

# Annual Report 2010 | 2011

**KWS SAAT AG**



Seeding the future  
since 1856



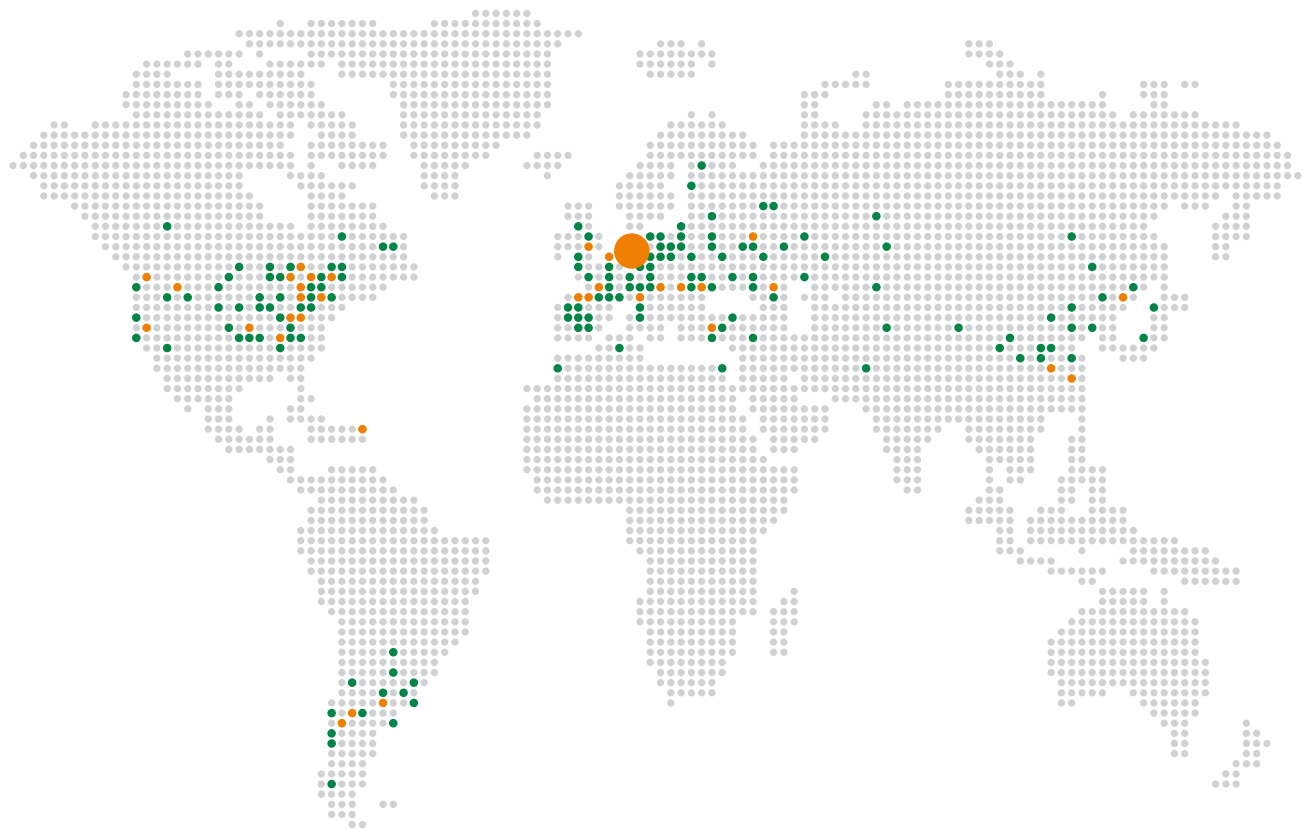
# Key figures of the KWS Group

Figures in € millions. unless otherwise specified (IFRS)

Fiscal year	2010/11	2009/10	2008/09	2007/08	2006/07
Net sales	855.4	754.1	717.2	599.1	537.9
Operating income (=EBIT)	116.6	82.4	77.9	70.1	63.9
as a % of net sales (=ROS)	13.6	10.9	10.9	11.7	11.9
Net income	72.9	51.5	50.1	54.6	38.2
as a % of net sales	8.5	6.8	7.0	9.1	7.1
Operative cash flow	101.2	27.4	82.0	74.6	51.1
Net cash from investing activities	-52.4	-55.4	-59.4	-18.1	-26.7
Equity	530.3	492.9	434.5	398.0	366.1
Equity ratio in %	58.8	57.5	57.5	59.3	60.0
Balance sheet total	902.0	857.4	756.0	671.1	609.8
Return on equity in %	15.2	12.2	13.0	15.3	11.6
Return on assets in %	8.8	7.1	7.8	9.2	6.8
Fixed assets	290.1	275.2	231.9	197.1	189.4
Capital expenditure	49.3	58.4	61.1	30.4	27.2
Depreciation	27.6	22.0	23.3	17.0	16.1
Average number of employees	3,560	3,492	3,215	2,856	2,739
Personnel costs	165.0	147.2	135.0	119.0	111.3
Performance of KWS shares in €					
Dividend per share	2.30*	1.90	1.80	1.70	1.40
Earnings per share	10.64	7.51	6.98	7.74	5.61
Operative cash flow per share	15.33	4.15	12.42	11.30	7.74
Equity per share	80.35	74.68	65.83	60.31	55.47

\*€2.10 dividend plus €0.20 bonus dividend

# KWS worldwide



- Breeding stations
- Trial locations

## Seeding the Future

Working at the highest levels of quality, we breed new varieties for the moderate climatic zone to produce seed for sugarbeet, corn, cereals, oil seed and potatoes. In doing so, we make a significant contribution to high-yield agriculture. Our varieties are precisely tailored to the needs and requirements of our customers in over 70 countries around the world. That demands a global network of breeding and trial stations so that our seed can be adapted to the local conditions typical of our markets. As part of this process, we are committed to careful use of natural resources at all times.





Foreword of the Executive Board



Dr. Léon Broers	Philip von dem Bussche (Chief Executive Officer)	Dr. Hagen Duenbostel	Dr. Christoph Amberger
Research & Breeding, Energy plants	Corporate Affairs, Sugarbeet, Human Resources	Finance, Controlling, Legal, Information Technology	Corn, Cereals, Marketing

Dear shareholders and friends of KWS,

The KWS Group can again look back on a successful fiscal year. With our new varieties, we provide agriculture with constant breeding progress – year after year. That is the basis for an extensive range of feed and food and renewable energies. Especially in uncertain economic times, plant breeding is a factor for stability in view of a rising world population and the growing evidence of climate change.

In the past fiscal year we far surpassed our growth and earnings targets. The KWS Group’s net sales rose by just over 13% to €855 million. Operating income (EBIT) improved above-proportionately by around 42% to €117 million, mainly thanks to growth in our operational business. The quality of our earnings is underscored by the fact that we were able to grow our already double-digit EBIT return despite a significant increase in R&D expenditure by €16 million to almost €114 million.

All product segments developed very well last fiscal year. Corn seed business generates the largest net sales and now also contributes the most earnings at the KWS Group. Excellent variety performance meant we were able to grow our market share in our key European regions. Net sales also increased in North America. Since sugar prices remained high, global cultivation area rose by some 4% to 4.8 million ha. European sugarbeet seed sales rose sharply, particularly in France, Northern Europe and Germany. Business in North America benefited from the decision by the United States Department of Agriculture (USDA) to allow the cultivation of herbicide-tolerant Roundup Ready® sugarbeet, subject to conditions. As a result, farmers in the U.S. again decided to grow genetically improved varieties on more than 90% of the area used for sugarbeet cultivation. In our cereals business, sales of hybrid rye in Germany and winter wheat in the UK developed particularly well. Good cereal prices made farmers more willing to buy high-quality, certified seed.

Our seed potato business was newly integrated in the Sugarbeet Segment. We acquired the whole of the joint venture VAN RIJN–KWS B.V. effective April 1, 2011, and transferred it to the company KWS POTATO B.V. Synergies with KWS’ breeding and sugarbeet distribution operations are to be leveraged to a greater extent in the future. We have devoted this year’s “Spotlight topic” on page 8 to potatoes.

Investments in research and development secure KWS’ long-term growth. That is why we have significantly expanded our research and development work at Einbeck in recent years. We also plan to keep the focus of our research activities in Germany, which is why we call on lawmakers to give a clear commitment to freedom of research into cutting-edge technologies such as “green genetic engineering.” The increase in illegal actions, such as the destruction of field trials combined with violence against people, is not acceptable. Now and in the future, KWS will seek a constructive dialog with society and nurture the transparent use of new technologies.

Our dividend policy is aligned with the company’s earnings power. 2010/2011 was an exceptional fiscal year in which we enjoyed good market success and income to match. There were also lower allowances on receivables and inventories. We will therefore propose payment of a dividend of €2.10 (€1.90) and a bonus dividend of €0.20 to the Annual Shareholders’ Meeting. A key goal of our dividend policy has been and will continue to be to fulfill our shareholders’ interest in obtaining a return on their investment and to ensure the company’s positive development. As far as can be seen at present, our good business performance of the past year should also continue into the future.

This extremely gratifying performance is due to the great commitment of all KWS employees around the world. Outstanding precision in the complex work of breeding, quality in seed production and our ability to stay close to farmers and their needs are the success factors that give KWS its exceptional market position and bring great respect from its customers.

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

Yours Philip Bussche

Philip von dem Bussche  
Chief Executive Officer



## Spotlight topic: The potato – much more than just a ball of starch

Some 300 million tons of potatoes are harvested every year, making it one of the world's most important crops alongside corn, rice and wheat. However, it is a very demanding niche product for plant breeders and multipliers. That means that this field holds interesting potential for KWS, with its more than 150 years of experience in niche markets and a focus on research into and breeding and production of high-quality, certified seed.

Potato cultivation area is growing continuously around the world, especially in the emerging countries of China and India. In the past 20 years there has been an even sharper increase in yield per hectare and total global production – over 100% in China and India. In the highly developed Western markets, a shift in focus away from pure quantity and toward special quality can be observed in potato cultivation. The harvested goods are increasingly purchased not by consumers, but a chain of customized processing businesses: It is increasingly rare for potatoes to go directly from the field onto the stove. The growing number of one-person households is boosting demand for ready-to-serve products. Processing companies need specifically adapted raw materials for this. For example, special varieties of potatoes that are not marketed as table potatoes are used for French fries or chips.

### Pharming – medicine from the field

Growing plants for medicinal purposes dates back several millennia. In the last 30 years, special use has been made of microorganisms to produce medications – for example to obtain vaccines and hormones such as insulin. Over 140 drugs produced from genetically modified bacteria cultures are currently approved for the European market.

The buzzword “pharming,” a neologism formed from “pharmaceutical” and “farming,” denotes the use of genetically modified plants and animals to produce active substances for drugs. Compared with traditional cell cultures, production in plants can offer considerable advantages. In particular, trials are underway on corn, rice, tobacco, potatoes, safflower and duckweed. The potato's genome was completely sequenced in July 2011 – a further important step toward the pharmaceutical and industrial use of solanum.

### Specialists for further processing

The cultivation of potatoes is often governed by contracts between growers and processors so as to ensure that quality requirements are met. The varieties are also defined. The increasing complexity of the value chain offers new opportunities for potato breeding: While in the first stages of the processing chain the adaptation of potatoes to the requirements of technical processes – e.g. storability and size – is important, their color, consistency, the effects of freezing and their taste are what count for the completed products. There are also demands regarding particular nutritional criteria and composition of the constituents – requirements that can only be met through plant breeding.

### Strong brands for the consumer's plate

The traditional fresh table potato is still an important part of the diet in industrialized countries – just over 50% of per-capita potato consumption in Germany is fresh produce. In this segment, too, special properties of the good old spud, as well as its packaging, are growing in importance: Small and particularly thin-skinned potatoes, for instance, are suitable for quick preparation in the microwave. With a minimum of work, healthy food can be prepared and put quickly on the table. Above all, marketing of table potatoes focuses on the variety. Potato breeders specifically target consumers with regional specialties or varieties “tailored” for individual target groups.

Networking also provides processing companies with benefits. Supermarkets, fast food chains and makers of ready-to-serve meals all make the individual stages in the process chain transparent to customers and are increasingly integrating the origin and quality of the processed potatoes in their promotional concepts.

### Diversity still harbors many treasures

Potatoes are not only diverse in shape and genetics – they also have a peculiar ability to adapt to their environment. Originating in the Andes in South America, an area known for its extreme weather conditions, potatoes thrive in moderate, subtropical and tropical climates and are



Where does our food come from, and how high is its quality? These questions are of growing importance for consumers. Successful potato breeding requires good networking with processing companies, farmers and end customers.

not choosy about the soil conditions they grow in. Potatoes are now grown almost everywhere in the world. The biggest producers – after China and India – are Russia, Ukraine, the U.S., Germany and Poland. Yields in the U.S. and Germany are more than three times those of the rapidly growing emerging countries. That is because, despite the fact that the potato can adapt very well to the climate, growing it requires intensive care. Unlike with sugarbeet, it is not seed that is planted but entire tubers, which then multiply in the earth. This form of cultivation makes the potato prone to a wide range of diseases, such as fungi, viruses and other soil-borne organisms. Many resistances and tolerances can be found in the numerous original forms of potatoes, which are still preserved to this day, but have been lost in the cultivated types of crop over the course of time. This diversity is a valuable source for advances in plant breeding, above all in conjunction with modern breeding methods and biotechnology.

### Focus on quality

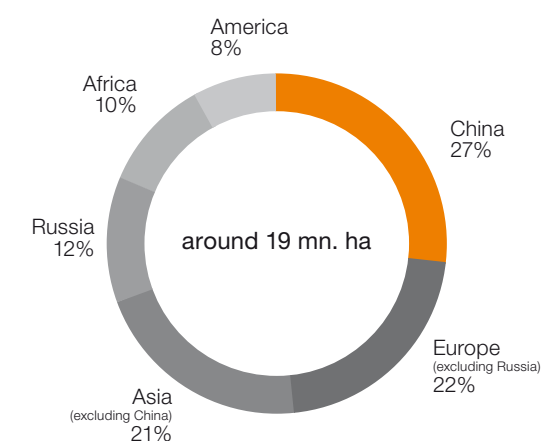
The structure of the seed potato market differs very greatly from other seed markets. Many small and medium-sized breeders operate here. The life cycle for successful varieties is significantly longer than for other crops. Multiplication and logistics play key roles. Those are fields where the Netherlands leads the way – Dutch companies account for more than 70% of international trade.

The biggest potato producers in the EU 27 are Belgium, Germany, France, the Netherlands, the UK and Poland. KWS' focus is on these and the other specialized markets of the industrialized nations as well as the large markets

of Russia, other Eastern Europe countries and North Africa. In order to establish ourselves as a potato specialist, in fiscal 2010/2011 we took over the whole stake of our partner Van Rijn in the existing potato joint venture. As a result, we can optimally leverage our experience in plant breeding, access to state-of-the-art technologies and our existing consulting and distribution network. That means KWS will intensify its potato research and development activities. Van Rijn, a specialist in multiplication and distribution logistics, will remain our partner in these fields. The central location for the new company KWS POTATO B.V. will be Emmeloord in the Netherlands.

### Global Acreage

(Source: Faostat. org, October 2011)







»» The potato needs intensive care in practical cultivation.

It's well worth the effort: With two to three tons of certified seed potatoes, top-class yields of a good 70 tons per hectare are possible.



Remko Koeman, potato breeder, KWS POTATO B.V.



# Report of the Supervisory Board



Dr. Dr. h.c. mult. Andreas J. Büchting,  
Chairman of the Supervisory Board

The KWS Group's growth has gained in dynamic strength. Our efforts in research, development, production and distribution are bearing fruit and are acknowledged by our customers, the farmers. In fiscal 2010/2011, even more farmers chose seed from KWS and thus helped increase our market share and net sales in all segments. Demand for KWS varieties in some European markets even surpassed our expectations. In North America, sugarbeet seed business performed well after the courts approved cultivation of our genetically modified herbicide-tolerant sugarbeet. These increasingly complex technologies and their use to create innovations in plant breeding demand a high degree of responsibility and foresight. The Supervisory Board worked closely with the Executive Board to support it in this process.

In the past fiscal year, the Supervisory Board advised and monitored the Executive Board of KWS SAAT AG in its activities and carefully supported it in all fundamental decisions that were vital to the company, in accordance with the law and the company's Articles of Association. Both boards successfully continued their constructive cooperation based on mutual trust. Among other things, this was demonstrated by the fact that, as is customary, the Executive Board involved the Supervisory Board at an early stage in all key decisions of fundamental importance to the company. The Supervisory Board was provided with the necessary

information in written and oral form regularly, promptly and comprehensively. This included all key information on relevant matters regarding planning, the business performance and situation of the company and the KWS Group, including the risk situation, risk management and compliance. Business transactions requiring consent were submitted to and discussed and approved by the Supervisory Board in compliance with the bylaws for the Executive Board. Other matters that were discussed in detail included business policy, corporate and financial planning, the profitability and the status of the company as well as business developments, market trends and the competitive environment, research and product development and, along with important individual projects, on risk management at the KWS Group. The Chairman of the Supervisory Board continued the bilateral discussions with the Chief Executive Officer and individual members of the Executive Board in regular talks outside the meetings of the Supervisory Board. In addition, there were monthly meetings between the Chairman of the Supervisory Board and the Executive Board as a whole, where the company's current business development and, in particular, strategy, occurrences of special importance and corporate risk management were dealt with.

The full Supervisory Board held five regular meetings in fiscal 2010/2011. Its members participated in all meetings, with the exception of one member who was unable to attend one meeting due to illness and another member who was on parental leave and was thus prevented from attending three meetings.

## Focal areas of deliberations

The meeting of the Supervisory Board to discuss the financial statements on October 27, 2010, was devoted to examining and approving the financial statements of KWS SAAT AG and the consolidated financial statements as of June 30, 2010. In the discussion of current business developments, the progress of the lawsuit in the U.S. relating to cultivation of genetically modified herbicide-tolerant sugarbeet was also dealt with. Following detailed discussion, the compensation system with a long-term incentive (LTI) was also adopted for second-tier management in line with the program for the Executive Board. In addition, the deductible for Supervisory Board members relating to liability was increased from its previous lump sum of €20 thousand to 1.5 times the fixed compensation. The bylaws for the Supervisory Board had to be amended accordingly.

The focus of the Supervisory Board's meeting on December 15, 2010, was the company's strategy for the growth markets of Russia and Ukraine. Moreover, important

basic technologies were discussed. In addition, the Supervisory Board welcomed and adopted the decision to move to a method of segment accounting that gives an integrated presentation of the segments' success, including all function costs and research and development expenditure, as of fiscal 2011/2012. On December 16, 2010, further expansion of the company's commitment in China was presented and dealt with. Expansion of the commercial base by means of joint venture partnerships is reflected in a second joint venture in Northeastern China. The Supervisory Board gave its consent to related negotiations and to the conclusion of the relevant agreements.

As in previous years, the March meeting, which was held on the 17th of the month, was used to obtain a broad picture of the KWS Group's research and development activities. The current performance of the varieties in the main cultivation regions was discussed in detail. Since the use of biotechnology methods and technologies in plant breeding is growing in importance, their possible uses for KWS was also discussed in depth. Expansion of the breeding program to the Chinese corn market and acquisition of all the shares in the existing potato breeding joint venture were also agreed on.

In its final meeting in fiscal year 2010/2011 on June 21, 2011, the Supervisory Board held detailed discussions regarding the planning for fiscal 2011/2012 with medium-term planning up to 2014/2015 and approved it. As in previous years, the survey of the Supervisory Board aimed at avoiding and identifying fraud was also conducted. The Supervisory Board was not aware of any such acts.

## Annual and consolidated financial statements and auditing

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the auditor chosen at the Shareholders' Meeting on December 16, 2010, and commissioned by the Audit Committee, has audited the financial statements of KWS SAAT AG that were presented by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB) for fiscal 2010/2011 and the financial statements of the KWS Group (IFRS consolidated financial statements), as well as the Management Report of KWS SAAT AG and the KWS Group Management Report, including the accounting reports, and awarded them its unqualified audit certificate. In addition, the auditor concluded that the audit of the financial statements did not reveal any facts that might indicate a misstatement in the declaration of compliance with the German Corporate Governance Code issued by the

Executive Board and Supervisory Board (cf. Clause 7.2.3 of the German Corporate Governance Code).

