn	13,321	10,400	2,462	2,269	13,656	15,775	199,317	203,972	105,537	103,273						
Cereals	5,341	1,748	1,250	1,832	543	−840	30,586	29,594	8,431	6,954						
Breeding & services	10,103	9,646	8,015	7,872	−6,694	−5,485	140,090	133,507	60,782	66,204						
Total segments							506,934	494,266	202,212	205,286						
Others							102,863	82,757	41,501	33,773						
KWS Group	63,869	46,658	15,631	16,377	11,360	18,999	609,797	577,023	243,713	239,059						

Cash and cash equivalents and/or current available-for-sale securities are allocated to the segments only to the extent that the allocation of operating liabilities makes it necessary to increase operating assets by a corresponding amount.

The **operating liabilities** attributable to the segments include the borrowings reported on the balance sheet, less provisions for taxes and the portion of other liabilities that cannot be charged directly to the segments or indirectly allocated to them by means of an appropriate cost formula. Borrowings are added to operating liabilities only when they exceed the available cash. Assets or liabilities that have not been allocated to the segments are reported as “Others.”

Capital expenditure on assets was mainly attributable to the breeding & services segment, where it amounted to € 15,787 thousand (€ 9,555 thousand), and the sugar beet segment, where it amounted to € 4,868 thousand (€ 4,281 thousand). 56 % (49 %) of capital expenditure was made in Germany, mainly in Einbeck, and 21 % (27 %) in Europe (excluding Germany).

Investments in long-term assets by segment

	2006/07	Previous year
Sugar beet	4,868	4,281
Corn	3,612	5,625
Cereals	2,496	3,350
Breeding & services	15,787	9,555
	26,763	22,811

Investments in long-term assets by region

	2006/07	Previous year
Germany	14,887	11,281
Europe (excluding Germany)	5,526	6,084
North and South America	5,513	5,308
Rest of world	837	138
	26,763	22,811

Operating assets by region

	2006/07	Previous year
Germany	194,521	202,208
Europe (excluding Germany)	176,776	164,815
North and South America	127,452	121,969
Rest of world	8,185	5,274
	506,934	494,266

Notes

Figures in € thousands, unless otherwise specified; previous-year figures in parentheses

The KWS Group (KWS-Konzern) 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) and in addition the commercial law regulations to be applied pursuant to section 315a (1) of the HGB (German Commercial Code). The consolidated financial statements discharge the obligations of LOCHOW-PETKUS GMBH, Bergen, and KWS MAIS GMBH, Einbeck, to produce its own financial statements. The following standards have already been published, but have not yet been applied: Amendments to IAS 1 and IFRS 7 (Financial instruments: Disclosures) and IFRS 8 (Operating Segments). Since these relate to supplementary disclosure obligations, there will be no effects on the balance sheet or income statement. The statements were prepared under the assumption that the operations of the company will be continued.

General disclosures

Companies consolidated in the KWS Group

The consolidated 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.

Consolidation methods

The single-entity financial statements of the individual subsidiaries and joint ventures included in the consolidated financial statements were uniformly prepared on the basis of the accounting and measurement methods applied at KWS SAAT AG; they were audited by independent auditors. For fully or proportionately consolidated units acquired before July 1, 2003, the Group exercised the option allowed by IFRS 1 to maintain the consolidation procedures chosen

to date. The goodwill reported in the HGB financial statements as of June 30, 2003 was therefore transferred unchanged to the opening IFRS balance sheet. For acquisitions made after June 30, 2003, capital consolidation follows the purchase method by allocating the cost of acquisition to the Group's interest in the subsidiary's equity at the time of acquisition. Any excess of interest in equity over cost is recognized as an asset, up to the amount by which fair value exceeds the carrying amount. Any goodwill remaining after first-time consolidation is recognized under intangible assets.

According to IFRS 3, goodwill is not amortized, but tested for impairment at least once a year (impairment-only approach). Investments in non-consolidated companies are carried at cost.

Investments in affiliated companies are measured at equity and were recognized in the consolidated financial statements at the time of acquisition or first-time consolidation. Goodwill is reported in a separate account under intangible assets.

Joint ventures are carried according to the percentage of equity held in the companies concerned using IFRS 3.

Subsidiaries and joint ventures are consolidated and associated companies measured at equity only if such recognition is considered material for the fair presentation of the financial position and results of operations of the KWS Group. As part of the elimination of intra-Group balances, borrowings, receivables, liabilities, and provisions are netted between the consolidated companies. Intercompany profits not realized at Group level are eliminated from intra-Group transactions. Sales, income, and expenses are netted between consolidated companies, and intra-Group distributions of profit are eliminated.

Deferred taxes on consolidation transactions recognized in income are calculated at the tax rate applicable to the company concerned. These deferred taxes are aggregated with the deferred taxes recognized in the separate financial statements.

Minority interests are recognized in the amount of the imputed percentage of equity in the consolidated companies.

Currency translation

Under IAS 21, the financial statements of the consolidated foreign subsidiaries and joint ventures that conduct their business as financially, economically, and organizationally independent entities are translated into euros using the functional currency method as follows:

- Income statement items at the average exchange rate for the year.
- Balance sheet items at the exchange rate on the balance sheet date.
- The difference resulting from the application of annual average rates to the net profit for the period in the income statement is taken directly to equity.

Classification of the balance sheet and the income statement

The costs for the functions include all directly attributable costs, including other taxes and research and development expenses. Research grants are not deducted from the costs to which they relate, but reported gross under other operating income.

Accounting policies

Consistency of accounting policies

The accounting policies are largely unchanged from the previous year. All estimates and assessments as part of accounting and measurement are continually reviewed; they are based on historical patterns and expectations about the future regarded as reasonable in the particular circumstances.

Intangible assets

Purchased intangible assets are carried at cost less amortization over a useful life of three to ten years. Impairment losses on intangible assets with finite useful lives are recognized according to IAS 36. Goodwill with an indefinite useful life is not amortized, but tested for impairment at least once a year. The procedure for the impairment test is explained in the notes to the balance sheet. Intangible assets

acquired as part of business combinations are carried separately from goodwill if they are separable according to the definition in IAS 38 or result from a contractual or legal right, and fair value can be reliably measured.

