Annual Report 201312014



Key figures of the KWS Group

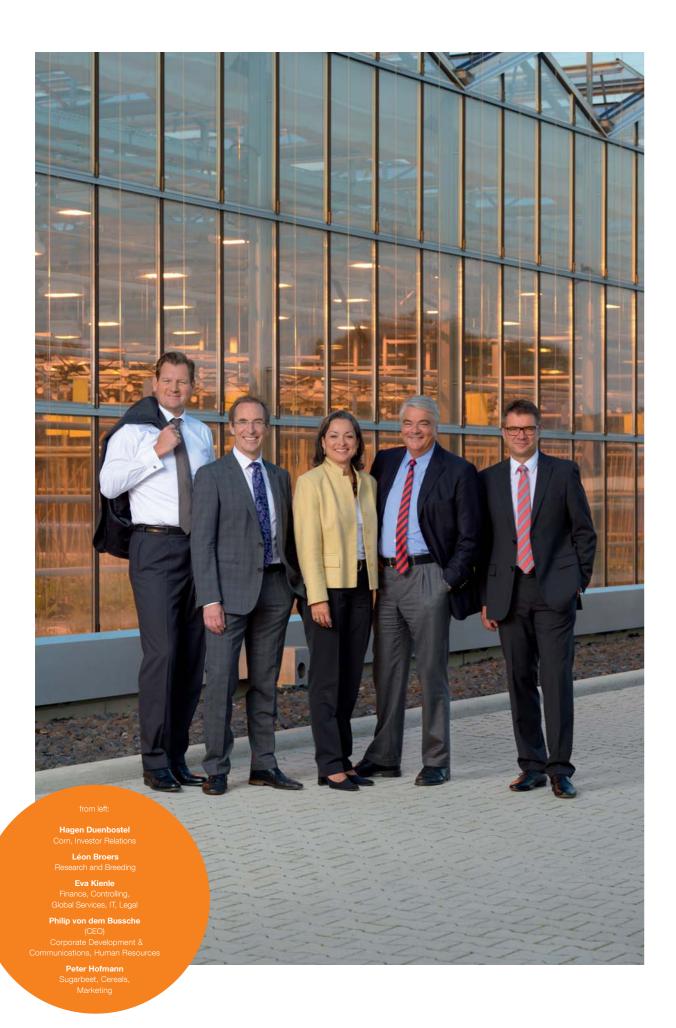
in € millions	2013/2014	2012/2013 ¹	2011/2012	2010/2011	2009/2010
Net sales	1,178.0	1,147.2	986.3	855.4	754.1
Operating income (= EBIT)	138.4	152.1	140.9	116.6	82.4
as a % of net sales (= ROS)	11.8	13.3	14.3	13.6	10.9
Net Income	80.3	92.3	94.4	72.9	51.5
as a % of net sales	6.8	8.0	9.6	8.5	6.8
Operative cash flow	61.0	84.6	97.9	101.2	27.4
Net cash from investing activities	-75.4	-88.9	-56.6	-52.4	-55.4
Equity	637.8	649.7	603.1	530.3	492.9
Equity ratio in %	50.5	53.3	55.2	58.8	57.5
Balance sheet total	1,262.8	1,218.7	1,092.3	902.0	857.4
Return on equity in %	12.8	15.8	18.3	15.2	12.2
Return on assets in %	7.3	9.0	10.7	8.8	7.1
Fixed assets	424.5	396.8	378.2	290.1	275.2
Capital expenditure	82.6	65.2	111.5	49.3	58.4
Depreciation	45.8	38.4	28.4	27.6	22.0
Average number of employees	4,847	4,443	3,851	3,560	3,492
Personnel costs	225.8	209.9	182.5	165.0	147.2
Performance of KWS shares in €					
Dividend per share	3.00	3.00	2.80	2.30	1.90
Earnings per share	11.69	13.47	13.89	10.64	7.51
Operative cash flow per share	9.24	12.82	15.79	15.33	4.15
Equity per share	96.64	98.44	91.38	80.35	74.68

¹ adjusted pursuant to IAS 19 (2011)

Content

- 2 Foreword of the Executive Board
- 5 Report of the Supervisory Board
- 8 The KWS share
- 11 Spotlight topic
- 16 Sustainability
- 18 Corporate Governance
- 22 Management Report
- 32 Business performance
- 33 Earnings, financial position and assets
- 34 Corn Segment
- **36** Sugarbeet Segment
- 38 Cereals Segment
- 40 Corporate Segment
- 41 Financial situation
- 44 Assets
- **45** Employees
- 50 Explanations regarding the Annual Financial Statements of KWS SAAT AG
- 50 Report on events after the balance sheet date
- 50 Opportunity and risk report
- **57** Forecast report
- **59** Other disclosures
- 63 Annual Financial Statements of the KWS Group
- 71 Notes

2 Foreward of the Executive Board 5



To our shareholders

Foreword of the Executive Board

Dear Shrelolders and friends of hws,

In the past fiscal year we again systematically pursued our growth path. That included orienting ourselves to long-term goals, not short-term business cycles. Our activities are always grounded in basic research and breeding work to develop competitive varieties.

By investing in state-of-the-art processing plants, we translate genetic potential into high-quality seed. Being close to farmers makes us their preferred supplier. Our employees put this strategy into action with their teamwork, sense of personal responsibility and entrepreneurial freedom. This approach has enabled the KWS Group to become a leading international seed company.

We were able to continue our growth and posted net sales of €1,178.0 million, a year-on-year increase of 2.7%. Although we narrowly missed our original target due to negative exchange rate developments in key markets, we were able to maintain our market position in important growth markets, such as the U.S. Our operating income (EBIT) was €138.4 million, below the figure for the previous year as expected; exchange rate developments likewise impacted our earnings negatively. However, our EBIT margin of 11.8% means we are still above our long-term target of 10%. We thus posted satisfactory earnings in fiscal 2013/2014 once more, following two exceptionally strong fiscal years.

We increased capital expenditure at the KWS Group by €17.4 million to a total of €82.6 million or 1.8 times the amount of depreciation. Among other things, we expanded our corn seed production capacities in France, Serbia and North America, modernized our sugarbeet seed production in the U.S. and created the distribution structures we need for future growth. More than 70% of our capital spending was outside Germany. Nevertheless,

Germany remains a key foundation for our company's further development. That is also reflected in the growth of our workforce: Of the 404 new jobs we created in 2013/2014, 87 are in Germany.

Apart from continuous product innovation, our highly motivated employees are vital in ensuring the sustained development of our company. With KWS' own blend of an intimate family atmosphere and its global orientation, we have now become an attractive employer. On behalf of the entire Executive Board, I would like to thank all our colleagues in more than 70 countries for the energy and commitment they show day in, day out to enable our company to stay successful.

We again increased the budget for our diverse R&D activities significantly to €148.8 million in the year under review, or 12.6% of net sales, since our company's further development is founded on and driven by innovations in research and breeding. At the beginning of the current fiscal year, we began operations at a further research location in the U.S., which will enable us to expand our expertise in global plant research while also strengthening our presence in one of our key markets. Next year we will be able to launch our own operations in China with our joint venture there: After many years of examination by the Chinese authorities, we received permission for this strategic partnership this spring. It will give us direct access to a further international growth market for corn seed.

Expansion of our international presence is thus proceeding alongside our efforts to secure and expand our core business. We expect the KWS Group to further grow its net sales in the current fiscal year 2014/2015 by between 5% and 10%. The budgets for capital

4 Foreword of the Supervisory Board 5

spending and function costs are being increased to reflect our growth strategy, so we likewise expect a return on sales of 10%. At the same time we intend to continue our proven dividend policy. The proposal by the Executive Board and the Supervisory Board on the appropriation of the profits for fiscal 2013/2014 envisages an unchanged dividend of €3.00 per share, or a dividend payout ratio of 24.7%. We would also like to take this opportunity to inform you that the Executive Board and the Supervisory Board have decided to convert KWS SAAT AG into a European Stock Corporation – called KWS SAAT SE – subject to the approval of the Annual Shareholders' Meeting on December 18, 2014, thus underscoring KWS' international ambitions both at home and abroad.

I would like to make special mention of one new feature in this year's Annual Report: For the first time, we are reporting on the sustainability of our business activities in a separate section. You can find more information in our detailed Sustainability Report, which is being published for the seventh time this year.

After more than nine years on the Executive Board of KWS SAAT AG, I am leaving the company at the age of 65 at the end of 2014. My thanks go to all the colleagues around the world with whom I have had the honor of

working in a spirit of trust to make our company a success. And I expressly include our business partners, customers, shareholders and the Supervisory Board in these thanks. It was for me personally a great pleasure to be able to make a contribution to the successful development of this wonderful company.

Dr. Hagen Duenbostel will take over as Chief Executive Officer as of January 1, 2015. Dr. Peter Hofmann joined the Executive Board on October 1, 2014. He is responsible for the product segments Sugarbeet and Cereals and for Corporate Marketing, in which capacity he is backed by more than 20 years of successful management work for the company. As a result, the change on KWS' Executive Board reflects our spirit of tradition and progress, true to the motto "Seeding the Future – Since 1856."

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

Jours Philip Jussche

Philip von dem Bussche Chief Executive Officer

Report of the Supervisory Board

The main task in the fiscal year under review was to expand the market position of KWS and to create the foundation for the company's future growth. To do that, the Supervisory Board approved considerable up-front costs that will reduce the company's current profitability, but not excessively strain it. The overriding goal is to secure KWS' gratifyingly sustained earnings strength at an EBIT margin of at least 10% in the long term. With this in mind, we again took important steps in the past year.

The Supervisory Board discharged the duties incumbent on it in accordance with the law, the company's Articles of Association and the bylaws, regularly advised and monitored the Executive Board of KWS SAAT AG in its activities and satisfied itself that the company was run properly and in compliance with the law and that it was organized efficiently and cost-effectively. The Supervisory Board decided on all significant business transactions requiring its consent and carefully accompanied the Executive Board in all fundamental decisions of importance to the company. The Supervisory Board discussed the information and assessments that influenced its decisions together with the Executive Board. Both boards continued their seamless and constructive cooperation based on mutual trust. Among other things, this was demonstrated by the fact that, as is customary, the Supervisory Board was involved in all decisions of vital importance to the company at an early stage. The Supervisory Board was provided with the necessary information in written and oral form regularly, promptly and comprehensively. This included all key information on relevant questions of strategy, planning, the business performance and situation of the company and the KWS Group, including the risk situation, risk management and compliance. Business transactions requiring consent were submitted to and discussed and approved by the Supervisory Board in compliance with the bylaws for the Executive Board. The company's business policy, corporate and financial planning, profitability and situation, the general development of the various businesses, market trends and the competitive environment, research and product development and, along with important individual projects, risk



Andreas J. Büchting, Chairman of the Supervisory Board

management at the KWS Group were also the subject of detailed discussions. The Chairman of the Supervisory Board continued the bilateral discussions with the Chief Executive Officer and individual members of the Executive Board in regular talks outside the meetings of the Supervisory Board. In addition, there were monthly meetings between the Chairman of the Supervisory Board and the Executive Board as a whole, where the company's current business development and, in particular, its strategy, occurrences of special importance and risk management were dealt with. The Chairman of the Supervisory Board informed the Supervisory Board of the results of these meetings. The Supervisory Board did not make use of its right to conduct an examination granted by Section 111 (2) AktG (German Stock Corporation Act) since the reporting by the Executive Board meant there was no reason to do so.

Focal areas of deliberations

The full Supervisory Board held five regular meetings in fiscal 2013/2014. Its members participated in all of the meetings, with the exception of two members who were

6 Report of the Supervisory Board 7

each unable to attend one meeting. The meeting of the Supervisory Board to discuss the financial statements on October 23, 2013, was devoted to examining and approving the financial statements of KWS SAAT AG and the consolidated financial statements of the KWS Group as of June 30, 2013. At that meeting, the Supervisory Board also dealt with the consequences of the recent changes to the International Financial Reporting Standard (IFRS 11) on consolidation practices at the KWS Group. The focus of the meetings on December 18 and 19, 2013, was the "Strategic Planning" of KWS, covering a timescale of the next ten years. At its meeting on March 27, 2014, the Supervisory Board heard reports on the progress made in breeding in all of KWS' product categories. In addition, the status of development in the most important research projects was discussed. Not least, the Supervisory Board made the decision at this meeting to establish a research center in the United States to complement the research location in Einbeck. The Supervisory Board also approved acquisition of the outstanding shares of KWS LOCHOW GMBH. On June 26, 2014, the agenda as usual included adoption of the corporate planning for fiscal 2014/2015, including medium-term planning up to 2017/2018. This comprised individual projects requiring the Supervisory Board's consent and relating to further expansion of the Einbeck location, extensive increases in capacity for our seed processing plants and additions to our IT structures. The survey of the Supervisory Board with the aim of avoiding and identifying fraud was also conducted. The Supervisory Board is not aware of any such acts. At its meeting on October 15, 2014, the Supervisory Board discussed changing KWS SAAT AG to an European stock corporation - KWS SAAT SE - and agreed on a corresponding proposed resolution for the Annual Shareholders' Meeting.

Annual and consolidated financial statements and auditing

Deloitte & Touche GmbH Wirtschaftsprüfungsgesell-schaft, Hanover, the independent auditor chosen at the Shareholders' Meeting on December 19, 2013, and commissioned by the Audit Committee, has audited the financial statements of KWS SAAT AG that were presented by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB) for fiscal 2013/2014 and the financial statements of the KWS Group (IFRS consolidated financial

statements), as well as the Management Report of KWS SAAT AG and the KWS Group Management Report, including the accounting reports, and awarded them its unqualified audit certificate. In addition, the auditor concluded that the audit of the financial statements did not reveal any facts that might indicate a misstatement in the declaration of compliance issued by the Executive Board and the Supervisory Board in accordance with Section 161 AktG (German Stock Corporation Act) with respect to the recommendations of the "Government Commission for the German Corporate Governance Code" (cf. Clause 7.2.3 (2) of the German Corporate Governance Code).

The Supervisory Board received and discussed the financial statements of KWS SAAT AG and the consolidated financial statements and Management Reports of KWS SAAT AG and the KWS Group, along with the report by the independent auditor of KWS SAAT AG and the KWS Group and the proposal on utilization of the net profit for the year made by KWS SAAT AG, in due time. Comprehensive documents and drafts were submitted to the members of the Supervisory Board as preparation; for example, all of them were provided with the annual financial statements, Management Reports, audit reports by the independent auditors, Corporate Governance Report, Compensation Report and the proposal by the Executive Board on the appropriation of the profits. The Supervisory Board also held detailed discussions of questions on the agenda at its meeting to discuss the financial statements on October 15, 2014. The auditor took part in the meeting and reported on the main results of the audit and was also available to answer additional questions and provide further information for the Supervisory Board. According to the report of the independent auditor, there were no material weaknesses in the internal control and risk management system in relation to the accounting process. There were also no circumstances that might indicate a lack of impartiality on the part of the independent auditor. The small extent of services additionally provided by the independent auditor can be seen from the Notes.

In accordance with the final results of its own examination, the Supervisory Board endorsed the results of the audit, among other things as a result of the vote by the Audit Committee, and did not raise any objections. The Supervisory Board gave its consent to the annual

financial statements of KWS SAAT AG, which were prepared by the Executive Board, and to the consolidated financial statements of the KWS Group, along with the Management Reports of KWS SAAT AG and the KWS Group. The financial statements are thereby approved. The Supervisory Board also endorses the proposal by the Executive Board to the Annual Shareholders' Meeting on the appropriation of the net retained profit of KWS SAAT AG after having examined it.

Corporate Governance

The Supervisory Board conducted its efficiency review in accordance with Clause 5.6 of the German Corporate Governance Code for fiscal 2013/2014 accompanied and supported by Ernst & Young GmbH Wirtschafts-prüfungsgesellschaft. Recommendations and measures derived from it were implemented without exception.

The Supervisory Board regularly addressed the question of any conflicts of interest on the part of its members and those of the Executive Board. In the year under review, there were no such conflicts of interests that had to be disclosed immediately to the Supervisory Board and reported to the Annual Shareholders' Meeting.

Supervisory Board Committees

The **Audit Committee** convened for two joint meetings in fiscal 2013/2014 and also held three telephone conferences, on all occasion with all its members in attendance. In its meeting on September 30, 2013, the Audit Committee discussed the 2012/2013 annual financial statements and accounting of KWS SAAT AG and consolidated financial statements of the KWS Group. Its deliberations also focused on the changes in consolidation practices at the KWS Group due to the fact that it will no longer be possible to consolidate joint ventures proportionately effective fiscal year 2014/2015. The Annual Compliance Report and the results of the auditing projects were on the agenda at its second meeting on March 27, 2014. The audit plan for fiscal 2014/2015 was also discussed and adopted. The guarterly reports and the semiannual report for fiscal 2013/2014 were discussed in detail in three telephone conferences and their publication was approved.

In addition, the Audit Committee obtained the statement of independence from the auditor in accordance with Clause 7.2.1 of the German Corporate Governance Code, monitored the auditor's independence and

examined its qualifications. The Audit Committee also satisfied itself that the regulations on internal rotation pursuant to Section 319a (1) No. 4 HGB were observed by the independent auditor. The Audit Committee convened on September 29, 2014, to discuss the current annual financial statements of KWS SAAT AG and KWS' consolidated financial statements and accounting. The independent auditor explained the results of its audit of the 2013/2014 financial statements and pointed out that there were no grounds for assuming a lack of impartiality on the part of the independent auditor in its audit. The Audit Committee also dealt with the proposal by the Executive Board on the appropriation of the net retained profit of KWS SAAT AG and recommended that the Supervisory Board approve it. At this meeting the Audit Committee also heard a report on the audit relating to the conversion of KWS SAAT AG into a European Company - KWS SAAT SE - in accordance with Article 37 (6) of the Council Regulation on the Statute for a European Company. This audit was likewise carried out by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hanover,

In the year under review the **Committee for Executive** Board Affairs dealt with the question of the successor to Chief Executive Officer Philip von dem Bussche, who will leave the Executive Board of KWS SAAT AG at the end of 2014 aged 65. Dr. Hagen Duenbostel, who was KWS' Chief Financial Officer until mid-2013 and is currently responsible for the Corn Segment, was appointed by the Supervisory Board as Chief Executive Officer as of January 1, 2015, at the proposal of the Committee for Executive Board Affairs. As part of that, the Supervisory Board extended his contract until December 31, 2019. The Supervisory Board appointed Dr. Peter Hofmann as a new member of KWS' Executive Board effective October 1, 2014, for an initial period of three years. He will assume responsibility from Philip von dem Bussche for the product segments Sugarbeet and Cereals, as well as for Corporate Marketing. Dr. Hofmann is 54 years old, has a degree in agricultural engineering and has been with KWS for 20 years. He has managed operational business at the Sugarbeet Segment since 2005. The Supervisory Board also appointed Eva Kienle as a full member of the Executive Board for a term of five years as of July 1, 2014, at the proposal of the Committee for Executive Board Affairs and additionally entrusted her with Human Resources effective January 1, 2015. In addition, the

8 Report of the Supervisory Board | The KWS share The KWS share 9

Supervisory Board Committees

Committee	Chairman	Members
Audit Committee	Hubertus von Baumbach	Andreas J. Büchting Jürgen Bolduan
Committee for Executive Board Affairs	Andreas J. Büchting	Arend Oetker Cathrina Claas-Mühlhauser
Nominating Committee	Andreas J. Büchting	Arend Oetker Cathrina Claas-Mühlhauser

Committee for Executive Board Affairs formulated a proposal to the full Supervisory Board regarding adjustment of Executive Board compensation; the proposal was accepted by the full body on June 26, 2014, and went into force on July 1, 2014 (see report on compensation on page 62).

The **Nominating Committee** dealt with the question of the composition of the Supervisory Board to be formed for KWS SAAT SE. In agreement with the full body, the sitting members of the Supervisory Board will be proposed to the Annual Shareholders' Meeting on December 18, 2014, for election to the Supervisory Board of the future KWS SAAT SE. The term of the first Supervisory Board of KWS SAAT SE is to end with the completion of the Annual Shareholders' Meeting that will decide on

the ratification on the acts of the Supervisory Board of KWS SAAT SE for fiscal 2016/2017. That corresponds to the term of the current body.

The Supervisory Board expresses its thanks to the Executive Board and all employees of KWS SAAT AG and its subsidiaries in the KWS Group for their commitment and contributions to the successful continued performance of KWS in fiscal 2013/2014.

Einbeck, October 15, 2014

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

The KWS share

Expansive monetary policy drives capital markets

The capital markets continued to be swayed by economic and political uncertainties in the year under review. The expansive monetary policy of the central banks continued to ensure that the price trend was predominantly positive, a situation that was interrupted temporarily only by fears that the massive injection of liquidity into the markets would begin to be reduced.

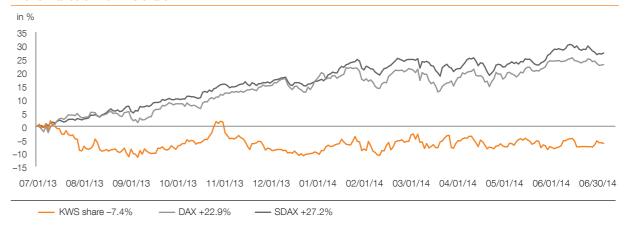
Against this backdrop and driven by additional positive signals about economic trends in Europe, the German stock indexes posted new record highs. The DAX broke the 10,000 point mark for the first time and closed just below it at 9,833 points on June 30, 2014. The DAX rose by 22.9% year on year. That performance was surpassed in the period under review by the SDAX, which soared by 27.2% to 7,385 points.

The KWS share remains stable in a narrow range

After its sharp rise in price in 2012/2013, the KWS share entered calmer waters in the year under review. That is reflected by its fluctuation within a relatively narrow range between €243.20 (low for the year) and €280.60 (high for exchange rate effects that impacted the past fiscal year.

the year). Overall, the KWS share fell by around 7.4% in the period from July 1, 2013, to June 30, 2014. The reasons for this are to be found in an overall more restrained mood on the global agricultural markets and the negative

Performance of the KWS share



The KWS share is a firm part of the SDAX and the **DAXplus Family 30 Index**

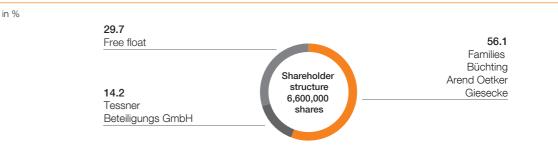
On the basis of the share price development in the past fiscal year, KWS SAAT AG's market capitalization fell slightly to €1,700 million (previous year: €1,834 million) or, solely taking into account the free float of 29.7%, €511.7 million (€552.0 million). The KWS share occupies a mid-range position in the SDAX, Germany's most important index for small caps. Measured in terms of free float market capitalization, the KWS share ranked

17th in the index, which comprises 50 companies, at the relevant key date of June 30, 2014, and 26th in terms of trading volume over the past twelve months.