The Supervisory Board received and discussed the financial statements of KWS SAAT AG and the consolidated financial statements of the KWS Group as well as the 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, in due time. The financial statements, Management Reports and audit reports by the independent auditors were submitted to all members of the Supervisory Board. It also held detailed discussions of questions on the agenda at its meeting to discuss the financial statements on October 26, 2011. The auditor took part in the meeting and reported on the main results of the audit and was also available to answer additional questions and provide further information for the Supervisory Board. According to the report of the independent auditor, there were no material weaknesses in the internal control and risk management system in relation to the accounting process. There were also no circumstances that might indicate a lack of impartiality on the part of the independent auditor. The small extent of services additionally provided by the independent auditor can be seen from the Notes.

In accordance with the final results of its own examination, the Supervisory Board endorsed the results of the audit with no objections, among other things as a result of the vote by the Audit Committee. It approved the annual financial statements of KWS SAAT AG and the consolidated financial statements of the KWS Group. It also endorses the proposal by the Executive Board to the Annual Shareholders' Meeting on the appropriation of the net retained profit of KWS SAAT AG after having examined it.

## Corporate Governance

The efficiency review of the Supervisory Board's work was conducted for fiscal 2010/2011 in the form of a questionnaire following detailed interviews in the previous year. The written survey was implemented and monitored by the Deutsche Agentur für Aufsichtsräte, a company that advises supervisory boards. It also gave its overall assessment of the results in a final report dated August 29, 2011. There was no criticism of the quality and efficiency of the work in all segments of relevance to the Supervisory Board. It complied with good professional practices in all cases. The results and recommendations were discussed at the meeting of the Supervisory Board on October 26, 2011. There were no conflicts of interest on the part of members of the Supervisory Board in the period under review.

# Corporate Governance Report

## Supervisory Board

### Dr. Dr. h. c. mult. Andreas J. Büchting

Einbeck  
Agricultural Biologist  
Chairman

### Hubertus von Baumbach

Ingelheim am Rhein  
Businessman

### Cathrina Claas-Mühlhäuser

Frankfurt am Main  
Businesswoman

### Dr. Arend Oetker

Berlin  
Businessman  
Deputy Chairman

### Jürgen Bolduan

Einbeck  
Seed Breeding Employee  
Chairman of the Central Works  
Committee of KWS SAAT AG

### Dr. Dietmar Stahl

Einbeck  
Biochemist  
Employee Representative

## Supervisory Board Committees

The committees of the Supervisory Board of KWS include the Audit Committee, the Committee for Executive Board Affairs and the Nominating Committee. These bodies dealt in fiscal 2010/2011 with matters as described below.

The **Audit Committee** convened for two joint meetings in fiscal 2010/2011 and also held three telephone conferences. In its meeting on October 7, 2010, the Audit Committee discussed the 2009/2010 annual financial statements and accounting of KWS SAAT AG and the consolidated financial statements of the KWS Group. The Annual Compliance Report and the results of the auditing projects were on the agenda on March 17, 2011. The audit plan for fiscal 2011/2012 was also discussed and adopted. As a result of the greater requirements demanded of the risk management system pursuant to the German Accounting Law Modernization Act (BilMoG), there was a detailed presentation and critical examination of the system's organizational fundamentals. The organizational structure and associated control procedures, as well as adaptation of IT systems to account for security aspects, were discussed and understood by the members of the Audit Committee. The quarterly reports and the semiannual report for fiscal 2010/2011 were discussed in detail in the telephone conferences on November 23, 2010, February 22 and May 24, 2011. All reports were approved for publication.

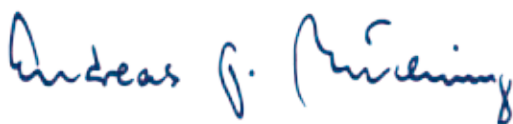
In addition, the Audit Committee obtained the statement of independence from the auditor in accordance with Clause 7.2.1 of the German Corporate Governance Code and monitored the auditor's independence. The Audit Committee also satisfied itself that the regulations on internal rotation pursuant to Section 319 a (1) No. 4 HGB were observed by the independent auditor. The Audit Committee convened on October 18, 2011, to discuss the annual financial statements of KWS SAAT AG and KWS' consolidated financial statements as well as accounting. The independent auditor explained the results of its audit of the 2010/2011 financial

statements and pointed out that there were no grounds for assuming a lack of impartiality on the part of the independent auditor in its audit. The Audit Committee also dealt with the proposal by the Executive Board on the appropriation of the net retained profit of KWS SAAT AG and recommended that the Supervisory Board consent to it. The results of the efficiency review with relevance to the bylaws of the Audit Committee were of an editorial character and were incorporated in the bylaws and submitted to the Supervisory Board for a resolution to be taken.

The **Committee for Executive Board Affairs** convened on October 26, 2011, for its regular review of the quality of the Executive Board's work. The **Nominating Committee** had no reason to convene in the past fiscal year.

The Supervisory Board expresses its thanks to the Executive Board and all employees of KWS SAAT AG and its subsidiaries in the KWS Group for their commitment and contribution to the especially successful performance of KWS in fiscal 2010/2011.

Einbeck, October 26, 2011



Dr. Dr. h. c. mult. Andreas J. Büchting  
Chairman of the Supervisory Board

Good corporate governance and control and a sustainable corporate policy are the focus of KWS' everyday business. Respecting the interests of our stakeholders – customers, business partners, shareholders, employees and fellow human beings – is of particular importance. Our actions are guided by the values of an international agricultural company with a tradition of family ownership. For KWS, these values are reliability, team spirit, independence and foresight. We also comply with the relevant legal requirements regarding managing and supervising German stock corporations and the internationally and nationally acknowledged standards of good and responsible corporate governance (German Corporate Governance Code).

In 2011, the Government Commission for the German Corporate Governance Code made no changes to the existing regulations, which have been in effect since May 26, 2010.

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

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 described below – the company has complied with the recommendations of the German Corporate Governance Code in the version dated May 26, 2010, since the last compliance declaration in October 2010, and does now comply and will comply in the future with them.

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 the German Stock Exchange. It does not comply with the recommended deadlines of 90 and 45 days respectively in Clause 7.1.2 of the German Corporate Governance Code because of the seasonal course of its business.

The reason given for this decision was that there was no need or special urgency for any changes because the current high standards stood comparison with international rules and regulations. In addition, companies would now have more time to take up a recommendation that was stressed in the past year, namely to have more women on supervisory boards of German listed companies, for example. Since men and women have the same career opportunities at KWS and a quarter of the Supervisory Board members elected by the Annual Shareholders' Meeting is already female, we have issued the declaration on corporate governance with virtually no change to its wording from last year.

The complete declaration on corporate governance in accordance with Section 289 a of the German Commercial Code (HGB) has been published in the Internet at [www.kws.com](http://www.kws.com) > Investor Relations > Corporate Governance.

KWS SAAT AG's Articles of Association do not foresee shareholders casting postal ballots for the Annual Shareholders' Meeting (postal ballot, Clause 2.3 of the German Corporate Governance Code). To exercise their voting rights at the Annual Shareholders' Meeting on December 14, 2011, shareholders who will not attend in person can have their votes cast by a proxy of the company.

Einbeck, October 2011

The Supervisory Board      The Executive Board



Compensation Report

The **Supervisory Board’s compensation** was 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 and payment for work on committees, but also a performance-related component. 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 them for work on committees. The Chairman of the Audit Committee receives

€25 thousand. Ordinary members of the Supervisory Board receive €5 thousand for their work on the Committee for Executive Board Affairs and €10 thousand for their work on the Audit Committee. 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.

The total compensation for members of Supervisory Board therefore amounts to €438 thousand (€407 thousand), excluding value-added tax. In all, 37% (32%) or €160 thousand (€129 thousand) of the total compensation is performance-related.

Supervisory Board compensation 2010/11 in €	Fixed	Work on committees	Performance-related	Total
Dr. Dr. h. c. mult. Andreas J. Büchting*	84,000.00	0.00	56,400.00	140,400.00
Dr. Arend Oetker**	42,000.00	0.00	28,200.00	70,200.00
Hubertus v. Baumbach***	28,000.00	25,000.00	18,800.00	71,800.00
Jürgen Bolduan	28,000.00	0.00	18,800.00	46,800.00
Cathrina Claas-Mühlhäuser	28,000.00	15,000.00	18,800.00	61,800.00
Dr. Dietmar Stahl	28,000.00	0.00	18,800.00	46,800.00
	238,000.00	40,000.00	159,800.00	437,800.00

\*Chairman \*\*Deputy Chairman \*\*\*Chairman of the Audit Committee

The **compensation of members of the Executive Board** was set by the Supervisory Board and approved by the Annual Shareholders’ Meeting. It is based on the size and activity of the company, its economic and financial situation and the level and structure of compensation for managing board members at comparable companies. The total compensation is made up of a fixed and a perform-

ance-related component. The performance-related compensation is calculated on the basis of a percentage of the sustainable net income for the year for the KWS Group. Payments for duties performed in subsidiaries and associated companies were €29 thousand (€24 thousand) and are offset against the performance-related payment. Every member of the Executive Board must individually

Executive Board compensation 2010/11 in €	Basic compensation	Benefits in kind	Performance-related	Total
Philip von dem Bussche*	270,000.00	18,192.84	492,317.57	780,510.41
Dr. Christoph Amberger	216,000.00	21,893.08	492,317.57	730,210.65
Dr. Léon Broers	216,000.00	20,240.05	492,317.57	728,557.62
Dr. Hagen Duenbostel	216,000.00	15,710.80	492,317.57	724,028.37
	918,000.00	76,036.77	1,969,270.28	2,963,307.05

\*Chief Executive Officer

invest between 20% and 50% of the gross performance-related bonus payment for fiscal year 2010/2011 in KWS shares. A long-term incentive (LTI) is paid in the form of cash compensation after a holding period of 5 years. In turn, one third of the LTI before taxes must be reinvested in KWS shares.

The basic compensation is paid as a monthly salary. Apart from these salaries, there is also non-monetary compensation, such as a company car or a phone. There are also accident insurance policies for the members of the Executive Board. There is an absolute upper limit for the total compensation.

Pension obligations are granted both in the form of a direct obligation to provide benefits and a defined contribution plan, with the annual anticipated pensions ranging between €130 thousand and €140 thousand. In fiscal 2010/2011, €72 thousand (€0 thousand) were paid to a provident fund backed by a guarantee and €147 thousand (€64 thousand) were allocated to the pension provisions in accordance with IAS 19 for pension commitments to members of the Executive Board. Pension provisions totaling €1,351 thousand (€1,203 thousand) were formed for the following members of the Executive Board of KWS SAAT AG:

Pension commitments in €	07/01/2010	Personnel expenses	Interest expenses	06/30/2011
Dr. Christoph Amberger	956,819.00	64,897.00	68,055.00	1,089,771.00
Dr. Hagen Duenbostel	246,353.00	0.00	14,490.00	260,843.00
	1,203,172.00	64,897.00	82,545.00	1,350,614.00

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,055 thousand (€1,003 thousand). Pension provisions recognized for this group of persons amounted to €1,726 thousand (€2,100 thousand) as of June 30, 2011.

The pension commitments for three former members of the Executive Board are backed by a guarantee.

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



## The KWS share

KWS SAAT AG is a company with a more than 150-year tradition. The company has always geared its activities to the long term – and it will continue to do so. The KWS Group's success worldwide is built on the commitment and achievement of our employees and the outstanding performance of our products. This quality is the result of state-of-the-art research and breeding. Every year, we spend between 10% and 15% of our net sales on product development, for example. That figure rose to some €114 million in fiscal 2010/2011. With this significant R&D expenditure, we secure the KWS Group's long-term growth and create new jobs.

A study by the global business consulting firm Roland Berger Strategy Consultants shows that there is a correlation between sustained investment in research and development and the high quality of results achieved by family-owned enterprises. It shows that industrial enterprises owned by families or foundations turned in a far better earnings performance after the recent financial crisis than industrial companies listed on the MDAX. The reasons given for this are their solid financial resources, a forward-looking corporate strategy, continuous investments in R&D and strong employee loyalty.

KWS' long-term growth strategy is reflected in the overall rise in its market capitalization. In the past five years, KWS' share price has more than doubled, while the comparative German index SDAX only rose by just under 13% in the same period, and the German blue chip index DAX went up by around 28%. Apart from this positive performance, shareholders have also participated in the

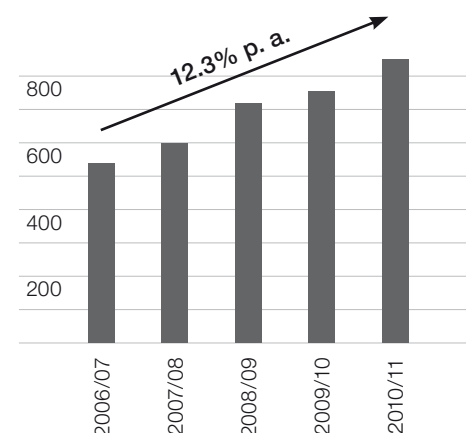
**5-year price trend of the KWS share compared to SDAX**  
July 1, 2006, to June 30, 2011



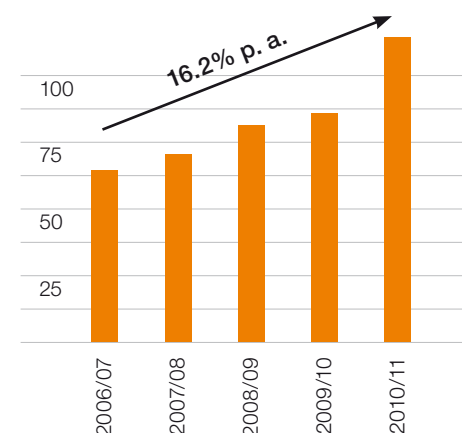
KWS Group's growth in the form of a steadily increasing dividend. The company was able to continue this development even in an environment marked by economic uncertainty worldwide.

In the period under review – July 1, 2010, to June 30, 2011 – KWS' share increased in value by almost 32%, slightly below the rise in the SDAX of 39%. The share is also represented in the DAXplus Family, an index which tracks the performance of listed companies whose founding families are co-owners and hold at least 25% of the voting rights. This barometer rose by just over 30% in fiscal 2010/2011. Once again, the KWS share proved itself to be an attractive investment, in particular for the medium to long term.

**Net sales of the KWS Group (5 years)**  
in millions of €



**EBIT of the KWS Group (5 years)**  
in millions of €



## Agenda of the Annual Shareholders' Meeting on December 14, 2011

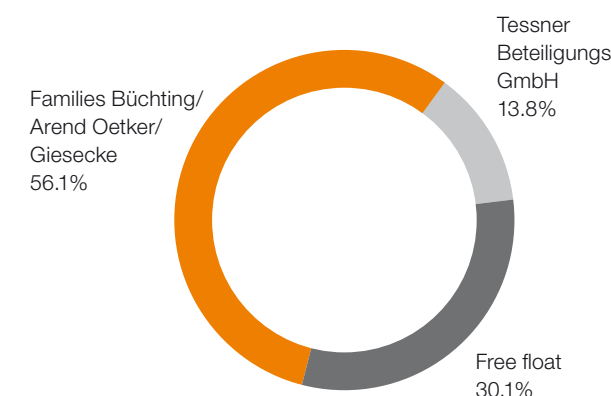
The Company's Executive Board hereby invites you to the

**Annual Shareholders' Meeting on Wednesday, December 14, 2011, 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, 2010, to June 30, 2011, the Report of the Supervisory Board and the explanatory report by the Executive Board on the disclosures in accordance with Section 289 (4) and (5) and Section 315 (4) HGB (German Commercial Code)
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. Appointment of the independent auditor of the financial statements of KWS SAAT AG and the consolidated financial statements for fiscal year 2011/2012

**Shareholder structure**  
on October 2011







»» The KWS family is getting more international every year.

Our online media help ensure that all our colleagues in more than 70 countries throughout the world are kept up-to-date.



Irina-Lavinia Antonescu, online media trainee, KWS SAAT AG



# Management Report of the KWS Group

KWS has more than doubled its net sales in the past 10 years. A lot has changed against the backdrop of growing internationalization, and the KWS Group now comprises, along with KWS SAAT AG, 59 subsidiaries and associated companies with 3,560 employees. Yet one thing has stayed the same over this time: KWS is the independent seed specialist for farmers in the 21st century, and we intend to remain that in the future as we continue to drive innovation, expand our agricultural consulting activities and set high targets for the quality of our products. Only in this way can we develop varieties for over 70 countries in the moderate climatic zone, tailored to their different climates, soil conditions, diseases and pests. To that end, we adapt every variety through many years of breeding work so that our customers can leverage high-yielding seed optimized for their location. The result of this work is an annual average of almost 300 new sales approvals for products worldwide.

KWS has a global network of more than 30 breeding stations and around 130 testing locations for testing and developing products. Seed multiplication – one of the main steps in producing the seed we sell – focuses on selected regions and contractual partners, which makes it easier for us to live up to our standards of quality. The high performance of our products has been the key factor that has enabled KWS' primarily organic growth in just about all its markets over the past years. In the past fiscal year, 2010/2011, we were again able to expand our business activities in all product segments.

## Further expansion of business activity

The KWS Group increased its net sales sharply in fiscal 2010/2011 by 13.4% to €855.4 (754.1) million and thus above the growth rate of the past five years (averaging around 12% per year). Net foreign sales rose in the past fiscal year by 14.0% to €644.5 (565.3) million and now make up 75.3% (75.0%) of total revenue. Apart from growth in Northern Europe and North America, Eastern Europe and France made a particular contribution to this success. Net sales in Germany likewise increased strongly by 11.6% to €210.9 (188.9) million.

All product segments played their part in this business success. Net sales in the Corn Segment rose by 14.0% to €471.1 (413.4) million, so that it now accounts for 55.1% (54.8%) of the total figure. Our potato activities were integrated in the Sugarbeet Segment when we took over their operation: In previous years, the joint venture was consolidated in the Breeding & Services Segments. A corresponding adjustment of the previous years' numbers shows

that net sales in the Sugarbeet Segment increased by 12.6% to €293.5 million or 34.3% (34.6%) of the Group's volume. (You can find more details on our potato business in the report on the Sugarbeet Segment on page 29). The Cereals Segment benefited from good hybrid rye sales in Germany and wheat business in the UK, despite difficult sowing conditions in the fall of 2010. Net sales were €77.4 (70.0) million or 9.0% (9.3%) of the total figure for the KWS Group. Net foreign sales in the Breeding & Services Segment increased (after adjustment for net potato sales) by 34.0% and were €13.4 million compared with €10.0 million in the previous year.

## Research and development costs exceed €100 million as planned

Economies of scale had a positive impact on the cost of sales, which rose below-proportionately relative to net sales by 6.7% to €433.4 (406.1) million, resulting in a higher gross profit of €422.0 (348.0) million. Expansion of our sales activities resulted in a 7.7% increase in selling expenses to €138.5 (128.6) million. The ratio of selling expenses to net sales fell to 16.2% (17.1%). To enable the future development of high-yielding varieties, research and development expenditure rose as planned by 16.4% to €113.5 (97.5) million or 13.3% (12.9%) of net sales. We also intend to expand our research and breeding activities continuously to safeguard the KWS Group's high level of innovation. The greater degree of internationalization at the KWS Group made it necessary for us to reorganize our administration through the future-oriented project Fit4Growth. The establishment of four Service Centers, which bundle administrative work, will reduce the workload on our operating units and created a more efficient

administrative structure. Administrative expenses rose to €60.0 (49.6) million, mainly due to project costs.

The balance of other operating income and other operating expenses fell from €10.1 million to €6.6 million in the year under review.

