Segments of the KWS Group

Sugarbeet
KWS SAAT AG
As well as 15 subsidiaries and affiliated companies*
Net sales € 199.9 million
Operating income € 35.1 million

Corn
KWS MAIS GMBH
As well as 15 subsidiaries and affiliated companies
Net sales € 275.5 million
Operating income € 13.2 million

Cereals
LOCHOW-PETKUS GMBH
As well as 3 subsidiaries and affiliated companies
Net sales € 54.5 million
Operating income € 5.3 million

Breeding & Services
KWS SAAT AG
As well as 10 subsidiaries and affiliated companies
Net sales € 109.0 million
(net sales of third parties € 8.1 million)
Operating income € 10.1 million

* Subsidiaries and affiliated companies see page 74
The KWS brand is an expression of the more than 150-year history of our company. It embodies all the values that have been evolved and lived over so many years and that generations of people at KWS have created and developed in a continuing dialogue with our customers. The result is a deep trust in our products and in our employees.

The cornerstones of KWS’ brand include:

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

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

**Key Figures of the KWS Group**

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

KWS SAAT AG
Grimsehlstrasse 31 • 37555 Einbeck • P.O. Box 1463
Phone +49 (0) 5561/311-0 • Fax +49 (0) 5561/311-322
www.kws.com • e-mail: info@kws.com

Photos/Illustrations:
Dominik Obertreis • Eberhard Franke • KWS Group archive • Peter Heller
Ronald Schmidt • Stefan Blume

<table>
<thead>
<tr>
<th>Fiscal year (in millions of Euro)</th>
<th>2006/07</th>
<th>2005/06</th>
<th>2004/05</th>
<th>2003/04</th>
<th>2002/03</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>537.9</td>
<td>505.0</td>
<td>495.3</td>
<td>444.5</td>
<td>424.3</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>63.9</td>
<td>46.7</td>
<td>56.3</td>
<td>52.3</td>
<td>50.0</td>
</tr>
<tr>
<td>as a % of net sales</td>
<td>11.9%</td>
<td>9.2%</td>
<td>11.4%</td>
<td>11.8%</td>
<td>11.8%</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>38.2</td>
<td>26.4</td>
<td>38.6</td>
<td>28.8</td>
<td>28.5</td>
</tr>
<tr>
<td>as a % of net sales</td>
<td>7.1%</td>
<td>5.2%</td>
<td>7.7%</td>
<td>6.4%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Cash flow after tax</td>
<td>30.1</td>
<td>20.6</td>
<td>22.0</td>
<td>16.2</td>
<td>15.2</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>688.1</td>
<td>394.9</td>
<td>339.2</td>
<td>284.6</td>
<td>256.1</td>
</tr>
<tr>
<td><strong>Equity ratio in %</strong></td>
<td>60.5%</td>
<td>58.6%</td>
<td>57.0%</td>
<td>59.5%</td>
<td>52.5%</td>
</tr>
<tr>
<td><strong>Balance sheet total</strong></td>
<td>899.8</td>
<td>727.0</td>
<td>670.4</td>
<td>548.8</td>
<td>501.3</td>
</tr>
<tr>
<td>Return on equity in %</td>
<td>11.6%</td>
<td>6.9%</td>
<td>10.6%</td>
<td>10.1%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Return on assets in %</td>
<td>6.9%</td>
<td>5.3%</td>
<td>7.0%</td>
<td>6.0%</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td>188.0</td>
<td>188.0</td>
<td>185.6</td>
<td>169.2</td>
<td>120.7</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>27.2</td>
<td>21.9</td>
<td>36.8</td>
<td>24.7</td>
<td>20.7</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>16.1</td>
<td>17.2</td>
<td>18.4</td>
<td>16.2</td>
<td>21.1</td>
</tr>
<tr>
<td><strong>Average number of employees</strong></td>
<td>2,739</td>
<td>2,652</td>
<td>2,550</td>
<td>2,516</td>
<td>2,336</td>
</tr>
<tr>
<td><strong>Personnel costs</strong></td>
<td>111.3</td>
<td>104.1</td>
<td>101.4</td>
<td>96.2</td>
<td>97.0</td>
</tr>
</tbody>
</table>

Performance of KWS shares in €

| Dividend per share | 1.43 | 1.30** | 12.00*** | 11.00** | 11.00*** |
| Earnings per share  | 5.61 | 4.16    | 5.99     | 4.97    | 4.20     |
| Cash flow per share | 5.77 | 5.67    | 7.16     | 5.55    | 7.49     |
| Equity per share    | 25.47 | 51.21   | 49.82    | 44.55   | 34.26    |

* Financial ratios according to HGB
** Dividend of 1.00 plus anniversary bonus of 0.50
*** Value after the 1:10 share split

**Seeding the future since 1864**
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We are very pleased to report an exceptionally good fiscal year. The 6.5% increase in net sales to €538 million and the 36.8% improvement in our operating result (EBIT = earnings before income and taxes) to €63.9 million are the highest figures in our company’s history. Although we had raised our forecast in the course of the year, we still surpassed it by a significant margin. The stock market has generously rewarded our business success and the long-term preparations we have made, and its profit expectations extend far into the future. This is reflected in the rise in the price of the KWS share by about 80% in fiscal 2006/2007.

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

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

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

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

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

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

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

Chairman’s Foreword

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The KWS share

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

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

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

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

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

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

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

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Character counts.

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

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

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

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

Conventional plant breeding

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

Genetic engineering

Cross-species approaches

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Small cause, big effect. A single additional gene, for example, has succeeded in protecting corn against its greatest pest worldwide – the European corn borer. For a number of years now, cotton has also possessed such resistance – and without it, it could only be grown with intensive use of chemical pesticides.
Focal areas of deliberations
In the year under review, the Supervisory Board dealt in particular with the restructuring of the Executive Board and other leadership positions in connection with the retirement of Dr. Dr. h.c. Andreas J. Büchting, the Chairman of the Executive Board. Concluding thirty years of work on the Executive Board, he will resign at the Annual Shareholders’ Meeting in December and at the same time be a candidate for the Supervisory Board. It is envisaged that he will be elected Chairman of this body. Philip von dem Bussche will take over his position as Chairman of the Executive Board and continue the successful model of a company with a tradition of family ownership. This will be the first time since the company was formed 151 years ago that the Executive Board will have no members from the company’s founding families. However, the representatives of the Büchting/ Giesecke and Arend Oetker families will continue to closely follow and support the fortunes of the company from their positions on the Supervisory Board.

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

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

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

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

The Supervisory Board received and discussed the financial statements and management reports of KWS SAAT AG and the KWS Group, along with the report by the independent auditor of KWS SAAT AG and the KWS Group and the proposal on utilization of the net profit for the year made by KWS SAAT AG. It also received detailed explanations of questions on the agenda at its meeting to discuss the financial statements on October 30, 2007. The auditor took part in the meeting and reported on the main results of its audit. Based on the findings of its examination, the Supervisory Board does not raise any objections. It gives its consent to the financial statements of KWS SAAT AG, which are thereby approved. The Supervisory Board also gives its consent to the statements of the KWS Group. It also endorses the proposal by the Executive Board on the appropriation of the profits of KWS SAAT AG.

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

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

Einbeck, October 30, 2007

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

Binding principles of the “Code of Business Ethics”

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

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

Corporate communications ensures that all shareholders are treated equally

KWS communicates information on its own initiative, openly, quickly and in full, so as to win and strengthen the trust of its shareholders, employees, business partners and the public at large, as well as to allay any fears and worries they might have. New and significant circumstances that are of importance to the company’s business development and may have a significant impact on its business transactions independently, with the goal of ensuring the company’s long-term success. In making decisions, the Executive Board takes care to ensure fair competition, the well-being of all employees and its responsibility to society and the environment. The Bylaws of the Executive Board, which are published on our Internet site, delineate the areas of competency and responsibility of the individual members and define business transactions that require the consent of the Supervisory Board.

The Supervisory Board advises, monitors and appoints the Executive Board

One-third of the six-member Supervisory Board is made up of employee representatives, and two-thirds are shareholder representatives. Due to his considerable services to the company, Dr. Carl-Ernst Büchting is Honorary Chairman of the Supervisory Board. The Supervisory Board advises, monitors and appoints the Executive Board. It appoints the Executive Board if there are special circumstances. It does this to maintain its trust in the members of the Executive Board. The Supervisory Board has ensured that the auditors have no conflicts of interest, that the independence of its audit is assured and that no auditor has signed more than six audit certificates in the past ten years.

