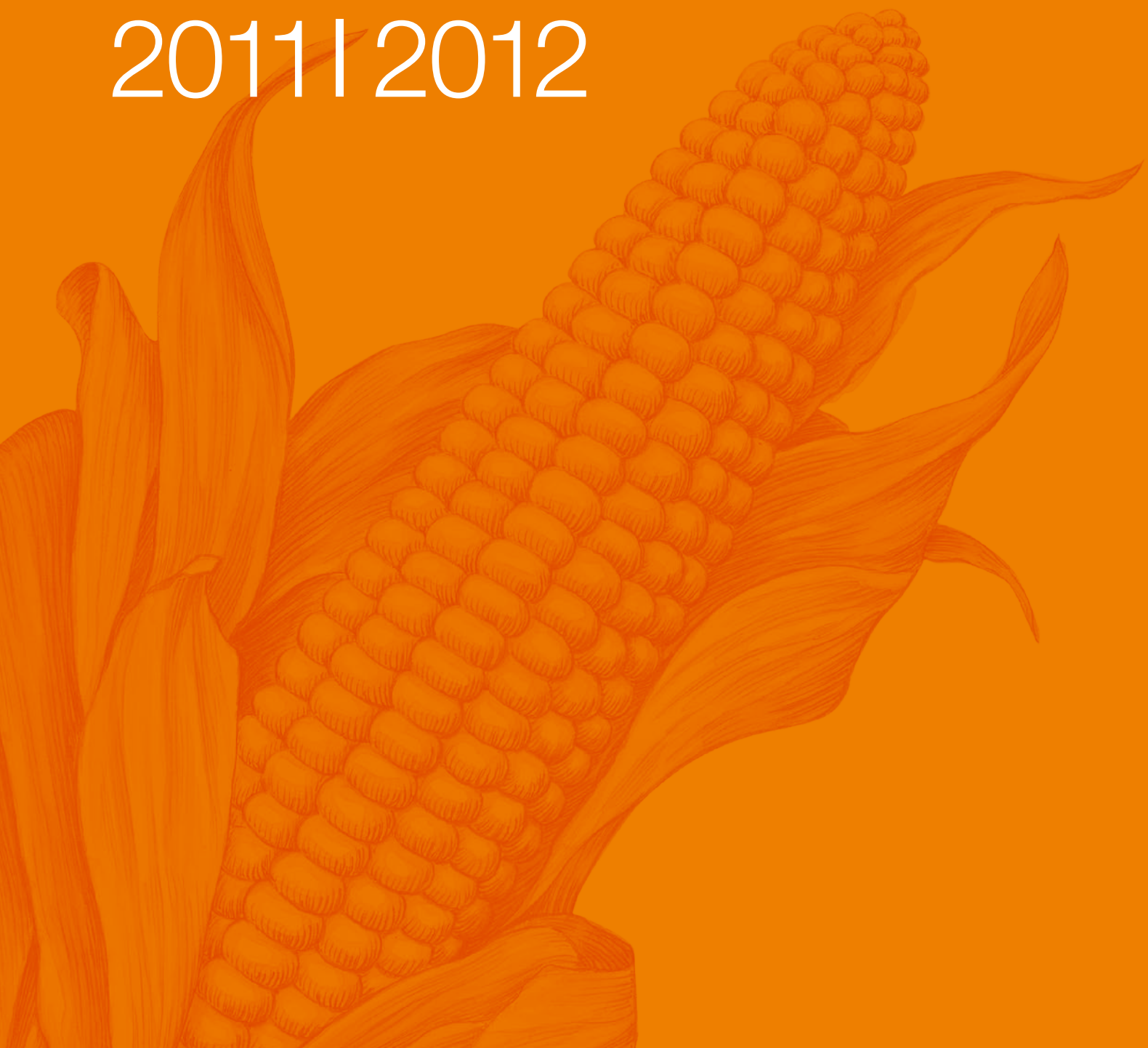


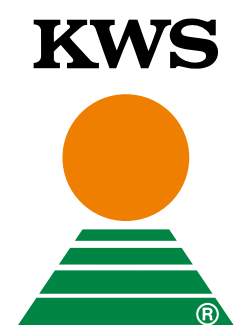
# Annual Report 2011 | 2012



**KWS SAAT AG**



Seeding the future  
since 1856



# Key figures of the KWS Group

Figures in € millions. unless otherwise specified (IFRS)

Fiscal year	2011/12	2010/11	2009/10	2008/09	2007/08
Net sales	986.3	855.4	754.1	717.2	599.1
Operating income (=EBIT)	140.9	116.6	82.4	77.9	70.1
as a % of net sales (=ROS)	14.3	13.6	10.9	10.9	11.7
Net income	94.4	72.9	51.5	50.1	54.6
as a % of net sales	9.6	8.5	6.8	7.0	9.1
Operative cash flow	104.2	101.2	27.4	82.0	74.6
Cash flow from investing activities	-56.6	-52.4	-55.4	-59.4	-18.1
Equity	603.1	530.3	492.9	434.5	398.0
Equity ratio in %	55.2	58.8	57.5	57.5	59.3
Balance sheet total	1,092.3	902.0	857.4	756.0	671.1
Return on equity in %	18.3	15.2	12.2	13.0	15.3
Return on assets in %	10.7	8.8	7.1	7.8	9.2
Fixed assets	378.2	290.1	275.2	231.9	197.1
Capital expenditure	111.5	49.3	58.4	61.1	30.4
Depreciation	28.4	27.6	22.0	23.3	17.0
Average number of employees	3,851	3,560	3,492	3,215	2,856
Personnel costs	182.5	165.0	147.2	135.0	119.0
Performance of KWS shares in €					
Dividend per share	2.80	2.30	1.90	1.80	1.70
Earnings per share	13.89	10.64	7.51	6.98	7.74
Operative cash flow per share	15.79	15.33	4.15	12.42	11.30
Equity per share	91.38	80.35	74.68	65.83	60.31



KWS is the independent seed company for farmers in the 21st century.



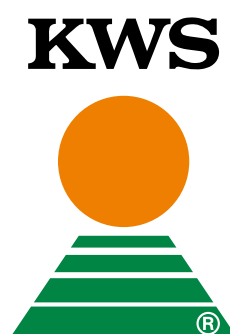
We concentrate on developing top-quality seed for the diverse needs of farmers and society as a whole.



We see ourselves as a reliable partner, specialist and expert adviser dedicated to the sustainable success of farmers.



We are committed to sustainable agriculture and the responsible use of natural resources.









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

## Foreword of the Executive Board

*Dear Shareholders and friends of KWS,*

Our company is continuing on its impressive path to success. As the world's population grows, so does the demand for food. Agriculture must deliver the answers to that demand. KWS' solution is to continuously improve the performance of its plant varieties and the technical quality of its seed, enabling its customers – the world's farmers – to steadily increase their productivity per unit area and their yield. For fiscal 2011/2012, we are again able to report strong growth in all segments. The KWS Group with its 62 subsidiaries and associated companies and a workforce totaling 3,850 people generated net sales of €986 million, a year-on-year rise of 15%. Operating income grew by 21% to €141 million, giving an EBIT margin of just over 14%. The key factor in this success is our outstanding and exceptionally committed colleagues throughout the world. Our thanks go out to them for their exemplary dedication.

All three product segments – Corn, Sugarbeet and Cereals – again contributed to this above-average success for the Group. Apart from our strong position in our home market of Germany, we were able to increase sales volumes significantly in North America, France, Southeastern Europe, Russia and Ukraine in particular.

These good results mean that we are continuing to consolidate our position among the world's top seed companies. Every year we offer improved solutions for the vital future market of food and for the bioenergy sector to the benefit of our customers worldwide. Our portfolio comprises a broad range of sugarbeet, corn and cereal seed, as well as oil seed and seed potatoes.

We have a presence in around 70 countries throughout the world. We have strengthened the KWS brand in all important growth regions, for instance in China, where we have operated for more than 30 years and which, with 31 million hectares, is the second-largest corn market in terms of area after the U.S. In 2011, we expanded cooperation with our longstanding partners Kenfeng in Heilongjiang Province and Condy in Xinjiang and thus boosted our market position in the north and northwest of the country. In addition to our wholly owned research subsidiary in Hefei, we intend to keep on expanding our cooperation with Chinese partners in the form of joint ventures and license agreements.

In June 2012 we broke new ground in the Corn Segment by launching business activities in Brazil, where we were able to acquire two corn breeding companies. We have also taken a majority stake in the production and distribution company Riber Sementes Ltda. as part of a partnership in order to quickly gain a foothold in what is still a largely unfamiliar market for us in South America. As a result, KWS now has a presence with its own subsidiaries in Brazil, the world's third-largest corn market, with a cultivation area of some 15 million hectares.

Modern plant breeding is high-tech work in which we steadily improve our seed. Every year, we invest between 10% and 15% of our revenue in research & development. In the year under review, we again increased our expenditure on product development by just over 11% to €127 million in order to keep on improving our competitiveness. We see this as the most vital strategy in safeguarding our sustainability.

A sustainable corporate policy also means offering you, our shareholders, as continuous as possible a return on your investment. Our share performance and dividend are key measures of this. In the past ten years, our share price has increased by more than 400%, while the comparative index SDAX rose by 97% and the DAX by around 41% in the same period of time. The Executive Board will propose to the next Annual Shareholders' Meeting a dividend of €2.80 a share for fiscal year 2011/2012.

This Annual Report once again proves: We are on the right track and making good headway.

On behalf of the entire Executive Board, I offer my best regards from Einbeck.

*Yours Philip Bussche*

Philip von dem Bussche,  
 Chief Executive Officer



## Where corn grows fastest – KWS in Brazil

Corn is now the most important crop in terms of productivity per unit area. This versatile crop is cultivated worldwide on 162 million hectares. North America, China and Europe are the largest corn seed markets in the moderate climatic zone. By systematically expanding our grain corn breeding operations, we have become the third-largest corn breeder in these markets in the past ten years. We keep on working to secure and build on this position. By moving into Brazil, KWS is now extending its activities to the world's third-largest corn market – one that also has the strongest growth potential.

Brazil is a huge country, making up almost 50% of South America's area and almost as big as the U.S. Its strength has always been based mainly on agriculture, which accounts for 35% of exports – as much as the country's entire industrial segment. Compared to German agriculture, which accounts for less than 1% of exports, it is therefore an immensely important sector. But if you associate Brazil primarily with cane sugar and coffee, you are still living in the 1970s: The main export of the agricultural sector is now soybeans – followed by meat. In the past 20 years, beef production has risen by around 100%, pork production by 200% and poultry production by 350%, turning Brazil into the world's third-largest meat exporter and the largest beef exporter. That's why Brazil's most important crop after

soybeans is corn. Some 90% of the annual corn harvest is needed as feed for Brazilian production – and that figure is increasing. More than 10 million tons of corn are still imported each year to cover needs.

### Safra and safrinha – harvest after harvest

Reflecting the world rankings for meat production, Brazil is the country with the largest corn cultivation area after the U.S. and China. Yet it has the greatest potential for increasing productivity further in the near future. Corn was sown on 15 million hectares of farmland in Brazil in 2011 – and corn production is forecast to increase by 26% by 2025 if the cultivation area remains the same. Mechanization of agriculture is well advanced compared to other dynamically

growing markets such as China and India. The farms have a very large-scale structure, especially in the main corn cultivation region in the south of the country, and have an average size of 150 to 200 hectares. However, farms with several hundred thousand hectares are not unusual. That not only has a positive impact on efficiency and thus on investment in technology, but also indirectly on yields. Around 4 tons of corn per hectare are achieved today, compared with just 2 tons in India. The U.S. shows what is possible if innovations in the sector are leveraged optimally: An average of 10 tons of corn per hectare are harvested in the U.S. There is no doubt that Brazil is aiming to exploit its existing potential.

The general conditions for highly productive farming exist. Plant breeding will make a key contribution to achieving the forecast increases in productivity. The increased use of hybrid corn results in a progress in yields in absolute terms, while genetically modified varieties help protect the harvest. Since 2007, use of this technology has increased to about 60%. While farm-saved seed is used on just over half of the cultivation area in India, the figure in Brazil is

only 2% – farmers put their money on quality seed. A further dynamic boost to the corn seed market comes from the growing importance of the winter harvest. In some regions of Brazil's lowlands, there are two harvests a year – “safra” and “safrinha.” The lion's share of corn is produced as a summer crop in the first harvest. Safrinha, the winter harvest, is sown between January and April after the early-maturing soybean varieties. It is expected to increase by more than 50% by 2015.

### Breeding in best company – Riber and KWS

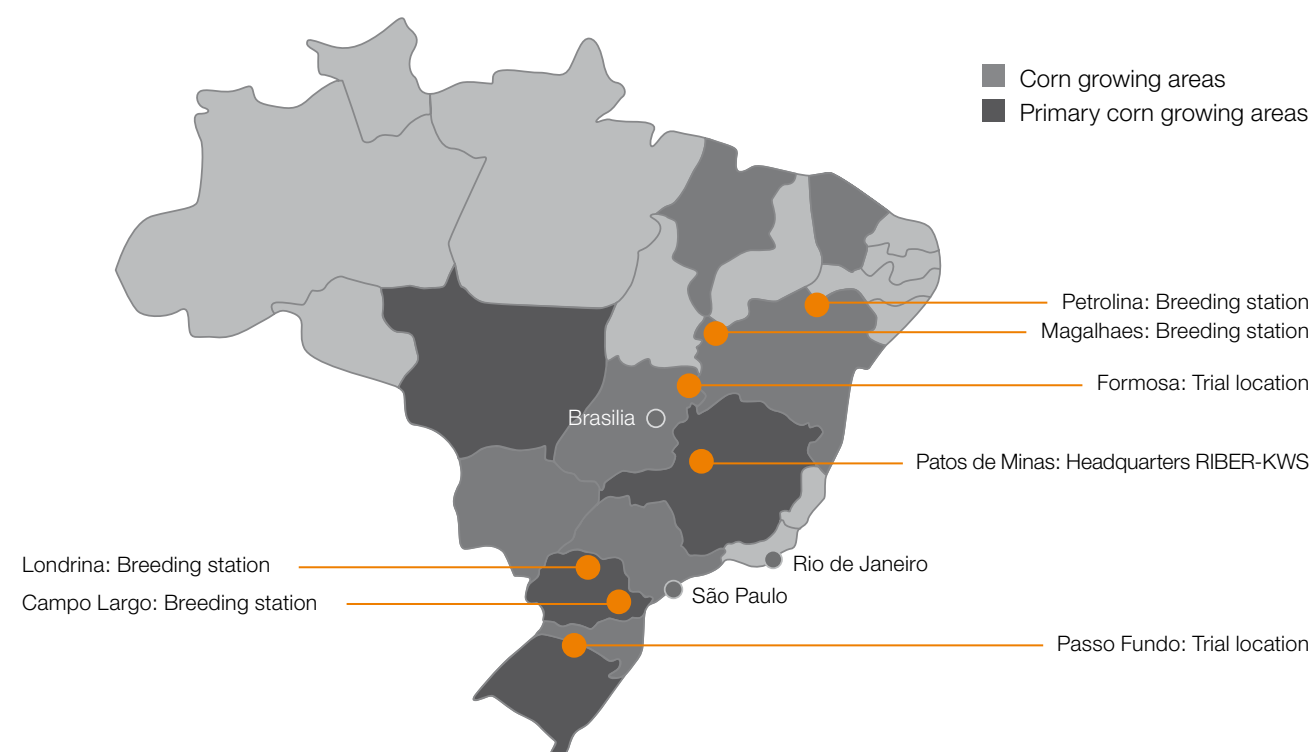
As can be expected, the process of consolidation is well advanced in this attractive and dynamically growing seed market. We are therefore delighted to have found excellent partners for our business activities in Brazil. By acquiring the breeding companies Semília and Delta, KWS now has a diverse gene pool of Brazilian corn and a total of four breeding stations in the states of Bahia and Paraná – excellent prerequisites for developing its own varieties for its own distribution. Corn is grown largely in Central and Southern Brazil, above all in the states of São Paulo, Rio Grande do Sul, Paraná, Mato Grosso and Minas Gerais, where the production and distribution company Riber, in which we have acquired a stake, is headquartered. Our partner and co-owner Cláudio Nasser de Carvalho will manage RIBER-KWS and contribute his outstanding knowledge of products and the market, as well as a broad distribution network in all of Brazil's major corn regions.

Thanks to this partnership, we cover the whole seed value chain, from breeding to production to distribution – in line with KWS' proven model. Our experience with the principle of integration has been a good one. The continuing cooperation with the previous owners, breeders and employees of Delta, Semília and Riber will be of particular benefit. As a result, we can unite Brazilian product know-how, our global breeding network, cutting-edge technology and direct access to key customers under one roof.



In 20 years' time, Brazil could feed 40% of the world's population – and not at the expense of its precious rainforest, but through more efficient and improved agricultural technologies, such as here on a large farm in Mato Grosso.

### KWS locations in Brazil



Thanks to the constant and warm climate, corn can be planted at any time of the year in some regions of Brazil provided it is watered. Our seed production is therefore independent of the rainy season.





»» The most important resource for the future is our biodiversity.

Exotic corn lines sometimes have valuable traits we can use for our agricultural varieties. That means DNA detective work on my part.



Dr. Helena Sofia Pereira da Silva, corn breeder, KWS SAAT AG



# Report of the Supervisory Board



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

Fiscal 2011/2012 was a year of further operational growth and important decisions about our strategic direction. After adjustment for all special effects, the KWS Group was able to post solid growth in net sales and income. At the same time, we expanded our distribution structures and production capacities and increased our research budget – and as a whole initiated extensive measures to secure the company's future. This is reflected in our capital expenditure of around €110 million (previous year: €49.3 million), which also included our new commitment in Brazil. New markets like Brazil and China will make a significant contribution to the KWS Group's net sales as early as the current fiscal year. However, organic growth is founded on our innovative strength. Given the long development cycles in our industry, we have to make decisions that have a long-term impact and thus need to be discussed intensively by the Supervisory Board. This includes, for example, the decision to establish a breeding program for tropical corn in Brazil or for winter wheat in North America.