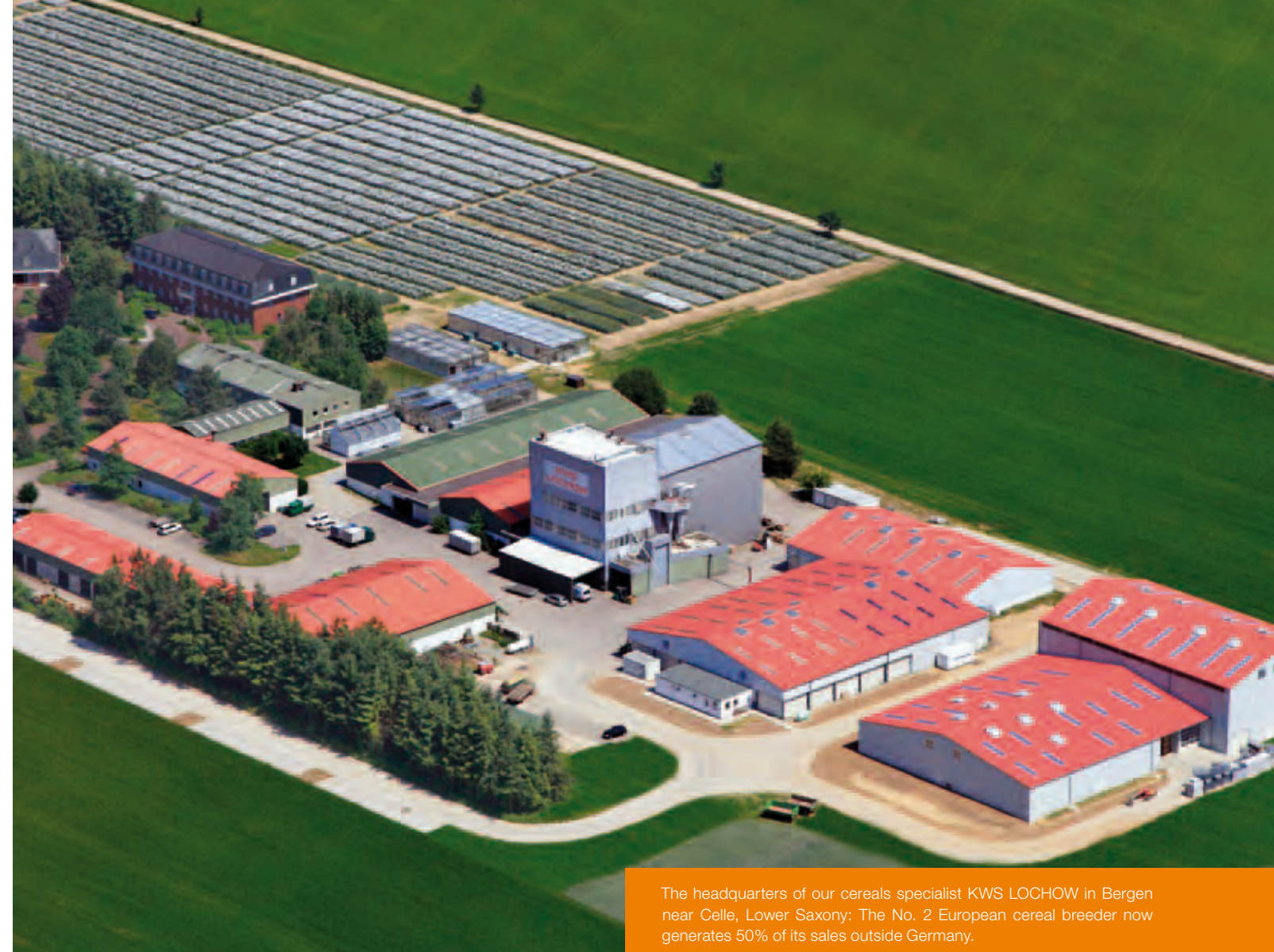
## Sharp increase in operating income

The KWS Group's operating income rose above-proportionately by 41.5% to €116.6 (82.4) million thanks to growth in net sales of products that make a strong contribution to profits. Our expectations were surpassed in the Corn Segment, whose operating income improved to €62.0 (31.7) million, or 53.2% (38.5%) of group income, primarily as a result of the growth of net sales in high-margin markets and the reversal of allowances made in the previous year. The Sugarbeet Segment grew its income by 24.2% to €42.1 (33.9) million, accounting for 36.1% (41.1%) of group income. The Cereals Segment posted operating income of €14.3

(10.5) million or 12.3% (12.7%) of group income. The Breeding & Services Segment traditionally incurs all research and development expenses at the KWS Group. The planned increase in these expenses was not able to be offset by internal royalties and income from our farms, with the result that the segment's income fell to €-1.8 (6.3) million.

## Net income grows sharply

Net financial income/expense fell by €2.1 million to €-7.0 (-4.9) million. Apart from an increase in interest expense for financing our business activity during the year, this was also attributable to the conclusion of hedges against interest rate risks and interest on back payments pursuant to a tax audit in Germany. The result from ordinary activities rose to €109.6 (77.5) million. Total tax expenditures were higher at €36.7 (26.0) million, giving a tax rate for the Group of 33.5% (33.6%). Net income was €72.9 million, well up over the previous year (€51.5 million). The return on sales after tax was 8.5% (6.8%).



The headquarters of our cereals specialist KWS LOCHOW in Bergen near Celle, Lower Saxony: The No. 2 European cereal breeder now generates 50% of its sales outside Germany.



Forward-looking investment in potato business

We decided to strategically expand our potato activities in the past fiscal year in order to further diversify the company's product portfolio. We therefore took advantage of our purchase option and acquired all of the joint venture with Van Rijn effective April 1. Expansion and integration costs resulted, as planned, in lower earnings. The revaluation of the acquired intangible assets reduced income by €5.7 million. The KWS Group invested a total of €49.3 (58.4) million in the year under review. Depreciation and amortization was €27.60 (22.0) million, meaning that, once again, investments exceeded it by a significant margin. Of the total investments by the KWS Group, 39.9% went to Germany, 46.0% to the rest of Europe, 13.8% to North and South America and 0.3% to other countries. Almost half of the investments were made in the Breeding & Services Segment and just over a quarter in the Sugarbeet Segment.



Each customer target group has its own quality requirements – our malting barley varieties, for example, are now highly specialized products.

Assets remain solidly financed

Total assets increased in fiscal 2010/2011 by €44.6 million to €902.0 (857.4) million. Equity rose by €37.4 million on the back of good consolidated income. The KWS Group still has solid financing, with an equity ratio of 58.8% (57.5%).

Despite the strong increase in net sales, the Group's net working capital fell in the past fiscal year by 1.1% to €177.7 (€179.7) million. Inventories in the Corn Segment decreased by €6.8 million. Despite the increase in net sales, accounts receivable dropped by €3.6 million thanks to effective receivables management. The Sugarbeet Segment posted a €1.7 million reduction in inventories and a €12.1 increase in receivables due to the growth in net sales. In the Cereals Segment, inventories decreased slightly by €0.8 million and receivables increased by €0.6 million.

Totalling €397.2 (398.9) million, inventories and trade receivables accounted for around 44.0% (46.5%) of total assets. On the balance sheet date, cash and cash equivalents, including securities, amounted to €146.9 (113.7) million. Since financial borrowings were hardly increased, the KWS Group was able to improve its strong liquidity even further at the balance sheet date: Net liquidity (cash plus securities minus financial borrowings) rose well above the €100 million mark to €113.3 (81.4) million.

Equity rose to €530.3 (492.9) million and fully covered non-current assets and inventories. Debt capital increased by €7.2 million to €371.7 (364.5) million.

Reduction in working capital improves net cash from operating activities

The good income for the period and reduction in working capital meant that net cash from operating activities rose from €27.4 million to €101.2 million. €52.4 (55.4) million were used for investments, and the KWS Group used €10.2 (-11.2) million in financing activities.

Single-entity financial statements of KWS SAAT AG

KWS SAAT AG was able to further improve its sugarbeet business and expand its R&D activities as planned in fiscal 2010/2011. KWS SAAT AG's operating income was €24.2 (12.7) million, almost double the previous year, so that expenses resulting from first-time application of the new provisions of the German Accounting Law Modernization Act (BilMoG)



Since KWS was established more than 150 years ago, its success has been founded on developing high-yielding plants through innovative breeding methods.

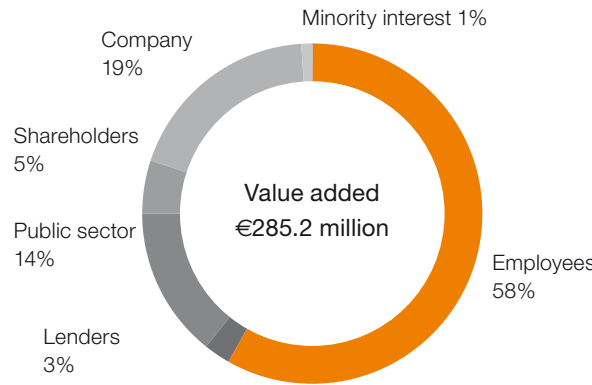
were able to be cushioned in full without being spread over several years. A slight improvement in net financial income/ expenses and a non-recurring extraordinary result of € -9.4 million due to the German Accounting Law Modernization Act resulted in post-tax net income for the year of €15.9 (12.2) million under German commercial law. Including the profit of €0.04 million carried forward from the previous year, the net retained profit was €15.9 million.

Proposed appropriation of profits


The KWS Group's earnings-oriented dividend policy is to be continued for fiscal 2010/2011. Its net income for the year increased by 41.7% to €72.9 (51.5) million and its operating income by 41.5% to €116.6 (82.4) million in the year under review. The Executive and Supervisory Boards will therefore propose payment of a dividend of €2.10 (€1.90) and a bonus dividend of €0.20 to reflect the additional earnings stemming from our good market success and the resultant need for fewer allowances on our working capital. Subject to approval, €2.30 for each of the 6,600,000 shares, i.e. a total of €15.2 (12.5) million from KWS SAAT AG's net retained profit, will then be distributed to shareholders in December 2011.

Distribution of value added

(around 32% of the total output)





A portrait of Dr. Viktor Korzun, a man with short brown hair, wearing a white lab coat over a light blue button-down shirt. He is standing in a greenhouse, with rows of green wheat plants visible in the background. The lighting is bright and natural, coming from the greenhouse's translucent panels.

»» Breeding means to keep on recombining nature's genetic building blocks.

For example, we're working on transferring the resistance of old wheat landraces to modern elite varieties.



Dr. Viktor Korzun, Head of Cereal Biotechnology, KWS LOCHOW GMBH





# Sugarbeet Segment

We added our seed potato business to the Sugarbeet Segment in fiscal 2010/2011 after acquiring all the shares in VAN RIJN–KWS B.V., our 50:50 seed potato breeding and production joint venture. We intend to leverage the existing synergies in distribution of both crops to expand our potato business faster in markets where we see growth opportunities. Since we already have established structures for the distribution of sugarbeet seed in these markets, it was a logical move to pool these two crops in one segment.

Due particularly to strong operating growth in our core sugarbeet markets, the segment's net sales in the year under review rose to €293.5 million, almost 10% of which came from our potato activities. Net sales grew by 7.8% to €266.8 (247.4) million, an all-time high in our traditional sugarbeet product segment.

The continuing high level of sugar prices on the world market made it more attractive to grow sugarbeet than many other crops. Consequently, global cultivation area for sugarbeet rose by 4% to around 4.8 million ha. In the EU 27 we were able to significantly increase our market share. Net sales in the EU 27 rose to €131.8 (112.7) million and to €135.0 (134.7) million outside the EU 27.

The growth in net sales in the core regions for our sugarbeet seed business resulted accordingly in a rise in contribution margins. Expenditure on breeding, production and distribution in the seed potato sector increased as planned with the takeover of all the shares in our potato joint venture. These activities will reduce earnings from potato business in the medium term. As a consequence, goodwill has been amortized. The segment's income nevertheless increased to a total of €42.1 (33.9) million.

**The regions**  
In North America, the sugar industry had to wait almost until the sowing season and hope that the courts would again approve the practice-proven cultivation of herbicide-tolerant sugarbeet. These genetically improved products help sugarbeet farmers in the U.S. secure high yields. Opponents of this technology had tried on several occasions to prevent large-scale cultivation through legal action. Ultimately, the environmental compatibility and advantages for practical agriculture and the sugar industry were factors that helped this beet gain acceptance.

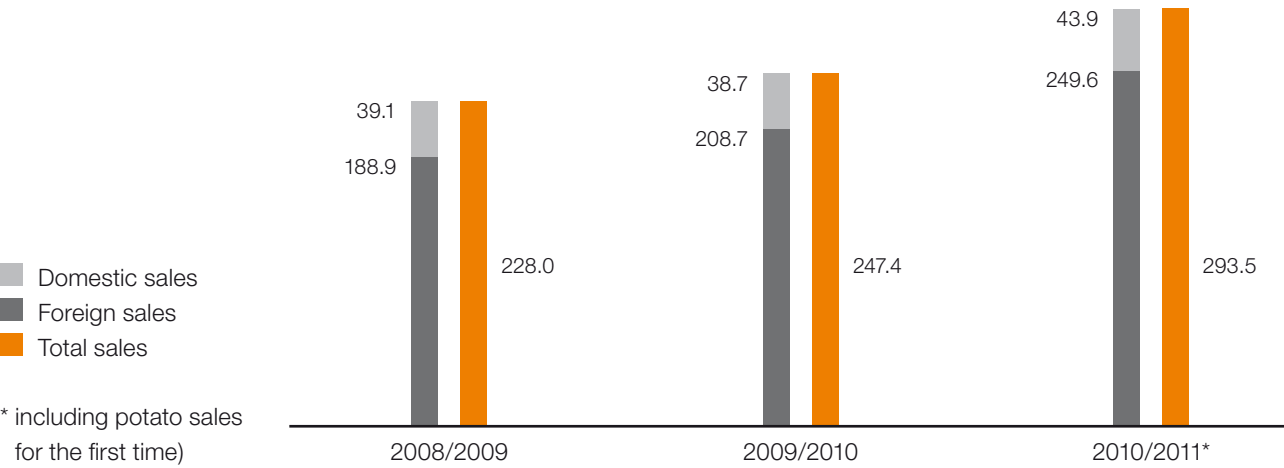
The courts gave their approval for the cultivation of Roundup Ready® sugarbeet very late in the 2011 campaign and only subject to conditions, but U.S. farmers remained loyal to this innovative technology. KWS had also provided conventional seed for the entire American market so that American farmers would be able to plant it if Roundup Ready® sugarbeet seed were prohibited. However, the share of KWS Roundup Ready® varieties fell only slightly to 94% (97%).

The trend in the EU 27 was also unexpectedly positive. On the back of an increase in cultivation area – in particular in



A special source of bioenergy: Biogas processed from one hectare of energy beet can drive our CFO's gas-powered car some 80,000 km – or twice around the world.

Sugarbeet Segment sales in millions of €



Germany and France – we were able to increase our share in many markets and our revenue by a total of 17%. Business was especially strong in France and Spain as well as Scandinavia, the UK, Belgium, the Netherlands and Germany.

Cultivation area in the Russian Federation and Ukraine grew for the second year in a row. The area there is closely coupled to the world market price for sugar. We also increased net sales in this region by approximately 15%. The picture varied in the other markets. While we expanded our business in Chile and China, Egypt and Turkey were two of the handful of markets where we experienced a decline.

**Seed potatoes**  
The now wholly-owned subsidiary KWS POTATO B.V. will be headquartered in the new fiscal year at Emmeloord in the Netherlands. We intend to expand this location and make it the center of our potato business and breeding operations. As part of this, the intensity of our breeding work will be increased within our international network of breeding and testing locations. In this way, we want to satisfy the higher requirements farmers, the processing

industry and consumers demand of our varieties and build on our positions in regional and segment-specific markets.

Our business performance in the past fiscal year was gratifying. Net sales were consolidated for the first time in the Sugarbeet Segment and rose to €26.7 (13.3) million on the back of higher sales volumes and prices. Seed potato prices generally fluctuate sharply, but trended positively in the period under review – in line with the strong level of prices for potatoes for consumption in the past year.

Greater use of KWS' international network for producing and distributing seed potatoes is also intended to help us maintain this positive business development.





## Corn Segment

Our Corn Segment was able to achieve a long-cherished goal in fiscal year 2010/2011: a double-digit EBIT margin. The segment's organic growth is based on the broad and high-performing product portfolio that has enabled us to advance into many new markets in the past decade.

Corn is the world's most important crop, which is why it is a particular focus of international cereal markets. In view of the positive market environment for corn for consumption, growing demand for corn seed was anticipated for the 2011 sowing season. The business performance of our Corn Segment was positive, too. Net sales rose by around 14% to €471.1 (413.4) million, while operating income almost doubled to €62.0 (31.7) million. The EBIT margin grew from 7.7% to 13.2%, mainly as a result of positive developments in business in high-margin markets.

In addition, special effects added to the segment's income in fiscal 2010/2011. They include belated royalty payments from the 2010 sales season, lower returns from the previous year and reversals of allowances on inventories. There were also hedging gains relating to seed production in America.

### The regions

In the U.S., despite difficult sowing conditions, there was another increase in cultivation area of 4% to about 37 million ha. AGRELIANT, our North American joint venture (50:50) with the French breeding company Vilmorin, grew its sales by just over 10% and its market share in all the main cultivation regions in

the Midwest. With a market share of about 7%, AGRELIANT is the fourth-largest vendor of corn seed in North America. The total net sales of the company, 50% of which is consolidated in the Corn Segment, rose to €358 (318) million. Particularly the new high-performance, high-yielding corn hybrids from AGRELIANT'S breeding program, in conjunction with multiple stacked genetic traits, contributed to this success.

In the past fiscal year, AGRELIANT successfully launched new corn varieties with innovative mechanisms. These products enable better resistance management and ensure sustained genetically engineered resistance to insects in corn.

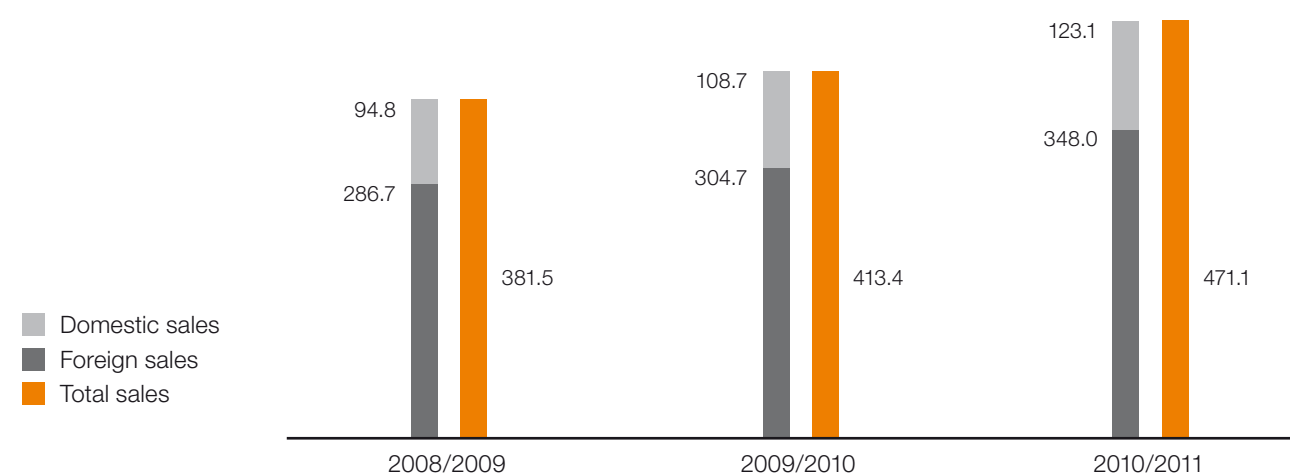
Cultivation area using certified corn seed in the EU 27 grew as well, from 11.7 to 12.6 million ha due to high prices, above all for grain corn. KWS was able to increase its sales compared with the previous year – in some cases sharply – in all regions of Europe. KWS posted particularly strong gains in sales in Germany, Central and Southeastern Europe, Russia and Ukraine.

KWS is still the breeder with the biggest market share – 35% – in Germany, the second-largest market for corn seed in



Every silk of the female corn flower must be fertilized by wind-borne pollen so that a grain can develop later.

Corn Segment sales in millions of €



Europe after France in terms of value. A latent risk for our corn business in Germany is the adventitious presence of genetically modified organisms in conventional seed. German authorities take random samples to monitor this and ban sales of seed and, if necessary, order already sown areas to be plowed up if there are even the slightest traces of genetic modifications, even if they have already been approved for human consumption and animal feed in the EU 27. There is still no tolerance limit and second examinations are not permitted.

In Argentina, we continue to work on expanding our local distribution and production capacities. Sales doubled year-

on-year and helped us capture a market share of just under 5%. The first corn varieties from the still young Argentinean breeding program have confirmed their performance potential. Like in the U.S., it is anticipated that genetically modified varieties will be mainly used in Argentina (current corn cultivation area: around 3.6 million ha) in the medium term.

Oil seed accounted for 12.0% (12.2%) of the Corn Segment's net sales. The main contributors to net sales in Europe are rapeseed and sunflowers. In the year under review, KWS decided to increase R&D expenditure on these two crops significantly so as to improve its competitiveness. The mainstay in oil seed net sales in North America was soybean.