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

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

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

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

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

I, the Executive Board and Supervisory Board of KWS SAAT AG declare in compliance with section 161 AktG (German Stock Corporation Act) that – with the exception of the points stated under II – the company has complied with the recommendations of the German Corporate Governance Code in the version dated June 12, 2006, since the last compliance declaration on October 30, 2006, and has compiled, does now comply, and will comply in the future with the recommendations of the German Corporate Governance Code in the version dated June 14, 2007, which was published on July 20, 2007, in the Electronic Federal Gazette. II. During the 2006/2007 fiscal year, KWS SAAT AG did not implement the following provisions of the code and/or will not implement them:

- The deductible recommended by clause 3.9 in the D&O insurance coverage for the Supervisory and Executive Boards has not been provided for to date.
- An Audit Committee in conformance with clause 5.3.2 has not been established to date. Instead, regular and intensive discussions are conducted between the Chairman of the Supervisory Board, the Executive Board and the statutory auditors, with the result that the Supervisory Board was able to conduct a careful and effective examination of the financial statements. The Supervisory Board intends to establish such an Audit Committee following the election of the new Supervisory Board at the Annual Shareholders’ Meeting on December 13, 2007.

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

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

Einbeck, October 30, 2007

The Supervisory Board

The Executive Board
Crossing and selection.

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

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

Corn accounts for over 50% of Group’s net sales
We again posted double-digit growth in corn business. Net sales increased by 13.7% to € 275.5 (242.2) million, accounting for 51% of KWS’ business volume. We achieved growth in all regions, above all in Southeastern Europe, Germany and North America. There is still great demand for genetically improved products in the US, especially for varieties sold for hybrid corn in Europe. Our production employees work on the basis of annual work-time models, reflecting the seasonal differences dictated by nature.

Operating income with strong growth
The operating income for the KWS Group increased year-on-year by 36.8% to € 63.9 (46.7) million. There were structural adjustments and cost cutting in the area of distribution in the sugarbeet segment. In addition, seed production was reduced, resulting in above-planned sales from existing stocks and far lower allowances on inventories. Operating income in the sugarbeet segment improved to € 26.1 (24.9) million as a result of these effects. Its contribution to Group income remained very strong at 55.0% (53.3%).

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

At € 5.1 (1.6) million, the balance of other operating income and other operating expenses was at the level of the previous year.

The sugarcane seed from the new harvest is processed and piled in Einbeck during the winter months for the whole of Europe. Our production employees work on the basis of annual work-time models, reflecting the seasonal differences dictated by nature.
During the fiscal year, the KWS Group recorded depreciation and amortization of € 16.1 (17.0) million, meaning that, once again, investments exceeded depreciation by a significant margin.

**Improved assets situation**

The total assets of € 659.9 (577.7) million are not significantly higher than the figure for the previous year, and with an increase in equity of € 28 million, the equity ratio is now 60.0 % (58.6 %). The KWS Group thus has very solid financing.

Net working capital fell slightly in the fiscal year. Receivables in the corn segment increased by € 11.3 million as a reflection of our business expansion, while inventories were reduced by € 19.4 million. In the sugarbeet segment, net working capital increased by € 7.3 million. Totals of € 294.8 (259.3) million, inventories and receivables still accounted for around 48 % of total assets. On the balance sheet date, cash and cash equivalents, including securities, amounted to € 68.1 (55.6) million.

Equity rose to € 386.1 (338.0) million, and fully covered noncurrent assets and inventories. Debt capital remained almost unchanged at a total of € 243.7 (239.1) million, while long-term borrowings fell by € 7.1 million to € 86.8 (90.9) million, largely due to the external funding of pension commitments. Short-term borrowings rose by € 11.8 million to € 156.9 million and were covered at a rate of 181 % (190 %) by cash and cash equivalents and receivables.

High cash flow improves net liquidity

Net cash from operating activities fell by € 2.3 million to € 51.1 (53.4) million. The ratio of cash flow to net sales was 9.5 % (10.6 %), underlining the KWS Group’s great financial strength. Net funds used in investing activities amounted to € 111.2 (26.4) million. Net cash consequently improved markedly to € 59.7 (44.3) million.

**Proposed appropriation of profits**

In December 2006, a dividend of € 1.00 per share, plus an anniversary bonus of € 0.20, was paid for fiscal 2005/2006. For the year under review, KWS SAAT AG achieved net income of € 18.3 million, compared to € 13.4 million for the previous year. The Executive and Supervisory Boards will propose payment of a dividend of € 1.40 for each of the 6,600,000 shares at the Annual Shareholders’ Meeting, making the total distribution this year € 9.2 (7.9) million, yielding a free cash flow of € 24.4 (33.3) million.

**Value added**

In fiscal year 2006/2007, the KWS Group generated total output of € 563.2 (531.9) million, consisting of net sales of € 537.9 (505.0) million and other income of € 25.3 (26.9) million. Deducting the costs of raw materials and supplies and of third-party goods and services attributable to cost of sales totaling € 286.6 (275.4) million, depreciation, amortization, and impairment losses of € 16.1 (17.0) million and other third-party goods and services of € 81.6 (78.8) million gives value added of € 178.9 (160.7) million.

The distribution was as follows: Employees received € 111.3 million, including social insurance and retirement benefit costs, with € 109.1 million in the previous year. Interest paid rose by € 2.6 million to € 87.7 million. The public sector received € 20.7 (17.1) million. Value added of € 1.1 (0.9) million was distributed to minority shareholders. The shareholders will receive a dividend of € 9.2 million, with the result that € 27.9 (19.6) million will be retained by the company.
High-performance products and professional consultation.

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

Net sales were €199.9 (205.4) million, not quite at the level of the previous year, but well above expectations at the beginning of the fiscal year. Unlike the previous year, the 27 EU states were the main growth drivers. Net sales of €122.8 (106.9) million were generated here, while revenue in non-European countries declined and was just €77.1 (88.5) million.

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

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

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

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

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

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

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

KWS continues to expand strongly in the field of winter rapeseed, again recording an almost 30 percent increase in sales volumes, mainly in the regions Germany, Central Europe and Southeastern Europe.

Distribution activities for sunflowers focused on Eastern and Southeastern Europe. As a result of sharply limited cultivation areas compared with 2005/2006, we did not achieve a significant increase. The subarea of oil seed in the corn segment contributed 14% to total net sales.
Following the last harvest, there was a sharp increase in demand and thus in the price for all agricultural raw materials. That was also true of rye. Rye is now also used as a cereal for producing ethanol and biogas. At the same time, intervention inventories were almost completely reduced. As a result, the price of rye for consumption almost matched that for wheat, and rye is growing in importance again for light and medium soils. We see further potential in the use of rye gas plant silage in the production of biogas.

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

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

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

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

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

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

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

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

Marketing approval for new varieties
New energy corn varieties certified

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

Plant breeding is again enjoying greater importance in EU research. KWS has helped shape the 7th Research Framework Program through the active collaboration of its scientists in the technology platforms “Plants for the Future” and “Biofuels”. It is also involved in various EU projects. A joint project with German, French and Spanish partners was conducted as part of trilateral cooperation in plant genome research. The objective is to improve the resistance of corn and wheat to fungi. However, the heart of these research activities remains the national program GABI (Genome Analysis in the Biological System of the Plant). The KWS Group is participating in eleven research projects in the GABI FUTURE program that embrace all the main varieties of the KWS portfolio.

Expansion of international corn breeding activities

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

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

Outlook for the 2007/2008 fiscal year

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

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

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

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

The shares in RAGIS KAROTTFELZUCHT- & HANDELSGESELLSCHAFT mbH, where the KWS Group’s potato activities were bundled, were sold to the other shareholder and legally transferred to him on August 30, 2007, to create latitude for reorientation.

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

Only the most innovative crossings survive the approval processes, which last several years. A new variety is only approved by the official testing agencies if it is better than all those on the market in at least one of its characteristics. The quality of our seed is officially certified each year before it is marketed.
Our goal in managing our company is to leverage all strategic growth potential to the fullest. To do that, KWS must take certain reasonable risks. How these risks are handled in entrepreneurial fashion is a crucial factor of business success. The KWS group is subject to the usual economic and political risks in the countries in which it and its subsidiaries operate. In addition, the risks described below may significantly impair KWS’ net sales, financial position and performance. These risks have been identified. However, other risks that have not yet been recognized or have been underestimated may also influence its business. No risks that pose a threat to the company’s existence have been identified to date. In our view, there was no significant change in the risk situation in fiscal 2006/2007 compared with the previous year.