No change in the shareholder structure

KWS SAAT AG's shareholder structure remained practically unchanged in the past fiscal year. Only Tessner Beteiligungs GmbH increased its holdings by 0.4 percentage points to 14.2%.

Shareholder structure at September 30, 2014



10 The KWS share Spotlight topic 11

Great acceptance for our Employee Share Program

For more than 35 years we have offered our employees the chance to become a shareholder in the company and thus share in its success and identify more strongly with it. The structure of our Employee Share Program remained unchanged in the year under review. Our employees were able to buy up to 500 KWS shares at a price of €202.16, including a 20% bonus, which the individual employees must pay tax on. 401 employees (previous year: 384) took up this offer and purchased a total of 11,028 shares (previous year: 12,725), corresponding to an average stake per employee of 28 shares (previous year: 33). The acquired shares are subject to a lock-up period of four years. They cannot be sold, transferred or pledged during this period. As in previous years, the shares used for the Employee Share Program were acquired in accordance with the stipulations in Section 71 (1) No. 2 of the German Stock Corporation Act (AktG). A total of €2.8 million (previous year: €3.4 million) was used to buy back the company's own shares, giving an average purchase price per share of €257.00 (previous year: €265.20).

Dividend of €3.00 a share

At the Annual Shareholders' Meeting on December 19, 2013, the shareholders resolved to increase the dividend per share by €0.20 to €3.00. The number of shares remained unchanged at 6,600,000, giving a total amount distributed of €19.8 million (previous year: €18.5 million). The dividend payout ratio was thus 21.5% relative to the KWS Group's net income of €92.3 million for fiscal 2012/2013.

Trend in dividend payouts



Proposal on the appropriation of the profits for fiscal 2013/2014

The Executive Board and Supervisory Board propose payment of a dividend of €3.00 for fiscal 2013/2014 to the Annual Shareholders' Meeting. This continues our proven dividend policy of an annual payout of between 20% and 25% of the KWS Group's net income for the year. The dividend yield of the KWS share based on its closing price on June 30, 2014, would thus be 1.1%.

Key figures for the KWS share

		2012/2013	2013/2014
Number of shares (June 30)	in millions	6.6	6.6
Closing price (June 30)	in €	277.95	257.50
Low	in €	200.10	243.20
High	in €	297.10	280.60
Market capitalization (June 30)	in € millions	1,834	1,700

Spotlight topic

Who owns our planet's plant genetic resources?

The international community wants to regulate how benefits are shared between the donor countries and users

This interesting question was actually resolved in 1992, when the parties to the Convention on Biological Diversity (CBD) specified that plant genetic resources are owned by their countries of origin. Until that time, it had been assumed that they were a common heritage of mankind. Since then, the question has been to find a practicable way to ensure that benefits are shared between the donor countries and users.

Should benefit sharing extend to the past? That would mean Germany would have to pay royalties to Peru retroactively since Frederick the Great's famous "Potato Decree" in 1756, under which he ordered the tuber from Peru to be grown in Prussia. And we would not only have to pay royalties for potatoes, but also for all major agricultural crops, since they mainly originate from the resource-rich centers of diversity outside Europe.

In this context, it must also be kept in mind that the properties and performance our crops now exhibit have only been achieved through decades – no, centuries – of breeding work.

The breeder's exemption

Until now, the breeder's exemption has been regarded as an adequate means of sharing benefits. It states that every protected variety that is commercially available is allowed to be bred further, i.e. crossed, without the consent of the holder of the rights to the variety. That means donor countries also have free access to breeding progress. This open source system has proven its worth over many years, ensuring the lively international exchange of plant genetic resources and promoting both genetic diversity and breeding progress. Even small and inventive plant breeders were able to successfully share in the innovation process as a result.

Vavilov centers of diversity



12 Spotlight topic Spotlight topic

ABS

The term "access and benefit sharing" comes from the CBD (1992) and denotes global access to genetic resources coupled with ensuring that the countries of origin have a fair and equitable share in the benefits from their use. The current genetic diversity in commercial plant breeding may be sufficient to achieve small progress in breeding year after year. However, global challenges, such as climate change, demand that hitherto



Colorful mix: The genetic diversity of corn seed is clear to the naked eye during planting.

unexplored genetic resources be tapped and leveraged – and, as in the past, they are to be found in the well-known centers of diversity.

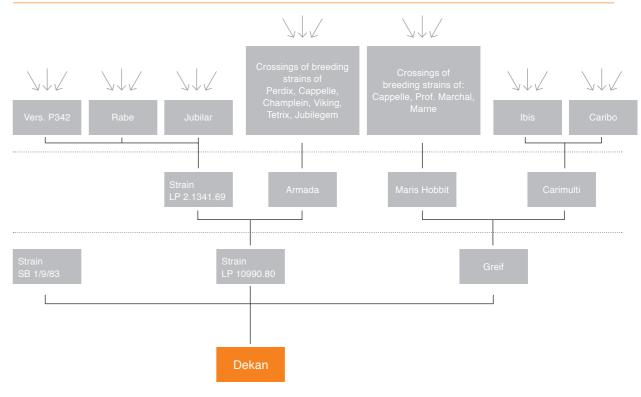
The Nagoya Protocol

The Nagoya Protocol (Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization) enshrined in the Convention on Biological Diversity is now intended to regulate access to and use of genetic resources and fair and equitable sharing of benefits under international law. It aims to enable resource-rich developing and emerging countries to gain for the first time a share of the commercial advantages that companies obtain from using genetic resources. The intention is therefore to create a genuine win-win situation that also establishes legal security. The Nagoya Protocol was adopted in 2010 and came into effect on October 12, 2014, after being ratified by more than 50 parties to the convention. The participating countries were urged to enact legislation in their jurisdictions to make sure that the agreements in the Nagoya Protocol are implemented and observed. In April 2014, the European Union thus adopted Regulation No. 511/2014, under which the Nagoya Protocol is to be implemented in its jurisdiction.

The EU Regulation

However, the provisions of the EU Regulation go well beyond the requirements defined in the Nagoya Protocol. Users of genetic material will then not only be obliged to obtain a declaration of consent from the country of origin for them to access genetic material, but also to document the sources for the genetic material used to develop new varieties. That applies not only to plant genetic resources used in situ, i.e. directly from their natural habitat, but also to plant genetic material that is used ex situ for further breeding and comes from existing public and private collections. There would therefore be no cut-off point for the obligation to furnish proof of origin and provide documentation. Consequently, the origin of all variations used for a variety that already has market approval must be completely documented if that variety is used for further breeding to enable claims for royalties to be asserted. Such documentation as required by the EU Regulation is not feasible in practice, as the following example demonstrates.

Breeding tree for the winter wheat variety "Dekan"



Source: KWS LOCHOW GMBH breeding documentation, approval 1999

The wheat variety "Veery" is the product of 3,170 crosses between 51 parent varieties from 26 different countries. By way of comparison: KWS alone puts some 300 new varieties on the market every year. The upshot is an exponentially increasing deluge of data that no one can furnish or analyze properly. Last but not least, the Regulation even prevents hitherto free and unhindered access to commercially available varieties and breeding materials, unlike under the breeder's exemption.

A possible solution

Plant breeding companies, associations and scientific institutions support the goals of the Nagoya Protocol. A practicable alternative on the use of plant genetic resources is in principle offered by the FAO's International

Treaty on Plant Genetic Resources for Food and Agriculture. It likewise aims to ensure benefits are shared, while creating maximum legal security for all parties. However, the treaty does not cover all types of plants, so it is vital for it to be expanded. German plant breeders across all companies are in favor of this treaty being extended to cover all food and non-food crops so that the countries of origin of new genetic material share in the benefits from commercial use of future agricultural varieties. As part of that, it must not be forgotten that the "original material" for our crops has been enhanced considerably by many years of breeding. In view of the challenges of climate change and feeding the world's population, this work to produce innovation must also be rewarded fairly and equitably. Otherwise innovation will come to a standstill!



16 Sustainability

Sustainability

The importance of sustainability for our company

Since being founded in 1856, we as a family-run business have developed a corporate culture and values that are based on a special sense of responsibility toward future generations and unite this responsibility with the mission of long-term commercial success.

The development of each new variety takes up to ten years. That requires proactive planning and action. We believe it is important to identify and anticipate the economic, ecological and social challenges of the future, i.e. to orient our company strategically and operationally on that basis.

We therefore address regularly and carefully external influences and the resulting risks and opportunities, now and in the future, in our business activities.

Group-wide analysis of core sustainability issues

We conducted a materiality analysis this year for the first time ever, as part of which we asked various stakeholders, including farmers, suppliers, scientists, investors and NGOs, about what they expect from KWS regarding sustainability. The results will enable us to address key sustainability issues even more purposefully and entrench them more deeply in our strategy. Issues of particular relevance were:

Seed quality: Our customers trust in the quality of our seed, which we ensure by extensive testing.

Product innovations: New plant varieties are geared toward market needs. By steadily improving the yield performance of our products, we help improve resource efficiency in the agricultural production process. Only by doing that can we effectively tackle the challenges of climate change and growing demand as a result of global population growth.

Modern breeding methods: By using leading-edge breeding methods, we create progress in yields of 1%-2% a year. In addition, the essence of plant breeding is to promote preservation of genetic diversity by new crossings.

Variety protection: We are committed to appropriate variety protection. We can only refinance our high expenditures on research and development if our varieties are adequately protected.

Product safety: Our products must not endanger people's health or the environment – irrespective of whether the variety is ecological, conventional or genetically modified. Extensive trials and analyses are conducted in accordance with official requirements in order to prove their safety.

Economic performance: A clear focus on core business and financial independence, liquidity and profitability have contributed to the company's positive economic development. Our aim is to ensure that that remains so. Employment, social and environmental standards: As a responsible, internationally growing company we have to define values, rules, guidelines and standards in the fields of employment, protection of the environment and social welfare and ensure they are put into practice at all subsidiaries and associated companies. We must also establish them for our business partners in the supply chain and prevent violations of them.

Compliance: We have to ensure compliance with the law and company requirements in a growing group of companies by means of effective compliance management. Employees: KWS is positioned worldwide as one of the leading seed companies. We tackle the challenge of acquiring and keeping qualified employees by tailored employer branding measures and talent sourcing activities. The difference between KWS and other market players is reflected in a personal and down-to-earth culture based on communication across hierarchies. We also



We see our responsibility toward future generations in sustainable behavior toward people and nature.

attach great importance to extensive training and continuing education.

Society: Since the company was founded, KWS has strengthened and enhanced the attractiveness of its social environment by pinpointed donations and sponsoring in the regions where we operate. However, continuous, trust-building dialogue with our stakeholders is vital – and we also conduct such dialogue on critical issues. Environmental protection: We strive to surpass statutory requirements relating to the safety of our plants and processes, as well as to efficient use of resources in the production process, such as water, energy, fertilizers and pesticides, as far as our influence allows.

Reporting on sustainability and outlook

Since 2008 we have published our annual Sustainability Report in accordance with the criteria specified by the Global Reporting Initiative. We have adapted our sustainability reporting this year on the basis of the materiality analysis and geared the report's structure and content to the results of that analysis. In order to increase transparency regarding the development of key sustainability issues, we are working to expand our sustainability reporting in conjunction with Group-wide data capture and analysis. The medium to long-term objectives are to extend sustainability reporting to the entire KWS Group and to integrate it in our Annual Report.

The results of the analysis will also give us a basis for reviewing the strategic and operational action our company needs to take and to derive potential for improvement.

18 Corporate Governance 19

Corporate Governance

KWS SAAT AG's successful development since 1856 is founded on thinking for the long term and acting in terms of sustainability. Corporate Governance is entrenched at the company and enables us to ensure responsible, value-creating management and control of the company, in particular by the Executive Board and Supervisory Board. We create trust by heeding the interests of our customers and employees, the capital markets and our national and international business partners – and that makes a key contribution to our lasting success.

We live up to our responsibility and take into account the relevant legal requirements regarding management and supervision of German stock corporations in our decisions. We also intensively address the acknowledged standards of good and responsible Corporate Governance, in particular the German Corporate Governance Code. The Executive Board and the Supervisory Board regularly discuss different aspects of Corporate Governance and make a major contribution to its continuous further development.

You can find detailed information on Corporate Governance in our Corporate Governance Report (which is also the declaration on Corporate Governance in accordance with Section 289a of the German Commercial Code (HGB)), which is available on our website at www.kws.com > Company > Investor Relations > Corporate Governance. The Compensation Report, which is presented on pages 60 to 62, contains details on the compensation system and the individual remuneration of the members of the Executive Board and the Supervisory Board.

Compliance declaration in accordance with Section 161 AktG (German Stock Corporation Act) 2013/2014

The Executive Board and the Supervisory Board of KWS SAAT AG declare in compliance with Section 161 AktG (German Stock Corporation Act) that the company has complied with the recommendations of the German Corporate Governance Code in the version

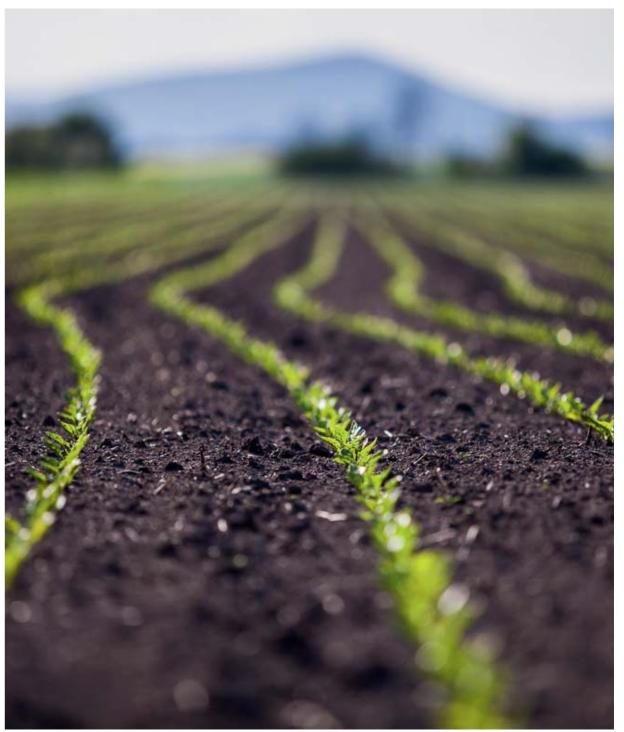
dated May 13, 2013, since the last compliance declaration in October 2013, and with the recommendations of the code in the version dated June 24, 2014, since its publication in the official section of the Federal Official Gazette, and does now comply and will comply with them in the future, with the following exceptions.

In accordance with Clause 5.4.3 Sentence 1 of the German Corporate Governance Code, elections to the Supervisory Board are to be made on an individual basis. The Supervisory Board and the Executive Board will propose to the Annual Shareholders' Meeting that the company be converted into a European Company (SE), with the shareholder representatives of the first Supervisory Board of KWS SAAT SE being appointed pursuant to the Articles of Association in accordance with Article 40 (2) Sentence 2 of the Council Regulation on the Statute for a European Company. There is not to be any change in the persons representing the shareholders as a result of the conversion; the term of office for members of the first Supervisory Board of KWS SAAT SE is also not to exceed their remaining term for which they hold their seat on the Supervisory Board at KWS SAAT AG.

Clause 7.1.2 Sentence 4 of the German Corporate Governance Code states that the consolidated financial statements shall be publicly accessible within 90 days of the end of the fiscal year and interim reports within 45 days of the end of the reporting period. KWS SAAT AG publishes its consolidated financial statements and interim reports within the period of time defined in the regulations for the Prime Standard of the German Stock Exchange. The company's seasonal course of business means that it cannot ensure compliance with the periods recommended in the German Corporate Governance Code.

Einbeck, October 2014

The Supervisory Board The Executive Board



Improvements in seed quality and technological progress have significantly increased sugarbeet emergence in the past years – and that is vital in achieving a high adjusted sugar yield.



Management Report of the KWS Group for 2013/2014 **Fundamentals**

Group structure and business activity

The KWS Group is one of the world's leading vendors of high-quality seed. We have specialized in developing, producing and distributing seed for agriculture since 1856. From its origins as a sugarbeet breeder, our company has evolved into an innovative provider with a broad portfolio of crops thanks to its strong focus on research and breeding of new, high-yielding varieties. We cover the complete value chain of a modern seed producer - from the breeding of new varieties, multiplication and processing to marketing and consulting for farmers.

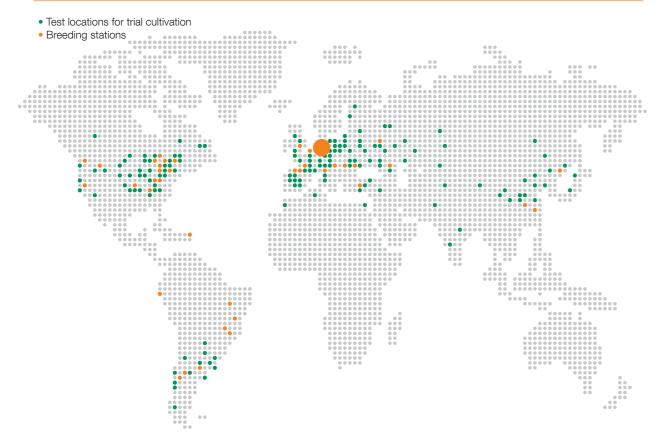
Extensive product portfolio

We supply our customers, the farmers, with crops tailored to the different climatic conditions in their regions. They include corn and sugarbeet, the cereals wheat, rye and barley, oil plants such as rapeseed, sunflower and soybean, as well as potatoes, mainly for the moderate climatic zone. We expanded our portfolio to include varieties for subtropical regions by moving into Brazil in 2012.

Global footprint

The KWS Group maintains its own breeding and distribution operations in more than 70 countries. We generate 19% of our net sales in Germany and 38% in other European countries. Another 38% of our revenue is from North and South America, with the remaining 5% coming from other foreign countries.

Breeding and distribution activities in over 70 countries



Breeding as a growth driver

We have geared our operational business activities to providing modern agriculture with competitive varieties to grow feed and food and regenerative raw materials to produce renewable energy. As part of that, we deliver products that can be used for all kinds of farming systems: conventional, ecological and genetically improved. Genetically modified varieties, which are distributed particularly in North and South America, now contribute 34% (32%) of our net sales.

With our extensive breeding activities for all types of crops, we lay the foundation for the KWS Group's longterm growth. The main drivers of continuous innovation and optimization of our varieties are our employees' great expertise and close cooperation with other companies and research institutions. We have our own selection and testing locations in all key markets and are able to produce top-quality seed seasonally and contra-seasonally in our processing plants.

In view of the long development and approval cycles for new varieties, we pursue a sustainable approach in our research and breeding activities. The section "Research and development" on page 27 contains an overview of the main focus of our activities in this area last fiscal year.

Three operating units

KWS SAAT AG is the parent company of the KWS Group. It multiplies and distributes sugarbeet seed, breeds a broad range of crops and provides its subsidiaries with new varieties every year for the purpose of multiplication and distribution. It also assumes the function of a holding company and manages the Group with its 64 subsidiaries and associated companies operationally and strategically. An overview of the subsidiaries and associated companies included in the consolidated financial statements of the KWS Group is provided in the Notes on page 82.

Distribution of value added (around 30% of the total output)



The KWS Group's operational business is divided into the three segments Corn, Sugarbeet and Cereals.

The Corn Segment is the KWS Group's largest division, accounting for 61% of net sales. Apart from corn production and distribution, this segment also contains our activities in the fields of oil and field seed, which include rapeseed, soybean, sunflower and sorghum. The most important markets are still the U.S. and Europe, where we are one of the top 3 vendors of corn seed measured in terms of cultivation area (7% in the U.S. and 19% in the EU). The lion's share of our corn revenue comes from regions where sowing is not carried out until the spring, with the result that the segment's operating performance is shaped by the seasonal course of its business. The segment generates only about 15% of its revenue in the first half of our fiscal year from July to December, mainly from winter rapeseed in Europe and corn varieties in Latin America.

The **Sugarbeet Segment** generates 30% of the KWS Group's net sales. Around 90% comes from the production and distribution of sugarbeet and 10% from seed potatoes. The strongest sales market for our sugarbeet seed is North America. Genetically improved, herbicidetolerant sugarbeet varieties are used almost exclusively in this region. KWS began marketing its Roundup Ready® sugarbeet in 2007, and since then it has been far and away the leading vendor of these innovative special products. We are the undisputed leader in the field of sugarbeet, with a market share of 40% in the EU and 45% worldwide. Farmers begin sowing sugarbeet in the first guarter of a calendar year, meaning the predominant share of net sales is generated in the second half of our fiscal year.

The Cereals Segment handles the production and distribution of rye, wheat, barley and rapeseed. Cereals business is our third-largest segment and accounts for

9% of the KWS Group's net sales. We generate 52% of net sales in this segment from rye, around 34% from wheat and barley, and almost 16% from other crops. Our core markets for cereals seed are Germany, Poland, the UK and France. Farmers sow most of the cereal varieties in the fall, which means we generate net sales in this segment mainly in the first half of our fiscal year (July to December).

Apart from the three operating segments, the Corporate **Segment.** in which our research activities are bundled. supports long-term development of competitive products. Cross-segment, strategic administrative functions are also grouped there. Its relatively low net sales come solely from farms. The segment's income is usually negative due to the high function costs and research expenditure.

Objectives and strategies

The KWS Group's corporate strategy is based on longterm, proactive activities. Our goal with this core framework for our values and objectives is to achieve sustainable and profitable growth for our customers, employees and investors. Particular cornerstones of our business model are intensive research work, development of new, high-yielding varieties and continuous expansion of our global footprint so that we are able to operate locally in regional agricultural markets with their special climatic conditions.

Guiding principles with a clear focus

One of the major challenges of the 21st century is to supply a growing world population with sufficient food and regenerative raw materials despite the fact that these resources are growing scarcer. While more than seven billion people now have to be provided with food and raw materials, the arable land available worldwide cannot be increased at will. Consequently, it is falling in terms of area per capita. That makes it necessary to keep on increasing production on the area available.

Our plant breeders tackle this key challenge by supplying newly developed varieties so that agriculture can achieve significant increases in yield and thus continuously improve yield per unit area. Our goal is to supply our customers, the farmers, in many regions of the world with seed that meets the very highest requirements in terms of quality and performance. As a guide for our strategic decisions and everyday activities in our operational business, we have developed guiding principles that help us pursue our strategic objective at all times.