# Cereals Segment

Our cereals specialist, the KWS LOCHOW Group, was able to grow its business. In view of the sharp rise in cereal prices, farmers increasingly used certified seed in the fall 2010 sowing season. In Germany, KWS LOCHOW launched QualityPlus®, a brand that sets a new standard of quality for cereal seed far exceeding the applicable legal requirements. QualityPlus® seed is processed in specially certified plants in close cooperation with selected production partners.

The 2010 cereals harvest was better and higher yielding than expected, but did not match the high level of 2008. There were favorable, but not excellent growing and harvesting conditions in large parts of Europe. Significant crop failures, in Australia and Eastern Europe for example, and the export ban imposed by Russia resulted in shortages and price increases. The price of wheat on the commodity futures exchanges rose in May 2011 to more than €250 a ton before falling back to around €200. The rise in cereal prices over the previous year meant better earnings prospects for European farmers. In Germany, sales of certified cereal seed in 2010 grew by around 5% year-on-year to more than 500,000 tons, due to the weather-related low quality of farm-saved seed, among other factors.

In this economic climate, KWS' cereals business performed very well in fiscal 2010/2011. The KWS LOCHOW Group, in which KWS' cereals activities are combined, was able to increase its net sales and earnings year-on-year. Above all, the positive trend in direct business with

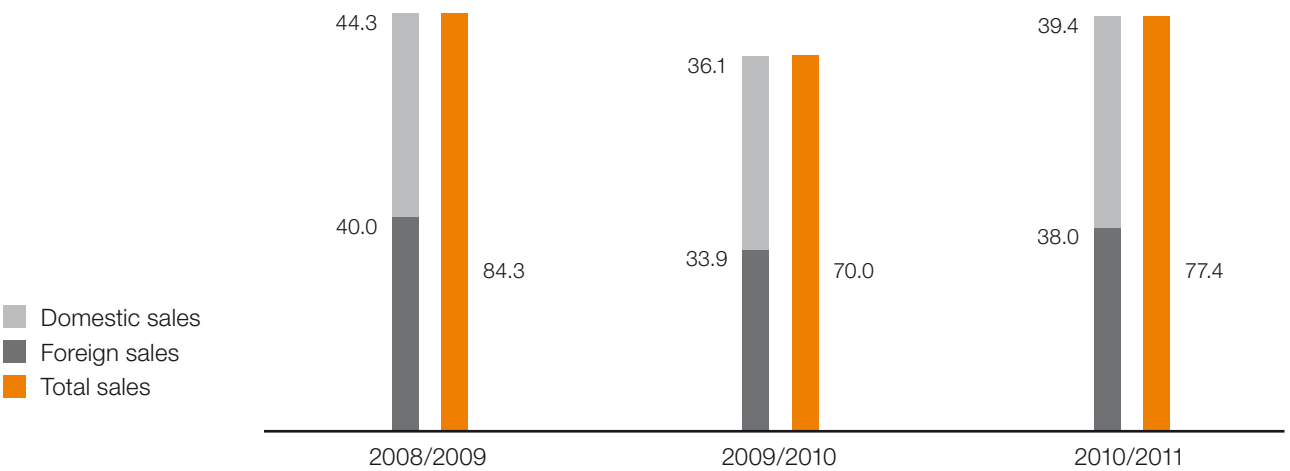
hybrid rye contributed to this development. Our wheat and barley business, which is mainly licensed-based, also improved. Net sales in the Cereals Segment totaled €77.4 (70.0) million.

The segment posted better income than anticipated in the course of the year. Despite continued strong expansion of distribution, income at June 30, 2011, was above the high level of 2008/2009 and totaled €14.3 (10.5) million, an above-proportionate increase relative to net sales. Apart from the strong level of direct business with hybrid rye, this was also attributable to higher royalties. The segment's EBIT margin increased sharply to 18.5% (15.0%).

### The regions

As in the previous year, rye remained the mainstay, contributing some 50% of KWS LOCHOW's net sales. Hybrid rye business developed very positively in the past fiscal year in Germany. Our hybrid rye sales also rose in Poland.

Cereals Segment sales in millions of €



Hybrid rye also produces good yields in nutrient-poor and dry soils – around 20% more than conventional rye under normal conditions.

KWS LOCHOW grew its net sales in its other important markets – the UK, France and Denmark and increased its share of the UK wheat market to more than 40%.

To coincide with the 2011 sowing season in Germany, KWS LOCHOW launched QualityPlus®, a new quality brand for cereal seed that exceeds the already high quality requirements demanded by law. At the same time, further investments were made in cereal breeding in Germany and internationally. Both these moves will mean greater production reliability and improve the long-term competitiveness of cereal farmers. With this initiative, KWS LOCHOW has underscored its clear commitment to higher seed quality in the German market. Combined with the development of varieties offering top performance, we expect positive effects on sales in the medium to long term.







» Fascinating: Every single cell of a plant contains all its genetic information.

We use this fact in many ways: to enable molecular diagnosis of plant traits, to produce homozygous plants and to regenerate whole plants.



Vitalina Karfik, Agricultural Technical Lab Assistant, KWS SAAT AG





# Breeding & Services Segment

KWS' positive growth is mainly attributable to our research and development activities, which have been continuously expanded. We will keep focusing on breeding and research in order to continue supplying our customers with the best-performing products in the future. The growing complexity of interaction between traditional plant breeding and our research company PLANTA led us to merge both of them again under the roof of KWS SAAT AG in the past fiscal year.

In fiscal year 2010/2011, we merged various research and service departments that have identical or similar tasks in order to simplify structures, standardize processes, make communication more effective and enhance overall efficiency. After 25 years of successful work, PLANTA ANGEWANDTE PFLANZENGENETIK UND BIOTECHNOLOGIE GMBH is now part of the new general unit "Research and Development" together with the Institute for Plant Breeding of KWS SAAT AG.

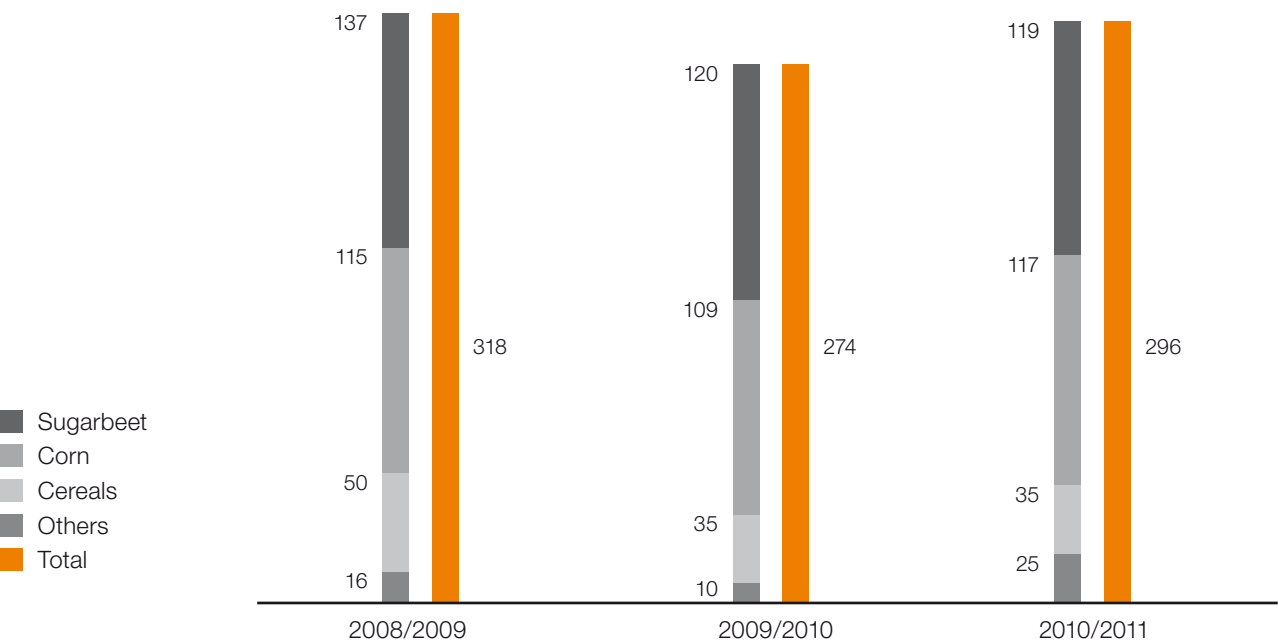
In addition, a separate department for breeding oil seed and for new breeding activities was created, while our intensified seed potato activities were integrated in the Sugarbeet Segment.

The Breeding & Services Segment's external net sales, which in fiscal 2010/2011 consisted only of breeding ser-

vices for third parties and net sales from our farms, totaled €13.4 million (previous year excluding potato activities: €10.0 million). We increased our research and development expenditure in the year under review by 16.4% to €113.5 (97.5) million. Additional royalties due to greater sales volumes for the KWS Group were not able to offset the planned increase in the money we spent on R&D. Overall, the segment's income fell to € -1.8 (€6.3) million.

The success of the breeding expenditures in the past years is reflected every year in the number of approvals for new varieties. In fiscal 2010/2011, we were granted 296 (274) new sales approvals worldwide.

Marketing approval from new varieties



Around 10,000 different fertilizations are required for a new variety. It must always be clear who the father is, so precise pollination is a must in plant breeding.

## Yield needs reliability: Progress in breeding resistance in sugarbeet

When sugarbeet is infected by rhizomania, a loss in sugar content of up to 60% can result. This "virus disease" is thus one of the most menacing sugarbeet diseases worldwide. The virus is transmitted by fungi living in the soil.

In the past fiscal year, we made significant progress in breeding rhizomania-tolerant sugarbeet. A combination of various resistances provides stronger protection against the disease and thus safeguards yield performance even in crops severely infected by rhizomania. KWS is also working on a means of genetically engineering particularly high resistance to rhizomania in sugarbeet.

## Corn breeding program for China

The corn breeding program for China has been expanded further. An increase in capacities created a good foundation for conducting the planned field trials. We were able to increase our testing more than threefold between 2010 and 2011. A further doubling of the number of performance

tests is planned for 2012. Initial competitive products for the Chinese market are undergoing performance and approval tests.

## Wheat breeding program in the U.S.

In January 2011, we were able to acquire the wheat genetic material of the two American companies Great Lakes Cereal Grains in Loveland, Colorado, and Sunbeam Extract Co. in Wooster, Ohio, thus gaining broader access to the U.S. wheat seed market and new opportunities for cooperation with technology leaders in the field of cereal breeding. Wheat breeding and commercial cereal activities in the U.S. will be merged in the newly established company KWS CEREALS USA, LLC, based at the headquarters of KWS SEEDS in Shakopee, Minnesota. We assume that the North American market will be the first where genetically modified wheat is marketed. In view of this, we have decided to build up our own wheat breeding activities in the U.S. in order to round out our own existing and extensive development work, for example on broad, genetically engineered resistance to fungi.

### Resumption of sunflower breeding

Sunflowers and sunflower oil are used in a wide range of different ways in the food and feed industry and numerous other areas of industry. Years ago we postponed breeding activities for this hybrid – despite having a basic stock of breeding material – in order to focus initially on rapeseed in our oil seed breeding work. Global sunflower cultivation area is put at around 17 million ha, with Europe accounting for 70% of it. The most important regions are Russia, Ukraine and Southeastern Europe. In the past fiscal year, we consequently resumed and significantly strengthened our sunflower breeding program. Initial variety applications from this program can be expected toward the end of the medium-term horizon.

### Genomic selection: New application of marker technology to increase breeding progress

Genomic selection, a special application in molecular marker technology, allows individual plants to be analyzed at the DNA level for complex traits, such as high yield or resistance to diseases, and selected. Molecular markers are DNA

sequences that can be used to determine the genetic make-up for specific traits of plants. Complete DNA sequencing of the sugarbeet and corn genome has led to identification of a large number of such molecular markers. Identification of as many markers as possible in a genome enables a specific marker profile of the individual plant to be created – comparable to a genetic fingerprint. With the high-throughput marker analyses used at KWS, molecular marker profiles of plant populations can be created quickly and at low cost. In extensive mathematical processes, the data obtained are used to derive forecasts in order to examine whether the breeding objectives for the plants in question are achieved. As a result, plant types with complex traits can be selected more efficiently and breeding progress sped up.

KWS has conducted intensive testing of genomic selection, in particular in corn, for two years. In particular, biostatistical methods are being developed and tested in the research project “SYNBREED,” a cooperative linkup between leading institutional research institutions and KWS and sponsored by the German Ministry of Education and Research and the Ministry of Food, Agriculture and Consumer Protection. Initial insightful results indicate that breeding progress is likely to be accelerated. We have also intensified genomic selection in sugarbeet as a result of our good experience. Initial steps have been undertaken for cereals.

### Continuation of GABI: “Plant Biotechnology of the Future”

Plant genome research in Germany has been funded for 12 years by the German Ministry of Education and Research in the national research program GABI (**G**enome **A**nalysis in the **B**iological System of the Plant). From the outset, KWS has been involved in many projects and in steering the overall program. These research partnerships have yielded extensive knowledge in the area of molecular biology relating to sugarbeet, corn, wheat and barley – an important foundation for developing marker-based selection and genetic engineering approaches.

KWS is involved in 16 of the total of 28 research projects in the initiative “Plant Biotechnology of the Future,” which is based on “GABI” and was launched in 2011. It will help KWS expand and strengthen its cooperation network with academic institutions and promote technology transfer to the plant breeding community.

## Outlook for the fiscal year 2011/2012

We established three service companies outside Germany, in addition to a German one, effective July 1, 2011. They are responsible for the administrative tasks of our operating subsidiaries in more than 50 countries. After 25 years of successful work, our research company PLANTA ANGEWANDTE PFLANZENGENETIK UND BIOTECHNOLOGIE GMBH was reintegrated in KWS SAAT AG, likewise effective July 1, since biotechnology methods are now a firm part of plant breeding. As of fiscal 2011/2012, we will also disclose breeding costs directly in the product segments and thus create even greater transparency. As a result, intra-segment offsetting of product development costs will no longer be a part of future reporting. Only the costs for long-term research projects whose results are not ready for the market will be grouped together with the other cross-segment administrative costs as group function costs.

Demand for seed remains high at present, although the level of dynamic development and further growth as in the past fiscal year 2010/2011 is not anticipated. In view of that and on the basis of our good product performance, we currently expect the KWS Group to grow its net sales by approximately 5%. We have firmly planned another increase in our research and development budget by 10%. Our breeders will focus on creating new products for new markets. Our sales and marketing expenses will rise to a comparable extent. Due to cost increases and lower income from the valuation of working capital, we expect the KWS Group to post total operating income (EBIT) of just over €100 million. As a result, we would adhere to our general goal of a sustainable double-digit EBIT margin.

### The individual segments

In the **Corn Segment**, we expect net sales to rise by up to 10% in fiscal 2011/2012. We assume that the main contributors to this increase will be the regions North America, France and Southeastern Europe. The Corn Segment will not match the income it posted in fiscal 2010/2011 due to further expansion of our R&D activities for developing corn, rapeseed and sunflower products and an upward trend in the cost of sales. However, we anticipate it will still generate a double-digit EBIT margin.

In fiscal 2011/2012, seed potato business will likely contribute net sales of approximately €40 million to the **Sugarbeet Segment**. However, we plan further up-front costs to expand our potato business, which will reduce the segment's income in the medium term. The development of our sugarbeet seed business in the EU 27 depends on this year's sugar production levels. If the production quota is exceeded, this could lead to a reduction in areas that cannot

be compensated for by moderate growth in the energy beet sector. The high cereal prices will also probably cause many farmers in Russia and Ukraine to change their crop rotation. We therefore anticipate that areas will decline by an average of around 5%. Despite an increase in R&D expenditure, the segment's income will not be strained as a result of the elimination of intersegment product royalties. We expect our Sugarbeet Segment, including seed potatoes, to record net sales of approximately €300 million and an EBIT margin of just over 20%.

The prospects for our **cereals business** in the current fiscal year appear positive. Areas for the fall 2011 sowing season should increase given the rise in prices for cereals for consumption. In particular, we expect successful implementation of the QualityPlus® concept in Germany and higher hybrid rye sales in Poland. Given a slight increase in sales and rising expenses for breeding, we expect the segment's income to remain stable in the current year.



Are the crossed traits actually active in the plant? That is revealed by an analysis of its constituents. The leaf tissue is first crushed with a pestle and mortar.





>> We produce corn seed in about  
20 countries around the world.

When spring comes, we often have to be quick. It's always  
a logistical challenge to make the right seed available to  
our customers at the right time.



Andreas Römmert, Head of Logistics, KWS SAAT AG



# Employees

Seeding the Future – to do that, we need innovative seed with proven qualities, since new challenges call for new approaches and solutions. That goes for our products and for us a company. That is why we believe it to be important to be aware of the proven fundamentals of our identity as a company with a long tradition of family ownership and nurture positive characteristics. We also want to create freedom to innovate within the company – and stimulate our employees to think outside the box.

The increasing internationalization and complexity of agricultural markets pose diverse new challenges for us and our customers alike. We can overcome these challenges with the commitment and personal motivation of our employees – and their courage to come up with new ideas. We therefore endeavor to offer all employees a working environment that encourages continuous progress. We foster a corporate culture that is characterized by trust and cooperation and the common goal of keeping KWS on its path to success.

We use proven approaches and try out new ways of enabling the personal and professional further development of every single person and adapt our organizational structures to changing market requirements.

### Skill building and personnel development

We attach importance to comprehensive training and development concepts that help our employees to retain and enhance their personal and professional abilities in different phases of their career. Many further training offerings enable them to expand their expertise and to ideally meet the demands of a constantly changing working environment. Particularly in light of the company's growth, the associated workforce diversity and greater networking, it is especially important to support international exchange through intercultural training measures. Virtual collaboration now plays an increasingly major role in KWS' work today and will continue to do so in the future. Our focus here is on building intercultural skills and the optimal use of cutting-edge networking technology.

### Development of junior staff/Trainee Program

At KWS, continuity means questioning, improving and implementing new ideas. The KWS Trainee Program was evaluated by current and former participants in this spirit. One key result of the survey is that 87% of trainees would recommend the KWS Trainee Program. Suggestions for optimization were taken up in order to further increase the attractiveness of the introductory program, for example by interdisciplinary and international assignments.

### Breeders Academy

The KWS Breeders Academy plays an important role in helping us obtain highly qualified young experts. The combination of theory and practice as a result of rotation through different breeding stations, coupled with various university courses, prepares university graduates for their specific career in plant breeding. This program is an interesting opportunity for budding plant breeders to get to know their profession.

### Dual study

In fiscal 2010/2011, a practical partnership as part of a dual course of studies (business administration, with a major in agricultural management) was established in cooperation with the Vocational Training Academy of Saxony in Dresden. It offers junior staffers the chance to get to know their company early on, to define their goals and gear their training toward them.

### Training

KWS is currently training 89 (84) young people in seven vocations in Germany. The high quality of training is ensured by more than 100 instructors at KWS. 43 young colleagues successfully completed their training at KWS in fiscal 2010/2011.

12 of the 27 current business administration apprentices trainees have decided to gain extra qualification as a "European clerk," which prepares them specifically for working in an international company. They can gather valuable international experience in an internship at KWS subsidiaries.

### YOUNior Professional Program

The YOUNior Professional Program, which aims to develop junior staffers in an interdisciplinary way, was expanded at the international level. Former trainees and university graduates are brought together in international, interdisciplinary teams. In five modules spread over two years, they address issues relating to business, project and change management and personality development. They also work on solutions in current projects from top management.



Around 6,000 customers and other guests visit KWS in Einbeck every year. That calls for experience, good organization and teamwork from our Visitor Service staff.

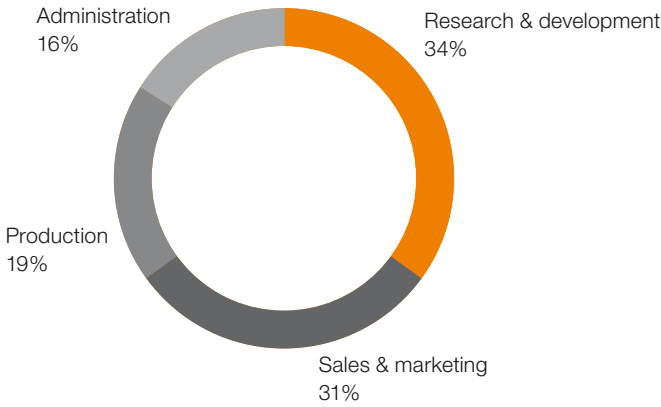
### Integration of all employees in strategic reorganization

KWS' future is shaped to a large extent by its employees' engagement. They have inestimable potential in the form of their know-how, knowledge of the market, experience and ideas. Our subsidiary BETASEED has successfully integrated this valuable resource in an unusual approach for strategic realignment of the company: On the basis of the core objectives for the next five years, all employees worked together in mixed teams at a large event – irrespective of their location, functional area and level. Apart from the valuable results generated by this cooperation, the new approach also provided employees with new and more detailed contacts as a result of the exchange of ideas.