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

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

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

Political risks
In the strongly regulated agriculture industry, political risks have a significant impact on business development. The new EU Sugar Market Regime, which came into effect on July 1, 2006, and will remain in force until September 30, 2013, has a serious effect on KWS, the world market leader in sugar beet seed.

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

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

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

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

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

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

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

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

Identifying and encouraging talents

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

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

Measuring the success of HR management

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

Employees in figures

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

KWS SAAT AG takes its social responsibilities seriously and has been training young people for years – in numbers in excess of what we actually need ourselves. In fiscal 2006/2007, 72 (73) apprentices and 12 (12) trainees were employed. The company offers a broad variety of vocations: industrial clerks in the area of business administration, technical assistants and laboratory technicians in the field of agricultural research, and in the technical field as industrial mechanics, energy-tech engineers specializing in plant engineering, and electronics engineers for operations technology. We think it is important for our junior staff to have international experience. For instance, we offer business administration apprentices the possibility of working at subsidiaries abroad for several weeks.
Planting seeds for success.

The quality of seed shows itself clearly in the field. Generations of our customers have trusted in the performance of KWS varieties.
The Supervisory Board’s compensation is set by the Annual Shareholders’ Meeting at the proposal of the Executive Board and Supervisory Board. It is based on the size of the company, the duties and responsibilities of the members of the Supervisory Board and the company’s economic situation. The remuneration includes not only a fixed payment, but also a variable component based on the dividend paid. Accordingly, Supervisory Board members receive fixed compensation of € 8,000 and a dividend-related payment of € 2,000 for each € 0.10 by which the dividend per share exceeds € 0.20.

The Chairman of the Supervisory Board receives three times and his or her deputy one-and-a-half times the total compensation of an ordinary member. There is currently no extra compensation for work on committees. In the future, the Chairman of the Audit Committee is to receive one-and-a-half times the total compensation of an ordinary member of the Supervisory Board, provided he or she does not hold the office of Chairman or Deputy Chairman of the Supervisory Board. The members of the Supervisory Board are reimbursed for all expenses – including value-added tax – that they incur while carrying out the duties of their position.

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

Pension obligations are granted in the form of an obligation to provide benefits, with the annual pensions ranging between € 130 thousand and € 220 thousand. In fiscal 2006/2007, € 71 thousand (€ 342 thousand) was allocated to the pension provisions in accordance with IAS 19 for pension obligations to members of the Executive Board. The benefit obligations to two pensioned members of the Executive Board and the member departing on December 13, 2007, were backed by a guarantee; pension provisions for this group of persons amounted to € 3,055 thousand (€ 7,800 thousand) as of June 30, 2007.

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

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

The fixed compensation is paid as a monthly salary. Apart from these salaries, there is also non-monetary compensation, such as a company car or phone. There are also accident insurance policies for the members of the Executive Board. The performance-related compensation is calculated on the basis of an individual percentage of the net profit for the year for the KWS Group. Payments for duties performed in subsidiaries and associated companies were calculated on the basis of an individual percentage of the net profit for the year for the KWS Group. Payments for duties performed in subsidiaries and associated companies were calculated on the basis of an individual percentage of the net profit for the year for the KWS Group. Payments for duties performed in subsidiaries and associated companies were calculated on the basis of an individual percentage of the net profit for the year for the KWS Group.

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

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

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

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

- The voting shares, including mutual allocations, of the members, foundations and companies of the families Büchting/Giesecke and Arend Oetker listed below each exceed 10 % and total 56.3 %.
  - Dr. agr. Carl-Ernst Büchting, Einbeck
  - Dr. Andreas J. Büchting, Einbeck
  - Christiane Strattmann, Meerbusch
  - Dorothée Schuppert, Augsburg
  - Michael C.-E. Büchting, Basel
  - Annette Büchting, Bremen
  - Stephan O. Büchting-Hansing, Ammerbuch-Entringen
  - Bike Giesecke, Altenberge
  - Christa Nagel, Springe
  - AKB Stiftung, Hannover
  - Büchting Beteiligungsgesellschaft mbH, Hannover

- The voting shares, including mutual allocations, of the shareholders stated below each exceed 10 % and total 10.6 %.
  - Hans-Joachim Tessner, Goslar
  - Tessner Beteiligungs GmbH, Goslar
  - Tessner Holding KG, Goslar

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

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

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

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

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

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

Einbeck, October 11, 2007
KWS SAAT AG, THE EXECUTIVE BOARD
### Balance Sheet
at June 30, 2007; figures in € thousands, unless otherwise specified

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Note No.</th>
<th>6/30/07</th>
<th>Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>(2)</td>
<td>35,435</td>
<td>30,339</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(3)</td>
<td>147,914</td>
<td>144,236</td>
</tr>
<tr>
<td>Investments in affiliated companies</td>
<td>(4)</td>
<td>0</td>
<td>6,074</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>(5)</td>
<td>6,011</td>
<td>7,991</td>
</tr>
<tr>
<td>Noncurrent tax assets</td>
<td></td>
<td>7,124</td>
<td>0</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>(6)</td>
<td>16,315</td>
<td>15,074</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td></td>
<td>212,799</td>
<td>203,714</td>
</tr>
<tr>
<td>Inventories</td>
<td>(7)</td>
<td>90,566</td>
<td>108,678</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>(8)</td>
<td>204,238</td>
<td>184,643</td>
</tr>
<tr>
<td>Available-for-sale securities</td>
<td>(9)</td>
<td>19,980</td>
<td>13,298</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(10)</td>
<td>48,075</td>
<td>42,322</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>(11)</td>
<td>7,814</td>
<td>6,106</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(8)</td>
<td>15,889</td>
<td>18,212</td>
</tr>
<tr>
<td>Subtotal of current assets</td>
<td></td>
<td>386,561</td>
<td>373,309</td>
</tr>
<tr>
<td>Noncurrent assets held for sale</td>
<td>(11)</td>
<td>10,437</td>
<td>0</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td>396,998</td>
<td>373,309</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>609,797</td>
<td>577,023</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY AND LIABILITIES</th>
<th>Note No.</th>
<th>6/30/07</th>
<th>Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribed capital</td>
<td></td>
<td>19,800</td>
<td>19,800</td>
</tr>
<tr>
<td>Capital reserve</td>
<td></td>
<td>5,530</td>
<td>5,530</td>
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<tr>
<td>Retained earnings</td>
<td></td>
<td>320,718</td>
<td>294,012</td>
</tr>
<tr>
<td>Minority interest</td>
<td></td>
<td>20,036</td>
<td>18,622</td>
</tr>
<tr>
<td>Equity</td>
<td>(12)</td>
<td>366,084</td>
<td>337,964</td>
</tr>
<tr>
<td>Long-term provisions</td>
<td></td>
<td>59,263</td>
<td>69,590</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td></td>
<td>3,887</td>
<td>6,412</td>
</tr>
<tr>
<td>Trade payables</td>
<td></td>
<td>2,440</td>
<td>0</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td>16,683</td>
<td>16,922</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td></td>
<td>4,520</td>
<td>1,000</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>(13)</td>
<td>86,803</td>
<td>93,924</td>
</tr>
<tr>
<td>Short-term provisions</td>
<td></td>
<td>71,282</td>
<td>66,809</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td></td>
<td>4,510</td>
<td>4,940</td>
</tr>
<tr>
<td>Trade payables</td>
<td></td>
<td>39,838</td>
<td>38,727</td>
</tr>
<tr>
<td>Current tax payables</td>
<td></td>
<td>19,151</td>
<td>12,554</td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td>20,688</td>
<td>22,105</td>
</tr>
<tr>
<td>Subtotal of current liabilities</td>
<td></td>
<td>155,469</td>
<td>146,136</td>
</tr>
<tr>
<td>Liabilities directly connected to noncurrent assets held for sale</td>
<td>(11)</td>
<td>1,441</td>
<td>0</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(14)</td>
<td>156,910</td>
<td>146,136</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td>243,713</td>
<td>239,059</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td></td>
<td>609,797</td>
<td>577,023</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>Note No.</th>
<th>6/30/07</th>
<th>Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>(17)</td>
<td>537,930</td>
<td>504,958</td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
<td>339,974</td>
<td>327,626</td>
</tr>
<tr>
<td>Gross profit on sales</td>
<td></td>
<td>198,756</td>
<td>177,332</td>
</tr>
<tr>
<td>Selling expenses</td>
<td></td>
<td>104,485</td>
<td>99,739</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td></td>
<td>38,505</td>
<td>36,872</td>
</tr>
<tr>
<td>Other operating income</td>
<td>(18)</td>
<td>22,575</td>
<td>23,351</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(19)</td>
<td>17,472</td>
<td>17,414</td>
</tr>
<tr>
<td>Operating income</td>
<td></td>
<td>63,869</td>
<td>46,658</td>
</tr>
<tr>
<td>Interest and other income</td>
<td></td>
<td>3,112</td>
<td>2,378</td>
</tr>
<tr>
<td>Interest and other expenses</td>
<td></td>
<td>8,708</td>
<td>6,060</td>
</tr>
<tr>
<td>Share of profit from affiliated companies</td>
<td></td>
<td>– 500</td>
<td>692</td>
</tr>
<tr>
<td>Other income from equity investments</td>
<td></td>
<td>73</td>
<td>471</td>
</tr>
<tr>
<td>Net financial income/expenses</td>
<td>(20)</td>
<td>– 6,023</td>
<td>– 2,519</td>
</tr>
<tr>
<td>Result of ordinary activities</td>
<td></td>
<td>57,846</td>
<td>44,139</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(21)</td>
<td>19,674</td>
<td>15,772</td>
</tr>
<tr>
<td>Net income for the year</td>
<td>(23)</td>
<td>38,172</td>
<td>28,367</td>
</tr>
<tr>
<td>Share of minority interest</td>
<td></td>
<td>1,124</td>
<td>928</td>
</tr>
<tr>
<td>Net income after minority interest</td>
<td></td>
<td>37,048</td>
<td>27,439</td>
</tr>
<tr>
<td>Earnings per share (in €)</td>
<td></td>
<td>5.61</td>
<td>4.16</td>
</tr>
</tbody>
</table>
### Statement of Changes in Fixed Assets 2006/2007