Our guiding principles are based on four core activities:

- We increase genetic potential through outstanding research and breeding programs.
- We supply our farmers with the very best seed.
- Farmers trust us as a strong partner throughout their value chain.
- We create entrepreneurial freedom and help people unfold their talents. As a result, we give individuals the same freedom of action that is a distinguishing feature of our company.

Research and development of new varieties

Our core competence is plant breeding. It is at the beginning of the value chains for food and feed production and all forms of regenerative raw materials. Modern variety breeding is a process that extends over a period of about ten years. This time span is necessary to develop a plant with new properties into a variety that can be awarded approval and is ready for marketing.

Progress in plant breeding is reflected in varieties that produce higher and higher yields and are adapted better to environmental and climatic conditions. We want to offer our customers progress in yields averaging 1% to 2% a year from new varieties. To do that, we invest between 12% and 15% of our consolidated net sales in research and development every year.

Adapting varieties and species to different environmental conditions brought about by climate change is increasingly playing a key role in breeding. Our most important objectives in plant breeding, across all crops, are to increase yield, resistance to pests, weeds and various diseases, and the technical quality of seed. We also strive to conserve genetic resources.

The KWS Group's medium- and long-term objectives

Profitable growth	Increase in consolidated net sales by an average of 5% to 10% p.a.EBIT margin > 10%
Research & development	 R&D intensity of 12% to 15% of consolidated net sales 1% to 2% annual progress in yields for our customers and development of tolerances and resistances
Internationalization	 Foreign sales > 80% Expansion of the portfolio of varieties for subtropical markets
Sustainability	Integration of the international subsidiaries
Dividend	Dividend payout ratio of 20% to 25% of net income of the KWS Group for the year

Expanded internationalization

The KWS Group has its own breeding and distribution units in more than 70 countries. Although we already generate more than 80% of our net sales abroad, our strategic objective is still to keep on pushing ahead with the internationalization of our company. Important milestones on that path are our extensive commitment in Brazil, as well as approval from the China's Ministry of Agriculture for the joint venture with our longstanding partner Beidahuang Kenfeng Seed Ltd. We will be able to start business operations in the key Chinese market as of fiscal 2015/2016.

Apart from the attractiveness and potential of these markets - in particular for our corn business - there is a further aspect of importance for us: While our main revenue drivers, corn and sugarbeet, are not sown until the spring in our core markets, farmers in South America have different sowing and harvesting cycles. As a result, we can cushion the highly seasonal nature of our business in the medium term.

High quality for our customers

The quality of seed, fairness toward each other and expert consulting are key factors for farmers when they choose varieties. Our goal as a trusted partner, specialist and consultant to agriculture is to always supply high-quality, innovative seed for producing food and feed as well as regenerative raw materials. The KWS Group is a powerful partner at all stages in the value chain of modern plant breeding: in research and development, as part of the approval process for new varieties, in multiplying and processing seed, in distribution and service, and when it comes to providing onsite consulting.

Entrepreneurial freedom for employees

We believe qualified and motivated employees are the key to our commercial success. We offer our employees the opportunity to shape their place of work and working environment. All employees at the KWS Group can develop their strengths and pursue their own ideas. The foundation for that is open dialogue, which is a firm part of the culture of our organically grown and innovative family business and offers a maximum of flexibility. The objective is for all employees to have substantial entrepreneurial freedom, offering them prospects for their individual development. Employees assume individual responsibility, which fosters their personal initiative.

Sustainable and profitable growth

We create the basis for profitable growth by investing in research and the development of new varieties. Our objective is to increase the KWS Group's net sales by 5% to 10% p.a. and achieve a minimum return (EBIT margin) of 10%. The economic report beginning on page 32 contains information on how our key performance indicators developed in fiscal 2013/2014. In compliance with the principles of our long-term corporate strategy, we use years in which our profitability is well above our targets to undertake additional investments, acquisitions and to increase spending, in particular on research and breeding and to expand our distribution structures. In this way we strengthen the KWS Group's potential and lay the foundation for our further growth.

Control system

The KWS Group's long-term corporate strategy is formulated by the Executive Board and defined by the Supervisory Board. The overriding objective is to ensure the company's sustainable and long-term growth. Detailed annual and medium-term operational plans are used to control the Group and the three segments Corn, Sugarbeet and Cereals. The medium-term plan covers the time frame of the annual plan plus three further fiscal years. In turn, the medium-term plan is derived from our strategic corporate planning, which covers a timescale of ten years.

The basic assumptions for planning are arrived at on the basis of the regional economic and legal situation, anticipated market trends and assessments of the company's position in the market and potential product performance. In a subsequent bottom-up process, these premises are used to define targets for sales volumes and net sales, production capacities and quantities, the allocation of resources (including capital spending and personnel), the level of material costs and internal charge allocations and the resultant balance sheet data, along with the financial budget. A firm part of the planning documentation is an opportunity/risk assessment which every manager must conduct for his or her unit.

The planning is compared every quarter with the company's actual business performance and the updated assessments of the underlying general conditions, and suitable countermeasures are initiated and adjustments made if necessary. A detailed forecast for the current

fiscal year is made at the end of each quarter. In this way, we ensure that we can respond quickly to the latest information and knowledge. At the end of each fiscal year, all the segments and functions conduct a detailed variance analysis of the budgeted and actual results. That serves to optimize our internal planning processes and further enhance the already high quality of our forecasts.

Corporate Controlling is responsible for coordinating and documenting all planning processes and our current expectations. It monitors compliance with adopted budgets and analyzes the efficiency and cost-effectiveness of business processes and measures. The Controlling team also advises decision-makers on economic optimization measures. The respective heads of the individual areas of responsibility are responsible for the contents of their planning and current forecasts. They include in particular the heads of the three segments, the heads of R&D activities, central functions and the regional Heads of Sales.

The Executive Board uses various indicators for planning. controlling and monitoring the business performance of the KWS Group and its operating units. The two main indicators are net sales and return (EBIT margin) - in each case at the Group and segment levels. The development of these two key metrics in fiscal 2013/2014 can be found in the economic report.

Management and control

As a listed stock corporation, KWS SAAT AG has a system of dual management, consisting of its Executive Board and its Supervisory Board. Both bodies have strictly separated authorities and different members. While the Executive Board is responsible for managing the company, the Supervisory Board monitors the company and the Executive Board's activity. This proven form of dual management is to be retained after the company is converted to an SE. The declaration on Corporate Governance in accordance with Section 289a of the German Commercial Code (HGB) contains detailed information on the extensive and close cooperation between the Executive Board and the Supervisory Board and has been published at www.kws.com > Company > Investor Relations > Corporate Governance.

Research and development

Our company's long-term success is founded on research and the breeding of new varieties. Research and development expenditures in the past fiscal year were €148.8 (140.4) million - 6.0% above the level of the previous year. As a result, we plowed 12.6% of the KWS Group's total net sales back into our diverse R&D activities. At June 30, 2014, we employed 1,836 (1,768) people worldwide in research and development, or almost 38% of the total workforce. The success of our R&D is reflected in the number of product approvals we were awarded worldwide, among other things. We obtained 336 (276) marketing approvals for new KWS varieties across all our crops in fiscal 2013/2014. As a result, the product pipeline for our international markets is well-filled.

Key figures for R&D

		2012/2013	2013/2014	+/-
R&D employees		1,768	1,836	78
Ratio of R&D employees ¹	in %	39.8	37.9	-
R&D expenditure	in € millions	140.4	148.8	6.0%
R&D intensity ²	in %	12.2	12.6	
Marketing approvals for new varieties		276	336	21.7%

- 1 Ratio of R&D employees to the total workforce at June 30
- 2 Ratio of research and development expenditure to net sales

Establishment of a research center in North America

In view of the strategic decision to increase the international orientation of our research activities, we began to establish a new research center in North America in the spring of 2014. At the Bio-Research & Development Growth Park (BRDG Park) in St. Louis, Missouri (U.S.), where we are surrounded by universities, other institutions and a wide range of companies from our industry, we can leverage a top-class infrastructure for plant research and have access to an excellent talent pool. Our two research centers in Einbeck, Germany, and the U.S., which work closely together and benefit from each other, will enable us to develop new products for the global market more efficiently and further strengthen our position in international plant research.

Increasing importance of powerful information technologies

The amount of valuable data available is increasing at a terrific pace in plant breeding, just as it is elsewhere. Fields such as genome research, marker technologies or the automated assessment of plant traits (phenotyping) generate huge volumes of heterogeneous data, which is used as the basis for making sound decisions in breeding. We are therefore investing in high-performance IT infrastructures and innovative bioinformatics solution concepts that enable data from different areas of research to be linked together and important interconnections to be identified. Customized development of smart database architectures that are tailored specifically to R&D requirements, as well as data storage, processing and analysis standards for all crops enable us to make pinpointed use of this big data in our breeding process.



The Bio-Research & Development Growth Park in St. Louis, Missouri (U.S.), the home of KWS' second research center.

Genome sequences decoded: Sugarbeet and bread wheat

After more than ten years of intensive research work, the genome sequence of sugarbeet was able to be completely decoded and published in the journal "Nature" in December 2013. Since this research strand, which involves public and private participation, was launched in the year 2000, KWS has played an active part and, among other things, provided its own sugarbeet parent line as the basis for creating a genome-wide reference sequence. In the course of the project, we were able to use parts of this sequence for our own research and development work. Completion of the work means we have a high-quality sequence with a great deal of additional biological information. On the basis of this, interesting genes can be pinpointed directly in the genome and converted into molecular markers, which in turn enable faster decisions on selection and may thus significantly increase the success of breeding.

An important milestone was also achieved in research into the wheat genome. The International Wheat Genome Sequencing Consortium (IWGSC), in which KWS is one of 22 partners, has published a draft sequence of the bread wheat genome in the journal "Science." It gives scientists and breeders new insight into the structure and organization of the large and very complex genome of bread wheat. It also marks an important step in conserving a complete reference sequence of the world's most widely grown cereal crop.

Work starts on our own corn breeding station in Peru

Winter breeding gardens in the southern hemisphere offer ideal conditions for conducting breeding work on corn throughout the year so that our breeding programs can be optimized and sped up. In Peru, where we have cooperated to date with external local providers, we are currently establishing our own efficient breeding station that will enable us to grow three generations a year. Corn was sown for the first time in July and August 2014; the station is expected to be completed by the end of the year.

Success in sunflower breeding

After moving back into sunflower breeding five years ago, we have now achieved a key milestone with the completion of our new breeding station for sunflower and corn in Kozármisleny near Pécs, Hungary. We now have the necessary special seed, harvesting and processing technologies and can maintain our testing capacities at a competitive level. The candidates tested in the network have already achieved a good level of performance in terms of yield and agronomic characteristics, with the result that four of them have been able to be registered for the official variety tests, a process that will last several years.

Premiere in Canada: Two hybrid rye varieties

We succeeded in registering two hybrid rye varieties in Canada for the first time in the spring of 2014. An increase in yield of more than 20% was achieved in the local quality controls. That gives us a good springboard on which to breed and market continuously improved varieties that are specially adapted to this region.



Shedding light on things: The sugarbeet's genome was completely decoded in December 2013



Business performance

In fiscal 2013/2014 we continued the implementation of our proven, long-term corporate strategy and, as planned, invested more in research and breeding new varieties and in the further expansion of our distribution structures. In this way we are creating the foundation to tap into new markets for the KWS Group and keep on growing our earnings strength with high-yielding varieties. Apart from higher expenditures on product development and distribution of €21.9 million, the growing strength of the euro compared with important currencies for us, such as the US dollar, the Russian ruble, the Ukrainian hryvnia, the Brazilian real, the Argentinean peso and the Turkish lira, had a significant impact on our operating income. Negative exchange rate effects impacted the KWS Group's net sales in the year under review by about €51 million and its operating income (EBIT) by just over €4 million.

At the beginning of our 2013/2014 fiscal year, we forecast that net sales for the KWS Group would increase by just over 5% and EBIT would fall by approximately €10 million to around €141 million (-6.6%). The exchange rate issue mentioned above made us a little more cautious, despite the positive trend in our operational business in the first three quarters, with the result that we revised our forecasts slightly downward. At the end of the third quarter, we assumed that we would grow net sales by 2.4% and that operating income would fall by 10.8%. However, we were able to surpass this forecast slightly by the end of the fiscal year thanks to the positive development of our Corn and Sugarbeet Segments. Sales ultimately grew by 2.7% and EBIT fell by 9.0%.

Forecast versus actual business performance

KWS Group	Forecast for 2013/2014 ¹	Adjustment during the year ²	Results for 2013/2014
Net sales	> 5%	Approx. 2.4%	2.7%
EBIT	About -7%	Approx. –11%	-9.0%
Corn			
Net sales	10%	Approx. 4%	1.9%
EBIT	8%	Approx. 2%	9.4%
Sugarbeet			
Net sales	+/-0%	Approx. 1%	6.8%
EBIT	-10%	Approx. –6%	-5.1%
Cereals	•		
Net sales		Approx. –3%	-3.9%
EBIT	-20%	Approx. –30%	-36.4%

¹ Forecasts taken from the respective Annual Reports

Earnings, financial position and assets

Earnings

Selected key earnings figures

		2012/2013	2013/2014	+/-
Net sales	in € millions	1,147.2	1,178.0	2.7%
EBITDA	in € millions	190.5	184.2	-3.3%
EBIT	in € millions	152.1	138.4	-9.0%
Return on sales (EBIT margin)	in %	13.3	11.8	-11.3%
Net income for the period	in € millions	92.3	80.3	-13.0%

Sales increase by 2.7%

The KWS Group grew its net sales in fiscal 2013/2014 by 2.7% to €1,178.0 (1,147.2) million, despite negative exchange rate effects. This growth was mainly driven by the positive performance of the Sugarbeet and Corn Segments. We achieved the strongest growth in South America, followed by slight increases in our European markets. The regional spread of sales hardly changed year on year due to the significant currency effects. After adjustment for exchange rate effects, net sales would have been €1,228.5 million and thus up 7.1% over the previous year.

4.3% increase in gross profit

Gross profit in the year under review rose from €540.2 million to €563.5 million. License and material costs were only slightly higher and resulted in a below-proportionate increase in the cost of sales by 1.2% to €614.5 (607.0) million. The gross margin thus rose to 47.8% (47.1%).

R&D and distribution budgets increase as planned

The planned expansion of our international distribution structures, the goal of which is to enable us to keep on offering high-quality, tailored consulting for customers as we continue to grow, caused selling expenses to increase by 7.1% to €204.0 (190.5) million. The ratio of selling expenses to net sales was thus 17.3% (16.6%). The continuous expansion of our R&D activities is reflected in our research and development expenditure, which was €148.8 (140.4) million, 6.0% above the previous year. The R&D intensity was thus 12.6% (12.2%). General and administrative expenses increased by 11.2% to €76.7 (69.0) million, mainly as a result of projects aimed at further expansion of our business activities.

Operating income (EBIT) of €138.4 million

The balance of other operating income (€60.7 million) and other operating expenses (€56.2 million), the individual items of which are presented in detail in the Notes on

pages 103/104, fell to €4.5 (11.8) million. The decline is in part due to negative exchange rate influences, as well as to amortization and write-downs in potato business. Operating income (EBIT) thus fell by 9.0% to €138.4 (152.1) million in the year under review. The return on sales (EBIT margin) accordingly fell by 1.5 percentage points to 11.8% (13.3%). After adjustment for exchange rate effects, we would have generated an EBIT of €142.6 million. Additional interest expenses for the funding of our expanding business in South America and for tax back payments meant that net financial income/ expenses fell to € -12.5 (-10.3) million. Earnings before taxes (EBT) were thus €125.9 (141.8) million. Income taxes in fiscal 2013/2014 were €45.6 (49.5) million. As a result, they were higher than the previous year in relation to income. This was due to extraordinary effects such as losses that cannot be recognized against tax and tax payments relating to previous periods. As a result, the tax rate increased by an additional 5 percentage points over what we had anticipated. The tax rate was 36.2% and, as in the previous year (34.9%), well above our long-term average. It is still mainly impacted by the rates in regions where we post strong earnings. Western Europe, with an average effective tax rate of 33%, and North America (38%) account for almost 60% of the current tax expense. The contribution to earnings from our growth markets in South America and Southeastern Europe will not perceptibly reduce the tax rate for the Group until subsequent fiscal years.

The KWS Group's net income for the fiscal 2013/2014 was €80.3 (92.3) million. Of this, €3.2 (3.4) million was attributable to minority interests and €77.1 (88.9) million to the shareholders of KWS SAAT AG. Given that the number of shares remained the same, earnings per share were €11.69 (13.47).

² Adjustment of the forecast with publication of the 3rd Quarterly Report for the period from July 1, 2013, to March 31, 2014

34 Management Report of the KWS Group for 2013/2014 Economic report | Corn Segment

Corn Segment

Key figures for the Corn Segment

		2012/2013	2013/2014	+/-
Net sales	in € millions	701.7	714.9	1.9%
EBIT	in € millions	92.2	100.9	9.4%
EBIT margin	in %	13.1	14.1	*
Capital expenditure	in € millions	23.6	42.0	78.0%

Net sales up by 1.9%, earnings rise aboveproportionately by 9.4%

In fiscal 2013/2014, the Corn Segment increased its net sales slightly by 1.9% to €714.9 (701.7) million. Its continuing good operating performance was sharply impaired by unfavorable exchange rate influences. The US dollar zone and Brazil, Argentina, Turkey, Romania, Russia and Ukraine were hit especially hard. After adjustment for these negative exchange rate effects totaling €28 million, the segment's net sales would have been €742.9 million (+5.9%). Regionally, a slight increase in net sales (3.2%) was achieved in Europe, although the strongest relative growth was in South America, particularly Brazil (43.2%).

Although our expenditures on research and development and on expanding our international distribution structures were again above the level of the previous year as planned (7.2%), segment income (EBIT) rose more strongly than net sales. EBIT grew by 9.4% to €100.9 (92.2) million, giving a return on sales (EBIT margin) of 14.1% (13.1%). However, earnings for the previous year were reduced by revaluation of a put/call option in connection with our acquisitions in Brazil.

Record harvests lead to a decline in the price of corn for consumption

General conditions in the global market for corn for consumption changed significantly in fiscal 2013/2014 compared with the previous year. Record harvests were recorded in many regions of the world, while periods of heat and drought had reduced harvests in the previous year. The high level of supply thus resulted in a dramatic decline in the price of corn for consumption

on the Chicago Mercantile Exchange (CME). The price in January 2014 was around 40% below the previous year's level of €286 a ton. The consequences of this for the global corn seed market and our 2013/2014 sales season were an easing in the supply situation as well as rather muted demand, especially in markets where farmers were able to switch to protein crops such as soybeans. The prices for these crops did not come under such severe pressure as those for corn for consumption, with the result that many farmers decided to grow these alternative crops to a greater extent.

Report from the regions: Strong performance in South America

According to the United States Department of Agriculture (USDA), corn cultivation area in North America fell year on year by 4% to around 37 million hectares. Nevertheless, we were able to consolidate our market position as the third-largest corn breeder in the U.S. with AGRELIANT, our North American joint venture with the French company Vilmorin & Cie. AGRELIANT's net sales fell by 5% to €509 (537) million due to exchange rate effects. There was still large demand for genetically improved varieties with resistance to herbicides and insects.

KWS had an especially successful fiscal 2013/2014 in South America. We were able to improve our market share significantly in both Brazil and Argentina. Sales volumes of corn seed rose year on year by just over 20% in Argentina and by more than 45% in Brazil. As a result, we were able to benefit perceptibly from the increasing integration of our Brazilian companies RIBER KWS SEMENTES (production and distribution) and



Whether as feed, food or a regenerative raw material - corn is still on the rise worldwide.

KWS MELHORAMENTO E SEMENTES LTDA (research and development). However, we largely used the income from operational business to build our structures in the region. As in North America, genetically engineered corn varieties are also increasing in importance in South America.

We were able to continue our steady growth in Europe. Building on our strong market position as a corn breeder in Germany, all regions contributed to this positive trend. Our business in Ukraine remained at a low level as a result of the country's political destabilization, coupled with currency risks and farmers' poor liquidity.

We continued to invest highly in seed production in the period under review with regard to expanding our distribution activities. That includes setting up a new seed plant for corn and sunflower in the climatically favorable part of Serbia (Vojvodina). Further large investments

were made at our production sites in the U.S., Southern France and Turkey, where we expanded capacities for storage, drying and packaging.

At the end of the period under review, we were given official approval from China's Ministry of Agriculture to establish our corn production and distribution joint venture there. Together with our longstanding partner Kenfeng, one of the largest national seed companies, we will now create the necessary structures and make investments in production facilities. The start of operations is scheduled for fiscal 2015/2016.

Net sales from oil seed rise further

While rapeseed and sunflower are marketed predominantly in Europe, demand in North and South America focuses on soybean. Oilseed contributed a total of €82.2 (71.4) million to the segment's net sales.

Sugarbeet Segment

Key figures for the Sugarbeet Segment

		2012/2013	2013/2014	+/-
Net sales	in € millions	328.6	351.1	6.8%
EBIT	in € millions	73.9	70.1	-5.1%
EBIT margin	in %	22.5	20.0	-
Capital expenditure	in € millions	22.4	18.5	-17.4%

Higher investments in R&D, production and distribution

The Sugarbeet Segment, at which our seed potato business is also consolidated, recorded net sales of €351.1 (328.6) million in fiscal 2013/2014, an increase of 6.8%. After adjustment for negative exchange rate effects of €13.4 million, the segment's net sales would have been €364.5 million. In the core markets of North America and the EU 28, we were again able to grow our net sales on the back of our portfolio of high-yielding varieties and further expand our leading market position in the sugarbeet product segment. Sugarbeet seed business accounted for €318.5 (297.8) million and seed potato business for €32.6 (30.8) million of total net sales here.

As planned, we increased spending on research and development, modernized and expanded our production facilities and further expanded our distribution structures so as to ensure sustainable further development of our operations and create the foundation for securing our market leadership in sugarbeet seed business. As part of the fundamental realignment of our seed potato business, we recognized write-downs in connection with the streamlining of our portfolio of varieties, as well as amortization of the capitalized goodwill. That reduced KWS POTATO's income by a total of €6.3 million. Consequently, the segment's income (EBIT) fell slightly by 5.1% to €70.1 (73.9) million. The return on sales (EBIT margin) declined to 20.0% (22.5%).