Property, plant, and equipment

Property, plant, and equipment is measured at cost less depreciation. A loss is recognized for an impairment expected to be permanent. In addition to directly attributable costs, the cost of self-produced plant or equipment also includes a proportion of the overheads and depreciation/amortization, but no finance charges. Straight-line depreciation of buildings is based on a useful life of 50 years. The useful lives of technical equipment and machinery range from 5 to 15 years, and for operating and office equipment from 3 to 10 years. Low-value assets are fully expensed in the year of purchase; they are reported as additions and disposals in the year of purchase in the statement of changes in noncurrent assets. Impairment losses on property, plant, and equipment are recognized according to IAS 36 whenever the recoverable amount of the assets is less than its carrying amount. The recoverable amount is the higher of the asset's net realizable value and its value in use (value of future cash flows expected to be derived from the asset).

Investments in affiliated companies and other financial assets

Investments are measured at cost. The cost of equity-accounted investments is increased or decreased by proportionate changes in equity. Assets available for sale are carried at market value if this can be reliably measured. Unrealized gains and losses, including deferred taxes, are recognized directly in the revaluation reserve under equity. Permanent impairment losses are recognized immediately through the income statement. Borrowings are carried at amortized cost.

Inventories

Inventories are carried at cost less an allowance for obsolescent or slow-moving items. In addition to directly attributable costs, the cost of sales also includes indirect labor and materials including depreciation under IAS 2. Under IAS 41, biological assets are measured at the expected sales proceeds, less costs to sell. The measurement procedure used is based on standard industry value tables.

Financial assets

The financial assets consist primarily of bank balances and cash on hand, trade receivables, other receivables, and securities. The credit risk mainly comprises trade receivables. The amount recognized in the balance sheet is net of allowances for receivables expected to be uncollectible, estimated on the basis of historical patterns and the current economic environment. The credit risk on cash and derivative financial instruments is limited because they are kept with banks that have been given a good credit rating by international rating agencies. There is no significant concentration of credit risks, because the risks are spread over a large number of contract partners and customers.

Receivables and other assets

Receivables and other current assets are recognized at nominal values. Concretized individual risks are accounted for with appropriate allowances.

Current securities

Available-for-sale securities are carried at market value. Unrealized gains and losses, including deferred taxes, are recognized directly in the revaluation reserve under equity.

Assets for sale

In accordance with IFRS 5, assets for sale are measured at the lower of carrying amount and fair value less costs to sell at the time they are intended to be sold

Deferred taxes

Deferred taxes are calculated on differences between the IFRS carrying amounts of assets and liabilities and their tax base, and on loss carryforwards; they are reported on a gross basis. Under IAS 12, deferred taxes are calculated on the basis of the applicable local income tax.

Provisions for pensions and other employee benefits

Under IAS 19, obligations from direct pension commitments are measured using actuarial principles under the accrued benefit valuation method. Gains or losses from unplanned changes in accrued benefits and from changes in actuarial assumptions are disregarded if the change moves within a 10 % corridor of the accrued benefits. Only if the gains or losses exceed this threshold will they be recognized as income and distributed over the remaining working lives and included in the provision.

Other provisions

Tax and other provisions account for all discernible risks and contingent liabilities. Depending on circumstances, they are measured at the most probable amount or at the expected value.

Liabilities

Liabilities are recognized at their repayment amounts. Long-term liabilities that bear no interest are accrued at their present value.

Contingencies

The contingent liabilities recognized in the balance sheet correspond to the loan amounts drawn down as of the balance sheet date.

Consolidated group and changes in the consolidated group

Number of companies including the KWS SAAT AG

	Domestic Foreign Total			Domestic Foreign Total		
	2006/07			Previous year		
Consolidated	11	30	41	11	29	40
Consolidated at quota	0	3	3	0	4	4
	11	33	44	11	33	44
At-equity	2	0	2	2	0	2
Total	13	33	46	13	33	46

The companies are listed under item number (30).

Changes in the fully consolidated companies relate to the subsidiary

- PAN TOHUM ISLAH VE ÜRETME A.S., Ankara/Turkey, which was merged with KWS TÜRK TARIM TICARET A.S., Eskişehir/Turkey
- and KWS RAGT HYBRID KFT., Győr/Hungary, which was proportionately consolidated in the previous years and was renamed
- KWS MAGYARORSZÁG VETŐMAGTERMELO ÉS FORGALMAZÓ KFT., Győr, Hungary

The newly established Dunasem S.R.L., Bucharest, Romania, was included in the consolidated group after it commenced its business operations in January 2007. KWS MAIS GMBH holds 70 % and KWS SAATFINANZ GMBH 30 % of the shares in the company. KWS MAIS GMBH purchased the remaining 50 % stake in KWS RAGT HYBRID

The financial position and results of operations of proportionately consolidated and equity-accounted companies are as follows:

	2006/07 Previous year		2006/07 Previous year	
	Proportionately consolidated companies		Companies carried at-equity	
Noncurrent assets	27,571	28,171	20,000	21,236
Current assets	77,713	71,306	10,000	11,102
Total assets	105,284	99,477	30,000	32,338
Equity	53,781	48,031	22,700	23,097
Noncurrent liabilities	802	821	2,800	6,026
Current liabilities	50,701	50,625	4,500	3,215
Total equity and liabilities	105,284	99,477	30,000	32,338
Net sales	120,899	107,218	9,500	11,000
Net profit for the year	11,922	9,823	1,200	3,164

KFT., Győr/Hungary for € 95 thousand effective July 1, 2006. This 50 % share in KWS RAGT HYBRID KFT. has improved the operating income of the KWS Group by € 27 thousand since the time of purchase. The acquired goodwill of € 153 thousand is reported under the intangible assets.

The companies carried at equity up to now relate exclusively to the potato operations that are held for sale and are assigned to the breeding & services segment. The details for fiscal 2006/2007 correspond to the figures anticipated at the time of the intended sale. The shares in these companies were reported in the previous year under “Investments in affiliated companies” and are now contained in the separate balance sheet item “Noncurrent assets held for sale” (see item 11). The following assets and liabilities were transferred to separate balance sheet items as a result of the intended sale.