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 of vital importance for the company, in accordance with the law, the company's Articles of Association and the bylaws. The Supervisory Board satisfied itself that the com-

pany was run properly and in compliance with the law and that it was organized efficiently and cost-effectively. 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 Supervisory Board was involved in all decisions of fundamental importance to the company at an early stage. 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 questions of strategy, 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. The company's business policy, corporate and financial planning, profitability and situation, the general development of the various businesses, market trends and the competitive environment, research and product development and, along with important individual projects, risk management at the KWS Group were also the subject of detailed discussions. The Chairman of the Supervisory Board continued his 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, its strategy, occurrences of special importance and risk management were dealt with. The Chairman of the Supervisory Board informed the Supervisory Board of the results of these meetings. The Supervisory Board did not make use of its right to conduct an examination as granted by Section 111 (2) AktG (German Stock Corporation Act), since the reporting by the Executive Board meant there was no reason to do so.

The full Supervisory Board held five regular meetings in fiscal 2011/2012. Its members participated in all of the meetings, with the exception of two members who were each unable to attend one meeting.

## Focal areas of deliberations

The meeting of the Supervisory Board to discuss the financial statements on October 26, 2011, was devoted to examining and approving the financial statements of KWS SAAT AG and the consolidated financial statements of the KWS Group as of June 30, 2011. In addition, the Supervisory Board discussed the details of the cooperation between KWS and Vilmorin in the development of genetically improved traits for corn. The results of the 2010/2011 efficiency review were

also discussed. The focus of the meetings on December 13 and 14, 2011, was on the KWS Group's strategic planning, which covers a ten-year period, and on the expansion of activities in Eastern Europe. The current performance of cereal and rapeseed breeding compared with the competition was also presented. This was followed on April 25, 2012, by extensive information on the progress of sugarbeet and corn breeding and the status of all important research projects. In addition, the Supervisory Board gave its consent to KWS' investment in the Brazilian corn market and the related acquisitions at this meeting.

In the final meeting of the Supervisory Board in fiscal year 2011/2012, on June 20, 2012, the Supervisory Board approved the planning for fiscal 2012/2013 and relevant medium-term planning up to 2015/2016, including extensive projects to expand our production capacities for sugarbeet and corn seed. In addition, the survey of the Supervisory Board aimed at avoiding and identifying fraud was also conducted. No fraudulent acts are known to the Supervisory Board.

## Annual and consolidated financial statements and auditing

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the auditor chosen at the Annual Shareholders' Meeting on December 14, 2011, 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 2011/2012 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 (2) of the German Corporate Governance Code).

The Supervisory Board received and discussed the financial statements of KWS SAAT AG and the consolidated financial statements and Management Reports of KWS SAAT AG and the KWS Group, along with the report of 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 of 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 17, 2012. The auditors took part in the meeting and reported on the main results of the audit and were 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, among other things as a result of the vote by the Audit Committee and did not raise any objections. The Supervisory Board gave its consent to the annual financial statements of KWS SAAT AG prepared by the Executive Board and to the consolidated financial statements of the KWS Group, along with the Management Reports of KWS SAAT AG and the KWS Group. The financial statements are thereby approved. The Supervisory Board 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 Supervisory Board's efficiency review was conducted for fiscal 2011/2012 in the form of a questionnaire that was to be completed anonymously and was created and evaluated by Deutsche Agentur für Aufsichtsräte, a company that advises supervisory boards. It found that the efficiency and quality of the work performed by the Supervisory Board of KWS SAAT AG as a monitoring and control body complies with best practices. As in the previous year, the recommendations of the Deutsche Agentur für Aufsichtsräte were adopted and implemented without exception. At their meeting on October 17, 2012, the Executive Board and Supervisory Board discussed updating the declaration of compliance from October 2011 and issued a new declaration in accordance with section 161 AktG (German Stock Corporation Act). Like previous declarations, it is always available to the public on the company's Internet site.

The Supervisory Board regularly addressed the question of any conflicts of interest on the part of its members and those of the Executive Board. In the year under review, such conflicts of interests, which are to be disclosed immediately to the Supervisory Board or reported to the Annual Shareholders' Meeting, did not occur.

The Supervisory Board of KWS has an Audit Committee, a Committee for Executive Board Affairs and a Nominating Committee. In fiscal year 2011/2012, the committees dealt with the following subjects.

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 September 24, 2012, to discuss the annual financial statements of KWS SAAT AG and KWS' consolidated financial statements and accounting. The independent auditor explained the results of its audit of the 2011/2012 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 approve it. The Supervisory Board of KWS SAAT AG is to be elected on December 13, 2012. On July 10, 2012, the **Nominating Committee** proposed all the current shareholder representatives for reelection as the Supervisory Board's nominations to the Annual Shareholders' Meeting. The Supervisory Board unanimously welcomed this proposal and in particular the willingness of Dr. Arend Oetker to stand for reelection, noting that his involvement is of special importance to

The deliberations of the **Committee for Executive Board Affairs** in the year under review focused on the future assignment of responsibilities on the Executive Board and creation of the profile for the Chief Financial Officer, a function that is to be filled by a new person. Dr. Hagen Duenbostel will take charge of the Corn Segment and relinquish his previous functions effective July 1, 2013, at the proposal of the Committee for Executive Board Affairs and pursuant to the decision by the Supervisory Board on March 14, 2012. He will therefore succeed Dr. Christoph Amberger, who will not extend his contract when it expires on June 30, 2013, for personal reasons. The Supervisory Board respects the personal decision of Christoph Amberger while also regretting it in view of the excellent contributions he has made to KWS' business development. Responsibility for the Cereals Segment will be assumed by Philip von dem Bussche, whose contract has been extended until the Annual Shareholders' Meeting in December 2014, and thus to when he turns 65, at the proposal of the Committee for Executive Board Affairs and pursuant to the decision by the Supervisory Board on March 14, 2012. The Committee for Executive Board Affairs conducted its regular review of the quality of the Executive Board's work on July 10, 2012.

The Supervisory Board expresses its great appreciation and special thanks to the Executive Board and all employees of the KWS Group for their work and outstanding performance as reflected in the annual financial statements.

Andreas G. Riechers

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

Supervisory Board Committees	Chairman	Members
<b>Audit Committee</b>	Hubertus von Baumbach	Andreas J. Büchting, Cathrina Claas-Mühlhäuser
<b>Committee for Executive Board Affairs</b>	Andreas J. Büchting	Arend Oetker, Cathrina Claas-Mühlhäuser
<b>Nominating Committee</b>	Andreas J. Büchting	Arend Oetker, Cathrina Claas-Mühlhäuser

Good corporate governance and control and a sustainable corporate policy are vital in KWS' everyday business. Respecting the interests of our customers, business partners, shareholders, employees and society is of fundamental importance. Our actions are guided by the values of an international agricultural company with a tradition of family ownership. These values include, in particular, reliability, team spirit, sustainability, foresight and independence. We of course 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). The Government Commission for the German Corporate Governance Code again made amendments to the code after not making any changes in the previous year. In its modifications, the Commission

The complete declaration on corporate governance in accordance with Section 289 a of the German Commercial Code (HGB), which also contains the compliance declaration in accordance with Section 161 AktG (German Stock Corporation Act), has been published in the Internet at [www.kws.com](http://www.kws.com) > Company > Investor Relations > Corporate Governance.

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 deadlines for publishing the consolidated financial statements and interim reports – 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 2011; that it has complied with the recommendations of the German Corporate Governance Code in the version dated

## The Supervisory Board

## The Executive Board



# Compensation Report

The **Supervisory Board's compensation** was set by the Annual Shareholders' Meeting on December 17, 2009. 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, which is oriented toward the company's sustainable development. 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 the Supervisory Board therefore amounts to €509 thousand (€438 thousand), excluding value-added tax. In all, 45% (37%) or €231 thousand (€160 thousand) of the total compensation is performance-related.

Supervisory Board compensation 2011/12 in €	Fixed	Work on committees	Performance- related	Total	Previous year
Dr. Dr. h. c. mult. Andreas J. Büchting*	84,000.00	0.00	81,600.00	165,600.00	140,400.00
Dr. Arend Oetker**	42,000.00	0.00	40,800.00	82,800.00	70,200.00
Hubertus v. Baumbach***	28,000.00	25,000.00	27,200.00	80,200.00	71,800.00
Jürgen Bolduan	28,000.00	0.00	27,200.00	55,200.00	46,800.00
Cathrina Claas-Mühlhäuser	28,000.00	15,000.00	27,200.00	70,200.00	61,800.00
Dr. Dietmar Stahl	28,000.00	0.00	27,200.00	55,200.00	46,800.00
	238,000.00	40,000.00	231,200.00	509,200.00	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 performance-related component. The performance-related compensation is calculated on the basis of a declining scale as a percentage of the sustainable net income for the year for the KWS Group. Payments for duties performed in subsidiaries and associated companies were €38 thousand (€29 thousand) and

are offset against the performance-related payment. Every member of the Executive Board must acquire shares in KWS to an amount of between 20% and 50% of the gross performance-related bonus payment. After five years, the members of the Executive Board receive a long-term incentive payment (LTI) calculated on the basis of the performance of KWS SAAT AG's stock and the KWS Group's return on sales over this holding period. In the year under review, €119 thousand were allocated to the provisions for this for the first time. One third of the LTI before taxes must be reinvested in KWS shares after it has been paid out.

Executive Board compensation 2011/12 in €	Basic com- pensation	Benefits in kind	Performance- related	Total	Previous year
Philip von dem Bussche*	270,000.00	18,998.21	515,001.79	804,000.00	780,510.41
Dr. Christoph Amberger	216,000.00	21,984.52	512,015.48	750,000.00	730,210.65
Dr. Léon Broers	216,000.00	20,597.34	513,402.66	750,000.00	728,557.62
Dr. Hagen Duenbostel	216,000.00	16,452.21	517,547.79	750,000.00	724,028.37
	918,000.00	78,032.28	2,057,967.72	3,054,000.00	2,963,307.05

\*Chief Executive Officer

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 2011/2012, €72 thousand (€72 thousand) were paid to a provident fund backed by a guarantee and €146 thousand (€147 thousand) had to be allocated to the pension provisions in accordance with IAS 19 for pension commitments to members of the Executive Board. Pension provisions totaling €1,496 thousand (€1,351 thousand) were formed for the following members of the Executive Board of KWS SAAT AG:

Pension commitments in €	07/01/2011	Personnel expenses	Interest expenses	06/30/2012
Dr. Christoph Amberger	1,089,771.00	67,313.00	64,922.00	1,222,006.00
Dr. Hagen Duenbostel	260,843.00	26.00	13,479.00	274,348.00
	1,350,614.00	67,339.00	78,401.00	1,496,354.00

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,052 thousand (€1,055 thousand). Pension provisions recognized for this group of persons amounted to €1,394 thousand (€1,726 thousand) as of June 30, 2012.

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

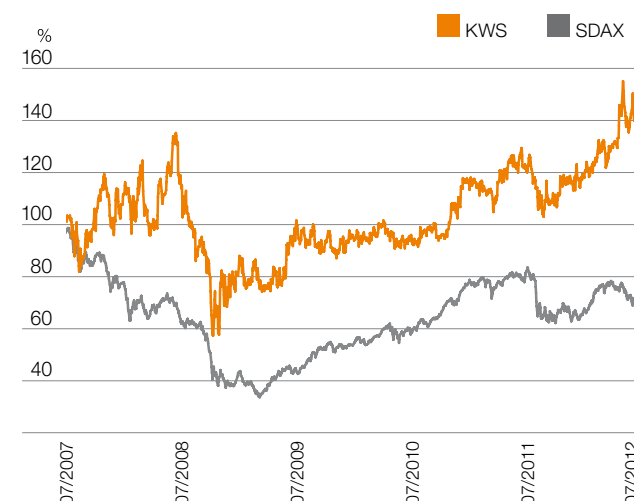
The length of product development cycles in plant breeding means that our business model is essentially long-term in nature. KWS' business policy is therefore not aimed at achieving short-term profit. Instead, we invest continuously in research & development and thus secure our future growth and create new jobs. This strategy has helped us become one of the world's top plant breeders. In this regard, we were delighted to be awarded first prize in the contest "Germany's Best" – one could also say "Germany's Most Sustainable" – from PricewaterhouseCoopers and the newspaper Die Welt on September 13, 2012. This prize acknowledged German companies that orient their business strategy to long-term success and economic sustainability.

Since June 2006, KWS' shares have been listed on the SDAX, the selective index for small and medium-sized enterprises. In terms of market capitalization and trading volumes, it is now among the upper ranks of the securities listed in the index. The performance of KWS' share is particularly impressive when looked at in comparison with the SDAX and DAX over a ten-year period. While KWS' share price more than quadrupled from July 1, 2002, to June 30, 2012, the SDAX rose by 97%. In the same period, the blue chip index DAX increased by just 41%.

KWS' share has also turned in an impressive above-average performance when looked at over a five-year period. Its price rose by 57% from July 1, 2007, to June 30, 2012, while the SDAX fell in value by 28% and the DAX by 23%.

Although our focus is on our share's long-term performance on the stock market, outstanding fiscal years are also reflected in its price in the short term. In the year under review, we

**5-year price trend of the KWS share compared to SDAX**  
July 1, 2007, to June 30, 2012

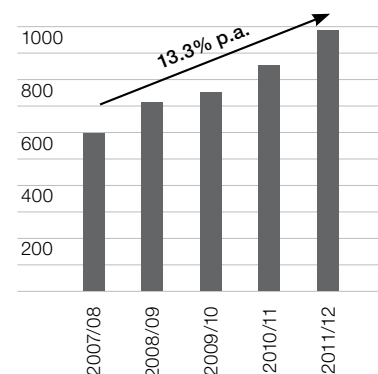


twice revised our original net sales and earnings guidance upward. With this boost from operational business, KWS' share climbed by more than 30% between July 1, 2011, and June 30, 2012 – while the SDAX dropped by more than 11% and the DAX by 13%.

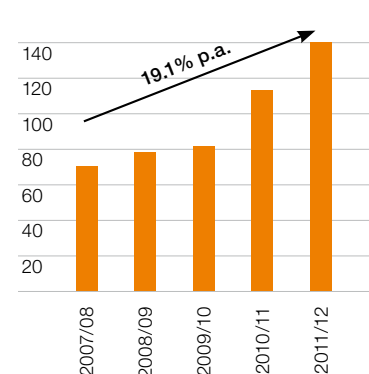
KWS SAAT AG is also represented in the DAXplus Family Index, which tracks the performance of listed family businesses in which the founding families are co-owners and hold at least a 25 percent share of the voting rights. In 2011/2012, the DAXplus Family Index fell by almost 19%.

Our dividend policy is also geared to the long term. For that reason, our company has raised the dividend in each of the past eight years to reflect the KWS Group's earnings performance.

**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 13, 2012

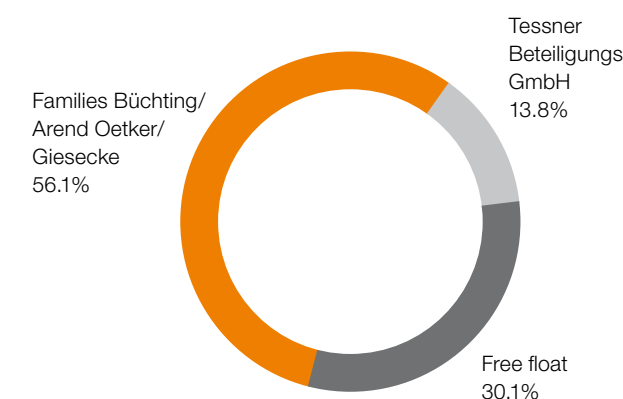
The Company's Executive Board hereby invites you to the

**Annual Shareholders' Meeting on Thursday, December 13, 2012, at 11 a.m.,**  
at the Company's premises in 37574 Einbeck, Grimsehlstraße 31, Germany.