Innovations as a response to lower cultivation areas

In the 2014 growing season, high stockpiles of sugar and good harvests, coupled with falling world market prices, again resulted in a reduction in sugarbeet cultivation area worldwide by 3% to 4.1 million hectares. Nevertheless, the KWS Group was able to grow its net sales from sugarbeet seed again in fiscal 2013/2014 by 7.0% to €318.5 (297.8) million. This performance is driven by our longstanding, excellent expertise in the field of breeding. A key cornerstone of our research and development activities is our exclusive cooperation project with Bayer CropScience. Our joint research in developing ALS-tolerant sugarbeet has already produced two patents. These innovative varieties, which are based on conventional breeding methods, have a natural resistance to highly effective herbicides. We expect them to be launched on the market in fiscal 2017/2018. Our innovative strength is also reflected in the expansion of our portfolio of varieties. In the year under review, we were awarded marketing approvals for 174 (130) new sugarbeet varieties and two new potato varieties in 30 countries.

Report from the regions: North America contributes

The North American region remained one of the growth regions for sugarbeet, along with Northern Europe and Turkey, in fiscal 2013/2014. We now generate almost 40% of our net sales from sugarbeet, or €127.0 (115.8) million, in North America. In order to safeguard our positon in North America, where we are far and away the market leader, we are currently modernizing our existing

production plants in Oregon. We are also opening up further growth opportunities for the future with our goal of continuing to improve quality and by expanding capacities.

We were able to benefit from our good results in variety performance in the EU 28, and net sales rose to €137.0 million compared with €127.7 million the year before. Net sales remained stable in Germany, where cultivation area was constant, while there was a slight increase in net sales in France, where cultivation area grew. In Central Europe, we posted higher net sales in Poland in particular. Good variety performance resulted in a sharp increase in net sales in the Netherlands and Belgium, enabling us to further expand our leading market position in Northern Europe.

Net sales outside the EU 28 increased to €181.5 (170.1) million, in particular on the back of strong business in North America. That more than compensated for the lower level of business in China and Russia as a result of the decline in cultivation area there. In Turkev we benefited from our own local seed production, thanks to which we were able to increase net sales despite a decline in area.

Seed potato business with a clear focus

After the sale and licensing-out of our specialty business, we continued to sharpen the focus of our seed potato business in the year under review. The portfolio of our subsidiary KWS POTATO comprises varieties for the processing industry for making chips and French fries and to satisfy demand for ware potatoes in export markets. This focus of the segment is now also reflected in the internal organization of our potato business. The emphasis in our seed potato production at present is not only on increasing volumes, but in particular on ensuring and enhancing quality at our younger production sites, for example in Russia. Establishment of the potato breeding station in Emmeloord in the Netherlands was concluded in the year under review with completion of the greenhouse. Net sales from our seed potato business were €32.6 (30.8) million. The necessary up-front and start-up costs meant that it did not make a positive contribution to income in fiscal 2013/2014 either. The annual impairment test for our potato business also revealed the need for a write-down. Consequently, the capitalized goodwill and intangible assets of KWS POTATO were written down to a total amount of €6.3 million.

KWS sugarbeet varieties achieved a sugar content of more than 18% for the first time in Germany



Cereals Segment

Key figures for the Cereals Segment

		2012/2013	2013/2014	+/-
Net sales	in € millions	111.7	107.3	-3.9%
EBIT	in € millions	26.9	17.1	-36.4%
EBIT margin	in %	24.1	15.9	*
Capital expenditure	in € millions	7.3	6.8	-6.8%

Lower prices for cereals for consumption cause demand for seed to fall

After an extremely good previous year, net sales in the Cereals Segment fell by 3.9% to €107.3 (111.7) million. The decline was due in particular to a drop in demand for hybrid rye in Germany and Poland, since lower market prices induced farmers to grow other crops. As a result, net sales in our rye business fell by a total of

10.3%. In general, there was less demand on the part of farmers for certified seed from breeders in view of the lower prices for cereals for consumption at the time of the 2013/2014 winter sowing season, meaning they increasingly used farm saved seed. Consequently, net sales from wheat and rapeseed likewise declined. However, we were able to post further growth in barley, where our good quality and variety performance for

Over 40% of farmers in the UK now select a wheat variety from KWS.



both winter and summer barley had a positive impact. Rye remains the main contributor to the segment's net sales, followed by wheat, barley and rapeseed.

The fall in net sales from rye, as well as expansion of our breeding and distribution activities as planned, impacted the segment's income (EBIT) in fiscal 2013/2014. EBIT consequently fell by 36.4% to €17.1 (26.9) million and the return on sales (EBIT margin) dropped accordingly to 15.9% (24.1%).

At the end of fiscal 2013/2014, KWS SAAT AG acquired the remaining 18.9% of shares in KWS LOCHOW GMBH from the previous family shareholders. At the same time, the company continued the integration efforts it initiated five years ago and established the independent name KWS GETREIDE to enhance its external visibility. As a result, all the segments of the KWS Group have a consistent look and name. The legal name of the company is still KWS LOCHOW GMBH.

Extensive investment in developing new cereal varieties

We continued our growth strategy in the year under review and again increased spending in our national and international programs to develop new cereal varieties. Our diverse breeding programs in the core markets of Germany, the UK, Poland, France, Russia and the U.S. again produced good results. In fiscal 2013/2014, we obtained a total of 42 (43) marketing approvals for new varieties in 6 (7) countries at the Cereals Segment.

The focus of farmers in Germany was on ergot resistance in rye. We were able to maintain our share in a declining market thanks to good results in the approval tests for our rye varieties for the 2013 harvest and the very good ergot resistance they exhibited. Apart from continuous optimization of yields, our breeding strategy also comprises very long-term projects, such as establishment of hybrid breeding for wheat and barley. We are also developing specially optimized rye and wheat varieties for the regions of Eastern Europe and North America. Our goal for Eastern Europe is to adapt our rye varieties to the continental weather conditions and thus to tap additional market potential in the medium term. In the U.S. we are focusing on developing special winter wheat varieties (Soft Red Winter). In Canada we obtained the first official approvals for two rye varieties.

Report from the regions: Less use of certified seed

The general conditions in Germany for using certified seed worsened as a result of much lower prices for cereals for consumption than in the previous year. The share of cultivation area on which certified seed was used fell to 50% (53%). However, we were able to maintain our market share. The Polish market displayed a similar trend in the year under review. There was continued large demand for rye seed from our PollenPlus® varieties, which are highly tolerant to infection by the toxic ergot fungus. In the UK we obtained approval for new, high-yielding wheat varieties. As a result, we were able to maintain our leadership with a market share of 43%. Sales of rye and wheat increased in Scandinavia, while net sales in France were down slightly overall from the previous year.

Corporate Segment

Key figures for the Corporate Segment

		2012/2013	2013/2014	+/-
Net sales	in € millions	5.2	4.7	-9.6%
EBIT	in € millions	-40.9	-49.7	-21.5%
Capital expenditure	in € millions	6.1	13.9	127.9%

Net sales at the Corporate Segment, which come mainly from revenue from our farms, were €4.7 (5.2) million in the year under review. All cross-segment costs, including the higher expenses for all central functions of the KWS Group and for long-term research projects, are allocated to this segment, which means that its income is regularly negative. Its income (EBIT), due particularly to the increased expenditure for research and development, was € -49.7 (-40.9) million.

KWS: A stock corporation since 1885 and now on the way to becoming an SE (Societas Europaea).



Financial situation

Selected key figures on the financial situation

		2012/2013	2013/2014	+/-
Cash and cash equivalents	In € millions	202.4	155.0	-23.4%
Cash proceeds from operating activities	In € millions	84.6	61.0	-27.9%
Net cash used in investing activities	In € millions	88.9	75.4	-15.2%
Net cash from financing activities	In € millions	27.2	-31.5	

The overriding objective of financial management at the KWS Group is to secure the company's financial strength for the long term and maintain its financial independence by ensuring it has sufficient liquidity. With this approach we can shape the company's further growth flexibly and exploit opportunities as and when they arise. The financial management organization is controlled in the Group centrally from Einbeck. A balanced mix of different financing, investment and hedging instruments is used. Derivative financial instruments are used only to hedge the risk of interest rate changes and currency risks.

Net cash of €61.0 million from operating activities

Cash earnings in fiscal 2013/2014 were €110.4 (109.5) million, with lower net income for the year and higher depreciation, amortization and write-downs, and were at the level of the previous year. The net cash from operating activities (operating cash flow) was €61.0 (84.6) million. The decline is due largely to the increase in working capital: Net working capital in the year under review rose to €268.0 (238.0) million, mainly to increase inventories so as to ensure our ability to deliver seed. Net cash used in investing activities was €75.4 (88.9) million, €8.7 million of which relates to higher payments for tangible fixed assets, whereas in the previous year the acquisition of shares in consolidated companies reduced the cash flow by €23.0 million. The net cash from financing activities includes not only the dividend payout for fiscal 2012/2013 of €19.8 (18.5) million and the repayment of loan installments, but also the price paid to acquire the remaining shares in KWS LOCHOW GMBH. Net cash from financing activities, which was impacted last year by the raising of a borrower's note loan with a volume of €50 million, fell in the period under review to €-31.5 million. Cash and cash equivalents on the balance sheet date June 30, 2014, were a comfortable €155.0 (202.4) million.

Capital spending increases by 36.5%

In fiscal 2013/2014 our Group invested a total of €82.6 (65.2) million, 26.7% more than in the previous year. One focus of our investments was expanding our corn production capacity. Among other things, we began building a new corn processing plant in Serbia at a total cost of €27.5 million. We invested an additional €7.6 million in modernizing sugarbeet production in North America. The Corn Segment accounted for 51.8% (39.8%), the Sugarbeet Segment for 22.8% (37.7%) and the Cereals Segment for 8.3% (12.3%) of our investments. The Group-wide investments were spread over the regions as follows: 28.8% (26.8%) of the investments went to Germany, 33.7% (28.0%) to the rest of Europe, 35.0% (37.3%) to North, Central and South America and 2.5% (7.9%) to the rest of the world. Depreciation and amortization in fiscal 2013/2014 were €45.8 (38.4) million and, due to the increase in spending on property, plant and equipment and necessary writedowns in our potato business, were above the level of the previous year.



Assets

Abridged balance sheet

		2012/2013	2013/2014	+/-
Assets				
Noncurrent assets	in € millions	447.5	476.8	6.5%
Current assets	in € millions	771.2	786.0	1.9%
Equity and liabilities				
Equity	in € millions	649.7	637.8	-1.8%
Long-term borrowings	in € millions	229.3	254.2	10.9%
Short-term borrowings	in € millions	339.7	370.8	9.2%
Total assets	in € millions	1,218.7	1,262.8	3.6%

The KWS Group's total assets increased in the fiscal year by €44.1 million to €1,262.8 (1,218.7) million, mainly due to expansion of the KWS Group's business and the associated investments.

Noncurrent assets increased year on year to €476.8 (447.5) million, mainly as a result of investments in property, plant and equipment. Current assets increased by €14.8 million to €786.0 (771.2) million. As part of that, inventories at the balance sheet date rose by €48.5 million to €193.0 (144.5) million and ensure our ability to deliver seed for the next sowing season. Cash and cash equivalents fell to €155.0 (202.4) million, mainly due to acquisition of the remaining shares in KWS LOCHOW GMBH. After deduction of financial liabilities, net liquidity was € −12.1 (70.6) million.

On the other side of the balance sheet, the KWS Group's equity fell slightly by 1.8% to €637.8 (649.7) million.

This reflects the exchange rate effects of €19.2 million, which are not recognized in the income statement, as well as effects from our takeover of the minority interests in our cereals business. However, we still have solid financing, with an equity ratio of 50.5% (53.3%). Equity at the balance sheet date fully covers noncurrent assets. Long-term borrowings increased by €24.9 million to €254.2 (229.3) million and short-term borrowings by €31.1 million to €370.8 (339.7) million. This increase is mainly due to the greater need for capital as a result of the share acquisitions and expansion of business in the growth markets of South America.

Employees

Headcount increases again

The KWS Group combines the values of a company that has a tradition of family ownership with an attractive and open international working environment. We are committed to fairness and respect toward each other, as well as to fostering openness and mutual support. That has helped to establish a culture of closeness and trust at our company.

Working together in teams that reflect the diversity of a global and modern company enables us to come up with unconventional, creative ideas and find innovative solutions. We specifically encourage all employees to develop their abilities and make their own contributions. We therefore consciously delegate responsibility and foster the entrepreneurial spirit of every employee.

The KWS Group's workforce continued to grow as planned in fiscal 2013/2014. In fiscal 2013/2014, we had an average of 4,847 (4,443) employees worldwide, an increase of 9.1%. Despite our considerable growth over the past years, the average length of service in Germany has remained constant at the high level of 13.9 years – a trend that underscores KWS' attractiveness as a modern and fair employer.

Personnel costs rose below-proportionately relative to the increase in headcount by 7.6% to a total of €225.8 (209.9) million. Of that, €180.3 (167.4) million went to compensation and €45.6 (42.5) million to social security contributions, expenses for pension plans and benefits.

Employees by region

	2012/2013	2013/2014	+/
Germany	1,676	1,763	5.2%
Europe (excluding Germany)	1,139	1,223	7.4%
Americas	1,505	1,711	13.7%
Rest of world	123	150	22.0%
Total	4,443	4,847	9.1%

Employees by function¹

	2012/2013	2013/2014	+/-
Research & development	1,768	1,836	3.8%
Distribution	1,132	1,241	9.6%
Production	956	1,136	18.8%
Administration	587	634	8.0%
Total	4,443	4,847	9.1%

¹ on average for the year

KWS - an attractive employer

Our employees are the foundation of our business success. To secure that foundation, we have to remain attractive as an employer. We take an approach that enables us to find new talents - career starters and experienced professionals alike – as well as to develop the existing workforce with its diverse skills.

One focus of our activities is on modern online communications and participation in selected career fairs. At the same time we have intensified our recruiting activities. strengthening our cooperation with relevant universities and organizations in Germany and abroad. As part of our plans to open a second research location in St. Louis, Missouri (U.S.), a main focus of our recruiting was to position KWS as an attractive employer in the eyes of biologists and biotechnologists in the region and universities in and around Missouri.

Throughout the Group, we have continuously expanded the opportunities we offer students to work as an intern at KWS or write their degree theses in cooperation with us. 76 students took up this offer in the year under review. In Germany, KWS also offers the option of pursuing a dual course of study and obtaining a scholarship, including a Germany Scholarship funded by the German Ministry of Education and Research. We were able to increase the number of people KWS sponsored by means of a Germany Scholarship from five to twelve in the past fiscal year. We have also actively expanded our offering to students to visit KWS, to get to know the wide range of activities of a modern plant breeding company and to learn more about their professional prospects in person.

Successful career start at KWS

In addition to sound, in-depth technical training, our career starters are given extensive insight into our international business processes. We also attach particular importance to developing the personal and social qualification of our trainees. In the year under review we employed 98 (92) trainees in six business administration, agricultural science and industrial vocations. Around 120 trainers at the KWS Group ensure a high quality of knowledge transfer.

We offer university graduates our proven trainee program. 37 (43) university graduates made use of this attractive means of starting their career in fiscal 2013/2014. In addition, KWS offers career starters wishing to become a plant breeder practical internal training as part of its "Breeders Academy."

Employee development is of key importance

The continuing personal development of our employees in a dynamically changing global environment, characterized by continuous innovation, customer focus and modern communication, is one of the key objectives of our human resources work. The foundation for that is a Group-wide personnel development landscape that is systematically optimized and expanded. In general, we emphasize on-the-job training in conjunction with targeted internal and external training measures to suit

In the year under review, the first group completed the International Development Program (IDP), which is oriented toward the requirements of a global business environment. By establishing the IDP, we have created a special offering to help experts, young talents and managers develop their skills. One focus is also on directly imparting KWS' typical management and leadership style through our executives.

Further elements of employee development are the "KWS On Board" conference, in which new executive employees provide extensive insight into our corporate strategy, our culture and our expectations, as well as the Orientation Center, which offers valuable suggestions for employees' personal and professional development. In order to promote the sharing of knowledge and experience regarding leadership and cooperation and to strengthen coaching skills, we also continued the proven Sparring Circles for executive employees this year.

KWS as a family-friendly company

We want our employees to be able to balance their career and private lives in every phase of their life. We support them in that with flexitime models and company agreements on child care allowances, as well as giving employees leave or reducing their working time so that they can look after dependents who need caring for.

KWS Healthy Working World

The Works Council, the HR departments in the KWS Group and the German service companies have jointly developed the initiative "KWS Health Working World" to address the issue of work and health. As part of this initiative, a Health Day was held in Einbeck at the end of May 2014. More than 600 employees took the opportunity to learn more about the various facets of health - and not only at work - at an interactive fair during their working time.

Expansion of the global HR strategy

In fiscal 2013/2014 we continued the international establishment and further development of HR to meet global requirements. We increased resources at the regional service companies as planned and also commenced preparations to open two more HR departments at the planned service companies in North and South America. A professional software product will enable us to process, manage and aggregate all organizational and personal data even more efficiently and thus address the company's growth over the past years in this field as well.

Key figures for employees (in Germany)

		2012/2013	2013/2014	+/-
Number of employees in Germany		1,676	1,763	5.2%
Trumber of employees in dermany		1,070	1,700	0.2 /0
of which Number of part-time employees		350	350	+/- 0%
Ratio of men	in %	49	50	
Ratio of women	in %	51	50	
Number of trainees		92	98	6.5%
Trainee ratio	in %	5.5	5.6	
Average age (in years)		40.4	40.2	
Length of service (in years)		13.9	13.9	



Explanations regarding the annual financial statements of KWS SAAT AG

The annual financial statements of KWS SAAT AG are prepared in accordance with the provisions of the German Commercial Code (HGB). Operational business relating to the production and marketing of sugarbeet seed was expanded slightly in fiscal 2013/2014. However, the central costs for administration and all other costs of the Corporate Segment were not covered by the income from corn business, which comprises sales of basic seed and royalties. Consequently, the operating income (EBIT) of KWS SAAT AG in the year under review was €-14.3 (11.8) million, well below the previous year's figure despite a slight increase in net sales of 2.5% to €270.1 (263.5) million. Net financial income/expenses is mainly from income from investments within the group and was €37.9 (35.5) million. Accordingly, net income for the year was €23.8 (35.7) million. Taking into account the profit of €0.2 million carried forward from the previous year and an allocation of €4.0 million to the revenue reserves, the net retained profit is €20.0 (20.0) million.

Report on events after the balance sheet date

At the beginning of September 2014, KWS SAAT AG issued a further borrower's note loan for €100 million at very low interest rates. Parts of the last issue with higher interest rates were replaced by longer-term loans at a lower rate. Part of the new borrower's note loan has a variable interest rate. In this regard, KWS SAAT AG has concluded long-term interest rate hedges to limit the risk of changes in interest rates.

Apart from that, there were no significant events that the Executive Board expects might have an impact on the KWS Group's earnings, assets and financial position.

Opportunity and risk report

As an international seed company, the KWS Group operates in a dynamically changing environment. We aim to identify the resultant opportunities and risks early on so that we can reduce or avoid negative effects by means of proactive strategies to counter risks and seize opportunities systematically as and when they arise. The opportunity and risk management system we have implemented helps us to achieve our goal of operating on the global market with lasting success.

Opportunities

At the KWS Group, opportunity management is an integral component of the established controlling system between the subsidiaries, associated companies and company management. The Management of our three product segments - Corn, Sugarbeet and Cereals - is responsible for identifying, analyzing and making the most of operational opportunities. Targeted measures are formulated together with the Executive Board so that strengths can be leveraged and strategic growth potential tapped. Strategic opportunities of major importance are handled by the Executive Board. Extensive strategic planning covering a 10-year time frame is the basis for opportunity management. In keeping with our established growth strategy, we exploit the industry-specific and strategic opportunities that arise by means of pinpointed investments in production capacities, research and development and acquisitions.

We see numerous opportunities to continue developing the KWS Group in keeping with our strategy. To ensure that we achieve sustainable and profitable growth in the future as well, it is especially important that we maintain and even increase our innovative strength. In the seed business, that strength is reflected in continuous yield increases in new varieties. That involves either boosting the yield potential of the plants or improving their resistance to detrimental influences of all kinds. It is our goal to offer our customers new varieties representing yield increases of between one and two percent each year. For that reason, we continuously expand our research and development activities. One measure of our innovative

strength in this context is the number of newly approved varieties. In approval processes, our varieties compete directly with competitors' products in the performance tests conducted by the authorities. More detailed information on this and on our research and development activities is available on page 27 of this Annual Report.

Market opportunities also result from our intensified activities in subtropical regions. With our corn activities in Brazil and China, in the mid- or longer term we can tap additional sales potential for the KWS Group in these – for us – young markets by developing varieties adapted exactly to the right climatic conditions. Particularly in the strongly fragmented Chinese corn market there is a good chance of playing a role in the emerging consolidation.

Investments in the expansion of our production capacities and the modernization of our seed processing facilities offer additional opportunities for further growth. The continued development of our portfolio of varieties and the expansion of our capacities go hand in hand with the expansion of our international distribution structure since they enable us to inform and advise our customers even more intensively and individually about the use of our seed and, in this way, to find further sales potential. In addition, the KWS Group has opportunities to increase its productivity and optimize its cost structures through continuous process optimization. Short-term opportunities can also result from changing relationships among exchange rates.

Risks

Objectives and strategies in risk management

Risk management at the KWS Group is based on an approach that is oriented toward our corporate culture. The foundation for that is trust in employees and the experience that they act responsibly toward themselves, their colleagues and the company as a whole. Training measures enable our employees to assess risks on their own at all times.

A responsible approach to risks is supported by an extensive risk management system and an internal control system. A risk here denotes a potential future event or future development that may result in monetary consequences and thus lead to a negative deviation from forecasts or targets. Risk management is defined at KWS as the totality of all organizational regulations and measures to enable prompt identification, assessment, control, communication and monitoring of the relevant risks. The objective of risk management at the KWS Group is to ensure that all regulatory requirements demanded of the risk management system are fully complied with throughout the Group and company value-added is generated for decision-making processes.

Structure of the risk management system

Our risk management system is also based on strategic planning and investment controlling, continuous operational controlling and the quality and process monitoring systems. Central responsibility for risk management lies with the Executive Board. It is supported by Corporate Finance – Treasury and Risk Management, Corporate Law & Compliance, Corporate Responsibility Affairs and Corporate Controlling, as well as a permanent Risk Committee (Corporate Management Circle) (see figure). The Risk Committee consists of the two top management levels (Executive Board and Heads of Departments/Segment) and convenes regularly.

The principles of our risk management are enshrined in the "Rules, Guidelines & Procedures (RGPs)". These are published on the intranet, which can be accessed throughout the Group. With these RGPs, which are continuously revised and adapted to reflect changes to the regulatory framework, we have created a shared understanding for risk management within the KWS Group. Core contents include principles relating to early detection and the communication and handling of risks.