### New collective bargaining agreement promotes a family-friendly spirit

KWS endeavors to create a working environment that provides current and future employees with the best possible support in all phases of their life, and it does that in part by giving them flexibility.

KWS Group employees by functions





A new collective bargaining agreement was concluded in Germany for KWS SAAT AG, KWS MAIS GMBH and KWS SERVICES DEUTSCHLAND GMBH effective July 1, 2011, and it will help employees reconcile work and family above and beyond the existing benefits offered by the company.

The maximum child care allowance permitted by law will continue to be paid for the next two years, for example. In addition, an agreement to support employees with dependents who need caring for was concluded: In addition to their usual flexitime models these employees can decide to reduce their working hours to up to 50% so that they can look after their family member. During this time, they receive up to 75% of their previous compensation.

Internationalization of HR work

The company's continuing positive business performance and strong internationalization also pose new challenges for human resources work: To maintain the high standard of HR support and development for every employee worldwide, this work was reorganized between our HR corporate function and the regional Service Centers.

The HR corporate function develops the strategic framework for HR work at KWS. It is primarily responsible for strategic HR issues, including basic personnel questions, compensation policy, international personnel development, talent management, employer branding, cultural management and support for key functions at KWS. There is also a continuous dialogue and close cooperation between the HR Service Centers and the HR corporate function as well

as with the operating units. That ensures a service portfolio derived from the needs of our core business.

As regional centers with responsibility for several Local Companies, the Service Centers and their employees enable extensive and expert service for the units in all matters relating to HR support. In addition, the HR experts provide assistance regarding change processes, continuing education, personnel marketing and the promotion of diversity. The regional centers offer an ideal platform for leveraging synergies and networking to encourage new ideas and approaches.

Employees in numbers

In the fiscal year 2010/2011, the KWS Group employed 3,560 (3,492) employees worldwide. Personnel expenses at the KWS Group rose to €165.0 (147.2) million. In the fiscal year 2010/2011, 89 (84) trainees were employed in Germany.

Average workforce growth over the last 5 years (by regions)

	2006/07	2010/11	Ø Growth
Germany	1,179	1,481	6% p.a.
Europe (excluding Germany)	633	922	10% p.a.
America	884	1,020	4% p.a.
Rest of the world	43	137	34% p.a.
Total	2,739	3,560	7% p.a.

Risks and chances for future development

KWS' strategic objective is to strengthen and build on its leading market position as an earnings-oriented seed company. To do that, we have to identify, assess and exploit opportunities. Planning, implementation and control are the key commercial measures for ensuring successful business operations. Nevertheless, we also take certain risks as part of our business activity. To deal systematically with these risks, KWS has established an effective risk management system.

Identifying commercial opportunities and pursuing them with energy

The individual business segments are also responsible for identifying and leveraging commercial opportunities. These potentials are recorded in the operational plan and tracked by means of regular reporting. Longer-term strategic objectives and measures are also included in the decision-making process. You can find detailed explanations of the anticipated course of business in the "Outlook" Section on page 39.

The risk management system means advantages for corporate controlling

A pragmatic risk management approach that reflects KWS' organization was chosen and is used to monitor, control and document the main risks. KWS' efforts to improve transparency are also aimed at creating benefits for managing the company. KWS has firmly established the risk management system in its corporate planning and controlling and in its reporting system. The efficiency of the risk management system is ensured by a clear assignment of responsibilities and internal control. The operation of the early-warning system for risks was examined as part of the audit of the annual financial statements.

We practice a culture of trust

KWS' risk management system is founded on trust in its employees and on the long experience that shows that they act responsibly toward themselves, their colleagues and the company as a whole. Rules of conduct, training and control measures help our employee assess risks on their own. The risk management system is based on strategic planning and investment controlling, continuous operational controlling and the quality and process monitoring systems. External auditing by experienced auditors is conducted at KWS and is a key component of risk management in ensuring that internal controls work. The internal control system also includes documentation and central coordination of the individual risks and associated controls. Several audits are held each year, covering processes in the organizational units. The Executive Board is responsible for the risk management system, which meets

legal requirements by ensuring that all significant risks are systematically identified each year, examined, assessed as to their likelihood of occurrence and potential impact, documented, controlled and monitored.

More than 100 significant risks and ways of controlling them are described in the system implemented at KWS. They are assessed with their individual likelihood of occurrence and potential level of damage. Their significance is evaluated on the basis of their effect on operating income (EBIT) or specific qualitative indicators. The individual risks or process sections are assigned to employees who conduct controls and employees responsible for controls. In addition, manual and automated controls are set up for the identified risks. The employees who conduct controls and are responsible for them use these workflows to report to the risk manager on the controls and their results. If individual points in the rules and regulations are not complied with, this is registered and the situation is documented.

The control and risk management system in the accounting process

KWS' risk management system also extends to the accounting process, with the same systematic approach, objectives and features. It comprises all the measures, structures and processes designed to make sure that all business events and transactions are included in accounting promptly, consistently and correctly. It ensures compliance with the statutory standards, accounting regulations and internal accounting control policies that are binding on all consolidated companies. The system consists of principles, procedures and controls to reveal irregularities. There are also policies for accounting and reporting, a standardized IT system and a uniform chart of accounts.

Among other things, we regularly examine the completeness of financial reporting, the Group's uniform accounting, measurement and account allocation stipulations, the authorization and access regulations for IT systems used in accounting, and proper, complete elimination of intra-Group transactions as part of consolidation. The effectiveness of the controls is assessed by means of regular tests using random samples. They form the basis for assessing whether our controls are adequate and effective. The results are documented and communicated internally. Identified weaknesses are eliminated. The Executive Board and the Audit Committee of the Supervisory Board are informed regularly of the risk situation, the results of the controls and the effectiveness of the risk management system and all its control functions.

### Significant risks

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 are the currently identified and relevant risks. Other risks may also influence our business. No risks that pose a threat to the company's existence have been identified to date. There was no significant change in the risk situation in fiscal 2010/2011 compared with the previous year.

### Operational risks

The medium-term sales risk depends on product performance and the competitive situation. KWS addresses this challenge with systematic analyses of the market and the competition and by constantly developing higher-quality seed for innovative, high-yielding plants. Procurement risks are minimized by international diversification of seed production locations and sufficient stockpiling. KWS counters the risk of a decline in cultivation areas for agricultural products with its efforts to win market share and grow sales in other markets or with new products. A wide-ranging product portfolio contributes to commercially useful 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 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 – full use of which was not made in the year under review – and an equity ratio of 58.8%. Our loan agreements include financial covenants, compliance with which has been ensured at all times to date. KWS uses extensive trade credit insurance to minimize the risk of losing receivables in risky regions and business segments. To enable this, KWS pursues an active receivables management policy so that impending payment defaults can be identified at an early stage. The risk of interest rate changes and currency risks are addressed through the usual standardized hedging instruments, which in turn do not have an incalculable influence on KWS' earnings and assets situation.

### Political risks

In the strongly regulated agricultural industry, political risks have a significant impact on business development. The lack of statutory regulations may also represent a risk. One unavoidable latent risk for our corn business is

the possibility of the adventitious presence of genetically modified organisms (GMOs) in conventional seed. In the absence of a standardized legal threshold value, German authorities in particular practice a policy of zero tolerance in this matter. In the spring of 2011, for example, one in 13 seed samples from corn breeding companies in Germany was objected to. The German authorities take random samples to test for the presence of GMOs, and they prohibit the sale of seed and order already sown areas to be plowed up even if there are the slightest traces of them. There is no tolerance, and second examinations are not permitted. There are also similar developments outside Germany: There was greater sampling of corn seed in Hungary in the past year as well.

In view of the simultaneous imports of millions of tons of genetically modified feed and food from transatlantic markets, this administrative practice is inappropriate. Ultimately, the resultant damage is to be borne by the seed industry, despite the fact that the seed breeders have their seed tested for freedom from GMOs by an independent laboratory before it is supplied to customers. German plant breeders therefore urge lawmakers to define the long overdue thresholds for seed so as to create legal security for all parties involved.

It is not only direct legislative procedures or official actions that impact our commercial operations. Reservations on the part of the populace can also influence opportunities for business development. In the United States, the use of genetic engineering has become standard procedure. Genetically improved varieties have been in use there for more than 10 years, and they are planted today on an area of more than 60 million ha. The acceptance of genetically improved products is high, and misgivings exist only in a few states, such as California. No particular risks for the environment or animal or human organism have been scientifically identified.

Nevertheless, legal action by opponents of genetic engineering against the cultivation of stecklings of genetically modified sugarbeet continue to cause uncertainty among breeding companies. In 2010, opponents were able to obtain a temporary revocation of approval for such products before a Californian district court. Although the United States Department of Agriculture (USDA) has since permitted commercial cultivation and



Inside the fermenter: Regular checks are an essential part of avoiding a drop in the performance of a biogas plant.

seed production for herbicide-tolerant, genetically modified sugarbeet varieties (Roundup Ready® varieties) subject to conditions, it can be assumed that this ruling will be appealed. Worldwide, genetically modified crops are cultivated on around 150 million hectares a year, with remarkable economic and ecological advantages.

In Germany, radical opponents of genetic engineering – lacking any sense of the illegality of their actions – have recently committed attacks on plant breeders' field trials with innovative biotechnological products. The breeders suffered considerable financial losses. If lawmakers were to initiate an unprejudiced, objective policy regarding the application of plant technology, that would be useful in limiting this risk.

Demand for high-yielding energy plants is dependent on other external factors, such as the price of fossil fuels, general regulatory conditions, such as government market incentive programs for startup financing for the investments needed for bioenergy production and admixture ratios for biofuels.

### 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 stemming from bad weather by distributing seed multiplication 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.

Overall, the KWS Group's risk management systems did not reveal any risks that jeopardized the company's existence in the year under review.



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

The Executive Board provides the following explanations of the information in accordance with Section 315 (4) HGB (German Commercial Code) in the 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 the right to cast 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.

The following direct or indirect participating interests in the capital of KWS SAAT AG in excess of 10% of the voting rights have been reported to the company in keeping with Sections 21 and 22 of the German Securities Trading Law (WpHG) or elsewhere:

- 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 56.1%.

Dr. Dr. h.c. mult. Andreas J. Büchting, Einbeck  
Christiane Stratmann, Meerbusch  
Dorothea Schuppert, Berlin  
Michael C.-E. Büchting, Einbeck  
Annette Büchting, Bremen  
Stephan O. Büchting-Hansing, Ammerbuch-Entringen  
Elke Giesecke, Altenberge  
Christa Nagel, Hannover  
AKB Stiftung, Hannover  
Zukunftsstiftung Jugend, Umwelt und Kultur, Einbeck  
Büchting Beteiligungsgesellschaft mbH, Hannover  
Dr. Arend Oetker, Berlin  
Kommanditgesellschaft Dr. Arend Oetker Vermögensverwaltungsgesellschaft mbH & Co., Berlin

- The voting shares, including mutual allocations, of the share-holders stated below each exceed 10% and total 13.8%.

Hans-Joachim Tessner, Goslar  
Tessner Holding KG, Goslar  
Tessner Beteiligungs GmbH, 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; analogously to Section 84 AktG, the company's Articles of Association also stipulate that members of the Executive Board are appointed by the Supervisory Board. 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 Section 22 of 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. The compensation agreements between the company and members of the Executive Board and governing the case of a change in control stipulate that any such compensation will be limited to the applicable maximum amounts specified by the German Corporate Governance Code.

Einbeck, October 20, 2011

KWS SAAT AG  
THE EXECUTIVE BOARD

# Annual Financial Statements of the KWS Group 2010/2011

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## Balance sheet

of the KWS Group  
at June 30, 2011,  
figures in € thou-  
sands, unless other-  
wise specified

ASSETS	Note no.	06/30/2011	Previous year
Intangible assets	(2)	59,656	49,616
Property, plant, and equipment	(3)	226,315	220,591
Financial assets	(4)	4,101	4,987
Noncurrent tax assets	(5)	5,144	5,920
Deferred tax assets	(6)	29,147	26,056
<b>Noncurrent assets</b>		<b>324,363</b>	<b>307,170</b>
Inventories and biological assets	(7)	128,998	136,786
Trade receivables	(8)	268,209	262,176
Securities	(9)	36,621	13,077
Cash and cash equivalents	(10)	110,278	100,593
Current tax assets	(8)	14,322	16,925
Other current assets	(8)	19,173	20,654
<b>Current assets</b>		<b>577,601</b>	<b>550,211</b>
<b>Total assets</b>		<b>901,964</b>	<b>857,381</b>
<b>EQUITY AND LIABILITIES</b>			
Subscribed capital		19,800	19,800
Capital reserve		5,530	5,530
Retained earnings		483,925	448,849
Minority interest		21,006	18,768
<b>Equity</b>	<b>(11)</b>	<b>530,261</b>	<b>492,947</b>
Long-term provisions		63,028	61,464
Long-term borrowings		19,421	21,556
Trade payables		2,308	2,265
Deferred tax liabilities		24,657	18,638
Other long-term liabilities		9,311	10,209
<b>Noncurrent liabilities</b>	<b>(12)</b>	<b>118,725</b>	<b>114,132</b>
Short-term provisions		107,396	129,546
Short-term borrowings		14,205	10,730
Trade payables		69,349	57,472
Current tax liabilities		25,513	22,785
Other liabilities		36,515	29,769
<b>Current liabilities</b>	<b>(13)</b>	<b>252,978</b>	<b>250,302</b>
<b>Liabilities</b>		<b>371,703</b>	<b>364,434</b>
<b>Total equity and liabilities</b>		<b>901,964</b>	<b>857,381</b>

## Statement of comprehensive income

from July 1, 2010, through June 30, 2011; figures in € thousands,  
unless otherwise specified

	Note no.	2010/11	Previous year
<b>I. Income statement</b>			
Net sales	(18)	855,375	754,154
Cost of sale		433,365	406,143
<b>Gross profit on sale</b>		<b>422,010</b>	<b>348,011</b>
Selling expenses		138,501	128,621
Research and development expenses		113,539	97,510
General and administrative expenses		59,997	49,598
Other operating income	(19)	43,755	44,589
Other operating expenses	(20)	37,091	34,440
<b>Operating income</b>		<b>116,637</b>	<b>82,431</b>
Interest and similar income		1,719	1,602
Interest and other expenses		8,598	6,582
Net income from equity investments		-95	3
<b>Net financial income/expenses</b>	<b>(21)</b>	<b>-6,974</b>	<b>-4,977</b>
<b>Results of ordinary activities</b>		<b>109,663</b>	<b>77,454</b>
Income taxes	(22)	36,741	25,997
<b>Net income for the year</b>	<b>(24)</b>	<b>72,922</b>	<b>51,457</b>
<b>II. Other comprehensive income</b>			
Financial instruments		80	18
Currency translation difference for economically independent foreign units		-22,845	19,435
<b>Other comprehensive income after tax</b>		<b>-22,765</b>	<b>19,453</b>
<b>III. Comprehensive income</b>			
<b>Comprehensive income</b>		<b>50,157</b>	<b>70,910</b>
Share of other minority interests		2,541	2,019
Comprehensive income after shares of minority interests		47,616	68,891
<b>Net income for the year</b>		<b>72,922</b>	<b>51,457</b>
Shares of other minority interests		2,669	1,898
Net income after shares of other minority interests		70,253	49,559
<b>Earnings per share (in €)</b>		<b>10.64</b>	<b>7.51</b>





# Statement of changes in fixed assets of the KWS Group 2010/2011 and 2009/2010

Figures in € thousands, unless otherwise specified

	Currency translation	Changes in the consol. group	Additions	Disposals	Transfers		Currency translation	Changes in the consol. group	Additions	Disposals	Transfers						
	Gross values								Amortization/depreciation						Net book values		
	Balance 07/01/2010							Balance 06/30/2011	Balance 07/01/2010						Balance 06/30/2011	Balance 06/30/2011	Previous year
Patents, industrial property rights and software	40,373	-347	9,204	4,723	1,175	-31	52,747		16,472	-173	-2,715	3,540	1,140	0	15,984	36,763	23,901
Goodwill	30,218	-1,704	1,097	12	0	0	29,623		4,503	-63	0	2,290	0	0	6,730	22,893	25,715
Intangible assets	70,591	-2,051	10,301	4,735	1,175	-31	82,370		20,975	-236	-2,715	5,830	1,140	0	22,714	59,656	49,616
Land and buildings	196,940	-5,703	8	9,117	351	7,428	207,439		59,439	-1,741	2	5,921	187	-3	63,431	144,008	137,501
Technical equipment and machinery	146,517	-4,364	280	10,927	1,528	3,900	155,732		96,148	-3,008	75	9,466	1,424	3	101,260	54,472	50,369
Operating and office equipment	67,329	-2,453	154	6,418	3,893	973	68,528		46,777	-1,744	55	6,244	3,596	0	47,736	20,792	20,552
Payments on account	12,169	-34	0	7,178	0	-12,270	7,043		0	0	0	0	0	0	0	7,043	12,169
Property, plant and equipment	422,955	-12,554	442	33,640	5,772	31	438,742		202,364	-6,493	132	21,631	5,207	0	212,427	226,315	220,591
Financial assets	5,054	0	32	112	160	-770	4,268		67	0	0	100	0	0	167	4,101	4,987
Assets	498,600	-14,605	10,775	38,487	7,107	-770	525,380		223,406	-6,729	-2,583	27,561	6,347	0	235,308	290,072	275,194

	Balance 07/01/2009						Balance 06/30/2010		Balance 07/01/2009					Balance 06/30/2010	Balance 06/30/2010	Previous year
Patents, industrial property rights and software	37,621	260	0	2,866	378	4	40,373	13,666	168	0	3,006	368	0	16,472	23,901	23,955
Goodwill	28,298	1,572	0	358	10	0	30,218	4,372	140	0	1	10	0	4,503	25,715	23,926
<b>Intangible assets</b>	<b>65,919</b>	<b>1,832</b>	<b>0</b>	<b>3,224</b>	<b>388</b>	<b>4</b>	<b>70,591</b>	<b>18,038</b>	<b>308</b>	<b>0</b>	<b>3,007</b>	<b>378</b>	<b>0</b>	<b>20,975</b>	<b>49,616</b>	<b>47,881</b>
Land and buildings	164,003	4,545	0	20,092	403	8,703	196,940	53,356	1,588	0	4,815	311	-9	59,439	137,501	110,647
Technical equipment and machinery	129,978	4,170	0	10,870	5,797	7,296	146,517	90,040	2,971	0	8,232	5,122	27	96,148	50,369	39,938
Operating and office equipment	57,433	2,028	0	9,899	2,683	652	67,329	42,028	1,574	0	5,988	2,795	-18	46,777	20,552	15,405
Payments on account	14,741	340	0	14,270	527	-16,655	12,169	0	0	0	0	0	0	0	12,169	14,741
<b>Property, plant and equipment</b>	<b>366,155</b>	<b>11,083</b>	<b>0</b>	<b>55,131</b>	<b>9,410</b>	<b>-4</b>	<b>422,955</b>	<b>185,424</b>	<b>6,133</b>	<b>0</b>	<b>19,035</b>	<b>8,228</b>	<b>0</b>	<b>202,364</b>	<b>220,591</b>	<b>180,731</b>
<b>Financial assets</b>	<b>3,418</b>	<b>2</b>	<b>0</b>	<b>9</b>	<b>273</b>	<b>1,898</b>	<b>5,054</b>	<b>170</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>103</b>	<b>0</b>	<b>67</b>	<b>4,987</b>	<b>3,248</b>
<b>Assets</b>	<b>435,492</b>	<b>12,917</b>	<b>0</b>	<b>58,364</b>	<b>10,071</b>	<b>1,898</b>	<b>498,600</b>	<b>203,632</b>	<b>6,441</b>	<b>0</b>	<b>22,042</b>	<b>8,709</b>	<b>0</b>	<b>223,406</b>	<b>275,194</b>	<b>231,860</b>