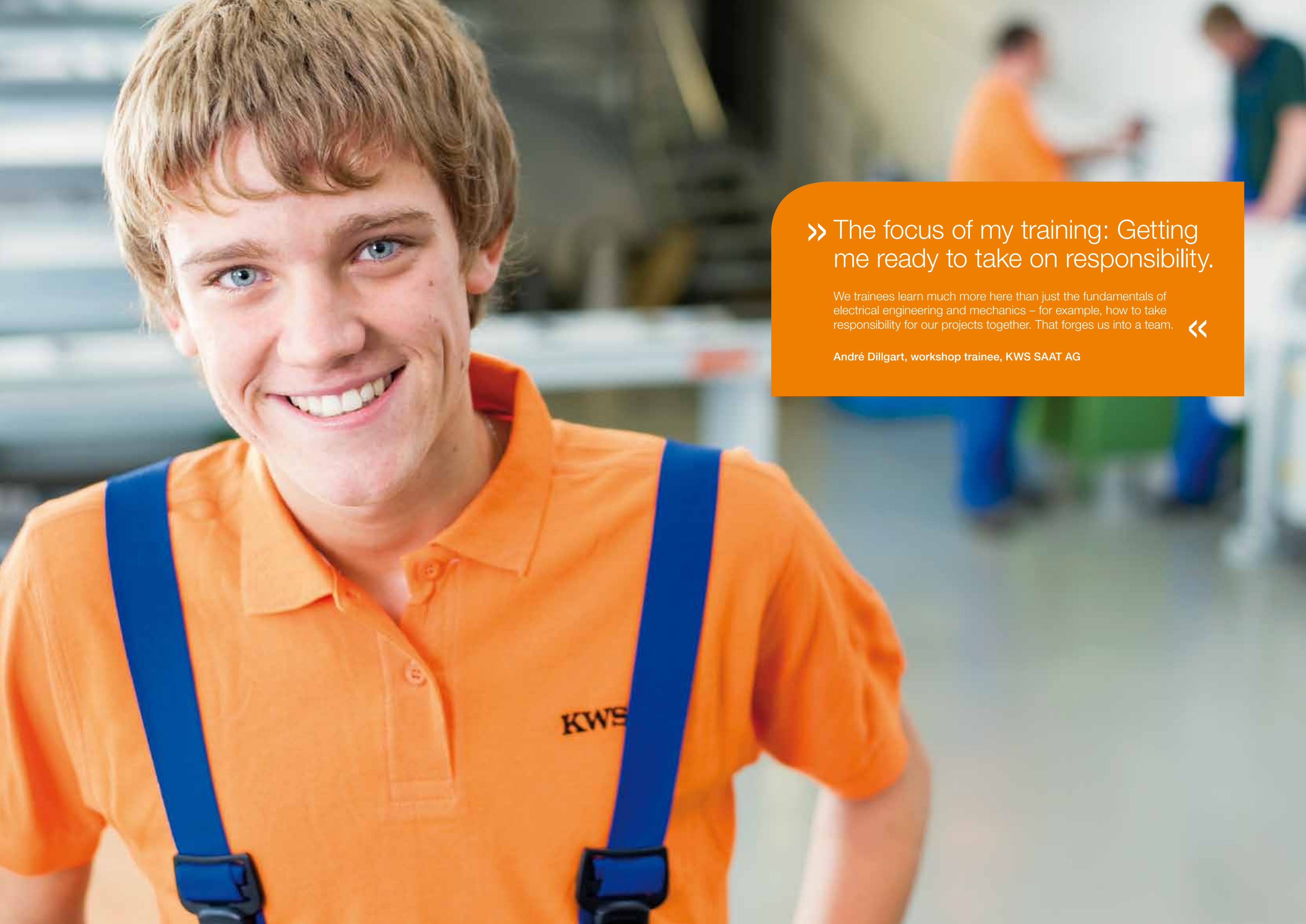
### AGENDA

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, 2011, to June 30, 2012, 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) German Commercial Code (HGB)
2. Resolution on the appropriation of the net retained profit
3. Resolution on the ratification of the acts of the Executive Board
4. Resolution on the ratification of the acts of the Supervisory Board
5. Election of the Supervisory Board
6. Election of the independent auditor of the financial statements of KWS SAAT AG and the independent auditor of the consolidated financial statements for the fiscal year 2012/2013

### SHAREHOLDER STRUCTURE







»» The focus of my training: Getting me ready to take on responsibility.

We trainees learn much more here than just the fundamentals of electrical engineering and mechanics – for example, how to take responsibility for our projects together. That forges us into a team.



André Dillgart, workshop trainee, KWS SAAT AG



# Management Report of the KWS Group

Prospering agricultural markets, innovative products and creative employees were key in making this fiscal year the most successful to date in KWS' history. The company entered new markets, launched forward-looking partnerships and made its administrative structures more efficient. At the same time, our mission was to preserve the spirit of our family business and KWS' values. We were able to leverage our strengths and opportunities in fiscal 2011/2012. That is also reflected in KWS' performance on the stock market.

The KWS Group's earnings again received a positive boost from special factors. However, we also posted solid operational growth. We expanded our distribution structures and our efforts in the research and development of new varieties. In addition, we have not slackened in our investment activities, but instead laid new foundations for future growth: The vast majority of our investments this year were not on maintenance measures, but rather on increasing capacities at our 62 subsidiaries worldwide.

Regional weather extremes not only hit our customers but also our seed production. Considerable funds are tied up in ensuring we can make sufficient seed available to our customers. As a result, we were able to compensate for the damage caused by frost in some regions of Europe in early 2012 by delivering new seed.

A further challenge relates to the agricultural policy agenda. At one time, the cultivation of energy plants was regarded as a cornerstone of the energy shift in Germany. Now, corn grown for producing energy is a particular focus of public criticism. Careful and differentiated analysis is required here. KWS has always advocated the most efficient way of obtaining energy from plants. We still believe this to be bio-gas production. We provide a broad portfolio of products for this, one that enables rotation of energy crops.

## KWS in figures

The KWS Group grew its net sales again in fiscal 2011/2012 by 15.3% over the outstanding previous year to €986.3 (855.4) million and was thus above the growth rates for the past 5 years (average of 13%). Net foreign sales rose by €113.5 million to €758.0 (644.5) million and now make up 76.8% (75.3%) of total revenue. The largest growth was recorded in North America. Net sales in Germany likewise increased strongly by 8.3% to €228.3 (210.9) million.

As in the previous year, all product segments contributed to this growth. Net sales in the Corn Segment were bolstered

by higher demand for high-quality corn varieties and increased by 19.7% to €571.5 (477.5) million or 57.9% (55.8%) of total net sales. The Sugarbeet Segment likewise grew its net sales by 6.7% to €313.4 (293.6) million, accounting for 31.8% (34.3%) of our total business volume. Net sales at the Cereals Segment grew by 19.9% to €93.3 (77.8) million or 9.5% (9.1%) of the KWS Group's total.

## Function costs focused on growth

The cost of sales increased by 20.3% to €521.3 (433.4) million due to a sharp rise in the cost of seed multiplication and higher license costs, but we nevertheless improved our gross profit to €465.0 (422.0) million. Intensified market cultivation and diversification of sales channels resulted in further selling expenses, which rose by 16.5% to €161.4 (138.5) million. The share of selling expenses relative to net sales consequently increased to 16.4% (16.2%). To enable the future development of high-yielding varieties, research and development expenditure rose as planned by 11.5% to €126.6 (113.5) million or 12.8% (13.3%) of net sales. We also intend to expand our breeding activities continuously to safeguard the KWS Group's high level of innovation. Administrative expenses were reduced year on year by 0.8% to €59.5 (60.0) million and are now 6.0% (7.0%) of net sales.

The balance of other operating income and other operating expenses is €23.4 (6.6) million and was impacted in the year under review by foreign exchange gains and the reversal of allowances for receivables.

## Sharp increase in operating income

The KWS Group's operating income rose by 20.8% to €140.9 (116.6) million on the back of its positive business performance. Operating income in the Sugarbeet Segment improved to €79.9 (65.9) million or 56.7% of the Group's total income. The Corn Segment grew its operating income to €77.8 (63.6) million and thus contributed 55.2% of the Group's income. The Cereals Segment achieved income



KWS specializes in high-performance hybrid seed. In the market for winter rapeseed as well, the quality of these varieties has proved a winner.

of €18.9 (€14.5) million or 13.4% of the KWS Group's total. The Corporate Segment's operating income includes all cross-segment expenses. That includes administrative costs for all central functions at the KWS Group as well as costs for long-term research projects whose results are not yet ready for the market. The segment's income fell to €-35.7 (-27.4) million.

## Net income for the year grows sharply again

The result from ordinary activities rose to €135.7 (109.6) million, while net financial income/expenses also improved by €1.8 million to €-5.2 (-7.0) million. Low tax rates in our growth regions led to total tax expenditures of €41.3 (36.7) million. That represented a tax rate for the Group of just over 30%, well below the previous year's figure of approximately 34%. Consequently, net income for the year improved to €94.4 (72.9) million, giving a return on sales after tax of 9.6% (8.5%).

## Expansion of the product portfolio and safeguarding of future competitiveness

The acquisition of two breeding companies and the majority stake in a production and distribution company in Brazil was a key element of our investment strategy last fiscal year and will allow us to expand our corn business to tropical cultivation regions. We also made investments in the expansion of our corn seed production capacities in Argentina and purchased new breeding areas for our potato business in the Netherlands in the year under review. In fiscal 2011/2012, the KWS Group invested a total of €111.5 (49.3) million, of which around €61.1 million was spent on acquiring the Brazilian companies. Investments again exceeded depreciation and amortization, which amounted to €28.4 (27.6) million. Of the total investments by the KWS Group, 13.4% went to Germany, 18.6% to the rest of Europe, 67.7% to North and South America and 0.3% to other countries. Just over two-thirds were invested in the Corn Segment and some 20% in the Sugarbeet Segment.





## Corporate

### Company's growth backed by solid financing

Total assets increased in fiscal 2011/2012 by €190.3 million to €1,092.3 (902.0) million. Equity increased by €72.8 million. The main factors in this were the 29.5% increase in net income for the year to €94.4 million and currency translation effects of €18.8 million that are not recognized in the income statement. However, the inclusion of our Brazilian activities led to a reduction of €25.7 million, which is likewise not recognized in the income statement. The KWS Group still has solid financing, with an equity ratio of 55.2% (58.8%).

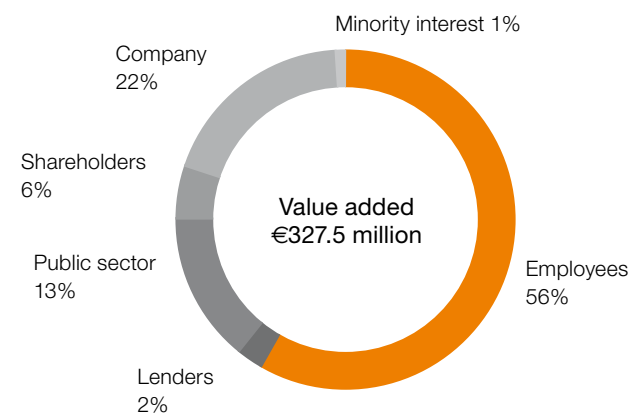
Net working capital rose to €197.4 (177.7) thousand despite the company's significant growth last fiscal year.

Totaling €449.1 (397.2) million, inventories and trade receivables accounted for around 41.1% (44.0%) of total assets. On the balance sheet date, cash and cash equivalents were €183.0 (146.9) million and, after deduction of financial borrowings, net liquidity was €107.9 (113.3) million.

Equity rose to €603.1 (530.3) million and, as in the previous year, fully covered noncurrent assets and inventories. Debt capital increased by €117.5 million to €489.2 (371.7) million, above all as a result of the increase in short-term borrowings and short-term and long-term provisions. This increase in noncurrent liabilities includes €44.1 million due to our investments in the Brazilian corn market.

### Distribution of value added

(around 31% of the total output)



### Higher cash earnings improve cash flow from operating activities

The KWS Group's cash earnings increased to €117.8 (104.1) million in the year under review. The cash flow from operating activities was €104.2 (101.2) million on the back of an increase in receivables and inventories and higher short-term provisions.

€56.6 (52.4) million were used for investments. €9.0 million of this was spent on the acquisition of two Brazilian breeding companies. The investment in the Brazilian production and distribution company RIBER-KWS S.A. will not result in a cash outflow until the fiscal year 2012/2013. The net cash used in financing activities by the KWS Group was €19.1 (10.2) million.

### Single-entity financial statements of KWS SAAT AG

KWS SAAT AG again benefited from its growing sugar beet and corn business in fiscal 2011/2012 and must finance the further expansion of all its research and development activities. As part of this, Group-wide administrative expenses reported in the Corporate Segment are borne at the level of KWS SAAT AG. Net income was therefore slightly down from the previous year at €11.9 (24.2) million. Aided by improved net financial income/expense, mainly resulting from the receipt of profits from subsidiaries, net income pursuant to the accounting regulations of the German Commercial Code (HGB) was €27.9 (15.9) million. With the net profit of €0.8 million carried forward from the previous year and an allocation of €10.0 million to the revenue reserves, the net retained profit was ultimately €18.7 million.

### Proposed appropriation of profits

The Executive and Supervisory Boards will propose payment of a dividend of €2.80 for each of the 6,600,000 shares to the Annual Shareholders' Meeting, an increase of 21.7% over the previous year's €2.30. This reflects the continuation of our earnings-oriented dividend policy in fiscal 2011/2012. The KWS Group's operating income rose by 20.8% to €140.9 (116.6) million in the year under review. This reflects KWS' good success in the market. Net income for the year increased by 29.5% to €94.4 (72.9) million due to the lower tax rate for the Group, which resulted from tax income from other periods and higher earnings in low-tax countries. A total of €18.5 (15.2) million from KWS SAAT AG's net retained profit is thus expected to be distributed to shareholders in December 2012.

We restructured our segments effective July 1, 2011. Since then, product-related expenses for breeding activities have been carried directly in the product segments and the former Breeding & Services has been disbanded. Revenue from our farms, services for third parties and net sales from strategic projects, such as our corn activities in China, will be consolidated under the remaining segment, which is now called Corporate. Its net sales in the year under review totaled €8.1 (6.5) million. The operating income for Corporate also includes our cross-segment expenses. That includes administrative costs for all central functions at the KWS Group, as well as costs for long-term research projects whose results are not yet ready for the market. The segment's income in the past fiscal year was € -35.7 (-27.4) million. This above all reflects the further intensification of our research activities.

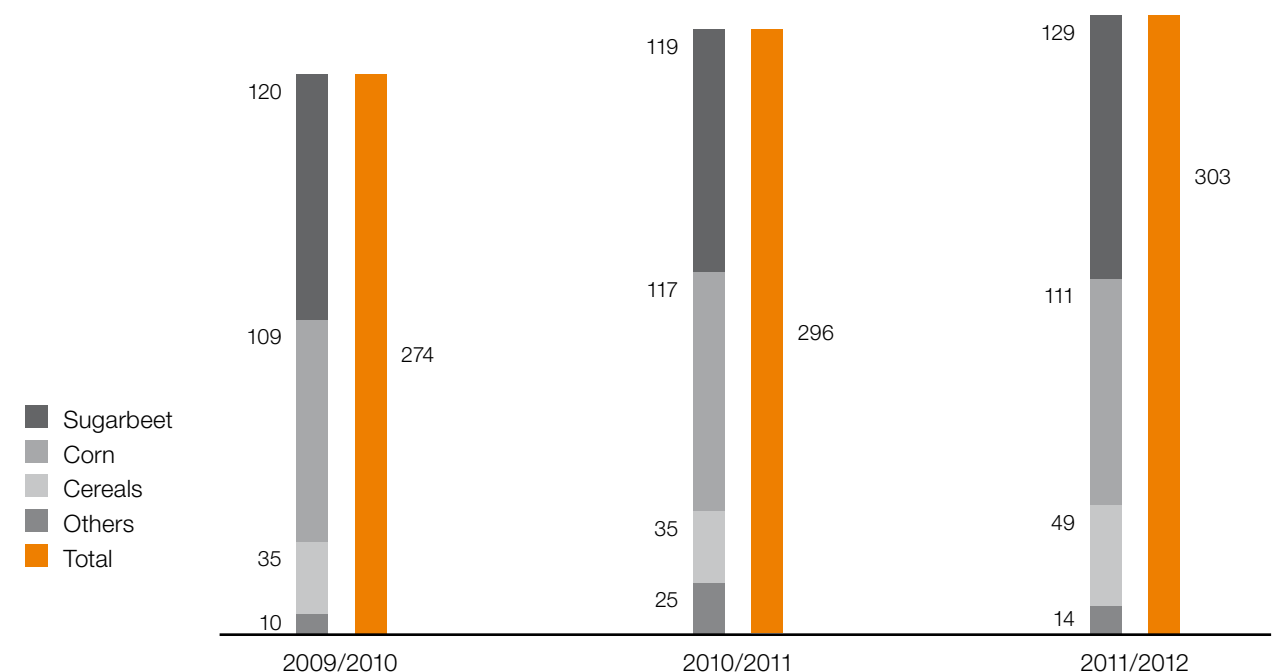
Focused crop breeding work is KWS' core competence. And a key indicator of our innovativeness is the official sales approvals for our new varieties. Breeding progress means enhanced crop performance and higher yields for farmers. In fiscal 2011/2012, KWS obtained 303 (296) sales approvals for new varieties worldwide.

### KWS and Vilmorin: Establishment of the joint venture Genective

In 2011, KWS founded the joint venture Genective together with the French breeding company Vilmorin. The shared objective is to establish our own technology platform for producing genetically modified varietal traits in corn. The

cooperation will focus initially on further developing resistance to herbicides and insects. These standard characteristics – also termed gatekeeper traits – will be added to later. In North America, applications for approval to grow corn crops with a new herbicide resistance and to use them for food and feed have already been submitted to the authorities. The approvals are expected to be granted by 2014. Alongside this, applications for their use in food and feed in the main export markets are being prepared. If the development work continues to proceed successfully, we expect to market corn hybrids with combined herbicide and insect resistance as of 2019.

### Marketing approval from new varieties



#### Innovation in sugarbeet: Development of an alternative herbicide concept

Together with Bayer CropScience, KWS has developed a herbicide concept for conventional sugarbeet cultivation. This herbicide tolerance is based on a very rarely occurring natural change in the sugarbeet's genetic makeup. Out of 1.5 billion individual cells, a sugarbeet cell was identified as having tolerance against herbicides from the class of ALS inhibitors. Tolerant sugarbeet plants were created from this individual cell using in-vitro multiplication. While KWS pushes ahead with developing the tolerant varieties, Bayer CropScience is conducting the process for registering the relevant herbicide in all European target markets. Pinpointed use of molecular markers helps to significantly speed up the breeding process, with the result that initial varieties will be able to be launched in the market in the medium term.

#### The importance of phenotyping in plant breeding

Phenotyping, one of the key competencies in plant breeding, covers the precise assessment of traits of the individual plants in the field to their analysis at the molecular level in the lab.

Plant phenotyping has made enormous progress. There is, for example, the rapid development of sensor technologies to enable automated, more robust and precise assessment of plant traits in the lab, greenhouse and field using high-throughput processes. Many of a plant's traits can be determined using non-invasive methods, in which the plant is not destroyed. The technologies comprise, for instance, radar sensor systems, hyperspectral image analyses and fluorescence measurements. For many years now, KWS has invested in the development of its own techniques to assess plant traits. The near-infrared spectroscopy (NIRS) analysis method, in which light is measured in the near-infrared range, is already used as standard in determining the constituents of KWS' crops. Installed on special harvesting machines, the NIRS technology makes it possible to determine sugar content while harvesting the trial plots, for example.