Structure of risk management at the KWS Group

Corporate Finance

- Risk control matrix
- Early detection of risks
- Minimum requirements
- Interest and currency management
- Insurance
- External audits
- IT security

Corporate Responsibility Affairs

- Rules, Guidelines & Procedures
- Integrated Management System
- Internal audits

Corporate Controlling

- Early detection of risks
- Planning / budget
- Current expectation

Corporate Law & Compliance

- CoRA Compliance Risk Assessment (self-assessment approach)
- Compliance training
- External audits
- Examinations

KWS' risk management system is organized on the basis of the internationally recognized COSO model (Committee of Sponsoring Organizations of the Treadway Commission). As part of its audit of the financial statements for the fiscal year 2013/2014, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft also audited KWS SAAT AG's system for the early detection of risks with regard to its compliance with requirements under the German Stock Corporation Act. The auditors came to the conclusion that the system meets all the necessary statutory requirements.

Risk management process

The risk management process at KWS consists of five phases that build on each other: identification, assessment, control and monitoring of risks and risk reporting. These phases form a closed and continuous control loop.

Risk identification is at the beginning of the risk management process. We understand this to be the identification of current and future risks, as well as potential risks, by the persons responsible for an area of risk. All the identified risks are plausibilized and summarized in a risk control matrix. The risk control matrix presents the results of the identification phase and documents the systematic entirety of all individual risks at the KWS Group (risk inventory). Around 100 key risks and ways to control them are currently contained in the risk control matrix.

Risk identification is followed by risk assessment, i.e. the qualitative and quantitative assessment of all identified individual risks. Risks are assessed on a net basis, i.e. allowing for control and monitoring instruments. Their materiality (upper risk limit) is evaluated on the basis of their possible effect on operating income (EBIT) or specific qualitative indicators. As part of this, the individual

risks are assessed with their individual likelihood of occurrence and potential level of damage and classified according to a traffic light system.

As part of risk controlling, we define suitable instruments for tackling the identified and assessed risks and deploy them accordingly. The objective of risk controlling is to influence risks actively. Risk controlling comprises selecting and carrying out measures to tackle and reduce risks, as well as constant in-process monitoring of risks and risk transfer. The effectiveness of the instruments used for controlling and monitoring the main risks is systematically reviewed as part of our internal control system (ICS).

The prime tasks of the ICS include documentation of the effectiveness of the controls and standardized reporting to the Audit Committee. The adequacy and proper functioning of the controls must be examined once a year by the persons responsible for them at the respective business segment or by a commissioned third party. We ensure with this process that the risk control measures actually do unfold their full effect. A control can only be termed effective if it is adequately designed and works properly. We assess the effectiveness of the controls by means of regular tests using random samples. The results of the effectiveness tests are documented and reported annually to the Audit Committee. Any weaknesses identified in the control process are eliminated promptly and fully. External audits conducted by experienced auditors are an essential part of the ICS by ensuring that our internal controls function properly.

As part of risk reporting during the year, the Risk Committee is informed quarterly of the current risk situation for the KWS Group and its fields of business.

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

The internal accounting control and risk management system for the financial statements of KWS SAAT AG and the KWS Group comprises all suitable measures, structures and processes designed to make sure that all business events and transactions are included in accounting promptly, consistently and correctly. It is intended to ensure compliance with the statutory standards, accounting regulations and internal accounting control policies that are binding on all consolidated companies. The focus of regular internal examinations to optimize processes is on, among other things, the completeness of financial reporting, the Group's uniform accounting, measurement and account allocation stipulations, and the authorization and access regulations for IT systems used in accounting. Proper, complete elimination of intra-Group transactions as part of consolidation is also examined. The consolidated accounting process is controlled at KWS SAAT AG by the corporate units Group Accounting and Group Controlling.

Main areas of risk

In the following we describe the main risks to which we as an international company are exposed in our everyday business and that may have a significant negative impact on our business situation, assets, financial position and earnings, our share price and our reputation. The KWS Group is subject to the usual economic and political risks in the countries and regions in which it and its subsidiaries operate. The order in which the risks are listed does not reflect their importance. Unless otherwise specified, the risks apply to all segments of the KWS Group. Development of the individual risks is reported on regularly in the Risk Committee.

Strategic risks

We press ahead continuously with the Group's strategic further development. That comprises permanent optimization of efficiency, strengthening our core areas, product portfolio management and investment in research and development. The success of the related decisions is subject to a risk regarding forecasting future (market) developments.

Overview of the significant individual risks

Risk	Examples	
Market risks	Political risksSales volumes and pricesMacroeconomic risks	Currency risks Risk of changes in interest rates
Production risks	Weather-related risksOutage of production systems	Quality risks Investment risks
Procurement risks	Dependence on suppliersDiversification	Access to technologies
Liquidity risks	Cash / cash flowCredit lines (with banks)	Receivables management
Legal risks	Antitrust risksCorruption risksCapital market risks	Infringement of patents / trademarks / know-how Data protection
Environmental risks	 Pollution of air, soil and water by dusts, waste water and dangerous waste 	Transport of hazardous goods Genetic mixing
Personnel risks	Recruitment / development Work safety	Working time / old-age pensions
IT risks	High availability IT security	Authorization concept

Market risks

In the strongly regulated international agricultural industry, political risks have a significant impact on our business development. Uncertainty about what will happen in Ukraine and the effects of sanctions on Russia, which are difficult to assess, may have a negative impact on our business activities in these two countries. We generated net sales totaling €50.6 million in the two countries in fiscal 2013/2014. The lack of statutory regulations may also represent a risk. One unavoidable risk for our corn business is still the possibility of the adventitious presence of genetically modified organisms (GMOs) in conventional seed. In the absence of a standardized legal threshold value, a number of European countries practice a policy of zero tolerance. Thanks to an extensive quality assurance system, only two suspicious seed samples were identified in international official tests in fiscal 2013/2014.

A further risk lies in the uncertain regulatory framework for growing energy plants. Extensive government market incentive programs and speculation on the agricultural commodity markets have meant that this sector of agricultural production is currently being called into question as a whole. In principle, what is needed here is a careful analysis of what form of cultivation of energy plants represents an economically sensible and sustainable alternative form of producing energy. This must take into account increases in efficiency in energy plant cultivation and the fact that the prices for fossil fuels will tend

The medium-term sales risk depends on product performance and the competitive situation. We address this challenge with systematic analyses of the market and the competition and by constantly developing higher-quality seed for innovative, high-yield plants.

The greatest risk for a plant breeding company is the loss of its innovative strength. KWS and its more than 1,800 R&D employees see innovativeness as a huge opportunity



Currency risks arise in particular from existing receivables and liabilities denominated in foreign currency due to fluctuations in exchange rates. There are interest rate risks as a result of potential changes to market interest rates. Variable-interest financial instruments may result in fluctuations in interest payments and thus have a positive or negative impact on earnings. The risk of interest rate changes and currency risks are addressed through the usual standardized hedging instruments, which in turn may have an influence on the KWS Group's earnings and assets situation. The KWS Group aims to minimize financial risks resulting from its business, such as currency and interest-rate risks, through systematic management. This is done primarily with derivatives and other financial instruments such as forward exchange dealings.

Production risks

The agricultural production process of breeding and multiplying seed depends to a large extent on the weather. We counteract the risk of production losses stemming from bad weather by distributing seed multiplication over various locations in Europe and North and South America. Our presence in various markets around the world also means that we can cope with fluctuations in demand in individual regions as part of our global production network. Contra-seasonal multiplication is carried out in the winter half-year in Chile and Argentina if there are bottlenecks in seed availability, for example.

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

Procurement risks

We minimize risks that might arise from procurement of seed by means of international diversification of our production locations and sufficient stockpiling. Moreover, supply risks related to sources no longer being able to deliver are largely reduced by means of continuous classification of risks. As part of that, we observe the creditworthiness of important business partners, among our customers and suppliers alike. To keep on improving our supply and reduce any other risks, the entire area of purchasing is currently being improved by the Corporate Procurement department.

Liquidity risks

We address liquidity risks with professional cash management and sufficient long-term borrower's note loans and syndicated credit lines. As in the previous year, full use was not made of the variable credit lines in fiscal 2013/2014. Our loan agreements include financial covenants, compliance with which has been ensured at all times to date. KWS uses extensive trade credit insurance to minimize the risk of losing receivables in risky regions and business segments. To enable this, we pursue an active receivables management policy so that impending payment defaults can be identified at an early stage.

Legal risks

The KWS Group faces risks from legal disputes and official procedures both nationally and internationally as part of its operations. Such legal disputes may arise in particular with suppliers, dealers, customers, employees or investors. They may result in payment obligations or other commitments. In fiscal 2013/2014 there were no pending legal proceedings that might result in significant risks for the KWS Group. In order to prevent any violations of the diverse tax, environmental and competition and other regulations and laws, we obligate all employees to abide by our compliance policies. The Code of Business Ethics and the compliance policies based on it contain provisions stipulating that all KWS employees must act in accordance with KWS' corporate values and comply with the law, contracts and internal rules.

Environmental risks

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

Personnel risks

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

IT risks

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

Overall statement on the risk situation by the Executive Board

The rising share of our business in foreign currency, particularly in emerging countries, means there will be additional currency risks. Nevertheless, and taking into account our countermeasures, we assess the potential financial impact of currency risks as being moderate.

The risks presented above do not jeopardize the existence of the KWS Group, neither individually nor in their entirety. All in all, the risk situation did not change significantly in fiscal 2013/2014. The main risks for us are still related to production and the market. We feel sure that, thanks to our global footprint, our innovativeness and the high quality of our products, we can seize opportunities and successfully counter risks as they arise. However, we cannot rule out the possibility that further factors of which we are not currently aware or which we do not at present assess as significant may impact the continued existence of the KWS Group in the future.

Change in risks in fiscal 2013/2014

Individual risk	Likelihood of occurrence	Potential financial impact	Change
Market risks	Possible	Significant	7
Production risks	Possible	Significant	>
Liquidity risks	Unlikely	Significant	7
Legal risks	Possible	Significant	>
Environmental risks	Possible	Significant	>
IT risks	Possible	Significant	>
Procurement risks	Unlikely	Moderate	\rightarrow
Personnel risks	Unlikely	Moderate	\rightarrow



Forecast report

KWS Group: Net sales expected to rise by 5% to 10%

We will stick to our proven, long-term corporate strategy in fiscal 2014/2015 and focus on tapping young sales markets and developing high-yielding new varieties. Consequently, we intend to increase our spending on distribution activities and research and development sharply again.

That will be accompanied by extensive investments in property, plant and equipment - in particular, we need to expand our seed processing capacities in order to handle our planned growth in the coming years. Especially in our growth regions of North and South America, Eastern Europe and China, there is hardly any possibility of having seed production carried out by third parties, meaning we will establish our own plants. In addition, we are expanding our research facilities at Einbeck and continuing to set up our new research center in St. Louis, Missouri (U.S.) Our expansion strategy will also lead to growth in our international workforce. As far as can be seen at present, the number of employees at the KWS Group will grow by around 300 to approximately 5,200 by the end of the fiscal year.

Operationally, the KWS Group's Executive Board expects net sales to rise by between 5 and 10% with an EBIT margin of at least 10% in fiscal 2014/2015. We are thus sticking to our long-term objective. This planning is based on net sales of €1,178 million for fiscal 2013/2014. As far as can be seen at present the further increase in research and development expenditure will result in an R&D level of 13%. We intend to continue our dividend policy, which is based on a payout ratio of 20% to 25% of the net profit of KWS.

As already announced last year, the presentation of the companies consolidated in the KWS Group will change significantly due to an amendment to the International Financial Reporting Standard (IFRS 11). Since the beginning of fiscal 2014/2015, we cannot include net sales and costs of our 50:50 joint ventures in the KWS Group by way of proportionate consolidation. The earnings contributed by these companies will instead be carried as a sum total under net financial income/expenses. However, we will present our business activity as usual at the segment level so as to ensure there is no impairment to the transparency of our operational development



The KWS family will grow to more than 5,000 employees worldwide for the first time in fiscal 2014/2015.

Corn Segment: Return to our former growth

While growth in the Corn Segment was somewhat more restrained in the year under review, mainly due to exchange rate effects, we expect net sales to increase again by double digits in fiscal 2014/2015. The regions of North and South America and Southern, Southeastern and Eastern Europe are expected to make major contributions to that. We also intend to make further progress in France, where we were able to become the market leader last year for the first time. The Corn Segment's anticipated income will inevitably be impacted by the high up-front costs on ensuring our future growth. As far as can be seen at present, we nevertheless expect an EBIT margin of 11% to 12%.

Sugarbeet Segment: Stable at the ambitious level of the previous year

We expect at best a stable level of net sales and income for the Sugarbeet Segment with its two product areas of sugarbeet seed and seed potatoes in fiscal 2014/2015. Despite declining sugarbeet cultivation area, we managed to break the €300 million mark for net sales for the first time last year. Whether we can repeat this success

in the forecast period depends mainly on our business performance in our most important sales market of North America. Our goal is to defend our exceptionally high market share there. In the countries covered by the European Sugar Market Regime, we also posted record net sales last fiscal year. Given that there are now expected to be declines in area due to good harvests and low sugar prices, we do not see any potential for growth at the moment. The good potato harvest in the 2014 growing season will also exert pressure on prices and result in lower demand for seed potatoes. Nevertheless, we still expect an EBIT margin of 20% in the Sugarbeet Segment.

Cereals Segment: Again greater cultivation of rye

The further decrease in prices for cereals for consumption means that no increase in cereal cultivation area can be expected next growing season. However, we assume that there might be a slight shift in the variety mix and that the share of rye in cereal cultivation might increase slightly again. Overall, we anticipate that the segment's net sales and income will be at the level of the previous year.

A good outlook - because growth is our core competence.



Other disclosures

Takeover-related disclosures

Disclosures in accordance with Section 315 (4) HGB (German Commercial Code) and explanatory report in accordance with Section 176 (1) AktG (German Stock Corporation Act)

Composition of the subscribed capital

KWS SAAT AG's subscribed capital comprises 6,600,000 no-par bearer shares. Each share confers one voting right.

Restrictions relating to voting rights or the transfer of shares

Apart from the statutory restrictions on exercising voting rights in accordance with Section 136 of the German Stock Corporation Act (AktG) or Section 28 of the German Securities Trading Act (WpHG), there are no other restrictions relating to voting rights. Transfer of shares is merely restricted by a four-year holding period under the annual Employee Share Program. Only a small part of the shares is affected by this regulation. For example, our employees acquired 11,028 shares as part of the program in 2014. You can find more information on our Employee Share Program in the section "The KWS share" on page 8 of this report. Apart from that, the Executive Board is not aware of any agreements between shareholders relating to voting rights or the transfer of shares.

Direct or indirect participating interests in excess of 10% of the voting rights

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) or elsewhere.

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

- Dr. Drs. h.c. Andreas J. Büchting, Germany
- Christiane Stratmann, Germany
- Dorothea Schuppert, Germany
- Michael C.-E. Büchting, Germany
- Annette Büchting, Germany
- Stephan O. Büchting, Germany • Elke Giesecke, Germany
- Christa Nagel, Germany
- Bodo Sohnemann, Germany

- Matthias Sohnemann, Germany
- Malte Sohnemann, Germany
- Arne Sohnemann, Germany
- AKB Stiftung, Hannover, Germany
- Zukunftsstiftung Jugend, Umwelt und Kultur, Einbeck,
- Dr. Arend Oetker, Germany
- Kommanditgesellschaft Dr. Arend Oetker Vermögensverwaltungsgesellschaft mbH &. Co., Berlin, Germany

The voting shares, including mutual allocations, of the shareholders stated below each exceed 10% and are 14.2%.

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

Regulations and provisions regarding the appointment and removal of members of the Executive Board and changes to the Articles of Association

Section 84 (1) of the German Stock Corporation Act (AktG) specifies that members of the Executive Board are appointed or removed by the Supervisory Board. Under Section 6 of the Articles of Association, the Executive Board consists of at least two persons. The Supervisory Board is responsible for defining the number. In compliance with Section 179 (2) Sentence 2 of the German Stock Corporation Act (AktG), Section 18 of KWS SAAT AG's Articles of Association specifies that resolutions, and thus changes to the Articles of Association as well, are adopted by the Annual Shareholders' Meeting by a simple majority of the votes cast or with the simple majority of the capital stock represented in adoption of the resolution. Mandatory statutory provisions that stand in the way of this arrangement are not affected by it. The power to make amendments to the Articles of Association that only affect the wording has been conferred on the Supervisory Board pursuant to Section 179 (1) Sentence 2 AktG in accordance with Section 22 of KWS SAAT AG's Articles of Association.

Compensation agreements in the event of a takeover bid

In the event of a takeover, there are agreements for the members of KWS SAAT AG's Executive Board which comply with the provisions of the German Corporate Governance Code (Clause 4.2.3). They specify a commitment to pay a maximum of three year's compensation if an Executive Board member's activity is terminated prematurely as a result of a change of control. At the same time, the payment does not exceed the compensation to be paid for the remainder of the contract of employment.

The other circumstances specified in Section 315 (4) of the German Commercial Code (HGB) do not apply at KWS SAAT AG, so no disclosures can be made in this regard.

Declaration regarding Corporate Governance

The declaration on Corporate Governance in accordance with Section 289a of the German Commercial Code (HGB) (which is also the Corporate Governance Report) is available on our website at www.kws.com > Company > Investor Relations > Corporate Governance. Among other things, it contains the declaration in accordance with Section 161 of the German Stock Corporation Act (AktG) (declaration of compliance), which is also reproduced on page 18 of this report, relevant disclosures on Corporate Governance practices and a description of the working practices of the Executive Board and the Supervisory Board.

Compensation Report

The **Supervisory Board's compensation** was set by the Annual Shareholders' Meeting on December 17, 2009. It is based on the size of the company, the duties and responsibilities of the members of the Supervisory Board and the company's economic situation. The remuneration

includes not only a fixed payment of €28 thousand p.a. and payment for work on committees, but also a performance-related component, which is oriented toward the company's sustainable development. The members of the Supervisory Board receive €400.00 for each full €0.10 by which the average net income per share before minority interests, as disclosed by the consolidated financial statements, exceeds €4.00 for the fiscal year for which the compensation is paid and for the two prior fiscal years. The performance-related payment is limited to the amount of the fixed payment.

The Chairman of the Supervisory Board receives three times and his or her deputy one-and-a-half times the total compensation of an ordinary member. There is currently no extra compensation for them for work on committees. The Chairman of the Audit Committee receives €25 thousand. Ordinary members of the Supervisory Board receive €5 thousand for their work on the Committee for Executive Board Affairs and €10 thousand for their work on the Audit Committee. The members of the Supervisory Board are reimbursed for all expenses - including value-added tax - that they incur while carrying out the duties of their position.

The total compensation for members of the Supervisory Board amounts to €516 thousand (€516 thousand). excluding value-added tax. In all, 46% (46%) or €238 thousand (€238 thousand) of the total compensation is performance-related.

Supervisory Board compensation in 2013/2014

in €	Fixed	on com- mittees	Perfor- mance- related	Total
Dr. Andreas J. Büchting ¹	84,000.00	0.00	84,000.00	168,000.00
Dr. Arend Oetker ²	42,000.00	0.00	42,000.00	84,000.00
Hubertus von Baumbach³	28,000.00	25,000.00	28,000.00	81,000.00
Jürgen Bolduan	28,000.00	10,000.00	28,000.00	66,000.00
Cathrina Claas-Mühlhauser	28,000.00	5,000.00	28,000.00	61,000.00
Dr. Berthold Niehoff	28,000.00	0.00	28,000.00	56,000.00
	238,000.00	40,000.00	238,000.00	516,000.00

Supervisory Board compensation in the previous year

in €	Fixed	on com- mittees	mance- related	Total
Dr. Andreas J. Büchting ¹	84,000.00	0.00	84,000.00	168,000.00
Dr. Arend Oetker ²	42,000.00	0.00	42,000.00	84,000.00
Hubertus von Baumbach³	28,000.00	25,000.00	28,000.00	81,000.00
Jürgen Bolduan	28,000.00	10,000.00	28,000.00	66,000.00
Cathrina Claas-Mühlhauser	28,000.00	5,000.00	28,000.00	61,000.00
Dr. Berthold Niehoff	14,000.00	0.00	14,000.00	28,000.00
Dr. Dietmar Stahl (until December 2012)	14,000.00	0.00	14,000.00	28,000.00
	238,000.00	40,000.00	238,000.00	516,000.00

The compensation of members of the Executive **Board** was set by the Supervisory Board and approved by the Annual Shareholders' Meeting. It is based on the

size and activity of the company, its economic and financial situation and the level and structure of compensation for managing board members at comparable companies.

The "total compensation" of the Executive Board comprises five components:

- 1. A basic fixed annual salary
- 2. a variable payment in the form of a performance-related bonus
- 3. a variable payment in the form of a long-term incentive based on the KWS stock price
- 4. any special payments
- 5. other remuneration and pension awards.

The basic annual salary, bonus payment and other remuneration, including any special payments, are also jointly termed "cash compensation" in the following. Payments for duties performed in subsidiaries and associated companies are offset against the performance-related payment. The cash compensation is limited to an absolute amount of €750,000 per fiscal year. If the company generates sustainable average net income of more than €70 million a year in two successive fiscal years, this limit will be subsequently increased to €800,000 and, in the case of sustainable average net income of more than €100 million a year in two successive fiscal years, to €900,000. It has been agreed that this arrangement does not apply in fiscal 2013/2014 to the members of the Executive Board Dr. Léon Broers

and Dr. Hagen Duenbostel. The limit of €750,000 therefore remains for them.

The basic gross annual salary is €216.000. The Chief Executive Officer receives an extra "CEO bonus" of 25% on top of the basic annual salary. The variable payment (performance-related bonus) for our Executive Board members depends on the Company's performance over several years. It is calculated on the basis of a percentage of the average net income of the KWS Group for the past three fiscal years. This percentage is reduced if net income for the year exceeds certain thresholds. There is also a stock-based incentive program intended to act as a long-term incentive. Every member of the Executive Board is obligated to invest a freely selectable amount ranging between at least 20% and at most 50% of the gross performance-related bonus payment in KWS shares. A long-term incentive (LTI) is paid in the form of cash compensation after a holding period of five years. This payment is calculated on the basis of the share's performance over the holding period and on the average return on sales, measured as the ratio of operating income to net sales (ROS). However, it is capped at a maximum of two-and-a-half times the payments made by the Executive Board member as part of his or her own investment. One third of the LTI before taxes must be reinvested in KWS shares after it is paid out.