## Statement of changes in equity

Figures in € thousands, unless otherwise specified

	Subscribed capital	Capital reserve	Accumulated group equity from earnings	Adjustments from currency translation	Revaluation reserve	Other translations	Equity	Minority interests	Adjustments from currency translation	Other translations	Equity	
	Parent company						Parent company	Minority interest			Group equity	
				Comprehensive other group income					Comprehensive other group income			
<b>Balance as at June 30, 2009</b>	<b>19,800</b>	<b>5,530</b>	<b>407,938</b>	<b>-16,739</b>	<b>45</b>	<b>594</b>	<b>417,168</b>	<b>17,803</b>	<b>-481</b>	<b>-4</b>	<b>17,318</b>	<b>434,486</b>
Dividends paid			-11,880				-11,880	-569			-569	-12,449
Changes in the consolidated group							0				0	0
Net income for the year			49,559				49,559	1,898			1,898	51,457
Other comprehensive income after tax				19,314	18		19,332		121		121	19,453
Total consolidated gains (losses)			49,559	19,314	18		68,891	1,898	121		2,019	70,910
<b>Balance as at June 30, 2010</b>	<b>19,800</b>	<b>5,530</b>	<b>445,617</b>	<b>2,575</b>	<b>63</b>	<b>594</b>	<b>474,179</b>	<b>19,132</b>	<b>-360</b>	<b>-4</b>	<b>18,768</b>	<b>492,947</b>
Dividends paid			-12,540				-12,540	-549			-549	-13,089
Changes in the consolidated group								246			246	246
Net income for the year			70,253				70,253	2,669			2,669	72,922
Other comprehensive income after tax				-22,717	80		-22,637		-128		-128	-22,765
Total consolidated gains (losses)			70,253	-22,717	80		47,616	2,669	-128		2,541	50,157
<b>Balance as at June 30, 2011</b>	<b>19,800</b>	<b>5,530</b>	<b>503,330</b>	<b>-20,142</b>	<b>143</b>	<b>594</b>	<b>509,255</b>	<b>21,498</b>	<b>-488</b>	<b>-4</b>	<b>21,006</b>	<b>530,261</b>





# Cash flow statement

Figures in € thousands, unless otherwise specified

	Note	2010/11	Prev. year
Net income for the year		72,922	51,457
Depreciation/reversal of impairment losses (–) on property, plant, and equipment		27,561	22,042
Increase/decrease (–) in long-term provisions		1,776	–677
Other noncash expenses/income (–)		1,867	–7,213
<b>Cash Earnings</b>		<b>104,126</b>	<b>65,609</b>
Increase/decrease (–) in short-term provisions		–213	15,501
Net gain (–)/loss from the disposal of assets		–293	–71
Increase (–)/decrease in inventories, trade receivables, and other assets not attributable to investing or financing activities		–16,649	–49,343
Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities		14,242	–4,315
<b>Net cash from operating activities</b>	<b>(A)</b>	<b>101,213</b>	<b>27,381</b>
Proceeds from disposals of property, plant, and equipment		859	1,253
Payments (–) for capital expenditure on property, plant, and equipment		–33,661	–52,147
Proceeds from disposals of intangible assets		35	10
Payments (–) for capital expenditure on intangible assets		–4,735	–3,225
Proceeds from disposals of financial assets		931	171
Payments (–) for capital expenditure on financial assets		–113	–1,445
Payments (–) for purchase of shares in consolidated subsidiaries and other business units		–15,670	0
<b>Net cash from investing activities</b>	<b>(B)</b>	<b>–52,354</b>	<b>–55,383</b>
Dividend payments (–) to shareholders parent and minority		–13,089	–12,449
Cash proceeds from issuance of bonds and from short- or long-term borrowings		2,852	23,669
<b>Net cash from financing activities</b>	<b>(C)</b>	<b>–10,237</b>	<b>11,220</b>
<b>Net cash changes in cash and cash equivalents</b>		<b>38,622</b>	<b>–16,782</b>
<b>Changes in cash and cash equivalents due to exchange rate, consolidated group, and measurement changes</b>		<b>–5,393</b>	<b>4,821</b>
Cash and cash equivalents at beginning of year	<b>(D)</b>	113,670	125,631
<b>Cash and cash equivalents at end of year</b>		<b>146,899</b>	<b>113,670</b>

# Notes to the cash flow statement for the KWS Group

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 cash earnings. At €104,126 thousand, they significantly rose by €38,517 thousand over previous year. The proportion of cash earnings included in sales was 12.2% (8.7%). Slightly higher receivables, lower inventories and current provisions and higher trade payables resulted in cash outflows of €2,913 thousand (€38,228 thousand). The net funds used in operating activities also include interest income of €1,686 thousand (€1,208 thousand) and dividend income of €5 thousand (€3 thousand) as well as interest expense of €4,960 thousand (€2,967 thousand). €769 thousand (€682 thousand) was paid out for the external financing of pension commitments. Income tax payments amounted to €35,057 thousand (€28,175 thousand).

### (B) Cash flows from investing activities

A net total of €52,354 thousand (€55,383 thousand) was required to finance investing activities. An amount of €38,396 thousand (€55,372 thousand) was paid for intangible and tangible assets and an amount of €113 thousand (€1,445 thousand) for financial assets. There were total cash receipts of €1,825 thousand (€1,434 thousand) for disposals of assets. €15,670 thousand (€0 thousand) was paid to acquire shares in consolidated companies.

### (C) Cash flows from financing activities

Financing activities resulted in cash payments of €10,237 thousand, compared with cash proceeds of €11,220 thousand in the previous year. The dividend payments to shareholders parent and minority related to the dividends of €12,540 thousand (€11,880 thousand) paid to the shareholders of KWS SAAT AG, as well as profit distributions paid to other shareholders of and at fully consolidated subsidiaries of €549 thousand (€569 thousand). In addition, borrowings of €2,852 thousand (€23,669 thousand) were raised.

### (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 €36,541 thousand (€28,906 thousand) from partially consolidated companies.

### Disclosures on the acquisition and sale of companies and other business units

	2010/11	Previous year
Total for all purchase prices	16,500	0
Total for all sales prices	0	0
Total for purchase price components that are cash and cash equivalents	16,500	0
Total for sales price components that are cash and cash equivalents	0	0
Total cash and cash equivalents acquired with the companies	830	0
Total cash and cash equivalents sold with the companies	0	0



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

	2010/11		Previous year	
	Acquired	Sold	Acquired	Sold
Fixed assets	12,214	0	0	0
Current assets incl. prepaid expenses (excl. cash and cash equivalents)	10,120	0	0	0
Provisions	42	0	0	0
Liabilities incl. deferred income	10,906	0	0	0

The acquisition relates to the remaining shares in the former joint venture VAN RIJN–KWS B.V., the objective of which was to gain commercial control of the potato business. The fair value of the stake at the time of acquisition was €12,216

thousand and resulted in an expense from revaluation of €3,572 thousand. Apart from acquired goodwill of €4,284 thousand, in particular the protected potato varieties and the customer base also had to be recognized.

	2010/11
Intangible assets	11,860
Tangible assets	354
Inventories	1,147
Trade receivables	8,639
Other assets	1,165
<b>Total assets</b>	<b>23,165</b>
Other provisions	42
Financial borrowings	2,450
Trade payables	4,755
Deferred taxes	3,455
<b>Total liabilities</b>	<b>10,702</b>

Because of the seasonal course of our business, there were no significant sales in the year under review after the

time of acquisition. The acquired receivables were carried at their fair value.

Segment reporting for the KWS Group

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

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

- Sugarbeet
- 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, in keeping with the legal entities involved.

Description of segments

Sugarbeet

The results of the multiplication, processing and distribution activities for sugarbeet seed and, for the first time, seed potatoes are reported under the Sugarbeet Segment. Under the leadership of KWS SAAT AG, 20 (15) foreign subsidiaries and affiliated companies and one (one) subsidiary in Germany are now active in this segment. In the previous year, the potato activities of our joint venture VAN RIJN–KWS B.V. were still included in the Breeding & Services Segment. After all the shares in this potato business were acquired effective April 1, 2011, the subsidiary was renamed KWS POTATO B.V.; its four foreign subsidiaries and the other potato activities have been fully consolidated in this segment since then. The previous year’s figures were adjusted accordingly to permit comparison.

Corn

KWS MAIS GMBH is the lead company for the Corn Segment. In addition to KWS MAIS GMBH, business activities are (as in the previous year) conducted by one German company and 13 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 KWS LOCHOW GMBH, an 81%-owned subsidiary of KWS SAAT AG, with its eight (seven) foreign subsidiaries and affiliated companies in France, Great Britain, the U.S. 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 Sugarbeet, Corn and Cereals, as well as consulting services for the KWS Group and other customers.

Considered a core competency for the KWS Group’s entire product range, **plant breeding**, including the related **biotechnology research**, is essentially concentrated at the parent company KWS SAAT AG and PLANTA ANGEWANDTE PFLANZENGENETIK UND BIOTECHNOLOGIE GMBH 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 sugarbeet and corn and by KWS LOCHOW GMBH with respect to cereals. As part of research and breeding, breeding activities are also conducted by other German and foreign subsidiaries and affiliated companies.

**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 to 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 for

breeding genetics are used as the basis. Technology revenue from genetically modified properties (“tech fees”) are paid as a per-unit royalty on the basis of the number of units sold, due to their growing competitive importance.

	2010/11	Previous year	2010/11	Previous year	2010/11	Previous year
	Segment sales		Internal sales		External sales	
Sugarbeet	293,499	261,020	1	333	293,498	260,687
Corn	471,845	414,485	767	1,050	471,078	413,435
Cereals	78,675	72,126	1,238	2,131	77,437	69,995
Breeding & Services	152,226	138,728	138,864	128,691	13,362	10,037
KWS Group	996,245	886,359	140,870	132,205	855,375	754,154

The Breeding & Services Segment generates 91.2% (92.8%) of its sales from the other segments. The sales figure of this segment represents 1.6% (1.3%) of the Group’s external sales. The Corn Segment is the largest contributor of external sales, accounting for 55.1% (54.8%) of external sales, followed by Sugarbeet with 34.3% (34.6%) and Cereals with 9.1% (9.3%).

64.8% (63.7%) of total sales are recorded in Europe (including Germany).

External sales by region

	2010/11	Previous year
Germany	210,860	188,891
Europe (excluding Germany)	343,376	291,114
Americas	265,064	236,381
Rest of world	36,075	37,768
KWS Group	855,375	754,154

	2010/11	Previous year	2010/11	Previous year	2010/11	Previous year
	Segment earnings		Depreciation and amortization		Other noncash items	
Sugarbeet	42,139	33,879	8,013	4,770	2,348	20,973
Corn	62,003	31,668	5,101	4,312	-11,861	30,687
Cereals	14,337	10,543	2,208	2,406	214	2,077
Breeding & Services	-1,842	6,341	12,139	10,554	3,755	2,901
Total segments	116,637	82,431	27,461	22,042	-5,544	56,638
Others	0	0	0	0	0	0
KWS Group	116,637	82,431	27,461	22,042	-5,544	56,638

The operating income of each segment is reported as the **segment result**. The segment results are presented on a consolidated basis and include all directly attributable income expenses. Items that are not directly attributable are allocated to the segments by means of an appropriate formula.

**Depreciation and amortization charges** of €27,461 thousand (€22,042 thousand) allocated to the segments relate exclusively to intangible assets and property, plant, and equipment. Goodwill had to be amortized this fiscal year at the Sugarbeet Segment (€2,134 thousand), at the Corn Segment (€153 thousand) and at the Breeding & Services Segment (€3 thousand).

	2010/11	Previous year	2010/11	Previous year
	Operating assets		Operating liabilities	
Sugarbeet	198,925	183,510	43,670	50,029
Corn	288,595	300.833	160,556	165,082
Cereals	39,565	40,104	9,172	9,436
Breeding & Services	207,643	188,520	74,844	65,873
Total segments	734,728	712,967	288,242	290,420
Others	167,236	144,414	83,461	74,014
KWS Group	901,964	857,381	371,703	364,434

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 formula.

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 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 €24,274 thousand (€31,849 thousand), and the Sugarbeet Segment, where it amounted to €14,092 thousand (€8,414 thousand). 46% (28%) of capital expenditure was made in Europe (excluding Germany) and 40% (58%) in Germany, mainly in Einbeck.

Investments in long-term assets by segment

	2010/11	Previous year
Sugarbeet	14,092	8,414
Corn	8,153	15,018
Cereals	2,599	3,074
Breeding & Services	24,274	31,849
KWS Group	49,118	58,355

Investments in long-term assets by region

	2010/11	Previous year
Germany	19,579	33,565
Europe (excluding Germany)	22,609	16,292
North and South America	6,796	7,560
Rest of world	134	938
KWS Group	49,118	58,355

Operating assets by region

	2010/11	Previous year
Germany	324,993	268,281
Europe (excluding Germany)	208,748	215,365
North and South America	185,240	212,212
Rest of world	15,747	17,109
KWS Group	734,728	712,967



# Notes for the KWS Group 2010/2011

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 (IFRS) published by the International Accounting Standards Board (IASB), London, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and in addition the commercial law regulations to be applied pursuant to section 315 a (1) of the HGB (German Commercial Code). The consolidated financial statements discharge the obligations of KWS LOCHOW GMBH, Bergen, and KWS MAIS GMBH, Einbeck, to produce their own financial statements. The following standards and interpretations have already been published, but have not yet been applied: Amendments to IAS 1, 12, 19, 24, 28, 34, IFRS 1, 7, 9, 10, 11, 12, 13 and IFRIC 13, 14, and the Improvement Project 2010. To the extent that these relate to supplementary disclosure obligations, there will be no effects on the balance sheet or statement of comprehensive income. The possible effects of the other changes are currently being examined. 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 at its carrying amount 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 IAS 36, 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. Goodwill is reported under intangible assets.

Joint ventures are carried according to the percentage of equity held in the companies concerned using IAS 31.

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. Exchange differences resulting from loans to foreign subsidiaries and joint ventures are reported in the other result and are not recognized in profit or loss.

### Classification of the statement of comprehensive income

The costs for the functions include all directly attributable costs, including other taxes. Research and development expenses are reported separately for reasons of transparency. 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 straight-line amortization over a useful life of three to 20 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. Straight-line amortization of these separated intangible assets is applied over their individual useful life.

### Property, plant, and equipment

Property, plant, and equipment is measured at cost less straight-line 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. Depreciation of buildings is based on a useful life up to 50 years. The useful lives of technical equipment and machinery range from five to 15 years, and for operating and office equipment from three to ten 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 fixed assets. Impairment losses on property, plant, and equipment are recognized according to IAS 36 whenever the recoverable amount of the asset 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). In accordance with IAS 20, government grants are deducted from the costs of the asset. Any deferred income is not recognized.

### Financial instruments

Financial instruments are in particular financial assets and financial liabilities. 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. The entire credit risk is limited to the respective carrying amount. Comments on the risk management system can be found in the Management Report. Investments are measured at cost. Assets available for sale are carried at market value if that 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.

The financial liabilities comprise in particular trade payables, borrowings and other liabilities.

The fair value of financial instruments is determined on the basis of the market information available on the balance sheet date and in accordance with the recognized measurement methods.

The other noncurrent financial assets are essentially available for sale and are carried at market value where possible. If a market value cannot be determined, the amortized costs are carried as an alternative.

The carrying amount of receivables, fixed-income securities and cash is assumed as the fair value due to their short term and the fixed-interest structure of the investments.

Derivative instruments are carried at market values in accordance with IAS 39 and may have a positive or negative value. This relates essentially to common derivative financial instruments that are used to hedge interest rate and foreign currency risks. In particular, the derivative financial instruments are measured using 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.

The fair value of financial liabilities with a long-term fixed interest rate is determined as present values of the payments

related to the liabilities, using a yield curve applicable on the balance sheet date.

The fair values of the financial instruments are generally determined on the basis of the market information available on the balance sheet date and must be assigned to a level in the fair value hierarchy.

Financial instruments in level 1 are measured using quoted prices in active markets for identical assets or liabilities. In level 2, they are measured by directly observable market inputs or derived indirectly on the basis of prices for similar instruments. Finally, input factors not based on observable market data are used to calculate the value of level 3 financial instruments.

Subsequent measurement of the financial instruments depends on their classification in one of the following categories defined in IAS 39:

**Loans and receivables**

This category mainly comprises trade receivables, other receivables, loans and cash, including fixed-income short-term securities. Loans are measured at cost. Loans that carry no interest or only low interest are measured at their present value. Discernable risks are taken into account by recognition of an impairment loss. After their initial recognition, the other financial assets in this category are measured at amortized cost using the effective interest method, minus impairments. Receivables that carry no interest or only low interest and with a term of more than twelve months are discounted. Necessary value impairments are based on the expected credit risk and are carried in separate impairment accounts. Receivables are derecognized if they are settled or uncollectible. Other assets are derecognized at the time they are disposed of or if they have no value.

**Financial assets at fair value**

Held-for-trading securities acquired with the intention of being sold in the short term are assigned to this category. Derivate financial instruments with a positive market value are also categorized as held for trading, unless they are designated hedging instruments in accordance with IAS 39. They are measured at fair value. Changes in value are recog-

nized in income. Securities are derecognized after being sold on the settlement date.

**Available-for-sale financial assets**

This category covers all financial assets that have not been assigned to one of the above categories. In principle, securities are classed as available for sale, unless a different classification is required due to the fact that they have an explicit purpose. Equity instruments, such as shares in (unconsolidated) affiliated companies and shares held in listed companies, are also included in this category. In principle, financial instruments in this category are measured at their fair value in subsequent recognition. The changes to their fair value in subsequent recognition are recognized as unrealized gains and losses directly in equity in the revaluation reserve. The realized gains or losses are not recognized as profit or loss until they are disposed of. If there is objective evidence of permanent impairment on the balance sheet date, the instruments are written down to the lower value. Any subsequent decreases in the impairment loss are recognized directly in equity.

**Financial liabilities measured at amortized cost**

All financial liabilities, with the exception of derivative financial instruments, are measured at amortized cost using the effective interest method. The liabilities are derecognized at the time they are settled or when the reason why they were formed no longer exists.

**Financial liabilities at fair value**

This category covers derivative financial instruments that have a negative market value and are categorized in principle as held for trading. They are measured at fair value. Changes in value are recognized in income. Derivatives that are designated hedging instruments in accordance with IAS 39 are excluded from this provision.

Securities are generally classified as available for sale, which is why changes in their fair values that require reporting are taken directly to equity. If securities are carried at their fair value and have to be recognized in income, changes to the fair values are direct included in the net income for the period.

**Derivatives**

Derivatives cannot be designated as hedging instruments pursuant to the regulations of IAS 39. They are measured at their market value. The changes in their market value are recognized in the income statement. Derivatives are derecognized on their day of settlement.

**Inventories and biological assets**

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.

**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 inaccrued 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.

**Contingent liabilities**

The contingent liabilities result from debt obligations where outflow of the resource is not probable or from obligations for loan amounts drawn down by third parties as of the balance sheet date.



Borrowing costs

In accordance with IAS 23, borrowing costs are capitalized if they can be classified as qualifying assets.

Discretionary decisions and estimates

The measurement approaches and amounts to be carried in these IFRS financial statements are partly based on estimates and specifically defined specifications. This relates in particular to:

- Determination of the useful life of the depreciable asset
- Definition of measurement assumptions and future results in connection with impairment tests, above all for goodwill that is carried
- Determination of the net selling price for inventories
- Definition of the parameters required for measuring pension provisions
- Selection of parameters for the model-based measurement of derivatives
- Determination whether tax losses carried forward can be used
- Determination of the fair value of intangible assets, tangible assets and liabilities acquired as part of a business combination and determination of the service lives of the purchased intangible assets and tangible assets
- Measurement of other provisions

Consolidated group and changes in the consolidated group

Number of companies including KWS SAAT AG

	Domestic	Foreign	Total	Domestic	Foreign	Total
	06/30/2011			Previous year		
Consolidated	12	41	53	11	32	43
Consolidated at quota	0	7	7	0	12	12
Total	12	48	60	11	44	55

The companies are listed under item number (31).

In the past fiscal year, the companies KWS SERVICES DEUTSCHLAND GMBH and KWS CEREALS USA, LLC. were established effective July 1, 2010, and KWS SERVICES NORTH B.V., KWS SERVICES EAST GMBH and KWS SERVICES MEDITERRANEAN S.A.S. effective January 1, 2011.

Effective April 1, 2011, the remaining 50% stake in the former proportionately consolidated joint venture VAN RIJN-KWS B.V. was acquired and the company renamed KWS POTATO B.V., since which time it has been fully consolidated. The existing shares were measured at fair value at the time of acquisition; a detailed presentation of this can be found in the section “Cash flow statement.”