	2006/07	Previous year
Investments in affiliated companies	5,213	0
Other financial assets	2,180	0
Noncurrent tax receivables	370	0
Other assets	2,674	0
Total assets	10,437	0
Pension provisions	1,040	0
Other provisions	18	0
Tax liabilities	150	0
Trade payables	32	0
Other liabilities	201	0
Total liabilities	1,441	0

Notes to the Balance Sheet

Figures in € thousands, unless otherwise specified; previous-year figures in parentheses

(1) Assets

The statement of changes in noncurrent assets contains a breakdown of assets summarized in the balance sheet and shows how they changed in 2006/07. Capital expenditure on assets was € 27,185 thousand (€ 23,131 thousand). The management report describes the significant additions to assets. Depreciation and amortization amounted to € 16,065 thousand (€ 17,044 thousand).

(2) Intangible assets

This item includes purchased varieties, rights to varieties and distribution rights, software licenses for electronic data processing, and goodwill. Additions to intangible assets amounting to € 6,983 thousand (€ 2,941 thousand) relate primarily to the acquisition of basic technology for genetically improved sugarbeet. Amortization of intangible assets amounted to € 1,278 thousand (€ 1,039 thousand); this charge is included in the relevant functional costs, depending on the operational use of the intangible assets.

The goodwill recognized as an asset relates mainly to the company AGRELIANT GENETICS LLC. (€ 16,948 thousand) in the corn segment and the companies SOCIETE DE MARTINVAL S.A. (€ 3,706 thousand) and CPB TWYFORD LTD. (€ 1,693 thousand) in the cereals segment. In the current year, € 153 thousand from acquisition of the remaining shares in KWS MAGYARORSZÁG KFT. had to be recognized as an asset.

In order to meet the requirements of IFRS 3 in combination with IAS 36 and to determine any impairment of goodwill, cash-generating units have been defined in line with internal reporting guidelines. In the KWS Group, these units are the legal entities. To test for impairment, the carrying amount of each entity is determined by allocating the assets and liabilities, including attributable goodwill and intangible assets. An impairment loss is recognized if the recoverable amount of an entity is less than its carrying amount. The recoverable amount is the higher of the entity’s net realizable value and its value in use (value of future cash flows expected to be derived from the entity). The impairment test uses the expected future cash flows on which the medium-term plans of the companies are based; these plans, which cover a period of four years, have been approved by the Executive Board. They are based on historical patterns and expectations about future market development.

For the European and American markets, the key assumptions on which corporate planning is based include assumptions about price trends for seed, in addition to the development of market shares and the regulatory framework. Company-internal projections take the assumptions of industry-specific market analyses and company-related growth perspectives into account.

A standard discount rate of 7.9 % (7.5 %) has been assumed to calculate present values. A growth rate of 1.5 % (1.5 %) has been assumed beyond the detailed planning horizon in order to allow for extrapolation in line with the expected inflation rate. Tests provided evidence that the goodwill recognized in the consolidated balance sheet and determined for the cash-generating units is not impaired. No impairment losses were required.

(3) Property, plant, and equipment

Capital expenditure amounted to € 19,780 thousand (€ 19,870 thousand) and depreciation amounted to € 14,568 thousand (€ 15,338 thousand). The management report describes the significant capital expenditure.

(4) Investments in affiliated companies

This item relates to equity-accounted investments in affiliated companies. Total disposals of € 861 thousand relate to losses from affiliated companies of € 500 thousand and withdrawals from the capital reserve. The shares will be sold in fiscal year 2007/2008 and have accordingly been transferred to the item “Noncurrent assets held for sale.”

(5) Other financial assets

Investments in non-consolidated subsidiaries and shares in cooperatives and GmbHs that are of minor significance, totaling € 1,398 thousand (€ 3,335 thousand), are reported in this account since a market value cannot be reliably determined. As a result, the mutual investment in our French partner RAGT SEMENCES S.A. is carried at an unchanged cost of € 4,000 thousand. Listed shares are carried at market value of € 97 thousand (€ 102 thousand). This account also includes interest-bearing home-building loans to employees and other interest-bearing loans totaling € 516 thousand (€ 554 thousand). Amortization of other financial assets amounted to € 219 thousand.

(6) Deferred tax assets

Under IAS 12, deferred tax assets are calculated as the difference between the IFRS balance sheet amount and the tax base. They are reported on a gross basis and total € 16,315 thousand (€ 15,074 thousand), of which € 1,285 thousand (€ 1,904 thousand) will be carried forward for the future use of tax losses.

(7) Inventories

	06/30/2007	Previous year
Raw materials and consumables	13,147	9,557
Work in process	27,078	30,857
Immature biological assets	6,092	5,662
Finished goods	44,248	62,602
	90,565	108,678

Inventories decreased by € 18,113 thousand, or –16.7 %, net of writedowns totaling € 32,190 thousand (€ 29,129 thousand). Immature biological assets relate to living plants in the process of growing (before harvest). The field inventories of the previous year have been harvested in full and the fields have been newly tilled in the year under review. Public subsidies of € 1,261 thousand (€ 1,111 thousand), for which all the requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,218 (4,854) ha. Future subsidies depend on the further development of European agricultural policy.

(8) Current receivables

	06/30/2007	Previous year
Trade receivables	204,238	184,643
Current tax receivables	7,814	6,156
Other current assets	15,889	18,212
	227,941	209,011

Trade receivables amounted to € 204,238 thousand, an increase of 10.6 % over the figure of € 184,643 thousand for the previous year; this amount includes € 926 thousand (€ 1,050 thousand) receivables from related parties.

Other current assets also include current financing receivables and prepaid expenses.

Current financing receivables include an amount of € 11 thousand (€ 495 thousand) receivable from related parties.

Current receivables include an amount of € 470 thousand (€ 658 thousand) due after more than one year.

(9) Securities

Securities amounting to € 19,980 thousand (€ 13,298 thousand) relate primarily to short-term liabilities securities and fund shares.

(10) Cash

Cash of € 48,075 thousand (€ 42,322 thousand) consists of balances with banks and cash on hand. The cash flow statement explains the change in this item compared with the previous year, together with the change in securities.

(11) Noncurrent assets held for sale

The equity-accounted investments in potato business, which was sold effective July 1, 2007, and all further related assets are mainly reported here.

(12) Equity

The fully paid-up subscribed capital of KWS SAAT AG is still € 19,800,000.00. The bearer shares are certificated by a global certificate for 6,600,000 shares. The company does not hold any shares on its own.