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

¹ Chairman 2 Deputy Chairman

³ Chairman of the Audit Committee

² Deputy Chairma

³ Chairman of the Audit Committee

62 Management Report of the KWS Group for 2013/2014

Executive Board compensation in 2013/2014

in€		Cash compensation				Total
	Basic com- pensation	Other emoluments	Performance- related	Total	Fair Value	
Philip von dem Bussche ¹	270,000.00	17,876.82	566,123.18	854,000.00	235,178.36	1,089,178.36
Dr. Léon Broers	216,000.00	21,104.58	512,895.42	750,000.00	186,895.18	936,895.18
Dr. Hagen Duenbostel	216,000.00	19,488.16	514,511.84	750,000.00	187,819.26	937,819.26
Eva Kienle	200,000.00	26,548.49	290,263.21	516,811.70	0.00	516,811.70
	902,000.00	85,018.05	1,883,793.65	2,870,811.70	609,892.80	3,480,704.50

1 CEO

Executive Board compensation in the previous year

in€	Cash compensation				LTI	Total
	Basic com- pensation	Other emoluments	Performance- related	Total	Fair Value	
Philip von dem Bussche ¹	270,000.00	18,519.38	515,480.62	804,000.00	271,844.32	1,075,844.32
Dr. Christoph Amberger	216,000.00	22,882.03	511,117.97	750,000.00	135,128.84	885,128.84
Dr. Léon Broers	216,000.00	21,456.48	512,543.52	750,000.00	211,023.12	961,023.12
Dr. Hagen Duenbostel	216,000.00	19,244.95	514,755.05	750,000.00	273,166.52	1,023,166.52
Eva Kienle	50,000.00	6,483.24	70,000.00	126,483.24	0.00	126,483.24
	968,000.00	88,586.08	2,123,897.16	3,180,483.24	891,162.80	4,071,646.04

1 CEO

As of fiscal 2014/2015, a new arrangement has been agreed upon with the members of the Executive Board, under which the basic compensation is to rise from €216,000 to €300,000. At the same time, calculation of the performance-related bonus on the basis of a declining scale will be replaced by its being calculated as a linear function of the sustained net income; that means that the variable compensation will be lower, as well as being more dependent on the company's earnings and thus subject to greater volatility. The performancerelated bonus will be limited to €500,000, a figure that will increase subsequently to €600,000 if the company posts two successive, average sustained annual incomes of more than €100 million. The other compensation components will remain unchanged, but there will no longer be an obligation to invest one third of the LTI before taxes in KWS shares after it has been paid out.

Pension obligations are granted both in the form of a direct obligation to provide benefits and a defined contribution plan, with the annual pensions ranging between €130 thousand and €140 thousand. In fiscal 2013/2014, €108 thousand (€72 thousand) were paid into a provident fund backed by a guarantee for pension commitments to members of the Executive Board. €115 thousand (€193 thousand) were allocated to the pension provisions in accordance with IAS 19. Pension provisions totaling €588 thousand (€1,689 thousand) were formed for members of the Executive Board of KWS SAAT AG.

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,476 thousand (€1,097 thousand). Pension commitments in accordance with IAS 19 (2011) recognized for this group of persons amounted to €7,018 thousand (€3,155 thousand) as of June 30, 2014. The pension commitments for three former members of the Executive Board are backed by a guarantee.

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

Pension commitments

in €	07/01/2013	Interest expenses	Revaluation effects	06/30/2014
Dr. Hagen Duenbostel	472,785.00	16,547.00	98,529.00	587,861.00

Annual Financial Statements of the KWS Group 2013/2014

- **64** Statement of comprehensive income
- 65 Balance sheet of the KWS Group
- 66 Statement of changes in fixed assets
- **68** Statement of changes in equity
- 70 Cash flow statement of the KWS Group
- 71 Notes for the KWS Group 2013/2014
- **112** Auditors' Report

Statement of comprehensive income from July 1, 2013 through June 30, 2014

in € thousand	Note No.	2013/2014	Previous year ¹
I. Income statement			
Net sales	(18)	1,178,007	1,147,235
Cost of sales	(18)	614,528	607,027
Gross profit on sales		563,479	540,208
Selling expenses	(18)	203,952	190,548
Research and development expenses	(18)	148,821	140,371
General and administrative expenses	(18)	76,741	69,043
Other operating income	(19)	60,672	61,943
Other operating expenses	(20)	56,205	50,061
Operating income		138,432	152,128
Interest and similar income		1,910	1,719
Interest and similar expenses		14,468	12,080
Net income from equity investments		7	45
Net financial income/expenses	(21)	-12,551	-10,316
Decute of audinous activities		105 001	1/1 010
Results of ordinary activities Taxes	(22)	45,595	141,812 49,528
Net income for the year	(24)	80,286	92,284
	(= .)		02,201
II. Other comprehensive income	(11)		
Revaluation of financial instruments		-161	86
Currency translation difference for economically independent foreign units		-19,198	-13,478
Items that may have to be subsequently reclassified as profit or loss		-19,359	-13,392
Revaluation of net liabilities/assets from defined benefit plans	*	-5,878	-1,817
Items not reclassified as profit or loss		-5,878	-1,817
Other comprehensive income after tax		-25,237	-15,209
III. Comprehensive income			
Comprehensive income		55,049	77,075
Share of other minority interests		3,057	2,201
Comprehensive income after shares of minority interests		51,992	74,874
Net income for the year	-	80,286	92,284
Shares of other minority interests		3,162	3,383
Net income after shares of other minority interests		77,124	88,901
,		, ,	,
Earnings per share (in €)		11.69	13.47
Earnings per share (in €) 1 adjusted pursuant to IAS 19 (2011)		11.69	13.4

Balance sheet of the KWS Group

at June 30, 2014

Assets

in € thousand	Note no.	06/30/2014	06/30/2013 ¹	07/01/20121
Intangible assets	(2)	99,803	101,866	111,725
Property, plant and equipment	(3)	321,947	287,623	261,457
Financial assets	(4)	2,774	7,305	1,938
Noncurrent tax assets	(5)	4,189	5,719	6,093
Deferred tax assets	(6)	48,056	44,949	33,622
Noncurrent assets		476,769	447,462	414,835
Inventories and biological assets	(7)	192,988	144,452	139,694
Trade receivables	(8)	361,576	359,867	309,422
Securities	(9)	76,712	100,878	40,399
Cash and cash equivalents	(10)	78,261	101,517	142,569
Current tax assets	(8)	45,609	24,385	25,957
Other current financial assets	(8)	15,881	26,587	14,689
Other current assets	(8)	15,033	13,535	9,304
Current assets		786,060	771,221	682,034
Total assets		1,262,829	1,218,683	1,096,869

¹ adjusted pursuant to IAS 19 (2011)

Equity and Liabilities

in € thousand	Note no.	06/30/2014	06/30/2013 ¹	07/01/2012 ¹
Subscribed capital		19,800	19,800	19,800
Capital reserve		5,530	5,530	5,530
Retained earnings		604,376	592,553	536,542
Minority interest		8,073	31,762	24,124
Equity	(11)	637,779	649,645	585,996
Long-term provisions		99,634	90,389	88,256
Long-term borrowings		113,754	98,460	48,717
Trade payables		1,470	1,697	1,914
Deferred tax liabilities		26,332	29,695	36,043
Other noncurrent liabilities		12,964	9,075	8,207
Noncurrent liabilities	(12)	254,154	229,316	183,137
Short-term provisions		131,841	131,350	121,633
Short-term borrowings		53,357	33,259	58,419
Trade payables		81,111	82,746	74,373
Current tax liabilities		35,467	31,929	24,053
Other current financial liabilities		12,191	11,833	8,857
Other current liabilities		56,929	48,605	40,401
Current liabilities	(13)	370,896	339,722	327,736
Liabilities		625,050	569,038	510,873
Total equity and liabilities		1,262,829	1,218,683	1,096,869

¹ adjusted pursuant to IAS 19 (2011)

Statement of changes in fixed assets of the KWS Group 2013/2014

	Gross values								Amortization/depreciation							
in € thousand		Currency translation	Additions	Write-ups	Disposals	Transfers			Currency translation	Additions	Write-ups	Disposals	Transfers			
	Balance 07/01/2013						Balance 06/30/2014	Balanc 07/01/201						Balance 06/30/2014	Balance 06/30/2014	Previous year
Patents, industrial property rights and software	83,434	-1,008	7,957	0	101	1,136	91,418	31,26	7 —41	12,943	0	99	0	44,070	47,348	52,167
Goodwill	56,449	-491	499	0	0	4,859	61,316	6,75	, ,	2,150	0	0	0	8,861	52,455	49,699
Intangible assets	139,883	-1,499	8,456	0	101	5,995	152,734	38,01		15,093	0	99	0	52,931	99,803	101,866
Land and buildings	250,567	-4,258	11,239	0	762	8,371	265,157	76,95	3 –663	8,287	0	700	5	83,887	181,270	173,609
Technical equipment and machinery	183,088	-3,007	14,040	0	2,441	9,529	201,209	114,95	-1,498	13,028	0	1,918	-696	123,875	77,334	68,129
Operating and office equipment	87,599	-1,965	8,878	0	5,023	5,807	95,296	56,68	3 –1,036	9,384	0	4,543	2,265	62,753	32,543	30,916
Payments on account	14,971	-501	38,552	0	151	-22,069	30,802		2 0	0	0	0	0	2	30,800	14,969
Property, plant and equipment	536,225	-9,731	72,709	0	8,377	1,638	592,464	248,60	2 –3,197	30,699	0	7,161	1,574	270,517	321,947	287,623
Financial assets	7,471	5	1,438	0	109	-5,673	3,122		3 182	0	0	0	0	348	2,774	7,305
Assets	683,579	-11,235	82,603	0	8,587	1,960	748,320	286,78	-3,095	45,792	0	7,260	1,574	323,796	424,524	396,794

Statement of changes in fixed assets of the KWS Group 2012/20131

			Gross v	/alues						Amor	tization/deprec			Net bool	Net book values	
in € thousand		Currency translation	Additions	Write-ups	Disposals	Transfers			Currency translation	Additions	Write-ups	Disposals	Transfers			
	Balance 07/01/2012						Balance 06/30/2013	Balance 07/01/2012						Balance 06/30/2013	Balance 06/30/2013	Previous year
Patents, industrial property rights and software	82,622	-2,584	4,406	0	1,021	11	83,434	21,014	-404	11,674	0	1,017	0	31,267	52,167	61,608
Goodwill	56,907	-458	0	0	0	0	56,449	6,790	-40	0	0	0	0	6,750	49,699	50,117
Intangible assets	139,529	-3,042	4,406	0	1,021	11	139,883	27,804	-444	11,674	0	1,017	0	38,017	101,866	111,725
Land and buildings	237,471	-3,703	9,991	0	341	7,149	250,567	70,864	-804	7,076	0	183	5	76,958	173,609	166,607
Technical equipment and machinery	170,233	-2,504	16,899	0	5,109	3,569	183,088	109,373	-1,549	11,637	0	4,340	-162	114,959	68,129	60,860
Operating and office equipment	75,591	-1,096	10,107	0	3,074	6,071	87,599	50,308	-713	8,061	0	2,818	1,845	56,683	30,916	25,283
Payments on account	8,707	-115	18,046	0	11	-11,656	14,971		0	0	0	-2	0	2	14,969	8,707
Property, plant and equipment	492,002	-7,418	55,043	0	8,535	5,133	536,225	230,545	-3,066	26,774	0	7,339	1,688	248,602	287,623	261,457
Financial assets	2,104		5,746	1	362	0	7,471	166	0	0	0	0	0	166	7,305	1,938
Assets	633,635	-10,478	65,195	1	9,918	5,144	683,579	258,515	-3,510	38,448	0	8,356	1,688	286,785	396,794	375,120

Statement of changes in equity of the KWS Group 2013/14

			Parent compan	y			Parent company					Minority interest						
in € thousand	Subscribed capital	Capital reserve	Accumu- lated group equity from earnings	Comprehei group i		•	ehensive other		Total	Minority interest	Comprehe	ensive other grou	ıp income	Total				
				Adjustments from currency translation	Reserve for from financial assets cur- rency held for sale	Revaluat of defir benefit pla	ed O	ther			Adjustments from currency translation	Revaluation of defined benefit plans	Other transactions					
Balance as at June 30, 2012	19,800	5,530	554,110	-1,590	144		0 5	94	578,588	24,792	-280	0	-4	24,508	603,096			
Adjustment due to IAS 19 (2011)						-16,7	6		-16,716			-384		-384	-17,100			
Balance as at July 1, 20121	19,800	5,530	554,110	-1,590	144	-16,7	6 5	94	561,872	24,792	-280	-384	-4	24,124	585,996			
Dividends paid			-18,480						-18,480	-664				-664	-19,144			
Net income for the year			88,901						88,901	3,383				3,383	92,284			
Other comprehensive income after tax				-12,720	86	-1,7	'6		-14,410		-756	-41		-797	-15,207			
Total consolidated gains (losses)			88,901	-12,720	86	_1,7	6		74,491	3,383	-756	-41		2,586	77,077			
Change in shares of minority interests										5,716				5,716	5,716			
Other changes			0						0		,				0			
Balance as at June 30, 2013 ¹	19,800	5,530	624,531	-14,310	230		12	94	617,883	33,227	-1,036	-425		31,762	649,645			
Dividends paid			-19,800	,	,		***************************************		-19,800	-1,328	g-1	***************************************	g-1	-1,328	-21,128			
Net income for the year	, p	*	77,124	g	£				77,124	3,162	,			3,162	80,286			
Other comprehensive income after tax			,	-19,213	-161	-5,7	58	, , , , , , , , , , , , , , , , , , , ,	-25,132		15	-120		-105	-25,237			
Total consolidated gains (losses)	, p	,	77,124	-19,213	-161	-5,7	58		51,992	3,162	15	-120		3,057	55,049			
Change in shares of minority interests			-19,559				5	,	-20,104	-25,963		545	, , ,	-25,418	-45,522			
Other changes			-265						-265						-265			
Balance as at June 30, 2014	19,800	5,530	662,031	-33,523	69)5	94	629,706	9,098	-1,021	0	4	8,073	637,779			

¹ adjusted pursuant to IAS 19 (2011)

Cash flow statement of the KWS Group

in € thousand	Note	2013/2014	Previous year ¹
Net income for the year		80,286	92,284
Depreciation/reversal of impairment losses (–) on property, plant and equipment		45,792	38,448
Increase/decrease (-) in long-term provisions		1,423	-2,755
Other noncash expenses/income (-)	Pro-	-17,100	-18,492
Cash earnings		110,400	109,485
Increase/decrease (-) in short-term provisions		20,631	24,062
Net gain (–)/loss from the disposal of assets	P	-146	-191
Increase (–)/decrease in inventories, trade receivables, and other assets not attributable to investing or financing activities		-90,881	-86,287
Increase/decrease (-) in trade payables and other liabilities not attributable to investing or financing activities		21,014	37,509
Net cash from operating activities	(1)	61,018	84,578
Proceeds from disposals of property, plant and equipment		1,361	1,554
Payments (-) for capital expenditure on property, plant and equipment		-66,461	-57,739
Proceeds from disposals of intangible assets		2	3
Payments (-) for capital expenditure on intangible assets	p	-8,531	-4,406
Proceeds from disposals of financial assets	p	109	361
Payments (–) for capital expenditure on financial assets	Po-	-1,901	-5,745
Payments (-) for purchase of shares in consolidated subsidiaries and other business units		0	-22,970
Net cash from investing activities	(2)	-75,421	-88,942
Cash receipts from issue of capital		0	5,716
Dividend payments (-) to owners and minority shareholders	P	-66,915	-19,144
Cash proceeds from long-term borrowings	for the second s	58,301	100,264
Cash repayments of long-term borrowings		-32,903	-51,998
Changes from proceeds (+)/repayments (-) of short-term borrowings		9,994	-7,616
Net cash from financing activities	(3)	-31,523	27,222
Net cash changes in cash and cash equivalents		-45,926	22,858
Changes in cash and cash equivalents due to exchange rate, consolidated group, and measurement changes		-1,496	-3,431
Cash and cash equivalents at beginning of year		202,395	182,968
Cash and cash equivalents at end of year	(4)	154,973	202,395

¹ adjusted pursuant to IAS 19 (2011)

Notes for the KWS Group 2013/2014

The KWS Group (KWS Konzern) is a consolidated group as defined in the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), London, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and in addition the commercial law regulations to be applied pursuant to section 315a (1) of the HGB (German Commercial Code). In accordance with Section 291 (1) HGB, the consolidated financial statements of KWS SAAT AG, Einbeck, discharge the obligations of KWS LOCHOW GMBH, Bergen, and KWS MAIS GMBH, Einbeck, to produce their own consolidated financial statements and Group Management Report.

The statements were prepared under the assumption that the operations of the company will be continued.

The accounting and measurement methods have been retained without change, except for the changes resulting from the new accounting standards IAS 19 (2011) "Employee Benefits" and IFRS 13 "Fair Value Measurement".

IAS 19 (2011) - "Employee Benefits"

IAS 19 (2011) "Employee Benefits" must be applied for the first time to fiscal year 2013/2014. The amendments to this standard must be applied retrospectively. The main change relates to the abolition of the corridor method. The net interest cost is still carried in the net financial income/expenses. Remeasurement effects due to actuarial gains and losses and income from planned assets not already included as interest income must be recognized in profit or loss in the statement of comprehensive income. IAS 19 (2011) introduces an amended definition of post-employment benefits. The top-up amounts for semi-retirement obligations are now other long-term benefits to employees that must be accumulated on a pro-rata basis over the vesting period. Up to now, top-up amounts have been carried in full at their present value. That resulted in a reversal of the provision against the retained income of €601 thousand, which must be allocated again in profit or loss in the subsequent periods. Allowing for deferred taxes, there were the following changes for the previous years:

Changes to IAS 19 (2011) - Balance sheet

in € thousand	06/30/2013 (adjusted)	Adjustment	06/30/2013	07/01/2012 (adjusted)	Adjustment	07/01/12
Assets						
Noncurrent assets	402,513	-2,455	404,968	381,213	-3,099	384,312
Deferred tax assets	44,949	7,815	37,134	33,622	7,652	25,970
Current assets	771,221	0	771,221	682,034	0	682,034
Total assets	1,218,683	5,360	1,213,323	1,096,869	4,553	1,092,316
Equity and Liabilities						
Equity	649,645	-17,881	667,526	585,996	-17,100	603,096
Pension provisions	81,549	23,842	57,707	78,865	21,653	57,212
Other provisions	8,840	-601	9,441	9,391	0	9,391
Deferred tax liabilities	29,695	0	29,695	36,043	0	36,043
Long-term borrowings	109,232	0	109,232	58,838	0	58,838
Short-term borrowings	339,722	0	339,722	327,736	0	327,736
Total equity and liabilities	1,218,683	5,360	1,213,323	1,096,869	4,553	1,092,316

Changes to IAS 19 (2011) - Income statement and statement of comprehensive income

in € thousand	2012/2013 (adjusted)	Adjustment	2012/2013
Net sales	1,147,235	0	1,147,235
Cost of sales	607,027	-367	607,394
Gross profit on sales	540,208	367	539,841
Selling expenses	190,548	-214	190,762
Research and development expenses	140,371	-439	140,810
General and administrative expenses	69,043	-442	69,485
Other operating income	61,943	0	61,943
Other operating expenses	50,061	0	50,061
Operating income	152,128	1,462	150,666
Net financial income/expenses	-10,316		-10,316
Results of ordinary activities	141,812	1,462	140,350
Taxes	49,528	426	49,102
Net income for the year	92,284	1,036	91,248
Revaluation of financial instruments	86	0	86
Currency translation difference for economically independent foreign units	-13,478	0	-13,478
Items that may have to be subsequently reclassified as profit or loss	-13,392	0	-13,392
Revaluation of net liabilities/assets from defined benefit plans	-1,817	-1,817	0
Items not reclassified as profit or loss	-1,817	-1,817	0
Other comprehensive income after tax	-15,209	-1,817	-13,392
Comprehensive income	77,075	-781	77,856

Earnings per share in fiscal 2012/2013 are higher by €0.15 as a result of IAS 19 (2011).

fiscal 2013/2014, the following changes would not have occurred in the present financial statements:

- An increase of €34,371 thousand in pension provisions
- deferred tax liabilities of €10,265 thousand
- An increase of €0.11 in earnings per share

IFRS 13 – "Fair Value Measurement"

On May 12, 2011, the IASB adopted the new accounting standard IFRS 13 "Fair Value Measurement" with If the old version of IAS 19 had continued to be applied in the objective of introducing a consistent definition and principles for determining fair value. IFRS 13 must be applied prospectively. First-time application of the new standard does not result in any significant effects on the • A reduction of €24,846 thousand in the other reserves consolidated financial statements of the KWS Group.

• An increase in deferred tax assets and a reduction in The following financial reporting standards and interpretations were published by the IASB by the balance • An increase of €740 thousand in net income for the year sheet date, but must be applied by the KWS Group only at a later date.

Financial reporting standards and interpretations	Mandatory first-time application
FRS 10: Consolidated Financial Statements	In fiscal year 2014/2015
IFRS 11: Joint Arrangements	In fiscal year 2014/2015
IFRS 12: Disclosure of Interests in Other Entities	In fiscal year 2014/2015
Amendments to IAS 27: Separate Financial Statements	In fiscal year 2014/2015
Amendments to IAS 28: Investments in Associates and Joint Ventures	In fiscal year 2014/2015
Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	In fiscal year 2014/2015
Amendments to IFRS 10, IFRS 12 and IAS 27 – Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities	In fiscal year 2014/2015
Amendments to IAS 32 – Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities	In fiscal year 2014/2015
Amendments to IAS 36 – Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets	In fiscal year 2014/2015
Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	In fiscal year 2014/2015
FRIC 21 – Levies	In fiscal year 2014/2015
Amendments to IAS 19 (2011) - Employee Benefits: Defined Benefit Plans	At the earliest in fiscal year 2014/2015
Annual Improvements to the International Financial Reporting Standards (2010–2012 cycle)	At the earliest in fiscal year 2014/2015
Annual Improvements to the International Financial Reporting Standards (2011–2013 cycle)	At the earliest in fiscal year 2014/2015
FRS 14 - Regulatory Deferral Accounts	At the earliest in fiscal year 2016/201
Amendments to IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	At the earliest in fiscal year 2016/201
Amendments to IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization	At the earliest in fiscal year 2016/2017
Amendments to IAS 16 and IAS 41 – Property, Plant and Equipment and Agriculture: Bearer Plants	At the earliest in fiscal year 2016/201
Amendments to IAS 27 – Separate Financial Statements: Equity Method in Separate Financial Statements	At the earliest in fiscal year 2016/201
FRS 15 – Revenue from Contracts with Customers	At the earliest in fiscal year 2017/2018
FRS 9 – Financial Instruments	At the earliest in fiscal year 2018/2019

IAS 27 (2011), IAS 28 (2011), IFRS 10, IFRS 11 and IFRS 12 – Consolidation

IFRS 10 introduces a new concept of control that influences the methods and scope of consolidation. IFRS 11 governs the financial reporting of joint arrangements and prescribes only the equity method for consolidation of joint ventures in future. IFRS 12 contains more extensive disclosure requirements in connection with subsidiaries. joint ventures, associated companies and unconsolidated structured companies. IAS 27 (2011) and IAS 28 (2011) are subsequent amendments of the new IFRS 10. IFRS 11 and IFRS 12.