A total of 53 companies were fully consolidated and seven proportionately consolidated in the year under review.

The financial position and results of operations of the seven (twelve) proportionately consolidated companies are as follows:

	2010/11	Previous year
Proportionately consolidated companies		
Noncurrent assets	31,812	52,495
Current assets	109,417	125,798
Total assets	141,229	178,293
Equity	78,066	94,693
Noncurrent liabilities	881	4,346
Current liabilities	62,282	79,254
Total equity and liabilities	141,229	178,293
Net sales	203,320	180,756
Net profit for the year	18,759	11,126

Notes to the Balance Sheet

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

(1) Assets

The statement of changes in fixed assets contains a breakdown of assets summarized in the balance sheet and shows how they changed in 2010/11. Capital expenditure on assets was €49,262 thousand (€58,364 thousand), of which €10,775 thousand (€0 thousand) were attributable to the changes in the consolidated group. The Management Report describes the significant additions to assets. Depreciation and amortization amounted to €27,561 thousand (€22,042 thousand).

(2) Intangible assets

This item includes purchased varieties, rights to varieties and distribution rights, software licenses for electronic data processing, and goodwill. Additions amounting to €15,036 thousand (€3,224 thousand), of which €10,301 thousand (€0 thousand) resulted from the changes in the consolidated group, comprise the acquisition of software licenses and patents, as well as goodwill to be recognized. Amortization of intangible assets amounted to €5,830 thousand (€3,007 thousand); this charge is included in the relevant functional costs and the other operating expenses, depending on the operational use of the intangible assets. This includes write-downs of goodwill at KWS POTATO B.V. to an amount of €2,134 thousand and at KWS MAGYAROSZAG KFT. to an amount of €156 thousand.

The goodwill recognized as an asset relates mainly to the company AGRELIANT GENETICS LLC. – €16,619 thousand (€18,222 thousand) – in the Corn Segment, the company KWS UK LTD. – €1,693 thousand (€1,693 thousand) – in the Cereals Segment and KWS POTATO B.V. – €2,150 thousand (€3,187 thousand) – in the Sugarbeet Segment.

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 car-

rying 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). In principle, 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 6.4% (6.1%) 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.

(3) Property, plant, and equipment

Capital expenditure amounted to €34,082 thousand (€55,131 thousand) and depreciation amounted to €21,631 thousand (€19,035 thousand). The Management Report describes the significant capital expenditure.

(4) Financial assets

Investments in non-consolidated subsidiaries and shares in cooperatives and GmbHs that are of minor significance, with an amortized cost totaling €768 thousand (€884 thousand), are reported in this account since a market value cannot be reliably determined. Listed shares are carried at market value of €144 thousand (€88 thousand). This account also includes interest-bearing home-building loans to employees and other interest-bearing loans totaling €396 thousand (€463 thousand). In addition, the balance of €2,782 thousand (€3,553 thousand)





after netting off reinsurance claims and the corresponding benefit obligations is carried. Amortization of financial assets amounted to €100 thousand (€ thousand) and relates to the category “available for sale.”

(5) Noncurrent tax assets

This relates to the present value of the corporate income tax credit balance, which was last determined at December 31, 2006, and has been paid in ten equal annual amounts since September 30, 2008.

(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 and on the basis of loss carryforwards. They are reported on a gross basis and total €29,147 thousand (€26,056 thousand), of which €2,287 thousand (€2,491 thousand) will be carried forward for the future use of tax losses.

(7) Inventories and biological assets

	06/30/2011	Previous year
Raw materials and consumables	15,091	20,539
Work in process	33,223	35,979
Immature biological assets	10,293	6,670
Finished goods	70,391	73,598
	128,998	136,786

Inventories fell by €7,788 thousand, or 5.7%, net of write-downs totaling €55,204 thousand (€63,251 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 €1,575 thousand (€1,492 thousand), for which all the requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,456 (4,116) ha and were recognized in income. Future subsidies depend on the further development of European agricultural policy.

(8) Current receivables

	06/30/2011	Previous year
Trade receivables	268,209	262,176
Current tax assets	14,322	16,925
Other current assets	19,173	20,654
	301,704	299,755

Trade receivables amounted to €268,209 thousand, an increase of 2.3% over the figure of €262,176 thousand for the previous year; this amount includes €1,294 thousand (€1,596 thousand) in receivables from related parties. The item “Other current assets” includes prepaid expenses totaling €3,426 thousand (€4,577 thousand) in addition to other receivables of €15,747 thousand (€16,077) thousand.

Written-down and overdue receivables

06/30/2011	Carrying amount	Of which: neither written down nor overdue on the balance sheet date	Of which: not written down on the balance sheet date and overdue in the following time frames				Of which: written down and not overdue on the balance sheet date
			≤60 days	61–120 days	121–180 days	>180 days	
Trade receivables	268,209	234,532	16,499	8,015	2,622	3,197	1,868
Other receivables	15,747	15,392	10	0	0	0	343
	283,956	249,924	16,509	8,015	2,622	3,197	2,211
Previous year							
Trade receivables	262,176	227,243	18,317	5,602	738	4,206	3,577
Other receivables	16,077	14,617	200	0	0	915	343
	278,253	241,860	18,517	5,602	738	5,121	3,920

The already overdue trade receivables that have not been written down fully and the receivables that are not overdue from joint ventures amount to €1,478 thousand (€2,493 thousand). There are trade receivables that had to be prolonged in the year under review in particular in Eastern and Southeastern Europe, as a result of the economic situation.

There are no indications on the balance sheet date that customers who owe trade receivables that have not been written down and are not overdue will not meet their payment obligations.

The following allowances have mainly been made for possible risks of non-payment of trade receivables:

Allowances for receivables

	07/01	Addi- on	Dispo- sal	Rever- sal	06/30
2010/11	30,004	8,721	2,456	3,252	33,017
2009/10	21,312	16,149	2,472	4,985	30,004

The receivables include an amount of €1,374 thousand (€1,009 thousand) due after more than one year.

(9) Securities

Securities amounting to €36,621 thousand (€13,077 thousand) relate primarily to short-term liabilities securities and fund shares.

(10) Cash and cash equivalents

Cash and cash equivalents of €110,278 thousand (€100,593 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) Equity

The fully paid-up subscribed capital of KWS SAAT AG is still €19,800,000.00. The no-par bearer shares are certificated

by a global certificate for 6,600,000 shares. The company does not hold any shares of its own.

Equity (including minority interest) increased by €37,314 thousand, from €492,947 thousand to €530,261 thousand. For details, see the statement of changes in equity.

(12) Noncurrent liabilities

The trade payables are due for payment in between one and five years and the due dates for the other long-term liabilities extend through 2017.

	06/30/2011	Previous year
Long-term provisions	63,028	61,464
Long-term financial borrowings	19,421	21,556
Trade payables	2,308	2,265
Deferred tax liabilities	24,657	18,638
Other long-term liabilities	9,311	10,209
Noncurrent liabilities	118,725	114,132

The pension provisions are based on defined benefit obligations, determined by years of service and pensionable compensation. They 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 3.00% (2.80%) annually and pensions by 2.00% (2.00%) annually.

The discount rate was 5.13%, 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. For benefit obligations backed by a guarantee by an insurance company, the planned assets of €7,570 thousand (€7,932 thousand) correspond to the present value of the obligation. In accordance with IAS 19, the pension provisions are netted off against the corresponding assets. Pension funds were invested in to cover foreign pension commitments.

Long-term provisions	07/01/2010	Changes in the consol. group, currency	Addition	Consumption	Reversal	06/30/2011
Pension provisions	56,192	–188	5,093	3,989	59	57,049
Other provisions	5,272	–1,403	2,338	212	16	5,979
	61,464	–1,591	7,431	4,201	75	63,028



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

	2010/11	Previous year
Accrued benefit entitlements at beginning of fiscal year	83,740	71,100
Cost of additional benefit entitlements	1,371	698
Interest expenses on benefit entitlements acquired in previous years	4,435	4,142
Changes in consolidated group and currency	-1,813	2,879
Changes in actuarial gains/losses	-3,286	9,804
Other changes not recognized in profit or loss	344	0
Pension payments	4,723	4,883
Accrued benefit entitlements at end of fiscal year	80,069	83,740
Present value of planned assets	-16,286	-16,721
Planned assets carried as assets	2,793	3,553
Actuarial gains/losses not included	-9,528	-14,380
<b>Pension provisions at end of fiscal year</b>	<b>57,049</b>	<b>56,192</b>

The planned assets changed as follows during the fiscal year:

	2010/11	Previous year
Present value of planned assets at the start of the fiscal year	16,721	12,948
Expected gains from planned assets	948	900
Changes in actuarial gains/losses	815	936
Employer's contribution to external social security bodies	0	2,035
Payments from external social security bodies	-869	-878
Currency difference from foreign planned assets	-1,329	780
<b>Present value of planned assets at the end of the fiscal year</b>	<b>16,286</b>	<b>16,721</b>

The pension obligations and planned assets have changed over time as follows:

	06/30/2011	06/30/2010	06/30/2009	06/30/2008	06/30/2007
Accrued benefit entitlements on 06/30	80,069	83,740	71,100	68,372	61,718
Planned assets on 06/30	16,286	16,721	12,948	13,577	8,174
<b>Shortage (+) / surplus (-)</b>	<b>63,783</b>	<b>67,019</b>	<b>58,152</b>	<b>54,795</b>	<b>53,544</b>
Empirical gains (+) / losses (-) from pension commitments	91	990	201	1,042	682
Empirical gains (+) / losses (-) from planned assets	-229	161	-1,551	-1,028	0

The table below shows a breakdown of the pension costs for the defined benefit obligations:

	2010/11	Previous year
Costs for additional benefit entitlements	1,371	698
Interest expense	4,435	4,142
Repayment of actuarial losses	461	154
Anticipated income from the planned assets	-948	-885
<b>Pension costs</b>	<b>5,319</b>	<b>4,109</b>

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

The pension costs are included in the functional costs with the exception of the interest expense and the anticipated income from planned assets which are reported under the net financial income/expenses.

In addition, the benefit obligation from salary conversion was backed by a guarantee that exactly matches the present value of the obligation of €4,165 thousand (€4,796 thousand) (defined contribution plan).

As part of the company old-age pension program for KWS SAAT AG and German subsidiaries, subsequent benefits will be provided by a provident fund backed by a guarantee and based on a defined contribution plan. The costs for contributions to this pension scheme were €769 thousand (€682 thousand).

The long-term financial borrowings include loans from banks amounting to €19,421 thousand (€21,556 thousand). They have remaining maturities through 2017.

The return and income from the planned assets depend on the reinsurance policy, which yields guaranteed interest of 2.25%. For the next year, income totaling €516 thousand is expected.

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 €24,657 thousand (€18,638 thousand). The composition of the deferred tax liabilities is explained in more detail under (22) Income taxes.

### (13) Current liabilities

	06/30/2011	Previous year
<b>Short-term provisions</b>	<b>107,396</b>	<b>129,546</b>
Current liabilities to banks	13,673	10,345
Current liabilities to affiliates	275	119
Other current financial liabilities	257	266
<b>Short-term borrowings</b>	<b>14,205</b>	<b>10,730</b>
Trade payables to affiliates	8	0
Other trade payables	69,341	57,472
<b>Trade payables</b>	<b>69,349</b>	<b>57,472</b>
<b>Tax liabilities</b>	<b>25,513</b>	<b>22,785</b>
<b>Other liabilities</b>	<b>36,515</b>	<b>29,769</b>
	<b>252,978</b>	<b>250,302</b>





Short-term provisions	07/01/2010	Changes in the consol. group, currency	Addition	Consumption	Reversal	06/30/2011
Obligations from sales transaction	99,729	-11,413	58,889	60,956	7,130	79,119
Obligations from purchase transaction	3,339	-81	7,263	1,878	63	8,580
Other obligations	26,478	-164	15,429	19,273	2,774	19,696
	<b>129,546</b>	<b>-11,658</b>	<b>81,581</b>	<b>82,107</b>	<b>9,967</b>	<b>107,395</b>

The tax liabilities of €25,513 thousand (€22,785 thousand) include amounts for the year under review and the period not yet concluded by the external tax audit.

#### (14) Derivative financial instruments

	Nominal volume	Carrying amounts	Market values
	<b>06/30/2011</b>		
Currency hedges	54,593	60	60
Interest-rate hedges	42,800	85	85
Commodity hedges	7,233	0	0
	<b>104,626</b>	<b>145</b>	<b>145</b>

Of the currency hedges, €2,925 thousand have remaining maturities of more than one year. Of the interest-rate derivatives, hedges with a nominal volume of €27,800 thousand will mature within one to five years and hedges with a nominal value of €15,000 thousand will mature in more than five years. The commodity hedges have remaining maturities of less than one year.

#### (15) Financial instruments

The table below presents the net gains/losses carried in the income statement for financial instruments in each measurement category

	2010/11	Previous year
Available-for-sale financial assets	-69	47
Financial assets at fair value	-17	690
Loans and receivables	-4,311	-9,606
Financial liabilities measured at amortized cost	-4,546	-2,933
Financial liabilities at fair value	4,352	-2,464

The net income from financial assets includes income and expenses from the measurement of financial assets. The net gain/loss from loans and receivables mainly includes effects from changes in the allowances for impairment.

The net gains/losses from financial assets at fair value and financial liabilities at fair value mainly include changes in the market value of derivative financial instruments.

The net losses from financial liabilities measured at amortized cost mainly consist of interest expense.

Interest income from financial assets that are not measured at fair value and recognized in the income statement was €1,719 thousand (€1,558 thousand). Interest expenses for financial borrowings were €4,546 thousand (€2,933 thousand).

In order to assess the risk of exchange rate changes, the sensitivity of a currency to fluctuations was determined. After the euro, the US dollar is the most important currency in the KWS Group. All other currencies are of minor importance. The average exchange rate in the fiscal year was 1.38 USD/€. If the US dollar depreciated by 10%, the financial instruments would lose 4.8% in value. If the US dollar appreciated by 10%, the financial instruments would gain 4.8% in value. The net income for the year and equity would change accordingly.

In order to assess the risk of interest rate changes, the sensitivity of interest rates to fluctuations was determined. The average rate of interest in the fiscal year was 0.78%. A one

percentage point increase in the rate of interest would add a further €0.2 million to the interest result; a reduction to zero percentage points would reduce it by €0.2 million. Equity would change by €0.2 million in the event of such a change in the rate of interest.

In order to assess the risk of changes in commodity prices, the sensitivity of commodity prices to fluctuations was determined. A 10% increase in commodity prices would increase the cost of sales by around €0.7 million; a decrease would reduce it by around €0.7 million.

In the Management Report possible risks resulting from agreements regarding financial dependencies are addressed.

The carrying amounts and fair values of the financial instruments are as follows:

	Loans and receivables	Financial assets at fair value	Available-for-sale financial assets	Total carrying amount
<b>Financial instruments</b>				
<b>06/30/2011</b>	<b>Fair Values</b>	<b>Carring amounts</b>		
Financial assets	1,308	0	0	1,308
Trade receivables	268,209	268,209	0	268,209
Securities	36,621	36,621	0	36,621
Cash and cash equivalents	110,278	110,278	0	110,278
Other current assets	19,173	17,908	1,265	19,173
- Other which derivative financial instruments	(1,265)	(0)	(1,265)	(0)
<b>Total</b>	<b>435,589</b>	<b>433,016</b>	<b>1,265</b>	<b>1,308</b>

	Financial liabilities measured at amortized cost	Financial liabilities at fair value	Total carrying amount
<b>Financial instruments</b>			
<b>06/30/2011</b>	<b>Fair Values</b>	<b>Carring amounts</b>	
Long-term borrowings	19,421	19,421	0
Long-term trade payables	2,308	2,308	0
Other noncurrent liabilities	9,311	9,311	0
Short-term borrowings	14,205	14,205	0
Short-term trade payables	69,349	69,349	0
Other noncurrent liabilities	36,515	35,395	1,120
- Other which derivative financial instruments	(1,120)	(0)	(1,120)
<b>Total</b>	<b>151,109</b>	<b>149,989</b>	<b>1,120</b>



		Loans and receivables	Financial assets at fair value	Available-for- sale financial assets	Total carrying amount
Financial instruments					
Previous year Financial assets	Fair Values	Carring amounts			
Financial assets	1,435	0	0	1,435	1,435
Trade receivables	262,176	262,176	0	0	262,176
Securities	13,077	13,077	0	0	13,077
Cash and cash equivalents	100,593	100,593	0	0	100,593
Other current assets	20,654	19,288	1,366	0	20,654
- Other which derivative financial instruments	(1,366)	(0)	(1,366)	(0)	(1,366)
<b>Total</b>	<b>397,935</b>	<b>395,134</b>	<b>1,366</b>	<b>1,435</b>	<b>397,935</b>

		Financial liabilities measured at amortized cost	Financial liabilities at fair value	Total carrying amount
Financial instruments				
Previous year Financial liabilities	Fair Values	Carring amounts		
Long-term borrowings	22,826	21,556	0	21,556
Long-term trade payables	2,265	2,265	0	2,265
Other noncurrent liabilities	10,209	10,209	0	10,209
Short-term borrowings	10,730	10,730	0	10,730
Short-term trade payables	57,472	57,472	0	57,472
Other noncurrent liabilities	29,769	28,581	1,188	29,769
- Other which derivative financial instruments	(1,188)	(0)	(1,188)	(1,188)
<b>Total</b>	<b>133,271</b>	<b>130,813</b>	<b>1,188</b>	<b>132,001</b>

None of the reported financial instruments will be held to maturity.

Securities classified within level 1 of the fair value hierarchy totaled €36,621 thousand at June 30, 2011. Financial assets held for trading (€1,139 thousand) and financial liabilities held for trading (€1,120 thousand) are categorized in level 2. There are no financial instruments in level 3. None of the reported financial instruments will be held to maturity.

#### (16) Contingent liabilities

As in the previous year, there are no contingent liabilities to report apart from the employer's statutory secondary liability for direct pension commitments.

#### (17) Other financial obligations

There was a €7.042 thousand (€7,064 thousand) obligation from uncompleted capital expenditure projects.

Obligations under rental agreements and leases	06/30/2011	Previous year
Due within one year	8,456	8,983
Due between 1 and 5 years	7,913	9,220
Due after 5 years	2,446	2,701
	<b>18,815</b>	<b>20,904</b>

The leases relate primarily to full-service agreements for IT equipment and fleet vehicles, which also include services for which a total of €2,737 thousand (€2,222 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, 2010 through June 30, 2011

	€ millions	% of sales	€ millions	% of sales
	2010/11		Previous year	
Net sales	855,4	100,0	754,1	100,0
Cost of sales	433,4	50,7	406,1	53,9
Gross profit on sales	422,0	49,3	348,0	46,1
Selling expenses	138,5	16,2	128,6	17,1
Research and development expenses	113,5	13,3	97,5	12,9
General and administrative expenses	60,0	7,0	49,6	6,6
Other operating income	43,7	5,1	44,5	6,0
Other operating expenses	37,1	4,3	34,4	4,6
Operating income	116,6	13,6	82,4	10,9
Net financial income/expenses	-7,0	-0,8	-4,9	-0,6
Result of ordinary activities	109,6	12,8	77,5	10,3
Income taxes	36,7	4,3	26,0	3,5
Net income for the year	72,9	8,5	51,5	6,8
Shares of minority interest	2,6	0,3	1,9	0,2
Net income after minority interest	70,3	8,2	49,6	6,6

## (18) Net sales

By product category	2010/11	Previous year
Certified seed sales	785,154	687,273
Royalties income	38,198	34,852
Basic seed sales	13,225	11,875
Services fee income	4,404	4,281
Other sales	14,394	15,873
	855,375	754,154

By region		
Germany	210,860	188,890
Europe	343,375	291,114
Americas	265,064	236,382
Rest of world	36,076	37,768
	855,375	754,154

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 €27,222 thousand to €433,365 thousand, or 50.7% (53.9%) of sales. The total cost of goods sold was €232,605 thousand (€212,040 thousand).

Allowances on inventories totaling €8.048 thousand less than the previous year's € -19,156 thousand were required. They were charged to segment results as follows: Sugarbeet €968 thousand (€ -5,657 thousand), to Corn €6,315 thousand (€ -13,801 thousand), to Cereals € 810 thousand (€188 thousand) and to Breeding & Services € -45 thousand (€114 thousand).