Launched in 2009, the research project "CropSense.net" aims to further develop quantitative and qualitative analysis methods for traits in crops. KWS is involved in the "Sugarbeet" subproject of this initiative, which is sponsored by



One of the most important tasks at our lab for biotechnology and breeding is the molecular analysis of plants' constituents.



Plant breeding is high tech combined with a fine touch.

the German Federal Ministry for Education and Research and is supported by institutional research facilities and business enterprises.

#### Expansion of the corn breeding program in China

In line with the growing importance of high-performance hybrids in commercial corn cultivation in China, KWS also expanded its breeding program there in the past year, doubling its testing capacities and increasing the number of individual trial regions. KWS varieties are now undergoing approval tests in all major cultivation regions, with the exception of the tropics. Consequently, the focus in the coming year will be on expanding testing capacities through greater mechanization of sowing and harvesting and a further increase in the accuracy of testing by training new employees. We have also begun establishing a team to produce basic seed and experimental hybrids.

#### Expansion of sunflower breeding in Southeastern Europe

In the past year we broadened the basis for an efficient breeding program by establishing a breeding team in Boly in Southwestern Hungary. Construction of a new, state-of-the-art breeding station is to begin before the end of 2012. This is to complement the existing corn breeding station in Eastern Hungary. Establishment of the infrastructure was accompanied in the past three years by development of the breeding material. The first tests on new hybrids from the program are scheduled for the summer of 2014.



## »» The genetic pool is what counts.

In cell biology, we regenerate complete plants from individual cells or pieces of tissue and select them according to their traits. The genotypes characterized in this way then form the basis of our breeding programs.



Clemens Springmann, Head of Cell Service, KWS SAAT AG





## Corn Segment

The Corn Segment's dynamic growth continued without interruption in the year under review. We were again able to build on our position in the highly competitive corn seed business, thanks to our portfolio of high-performance varieties and the availability of sufficient seed. The foundation for this success was our customer-centric, regionally differentiated distribution systems.

Net sales in the Corn Segment rose by 19.7% to €571.5 (477.5) million in the year under review. Operating income increased by 22.3% to €77.8 (63.6) million. The segment's profitability therefore remains at a gratifyingly high level of 13.6% (EBIT margin). The high prices for agricultural raw materials worldwide induced many farmers to use quality seed only and further expand the cultivation area for grain corn. Farmers also grew more corn in Germany, especially as this was the best alternative following the regional failure of the winter wheat harvest. That resulted overall in unexpectedly high demand for seed in the spring 2012 sowing season, which more than compensated for the increase in selling and development costs. The segment's income was improved by the reversal of allowances set up in previous years for receivables, in particular from Eastern Europe.

We also made advances in breeding. In the coming year, we will be able to market 111 (119) new corn varieties in 27 countries and 12 (25) new rapeseed and sunflower varieties in six countries.

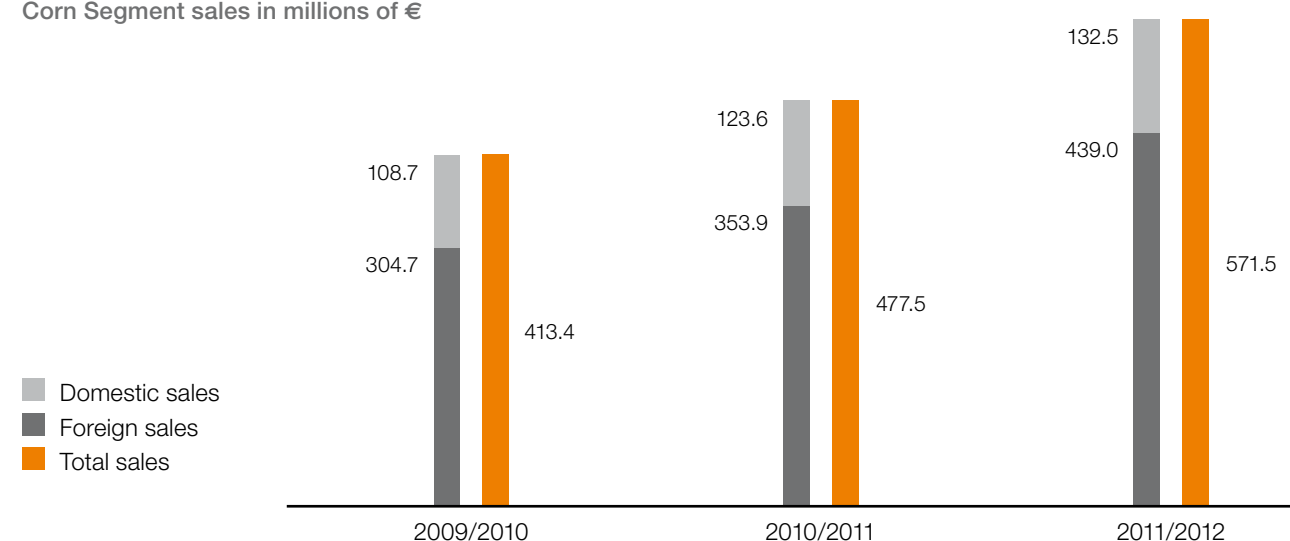
### The markets

High prices for corn for consumption caused an increase in cultivation area in the U.S. by some 2 million hectares

to 39 million, the largest figure since 1937. Seed companies were nevertheless able to satisfy the high demand, despite the fact that the multiplication conditions in the summer of 2011 had resulted in a significantly lower production volume. Seed inventories at the end of the 2012 season are now well below the long-term average. Thanks to good product performance and sufficient availability of important varieties, AgReliant – our North American joint venture with the French breeding company Vilmorin – was able to grow its market share further in the highly competitive U.S. corn market.

In the past fiscal year, AGRELIANT also made significant investments aimed at further expanding its market position. All production sites are now able to make seed using the new "refuge in the bag" system, which makes it easier for our customers to implement resistance management as prescribed by law. Seed with genetically engineered resistance to insects is mixed with a proportion of seed without this resistance so as to ensure sustained and long-term effectiveness against insect pests. Start of construction of a seed production and logistics center in Iowa is scheduled for the coming fiscal year to enable AGRELIANT to increase its own seed processing capacities.

Corn Segment sales in millions of €



Corn is a true photosynthetic powerhouse. As a result, it grows up to 10 cm a day in early summer.

There was a sharp increase in cultivation area in some regions of Europe. This was attributable to the reduced sowing of winter cereals due to weather conditions (e.g. in Romania), as well as damage by frost, which resulted in winter cereals and rapeseed having to be plowed under in Ukraine, Poland and partly in Germany. Total corn cultivation area in Europe rose by around 10% to just over 22 million hectares.

In Europe, KWS recorded increases in sales volumes above the general rate of market growth and thus further expanded its market share. The company posted above-average growth in sales volumes in France, Central and Eastern Europe and Southeastern Europe. We were also able to not only defend, but even grow our market position in Germany and Northern Europe, where KWS traditionally has the largest market share. In these regions, biogas produced from corn is an efficient source of alternative energy; all the same, of the 2.7 million hectares on which corn is cultivated in Germany, just 810,000 are used for growing corn for energy. That is around 7% of the country's arable land. However,

this figure is perceived to be far higher by policymakers and the general public.

Our oil seed and protein crops accounted for 11.0% (12.0%) of the segment's net sales. This figure is accounted for mainly by winter and summer rapeseed and sunflowers in Europe and by soybeans in North America. The largest rapeseed markets in Europe are France and Germany, while sunflowers are cultivated mainly in Russia and Ukraine. The most important market for soybeans is the U.S. Soybean is the major supplier of vegetable protein in global feed production. Around 35 million tons of (predominantly genetically modified) soybean meal are imported to Europe every year.

One major challenge is seed traceability. In this regard, we have taken a large step toward rolling out a new barcode system throughout the Group. The goal is to make it easier to identify and locate every seed unit – from multiplication, seed processing and the stages of marketing, right to the individual farmer.





## Sugarbeet Segment

Our seed potato business was consolidated fully in the Sugarbeet Segment for the first time in fiscal 2011/2012. Net sales in the segment surpassed the €300 million mark for the first time. This was mainly due to our North American business, which now contributes more than 30% to the segment's net sales. Our success there is based on our genetically improved sugarbeet varieties.

The segment's sales were €313.4 (293.6) million, a rise of 6.7%. Its income rose above-proportionately by 21.2% to €79.9 (65.9) million. Apart from large contribution margins – in particular from North America – reversals of allowances for receivables also had a positive impact on the segment's income.

As announced in last year's Annual Report, a new structure was also introduced within the segments of the KWS Group. As a result, research and development expenditure on sugarbeets and potatoes is now charged directly to this segment. However, there are no longer any internal royalty payments by the product segments to the former Breeding & Services Segment. In addition, the Sugarbeet Segment now also obtains value added from herbicide tolerance technology in North America. We continue to increase our R&D expenditures, a strategy that is paying off. In 2012, KWS obtained 129 (117) sales approvals for new varieties in 27 countries. In addition, two potato varieties bred by KWS were given approval for the first time.

### The regions

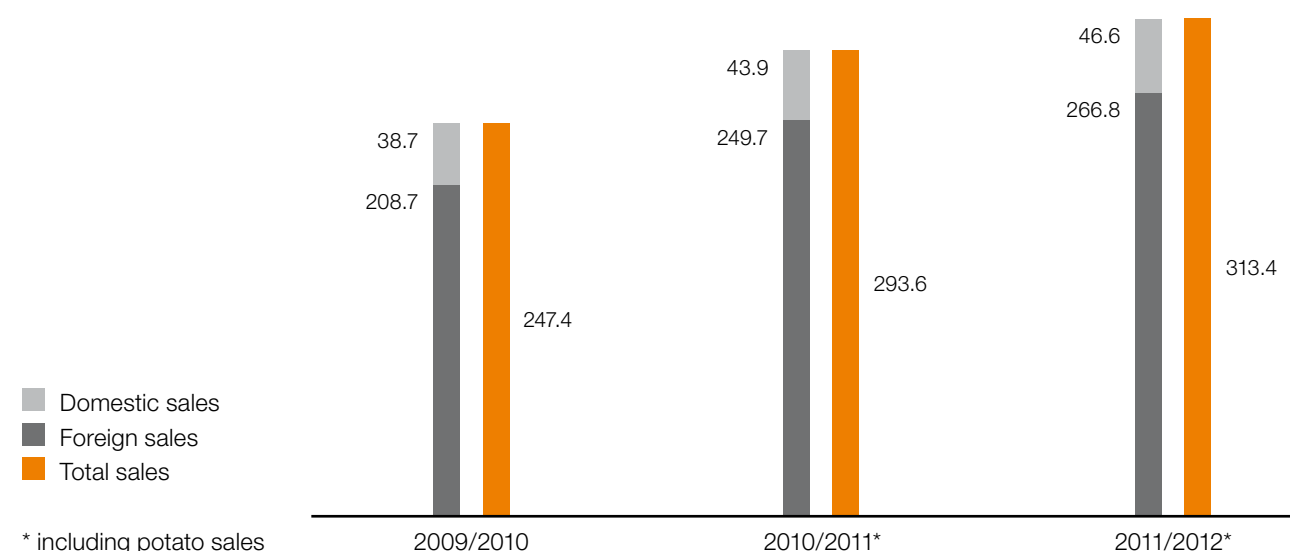
The Sugarbeet Segment accounted for €280.6 (266.9) million of total net sales. The main growth regions in the past fiscal year were North America and Eastern Europe. Net sales in the EU 27 were €126.2 (131.8) million, not quite at the level of the previous year. However, net sugarbeet sales outside the EU increased considerably to €154.4 (135.1) million. Total cultivation area fell by approximately 50,000 hectares to just over 4.7 million since, as stated in the last Annual Report, some farmers had decided to switch crops due to the high prices for cereals.

KWS was able to grow its net sales again in North America. Despite the fact that legal action relating to the approval of Roundup Ready® sugarbeet was still ongoing at the beginning of the sowing season, farmers in North America decided in favor of this technology on 97% of the cultivation area for the crop. Moreover, net sales in North America were positively impacted by exchange rate movements.



The key to success – even in small sugarbeets – is how they develop when young. The sooner the leaves are fully developed, the sooner sugar can be stored in the roots, and the better the yield.

Sugarbeet Segment sales in millions of €



We were also able to expand our market position in Eastern Europe significantly. Despite subsidization of locally produced seed in Russia, KWS managed to increase sales volumes and net sales year on year by linking up with a new distribution partner. Sales in Ukraine were grown by 50%, albeit from a relatively low base. Net sales in Germany also rose slightly, while we suffered losses in market share in France as a result of unfavorable variety performance. We were not quite able to maintain the extremely high market share in Northern Europe that we achieved in fiscal 2010/2011. In Southern Europe, however, we significantly expanded our market share, despite a further decline in cultivation area.

Another positive aspect is the trend in China, where net sales soared again. By contrast, net sales declined in Turkey, since many dealers still had large stocks of seed from the previous year.

### Seed potatoes

The very good potato harvest in 2011 led to an excess supply of ware potatoes throughout Europe. Consequently, consumer prices fell to an extremely low level, causing far lower demand for certified seed. Low prices and quantities that could not be sold, above all in Central and Eastern Europe, strained KWS' potato business. However, sales of seed potato varieties for use in making French fries or chips had a stabilizing effect. Prices in this segment are less volatile and sales quantities are agreed to over a period of several years. We therefore plan to expand this segment gradually.

Following the complete acquisition of the shares in the former joint venture in fiscal 2010/2011, KWS POTATO B.V. faced extensive consolidation and integration activities. We also began to establish our own potato breeding station at Emmeloord in the Netherlands. The infrastructure required for successful product development will be created there over an area of 96 hectares; completion is scheduled for June 2013. Net sales in our seed potato business totaled €32.8 million. In the previous year, the joint venture net sales of €41.2 million.





# Cereals Segment

KWS' cereals business, which is bundled in the KWS LOCHOW Group, posted record sales and income in fiscal 2011/2012. This was due in part to positive price trends for cereals for consumption on the commodity futures exchanges but also to the fact that KWS LOCHOW successfully established QualityPlus® in Germany, a brand that sets a new standard of quality for cereal seed. We recorded our biggest increase in net sales – just over 25% – for our hybrid rye varieties, since rye is now being used more and more frequently as feed.

Net sales in the Cereals Segment totaled €93.3 (77.8) million, a rise of 19.9%. The segment also posted better income than anticipated in the course of the year. On the back of a further expansion of our breeding and distribution activities, income at June 30, 2012, rose by 30.3% to €18.9 (14.5) million. Apart from good direct business with hybrid rye, there was also an increase in our wheat and barley business, which is mainly license-based. Rye is still the main contributor to net sales in the Cereals Segment, accounting for around 50% of the total figure, followed by wheat, barley and rapeseed. The segment's EBIT margin increased to 20.3% (18.6%).

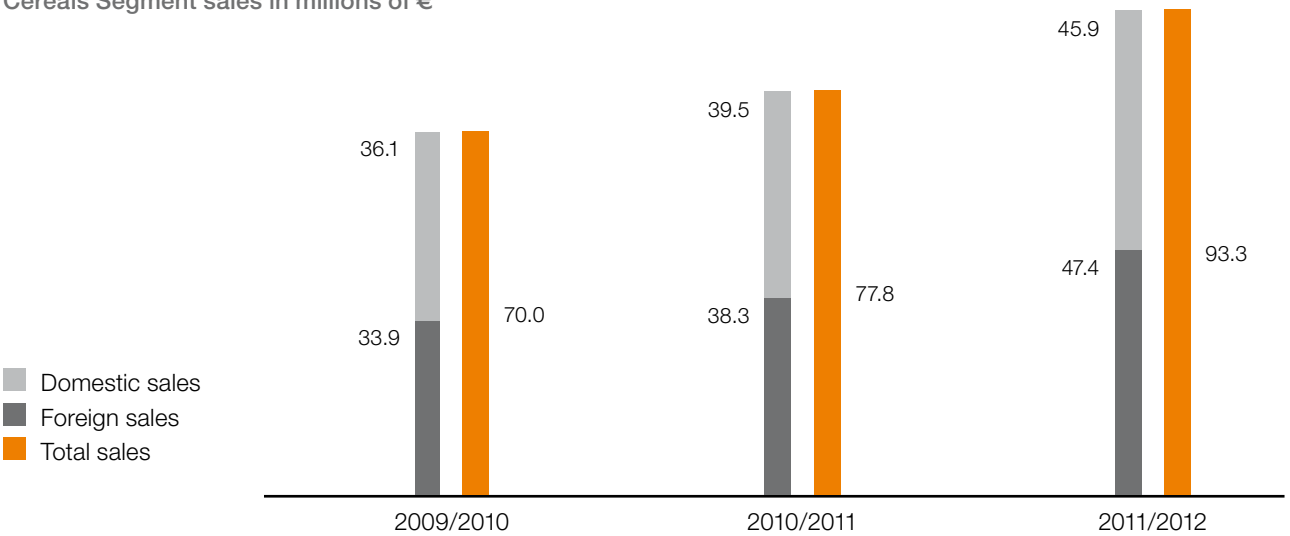
In the past year, KWS LOCHOW again invested a large 20% of its net sales in the national and international development of cereal varieties. It also undertook great efforts in strategic projects aimed at increasing its long-term competitiveness, in particular a new wheat breeding program in the U.S., where all the preparations to establish KWS' first cereal breeding station of its own – in the Champaign, Illinois, region – were made in the year under review. Another example that should be mentioned is our special breeding

program for winter malting barley, in which KWS is already the market leader. We are conducting a trend-setting project for adapting our hybrid rye varieties to the continental weather conditions of Eastern Europe. The objective is to tap additional market potential there in the medium term. In Central and Western Europe, our varieties demonstrated their excellent winter hardiness in the severe conditions of the last winter. KWS was awarded 49 (35) sales approvals for new varieties in 13 countries in the Cereals Segment and can look to the future with optimism.