KWS will apply the new financial reporting standards relating to consolidation for the first time in fiscal year 2014/2015.

There will be significant changes for the KWS Group in particular from application of IFRS 11. At June 30, 2014, eight joint ventures were proportionately consolidated in the KWS Group's financial statements and will be consolidated using the equity method in future in accordance

For the first time in fiscal 2014/2015, the balance sheet and statement of comprehensive income will no longer include the proportionate revenue, expenses, assets and liabilities of the above-mentioned joint ventures.

The balance sheet for fiscal 2013/2014 would be as follows if IFRS 11 were applied early:

Assets

in € millions	After adjustment	Adjustments pursuant to IFRS 11	As reported
Noncurrent assets	534.5	57.7	476.8
Current assets	630.5	-155.5	786.0
Total assets	1,165.0	-97.8	1,262.8

Equity and liabilities

in € millions	After adjustment	Adjustments pursuant to IFRS 11	As reported
Equity	637.8	0.0	637.8
Noncurrent liabilities	252.7	-1.4	254.1
Current liabilities	274.5	-96.4	370.9
Total equity and liabilities	1,165.0	-97.8	1,262.8

The income statement sheet for fiscal 2013/2014 would be as follows if IFRS 11 were applied early:

Income statement for the period July 1, 2013 through June 30, 2014

in € millions	After adjustment	Adjustments pursuant to IFRS 11	As reported
Net sales	923.5	-254.5	1,178.0
Operating income	118.3	-20.1	138.4
Net financial income/expenses	7.6	20.1	-12.5
Result of ordinary activities	125.9	0.0	125.9
Taxes	45.6	0.0	45.6
Net income for the year	80.3	0.0	80.3

To the extent that these relate to supplementary disclosure obligations, there will be no effects on the balance sheet or statement of comprehensive income.

As far as can be seen at present, the other financial reporting standards and interpretations will not have a significant impact on the consolidated financial statements of the KWS Group.

1. General disclosures

Companies consolidated in the KWS Group

The consolidated financial statements of the KWS Group include the single-entity financial statements of KWS SAAT AG and its subsidiaries in Germany and other countries in which it directly or indirectly controls more than 50% of the voting rights. In addition, joint ventures are proportionately consolidated according to the percentage of equity held in those companies. Subsidiaries and joint ventures that are considered immaterial for the presentation and evaluation of the financial position and performance of the Group are not included. Details on the changes in the consolidated group are provided in Section 2. Disclosures on the annual financial statements - Consolidated group and changes in the consolidated group.

Consolidation methods

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

According to IAS 36, goodwill is not amortized, but tested for impairment at least once a year (impairmentonly approach). Investments in unconsolidated companies are carried at cost.

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

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 com-

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 and rounded in accordance with standard commercial practice as follows:

- Income statement items at the average exchange rate for the year;
- Balance sheet items at the exchange rate on the balance sheet date

The difference resulting from the application of annual average rates to the net profit for the period in the income statement is taken directly to equity. Exchange differences resulting from loans to foreign subsidiaries and joint ventures are reported in the other comprehensive income and are not recognized in profit or loss.

Classification of the statement of comprehensive income

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

Accounting policies

Consistency of accounting policies

The accounting policies are unchanged from the previous year, with the exception of the financial reporting standards IAS 19 (2011) and IFRS 13, which had to be applied for the first time in the year under review.

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.

Recognition of income and expenses

Net sales include sales of products and services, less revenue reductions. Net sales from the sale of products are realized at the time at which the opportunities and risks pass to the buyer. Net sales from service transactions are recognized at the time at which the outcome of the transaction can be reliably estimated in accordance with the percentage of completion. Other income, such as interest, royalties and dividends, is recognized in the period it accrues as soon as there is a contractual or legal entitlement to it.

Performance-based public grants are carried under the other operating income as part of profit/loss.

Operating expenses are recognized in the income statement upon the service in question being used or as of the date on which they occur.

Intangible assets

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

The useful life of intangible assets is as follows:

	Useful life
Breeding material, proprietary rights to varieties and trademarks	10 years
Other rights	5-10 years
Software	3-8 years
Distribution rights	5-20 years

Property, plant, and equipment

Property, plant, and equipment is measured at cost less straight-line depreciation. If the impairments exceed the use-related depreciation that has already been applied, a loss is recognized. In addition to directly attributable costs, the cost of self-produced plant or equipment also includes a proportion of the overheads and depreciation/amortization.

	Useful life
Buildings	10-50 years
Operating equipment and other facilities	5-25 years
Technical equipment and machinery	5-15 years
Laboratory and research facilities	5-13 years
Other equipment, operating and office	
equipment	3-15 years

Low-value assets are fully expensed in the year of purchase; they are reported as additions and disposals in the year of purchase in the statement of changes in fixed assets. Impairment losses on property, plant, and equipment are recognized according to IAS 36 whenever the recoverable amount of the asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell or the value in use. In accordance with IAS 20, government grants are deducted from the costs of the asset. Any deferred income is not recognized.

Financial instruments

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

Available-for-sale financial assets are carried at fair value if that can be reliably measured. Unrealized gains and losses, including deferred taxes, are recognized directly in the reserve for available-for-sale financial assets under equity. Allowances are recognized immediately through the income statement. Financial assets belonging to this category of financial instruments are measured at cost, since there is no active market. The financial assets include shares in unconsolidated subsidiaries and securities classified as noncurrent assets. They are subsequently measured at amortized cost. Borrowings are carried at amortized cost.

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

Notes for the KWS Group 2013/2014

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

The fair value of financial liabilities with a long-term fixed interest rate is determined as present values of the payments related to the liabilities, using a yield curve applicable on the balance sheet date.

Derivative instruments are measured at fair value in accordance with IAS 39; they can be assets or liabilities. Common derivative financial instruments are essentially used to hedge interest rate and foreign currency risks. The fair value of the derivative financial instruments is measured on the basis of the market information available on the balance sheet date and using recognized mathematical models, such as present value or Black-Scholes, to calculate option values, taking their volatility, remaining maturity and capital market interest rates into account. The instruments must also be classified in a level of the fair value hierarchy.

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

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

• Loans and receivables

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

• Financial assets at fair value

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

• Available-for-sale financial assets

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

• Financial liabilities measured at amortized cost

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

• Financial liabilities at fair value

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

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

The outstanding purchase price obligation for consolidated subsidiaries must be carried at the present value of the anticipated future purchase price payments for minority interests. Changes to the estimates in subsequent years are recognized in profit or loss. The cost of interest accrued on the purchase price obligation is carried in the net financial income/expenses.

Derivatives

The derivatives do not meet the requirements of IAS 39 to be designated as a hedging instrument. They are measured at their fair value. The changes in their market value are recognized in the income statement. Derivatives are derecognized on their day of settlement.

Inventories and biological assets

Derivatives are measured at the lower of cost or net realizable value less an allowance for obsolescent or slow-moving items. In addition to directly attributable costs, the cost of sales also includes indirect labor and materials including depreciation under IAS 2. Under IAS 41, biological assets are measured at fair value less the estimated costs to sell. Immature biological assets are carried as inventories as of the time they are harvested. The measurement procedure used is based on standard industry value tables.

Deferred taxes

Deferred taxes are calculated on differences between the IFRS carrying amounts of assets and liabilities

and their tax base, and on loss carryforwards; they are reported on a gross basis. Deferred tax assets are recognized if they result from deductible temporary differences and sufficient taxable profit in future periods is expected. Deferred tax liabilities must be set up for all taxable temporary differences. All deferred taxes must be assessed individually at each balance sheet date and must not be discounted. Under IAS 12, deferred taxes are calculated on the basis of the applicable local income tax.

Provisions for pensions and other employee benefits

The provisions for pensions and other employee benefits are calculated using actuarial principles in accordance with the projected unit credit method. Actuarial gains and losses resulting from revaluation of the net liability must be recognized directly in equity in the other comprehensive income. If there are planned assets, they are netted off against the associated obligations.

The provisions for semi-retirement include obligations from concluded semi-retirement agreements. Payment arrears and top-up amounts for semi-retirement pay and for contributions to the statutory pension insurance program are recognized in measuring them.

Other provisions

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

Contingent liabilities

The contingent liabilities result from debt obligations where outflow of the resource is not probable or the level of the obligation cannot be estimated with sufficient reliability or from obligations for loan amounts drawn down by third parties as of the balance sheet date.

Borrowing costs

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

Discretionary decisions and estimates

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

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

Despite careful estimates, the actual development may deviate from the assumptions.

The Executive Board of KWS SAAT AG prepared the consolidated financial statements on October 1, 2014, and released them for distribution to the Supervisory Board. The Supervisory Board has the task of examining the consolidated financial statements and declaring whether it approves them.

2. Disclosures on the annual financial statements

Consolidated group and changes in the consolidated group

Number of companies including KWS SAAT AG

		06/30/2014		Previous year		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Fully consolidated	13	44	57	13	42	55
Proportionately consolidated	0	8	8	0	7	7
Total	13	52	65	13	49	62
Equity method		0	0	0	1	1
Total	13	52	65	13	50	63

We founded the breeding company KWS PERU S.A.C. in Lima, Peru, at the beginning of the fiscal year, KWS SERVICES MEDITERRANEAN S.L. in Barcelona took over the existing activities of the French Service Center on July 24, 2013. The research center KWS GATEWAY RESEARCH CENTER LLC. in St. Louis, Missouri (U.S.) was founded on March 12, 2014, BETASEED LTD, in Rothwell, UK, discontinued its business operations on June 19, 2014. The joint venture GENECTIVE S.A. in Chappes, France, which had been previously included at equity, was proportionately included in the consolidated financial statements for the first time in fiscal 2013/2014.

A total of 57 (55) companies were fully consolidated and eight (seven) proportionately consolidated in the year under review.

In line with the corporate strategy for the Cereals Segment, we expanded our wheat breeding activities in France by acquiring the remaining 51% stake in SOCIETÉ DE MAR-TINVAL S.A. effective September 30, 2014. 110 employees there currently generate net sales of more than €20 million, of which over 20% is plowed back into research. The net assets to be acquired total around €12.5 million; a large part of the purchase price of approximately €30 million is accounted for by intangible assets, such as approved varieties, the gene pool and customer base. Details on the purchase price allocation will be provided in the first quarterly report as of September 30, 2014.

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

Proportionately consolidated companies

· · · · · · · · · · · · · · · · · · ·		
in € thousand	2013/2014	Previous year
Noncurrent assets	52,802	44,767
Current assets	163,022	155,378
Total assets	215,824	200,145
Equity	113,101	107,640
Noncurrent liabilities	1,630	868
Current liabilities	101,093	91,637
Total equity and liabilities	215,824	200,145
Total income	274,068	281,396
Total expenses	253,858	257,758
Net income for the year	20,210	23,638

List of shareholdings in accordance with Section 313 HGB (German Commercial Code)

Subsidiaries and associated companies included in the consolidated group¹

					<u> </u>		
Sugarb	peet	Corn		Cereals	S	Corpo	rate
100%	BETASEED INC. ² Shakopee, MN/U.S.	100%	KWS MAIS GMBH Einbeck	100%	KWS LOCHOW GMBH Bergen	100%	KWS LANDWIRTSCHAFT GMBH**
100%	KWS FRANCE S.A.R.L.	100%	KWS BENELUX B.V. ⁵	100%	KWS UK LTD.7	100%	Einbeck KWS INTERSAAT GMBH
100%	Roye/France DELITZSCH PFLANZEN-	100%		100%	Thriplow/UK KWS LOCHOW POLSKA		Einbeck
	ZUCHT GMBH ¹⁰ Einbeck	100%	Bratislava/Slovakia KWS MAIS FRANCE		SP.Z O.O. ⁷ Kondratowice/Poland	100%	KWS SEEDS INC. ⁹ Shakopee, MN/U.S.
100%	O.O.O. KWS RUS ¹² Lipezk/Russia		S.A.R.L. ⁵ Champol/France	100%	KWS CEREALS USA LLC.7 Shakopee, MN/U.S.	100%	GLH SEEDS INC. ² Shakopee, MN/U.S.
100%	O.O.O. KWS R&D RUS ¹¹	100%	KWS AUSTRIA SAAT	49 %	SOCIETE DE MARTINVAL	100%	KWS SAATFINANZ GMBH
100%	Lipezk/Russia KWS ITALIA S.P.A.		GMBH⁵ Vienna/Austria		S.A. ^{8,*} Mons-en-Pévèle/France	100%	
100%	Forli/Italy KWS POLSKA SP.Z O.O.	100%	KWS SJEME D.O.O. ⁵ Pozega/Croatia	100%	MOMONT HENNETTE S.A. ¹⁴ , *		UND HANDELSGESELL- SCHAFT MBH
100%	Poznan/Poland KWS SCANDINAVIA A/S ¹⁰	100%	KWS OSIVA S.R.O. ⁵ Velke Mezirici/Czech	95%	Mons-en-Pévèle/France LABOGERM S.A.R.L. 14, *	100%	Einbeck KWS KLOSTERGUT
	Guldborgsund/Denmark	1000/	Republic		Mons-en-Pévèle/France	.00 /0	WIEBRECHTSHAUSEN GMBH
100%	KWS SEMILLAS IBERICA S.L. ¹⁰	100%	KWS BULGARIA E.O.O.D. ⁵ Sofia/Bulgaria	100%	ADRIEN MOMONT S.A.R.L. ^{14, *}		Northeim-Wiebrechtshausen
100%	Zaratán/Spain SEMILLAS KWS CHILE LTDA.	100%	Formerly: KWS Semena Bulgaria E.O.O.D. AGROMAIS GMBH ⁵	100%	Mons-en-Pévèle/France HAMET S.C.A. 14, * Mons-en-Pévèle/France	100%	EURO-HYBRID GESELL- SCHAFT FÜR GETRE- IDEZÜCHTUNG MBH
4000/	Rancagua/Chile		Everswinkel		Mons-en-revele/11ance	1000/	Einbeck
100%	KWS SRBIJA D.O.O. New Belgrade/Serbia	100%	KWS MAGYARORSZÁG KFT.5			100%	PARTICIPACOES LTDA. 19
100%	KWS SUISSE SA Basle/Switzerland	100%	Györ/Hungary KWS SEMINTE S.R.L. ¹³			100%	São Paulo/Brazil KWS BRASIL
100%	ACH SEEDS INC. ⁴ Eden Prairie, MN/U.S.	99%	Bucharest/Romania KWS ARGENTINA S.A. ⁵				PARTICIPACOES LTDA. 20 São Paulo/Brazil
100%			Balcarce/Argentina RAZES HYBRIDES S.A.R.L.3			100%	
4000/	Bethune/France		Alzonne/France			1000/	St. Louis, MO/U.S.
100%	KWS UKRAINE T.O.W. ¹² Kiev/Ukraine	50%	AGRELIANT GENETICS LLC. ^{6, *}			100%	KWS SERVICES DEUTSCHLAND GMBH
100%	KWS TÜRK TARIM TICARET A.S. ⁹ Eskisehir/Turkey	50%	Westfield, IND/U.S. AGRELIANT GENETICS INC.*			100%	Einbeck KWS SERVICES EAST GMBH
100%	-	100%	Chatham, Ontario/Canada KWS MELHORAMENTO E			100%	Vienna/Austria
100%		.0070	SEMENTES LTDA. ²¹ Curitiba/Brazil				NORTH B.V. Rotterdam/Netherlands
93%	DYNAGRI S.A.R.L. 16 Casablanca/Morocco	50%	RIBER KWS SEMENTES S.A. 21			100%	KWS SERVICES MEDITERRANEAN S.A.S. ³
		100%	Patos de Minas/Brazil KWS PERU S.A.C. ²² Lima/Peru			100%	Roye/France KWS SERVICES MEDITERRANEAN S.L.
			KWS R&D China LTD. 15 Hefei/China				Barcelona/Spain
		50%	GENECTIVE S.A.* Chappes/France				

- 1 The percentages shown for each company relate to the share in that company held within the KWS Group
- 3 Subsidiary of KWS FRANCE S.A.R.L 4 Subsidiary of BETASEED INC.
- 5 Subsidiary of KWS MAIS GMBH
- 6 Investee of GLH SEEDS INC.
- 7 Subsidiary of KWS LOCHOW GMBH
- 8 Investee of KWS LOCHOW GMBH
- 9 Subsidiary of KWS INTERSAAT GMBH and KWS SAAT AG
- 10 Subsidiary of KWS INTERSAAT GMBH
- 11 Subsidiary of O.O.O. KWS RUS
- 12 Subsidiary of EURO-HYBRID GMBH and KWS SAATFINANZ GMBH
- 13 Subsidiary of KWS MAIS GMBH and KWS SAATFINANZ GMBH 14 Subsidiary of SOCIETE DE MARTINVAL S.A.
- 15 Subsidiary of EURO-HYBRID GMBH
- 16 Subsidiary of KWS POTATO B.V.
- 17 Subsidiary of RAGIS GMBH
- 18 Subsidiary of BETASEED GMBH
- 19 Subsidiary of KWS INTERSAAT GMBH and KWS SAATFINANZ GMBH
- 20 Subsidiary of KWS SEMENTES BRASIL PARTICIPACOES LTDA. and KWS INTERSAAT GMBH
- 21 Subsidiary of KWS BRASIL PARTICIPACOES LTDA.
 22 Subsidiary of KWS CHILE LTDA. and KWS SEMENTES BRASIL PARTICIPACOES LTDA.

 Proportional consolidation ** Profit transfer agreement June 30, 2014

3. Segment reporting for the KWS Group

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

- Corn
- Sugarbeet
- Cereals
- Corporate

Considered a core competency for the KWS Group's entire product range, plant breeding, including the related biotechnology research, is essentially concentrated at the parent company KWS SAAT AG in Einbeck. The breeding material, including the relevant information and expertise about how to use it, is owned by KWS SAAT AG with respect to sugarbeet and corn and by KWS LOCHOW GMBH with respect to cereals. Product-related R&D costs are carried directly in the product segments Corn, Sugarbeet and Cereals. Centrally controlled corporate functions are grouped in the Corporate Segment. Because of their minor importance within the KWS Group, the distribution and production of oil and field seed are reported in the Cereals and Corn Segments, in keeping with the legal entities involved.

Description of segments

Corn

KWS MAIS GMBH is the lead company for the Corn Segment. In addition to KWS MAIS GMBH, business activities are conducted by one (one) German company and 18 (17) 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.

Sugarbeet

The results of the multiplication, processing and distribution activities for sugarbeet seed, as well as our seed potato business, are reported under the Sugarbeet Segment. Under the leadership of KWS SAAT AG, 17 (18) foreign subsidiaries and affiliated companies and two (two) subsidiaries in Germany are active in this segment.

Cereals

The lead company of this segment, which essentially concerns the production and distribution of hybrid rye, wheat and barley, as well as oil and field seed, is KWS LOCHOW GMBH with its eight (eight) foreign subsidiaries and affiliated companies in France, Great Britain, the U.S. and Poland.

Corporate

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

It also includes all management services of KWS SAAT AG, such as holding company and administrative functions, 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 net sales from third parties (external sales) and net sales between the segments (intersegment sales). The prices for intersegment sales are determined on an arm's-length basis. Uniform royalty rates per segment for breeding genetics are used as the basis. Technology revenues from genetically modified properties ("tech fees") are paid as a per-unit royalty on the basis of the number of units sold, due to their growing competitive importance.KWS is not dependent on any one external customer.

	Segme	nt sales	Interna	al sales	External sales		
in € thousand	2013/2014	Previous year	2013/2014	Previous year	2013/2014	Previous year	
Corn	714,968	701,743	46	35	714,922	701,708	
Sugarbeet	351,488	329,288	439	713	351,049	328,575	
Cereals	108,435	113,482	1,095	1,828	107,340	111,654	
Corporate	15,012	14,873	10,316	9,575	4,696	5,298	
KWS Group	1,189,903	1,159,386	11,896	12,151	1,178,007	1,147,235	

The Corporate Segment generates 68.7% (64.4%) of its sales from the other segments. The sales of this segment represents 0.4% (0.5%) of the Group's external sales.

The corn segment is the largest contributor of external sales, accounting for 60.7% (61.2%) of external sales, followed by sugarbeet with 29.8% (28.6%) and cereals with 9.1% (9.7%).

External sales by region

in € thousand	2013/2014	Previous year
Germany	225,399	223,384
Europe (excluding Germany)	447,171	433,524
thereof: France	(105,310)	(102,987)
North and South America	448,120	435,787
thereof: Brazil	(52,841)	(36,904)
thereof: USA	(363,438)	(366,417)
Rest of world	57,317	54,540
KWS Group	1,178,007	1,147,235

The external net sales are broken down by sales region on the basis of the country where the customer is based. 57.1% (57.3%) of total sales are recorded in Europe (including Germany).

	Segment	earnings	amorti		Other noncash items		
in € thousand	2013/2014	Previous year ¹	2013/2014	Previous year	2013/2014	Previous year	
Corn	100,859	92,150	16,555	14,978	689	9,885	
Sugarbeet	70,172	73,939	16,159	11,740	7,036	6,818	
Cereals	17,125	26,917	4,351	3,928	-3,238	1,284	
Corporate	-49,724	-40,878	8,727	7,802	-16,110	-7,283	
KWS Group	138,432	152,128	45,792	38,448	-11,623	10,704	

1 adjusted pursuant to IAS 19 (2011)

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

Depreciation and amortization charges of €45,792 thousand (€38,448 thousand) allocated to the segments relate exclusively to intangible assets and property, plant, and equipment.

Depreciation and

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

	Operatin	g assets	Operating liabilities		
in € thousand	2013/2014	Previous year ¹	2013/2014	Previous year ¹	
Corn	546,753	484,560	151,664	161,274	
Sugarbeet	260,088	253,973	74,992	67,017	
Cereals	74,280	64,910	17,749	20,165	
Corporate	95,193	90,365	67,633	58,529	
Total segments	976,314	893,808	312,038	306,985	
Others	286,515	324,875	313,012	262,053	
KWS Group	1,262,829	1,218,683	625,050	569,038	

¹ adjusted pursuant to IAS 19 (2011)

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

The operating liabilities attributable to the segments include the borrowings reported on the balance sheet, less provisions for taxes and the portion of other liabilities that cannot be charged directly to the segments or indirectly allocated to them by means of an appropriate formula.