Equity (including minority interest) increased by € 28,120 thousand, from € 337,964 thousand to € 366,084 thousand. For details, see the statement of changes in equity.

(13) Noncurrent liabilities

	07/01/2006	Changes in the consol. group	Addition	Consumption	Reversal	06/30/2007
Long-term provisions						
Pension provisions	65,579	–1,040	3,842	12,780	198	55,403
Other provisions	4,011	–41	770	880	0	3,860
	69,590	–1,081	4,612	13,660	198	59,263

	06/30/2007	Previous year
Long-term provisions	59,263	69,590
Long-term financial borrowings	3,887	6,412
Trade payables	2,440	0
Deferred tax liabilities	16,683	16,922
Other long-term liabilities	4,530	1,000
	86,803	93,924

Pension provisions of € 1,040 thousand are included in the changes to the consolidated group and were necessarily transferred to the item “Liabilities directly connected to non-current assets held for sale.”

Retirement benefits are based on defined benefit obligations, determined by years of service and pensionable compensation.

Pension provisions are measured using the accrued benefit method under IAS 19, on the basis of assumptions about future development. The assumptions in detail are that wages and salaries will increase by 2.00 % (2.00 %) annually and pensions by 1.50 % (1.25 %) annually.

The discount rate was 5.00 %, compared with 4.75 % the year before.

No income or expenses were recognized as a result of changes in retirement obligations or benefits payable or from the adjustment to assumptions. The benefit obligations toward two pensioned members of the Executive Board and the member who departed on December 13, 2007, were backed by a guarantee in exchange for a non-recurring premium. The planned assets of € 8,174 thousand correspond to the present value of the obligation and have been shown accordingly as consumption in the provisions summary.

The expenses for reinsuring these pension obligations and interest expenses on the remaining pension provisions are recognized in net-financial income/expenses or cost. The expenses of new pension entitlements that arose during the fiscal year are recognized in functional costs.

The accrued benefit is reconciled to the provisions reported in the consolidated financial statements as follows:

	06/30/2007	Previous year
Accrued benefit entitlements	67,295	70,002
Present value of the planned assets	8,174	0
Actuarial losses	–3,718	–4,423
	55,403	65,579

The benefit obligations changed as follows during the fiscal year:

	2006/07	Previous year
Pension provisions at beginning of fiscal year	65,579	65,602
Payment to the planned assets	11,256	0
Adjustment to the planned assets	-3,082	0
Changes in consolidated group	-1,040	0
Cost of additional benefit entitlements	1,169	1,214
Interest expenses on benefit entitlements added in previous years	3,573	3,047
Pension payments	5,779	4,284
Amortization of unrealized actuarial losses	75	0
Pension provisions at end of fiscal year	55,403	65,579

In addition, the benefit obligation from salary conversion was backed by a guarantee that exactly matches the present value of the obligation of € 4,113 thousand (€ 2,802 thousand) (defined contribution plan).

The long-term financial borrowings include loans from banks amounting to € 3,045 thousand (€ 5,597 thousand).

The remaining loans payable have remaining maturities through 2017.

Under IAS 12, deferred tax liabilities are calculated as the difference between the IFRS balance sheet amount and the tax base. They are reported on a gross basis and total € 16,683 thousand (€ 16,922 thousand).

(14) Current liabilities

	06/30/2007	Previous year
Short-term provisions	71,282	66,809
Current liabilities to banks	3,275	2,719
Current liabilities to affiliates	760	523
Other current financial liabilities	475	1,698
Short-term borrowings	4,510	4,940
Trade payables to affiliates	34	336
Trade payables to third party	39,804	38,391
Trade payables	39,838	38,727
Tax liabilities	19,151	12,554
Other liabilities	20,688	22,105
Liabilities directly connected to noncurrent assets held for sale	1,441	0
	156,910	145,135

Short-term liabilities increased by a total of € 11,775 thousand to € 156,910 thousand.

The tax liabilities of € 19,151 thousand (€ 12,554 thousand) include amounts for the year under review and the period not yet concluded by the external tax audit. Liabilities in direct connection with noncurrent assets held for sale relate to the liabilities disposed of as part of sale of the potato activities.

	07/01/2006	Changes in the consol. group	Addition	Consumption	Reversal	06/30/2007
Short-term provisions						
Obligations from sales transaction	18,799	-254	48,444	15,234	2,424	49,331
Obligations from purchase transaction	33,340	-1,608	7,958	28,296	229	11,165
Other obligations	14,670	-345	7,688	11,034	193	10,786
	66,809	-2,207	64,090	54,564	2,846	71,282

(15) Contingent liabilities

As in the previous year, there are no contingent liabilities to report.

(16) Other financial obligations

There was a € 2,571 thousand (€ 4,529 thousand) obligation from uncompleted capital expenditure projects.

The management report describes the objectives and methods of the risk management system.

Common derivative financial instruments, which are recognized at market values on the balance sheet date under IAS 39, are used to hedge interest rate and foreign currency risks. The derivative financial instruments are measured according to the mark-to-market method, which uses recognized mathematical models, such as present value or Black-Scholes, to calculate option values, taking their volatility, remaining maturity, and capital market interest rates into account.

	Nominal volume	Carrying values	Market values
	06/30/2007		
Currency hedges	34,510	39	39
Interest-rate hedges	42,000	354	354
	76,510	393	393

Of the currency hedges, € 4,500 thousand have remaining maturities of more than one year. Of the interest-rate derivatives, hedges with a nominal volume of € 10,000 thousand will mature within one to five years. Transactions with a volume of € 32,000 thousand have remaining maturities of more than 5 years.

Obligations under rental agreements and leases	06/30/2007
Due in fiscal year 2007/08	7,509
Due 2008/09 through 2011/12	9,951
Due after 2011/12	2,494
	19,954

The leases relate primarily to full-service agreements for IT equipment and fleet vehicles, which also include services for which a total of € 2,089 thousand (€ 2,165 thousand) was paid in the year under review. The main leasehold obligations relate to land under cultivation.