### The regions

Sales volumes of certified cereals seed in Germany fell by around 3% year on year to below 505,000 tons due to lower availability as a result of the weather. Nevertheless, KWS LOCHOW was able to increase its net sales in its home market by some 13% and thus to expand its market share. The QualityPlus® concept launched to coincide with the 2011 sowing season was implemented successfully. QualityPlus® is the new quality brand for cereal seed from KWS LOCHOW. It exceeds the already high quality requirements demanded

Cereals Segment sales in millions of €



The quality of winter barley is shown in severe winters like 2011/2012. Our top varieties produced good results and survived the periods of black frost well.

by law. With this initiative, KWS LOCHOW is clearly underscoring its commitment to higher seed quality in the German market. The goal is to ensure greater production reliability and improve the competitiveness of cereal farmers. Hybrid rye sales volumes in Poland more than doubled due to the very good market climate compared with the previous year, with higher prices being paid in some cases for rye for consumption than for wheat. There was particularly high demand for the ergot-tolerant Pollen Plus varieties from KWS LOCHOW. The ergot is a fungus that grows on the ears of rye and, because of its toxicity, must not be allowed to enter the food chain.

KWS LOCHOW also grew its net sales in its other important markets of the UK, France and Denmark. Our market share for wheat seed in the UK increased to 45%.







»» The sun rises in the east.

I'm delighted that the friendly brand with the sun shining on the fields is also gaining in importance in my country.



Xu Ning, office assistant, KWS Representative Office Beijing, China

## Outlook for the 2012/2013 fiscal year

The KWS Group will likely continue its path of operational growth in fiscal 2012/2013. However, special factors like those that had an extremely positive impact in the previous year are not anticipated. Once again, we see growth potential for our corn business, in particular in North America, Brazil and China. We intend to maintain our sugarbeet business at its high level and expand seed potato business after a year that was impacted by tough market conditions. The prospects for cereals look good as a result of the positive price situation in agricultural raw material markets. Consequently, sales opportunities have probably not deteriorated over the previous year.

Overall, we expect to be able to increase the **KWS Group's net sales** by up to 10%. As always, this forecast is predicated on the performance of our varieties, which again demonstrated our innovativeness in official approval tests in 2012. Consequently, we intend to increase expenditure on product development by around €10 million in the current year. At the same time, we plan to significantly expand our distribution and production activities, especially in North and South America. After the particularly high return on sales of 14.3% in fiscal 2011/2012, we aim to increase the **RoS in the KWS Group** by just over 11% in the current year, despite the cost increases. That is a level which, excluding special factors, accords with our general objective of achieving a double-digit EBIT margin.

We again expect a double-digit increase in net sales in the **Corn Segment** in fiscal 2012/2013. This will be helped for the first time by net sales from our new production and distribution activities in Brazil. In addition, we assigned our China operations to the Corn Segment effective July 1, 2012. In its establishment phase, the activities in this strategic project were initially assigned to the Corporate Segment. We plan to increase sales volumes in all regions apart from our home market of Germany, where we intend to secure our leading position in the market. Due to considerable additional research & development expenditure and expansion of our production and distribution structure, we expect the segment's income to fall by just over 10% in fiscal 2012/2013. An EBIT margin of over 10% is still planned.

There are signs that the **sugarbeet cultivation** area in the EU 27 will decline as a result of the large harvests in previous years. However, we see growth potential in Eastern Europe and the Middle East. On July 19, 2012, the United States Department of Agriculture (USDA) decided to again permit cultivation of Roundup Ready® sugarbeet – which are herbicide-tolerant varieties – without conditions and with immediate effect. We therefore expect no further restrictions in our North American business.

We plan to slightly expand the volume of our **seed potato business**. This is subject to the proviso that potato prices will recover this year, which the market data currently indicates to be the case. For the Sugarbeet Segment as a whole, we expect net sales at the level of the previous year, with revenue for sugarbeet falling slightly and that for seed potatoes rising. The segment's income will be some 15% down year on year following cost increases in product development, distribution and production and the fact that there will be no special effects.

Hybrid rye sales volumes are crucial to how the **Cereals Segment** develops, since they contribute approximately 50% to its net sales. On the basis of good prices for cereals for consumption, we assume that our hybrid rye business will grow in the 2012 fall sowing season, particularly in Poland. Cultivation areas for wheat, barley and rapeseed should remain stable or increase slightly this year. We expect the segment's income to be slightly weaker on the back of a slight increase in net sales and higher costs for breeding and distribution.

## Employees

Deep and well-developed roots give a plant a solid footing and enable it to flourish. The positive inter-working of all elements generates sustainable growth and yield. This image can also be applied to KWS' workforce. The roots of a family business and the culture shaped by them are vital to KWS' sustainable growth as a company and the development of every single employee.

The results of a survey of KWS' employees confirm that this creates a positive climate at the company and satisfied employees: A Company Climate Monitor was again conducted in the spring of 2012. It asks all colleagues in Germany about their current level of satisfaction at the company and their personal outlook at KWS and has been carried out every two years since 2006. The very good result of the last survey was even surpassed slightly this time around. There was again a high and constant participation rate of 72%, with 82% stating that they are satisfied with their current situation at KWS and 78% saying that they are optimistic about their prospects at KWS. That is a very good showing, especially given the significant reshaping measures of the past two years.

In addition, cross-unit areas were identified in which further work can improve personnel leadership.

### Growing internationality and complexity

The internationally and regionally operating Service Centers were established with the goal of offering extensive and expert service for the segments in all areas of administration. At the same time, internationalization of the regional centers has created new challenges for KWS: Closer networking, working in international teams and the cross-border use of communications technology and media are now commonplace in many areas of KWS' work. The Human Resources (HR) department has established a personnel development environment to offer suitable measures for the KWS Group at the local level and internationally.

### Trainee Program, Breeders Academy and dual course of study

Our proven Trainee Program was optimized further and expanded. The KWS Breeders Academy is running successfully and arouses great interest among university graduates. Dual courses of study are firm components



Trained at KWS – that not only means looking happily upward, but also at good career prospects.



of our recruitment and development activities. In the meantime, there is now a practical partnership with Anhalt University of Applied Sciences in the field of biotechnology/plant biotechnology, with Dresden Vocational Training Academy in the Agricultural Management course of studies, and with the Department of Computer Science at the Business University of Applied Sciences in Hanover.

Interns

KWS has offered internships in research and development since 2011, in particular to students of biology, biotechnology, biochemistry or related disciplines. Young people studying for their bachelor's or master's degree are thus given the opportunity to work at KWS alongside their university education. The tasks vary greatly, depending on the project and the needs and interests of the students – from creation of dossiers to work in the field of cell biology. The students thus have the chance to gain practical experience in the industry during their study (at reasonable pay) and so perhaps forge initial contacts with their future employer.

Training

KWS trained 91 (89) young people in seven vocations in Germany in fiscal 2011/2012. The high quality of training is ensured by around 120 instructors at KWS. 36 young

colleagues successfully completed their training at KWS in the year under review.

21 of the 25 current business administration trainees have decided to gain extra qualification as a “European business administrator,” which prepares them specifically for working in an international company. Through internships at KWS subsidiaries, they can also gather valuable international experience.

Germany Scholarships

Since the 2011 Winter Semester, KWS has awarded five Germany Scholarships at the University of Göttingen. This assistance was extended for the 2011/2012 Summer Semester due to the positive experience. This national scholarship program was set up to support talented and high-performing students at universities in Germany, regardless of their or their family's income. Beneficiaries obtain a scholarship of €300 a month, of which €150 is funded by the government and €150 by private donors. KWS made the conscious decision to cooperate with the University of Göttingen so as to specifically encourage young talents in the field of agricultural sciences in KWS' region.

YOUNior Professional Program

The YOUNior Professional Program, which aims to develop junior staffers in an interdisciplinary way, also continues to run at the international level. In accordance with the specifications of top management, the participants formulate concepts on the internal positioning of a unit and on the subject of the “Workplace of the Future.” The project's results have been taken up by managers, discussed and put on the agenda for implementation of further measures.

Developing HR issues in dialogue

Establishment of HR functions at the Service Centers gives us proximity to our internal customers all over the world. As a result, local needs can be ascertained better and translated into tailored services. Networking between international HR managers was enabled and intensified with the creation of an HR Circle. HR managers from around the world meet in this body to ensure a common strategy, discuss challenges in HR work, harmonize processes and share notes on exemplary projects. Further regular discussion forums with managers were created to jointly promote innovations in the field of human resources and drive their implementation. That ensures that HR measures are aligned with needs and precisely fit those needs.



Committed, open and listening – we go together with KWS.



Crossing plants is and will always be manual work demanding the very greatest care.

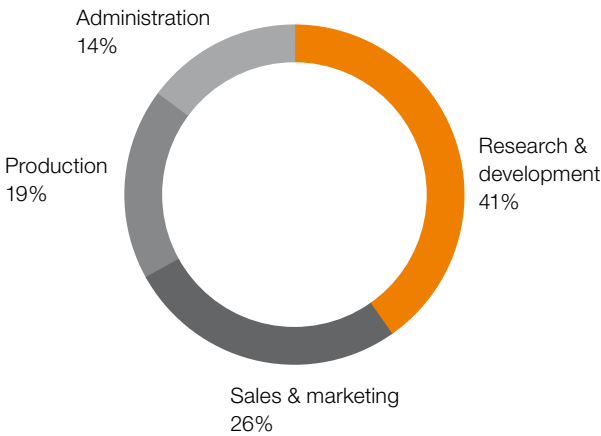
Employees in numbers

The KWS Group employed 3,851 (3,560) people worldwide in fiscal 2011/2012. Personnel expenses at the KWS Group rose by 10.6% to €182.5 (165.0) million.

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

	2007/08	2011/12	Ø Growth
Germany	1,260	1,589	6% p.a.
Europe (excluding Germany)	670	1,061	12% p.a.
America	872	1,106	6% p.a.
Rest of the world	54	95	15% p.a.
Total	2,856	3,851	8% p.a.

KWS Group employees by functions







» We make sure that progress in yield really makes it to the field.

We control our seed processing operations with the help of 700 parameters and sort out rigorously: At the end, just about a fifth of the original quantity of seed is left over – and almost all of it germinates!



Helmut Böttcher, sugarbeet production – seed processing,  
KWS SAAT AG



# Risks for future development

KWS' strategic objective is to strengthen and build on its leading market position as an earnings-oriented seed company. To achieve that, we have to systematically identify potential risks for the company as a whole as well as for its individual parts, assess their extent and, if necessary, initiate measures to eliminate them. To enable systematic handling of these risks, we have set up an internal control system and an extensive risk management system.

### Identifying business opportunities and pursuing them

In principle, we look at risk and opportunity management separately. A separate reporting system documents and supports monitoring of the risks. By contrast, the recording and communication of opportunities are integral components of the established controlling system between the subsidiaries, associated companies and company's management. Management of the segments is responsible for identifying, analyzing and implementing operational opportunities. Targeted measures are formulated together with the Executive Board so that strengths can be leveraged and strategic growth potentials tapped. As part of this, we use extensive strategic planning covering a 10-year time frame.

### Internal control and risk management system with regard to the accounting process

The internal accounting control and risk management system for the financial statements of KWS SAAT AG and the KWS Group 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 also 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 promptly. 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.

### The risk management system means advantages for corporate controlling

An approach based on our corporate culture is also chosen in risk management. At KWS, such an approach 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. The culture of trust practiced by our employees is underpinned by rules of conduct, training and control measures, enabling our employees to assess risks on their own. The Corporate Finance – Treasury and Risk Management department is in charge of central risk management at the KWS Group and is supported by the Corporate Law & Compliance, Corporate Responsibility Affairs and Corporate Controlling departments:

Structure of risk management at the KWS Group			
Corporate Finance:	Corporate Controlling:	Corporate Responsibility Affairs:	Corporate Law & Compliance:
<ul style="list-style-type: none"><li>• Risk control matrix</li><li>• Minimum requirements</li><li>• Interest and currency management</li><li>• Insurance</li><li>• External audits</li></ul>	<ul style="list-style-type: none"><li>• Early detection of risks</li><li>• Planning/budget</li><li>• Current expectation</li></ul>	<ul style="list-style-type: none"><li>• Rules &amp; Guidelines</li><li>• Management system</li><li>• Internal audits</li></ul>	<ul style="list-style-type: none"><li>• Compliance training</li><li>• Policies</li><li>• Data protection</li></ul>

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 every year, examined, assessed as to the likelihood of their occurrence and potential impact, documented, controlled and monitored.

### The risk management process at KWS

The objective of the risk management process is to identify, analyze, assess and efficiently monitor significant risks. This process is intended to ensure constant control and thus to support a decision-making process based on information.

More than 100 key 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.

### Strategic risks

We press ahead constantly with the Group's strategic further development. That comprises continuous optimization of efficiency, strengthening our core areas, product portfolio management and investment in research and development. The success of the related decisions is subject to a risk as regards forecasting future (market) developments and the assumption that the envisaged measures can be achieved. For example, entry into or withdrawal from a business

segment might be based on profit and growth expectations that turn out to be unrealistic. We counter that risk by preparing the information of relevance to decision-making in a careful and structured manner.

### Significant individual risks

KWS 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 lastingly impair KWS' net sales, financial position and performance. They are reported on regularly in a Risk Committee.

### Overview of significant risks

Risk	Examples
Market risks	<ul style="list-style-type: none"><li>• Political risks</li><li>• Sales volumes and prices</li><li>• Macroeconomic risks</li><li>• Currency risks</li><li>• Risk of changes in interest rates</li></ul>
Production risks	<ul style="list-style-type: none"><li>• Weather-related risks</li><li>• Outage of production systems</li><li>• Quality risks</li><li>• Investment risks</li></ul>
Procurement risks	<ul style="list-style-type: none"><li>• Dependence on suppliers</li><li>• Diversification</li><li>• Access to technologies</li></ul>
Liquidity risks	<ul style="list-style-type: none"><li>• Cash/cash flow</li><li>• Credit lines (with banks)</li><li>• Receivables management</li></ul>
Legal risks	<ul style="list-style-type: none"><li>• Antitrust risks</li><li>• Mergers &amp; takeovers</li><li>• Corruption</li><li>• Patents and licenses</li></ul>
Environmental risks	<ul style="list-style-type: none"><li>• Pollution of the air, soil and water by dusts, waste water and dangerous waste</li><li>• Transport of hazardous goods</li><li>• Genetic contamination</li></ul>
Personnel risks	<ul style="list-style-type: none"><li>• Recruitment/development</li><li>• Work safety</li><li>• Working time/old-age pensions</li></ul>
IT risks	<ul style="list-style-type: none"><li>• IT security</li><li>• Authorization concept</li></ul>



Plant breeding means minimizing risks and strengthening innovation. We live from continuous progress in the yields of our new varieties.

### Market risks

In the strongly regulated agricultural industry, political risks have a significant impact on our business development. The lack of statutory regulations may also represent a risk. One unavoidable risk for our corn business is still the possibility of the adventitious presence of genetically modified organisms (GMOs) in conventional seed. In the absence of a standardized legal threshold value, a number of European countries practice a policy of zero tolerance. That means that the sale of seed can be stopped and already sown areas ordered to be plowed up – even on the basis of unverifiable measurement results. There is no tolerance limit, and second examinations are not permitted. Thanks to its extensive quality assurance system, only one suspicious seed sample from KWS was identified in international official tests in fiscal 2011/2012.

A further risk lies in the uncertain regulatory framework for growing energy plants. False allocation of funding, including that as a part of government market incentive programs, and speculation on the agricultural commodity markets have meant that this sector of agricultural production as a whole is currently being called into question. Criticism of the production of energy from plants peaked for the first time in 2008. At that time, the cultivation of plants for energy was also blamed for the in some cases significant increase in food prices, before there was a sudden drop in the prices of agricultural raw materials as of July 2008 in the wake of the incipient economic and financial crisis. What is clearly needed here is a careful analysis of what form of cultivation of energy plants represents an economically sensible and sustainable alternative form of producing energy. This must take into account increases in efficiency in energy plant cultivation and the fact that the prices for fossil fuels will tend to rise.

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.

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. We refer to the notes to the consolidated financial statements on page 72f for information on the related sensitivity analyses.

### Production 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. KWS counters the risks of outages of production facilities with regular maintenance and Group-wide business interruption insurance. In addition, our products are subjected to regular and extensive quality checks on the fields used for multiplication and during processing so as to reduce quality-related risks. In this way, KWS ensures the high quality of its products through stringent internal quality standards and monitoring.

### Procurement risks

Procurement risks are minimized by international diversification of seed production locations and sufficient stockpiling. Moreover, supply risks as a result of sources no longer being able to deliver are reduced by means of continuous classification and observation of risks. In addition, the entire area of purchasing is currently being improved by the restructuring and creation of the Corporate Procurement department so that supplies are ensured and further risks reduced.

### Liquidity risks

KWS addresses liquidity risks with professional cash management, sufficient long-term, syndicated credit lines – full use of which was not made in the year under review – and a high equity ratio, which currently stands at 55.2%. 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.

### Legal risks

In order to rule out potential risks from any violations of the diverse tax, environmental and competition regulations and laws, we obligate all employees to abide by our compliance policies. The Code of Business Ethics states that all KWS employees must act in accordance with KWS' corporate values and comply with the law, contracts and the company's own rules.

### Environmental risks

The Integrated Management System and environmental policies, which employees are obligated to implement under our internal regulations, in conjunction with the requirements defined by environmental protection law, form the foundation for all our strategic and operational measures in protecting the environment. The organization of processes and operation of plants and systems, including documentation, in the various areas of the company is regulated in the management system, which complies with the DIN EN ISO 9001:2008 (quality) and DIN EN ISO 14001:2004 (environment) standards. The working order and effectiveness of this system is examined regularly by internal audits and reviews and confirmed by an external certifier. As a result, possible risks of pollution of the air, soil and water by dusts, waste water and hazardous waste are minimized.