Figures in € thousands, unless otherwise specified

<table>
<thead>
<tr>
<th>Patent, industrial property rights and software</th>
<th>Gross values</th>
<th>Amortization/depreciation</th>
<th>Net book values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance 06/30/06</td>
<td>14,986</td>
<td>–93</td>
<td>9</td>
</tr>
<tr>
<td>Additions</td>
<td>9,985</td>
<td>–36</td>
<td>8</td>
</tr>
<tr>
<td>Changes in the group</td>
<td>49,990</td>
<td>–596</td>
<td>5</td>
</tr>
<tr>
<td>Currency translation</td>
<td>24,652</td>
<td>–8</td>
<td>5</td>
</tr>
<tr>
<td>Changes in the consolidated group</td>
<td>64,976</td>
<td>–679</td>
<td>14</td>
</tr>
<tr>
<td>Additions</td>
<td>34,637</td>
<td>–44</td>
<td>13</td>
</tr>
<tr>
<td>Disposals</td>
<td>10,137</td>
<td>–0</td>
<td>0</td>
</tr>
<tr>
<td>Transfers</td>
<td>24,087</td>
<td>–257</td>
<td>13</td>
</tr>
<tr>
<td>Balance 06/30/07</td>
<td>24,087</td>
<td>–257</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Land and buildings</th>
<th>Gross values</th>
<th>Amortization/depreciation</th>
<th>Net book values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance 06/30/06</td>
<td>139,868</td>
<td>–469</td>
<td>27</td>
</tr>
<tr>
<td>Additions</td>
<td>44,227</td>
<td>–326</td>
<td>1</td>
</tr>
<tr>
<td>Changes in the group</td>
<td>86,245</td>
<td>–15</td>
<td>35</td>
</tr>
<tr>
<td>Currency translation</td>
<td>38,258</td>
<td>–140</td>
<td>53</td>
</tr>
<tr>
<td>Changes in the consolidated group</td>
<td>34,924</td>
<td>–427</td>
<td>0</td>
</tr>
<tr>
<td>Additions</td>
<td>168,730</td>
<td>–201</td>
<td>89</td>
</tr>
<tr>
<td>Disposals</td>
<td>312,966</td>
<td>–492</td>
<td>295</td>
</tr>
<tr>
<td>Transfers</td>
<td>147,914</td>
<td>–120</td>
<td>140</td>
</tr>
<tr>
<td>Balance 06/30/07</td>
<td>147,914</td>
<td>–120</td>
<td>140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Technical equipment and machinery</th>
<th>Gross values</th>
<th>Amortization/depreciation</th>
<th>Net book values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance 06/30/06</td>
<td>116,392</td>
<td>–84</td>
<td>164</td>
</tr>
<tr>
<td>Additions</td>
<td>86,245</td>
<td>–15</td>
<td>35</td>
</tr>
<tr>
<td>Changes in the group</td>
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<td>–52</td>
<td>83</td>
</tr>
<tr>
<td>Currency translation</td>
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<td>–140</td>
<td>53</td>
</tr>
<tr>
<td>Changes in the consolidated group</td>
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<td>–427</td>
<td>0</td>
</tr>
<tr>
<td>Additions</td>
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<td>–201</td>
<td>89</td>
</tr>
<tr>
<td>Disposals</td>
<td>312,966</td>
<td>–492</td>
<td>295</td>
</tr>
<tr>
<td>Payments on account</td>
<td>147,914</td>
<td>–120</td>
<td>140</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>34,924</td>
<td>–427</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payments on account</th>
<th>Gross values</th>
<th>Amortization/depreciation</th>
<th>Net book values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance 06/30/06</td>
<td>6,074</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Additions</td>
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<td>0</td>
</tr>
<tr>
<td>Changes in the group</td>
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<td>33</td>
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</tr>
<tr>
<td>Amortization/depreciation</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Changes in the consolidated group</td>
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<td>–813</td>
<td>0</td>
</tr>
<tr>
<td>Additions</td>
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<td>–245</td>
<td>102</td>
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<tr>
<td>Other financial assets</td>
<td>392,771</td>
<td>–1,138</td>
<td>309</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Gross values</th>
<th>Amortization/depreciation</th>
<th>Net book values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance 06/30/06</td>
<td>14,829</td>
<td>33</td>
<td>0</td>
</tr>
<tr>
<td>Additions</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transfers</td>
<td>204,131</td>
<td>–245</td>
<td>102</td>
</tr>
<tr>
<td>Balance 06/30/07</td>
<td>204,131</td>
<td>–245</td>
<td>102</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets</th>
<th>Gross values</th>
<th>Amortization/depreciation</th>
<th>Net book values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance 06/30/06</td>
<td>392,771</td>
<td>–1,138</td>
<td>309</td>
</tr>
<tr>
<td>Additions</td>
<td>204,131</td>
<td>–245</td>
<td>102</td>
</tr>
<tr>
<td>Disposals</td>
<td>189,360</td>
<td>6,011</td>
<td>14,065</td>
</tr>
</tbody>
</table>

* Transfer in “noncurrent assets held for sale” (see also “consolidated group and changes in the consolidated group”, page 62, as well as item 11)
Statement of Changes in Equity

Figures in € thousands, unless otherwise specified

<table>
<thead>
<tr>
<th>Parent company</th>
<th>Minority interests</th>
<th>Group equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Comprehensive other group income</td>
<td>Comprehensive other group income</td>
</tr>
<tr>
<td>Balance as at June 30, 2005</td>
<td>17,000 5,530 281,455 521 967 305,473</td>
<td>20,326 413 0 20,739 326,212</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>–7,920</td>
<td>–7,920</td>
</tr>
<tr>
<td>Changes in the consolidated group</td>
<td>219 219 24 24 243</td>
<td></td>
</tr>
<tr>
<td>Other changes</td>
<td>2,800 –2,800 –158 –158 –2,207 –2,207 –2,365</td>
<td></td>
</tr>
<tr>
<td>Consolidated net income</td>
<td>27,439</td>
<td>27,439</td>
</tr>
<tr>
<td>Other recognized gains (losses)</td>
<td>–5,284 –427 –5,711 –552 0 –552 –6,263</td>
<td></td>
</tr>
<tr>
<td>Total consolidated gains (losses)</td>
<td>27,439 –5,284 –427 21,728 928 –552 0 376 22,104</td>
<td></td>
</tr>
<tr>
<td>Balance as at June 30, 2006</td>
<td>19,800 5,530 298,174 –4,763 601 319,342</td>
<td>18,761 –139 0 18,622 337,964</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>–7,920</td>
<td>–7,920</td>
</tr>
<tr>
<td>Other changes</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>Consolidated net income</td>
<td>37,048 37,048 1,124 1,124 38,172</td>
<td></td>
</tr>
<tr>
<td>Other recognized gains (losses)</td>
<td>–2,470 48 –2,422 531 –4 527 –1,895</td>
<td></td>
</tr>
<tr>
<td>Total consolidated gains (losses)</td>
<td>37,048 –2,470 48 34,626 1,124 531 –4 1,651 36,277</td>
<td></td>
</tr>
<tr>
<td>Balance as at June 30, 2007</td>
<td>19,800 5,530 327,302 –7,233 649 346,048</td>
<td>19,648 392 –4 20,036 356,084</td>
</tr>
</tbody>
</table>
### Cash Flow Statement