Notes to the Income Statement

Figures in € thousands, unless otherwise specified; previous-year figures in parentheses

Income statement for the period July 1, 2006 through June 30, 2007

	€ millions		% of sales	
	2006/07		Previous year	
Net sales	537.9	100.0	505.0	100.0
Cost of sales	339.1	63.0	327.7	64.9
Gross profit on sales	198.8	37.0	177.3	35.1
Selling expenses	101.5	18.9	99.7	19.8
General and administrative expenses	38.5	7.2	36.9	7.3
Other operating income	22.6	4.2	23.4	4.6
Other operating expenses	17.5	3.2	17.4	3.4
Operating income	63.9	11.9	46.7	9.2
Net financial income/expenses	-6.0	-1.1	-2.5	-0.5
Result of ordinary activities	57.9	10.8	44.2	8.7
Income taxes	19.7	3.7	15.8	3.1
Net income for the year	38.2	7.1	28.4	5.6
Shares of minority interest	1.1	0.2	1.0	0.2
Net income after minority interest	37.1	6.9	27.4	5.4

(17) Net sales

By product category	2006/07	Previous year
Certified seed sales	488,536	451,808
Royalties income	28,011	28,766
Basic seed sales	5,649	4,191
Services fee income	3,234	3,172
Other sales	12,500	17,021
	537,930	504,958

By region

Germany	132,437	121,803
Europe	244,818	224,616
Americas	141,956	130,909
Rest of world	18,719	27,630
	537,930	504,958

For further details of sales, see segment reporting. Sales are recognized when the agreed goods or services have been supplied and risk and title pass to the buyer. Any rebates or discounts are taken into account.

The **cost of sales** increased by € 11,548 thousand to € 339,174 thousand, or 63.0 % (64.9 %) of sales. The total cost of goods sold was € 132,853 thousand (€ 119,796 thousand).

This amount includes additional allowances on inventories totaling € 3,061 thousand, charged to segment results as follows: charged to corn € 3,829 thousand and to cereals € 253 thousand; there was a reduction of € 312 thousand in the allowances at the sugarbeet segment and of € 709 thousand at breeding & services.

Research and development is recognized as an expense in the year it is incurred; in the year under review, this amounted to € 75,205 thousand (€ 75,353 thousand the year before). Development costs for new varieties are not recognized as an asset because evidence of future economic benefit can only be provided after the variety has been officially certified.

The € 1,746 thousand increase in **selling expenses** to € 101,485 thousand is mainly due to expanded activities in the North America and Southern/Southeastern Europe regions. This is 18.9 % of sales, down from 19.8 % the year before.

General and administrative expenses increased by € 1,633 thousand to € 38,505 thousand, representing 7.2 % of sales, after 7.3 % the year before.

(18) Other operating income

	2006/07	Previous year
Income from sales of fixed assets	1,231	788
Income from the reversal of provisions	3,372	4,596
Exchange rate gains and gains from currency and interest rate hedges	5,692	4,865
Income from recoveries on receivables written off	7	38
Income from reversal of allowances of receivables	1,160	2,867
Research grants	1,561	1,677
Income relating to previous periods	1,034	1,384
Income from cost allocations	4	116
Income from loss compensation received	461	259
Miscellaneous other operating income	8,053	6,761
	22,575	23,351

Income from foreign exchange transactions, reversals of provisions and allowances for receivables that were no longer required, together with book profits from disposals of property, plant and equipment and research grants received, resulted in other operating income totaling € 22,575 thousand, compared with € 23,351 thousand the year before.

(19) Other operating expenses

Other operating expenses indicate in particular the increased risk of counterparty defaults, whereas the cost of foreign exchange cover and losses on currency and interest rate hedges fell sharply. Of the necessary allowances for receivables, € 2,417 thousand (€ 515 thousand) was charged to

the sugarbeet segment, € 2,040 thousand (€ 2,413 thousand) to the corn segment and € 123 thousand (€ 0 thousand) to the breeding & services segment.

	2006/07	Previous year
Legal form expenses	800	894
Allowances on receivables	4,580	2,946
Counterparty default	1,172	1,812
Exchange rate losses and losses on currency and interest rate hedges	3,792	6,322
Losses from sales of fixed assets	856	638
Expenses relating to previous periods	1,893	1,457
Other expenses	4,379	3,345
	17,472	17,414

(20) Net financial income/expenses

	2006/07	Previous year
Interest income	3,052	2,242
Interest expenses	2,052	3,013
Income from securities	0	18
Income from other financial assets	60	118
Reversal of impairment losses on other long-term investments	1	0
Interest expenses on donation of pension provisions	6,655	3,047
Net interest expense	-5,596	-3,682
Profit from affiliated companies	-500	692
Impairment losses on goodwill from affiliated companies	138	471
Depreciations of subsidiaries	65	0
Net income from equity investments	-427	1,163
Net financial income/expenses	-6,023	-2,519

The **net financial result** decreased by a total € 3,504 thousand to € -6,023 thousand. The “Interest expenses on donation of pension provisions” contains € 3,082 thousand for adjustment of the planned assets as part of the pensions for three Executive Board members, with the result that

net financial income/expenses was € –5,596 thousand compared with € –3,682 thousand the year before. Net income from equity investments fell by € 1,590 thousand to € –427 thousand.

(21) Income taxes

Income tax expense is computed as follows:

	2006/07	Previous year
Income taxes, Germany	10,514	9,268
Income taxes, other countries	10,762	8,724
Current expenses from income taxes	21,276	17,992
Thereof from previous years	709	–2,481
Deferred taxes, Germany	–111	–1,679
Deferred taxes, other countries	–1,491	–541
Deferred tax income/expense	–1,602	–2,220
Reported income tax expense	19,674	15,772

Adjusted for tax relating to previous periods, KWS pays 38.1 % tax in Germany. Corporate income tax of 25.0 % (25.0%) and solidarity tax of 5.5 % (5.5 %) are applied uniformly to distributed and retained profits. In addition, municipal trade income tax is payable on profits generated in Germany. Trade income tax is applied at a weighted average rate of 16.0 % (unchanged from the previous year). Since this tax is deductible as an operating expense, the total tax rate is 38.1 % (38.1 %).

The 2008 German Corporate Tax Reform Act was passed in July 2007 and had no effect on current or deferred taxes on income. Under the new law, the corporate income tax rate is reduced from 25 % to 15 % and the trade income tax rate from 5 % to 3.5 % for the German Group companies. Since operating expenses are no longer deductible for purposes of municipal trade income tax, the new total tax rate is 29.1 %. Significant increases to the tax base counteract this tax saving, meaning that the financial effects of these changes to the law cannot be determined with sufficient accuracy.