### Personnel risks

Our success is founded on the individual skills and knowledge of our employees. We encourage the workforce to expand and transfer knowledge through attractive continuing education and development programs. We counter the risk of losing knowledge when people retire by means of intensive and subject-specific qualification. In addition to our specific vocational training and trainee programs, we initiated the "Breeders Academy" with the aim of training young people specifically in the field of research and breeding.

### IT risks

We address IT risks, such as unauthorized access to sensitive electronic company data and information as a result of hacking or computer viruses, with an IT security organization, IT security policies and the use of state-of-the-art firewall and antivirus programs. Due to the rapid pace of technological development, there is a residual risk to IT security which cannot be completely controlled.

### Other risks

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 the commercially useful diversification of risks.

### Overall statement on the risk situation

The overall risk situation for KWS SAAT AG stems from the above-described risks. There was no significant change in the risk situation in fiscal 2011/2012 compared with the previous year. The main risks for us are still related to products and the market. Overall, the KWS Group's risk management systems did not reveal any risks that jeopardized the company's existence in the year under review. However, we cannot rule out the possibility that further factors of which we are not currently aware or which we do not at present assess as significant may impact our continued existence in the future.



# 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 the transfer of shares.

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

- The voting shares, including mutual allocations, of the members and companies of the families Büchting, Arend Oetker and Giesecke listed below each exceed 10% and total 56.1%.

Dr. Dr. h.c. mult. Andreas J. Büchting, Germany  
Christiane Stratmann, Germany  
Dorothea Schuppert, Germany  
Michael C.-E. Büchting, Germany  
Annette Büchting, Germany  
Stephan O. Büchting-Hansing, Germany  
Elke Giesecke, Germany  
Christa Nagel, Germany  
Bodo Sohnemann, Germany  
Matthias Sohnemann, Germany  
Malte Sohnemann, Germany  
Arne Sohnemann, Germany  
AKB Stiftung, Hanover  
Zukunftsstiftung Jugend, Umwelt und Kultur, Einbeck  
Büchting Beteiligungsgesellschaft mbH, Hanover  
Dr. Arend Oetker, Germany  
Kommanditgesellschaft Dr. Arend Oetker Vermögens-  
verwaltungsgesellschaft mbH & Co., Berlin

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

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

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

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

At KWS SAAT AG, members of the Executive Board are appointed and removed as provided for in Section 84 AktG; 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 Section 18 of the Articles of Association of KWS SAAT AG, changes to the Articles of Association require a resolution to be adopted by the Annual Shareholders' Meeting by a simple majority of the votes cast, unless obligatory statutory regulations specify otherwise. 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 1, 2012

KWS SAAT AG  
THE EXECUTIVE BOARD

# Annual Financial Statements of the KWS Group 2011/2012

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## Balance sheet

of the KWS Group  
at June 30, 2012,  
figures in € thou-  
sands, unless other-  
wise specified

ASSETS	Note no.	06/30/2012	Previous year
Intangible assets	(2)	111,725	59,656
Property, plant and equipment	(3)	261,457	226,315
Financial assets	(4)	5,037	4,101
Noncurrent tax assets	(5)	6,093	5,144
Deferred tax assets	(6)	25,970	29,147
<b>Noncurrent assets</b>		<b>410,282</b>	<b>324,363</b>
Inventories and biological assets	(7)	139,694	128,998
Trade receivables	(8)	309,422	268,209
Securities	(9)	40,399	36,621
Cash and cash equivalents	(10)	142,569	110,278
Current tax assets	(8)	25,957	14,322
Other current assets	(8)	23,993	19,173
<b>Current assets</b>		<b>682,034</b>	<b>577,601</b>
<b>Total assets</b>		<b>1,092,316</b>	<b>901,964</b>
<b>EQUITY AND LIABILITIES</b>			
Subscribed capital		19,800	19,800
Capital reserve		5,530	5,530
Retained earnings		553,258	483,925
Minority interest		24,508	21,006
<b>Equity</b>	<b>(11)</b>	<b>603,096</b>	<b>530,261</b>
Long-term provisions		92,287	63,028
Long-term borrowings		23,033	19,421
Trade payables		1,914	2,308
Deferred tax liabilities		36,043	24,657
Other long-term liabilities		8,207	9,311
<b>Noncurrent liabilities</b>	<b>(12)</b>	<b>161,484</b>	<b>118,725</b>
Short-term provisions		133,984	107,396
Short-term borrowings		52,119	14,205
Trade payables		74,073	69,349
Current tax liabilities		24,053	25,513
Other liabilities		43,507	36,515
<b>Current liabilities</b>	<b>(13)</b>	<b>327,736</b>	<b>252,978</b>
<b>Liabilities</b>		<b>489,220</b>	<b>371,703</b>
<b>Total equity and liabilities</b>		<b>1,092,316</b>	<b>901,964</b>

## Statement of comprehensive income

from July 1, 2011,  
through June 30, 2012;  
figures in € thousands,  
unless otherwise  
specified

	Note no.	06/30/2012	Previous year
<b>I. Income statement</b>			
Net sales	(18)	986,296	855,375
Cost of sale		521,343	433,365
<b>Gross profit on sale</b>		<b>464,953</b>	<b>422,010</b>
Selling expenses		161,355	138,501
Research and development expenses		126,571	113,539
General and administrative expenses		59,494	59,997
Other operating income	(19)	62,637	43,755
Other operating expenses	(20)	39,316	37,091
<b>Operating income</b>		<b>140,854</b>	<b>116,637</b>
Interest and similar income		2,261	1,719
Interest and other expenses		7,409	8,598
Net income from equity investments		7	-95
<b>Net financial income/expenses</b>	<b>(21)</b>	<b>-5,141</b>	<b>-6,974</b>
<b>Results of ordinary activities</b>		<b>135,713</b>	<b>109,663</b>
Income taxes	(22)	41,317	36,741
<b>Net income for the year</b>	<b>(24)</b>	<b>94,396</b>	<b>72,922</b>
<b>II. Other comprehensive income</b>			
Financial instruments		1	80
Currency translation difference for economically independent foreign units		18,760	-22,845
<b>Other comprehensive income after tax</b>		<b>18,761</b>	<b>-22,765</b>
<b>III. Comprehensive income</b>			
<b>Comprehensive income</b>		<b>113,157</b>	<b>50,157</b>
Share of other minority interests		2,960	2,541
Comprehensive income after shares of minority interests		110,197	47,616
<b>Net income for the year</b>		<b>94,396</b>	<b>72,922</b>
Shares of other minority interests		2,752	2,669
Net income after shares of other minority interests		91,644	70,253
<b>Earnings per share (in €)</b>		<b>13,89</b>	<b>10,64</b>





# Statement of changes in fixed assets of the KWS Group 2011/2012 and 2010/2011

Figures in € thousands, unless otherwise specified

	2011/2012								2010/2011										
	Currency translation	Changes in the consol. group	Additions	Write-ups	Disposals	Transfers			Currency translation	Changes in the consol. group	Additions	Write-ups	Disposals	Transfers					
	Gross values									Amortization/depreciation								Net book values	
	Balance 07/01/2011							Balance 06/30/2012		Balance 07/01/2011							Balance 06/30/2012	Balance 06/30/2012	Previous year
Patents, industrial property rights and software	52,747	292	27,445	2,341	0	214	11	82,622		15,984	166	1	5,076	0	214	1	21,014	61,608	36,763
Goodwill	29,623	1,452	25,830	2	0	0	0	56,907		6,730	60	0	0	0	0	0	6,790	50,117	22,893
Intangible assets	82,370	1,744	53,275	2,343	0	214	11	139,529		22,714	226	1	5,076	0	214	1	27,804	111,725	59,656
Land and buildings	207,439	4,607	4,051	17,850	0	616	4,140	237,471		63,431	1,660	-5	6,340	0	562	0	70,864	166,607	144,008
Technical equipment and machinery	155,732	2,948	2,633	10,062	0	4,705	3,563	170,233		101,260	2,472	-119	10,113	0	4,363	10	109,373	60,860	54,472
Operating and office equipment	68,528	1,777	739	8,593	0	5,939	1,893	75,591		47,736	1,400	-50	6,847	0	5,614	-11	50,308	25,283	20,792
Payments on account	7,043	250	165	10,949	0	93	-9,607	8,707		0	0	0	0	0	0	0	0	8,707	7,043
Property, plant and equipment	438,742	9,582	7,588	47,454	0	11,353	-11	492,002		212,427	5,532	-174	23,300	0	10,539	-1	230,545	261,457	226,315
Financial assets	4,268	-5	279	610	12	278	317	5,203		167	-1	0	0	0	0	0	166	5,037	4,101
Assets	525,380	11,321	61,142	50,407	12	11,845	317	636,734		235,308	5,757	-173	28,376	0	10,753	0	285,515	378,219	290,072



# 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 transactions	Equity	Minority interests	Adjustments from currency translation	Other transactions	Equity	
	Parent company						Parent company	Minority interest				Group equity
				Comprehensive other group income					Comprehensive other group income			
<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>
Dividends paid			-15,180				-15,180	-476			-476	-15,656
Changes in the consolidated group			-25,684				-25,684	1,018			1,018	-24,666
Net income for the year			91,644				91,644	2,752			2,752	94,396
Other comprehensive income after tax				18,552	1		18,553		208		208	18,761
Total consolidated gains (losses)			91,644	18,552	1		110,197	2,752	208		2,960	113,157
<b>Balance as at June 30, 2012</b>	<b>19,800</b>	<b>5,530</b>	<b>554,110</b>	<b>-1,590</b>	<b>144</b>	<b>594</b>	<b>578,588</b>	<b>24,792</b>	<b>-280</b>	<b>-4</b>	<b>24,508</b>	<b>603,096</b>





# Cash flow statement

Figures in € thousands, unless otherwise specified

	Note	2011/12	Prev. year
Net income for the year		94,396	72,922
Depreciation/reversal of impairment losses (–) on property, plant and equipment		28,364	27,561
Increase/decrease (–) in long-term provisions		1,471	1,776
Other noncash expenses/income (–)		–6,399	1,867
Cash Earnings		117,832	104,126
Increase/decrease (–) in short-term provisions		22,776	–213
Net gain (–)/loss from the disposal of assets		–528	–293
Increase (–)/decrease in inventories, trade receivables, and other assets not attributable to investing or financing activities		–34,588	–16,649
Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities		–1,331	14,242
Net cash from operating activities	(A)	104,161	101,213
Proceeds from disposals of property, plant and equipment		1,343	859
Payments (–) for capital expenditure on property, plant and equipment		–46,213	–33,661
Proceeds from disposals of intangible assets		0	35
Payments (–) for capital expenditure on intangible assets		–2,343	–4,735
Proceeds from disposals of financial assets		278	931
Payments (–) for capital expenditure on financial assets		–610	–113
Payments (–) for purchase of shares in consolidated subsidiaries and other business units		–9,033	–15,670
Net cash from investing activities	(B)	–56,578	–52,354
Dividend payments (–) to shareholders parent and minority		–15,656	–13,089
Cash proceeds from issuance of bonds and from short- or long-term borrowings		–3,420	2,852
Net cash from financing activities	(C)	–19,076	–10,237
Net cash changes in cash and cash equivalents		28,507	38,622
Changes in cash and cash equivalents due to exchange rate, consolidated group, and measurement changes		7,562	–5,393
Cash and cash equivalents at beginning of year		146,899	113,670
Cash and cash equivalents at end of year	(D)	182,968	146,899

# 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 substantially determined by cash earnings. They were €117,832 thousand, €13,706 thousand higher than the previous year. The proportion of cash earnings included in sales was 11.9% (12.2%). Higher receivables and inventories and the increase in current provisions resulted in cash outflows of €13,671 thousand (€2,913 thousand). The cash proceeds from operating activities also include interest income of €2,158 thousand (€1,686 thousand) and dividend income of €7 thousand (€5 thousand) as well as interest expense of €3,398 thousand (€4,960 thousand). €0 thousand (€769 thousand) was paid out for the external financing of pension commitments. Income tax payments amounted to €33,817 thousand (€35,057 thousand).

## (B) Cash flows from investing activities

A net total of €56,578 thousand (€52,354 thousand) was required to finance investing activities. An amount of €48,556 thousand (€38,396 thousand) was paid for intangible and tangible assets and an amount of €610 thousand (€113 thousand) for financial assets. There were total cash receipts of €1,621 thousand (€1,825 thousand) for disposals of assets. €9,033 thousand (15,670 thousand) was paid to acquire shares in consolidated companies.

## (C) Cash flows from financing activities

Financing activities resulted in cash payments of €19,076 thousand (€10,237 thousand). The dividend payments to parent shareholders and other shareholders related to the dividends of €15,180 thousand (€12,540 thousand) paid to the shareholders of KWS SAAT AG, as well as profit distributions paid to other shareholders at fully consolidated subsidiaries of €476 thousand (€549 thousand). In addition, borrowings of €3,420 thousand were paid, compared with the €–2,852 raised in the previous year.

## (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 include €55,452 thousand (€36,541 thousand) from partially consolidated companies.

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

	2011/12	Previous year
Total for all purchase prices	32,002	16,500
Total for all sales prices	0	0
Total for purchase price components that are cash and cash equivalents	32,002	16,500
Total for sales price components that are cash and cash equivalents	0	0
Total cash and cash equivalents acquired with the companies	45	830
Total cash and cash equivalents sold with the companies	0	0



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

	2011/12		Previous year	
	Acquired	Sold	Acquired	Sold
Fixed assets	35,498	0	12,214	0
Current assets incl. prepaid expenses (excl. cash and cash equivalents)	16,150	0	10,120	0
Provisions	5,218	0	42	0
Liabilities incl. deferred income	38,816	0	10,906	0

All the shares in the Brazilian breeding companies DELTA PESQUISA E SEMENTES LDTA., Cambé, and SEMILIA GENETICA E MELHORAMENTO LDTA., Curitiba, were acquired effective June 1, 2012, and a 50% stake in the production and distribution company RIBER KWS S.A., Patos de Minas, effective June 30, 2012.

These breeding and production companies expand our product portfolio and enable us to enter the Brazilian corn market. Apart from acquired goodwill of €25,801 thousand, particularly the customer base, brand names and other intangible assets also had to be recognized.

	2011/12
Intangible assets	27,436
Property, plant and equipment	7,873
Financial assets	188
Inventories	4,451
Trade receivables	9,254
Other assets	2,491
<b>Total assets</b>	<b>51,693</b>
Other provisions	1,950
Financial borrowings	6,800
Trade payables	25,755
Deferred taxes	9,529
<b>Total liabilities</b>	<b>44,034</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 of €6,789 thousand.

Minority interests in equity rose by €1,284 thousand as a result of the acquisition. The provisions include €320 thousand for obligations under an earn-out clause.

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
- Corporate

A core competency for the KWS Group's entire product range, plant breeding, including the related biotechnology research, is largely concentrated at the parent company KWS SAAT AG in Einbeck. All breeding material, as well as 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. Since the beginning of this fiscal year, product-related R&D costs have been carried directly in the product segments Sugarbeet, Corn and Cereals. Centrally controlled, Group-wide corporate functions are grouped in the Corporate Segment. The previous year's figures have been adjusted accordingly, with the result that there is higher income for the previous year of €23,743 thousand at the Sugarbeet product segment, €1,636 thousand at Corn and €128 thousand at Cereals, while €25,507 thousand was charged to the Corporate 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, as well as our seed potato business, are reported under the Sugarbeet Segment. Under the leadership of KWS SAAT AG, 18 (20) foreign subsidiaries and affiliated companies and two (one) subsidiaries in Germany are active in this segment.

Corn

KWS MAIS GMBH is the lead company for the Corn Segment. In addition to KWS MAIS GMBH, business activities are conducted by one German company (as in the previous year) and 16 (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 deals with 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 (eight) foreign subsidiaries and affiliated companies in France, Great Britain, the U.S. and Poland.

Corporate

Apart from revenue from our farms and services for third parties, net sales from strategic projects, such as our corn activities in China, are reported in this segment. The segment also assumes the costs of all central functions and expenses for long-term research projects that have not yet reached market maturity.

It also includes all management services of KWS SAAT AG, such as holding company and administrative functions, that are not directly charged to the product segments or indirectly allocated to them by means of an appropriate cost formula.





Segment information

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

	2011/12	Previous year	2011/12	Previous year	2011/12	Previous year
	Segment sales		Internal sales		External sales	
Sugarbeet	313,692	293,565	264	0	313,428	293,565
Corn	571,765	477,609	290	49	571,475	477,560
Cereals	95,095	79,537	1,840	1,775	93,255	77,762
Corporate	15,998	18,546	7,860	12,058	8,138	6,488
KWS Group	996,550	869,257	10,254	13,882	986,296	855,375

The Corporate Segment generates 49.1% (65.0%) of its sales from the other segments. The sales of this segment represents 0.8% (0.8%) of the Group's external sales.

The Corn Segment is the largest contributor of external sales, accounting for 57.9% (55.8%) of external sales, followed by Sugarbeet with 31.8% (34.3%) and Cereals with 9.5% (9.1%).

62.8% (64.8%) of total sales are recorded in Europe (including Germany).

External sales by region

	2011/12	Previous year
Germany	228,328	210,860
Europe (excluding Germany)	390,720	343,376
Americas	325,633	265,064
Rest of world	41,615	36,075
KWS Group	986,296	855,375

	2011/12	Previous year	2011/12	Previous year	2011/12	Previous year
	Segment earnings		Depreciation and amortization		Other noncash items	
Sugarbeet	79,891	65,882	9,345	9,334	-7,323	2,646
Corn	77,764	63,639	8,449	8,441	-10,637	-11,743
Cereals	18,941	14,465	3,489	3,489	650	-372
Corporate	-35,742	-27,349	7,093	6,197	3,713	3,925
Total segments	140,854	116,637	28,376	27,461	-13,597	-5,544

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 and expenses. Items that are not directly attributable are allocated to the segments by means of an appropriate formula.