**Figures in € thousands, unless otherwise specified**

<table>
<thead>
<tr>
<th>Description</th>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (including minority interest) before extraordinary items</td>
<td>38,172</td>
<td>28,367</td>
</tr>
<tr>
<td>Depreciation/inverse of impairment losses (–) on property, plant, and equipment</td>
<td>16,066</td>
<td>16,377</td>
</tr>
<tr>
<td>Increase/decrease (–) in long-term provisions</td>
<td>–1,113</td>
<td>–48</td>
</tr>
<tr>
<td>Other noncash expenses/income (–)</td>
<td>–5,147</td>
<td>–7,218</td>
</tr>
<tr>
<td><strong>Cash earnings according to DVFA/SG</strong></td>
<td>47,977</td>
<td>37,468</td>
</tr>
<tr>
<td>Increase/decrease (–) in short-term provisions</td>
<td>7,923</td>
<td>15,326</td>
</tr>
<tr>
<td>Net gain (–)loss from the disposal of assets</td>
<td>–375</td>
<td>–150</td>
</tr>
<tr>
<td>Increase (–)decrease in inventories, trade receivables, and other assets not attributable to investing or financing activities</td>
<td>–7,353</td>
<td>7,096</td>
</tr>
<tr>
<td>Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities</td>
<td>14,216</td>
<td>–6,327</td>
</tr>
<tr>
<td><strong>Net cash from operating activities before external financing of pension provisions</strong></td>
<td>62,388</td>
<td>53,413</td>
</tr>
<tr>
<td>External financing of pension provisions</td>
<td>–11,256</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>(A) 51,132</td>
<td>53,413</td>
</tr>
<tr>
<td>Proceeds from disposals of property, plant, and equipment</td>
<td>1,783</td>
<td>1,062</td>
</tr>
<tr>
<td>Payments (–) for capital expenditure on property, plant, and equipment</td>
<td>–24,024</td>
<td>–16,669</td>
</tr>
<tr>
<td>Proceeds from the disposal of intangible assets</td>
<td>15</td>
<td>9</td>
</tr>
<tr>
<td>Payments (–) for capital expenditure on intangible assets</td>
<td>–4,390</td>
<td>–1,247</td>
</tr>
<tr>
<td>Proceeds from disposal of financial assets</td>
<td>36</td>
<td>244</td>
</tr>
<tr>
<td>Payments (–) for financial assets</td>
<td>–62</td>
<td>–320</td>
</tr>
<tr>
<td>Payments (–) for the acquisition of consolidated companies and other business units</td>
<td>–95</td>
<td>–3,175</td>
</tr>
<tr>
<td><strong>Net cash from investing activities</strong></td>
<td>(B) –26,737</td>
<td>–20,096</td>
</tr>
<tr>
<td>Equity capital increase with no effect on profits</td>
<td>71</td>
<td>0</td>
</tr>
<tr>
<td>Dividend payments (–) to shareholders parent and minority</td>
<td>–8,184</td>
<td>–8,964</td>
</tr>
<tr>
<td>Proceeds from issuing bonds and borrowings</td>
<td>0</td>
<td>16,240</td>
</tr>
<tr>
<td>Payments (–) to redeem bonds and borrowings</td>
<td>–2,955</td>
<td>–33,727</td>
</tr>
<tr>
<td><strong>Net cash from financing activities</strong></td>
<td>(C) –11,068</td>
<td>–24,446</td>
</tr>
<tr>
<td><strong>Net cash changes in cash and cash equivalents</strong></td>
<td>13,327</td>
<td>6,871</td>
</tr>
<tr>
<td>– Effect of exchange rate changes on assets</td>
<td>893</td>
<td>1,042</td>
</tr>
<tr>
<td>– Effect of exchange rate changes on equity</td>
<td>–1,939</td>
<td>–6,836</td>
</tr>
<tr>
<td>– Others</td>
<td>154</td>
<td>–212</td>
</tr>
<tr>
<td><strong>Changes in cash and cash equivalents due to exchange rate, consolidated group, and measurement changes</strong></td>
<td>–892</td>
<td>–4,106</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of year</strong></td>
<td>55,620</td>
<td>52,855</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>(D) 68,055</td>
<td>55,620</td>
</tr>
</tbody>
</table>

### Notes to the Cash Flow Statement

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

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

#### (A) Cash flows from operating activities

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

#### (B) Cash flows from investing activities

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

#### (C) Cash flows from financing activities

Financing activities resulted in cash outflows of € 11,068 thousand (€ 26,446 thousand). The dividend payments to shareholders parent and minority related to the dividends of € 7,920 thousand (€ 7,960 thousand) paid to the shareholders of KWS SAAT AG, as well as profit distributions paid to other shareholders of and capital reductions at fully consolidated subsidiaries of € 264 thousand (€ 0,044 thousand). In addition, there were new borrowings of € 0 thousand (€ 16,345 thousand) and borrowings of € 2,955 thousand (€ 33,727 thousand) were repaid.

#### (D) Supplementary information on the cash flow statement

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

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

Information on acquisitions and disposals of subsidiaries and other business units

<table>
<thead>
<tr>
<th>Description</th>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of all purchase prices</td>
<td>95</td>
<td>0</td>
</tr>
<tr>
<td>Total amount of sales prices</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total amount of cash components of purchase prices</td>
<td>95</td>
<td>0</td>
</tr>
<tr>
<td>Total amount of cash components of sales prices</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total amount of all cash and cash equivalents acquired with the companies</td>
<td>153</td>
<td>0</td>
</tr>
<tr>
<td>Total amount of all cash and cash equivalents sold with the companies</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Accruals and accruals

<table>
<thead>
<tr>
<th>Description</th>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>207</td>
<td>0</td>
</tr>
<tr>
<td>Current assets, incl. prepaid expenses (excluding cash and cash equivalents)</td>
<td>1,302</td>
<td>0</td>
</tr>
<tr>
<td>Provisions</td>
<td>–90</td>
<td>0</td>
</tr>
<tr>
<td>Liabilities, incl. deferred income</td>
<td>–1,030</td>
<td>0</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>207</td>
<td>0</td>
</tr>
<tr>
<td>Current assets, incl. prepaid expenses (excluding cash and cash equivalents)</td>
<td>1,302</td>
<td>0</td>
</tr>
<tr>
<td>Provisions</td>
<td>–90</td>
<td>0</td>
</tr>
<tr>
<td>Liabilities, incl. deferred income</td>
<td>–1,030</td>
<td>0</td>
</tr>
</tbody>
</table>
In accordance with its internal reporting system, the KWS Group is primarily organized by the following business segments:

- Sugarbeet
- Corn
- Cereals
- Breeding & services

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

Description of segments

Sugarbeet

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

Corn

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

Cereals

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

Breeding & services

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

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

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

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

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

Segment information

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

The breeding & services segment generates 92.6 % (93.1 %) of its sales from the other segments. The sales of this segment represents 1.5 % (1.4 %) of the Group’s external sales.

The corn segment is the largest contributor of external sales, accounting for 51.2 % (48.0 %) of external sales, followed by sugarbeet with 37.2 % (40.7 %) and cereals with 10.1 % (9.9 %).