The “Law on Tax Measures Accompanying Introduction of the Societas Europaea and Amending Further Tax Regulations” (SEStEG), which was passed at the end of 2006, means that the corporate income tax credit balance at December 31, 2006, can be realized. It will be paid out in ten equal annual amounts from 2008 to 2017. The German Group companies carried these claims as assets at their present value totaling € 7,223 thousand at June 30, 2007.

Under German tax law, both German and foreign dividends are 95 % tax exempt.

The profits generated by Group companies outside Germany are taxed at the rates applicable in the country in which they are based.

For the German Group companies, deferred tax was calculated at 38.1 %. For foreign Group companies, deferred tax was calculated using the tax rates applicable in the country in which they are based.

Deferred taxes are calculated on the basis of the following temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base:

	2006/07	Previous year	2006/07	Previous year
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	6	45	351	496
Property, plant and equipment	126	77	12,938	13,464
Financial assets	193	365	217	367
Inventories	4,937	5,840	196	197
Current assets	1,990	1,103	2,112	1,783
Noncurrent liabilities	2,526	585	616	533
Current liabilities	5,049	4,846	220	30
Tax loss carryforward	1,285	1,904	0	0
Other consol. transactions	203	309	33	52
Deferred taxes recognized	16,315	15,074	16,683	16,922

Tax loss carryforwards of € 11,123 thousand (€ 4,089 thousand) were regarded as not being able to be utilized, with the result that no deferred tax assets were able to be recognized as an asset for them. The anticipated taxable profits projected in the medium-term plans of the companies were used for this in principle; these plans, which cover a period of four years, have been approved by the Executive Board. They are based on historical patterns and expectations about future market development.

The following schedule reconciles the expected income tax expense to the reported income tax expense. The calculation assumes an expected tax expense, applying the German tax rate to the profit before tax of the entire Group:

	2006/07	Previous year
Earnings before income taxes	57,846	44,139
Expected income tax expense *	22,039	16,818
Difference in income tax liability outside Germany	–162	–447
Tax portion for:		
Tax-free income	–10	–144
Expenses not deductible for tax purposes	2,097	1,847
Temporary differences and losses for which no deferred taxes have been recognized	3,144	1,199
Tax credits	–8,133	–952
Taxes relating to previous years	709	–2,481
Other tax effects	–10	–68
Reported income tax expense	19,674	15,772
Effective tax rate	34.0 %	35.7 %

* Tax rate in Germany 38.1 (38.1) %

Other taxes, primarily real estate tax, are allocated to the relevant functions.

(22) Personnel costs/employees

	2006/07	Previous year
Wages and salaries	88,564	86,722
Social security contributions, expenses for pension plans and benefits	22,688	22,343
	111,252	109,065

Personnel costs went up by € 2,187 thousand to € 111,252 thousand, an increase of 2.0 %. The number of employees (including trainees and interns) increased by 87 (or + 3.3 %) to 2,739.

Compensation increased by 2.1 % to € 88,564 thousand. Social security contributions, expenses for pension plans and benefits were € 345 thousand higher than in the previous year. An amount of € 5,992 thousand was recognized as an expense for defined contribution plans, including state pension insurance, in the year under review.

Employees*	2006/07	Previous year
Germany	1,179	1,179
Rest of Europe (without Germany)	633	570
Americas	884	765
Rest of world	43	138
Total	2,739	2,652

* Annual average

Of the above number, 568 (482) employees are included according to the percentage of equity held in the companies that employ them. 1,137 (965) employees are employed by now three proportionately consolidated investees. If these persons are included in full, the workforce total is 3,308 (3,135). The reported number of employees is greatly influenced by seasonal labor.

(23) Net income for the year

Net income for the year rose by € 9,805 thousand to € 38,172 thousand, representing a return on sales of 7.1 %, up from 5.6 % the year before. The net profit for the period after minority interest is € 37,048 thousand, and € 5.61 for each of the 6,600,000 shares on issue.

(24) Total remuneration of the Supervisory Board and Executive Board and of former members of the Supervisory Board and Executive Board of KWS SAAT AG

The members of the Supervisory Board receive fixed compensation and variable compensation based on the dividend paid. Providing that the annual meeting of shareholders resolves the proposed dividend, total compensation of the members of the Supervisory Board will be € 272 thousand (€ 235 thousand), excluding value-added tax. € 204 thousand (€ 168 thousand) of the total compensation is performance-related.

In the year under review, Dr. Guenther H. W. Stratmann was a partner in the consulting firm Freshfields Bruckhaus Deringer, Düsseldorf. In this period, this firm invoiced KWS € 147 thousand (€ 213 thousand) for consulting services.

In fiscal year 2006/07, total Executive Board compensation amounted to € 2,372 thousand (€ 1,860 thousand). Variable compensation of € 1,491 thousand (€ 1,104 thousand), calculated on the basis of the net profit for the period of the KWS Group, includes compensation of € 24 thousand (€ 15 thousand) for duties performed in subsidiaries. The fixed compensation includes not only the agreed salaries, but also non-monetary compensation granted by KWS SAAT AG.

Compensation of former members of the Executive Board and their surviving dependents amounted to € 738 thousand (€ 732 thousand). Pension provisions recognized for this group of persons amounted to € 3,055 thousand (€ 7,800 thousand) as of June 30, 2007.

(25) Shareholdings of members of the Supervisory Board and Executive Board (as of August 31, 2007)
Dr. Arend Oetker indirectly holds a total of 1,650,010 shares in KWS SAAT AG. All together, the members of the Supervisory Board hold 1,650,520 shares in KWS SAAT AG.

Dr. Dr. h. c. Andreas J. Büchting holds 100,020 shares in KWS SAAT AG.

(26) Audit of the annual financial statements

On December 14, 2006, the Annual Shareholders' Meeting of KWS SAAT AG elected the accounting firm Deloitte & Touche GmbH, Hanover, to be the Group's auditors for fiscal year 2006/07.

Fee paid to the external auditors under section 314 sentence 1 no. 9 of the HGB		2006/07
a) Audit of the consolidated financial statements		567
b) Certification and valuation services		16
c) Tax consulting		23
d) Other services		1
Total fee paid		607

For fiscal year 2007/2008, fees for consulting services (excluding auditing) of € 120 thousand are expected.