The €9,880 thousand increase in selling expenses to €138,501 thousand is mainly due to the expansion of distribution structures in the Corn Segment in North America and Europe. This is 16.2% of sales, down from 17.1% the year before.

Research and development is recognized as an expense in the year it is incurred; in the year under review, this amounted to €113,539 thousand (€97,510 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.

General and administrative expenses increased by €10,399 thousand to €59,997 thousand, representing 7.0% of sales, after 6.6% the year before.

## (19) Other operating income

	2010/11	Previous year
Income from sales of fixed assets	494	272
Income from the reversal of provisions	10,103	9,806
Exchange rate gains and gains from currency and interest rate hedges	6,228	13,843
Income from reversal of allowances on receivables	3,252	4,985
Grants	5,278	5,074
Income relating to previous periods	3,286	3,156
Income from loss compensation received	234	162
Miscellaneous other operating income	14,880	7,291
	43,755	44,589

The increase in other operating income is mainly attributable to income from commodity hedges measured at the market price.

## (20) Other operating expenses

	2010/11	Previous year
Legal form expenses	981	976
Allowances on receivables	8,721	16,149
Counterparty default	908	499
Exchange rate losses and losses on currency and interest rate hedges	10,950	10,646
Losses from sales of fixed assets	201	201
Expenses relating to previous periods	277	356
Expense from remeasurement of intangible assets	5,862	0
Other expenses	9,191	5,613
	37,091	34,440

In the year under review, allowances for receivables of €5,742 thousand (€8,300 thousand) were recognized as an expense at the Corn Segment, €2,816 thousand (€7,622 thousand) at the Sugarbeet Segment, €139 thousand (€107 thousand) at the Cereals Segment and €24 thousand (€120 thousand) at the Breeding & Services Segment. The other expenses mainly include allowances for foreign value-added tax claims.

## (21) Net financial income/expenses

	2010/11	Previous year
Interest income	1,693	1,558
Interest expenses	4,960	3,148
Income from other financial assets	26	44
Interest expenses from pension provisions	3,487	3,257
Interest expense for other long-term provisions	135	165
Interest expense for finance leasing	16	12
Net interest expense	-6,879	-4,980
Net income from participations	5	3
Write-downs of financial assets	100	0
Net income from equity investments	-95	3
Net financial income/expenses	-6,974	-4,977

The net financial result fell by a total €1,997 thousand to €-6,974 thousand. Net interest expense was €-6,879 thousand (€-4,980 thousand), while net income from equity investments fell by €98 thousand to €-95 thousand. The interest effects from pension provisions comprise interest expenses (compounding) and the planned income. The increase in interest expense is mainly due to interest on tax back payments, the conclusion of hedges against interest rate risks and an increase in interest expense for financing our business activity during the year.



## (22) Income taxes

Income tax expense is computed as follows:

	2010/11	Previous year
Income taxes, Germany	17,875	18,452
Income taxes, other countries	20,811	15,158
<b>Current expenses from income taxes</b>	<b>38,686</b>	<b>33,610</b>
Thereof from previous years	(–557)	(–228)
Deferred taxes, Germany	–426	–4,052
Deferred taxes, other countries	–1,519	–3,561
Deferred tax income/expense	–1,945	–7,613
<b>Reported income tax expense</b>	<b>36,741</b>	<b>25,997</b>

Adjusted for tax relating to previous periods, KWS pays tax in Germany at a rate of 29.1%. Corporate income tax of 15.0% (15.0%) 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 13.3% (13.3%), resulting in a total tax rate of 29.1% (29.1%).

Deferred taxes result from the following:

	2010/11	Previous year	Change	2010/11	Previous year	Change
	Deferred tax assets			Deferred tax liabilities		
Intangible assets	3	4	–1	7,532	3,896	3,636
Property, plant and equipment	114	118	–4	13,089	12,277	812
Financial assets	3,767	6,076	–2,309	0	1	–1
Inventories	9,607	11,144	–1,537	231	149	82
Current assets	5,774	3,636	2,138	2,543	1,042	1,501
Noncurrent liabilities	1,124	404	720	1,181	1,254	–73
Current liabilities	5,787	1,780	4,007	77	15	62
Tax loss carryforward	2,287	2,491	–204	0	0	0
Other consolidation transactions	684	403	281	4	4	0
<b>Deferred taxes recognized</b>	<b>29,147</b>	<b>26,056</b>	<b>3,091</b>	<b>24,657</b>	<b>18,638</b>	<b>6,019</b>

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 €5,866 thousand (€6,812 thousand) at June 30, 2011. €901 thousand was recovered in the year under review and recognized directly in equity.

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 29.1% (29.1%). For foreign Group companies, deferred tax was calculated using the tax rates applicable in the country in which they are based.

In the year under review, deferred taxes of € –4,873 thousand (€958 thousand), mainly resulting from currency translation, were directly credited to equity, without recognition in profit or loss. Of the deferred tax liabilities, €6,790 thousand (€3,211 thousand) relate to KWS POTATO B.V.. Tax loss carryforwards of €1,185 thousand (€3,251 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:

	2010/11	Previous year
Earnings before income taxes	109,662	77,454
Expected income tax expense*)	31,912	22,539
Difference in income tax liability outside Germany	2,764	1,356
<b>Tax portion for:</b>		
Tax-free income	–229	–350
Expenses not deductible for tax purposes	2,851	1,947
Temporary differences and losses for which no deferred taxes have been recognized	–19	848
Tax credits	–255	–330
Taxes relating to previous years	–557	–228
Other tax effects	274	215
Reported income tax expense	36,741	25,997
Effective tax rate	33,5 %	33,6 %

\*) Tax rate in Germany: 29.1 (29.1)%

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

## (23) Personnel costs/employees

	2010/11	Previous year
Wages and salaries	131,193	117,150
Social security contributions, expenses for pension plans and benefits	33,780	30,041
	<b>164,973</b>	<b>147,191</b>

Personnel costs went up by €17,782 thousand to €164,973 thousand, an increase of 12.1 %. The number of employees (including trainees and interns) increased by 68 (or 1.9%) to 3,560.

Compensation increased by 12.0% to €131,193 thousand. Social security contributions, expenses for pension plans and benefits were €3,739 thousand higher than in the previous year. An amount of €10,094 thousand (€8,282 thousand) was recognized as an expense for defined contribution plans, including state pension insurance, in the year under review.

Employees*	2010/11	Previous year
Germany	1,481	1,426
Rest of Europe (without Germany)	922	888
Americas	1,020	1,070
Rest of world	137	108
<b>Total</b>	<b>3,560</b>	<b>3,492</b>

\* Annual average

Of the above number, 634 (662) employees are included according to the percentage of equity held in the companies that employ them. 1,269 (1,325) employees are employed by now seven proportionately consolidated investees. If these persons are included in full, the workforce total is 4,195 (4,155). The reported number of employees is greatly influenced by seasonal labor.





(24) Net income for the year

Net income for the year increased by €21,465 thousand to €72,922 thousand, representing a return on sales of 8.5%, up from 6.8 % in the previous year. The net profit for the period after minority interest is €70,253 thousand, and €10.64 (€7.51) for each of the 6,600,000 shares on issue. The objective of KWS’ capital management activities is to pursue the interests of shareholders, employees and other stakeholders in accordance with the corporate strategy. The dividend distributed is geared to the earnings strength of the KWS Group in order to ensure adequate internal financing of further business expansion in the long term. The equity ratio is currently 58.8%, following 57.5% in the previous year.

(25) 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. The total compensation for members of Supervisory Board amounts to €438 thousand (€407 thousand), excluding value-added tax. €160 thousand (€129 thousand) of the total compensation is performance-related.

In fiscal year 2010/11, total Executive Board compensation amounted to €2,963 thousand (€2,811 thousand). Variable compensation of €1,969 thousand (€1,967 thousand), calculated on the basis of the net profit for the period of the KWS Group, includes compensation of €29 thousand (€24 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 €1,055 thousand (€1,003 thousand). Pension provisions recognized for this group of persons amounted to €1,726 thousand (€2,100 thousand) as of June 30, 2011.

(26) Shareholdings of members of the Supervisory Board and Executive Board

Dr. Arend Oetker indirectly holds a total of 1,650,010 shares and Dr. Dr. h.c. mult. Andreas J. Büchting 100,020 shares in KWS SAAT AG. All together, the members of the Supervisory Board hold 1,750,065 shares in KWS SAAT AG.

All together, the members of the Executive Board hold 5,000 shares in KWS SAAT AG.

(27) Audit of the annual financial statements

On December 16, 2010, 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 2010/11.

Fee paid to the external auditors under section 314 sentence 1 no. 9 of the HGB	2010/11
a) Audit of the consolidated financial statements	643
b) Other certification services	8
c) Tax consulting	7
d) Other services	36
Total fee paid	694

For fiscal year 2011/12, fees for consulting services (excluding auditing) of up to €60 thousand are expected.

(28) 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 on the company’s home page at [www.kws.de](http://www.kws.de).

(29) 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- and medium-term 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 a total of 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.

(30) Supervisory and Executive Board of KWS SAAT AG

SUPERVISORY BOARD

**Dr. Dr. h.c. mult. Andreas J. Büchting**  
Einbeck  
Agricultural Biologist  
Chairman of the Supervisory Board  
**Membership of comparable German and foreign oversight boards:**

- Ball Horticultural Company, West Chicago, Illinois (U.S.)\*

\*since June 17, 2011

**Dr. Arend Oetker**  
Berlin  
Businessman  
Deputy Chairman of the Supervisory Board  
**Membership of other legally mandated Supervisory Boards:**

- Schwartauer Werke GmbH & Co. KGaA, Bad Schwartau (Chairman)
- Cognos AG, Hamburg (Chairman)

**Membership of comparable German and foreign oversight boards:**

- Hero AG, Lenzburg (President)
- E. Gundlach GmbH & Co. KG, Bielefeld
- Leipziger Messe GmbH, Leipzig
- Berliner Philharmonie GmbH, Berlin (Chairman)

**Hubertus von Baumbach**  
Ingelheim am Rhein  
Businessman

**Jürgen Bolduan**  
Einbeck  
Seed Breeding Employee  
Chairman of the Central Works Committee of KWS SAAT AG

**Cathrina Claas-Mühlhäuser**  
Frankfurt am Main  
Businesswoman  
**Membership of other legally mandated Supervisory Boards:**

- CLAAS KGaA mbH, Harsewinkel (Chairwoman)

**Membership of comparable German and foreign oversight boards:**

- CLAAS KGaA mbH, Harsewinkel (Deputy Chairwoman of the Shareholders’ Committee)

**Dr. Dietmar Stahl**  
Einbeck  
Biochemist  
Employee Representative

EXECUTIVE BOARD

**Philip von dem Bussche**  
Philip von dem Bussche  
Einbeck  
(CEO)  
Corporate Affairs, Sugarbeet, Human Resources

**Dr. Christoph Amberger**  
Northeim  
Corn, Cereals, Marketing

**Dr. Léon Broers**  
Einbeck, D/Heythuysen, NL  
Research and Breeding, Energy plants

**Dr. Hagen Duenbostel**  
Einbeck  
Finance, Controlling, Legal, Information Technology  
**Membership of legally mandated Supervisory Boards:**

- Sievert AG, Osnabrück

SUPERVISORY BOARD COMMITTEES	Vorsitzender	Mitglieder
Audit Committee	Hubertus von Baumbach	Andreas J. Büchting, Cathrina Claas-Mühlhäuser
Committee for Executive Board Affairs	Andreas J. Büchting	Arend Oetker, Cathrina Claas-Mühlhäuser
Nominating Committee	Andreas J. Büchting	Arend Oetker, Cathrina Claas-Mühlhäuser



(31) Significant subsidiaries and affiliated companies

The following list of shareholdings of KWS SAAT AG is published in the Electronic Federal Gazette:

Subsidiaries and associated companies, which were included in the consolidated group<sup>1)</sup>

Sugarbeet	Corn	Cereals	Breeding & Services
100% BETASEED INC. <sup>2)</sup> Shakopee, MN/U.S.	100% KWS MAIS GMBH Einbeck	81% KWS LOCHOW GMBH Bergen	100% PLANTA ANGEWANDTE PFLANZENGENETIK UND BIOTECHNOLOGIE GMBH** Einbeck
100% KWS FRANCE S.A.R.L. Roye/France	100% KWS BENELUX B.V. <sup>5)</sup> Amsterdam/Netherlands	100% KWS UK LTD. <sup>7)</sup> Thriplow/UK	100% KWS INTERSAAT GMBH Einbeck
100% DELITZSCH PFLANZENZUCHT GMBH <sup>10)</sup> Einbeck	100% KWS SEMENA S.R.O. <sup>5)</sup> Zahorska Ves/Slovakia	100% KWS LOCHOW POLSKA SP.Z O.O. <sup>7)</sup> Kondratowice/Poland	100% KWS SEEDS INC. <sup>9)</sup> Shakopee, MN/U.S.
100% O.O.O. KWS RUS <sup>12)</sup> Lipezk/Russia	100% KWS MAIS FRANCE S.A.R.L. <sup>5)</sup> Sarreguermes/France	100% KWS CEREALS USA LLC. <sup>7)</sup> Shakopee, MN/U.S.	100% GLH SEEDS INC. <sup>2)</sup> Shakopee, MN/U.S.
100% KWS ITALIA S.P.A. Forlì/Italy	100% KWS AUSTRIA SAAT GMBH <sup>6)</sup> Vienna/Austria	49% SOCIETE DE MARTINVAL S.A. <sup>6)*</sup> Mons-en-Pévèle/France	100% KWS SAATFINANZ GMBH Einbeck
100% KWS POLSKA SP.Z O.O. Poznan/Poland	100% KWS SJEME D.O.O. <sup>5)</sup> Pozega/Croatia	100% SA MOMONT HENNETTE <sup>14)</sup> Mons-en-Pévèle/France	100% KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH Northeim-Wiebrechtshausen
100% KWS SCANDINAVIA A/S <sup>10)</sup> Guldborgsund/Denmark	100% KWS OSIVA S.R.O. <sup>5)</sup> Velke Mezirici/Czech Republic	95% SARL LABOGERM <sup>14)</sup> Mons-en-Pévèle/France	100% EURO-HYBRID GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH Einbeck
100% KWS SEMILLAS IBERICA S.L. <sup>10)</sup> Zaratán/Spain	100% KWS SEMENA BULGARIA E.O.O.D. <sup>5)</sup> Sofia/Bulgaria	100% SARL ADRIEN MOMONT <sup>14)</sup> Mons-en-Pévèle/France	100% O.O.O. KWS R&D RUS <sup>11)</sup> Lipezk/Russia
100% SEMILLAS KWS CHILE LTDA. Rancagua/Chile	100% AGROMAIS GMBH <sup>5)</sup> Everswinkel	100% SCA HAMET <sup>14)</sup> Mons-en-Pévèle/France	100% RAGIS KARTOFFELZUCHT- UND HANDELSGESELLSCHAFT MBH Einbeck
100% KWS SEME YU D.O.O. New Belgrade/Serbia	100% KWS MAGYARORSZÁG KFT. <sup>5)</sup> Győr/Hungary		100% KWS R&D CHINA LTD. <sup>15)</sup> Hefei/China
100% KWS SUISSE SA Basle/Switzerland	100% KWS SEMINTE S.R.L. <sup>13)</sup> Bucharest/Romania		100% KWS SERVICES DEUTSCHLAND GMBH Einbeck
100% ACH SEEDS INC. <sup>4)</sup> Eden Prairie, MN/U.S.	98% KWS ARGENTINA S.A. <sup>5)</sup> Balcarce/Argentina		100% KWS SERVICES EAST GMBH Vienna/Austria
100% BETASEED FRANCE S.A.R.L. <sup>4)</sup> Sarreguermes/France	51% RAZES HYBRIDES S.A.R.L. <sup>3)</sup> Alzonne/France		100% KWS SERVICES NORTH B.V. Amsterdam/Netherlands
100% BETASEED Ltd. <sup>4)</sup> Rothwell/UK	50% AGRELIANT GENETICS LLC. <sup>6)*</sup> Westfield, IN/U.S.		100% KWS SERVICES MEDITERRANEAN S.A.S. Roye/France
100% KWS UKRAINE T.O.W. <sup>4)</sup> Kiev/Ukraine	50% AGRELIANT GENETICS INC.* Chatham, Ontario/Canada		
100% KWS TÜRK TARIM TICARET A.S. <sup>10)</sup> Eskisehir/Turkey			
100% KWS POTATO B.V. <sup>17)</sup> Emmeloord/Netherlands			
85% VAN RIJN UK LTD. <sup>16)</sup> Donington/UK			
70% VAN RIJN FRANCE S.A.R.L. <sup>16)</sup> Bazemont/France			
67% VAN RIJN BALCAN S.R.L. <sup>16)</sup> Vulcan/Romania			
83% DYNAGRI S.A.R.L. <sup>16)</sup> Casablanca/Morocco			

\* Proportional 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 KWS LOCHOW GMBH

8) Investee of KWS LOCHOW GMBH

9) Subsidiary of KWS INTERSAAT GMBH und KWS SAAT AG SAAT AG

10) Subsidiary of KWS INTERSAAT GMBH

11) Subsidiary of O.O.O. KWS RUS

12) Subsidiary of EURO HYBRID GMBH und KWS SAATFINANZ GMBH

13) Subsidiary of KWS MAIS GMBH und KWS SAATFINANZ GMBH

14) Subsidiary of SOCIETE DE MARTINVAL S.A.

15) Subsidiary of EURO HYBRID GMBH

16) Subsidiary of KWS POTATO B.V.

17) Subsidiary of RAGIS GMBH

June 30, 2011

(32) Proposal for the appropriation of net retained profits

KWS SAAT AG posted operating income of €24,170 thousand compared with €12,671 thousand for the previous year. Allowing for net financial income/expenses of €6,166 thousand and income taxes totaling €4,982 thousand, net income in accordance with the German commercial law regulations was €15,900 thousand (€12,150 thousand). Adding the net profit of €40 thousand brought forward from the previous year, a net retained profit of €15,940 thousand is available for distribution.

A proposal will be made to the Annual Shareholders' Meeting that an amount of €15,180,000 of KWS SAAT AG's net retained profit should be distributed as a dividend of €2.10 (1.90), plus a bonus dividend of €0.20, for each of the 6,600,000 shares.


The balance of €760,000 is to be carried forward to the new account.

Declaration by legal representatives

We declare to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, financial position and earnings of the Group in compliance with the generally accepted standards of consolidated accounting, and that an accurate picture of the course of business, including business results, and the Group's situation is conveyed by the Group Management Report, and that it describes the main opportunities and risks of the Group's anticipated development.

Einbeck, October 20, 2011  
KWS SAAT AG  
Germany  
THE EXECUTIVE BOARD

  
P. von dem Bussche

  
Ch. Amberger

  
L. Broers

  
H. Duenbostel





## Auditors' Report

We have audited the annual financial statements of the KWS Group – consisting of the Balance Sheet, the Statement of Comprehensive Income, the Notes, the Cash Flow Statement, Segment Reporting and the Statement of Changes in Equity – and the Group Management Report for the fiscal year from July 1, 2010, to June 30, 2011, all of which were prepared by KWS SAAT AG, Einbeck. The preparation of the consolidated financial statements and the 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 is to give, on the basis of the audit we have conducted, 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 20, 2011

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft

(Kompenhans)  
Auditor

(Bukowski)  
Auditor

## Financial calendar

November 25, 2011	Report on the 1st quarter of 2011/2012
December 14, 2011	Annual Shareholders' Meeting in Einbeck
February 24, 2012	Report on the 2nd quarter of 2011/2012
May 24, 2012	Report on the 3rd quarter of 2011/2012
October 18, 2012	Annual press conference in Frankfurt; Analyst conference in Frankfurt
November 29, 2012	Report on the 1st quarter of 2012/2013
December 13, 2012	Annual Shareholders' Meeting in Einbeck

## Key data of KWS SAAT AG

Securities identification number	707400
ISIN	DE0007074007
Stock exchange identifier	KWS
Transparency level	Prime Standard
Index	SDAX
Share class	Individual share certificates
Number of shares	6,600,000
Capital stock at June 30, 2011	€19,800,000
Share price high June 13, 2011 (Xetra)	€166.95
Share price low July 20, 2010 (Xetra)	€116.00
Average number of shares traded	
– in Xetra	4,021
– in floor trading in Frankfurt	307

### KWS SAAT AG

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The 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.

Photos/Illustrations:

Eberhard Franke • Michael Löwa • Stefan Blume • KWS Group archive