External sales by region

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

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

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

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

<table>
<thead>
<tr>
<th>Segment sales</th>
<th>Internal sales</th>
<th>External sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugarbeet</td>
<td>199,880</td>
<td>205,377</td>
</tr>
<tr>
<td>Corn</td>
<td>275,689</td>
<td>242,487</td>
</tr>
<tr>
<td>Cereals</td>
<td>57,195</td>
<td>52,624</td>
</tr>
<tr>
<td>Breeding &amp; services</td>
<td>109,043</td>
<td>103,328</td>
</tr>
<tr>
<td>KWS Group</td>
<td>641,807</td>
<td>603,816</td>
</tr>
</tbody>
</table>

70.1 % (69.6 %) of total sales are recorded in Europe (including Germany).
Cash and cash equivalents and/or current available-for-sale securities are allocated to the segments only to the extent that the allocation of operating liabilities makes it necessary to increase operating assets by a corresponding amount.

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

Capital expenditure on assets was mainly attributable to the breeding & services segment, where it amounted to € 15,787 thousand (€ 9,555 thousand), and the sugarbeet segment, where it amounted to € 4,888 thousand (€ 4,281 thousand). 56% (49%) of capital expenditure was made in Germany, mainly in Einbeck, and 21% (27%) in Europe (excluding Germany).

The KWS Group (KWS-Konzern) is a consolidated group as defined in the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB), London, taking into account the interpretations of the International Financial Reporting Committee (IFRIC) and in addition the commercial law regulations to be applied pursuant to section 315a (1) of the HGB (German Commercial Code). The consolidated financial statements discharge the obligations of LOCH-W. PETKUS GMBH, Bergen, and KWS MAIS GMBH, Einbeck, to produce its own financial statements. The following standards have already been published, but have not yet been applied: Amendments to IAS 1 and IFRS 7 (Financial Instruments: Disclosures) and IFRS 8 (Operating Segments). Since these relate to supplementary disclosure obligations, there will be no effects on the balance sheet or income statement. The statements were prepared under the assumption that the operations of the company will be continued.

General disclosures

Investments in long-term assets by region

<table>
<thead>
<tr>
<th>Region</th>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>14,887</td>
<td>11,281</td>
</tr>
<tr>
<td>Europe (excluding Germany)</td>
<td>5,526</td>
<td>6,084</td>
</tr>
<tr>
<td>North and South America</td>
<td>5,513</td>
<td>5,308</td>
</tr>
<tr>
<td>Rest of world</td>
<td>837</td>
<td>138</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>26,763</td>
<td><strong>22,811</strong></td>
</tr>
</tbody>
</table>

Notes

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

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

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

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

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 to KWS SAAT AG; they were audited by independent auditors. For fully or proportionately consolidated units acquired before July 1, 2003, the Group exercised the option allowed by IFRS 1 to maintain the consolidation procedures chosen to date. The goodwill reported in the HGB financial statements as of June 30, 2003 was therefore transferred unchanged to the opening IFRS balance sheet. For acquisitions made after June 30, 2003, capital consolidation follows the purchase method by allocating the cost of acquisition to the Group’s interest in the subsidiary’s equity at the time of acquisition. Any excess of interest in equity over cost is recognized as an asset, up to the amount by which fair value exceeds the carrying amount. Any goodwill remaining after first-time consolidation is recognized under intangible assets.

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

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

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

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

Deferred taxes on consolidation transactions recognized in income are calculated at the tax rate applicable to the company concerned. These deferred taxes are aggregated with the deferred taxes recognized in the separate financial statements.
Minority interests are recognized in the amount of the imputed percentage of equity in the consolidated companies.

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

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

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

Accounting policies

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

Intangible assets
Purchased intangible assets are carried at cost less amortization over a useful life of three to ten years. Impairment losses on intangible assets with finite useful lives are recognized according to IAS 36. Goodwill with an indefinite useful life is not amortized, but tested for impairment at least once a year. The procedure for the impairment test is explained in the notes to the balance sheet. Intangible assets acquired as part of business combinations are carried separately from goodwill if they are separable according to the definition in IAS 38 or result from a contractual or legal right, and fair value can be reliably measured.

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

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

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

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

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

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

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

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

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

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

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

Contingencies
The contingent liabilities recognized in the balance sheet correspond to the loan amounts drawn down as of the balance sheet date.
Consolidated group and changes in the consolidated group

Number of companies including the KWS SAAT AG

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Foreign</th>
<th>Total</th>
<th>Domestic</th>
<th>Foreign</th>
<th>Total</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>11</td>
<td>3</td>
<td>41</td>
<td>11</td>
<td>3</td>
<td>44</td>
<td>29</td>
</tr>
<tr>
<td>Consol. at quota</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Al-equity</td>
<td>11</td>
<td>34</td>
<td>44</td>
<td>11</td>
<td>33</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>36</td>
<td>46</td>
<td>13</td>
<td>35</td>
<td>48</td>
<td>46</td>
</tr>
</tbody>
</table>

The companies are listed under item number (30).

Changes in the fully consolidated companies relate to the subsidiary PAN TOHUM İLÂH VE ÜRETME A.Ş., Ankara/Turkey, which was merged with KWS TÜRK TARIH TICARET A.S., Eskişehir/Turkey and KWS RAGT HYBRID KFT., Győr/Hungary, which was proportionately consolidated in the previous years and was renamed KWS MAGYARORSZÁG VETŐMAGTERMELO ÉS FORGALMAZÓ KFT., Győr/Hungary.

The newly established Dunasem S.R.L., Bucharest, Romania, was included in the consolidated group after it commenced its business operations in January 2007. KWS MAIS GMBH holds 70% and KWS SAATFINANZ GMBH 30% of the shares in the company. KWS MAIS GMBH purchased the remaining 50% stake in KWS RAGT HYBRID KFT., Győr/Hungary for € 95 thousand effective July 1, 2006. This 50% share in KWS RAGT HYBRID KFT, has improved the operating income of the KWS Group by € 27 thousand since the time of purchase. The acquired goodwill of € 153 thousand is reported under the intangible assets.

The companies carried at equity up to now relate exclusively to the potato operations that are held for sale and are assigned to the breeding & services segment. The details for fiscal 2006/2007 correspond to the figures anticipated at the time of the intended sale. The shares in these companies were reported in the previous year under “Investments in affiliated companies” and are now contained in the separate balance sheet item “Noncurrent assets held for sale” (see item 1). The following assets and liabilities were transferred to separate balance sheet items as a result of the intended sale.

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

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

(3) Property, plant, and equipment
Capital expenditure amounted to € 19,780 thousand (€ 19,670 thousand) and depreciation amounted to € 14,569 thousand (€ 15,338 thousand). The management report describes the significant capital expenditure.

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

(5) Other financial assets
Investments in non-consolidated subsidiaries and shares in cooperatives and GmbHs that are of minor significance, totaling € 1,398 thousand (€ 3,535 thousand), are reported in this account since a market value cannot be reliably determined. As a result, the mutual investment in our French partner RAGT SEMENCES S.A. is carried at an unchanged cost of € 4,000 thousand. Listed shares are carried at market value at € 97 thousand (€ 102 thousand). This account also includes interest-bearing home-building loans to employees and other interest-bearing loans totaling € 516 thousand (€ 554 thousand). Amortization of other financial assets amounted to € 219 thousand.
(6) Deferred tax assets
Under IAS 12, deferred tax assets are calculated as the difference between the IFRS balance sheet amount and the tax base. They are reported on a gross basis and total € 16,925 thousand (€ 15,074 thousand), of which € 1,285 thousand (€ 1,904 thousand) will be carried forward for the future use of tax losses.

(7) Inventories
Inventories decreased by € 18,113 thousand, or –16.7 %, net of writedowns totaling € 32,190 thousand (€ 29,129 thousand). Immature biological assets relate to living plants in the process of growing (before harvested). The field inventories of the previous year have been harvested in full and the fields have been newly tilled in the year under review. Public subsidies of € 1,261 thousand (€ 1,111 thousand), for the fields have been newly tilled in the year under review.

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

Current financing receivables include an amount of € 11 thousand (€ 485 thousand) receivable from related parties.

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

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

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

(11) Noncurrent assets held for sale
The equity-accounted investments in potato business, which was sold effective July 1, 2007, and all further related assets are mainly reported here.

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

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

(13) Noncurrent liabilities
Pension provisions of € 1,040 thousand are included in the changes to the consolidated group and were necessarily transferred to the item “Liabilities directly connected to noncurrent assets held for sale.”