(27) Declaration of compliance with the German Corporate Governance Code

KWS SAAT AG has issued the declaration of compliance with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and made this accessible to its shareholders.

(28) Related party disclosures

As part of its operations, KWS procures goods and services worldwide from a large number of business partners, including companies in which KWS has an interest. Business dealings with these companies are always conducted on an arm's length basis; from the KWS Group's perspective, these dealings have not been material. As part of Group financing, short-term loans are taken out from and granted to subsidiaries at market interest rates. A total of 14 shareholders declared to KWS SAAT AG in 2002 that as a result of mutual allocations, they respectively hold more than 50 % of the voting rights. No other related parties have been identified for whom there is a special reporting requirement under IAS 24.

(29) Supervisory and Executive Board of KWS SAAT AG

SUPERVISORY BOARD

Dr. Carl-Ernst Büchting

Einbeck
Honorary Chairman

Dr. Guenther H. W. Stratmann

Düsseldorf
Attorney-at-law
Chairman

Membership of other legally mandated Supervisory Boards:

apetito AG, Rheine (Deputy Chairman)
AGCO GmbH, Marktoberdorf
IXOS SOFTWARE AG, Grasbrunn (Chairman), since February 2007

Membership of comparable German and foreign oversight boards:
apetito catering GmbH, Rheine (Deputy Chairman)

Dr. Arend Oetker

Berlin
Businessman
Deputy Chairman

Membership of other legally mandated Supervisory Boards:

Schwartauer Werke GmbH & Co. KGaA, Bad Schwartau (Chairman)
Degussa AG, Düsseldorf, until December 2006
Merck KGaA, Darmstadt
Cognos AG, Hamburg (Chairman), since May 2007
Membership of comparable German and foreign oversight boards:
Hero AG, Lenzburg (President)
Bâloise Holding AG, Basel
TT-Line GmbH, Hamburg (Chairman), until August 2007
E. Gundlach GmbH & Co. KG, Bielefeld
Leipziger Messe GmbH, Leipzig
Berliner Philharmonie GmbH, Berlin (Chairman)

Goetz von Engelbrechten

Uelzen
Farmer

Membership of other legally mandated Supervisory Boards:

Nordzucker AG, Braunschweig, until July 2007

Eckhard Halbfaß

Einbeck
Farmer
Member of the Works Committee of KWS SAAT AG

Jürgen Kunze

Einbeck
Industrial clerk
Chairman of the Works Council of KWS SAAT AG

Prof. Dr. h.c. Ernst-Ludwig Winnacker

Brussels, Belgium
European Research Council (ERC) – Secretary General

Membership of other legally mandated Supervisory Boards:

Bayer AG, Leverkusen
MediGene AG, Munich
Wacker Chemie AG, Munich

EXECUTIVE BOARD

Dr. Dr. h.c. Andreas J. Büchting

Einbeck
Chairman
Corporate Affairs

Membership of legally mandated Supervisory Boards:

Conergy AG, Hamburg

Dr. Christoph Amberger

Northeim
Corn, Cereals, Marketing

Philip von dem Bussche

Einbeck/Bad Essen
Sugarbeet, New Markets/Products

Dr. Hagen Duenbostel

Einbeck
Finance, Controlling, IT

Membership of legally mandated Supervisory Boards:

Sievert AG, Osnabrück, since July 2007

Dr. Léon Broers (Deputy)

Einbeck/Heythuysen
Breeding and Research, since February 1, 2007

Auditors’ Report

(30) Significant subsidiaries and affiliated companies

A list of shareholdings of KWS SAAT AG is published in the Electronic Federal Gazette.

Subsidiaries and associated companies, which were included in the consolidated group¹⁾

Sugar beet	Corn	Cereals	Breeding & Services
100 % BETASEED INC. ²⁾ Shakopee, MN/USA	90 % KWS MAIS GMBH Einbeck	81 % LOCHOW-PETKUS GMBH Bergen	100 % PLANTA ANGEWANDTE PFLANZENGENETIK UND BIOTECHNOLOGIE GMBH***
100 % KWS FRANCE S.A.R.L. Roye/France	100 % KWS BENELUX B.V. ⁵⁾ Amsterdam/Netherlands	100 % CPB TWYFORD LTD. ⁷⁾ Thriplow/Great Britain	100 % KWS INTERSAAT GMBH Einbeck
100 % DELITZSCH PFLANZENZUCHT GMBH ¹⁰⁾ Winsen (Aller)	100 % KWS SEMENA S.R.O. ⁵⁾ Zahorska Ves/Slovakia	100 % LOCHOW-PETKUS POLSKA SP.Z O.O. ⁷⁾ Kondratowice/Poland	100 % KWS SEEDS INC. ⁹⁾ Shakopee, MN/USA
100 % O.O.O. KWS RUS ¹²⁾ Moscow/Russian Federation	100 % KWS MAIS FRANCE S.A.R.L. ⁵⁾ Sarreguermes/France	49 % SOCIETE DE MARTINVAL S.A. ^{8)***} Mons-en-Pévèle/France	100 % GLH SEEDS, INC. ²⁾ Shakopee, MN/USA
100 % KWS ITALIA S.P.A. Forli/Italy	100 % KWS AUSTRIA SAAT GMBH ⁵⁾ Vienna/Austria		100 % KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH Northeim-Wiebrechtshausen
100 % KWS POLSKA SP.Z O.O. Poznan/Poland	100 % KWS SEMINTE S.R.L. ⁵⁾ Bukarest/Romania		100 % EURO HYBRID GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH Einbeck
100 % KWS SCANDINAVIA AB ¹⁰⁾ Stockholm/Sweden	100 % DUNASEM S.R.L. ¹³⁾ Bukarest/Romania		100 % KWS SAATFINANZ GMBH Einbeck
100 % KWS SEMILLAS IBERICA S.L. ¹⁰⁾ Barcelona/Spain	100 % KWS SJEME D.O.O. ⁵⁾ Zagreb/Croatia		100 % RAGIS KARTOFFELZUCHT- & HANDELSGESELLSCHAFT MBH Einbeck
100 % SEMILLAS KWS CHILE LTDA. Santiago de Chile/Chile	100 % KWS OSIVA S.R.O. ⁵⁾ Velke Mezirici/Czech Republic		44,5 % SAKA-RAGIS PFLANZENZUCHT GBR ^{11)*} Hamburg
100 % KWS SEME YU D.O.O. Belgrad/Serbia	100 % KWS SEMENA BULGARIA E. O. O. D. ⁵⁾ Sofia/Bulgaria		35,8 % SAKA-RAGIS AGRARPRODUKTE GMBH & CO.KG ^{11)*} Hamburg
100 % SEMENA AG Basel/Switzerland	100 % AGROMAIS SAATZUCHT GMBH ⁹⁾ Everswinkel		
100 % ACH SEEDS INC. ⁴⁾ Eden Prairie, MN/USA	100 % KWS MAGYARORSZÁG KFT. ⁵⁾ Győr/Hungary		
100 % BETASEED FRANCE S.A.R.L. ⁴⁾ Sarreguermes/France	95 % KWS ARGENTINA S.A. ⁵⁾ Balcarce/Argentina		
100 % KWS UKRAINE TOW. ¹²⁾ Kiew/Ukraine	51 % RAZES HYBRIDES S.A.R.L. ³⁾ Alzonne/France		
71 % KWS TÜRK TARIM TICARET A.S. ¹⁰⁾ Eskisehir/Turkey	50 % AGRELIANT GENETICS LLC. ^{6)***} Westfield, IND/USA		
	50 % AGRELIANT GENETICS INC.** Chatham, Ontario/Canada		