**Depreciation and amortization charges** of €28,376 thousand (€27,461 thousand) allocated to the segments relate exclusively to intangible assets and property, plant and equipment. No goodwill had to be amortized in the segments this fiscal year.

	2011/12	Previous year	2011/12	Previous year
	Operating assets		Operating liabilities	
Sugarbeet	242,404	217,879	54,437	59,882
Corn	426,729	313,596	157,527	126,721
Cereals	60,796	59,210	14,341	15,675
Corporate	92,241	93,635	74,278	35,751
Total segments	822,170	684,320	300,583	238,029
Others	270,146	217,644	188,637	133,674
KWS Group	1,092,316	901,964	489,220	371,703

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 Corn Segment, where it amounted to €77,379 thousand (€12,522 thousand), and the Sugarbeet Segment, where it amounted to €20,327 thousand (€17,755 thousand). 68% (14%) of the capital spending was made in North and South America and 19% (46%) in Europe (excluding Germany).

Investments in long-term assets by segment

	2011/12	Previous year
Sugarbeet	20,327	17,755
Corn	77,379	12,522
Cereals	6,987	7,991
Corporate	5,967	10,850
KWS Group	110,660	49,118

Investments in long-term assets by region

	2011/12	Previous year
Germany	14,793	19,579
Europe (excluding Germany)	20,553	22,609
North and South America	74,978	6,796
Rest of world	336	134
KWS Group	110,660	49,118

Operating assets by region

	2011/12	Previous year
Germany	233,428	324,993
Europe (excluding Germany)	270,374	208,748
North and South America	297,765	185,240
Rest of world	20,602	15,747
KWS Group	822,169	734,728



# Notes for the KWS Group 2011/2012

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, 27, 28, 32, 34, IFRS 1, 7, 9, 10, 11, 12, 13, and the Improvement Project 2009–2011. 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. 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 twenty 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 of 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 assets is less than its carrying amount. The recoverable amount is the higher of the asset's net realizable value and its value in use (value of future cash flows expected to be derived from the asset). 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 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.

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

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.

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 instruments is determined on the basis of the market information available on the balance sheet date and in accordance with the recognized measurement methods 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. Discernible 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 recognized 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 in accrued benefits and from changes in actuarial assumptions are disregarded if the change moves within a 10% corridor of the accrued benefits. Only if the gains or losses exceed this threshold will they be recognized as income and distributed over the remaining working lives and included in the provision.

#### Other provisions

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



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
	06/30/2012			Previous year		
Consolidated	13	43	56	12	41	53
Consolidated at quota	0	7	7	0	7	7
Total	13	50	63	12	48	60

The companies are listed under item number (31).

BETASEED GMBH, Frankfurt, was established effective October 1, 2011. In addition, the newly founded KWS SEMENTES BRASIL PARTICIPACOES LDТА., São Paulo/Brazil, and KWS BRASIL PARTICIPACOES LDТА., São Paulo/Brazil, acquired all the shares in DELTA PESQUISA E SEMENTES LDТА., Cambé/Brazil, and SEMILIA GENETICA E MELHORAMENTO LDТА., Curitiba/Brazil, effective June 1, 2012. A 50% stake in the likewise fully consolidated RIBER KWS S.A., Patos de Minas/Brazil, was also acquired effective June 30, 2012.

A total of 56 companies were fully consolidated and seven proportionately consolidated in the year under review.

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

	2011/12	Previous year
Proportionately consolidated companies		
Noncurrent assets	36,997	31,812
Current assets	139,434	109,417
Total assets	176,431	141,229
Equity	99,557	78,066
Noncurrent liabilities	824	881
Current liabilities	76,050	62,282
Total equity and liabilities	176,431	141,229
Total income	238,494	195,689
Total expenses	217,857	176,930
Net profit for the year	20,637	18,759

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 2011/2012. Capital expenditure on assets was €111,549 thousand (€49,262 thousand), of which €61,142 thousand resulted largely from first-time consolidation of the Brazilian corn operations. The Management Report describes the significant additions to assets. Depreciation and amortization amounted to €28,376 thousand (€27,561 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 €55,618 thousand (€15,036 thousand), of which €53,275 thousand (€10,301 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 €5,076 thousand (€5,830 thousand); this charge is included in the relevant functional costs and the other operating expenses, depending on the operational use of the intangible assets.

The goodwill recognized as an asset relates mainly to the Brazilian companies RIBER KWS S.A. – €21,686 thousand (€0 thousand), SEMILIA GENETICA E MELHORAMENTO LDТА. – €2,471 thousand (€0 thousand), and DELTA PESQUISA E SEMENTES LDТА. – €1,644 thousand (€0 thousand), and to AGRELIANT GENETICS LLC. – €17,973 thousand (€16,619 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 (€2,150 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. At the KWS Group, these are generally the legal entities, with the exception of our potato unit, which as a whole is the cash-generating unit. To test for impairment, the carrying amount of each entity is determined by allocating the assets and liabilities, including attributable goodwill and intangible assets. An impairment loss is recognized if the recoverable amount of an entity is less than its carrying amount. The recoverable amount is the higher of the entity’s net

realizable value and its value in use (value of future cash flows expected to be derived from the entity). 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 5.4% (6.4%) 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 €55,042 thousand (€34,082 thousand) and depreciation amounted to €23,300 thousand (€21,631 thousand). €7,588 thousand (€442 thousand) of the capital expenditure on property, plant and equipment result from the changes in the consolidated group. 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 €948 thousand (€768 thousand), are reported in this account since a market value cannot be reliably determined. Listed shares are carried at market value of €162 thousand (€144 thousand). This account also includes interest-bearing homebuilding loans to employees and other interest-bearing loans totaling €172 thousand (€396 thousand). In addition, the balance of €3,099 thousand (€2,794 thousand) after netting off reinsurance claims and the corresponding benefit obligations is carried. Amortization of financial assets amounted to €0 thousand (€100 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. This credit balance was increased by €1,955 thousand pursuant to an external tax audit for the years 2001 to 2005 and accordingly carried as tax proceeds relating to previous periods.

(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 €25,970 thousand (€29,147 thousand), of which €3,197 thousand (€2,287 thousand) will be carried forward for the future use of tax losses.

(7) Inventories and biological assets

	06/30/2012	Previous year
Raw materials and consumables	16,761	15,091
Work in process	37,043	33,223
Immature biological assets	14,313	10,293
Finished goods	71,577	70,391
	139,694	128,998

Inventories increased by €10,696 thousand, or 8.3%, net of writedowns totaling €51,336 thousand (€55,204 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 €1,749 thousand (€1,575 thousand), for which all the requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,410 (4,456) ha and were recognized in income. Future subsidies depend on the further development of European agricultural policy.

(8) Current receivables

	06/30/2012	Previous year
Trade receivables	309,422	268,209
Current tax assets	25,957	14,322
Other current assets	23,993	19,173
	359,372	301,704

Trade receivables amounted to €309,422 thousand, an increase of 15.4% over the figure of €268,209 thousand for the previous year; this amount includes €2,137 thousand (€1,294 thousand) in receivables from related parties.

Written-down and overdue receivables

06/30/2012	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
			1–90 days	91–180 days	181–360 days	> 360 days	
Trade receivables	309,422	276,231	17,686	5,678	2,584	1,135	3,890
Other receivables	19,254	18,908	2	0	0	0	343
	328,676	295,139	17,688	5,678	2,584	1,135	4,233
Previous year							
Trade receivables	268,209	234,532	18,669	5,745	2,824	3,095	1,868
Other receivables	15,747	15,392	10	0	0	0	343
	283,956	249,924	18,679	5,745	2,824	3,095	2,211

The item “Other current assets” includes prepaid expenses total-ing 4,739 thousand (€3,426 thousand) in addition to other receivables of €19,254 thousand (€15,747 thousand). The already overdue trade receivables that have been partly written down amount to €2,219 thousand (€1,478 thousand).

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:

	07/01	Addition	Disposal	Reversal	06/30
2011/12	33,017	12,780	4,204	12,495	29,098
2010/11	30,004	8,721	2,456	3,252	33,017

The receivables include an amount of €79 thousand (€1,374 thousand) due after more than one year.

(9) Securities

Securities amounting to €40,399 thousand (€36,621 thousand) relate primarily to short-term liabilities securities and fund shares.

(10) Cash and cash equivalents

Cash of €142,569 thousand (€110,278 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 €72,835 thousand, from €530,261 thousand to €603,096 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.

	06/30/2012	Previous year
Long-term provisions	92,287	63,028
Long-term financial borrowings	23,033	19,421
Trade payables	1,914	2,308
Deferred tax liabilities	36,043	24,657
Other long-term liabilities	8,207	9,311
	161,484	118,725

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% (3.00%) annually and pensions by 2.00% (2.00%) annually.

The discount rate was 5.10%, compared with 5.13% 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 toward three former members of the Executive Board and backed by a guarantee by an insurance company, the planned assets of €8,599 thousand (€7,570 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	07/01/2011	Changes in the consol. group, currency	Addition	Consumption	Reversal	06/30/2012
Pension provisions	57,049	–3,234	4,266	869	0	57,212
Other provisions	5,979	1,867	29,523	2,288	6	35,075
	63,028	–1,367	33,789	3,157	6	92,287



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

	2011/12	Previous year
Accrued benefit entitlements at beginning of fiscal year	80,069	83,740
Cost of additional benefit entitlements	916	1,371
Interest expenses on benefit entitlements acquired in previous years	4,842	4,435
Changes in consolidated group and currency	718	-1,813
Changes in actuarial gains/losses	15,571	-3,286
Other changes not recognized in profit or loss	1	344
Pension payments	4,826	4,722
Accrued benefit entitlements at end of fiscal year	97,291	80,069
Present value of planned assets	-18,031	-16,286
Planned assets carried as assets	3,099	2,794
Actuarial gains/losses not included	-25,147	-9,528
<b>Pension provisions at end of fiscal year</b>	<b>57,212</b>	<b>57,049</b>

The planned assets changed as follows during the fiscal year:

	2011/12	Previous year
Present value of planned assets at the start of the fiscal year	16,286	16,721
Expected gains from planned assets	1,162	948
Changes in actuarial gains/losses	214	815
Payments from external social security bodies	-943	-869
Currency difference from foreign planned assets	1,312	-1,329
<b>Present value of planned assets at the end of the fiscal year</b>	<b>18,031</b>	<b>16,286</b>

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

	06/30/2012	06/30/2012	06/30/2010	06/30/2009	06/30/2008
Accrued benefit entitlements on 06/30	97,291	80,069	83,740	71,100	68,372
Planned assets on 06/30	18,031	16,286	16,721	12,948	13,577
<b>Shortage (+) / surplus (-)</b>	<b>79,260</b>	<b>63,783</b>	<b>67,019</b>	<b>58,152</b>	<b>54,795</b>
Empirical gains (+) / losses (-) from pension commitments	2,538	91	990	201	1,042
Empirical gains (+) / losses (-) from planned assets	-832	-229	161	-1,551	-1,028

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

	2011/12	Previous year
Costs for additional benefit entitlements	916	1,371
Interest expense	4,842	4,435
Repayment of actuarial losses	197	461
Anticipated income from the planned assets	-1,161	-948
Pension costs	4,794	5,319

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.

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 contribution to this pension plan were €977 thousand (€769 thousand).

value of the obligation of €3,514 thousand (€4,165 thousand) (defined contribution plan).

The long-term financial borrowings include loans from banks amounting to €21,228 thousand (€19,421 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 €506 thousand (€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 €36,043 thousand (€24,657 thousand). The composition of the deferred tax liabilities is explained in more detail under (22) Income taxes.

In addition, the benefit obligation from salary conversion was backed by a guarantee that exactly matches the present

### (13) Current liabilities

	06/30/2012	Previous year
<b>Short-term provisions</b>	<b>133,984</b>	<b>107,396</b>
Current liabilities to banks	22,771	13,673
Current liabilities to affiliates	271	275
Other current financial liabilities	29,077	257
<b>Short-term borrowings</b>	<b>52,119</b>	<b>14,205</b>
Trade payables to affiliates	0	8
Other trade payables	74,073	69,341
<b>Trade payables</b>	<b>74,073</b>	<b>69,349</b>
<b>Tax liabilities</b>	<b>24,053</b>	<b>25,513</b>
<b>Other liabilities</b>	<b>43,507</b>	<b>36,515</b>
	<b>327,736</b>	<b>252,978</b>





Short-term provisions	07/01/2011	Changes in the consol. group, currency	Addition	Consumption	Reversal	06/30/2012
Obligations from sales transaction	79,119	11,783	95,232	82,012	5,075	99,047
Obligations from purchase transaction	8,580	135	11,615	3,061	4,048	13,221
Other obligations	19,697	1,465	17,038	16,113	371	21,716
	<b>107,396</b>	<b>13,383</b>	<b>123,885</b>	<b>101,186</b>	<b>9,494</b>	<b>133,984</b>

The tax liabilities of €24,053 thousand (€25,513 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		Nominal volume	Carrying amounts	Market values
	06/30/2012				06/30/2011		
Currency hedges	42,214	493	493	Currency hedges	54,593	60	60
Interest-rate hedges	42,200	36	36	Interest-rate hedges	42,800	85	85
Commodity hedges	10,793	0	0	Commodity hedges	7,233	0	0
	<b>95,207</b>	<b>529</b>	<b>529</b>		<b>104,626</b>	<b>145</b>	<b>145</b>

Of the currency hedges, €112 thousand have remaining maturities of more than one year. Of the interest-rate derivatives, hedges with a nominal volume of €21,200 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.

	2011/12	Previous year
Available-for-sale financial assets	102	-69
Financial assets at fair value	68	-17
Loans and receivables	1,190	-4,311
Financial liabilities measured at amortized cost	-7,189	-4,546
Financial liabilities at fair value	-4,608	4,352

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 €2,096 thousand (€1,719 thousand). Interest expenses for financial borrowings were €7,189 thousand (€4,546 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 1.34 USD/€. If the US dollar depreciated by 10%, the financial instruments would lose 7.5% in value. If the US dollar appreciated by 10%, the financial instruments would gain 7.5% 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 0.93%. A 1% increase in the rate of interest would reduce the interest

result by €0.4 million; equity would change by € -0.3 million. A reduction in the rate of interest to 0 percentage points would add a further €0.6 million to the interest result. Equity would increase by €0.4 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 €1.1 million; a decrease would reduce it by around €1.1 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
Financial instruments				
06/30/2012 Financial assets	Fair Values	Carrying amounts		
Financial assets	1,938	0	0	1,938
Trade receivables	309,422	309,422	0	309,422
Securities	40,399	40,399	0	40,399
Cash and cash equivalents	142,569	142,569	0	142,569
Other current assets	23,993	22,841	1,152	23,993
- Other which derivative financial instruments	(1,152)	(0)	(1,152)	(0)
<b>Total</b>	<b>518,321</b>	<b>515,231</b>	<b>1,152</b>	<b>1,938</b>

	Financial liabilities measured at amortized cost	Financial liabilities at fair value	Total carrying amount
Financial instruments			
06/30/2012 Financial liabilities	Fair Values	Carrying amounts	
Long-term borrowings	23,033	23,033	0
Long-term trade payables	1,914	1,914	0
Other noncurrent liabilities	8,207	8,207	0
Short-term borrowings	52,119	52,119	0
Short-term trade payables	74,073	74,073	0
Other noncurrent liabilities	43,507	42,884	623
- Other which derivative financial instruments	(623)	(0)	(623)
<b>Total</b>	<b>202,853</b>	<b>202,230</b>	<b>623</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	Carrying amounts			
Financial assets	1,308	0	0	1,308	1,308
Trade receivables	268,209	268,209	0	0	268,209
Securities	36,621	36,621	0	0	36,621
Cash and cash equivalents	110,278	110,278	0	0	110,278
Other current assets	19,173	17,908	1,265	0	19,173
- Other which derivative financial instruments	(1,265)	(0)	(1,265)	(0)	(1,265)
<b>Total</b>	<b>435,589</b>	<b>433,016</b>	<b>1,265</b>	<b>1,308</b>	<b>435,589</b>

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

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

Securities classified within level 1 of the fair value hierarchy totaled €40,399 thousand at June 30, 2012. Financial assets held for trading (€1,152 thousand) and financial liabilities held for trading (€623 thousand) are categorized in level 2. There are no financial instruments in level 3.

#### (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 €8,283 thousand (€7,042 thousand) obligation from uncompleted capital expenditure projects.

Obligations under rental agreements and leases	06/30/2012	Previous year
Due within one year	9,329	8,456
Due between 1 and 5 years	12,849	7,913
Due after 5 years	3,628	2,446
	<b>25,806</b>	<b>18,815</b>

The leases relate primarily to full-service agreements for IT equipment and fleet vehicles, which also include services, for which a total of €2,858 thousand (€2,737 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, 2011 through June 30, 2012

	€ millions	% of sales	€ millions	% of sales
	2011/12		Previous year	
Net sales	986.3	100.0	855.4	100.0
Cost of sales	521.3	52.9	433.4	50.7
<b>Gross profit on sales</b>	<b>465.0</b>	<b>47.1</b>	<b>422.0</b>	<b>49.3</b>
Selling expenses	161.4	16.4	138.5	16.2
Research and development expenses	126.6	12.8	113.5	13.3
General and administrative expenses	59.5	6.0	60.0	7.0
Other operating income	62.6	6.4	43.7	5.1
Other operating expenses	39.2	4.0	37.1	4.3
<b>Operating income</b>	<b>140.9</b>	<b>14.3</b>	<b>116.6</b>	<b>13.6</b>
Net financial income/expenses	-5.2	-0.5	-7.0	-0.8
<b>Result of ordinary activities</b>	<b>135.7</b>	<b>13.8</b>	<b>109.6</b>	<b>12.8</b>
Income taxes	41.3	4.2	36.7	4.3
<b>Net income for the year</b>	<b>94.4</b>	<b>9.6</b>	<b>72.9</b>	<b>8.5</b>
Shares of minority interest	2.8	0.3	2.6	0.3
<b>Net income after minority interest</b>	<b>91.6</b>	<b>9.3</b>	<b>70.3</b>	<b>8.2</b>

## (18) Net sales

By product category	2011/12	Previous year
Certified seed sales	908,990	785,154
Royalties income	41,217	38,198
Basic seed sales	13,247	13,225
Services fee income	4,935	4,404
Other sales	17,907	14,394
	<b>986,296</b>	<b>855,375</b>

By region	2011/12	Previous year
Germany	228,328	210,860
Europe	390,720	343,375
America	325,633	265,064
Rest of world	41,615	36,076
	<b>986,296</b>	<b>855,375</b>

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 €87,978 thousand to €521,343 thousand, or 52.9% (50.7%) of sales. The total cost of goods sold was €301,209 thousand (€232,605 thousand).