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

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

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

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

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

The accrued benefit is reconciled to the provisions reported in the consolidated financial statements as follows:
The benefit obligations changed as follows during the fiscal year:

<table>
<thead>
<tr>
<th></th>
<th>30/06/2007</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension provisions at beginning of fiscal year</td>
<td>65,579</td>
<td>65,602</td>
</tr>
<tr>
<td>Payment to the planned assets</td>
<td>11,256</td>
<td>0</td>
</tr>
<tr>
<td>Adjustment to the planned assets</td>
<td>-3,062</td>
<td>0</td>
</tr>
<tr>
<td>Changes in consolidated group</td>
<td>-1,040</td>
<td>0</td>
</tr>
<tr>
<td>Cost of additional benefit entitlements</td>
<td>1,169</td>
<td>2,124</td>
</tr>
<tr>
<td>Interest expenses on benefit entitlements added in previous years</td>
<td>3,673</td>
<td>3,047</td>
</tr>
<tr>
<td>Pension payments</td>
<td>5,779</td>
<td>4,284</td>
</tr>
<tr>
<td>Amortization of unrealized actuarial losses</td>
<td>76</td>
<td>0</td>
</tr>
<tr>
<td>Pension provisions at end of fiscal year</td>
<td>55,403</td>
<td>65,579</td>
</tr>
</tbody>
</table>

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

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

(14) Current liabilities

<table>
<thead>
<tr>
<th></th>
<th>30/06/2007</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term provisions</td>
<td>71,282</td>
<td>66,809</td>
</tr>
<tr>
<td>Current liabilities to banks</td>
<td>3,275</td>
<td>2,719</td>
</tr>
<tr>
<td>Current liabilities to affiliates</td>
<td>760</td>
<td>523</td>
</tr>
<tr>
<td>Other current financial liabilities</td>
<td>475</td>
<td>1,698</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>4,510</td>
<td>4,940</td>
</tr>
<tr>
<td>Trade payables to affiliates</td>
<td>84</td>
<td>336</td>
</tr>
<tr>
<td>Trade payables to third party</td>
<td>39,804</td>
<td>38,391</td>
</tr>
<tr>
<td>Trade payables</td>
<td>39,838</td>
<td>38,727</td>
</tr>
<tr>
<td>Tax liabilities</td>
<td>19,151</td>
<td>12,554</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>20,688</td>
<td>22,105</td>
</tr>
<tr>
<td>Liabilities directly connected to noncurrent assets held for sale</td>
<td>1,441</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>156,910</td>
<td>145,135</td>
</tr>
</tbody>
</table>

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

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

The remaining loans payable have remaining maturities through 2017.

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

(15) Contingent liabilities

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

(16) Other financial obligations

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

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

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

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

The remaining loans payable have remaining maturities through 2017.

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

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

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

Common derivative financial instruments, which are recognized at market values on the balance sheet date under IAS 39, are used to hedge interest rate and foreign currency risks. The derivative financial instruments are measured according to the mark-to-market method, which uses recognized mathematical models, such as present value or Black-Scholes, to calculate option values, taking their volatility, remaining maturity, and capital market interest rates into account.
Income statement for the period July 1, 2006 through June 30, 2007

<table>
<thead>
<tr>
<th>EUR millions</th>
<th>2006/07</th>
<th>% of sales</th>
<th>Previous year</th>
<th>% of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>537.9</td>
<td>100.0</td>
<td>505.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>339.1</td>
<td>63.0</td>
<td>327.7</td>
<td>64.9</td>
</tr>
<tr>
<td>Gross profit</td>
<td>198.8</td>
<td>37.0</td>
<td>177.3</td>
<td>35.1</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>101.6</td>
<td>19.9</td>
<td>99.7</td>
<td>19.8</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>38.5</td>
<td>7.2</td>
<td>36.9</td>
<td>7.3</td>
</tr>
<tr>
<td>Other operating income</td>
<td>23.6</td>
<td>4.4</td>
<td>23.4</td>
<td>4.6</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>17.5</td>
<td>3.2</td>
<td>17.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Operating income</td>
<td>63.9</td>
<td>11.9</td>
<td>46.7</td>
<td>9.2</td>
</tr>
<tr>
<td>Net financial income/expenses</td>
<td>-6.0</td>
<td>-1.1</td>
<td>-2.5</td>
<td>-0.6</td>
</tr>
<tr>
<td>Result of ordinary activities</td>
<td>57.9</td>
<td>10.8</td>
<td>44.2</td>
<td>8.7</td>
</tr>
<tr>
<td>Income taxes</td>
<td>19.7</td>
<td>3.7</td>
<td>15.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Net income for the year</td>
<td>38.2</td>
<td>7.1</td>
<td>28.4</td>
<td>5.6</td>
</tr>
<tr>
<td>Shares of minority interest</td>
<td>1.1</td>
<td>0.2</td>
<td>1.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Net income after minority interest</td>
<td>37.1</td>
<td>6.9</td>
<td>27.4</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Notes to the Income Statement

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

(17) Net sales

By product category

<table>
<thead>
<tr>
<th>EUR millions</th>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified seed sales</td>
<td>488,536</td>
<td>451,808</td>
</tr>
<tr>
<td>Royalties income</td>
<td>28,011</td>
<td>28,766</td>
</tr>
<tr>
<td>Basic seed sales</td>
<td>5,649</td>
<td>4,191</td>
</tr>
<tr>
<td>Services fee income</td>
<td>3,234</td>
<td>3,172</td>
</tr>
<tr>
<td>Other sales</td>
<td>12,000</td>
<td>17,021</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>537,930</strong></td>
<td><strong>504,958</strong></td>
</tr>
</tbody>
</table>

By region

<table>
<thead>
<tr>
<th>EUR millions</th>
<th>Germany</th>
<th>Europe</th>
<th>Americas</th>
<th>Rest of world</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>132,437</strong></td>
<td><strong>244,818</strong></td>
<td><strong>141,956</strong></td>
<td><strong>18,719</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>121,803</strong></td>
<td><strong>222,416</strong></td>
<td><strong>130,809</strong></td>
<td><strong>27,630</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>537,930</strong></td>
<td><strong>504,958</strong></td>
<td><strong>504,958</strong></td>
<td><strong>504,958</strong></td>
</tr>
</tbody>
</table>

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

The cost of sales increased by € 11,548 thousand to € 399,714 thousand, or 63.0 % (64.9 %) of sales. The total cost of goods sold was € 132,853 thousand (€ 119,796 thousand).

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

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

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

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

(18) Other operating income

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

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

(19) Other operating expenses

Other operating expenses indicate in particular the increased risk of counterparty defaults, whereas the cost of foreign exchange cover and losses on currency and interest rate hedges fell sharply. Of the necessary allowances for receivables, € 2,417 thousand (€ 515 thousand) was charged to the sugar beet segment, € 2,040 thousand (€ 2,413 thousand) to the corn segment and € 123 thousand (€ 0 thousand) to the breeding & services segment.

The net financial result decreased by a total € 3,504 thousand to € 6,023 thousand. The “interest expenses on donation of pension provisions” contains € 3,082 thousand for adjustment of the planned assets as part of the pensions for three Executive Board members, with the result that...
net financial income/expenses was € -5,596 thousand compared with € -3,682 thousand the year before. Net income from equity investments fell by € 1,590 thousand to € -427 thousand.

(21) Income taxes

Income tax expense is computed as follows:

<table>
<thead>
<tr>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes, Germany</td>
<td>10,514</td>
</tr>
<tr>
<td>Income taxes, other countries</td>
<td>10,762</td>
</tr>
<tr>
<td>Current expenses from income taxes</td>
<td>21,276</td>
</tr>
<tr>
<td>Thereof from previous years</td>
<td>703</td>
</tr>
<tr>
<td>Deferred taxes, Germany</td>
<td>-111</td>
</tr>
<tr>
<td>Deferred taxes, other countries</td>
<td>-1,491</td>
</tr>
<tr>
<td>Deferred tax income/expenditure</td>
<td>-1,952</td>
</tr>
<tr>
<td>Reported income tax expense</td>
<td>19,674</td>
</tr>
</tbody>
</table>

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

The 2008 German Corporate Tax Reform Act was passed in July 2007 and had no effect on current or deferred taxes on income. Under the new law, the corporate income tax rate is reduced from 25 % to 15 % and the trade income tax rate from 5 % to 3.5 % for the German Group companies. Since operating expenses are no longer deductible for purposes of municipal trade income tax, the new total tax rate is 29.1 %. Significant increases to the tax base counteract the reduction in the tax rates applicable in the country in which they are based.