* Carrying amount equals proportion of equity held under section 312 of the HGB (equity accounting)

** Proportionate consolidation

*** Profit transfer agreement

1) The percentages stated relate to the interest held by the parent

2) Subsidiary of KWS SEEDS INC.

3) Subsidiary of KWS FRANCE S.A.R.L.

4) Subsidiary of BETASEED INC.

5) Subsidiary of KWS MAIS GMBH

6) Investee of GLH SEEDS, INC.

7) Subsidiary of LOCHOW-PETKUS GMBH

8) Participation of LOCHOW-PETKUS GMBH

9) Subsidiary of KWS INTERSAAT GMBH and KWS SAAT AG

10) Subsidiary of KWS INTERSAAT GMBH

11) Participation of RAGIS KARTOFFELZUCHT- & HANDELSGESELLSCHAFT MBH

12) Subsidiary of EURO HYBRID GMBH and KWS SAATFINANZ GMBH

13) Subsidiary of KWS MAIS GMBH and KWS SAATFINANZ GMBH

June 30, 2007

(31) Proposal for the appropriation of net retained profits

A proposal will be made to the Annual Shareholders' Meeting that an amount of € 9,240,000 of KWS SAAT AG's net retained profit of € 9,270,000 should be distributed as

a dividend of € 1.40 (previous year: € 1.00 + € 0.20) for each of the 6,600,000 shares. The balance of € 30,000 is to be carried forward to the new account.

Einbeck, October 11, 2007
KWS SAAT AG,
THE EXECUTIVE BOARD


A. Büchting


Ch. Amberger


P. von dem Bussche


H. Duenbostel


L. Broers

We have audited the annual financial statements of the KWS Group – consisting of the Balance Sheet, the Income Statement, the Notes, the Cash Flow Statement, the Statement of Changes in Equity and Segment reporting – and the Group Management Report for the fiscal year from July 1, 2006, to June 30, 2007, all of which were prepared by KWS SAAT AG, Einbeck. The preparation of the consolidated financial statements and Group Management Report according to the International Financial Reporting Standards (IFRS) as applicable in the EU, and in addition according to the commercial law regulations to be applied pursuant to section 315a (1) of the HGB (German Commercial Code), is the responsibility of the Executive Board of the company. Our task, on the basis of the audit we have conducted, is to give an opinion on the consolidated financial statements and the Group Management Report.

We conducted our audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Certified Public Accountants). According to these standards, the audit must be planned and executed in such a way that misstatements and violations materially affecting the presentation of the view of the assets, financial position and earnings conveyed by the consolidated financial statements, taking into account the applicable regulations on orderly accounting, and by the Group Management Report are detected with reasonable certainty. Knowledge of the business activities and the economic and legal operating environment of the Group and evaluations of possible errors are taken into account. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are evaluated mainly on the basis of test samples within the framework of the audit. The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used and any significant estimates made by the Executive Board, as well as the evaluation of the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.


On the basis of our audit, we have no reservations to note.

In our opinion pursuant to the findings gained during the audit, the consolidated financial statements of KWS SAAT AG, Einbeck, comply with the IFRS as applicable in the EU, and in addition with the commercial law regulations to be applied pursuant to section 315a (1) of the HGB (German Commercial Code) and give a true and fair view of the assets, financial position and earnings of the Group, taking into account these regulations. The Group Management Report accords with the consolidated financial statements, conveys overall an accurate view of the Group's position and accurately presents the opportunities and risks of future development.

Hanover, October 11, 2007

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft


(Dr. F. Beine)
Auditor


(T. Römgens)
Auditor

Agenda of the Annual Shareholders' Meeting on December 13, 2007

The Company's Executive Board hereby invites you to the

Annual Shareholders' Meeting
on Thursday, December 13, 2007, at 11 a.m.,

at the Company's premises in 37574 Einbeck, Grimsehlstraße 31, Germany.

AGENDA

1. Presentation of the approved financial statements of KWS SAAT AG, the financial statements of the KWS Group (consolidated financial statements) approved by the Supervisory Board, the Management Reports for KWS SAAT AG and the KWS Group for the fiscal year from July 1, 2006, to June 30, 2007, and the report of the Supervisory Board
2. Resolution on the appropriation of the net retained profit
3. Resolution on the ratification of the acts of the Executive Board
4. Resolution on the ratification of the acts of the Supervisory Board
5. Election of the Supervisory Board
6. Appointment of the independent auditor for fiscal year 2007/2008
7. Resolution on amendment in the wording relating to the remuneration for members of the Supervisory Board and on setting the remuneration for the Chairman of the Audit Committee
8. Resolution on amendment of the Articles of Association pursuant to the German Act on Implementation of the Transparency Directive
9. Resolution on amendment of the Articles of Association to update the conditions of attendance at the Annual Shareholders' Meeting