Allowances on inventories totaling €3,867 thousand less (previous year: €8,048 less) were required. The Sugarbeet Segment's allowances were lower by €7,973 thousand (€968 thousand), while additional allowances totaling €2,666 thousand (previous year: reduction by 6,315 thousand) in the Corn Segment, €368 thousand (previous year: reduction by 810 thousand) in the Cereals Segment and €1,072 thousand (€45 thousand) in the Corporate Segment were required.

The €22,854 thousand increase in **selling expenses** to €161,355 thousand is attributable to intensified market cultivation and diversification of sales channels. This is 16.4% of sales, up from 16.2% 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 €126,571 thousand (€113,539 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** fell by €503 thousand to €59,494 thousand, representing 6.0% of sales, after 7.0% the year before.

## (19) Other operating income

	2011/12	Previous year
Income from sales of fixed assets	576	494
Income from the reversal of provisions	9,489	10,103
Exchange rate gains and gains from currency and interest rate hedges	15,560	6,228
Income from reversal of allowances on receivables	12,495	3,252
Grants	5,201	5,278
Income relating to previous periods	5,841	3,286
Income from loss compensation received	380	234
Miscellaneous other operating income	13,095	14,880
	<b>62,637</b>	<b>43,755</b>

The increase in other operating income is mainly attributable to income from currency and interest rate hedges and income from reversal of accounts receivable for which allowances had been formed.

## (20) Other operating expenses

	2011/12	Previous year
Legal form expenses	1,112	981
Allowances on receivables	12,780	8,721
Counterparty default	87	908
Exchange rate losses and losses on currency and interest rate hedges	13,021	10,950
Losses from sales of fixed assets	48	201
Expenses relating to previous periods	1,539	277
Expense from remeasurement of intangible assets	0	5,862
Other expenses	10,729	9,191
	<b>39,316</b>	<b>37,091</b>

In the year under review, allowances for receivables of €6,722 thousand (€5,742 thousand) were recognized as an expense at the Corn Segment, €5,647 thousand (€2,816 thousand) at the Sugarbeet Segment, €411 thousand (€139 thousand) at the Cereals Segment and €0 thousand (€24 thousand) at the Corporate Segment. The other expenses include write-downs on customer bases, as well as losses on the U.S. commodity exchange for agricultural products.

## (21) Net financial income/expenses

	2011/12	Previous year
Interest income	2,165	1,693
Interest expenses	3,398	4,960
Income from securities	1	0
Income from other financial assets	95	26
Interest expenses from pension provisions	3,681	3,487
Interest expense for other long-term provisions	173	135
Interest expense for finance leasing	157	16
<b>Net interest expense</b>	<b>-5,148</b>	<b>-6,879</b>
Net income from participations	7	5
Write-downs of financial assets	0	100
<b>Net income from equity investments</b>	<b>7</b>	<b>-95</b>
<b>Net financial income/expenses</b>	<b>-5,141</b>	<b>-6,974</b>

The **net financial result** increased by a total of €1,833 thousand to €-5,141 thousand. **Net interest expense** was €-5,148 thousand (€-6,879 thousand), while **net income from equity investments** increased by €102 thousand to €7 thousand. The interest effects from pension provisions comprise interest expenses (compounding) and the planned income.



## (22) Income taxes

Income tax expense is computed as follows:

	2011/12	Previous year
Income taxes, Germany	17,010	17,875
Income taxes, other countries	16,248	20,811
<b>Current expenses from income taxes</b>	<b>33,258</b>	<b>38,686</b>
Thereof from previous years	(631)	(-557)
Deferred taxes, Germany	-1,387	-426
Deferred taxes, other countries	9,446	-1,519
Deferred tax income/expense	8,059	-1,945
<b>Reported income tax expense</b>	<b>41,317</b>	<b>36,741</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:

	2011/12	Previous year	Change	2011/12	Previous year	Change
	Deferred tax assets			Deferred tax liabilities		
Intangible assets	5	3	2	16,211	7,532	8,679
Property, plant and equipment	148	114	34	13,973	13,089	884
Financial assets	167	3,767	-3,600	972	0	972
Inventories	9,618	9,607	11	177	231	-54
Current assets	3,983	5,774	-1,791	3,366	2,543	823
Noncurrent liabilities	3,916	1,124	2,792	1,300	1,181	119
Current liabilities	4,432	5,787	-1,355	38	77	-39
Tax loss carryforward	3,197	2,287	910	0	0	0
Other consolidation transactions	504	684	-180	6	4	2
<b>Deferred taxes recognized</b>	<b>25,970</b>	<b>29,147</b>	<b>-3,177</b>	<b>36,043</b>	<b>24,657</b>	<b>11,386</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 €7,311 thousand (€5,866 thousand) at June 30, 2012. €905 thousand (€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 € -6,503 thousand (€ -4,873 thousand), mainly resulting from currency translation, were directly credited to equity, without recognition in profit or loss. €9,529 thousand of the deferred tax liabilities relate to our Brazilian operations. Tax loss carry-forwards of €1,026 thousand (€1,185 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:

	2011/12	Previous year
Earnings before income taxes	135,713	109,662
Expected income tax expense*)	39,492	31,912
Difference in income tax liability outside Germany	693	2,764
<b>Tax portion for:</b>		
Tax-free income	-116	-229
Expenses not deductible for tax purposes	1,218	2,851
Temporary differences and losses for which no deferred taxes have been recognized	-44	-19
Tax credits	-703	-255
Taxes relating to previous years	631	-557
Other tax effects	146	274
Reported income tax expense	41,317	36,741
Effective tax rate	30.4 %	33.5 %

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

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

## (23) Personnel costs/employees

	2011/12	Previous year
Wages and salaries	145,644	131,193
Social security contributions, expenses for pension plans and benefits	36,844	33,780
	<b>182,488</b>	<b>164,973</b>

Personnel costs went up by €17,515 thousand to €182,488 thousand, an increase of 10.6%. The number of employees (including trainees and interns) increased by 291 (or 8.2%) to 3,851.

**Compensation** increased by 11.0% to €145,644 thousand. **Social security contributions, expenses for pension plans and benefits** were €3,064 thousand higher than in the previous year. An amount of €11,161 thousand (€10,094 thousand) was recognized as an expense for defined contribution plans, including state pension insurance, in the year under review.

Employees*	2011/12	Previous year
Germany	1,589	1,481
Rest of Europe (without Germany)	1,061	982
America	1,106	1,020
Rest of world	95	77
<b>Total</b>	<b>3,851</b>	<b>3,560</b>

\* Annual average

Of the above number, 668 (634) employees are included according to the percentage of equity held in the companies that employ them. 1,339 (1,269) employees are employed by now seven proportionately consolidated investees. If these persons are included in full, the workforce total is 4,522 (4,195). The reported number of employees is greatly influenced by seasonal labor.





(24) Net income for the year

Net income for the year increased by €21,474 thousand to €94,396 thousand, representing a return on sales of 9.6%, up from 8.5% in the previous year. The net profit for the period after minority interest is €91,644 thousand, and €13.89 (€10.64) for each of the 6,600,000 shares on issue. The long-term capitalization of KWS takes the interests of shareholders, employees and other stakeholders into account, in accordance with the corporate strategy. The dividend distributed is therefore 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 55.2%, following 58.8% 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 the Supervisory Board therefore amounts to €509 thousand (€438 thousand), excluding value-added tax. €231 thousand (€160 thousand) of the total compensation is performance-related.

In fiscal year 2011/2012, total Executive Board compensation amounted to €3,054 thousand (€2,963 thousand). Variable compensation of €2,058 thousand (€1,969 thousand), calculated on the basis of the net profit for the period of the KWS Group, includes compensation of €38 thousand (€29 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 €1,052 thousand (€1,055 thousand). Pension provisions recognized for this group of persons amounted to €1,394 thousand (€1,726 thousand) as of June 30, 2012.

(26) Shareholdings of members of the Supervisory Board and Executive Board (as of August 31, 2012)  
Dr. Arend Oetker indirectly holds a total of 1,650,010 shares and Dr. Dr. h.c. mult. Andreas J. Büchting 108,030 shares in KWS SAAT AG. All together, the members of the Supervisory Board hold 1,758,095 shares in KWS SAAT AG.

All together, the members of the Executive Board hold 10,677 shares in KWS SAAT AG.

(27) Audit of the annual financial statements

On December 14, 2011, 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 2011/2012.

Fee paid to the external auditors under section 314 sentence 1 no. 9 of the HGB	2011/12
a) Audit of the consolidated financial statements	678
b) Other certification services	18
c) Tax consulting	0
d) Other services	9
Total fee paid	705

For fiscal year 2012/2013, fees for consulting services (excluding auditing) of up to €50 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 it 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:

- Member of the Board of Directors of Ball Horticultural Company, West Chicago, Illinois (U.S.)

**Dr. Arend Oetker**  
Berlin  
Businessman  
Managing Partner of  
Kommanditgesellschaft Dr. Arend Oetker  
Vermögensverwaltungsgesellschaft mbH & Co, Berlin  
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  
Member of Management of Boehringer  
Ingelheim GmbH, Ingelheim am Rhein

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

**Cathrina Claas-Mühlhäuser**  
Frankfurt am Main  
Businesswoman  
Chairwoman of the Supervisory Board of  
CLAAS KGaA mbH, Harsewinkel

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**  
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 (until July 4, 2012)

Membership of comparable German and foreign oversight boards:

- Hero AG, Lenzburg (member of the Board of Administration)\*  
\*since January 1, 2012



(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	Corporate
100% BETASEED INC. <sup>2)</sup> Shakopee, MN/U.S.	100% KWS MAIS GMBH Einbeck	81% KWS LOCHOW GMBH Bergen	100% KWS LANDWIRTSCHAFT GMBH**
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	Einbeck
100% DELITZSCH PFLANZENZUCHT GMBH <sup>10)</sup> Einbeck	100% KWS SEMENA S.R.O. <sup>5)</sup> Bratislava/Slovakia	100% KWS LOCHOW POLSKA SP.Z O.O. <sup>7)</sup> Kondratowice/Poland	100% KWS INTERSAAT GMBH Einbeck
100% O.O.O. KWS RUS <sup>12)</sup> Lipezk/Russia	100% KWS MAIS FRANCE S.A.R.L. <sup>5)</sup> Sarreguemines/France	100% KWS CEREALS USA LLC. <sup>7)</sup> Shakopee, MN/USA	100% KWS SEEDS INC. <sup>9)</sup> Shakopee, MN/U.S.
100% O.O.O. KWS R&D RUS <sup>11)</sup> Lipezk/Russia	100% KWS AUSTRIA SAAT GMBH <sup>5)</sup> Vienna/Austria	49% SOCIETE DE MARTINVAL S.A. <sup>8)*</sup> Mons-en-Pévèle/France	100% GLH SEEDS INC. <sup>2)</sup> Shakopee, MN/U.S.
100% KWS ITALIA S.P.A. Forlì/Italy	100% KWS SJEME D.O.O. <sup>5)</sup> Pozega/Croatia	100% SA MOMONT HENNETTE <sup>14)</sup> Mons-en-Pévèle/France	100% KWS SAATFINANZ GMBH Einbeck
100% KWS POLSKA SP.Z O.O. Poznań/Poland	100% KWS OSIVA S.R.O. <sup>5)</sup> Velke Mezirici/Czech Republic	95% SARL LABOGERM <sup>14)</sup> Mons-en-Pévèle/France	100% RAGIS KARTOFFELZUCHT- UND HANDELSGESELLSCHAFT MBH Einbeck
100% KWS SCANDINAVIA A/S <sup>10)</sup> Guldborgsund/Denmark	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% WIEBRECHTSHAUSEN GMBH Northeim-Wiebrechtshausen
100% KWS SEMILLAS IBERICA S.L. <sup>10)</sup> Zarátan/Spain	100% AGROMAIS GMBH <sup>5)</sup> Everswinkel	100% SCA HAMET <sup>14)</sup> Mons-en-Pévèle/France	100% EURO-HYBRID GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH Einbeck
100% SEMILLAS KWS CHILE LTDA. Rancagua/Chile	100% KWS MAGYARORSZÁG KFT. <sup>5)</sup> Győr/Hungary		100% KWS SEMENTES BRASIL PARTICIPACOES LTDA. <sup>19)</sup> São Paulo/Brazil
100% KWS SEME YU D.O.O. New Belgrade/Serbia	100% KWS SEMINTE S.R.L. <sup>13)</sup> Bucharest/Romania		100% KWS BRASIL PARTICIPACOES LTDA. <sup>20)</sup> São Paulo/Brazil
100% KWS SUISSE SA Basle/Switzerland	99% KWS ARGENTINA S.A. <sup>5)</sup> Balcarce/Argentina		100% KWS R&D CHINA LTD. <sup>15)</sup> Hefei/China
100% ACH SEEDS INC. <sup>4)</sup> Eden Prairie, MN/U.S.	51% RAZES HYBRIDES S.A.R.L. <sup>3)</sup> Alzonne/France		100% KWS SERVICES DEUTSCHLAND GMBH Einbeck
100% BETASEED FRANCE S.A.R.L. <sup>18)</sup> Sarreguemines/France	50% AGRELIANT GENETICS LLC. <sup>6)*</sup> Westfield, IN/U.S.		100% KWS SERVICES EAST GMBH Vienna/Austria
100% BETASEED LTD. <sup>4)</sup> Rothwell/UK	50% AGRELIANT GENETICS INC.* Chatham, Ontario/Canada		100% KWS SERVICES NORTH B.V. Rotterdam/Netherlands
100% KWS UKRAINE T.O.W. <sup>12)</sup> Kiev/Ukraine	100% DELTA PESQUISA E SEMENTES LTDA. <sup>21)</sup> Cambé/Brazil		100% KWS SERVICES MEDITERRANEAN S.A.S. Roye/France
100% KWS TÜRK TARIM TICARET A.S. <sup>10)</sup> Eskisehir/Turkey	100% SEMILIA GENETICA E MELHORAMENTO LTDA. <sup>21)</sup> Curitiba/Brazil		
100% BETASEED GMBH Frankfurt			
100% KWS POTATO B.V. <sup>17)</sup> Emmeloord/Netherlands	50% RIBER KWS S.A. <sup>21)</sup> Patos de Minas/Brazil		
83% DYNAGRI S.A.R.L. <sup>18)</sup> Casablanca/Morocco			

\* Proportional consolidation

\*\* Profit transfer agreement

1) The percentages shown for each company relate to the share in that company held within the KWS Group

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 and KWS SAAT AG

10) Subsidiary of KWS INTERSAAT GMBH

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

12) Subsidiary of EURO-HYBRID GMBH and KWS SAATFINANZ GMBH

13) Subsidiary of KWS MAIS GMBH and 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

18) Subsidiary of BETASEED GMBH

19) Subsidiary of KWS INTERSAAT GMBH and KWS SAATFINANZ GMBH

20) Subsidiary of KWS SEMENTES BRASIL PARTICIPACOES LTDA. and KWS INTERSAAT GMBH

21) Subsidiary of KWS BRASIL PARTICIPACOES LTDA.

June 30, 2012

(32) Proposal for the appropriation of net retained profits

KWS SAAT AG posted operating income of €11,870 thousand compared with €24,170 thousand for the previous year. Allowing for net financial income/expenses of €13,952 thousand and income taxes totaling € –2,121 thousand, net income in accordance with the German commercial law regulations was €27,943 thousand (€15,900 thousand). Adding the net profit of €760 thousand brought forward from the previous year and the allocation to the revenue reserves of €10,000 thousand, a net retained profit of €18,703 thousand is available for distribution.

A proposal will be made to the Annual Shareholders’ Meeting that an amount of €18,480 thousand of KWS

SAAT AG’s net retained profit should be distributed as a dividend of €2.80 (€2.30) for each of the 6,600,000 shares. The balance of €223 thousand 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 1, 2012  
KWS SAAT AG  
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, 2011, to June 31, 2012, 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 1, 2012

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft

(Kompenhans)  
Auditor

(Bukowski)  
Auditor

## Financial calendar

November 29, 2012	Report on the 1st quarter of 2012/2013
December 13, 2012	Annual Shareholders' Meeting in Einbeck
February 26, 2013	Report on the 2nd quarter of 2012/2013
May 28, 2013	Report on the 3rd quarter of 2012/2013
October 23, 2013	Publication of 2012/2013 financial statements Annual press conference in Frankfurt; Analyst conference in Frankfurt
December 19, 2013	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, 2012	€19,800,000
Share price high June 29, 2012 (Xetra)	€205.00
Share price low August 22, 2011 (Xetra)	€131.40
Average number of shares traded	
– in Xetra	3,735
– in floor trading in Frankfurt	246

### KWS SAAT AG

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This translation of the original German version of the Annual Report has been prepared for the convenience of our English-speaking shareholders. The German version is legally binding.

Photos/Illustrations:

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