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

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

<table>
<thead>
<tr>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>6</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>126</td>
</tr>
<tr>
<td>Financial assets</td>
<td>193</td>
</tr>
<tr>
<td>Inventories</td>
<td>4,937</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,990</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>2,526</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>5,049</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>16,315</td>
</tr>
<tr>
<td>Deferred taxes recognized</td>
<td>16,683</td>
</tr>
</tbody>
</table>

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

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

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

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

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

<table>
<thead>
<tr>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>6</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>126</td>
</tr>
<tr>
<td>Financial assets</td>
<td>193</td>
</tr>
<tr>
<td>Inventories</td>
<td>4,937</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,990</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>2,526</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>5,049</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>16,315</td>
</tr>
<tr>
<td>Deferred taxes recognized</td>
<td>16,683</td>
</tr>
</tbody>
</table>

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

(22) Personnel costs/employees

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

Compensation increased by 2.1 % to € 88,664 thousand. Social security contributions, expenses for pension plans and benefits were € 345 thousand higher than in the previous year. An amount of € 5,992 thousand was recognized as an expense for defined contribution plans, including state pension insurance, in the year under review.

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

* Tax rate in Germany 38.1 (38.1) %

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

<table>
<thead>
<tr>
<th>2006/07</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees*</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>1,179</td>
</tr>
<tr>
<td>Rest of Europe (without Germany)</td>
<td>633</td>
</tr>
<tr>
<td>Americas</td>
<td>884</td>
</tr>
<tr>
<td>Rest of world</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>2,739</td>
</tr>
</tbody>
</table>

* Annual average

Of the above number, 568 (462) employees are included according to the percentage of equity held in the companies that employ them. 1,137 (965) employees are employed by now three proportionately consolidated investees. If these persons are included in full, the workforce total is 3,308 (3,135). The reported number of employees is greatly influenced by seasonal labor.
Notes to the Income Statement

KWS SAAT AG.

Dr. Dr. h.c. Andreas J. Büchting holds 100,020 shares in KWS SAAT AG. All together, the members of the Supervisory Board and Executive Board (as of August 31, 2007) have been identified for whom there is a special reporting requirement under IAS 24.

(23) Net income for the year

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

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

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

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

In fiscal year 2006/07, total Executive Board compensation amounted to € 2,372 thousand (€ 1,860 thousand). Variable compensation of € 1,491 thousand (€ 1,104 thousand), calculated on the basis of the net profit for the period of the KWS Group, includes compensation of € 24 thousand (€ 15 thousand) for consulting services. As part of its operations, KWS procures goods and services worldwide from a large number of business partners, including companies in which KWS has an interest. Business dealings with these companies are always conducted on an arm’s length basis; from the KWS Group’s perspective, these dealings have not been material. As part of Group financing, short-term loans are taken out from and repaid to banks and financial institutions on an arm’s length basis; from the KWS Group’s perspective, these dealings have not been material.

Compensation of former members of the Executive Board and their surviving dependents amounted to € 738 thousand (€ 235 thousand), excluding value-added tax. € 204 thousand (€ 168 thousand) of the total compensation is performance-related.

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

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

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

(26) Audit of the annual financial statements

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

Fee paid to the external auditors under section 314 sentence 1 no. 9 of the HGB

2006/07

<table>
<thead>
<tr>
<th>Description</th>
<th>Total fee paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Audit of the consolidated financial statements</td>
<td>€ 567</td>
</tr>
<tr>
<td>b) Certification and valuation services</td>
<td>€ 16</td>
</tr>
<tr>
<td>c) Tax consulting</td>
<td>€ 23</td>
</tr>
<tr>
<td>d) Other services</td>
<td>€ 1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€ 607</strong></td>
</tr>
</tbody>
</table>

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

(28) Related party disclosures

As part of its operations, KWS procures goods and services worldwide from a large number of business partners, including companies in which KWS has an interest. Business dealings with these companies are always conducted on an arm’s length basis; from the KWS Group’s perspective, these dealings have not been material. As part of Group financing, short-term loans are taken out from and granted to subsidiaries at market interest rates. A total of 14 shareholders declared to KWS SAAT AG in 2002 that as a result of mutual allocations, they respectively hold more than 50 % of the voting rights.

(29) Supervisory and Executive Board of KWS SAAT AG

SUPERVISORY BOARD

Dr. Carl-Ernst Büchting

Einbeck

Honorary Chairman

Dr. Guenther H. W. Stratmann

Düsseldorf

Attorney-at-law

Chairman

Membership of other legally mandated Supervisory Boards:

- apetito AG, Rheine (Deputy Chairman)
- AGCO GMBH, Markthardenberg
- IXOS SOFTWARE AG, Grasbrunn (Chairman), since February 2007

Membership of comparable German and foreign oversight boards:

- apetito catering GmbH, Rheine (Deputy Chairman)

Dr. Arend Oetker

Berlin

Businessman

Deputy Chairman

Membership of other legally mandated Supervisory Boards:

- Schwartzauer Werke GmbH & Co. KGaA, Bad Schwartau (Chairman)
- Degussa AG, Düsseldorf, until December 2006
- Merck KGaA, Darmstadt
- Cognos AG, Hamburg (Chairman), since May 2007

Membership of comparable German and foreign oversight boards:

- Hero AG, Lenzburg (President)
- Bäloise Holding AG, Basel
- TT-Line GmbH, Hamburg (Chairman), until August 2007
- E. Gundlach GmbH & Co. KG, Bielefeld
- Leipziger Messe GmbH, Leipzig
- Berliner Philharmonie GmbH, Berlin (Chairman)
- Goetz von Engelbrechten

F cont

Uelzen

Farmer

Membership of other legally mandated Supervisory Boards:

- Nordzucker AG, Braunschweig, until July 2007

Dr. Eckhard Halbfaß

Einbeck

Farmer

Member of the Works Committee of KWS SAAT AG

Jürgen Kunze

Einbeck

Chairman of the Works Committee of KWS SAAT AG

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

Brussels, Belgium

European Research Council (ERC) – Secretary General

Membership of other legally mandated Supervisory Boards:

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

EXECUTIVE BOARD

Dr. Dr. h.c. Andreas J. Büchting

Einbeck

Chairman

Corporate Affairs

Membership of legally mandated Supervisory Boards:

- Conergi AG, Hamburg

Dr. Christoph Amberger

Northrhin

Corn, Cereals, Marketing

Philip von dem Bussche

Einbeck/Bad Essen

Sugarbeet, New Markets/Products

Dr. Hagen Duenbostel

Einbeck

Finance, Controlling, IT

Membership of legally mandated Supervisory Boards:

- Stever AG, Osnabrück, since July 2007

Dr. Léon Broers (Deputy)

Einbeck/Heythuysen

Breeding and Research, since February 1, 2007
### Auditors’ Report

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

We conducted our audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Certified Public Accountants). According to these standards, the audit must be planned and executed in such a way that misstatements and violations materially affecting the presentation of the view of the assets, financial position and earnings conveyed by the consolidated financial statements, taking into account the applicable regulations on orderly accounting, and by the Group Management Report are detected with reasonable certainty. Knowledge of the business activities and the economic and legal operating environment of the Group and evaluations of possible errors 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.

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

Hanover, October 11, 2007

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Dr. F. Beine | Auditor

(T. Pömgens) | Auditor
The Company’s Executive Board hereby invites you to the Annual Shareholders’ Meeting on Thursday, December 13, 2007, at 11 a.m., at the Company’s premises in 37574 Einbeck, Grimsehlstraße 31, Germany.

AGENDA

1. Presentation of the approved financial statements of KWS SAAT AG, the financial statements of the KWS Group (consolidated financial statements) approved by the Supervisory Board, the Management Reports for KWS SAAT AG and the KWS Group for the fiscal year from July 1, 2006, to June 30, 2007, and the report of the Supervisory Board

2. Resolution on the appropriation of the net retained profit

3. Resolution on the ratification of the acts of the Executive Board

4. Resolution on the ratification of the acts of the Supervisory Board

5. Election of the Supervisory Board

6. Appointment of the independent auditor for fiscal year 2007/2008

7. Resolution on amendment in the wording relating to the remuneration for members of the Supervisory Board and on setting the remuneration for the Chairman of the Audit Committee

8. Resolution on amendment of the Articles of Association pursuant to the German Act on Implementation of the Transparency Directive

9. Resolution on amendment of the Articles of Association to update the conditions of attendance at the Annual Shareholders’ Meeting