Capital expenditure on assets was increased year on year by 36.5% to €81,165 thousand (€59,449 thousand). Investments were intensified considerably in the Corn Segment (€42,029 thousand; previous year: €23,626 thousand) and the Corporate Segment (€13,840 thousand; previous year: €6,082 thousand), while they were slightly below the level of the previous year in the Sugarbeet Segment (€18,535 thousand; previous year: €22,408 thousand) and at the Cereals Segment (€6,761 thousand; previous year: €7,333 thousand). 35.0% (37.3%) of the capital spending was made in North and South America. 33.7% (28.0%) was made in Europe (excluding Germany) and 28.8% (26.8%) in Germany.

Investments in long-term assets by segment

in € thousand	2013/2014	Previous year
Corn	42,029	23,626
Sugarbeet	18,535	22,408
Cereals	6,761	7,333
Corporate	13,840	6,082
KWS Group	81,165	59,449

Investments in long-term assets by region

in € thousand	2013/2014	Previous year
Germany	23,394	15,933
Europe (excluding Germany)	27,381	16,637
North and South America	28,377	22,174
Rest of world	2,013	4,705
KWS Group	81,165	59,449

Operating assets by region

in € thousand	2013/2014	Previous year¹
Germany	251,641	253,020
Europe (excluding Germany)	289,625	260,911
thereof: France	(53,314)	(41,612)
North and South America	402,648	352,040
thereof: Brazil	(95,492)	(81,649)
thereof: USA	(274,332)	(237,801)
Rest of world	32,400	27,837
KWS Group	976,314	893,808

¹ adjusted pursuant to IAS 19 (2011)

4. Notes to the balance sheet

(1) Assets

The statement of changes in fixed assets contains a breakdown of assets summarized in the balance sheet and shows how they changed in fiscal 2013/2014. Capital expenditure on assets was €82,603 thousand (€65,195 thousand). The Management Report describes the significant additions to assets. Depreciation and amortization amounted to €45,792 thousand (€38,448 thousand).

(2) Intangible assets

This item includes purchased varieties, rights to varieties and distribution rights, software licenses for electronic data processing, and goodwill. The additions of $\in 8,456$ thousand ($\in 4,406$ thousand) related to software licenses and patents to an amount of $\in 7,957$ thousand ($\in 4,406$ thousand). Amortization of intangible assets amounted to $\in 15,093$ thousand ($\in 11,674$ thousand), of which $\in 6,286$ thousand ($\in 2,420$ thousand) were value impairments. This charge is included in the relevant functional costs and the other operating expenses, depending on the operational use of the intangible assets.

The capitalized goodwill relates mainly to the Brazilian companies RIBER KWS SEMENTES S.A. − €21,686 thousand (€21,686 thousand) – and KWS MELHORAMENTO E SEMENTES LTDA. − €4,115 thousand (€4,115 thousand) – and the joint ventures

AGRELIANT GENETICS LLC. – €17,655 thousand (€17,584 thousand) and GENECTIVE S.A. – €4,888 thousand (€0 thousand) – in the Corn Segment. In the previous year the goodwill for GENECTIVE S.A. was measured at equity. In the Cereals Segment, the goodwill of KWS UK LTD. is recognized to the same amount, namely €1,693 thousand (€1,693 thousand).

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

to the development of market shares and the regulatory framework. Company-internal projections take the assumptions of industry-specific market analyses and company-related growth perspectives into account.

A standard discount rate of 5.1% (5.3%) 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. The impairment test for KWS POTATO B.V. revealed the need for a write-down, which was reflected by the capitalized goodwill and intangible assets being reduced by $\{6,286\}$ thousand. This value impairment has to be charged to the Sugarbeet Segment. Tests provided evidence that all the other goodwill recognized in the consolidated balance sheet and determined for the cash-generating units is not impaired. Possible changes in the figures reported in the balance sheet result from currency translation at the balance sheet date.

Sensitivity analyses were carried out in the fiscal year for all cash-generating units to which goodwill is allocated. In our opinion, realistic changes in the basic assumptions would not result in the need to recognize an impairment loss at any cash-generating unit whose goodwill is significant relative to the total carrying amount of goodwill.

(3) Property, plant, and equipment

Capital expenditure amounted to €72,709 thousand (€55,043 thousand) and depreciation amounted to €30,699 thousand (€26,774 thousand). The latter includes value impairments of €587 thousand (€0 thousand) due to a shorter service life for buildings: they were charged to the Corporate Segment. The Management Report describes the significant capital expenditure.

Notes for the KWS Group 2013/2014

4. Notes to the balance sheet

(4) Financial assets

Investments in non-consolidated subsidiaries and associated companies and shares in cooperatives and GmbHs that are of minor significance, are reported in principle at their amortized cost totaling €707 thousand (€5,807 thousand) since the fair value cannot be reliably determined. The change from the previous year is primarily due to the fact that our joint venture GENECTIVE S.A. has been proportionately consolidated for the first time. Listed shares are carried at fair value of €88 thousand (€141 thousand). This account also includes other interest-bearing loans totaling €572 thousand (€118 thousand).

(5) Noncurrent tax assets

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

(6) Deferred tax assets

Under IAS 12, deferred tax assets are calculated as the difference between the IFRS balance sheet amount and the tax base and on the basis of loss carryforwards. They are reported on a gross basis and total €48,056 thousand (€44,949 thousand), of which €5,210 thousand (€2,887 thousand) will be carried forward for the future use of tax losses.

(7) Inventories and biological assets

in € thousand	06/30/2014	Previous year
Raw materials and consumables	18,690	15,961
Work in progress	48,984	47,124
Immature biological assets	12,568	11,316
Finished goods	112,746	70,051
Total	192,988	144,452

Notes for the KWS Group 2013/2014 4. Notes to the balance sheet

Notes 89

Inventories increased by €48,536 thousand, or 33.6%, net of impairment losses totaling €55,703 thousand (€53,556 thousand). Immature biological assets relate to living plants in the process of growing (before harvest). The field inventories of the previous year have been harvested in full and the fields have been newly tilled in the

year under review. Public subsidies of €1,455 thousand (€1,528 thousand), for which all requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,326 (4,434) ha and were recognized in income. Future subsidies depend on the further development of European agricultural policy.

(8) Current receivables

in € thousand	06/30/2014	Previous year
Trade receivables	361,576	359,867
Current tax assets	45,609	24,385
Other current financial assets	15,881	26,587
Other current assets	15,033	13,535
Total	438,099	424,374

Trade receivables were €361,576 thousand following €359,867 thousand in the previous year. This amount includes €2,852 thousand (€2,618 thousand) in receivables from related parties.

	Carrying amount	Of which: neither written down nor overdue on the balance sheet date	Of v baland	Of which: written down and not overdue on the balance sheet date			
in € thousand			1-90 days	91-180 days	181-360 days	> 360 days	
06/30/2014							
Trade receivables	361,576	329,136	18,916	1,540	3,459	1,257	4,209
Other current financial assets	15,881	15,278	0	0	1	215	289
Other current assets	10,116	10,116	0	0	0	0	0
	387,573	354,530	18,916	1,540	3,460	1,472	4,498
Previous year							
Trade receivables	359,867	311,686	29,405	3,987	2,251	1,435	6,260
Other current financial assets	26,587	26,148	0	0	0	0	343
Other current assets	7,955	7,955	0	0	0	0	0
	394,409	345,789	29,405	3,987	2,251	1,435	6,603

The already overdue trade receivables that have been partly written down amount to \in 3,060 thousand (\in 4,843 thousand).

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

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

in € thousand	07/01	Addition	Disposal	Reversal	06/30
2013/2014	28,642	8,608	2,993	5,561	28,696
2012/2013	29,098	7,865	1,779	6,542	28,642

The receivables include an amount of €796 thousand (€345 thousand) due after more than one year.

(9) Securities

Securities amounting to €76,712 thousand (€100,878 thousand) relate primarily to short-term liabilities securities and fund shares.

(10) Cash and cash equivalents

Cash of €78,261 thousand (€101,517 thousand) consists of balances with banks and cash on hand. The cash flow statement explains the change in this item compared with the previous year, together with the change in securities.

(11) Equity

The fully paid-up subscribed capital of KWS SAAT AG is still €19,800,000.00. The no-par bearer shares are certificated by a global certificate for 6,600,000 shares. The company does not hold any shares of its own.

The capital reserves essentially comprise the premium obtained as part of share issues.

The net retained profit, the differences from currency translation and the reserve for available-for-sale financial assets, as well as the reserve for revaluation of net liabilities/assets from defined benefit plans, are grouped in the item "Retained earnings" in the consolidated balance sheet. The revenue reserves essentially comprise the net income generated in the past by the companies included in the consolidated financial statements, minus dividends paid to shareholders. Differences from translation of the functional currency of foreign business operations into the currency used by the group in reporting (euro) are essentially carried in the item "Adjustments from currency translation". The item "Revaluation of net liabilities/assets from defined benefit plans" includes the actuarial gains and losses from pensions and other employee benefits.

Equity (including minority interest) fell by €11,866 thousand to €637,779 thousand (€649,645 thousand). For details, see the statement of changes in equity.

4. Notes to the balance sheet

The tax effects on other comprehensive income are as follows:

Other comprehensive income

	2013/2014			2012/2013		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Items to be reclassified as profit or loss in subsequent periods	-19,407	48	-19,359	-13,375	-17	-13,392
Revaluation of available-for-sale financial assets	-209	48	-161	103	-17	86
Currency translation difference for economically independent foreign units	-19,198	0	-19,198	-13,478	0	-13,478
Items to be reclassified as profit or loss in subsequent periods	-8,232	2,354	-5,878	-2,337	520	-1,817
Revaluation of net liabilities/assets from defined benefit plans	-8,232	2,354	-5,878	-2,337	520	-1,817
Other comprehensive income	-27,639	2,402	-25,237	-15,712	503	-15,209

KWS' long-term capital base reflects the company's strategy and accords with the interests of shareholders, employees and other stakeholders. The dividend distributed is therefore geared to the earnings strength of the KWS Group in order to ensure adequate internal financing of further business expansion in the long term. Consolidated income for fiscal 2013/2014 (after taxes and minority interests) is €77,124 thousand (€88,901 thousand). It was reduced by the dividend payout of €19,800 thousand (€18,480 thousand) in December 2013 and effects

not recognized in the income statement, such as from currency translation. As a result, equity fell year on year by €11,866 thousand (previous year: an increase of €63,649 thousand) and the equity ratio to 50.5% compared with 53.3% the previous year.

Noncurrent liabilities increased by €24,838 thousand. That is mainly attributable to the increase in long-term financial borrowings from banks totaling €15,294 thousand.

(12) Noncurrent liabilities

in € thousand	06/30/2014	Previous year ¹
Long-term provisions	99,634	90,389
Long-term borrowings	113,754	98,460
Trade payables	1,470	1,697
Deferred tax liabilities	26,332	29,695
Other long-term liabilities	12,964	9,075
Total	254,154	229,316

¹ adjusted pursuant to IAS 19 (2011)

Notes 91

Notes for the KWS Group 2013/2014 4. Notes to the balance sheet

The trade payables and other long-term liabilities are due for payment in between one and five (one and five) years.

Long-term provisions

	07/01/20131	Changes in the con- solidated group, currency	Addition	Consump-	Reversal	06/30/2014
Pension provisions	81,549	-473	13,183	4,388	0	89,871
Tax provisions	1,533	106	1,452	1,073	0	2,018
Other provisions	7,307	-116	1,752	1,190	8	7,745
Total	90,389	-483	16,387	6,651	8	99,634

¹ adjusted pursuant to IAS 19 (2011)

The pension provisions are based on defined benefit obligations, determined by years of service and pensionable compensation. They are measured using the project unit credit method under IAS 19 (2011), on the basis of assumptions about future development. The assumptions in detail are that wages and salaries in Germany will increase by 3.00% (3.00%) annually and abroad by 3.75% (3.75%) annually. An annual increase in pensions of 2.00% (2.00%) is assumed. The discount rate in Germany was 2.90% compared with 3.50% the year before and averaged 4.40% abroad following 4.85% the previous year.

The following mortality tables were used at June 30, 2014:

- In Germany: The 2005 G mortality table of Klaus Heubeck
- Abroad: RP-2000 Mortality Table Scale AA

A retirement age of 63 years is imputed in Germany, while a retirement age of 65 years is imputed in the U.S.

Nature and scope of the pension benefits

In Germany

The following benefits are provided under a company agreement relating to the company retirement pension program:

- An old-age pension at the age of 65
- An early retirement pension before the age of 65, coupled with benefits from the early retirement pension from the statutory pension insurance program
- An invalidity pension for persons who suffer from occupational disability or incapacity to work as defined by the statutory pension insurance program, and
- A widow's or widower's pension

For benefit obligations backed by a guarantee by an insurance company toward three former members of the Executive Board, the planned assets of €9,275 thousand (€9,058 thousand) correspond to the present value of the obligation. In accordance with IAS 19 (2011), the pension provisions are netted off against the corresponding assets (planned assets).

Abroad

The defined benefit obligations abroad mainly relate to pension commitments in the U.S. For the most part, stock funds and bonds were invested in to cover them. All employees who have reached the age of 21 are entitled to benefits. In addition, each employee must have worked at least one year and at least 1,000 working hours to earn an entitlement.

The following benefits are granted from the pension plan:

- An old-age pension at the age of 65
- An early retirement pension before the age of 65 to be eligible, the employee must be at least 55 and the minimum vesting period must be 5 years
- A pro-rata pension if the employee reaches the minimum vesting period of 5 years, but is below 55

The pension plans are largely subject to the following risks:

Investment and return

The present value of the defined benefit obligation from the pension plan is calculated using a discount rate defined on the basis of the returns on high-quality fixed-income corporate bonds. If the income from the planned assets is below this rate of interest, the result is a shortfall in the plan. An external fund manager selects the corporate bonds and stock funds to ensure risk diversification and manages them.

4. Notes to the balance sheet

Change in interest rates

The fall in the returns on corporate bonds and thus the discount rate will result in an increase in obligations, which is only partly compensated for by a change in the value of the planned assets.

Life expectancy

The present value of the defined benefit obligation from the plan is calculated on the basis of the best-possible estimate using mortality tables. An increase in the life expectancy of the entitled employees results in an increase in the plan liabilities.

Wage increases

The present value of the defined benefit obligation from the plan is calculated on the basis of future salaries. Consequently, increases in the salary of the entitled employees results in an increase in the plan liabilities.

In previous years, KWS countered the usual risks of direct obligations by converting the pension obligations from defined benefit to defined contribution plans. As a result, subsequent benefits will be provided by a provident fund backed by a guarantee. The existing obligations, which are partly covered by planned assets, are funded from the operating cash flow and are subject to the familiar measurement risks.

The tables below show the changes in the accrued benefit and planned assets:

Changes in accrued benefit entitlements

		2013/2014		2012/20131		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on July 1	88,122	11,985	100,107	84,144	12,253	96,397
Service cost	647	1,418	2,065	696	706	1,402
Interest expense	3,003	528	3,531	3,111	474	3,585
Actuarial gains (-) / losses (+)	8,691	1,218	9,909	4,681	-741	3,940
of which due to a change in financial assumptions used for calculation	7,712	1,058	8,770	3,550	-1,100	2,450
of which due to experience adjustments	979	160	1,139	1,131	359	1,490
Pension payments made	-4,521	-837	-5,358	-4,510	-692	-5,202
Exchange rate changes	,	18	18		-13	-13
Other changes in value		-428	-428		-2	-2
Accrued benefit entitlements from retirement obligations on June 30	95,942	13,902	109,844	88,122	11,985	100,107

¹ adjusted pursuant to IAS 19 (2011)

Change in planned assets

		2013/2014	2013/2014		2012/20131		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total	
Fair value of the planned assets on July 1	9,058	9,500	18,558	8,599	8,689	17,288	
Interest income	307	450	757	316	364	680	
Income from planned assets excluding amounts already recognized as interest income	490	1,136	1,626	702	831	1,533	
Pension payments made	-580	-388	-968	-559	-385	-944	
Exchange rate changes	0	0	0	0	1	1	
Fair value of the planned assets on June 30	9,275	10,698	19,973	9,058	9,500	18,558	

¹ adjusted pursuant to IAS 19 (2011)

In order to allow reconciliation with the figures in the balance sheet, the accrued benefit must be netted off with the planned assets.

Reconciliation with the balance sheet values for pensions

	2013/2014			2012/20131		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on June 30	95,942	13,902	109,844	88,122	11,985	100,107
Fair value of the planned assets on June 30	9,275	10,698	19,973	9,058	9,500	18,558
Balance sheet values on June 30	86,667	3,204	89,871	79,064	2,485	81,549
of which pension provisions	95,942	13,902	109,844	88,122	11,985	100,107
of which planned assets	9,275	10,698	19,973	9,058	9,500	18,558

¹ adjusted pursuant to IAS 19 (2011)

The following amounts were recognized in the statement of comprehensive income:

Effects on statement of comprehensive

	2013/2014			2012/20131		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total
Service cost	647	1,418	2,065	696	706	1,402
Net interest expense (+)/income (-)	2,697	77	2,774	2,795	110	2,904
Amounts recognized in the income statement	3,344	1,495	4,839	3,491	815	4,306
Gains (-)/losses (+) from revaluation of the planned assets (excluding amounts already recognized as interest income)	-490	-1,136	-1,626	-702	-831	-1,533
Actuarial gains (-)/losses (+) due to a change in financial assumptions used for calculation	7,712	1,007	8,719	3,550	-1,170	2,380
Actuarial gains (-)/losses (+) due to experience adjustments	979	160	1,139	1,131	359	1,490
Amounts recognized in other comprehensive income	8,201	31	8,232	3,979	-1,642	2,337
Total (amounts recognized in the statement of comprehensive income)	11,545	1,526	13,071	7,470	-827	6,643
1 adjusted as respect to IAC 10 (2011)						

¹ adjusted pursuant to IAS 19 (2011)

The service cost is allocated by means of an appropriate formula and recognized in operating income in the respective functional areas. Net interest expenses and income are carried in the interest result.

4. Notes to the balance sheet

Notes for the KWS Group 2013/2014
4. Notes to the balance sheet

The fair value of the planned assets was split over the following investment categories:

Breakdown of the planned assets by investment category

		2013/2014			2012/20131		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total	
Corporate bonds		3,043	3,043		2,749	2,749	
Equity funds	, , , , , , , , , , , , , , , , , , , ,	7,173	7,173		6,199	6,199	
Consumer industry		1,722	•	F	1,513		
Finance	, , , , , , , , , , , , , , , , , , , ,	889		,	893		
Industry		746	•	, p	682		
Technology		1,169		,	899		
Healthcare	, , , , , , , , , , , , , , , , , , , ,	1,040	•	,	769		
Other	, , , , , , , , , , , , , , , , , , , ,	1,607	,	,	1,443		
Cash and cash equivalents	, , , , , , , , , , , , , , , , , , , ,	482	482		552	552	
Reinsurance policies	9,275		9,275	9,058	,	9,058	
Planned assets on June 30	9,275	10,698	19,973	9,058	9,500	18,558	

1 adjusted pursuant to IAS 19 (2011)

The planned assets abroad relate solely to the U.S.

There is no active market for the reinsurance policies in Germany. There is an active market for the other planned assets: the fair value can be derived from their stock market prices. 83.8% (previous year: 82.0%) of the corporate bonds and the cash and cash equivalents have a AAA rating.

The following sensitivity analysis at June 30, 2014, shows how the present value of the obligation would change given a change in the actuarial assumptions. No correlations between the individual assumptions were taken into account in this, i.e. if an assumption varies, the other assumptions were kept constant. The pro-

jected unit credit method used to calculate the balance sheet values was also used in the sensitivity analysis.

Sensitivity analysis

	Effect on obligation					
in € thousand	Change in assumption	Decrease	Increase			
Discount rate	+/- 100 base points	17,602	-13,852			
Anticipated annual pay increases	+/- 50 base points	-508	533			
Anticipated annual pension increase	+/- 25 base points	-2,471	2,578			
Life expectancy	+/- 1 year	-3,006	3,067			

The following undiscounted payments for pensions (with their due dates) are expected in the following years:

Anticipated payments for pensions

	2013/2014						
in € thousand	Germany	Abroad	Total				
2014/2015	4,784	408	5,192				
2015/2016	4,681	419	5,100				
2016/2017	4,595	436	5,031				
2017/2018	4,577	488	5,065				
2018/2019	4,566	539	5,105				
2019/2020 – 2023/2024	23,260	3,224	26,484				

The weighted average time at which the pension obligations are due is 14.9 years in Germany and 15.5 years abroad.

Apart from the above-described pension obligations, there are other old-age pension systems. However, no provisions have to be set up for them, since there are no further obligations above and beyond payment of the contributions (defined contribution plans). These comprise benefits that are funded solely by the employer and allowances for conversion of earnings by employees.

The total pension costs for fiscal 2013/2014 were as follows:

Pension costs

		2013/2014		2012/20131		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total
Cost for defined contribution plans	1,728	2,026	3,754	1,480	2,350	3,830
Service cost for the defined benefit obligations	647	1,418	2,065	696	706	1,402
Pension costs	2,375	3,444	5,819	2,176	3,056	5,232

1 adjusted pursuant to IAS 19 (2011)

In addition, contributions of €11,676 thousand (previous year: €10,200 thousand) were paid to statutory pension insurance institutions.

The costs for defined contribution plans mainly related to the provident fund backed by a guarantee. The contributions to this pension program were €1,330 thousand (€1,099 thousand). The return and income from the planned assets depend on the reinsurance policy, which yields guaranteed interest of between 1.75% and 2.25%. In addition, the benefit obligation from salary conversion was backed by a guarantee that exactly matches

the present value of the obligation of $\in 3,724$ thousand ($\in 3,641$ thousand) (defined contribution plan).

The long-term financial borrowings include loans from banks amounting to €79,056 thousand (€64,834 thousand). They 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 €26,332 thousand (€29,695 thousand). The composition of the deferred tax liabilities is explained in more detail under (22) Taxes.

(13) Current liabilities

in € thousand	06/30/2014	Previous year
Short-term provisions	131,841	131,350
Current liabilities to banks	41,905	26,975
Current liabilities to affiliates	301	292
Other current financial liabilities	11,151	5,992
Short-term borrowings	53,357	33,259
Trade payables to affiliates	0	7
Other trade payables	81,111	82,739
Trade payables	81,111	82,746
Tax liabilities	35,467	31,929
Other current financial liabilities	12,191	11,833
Other liabilities	56,929	48,605

Short-term provisions

in € thousand	07/01/2013	Changes in the consoli- dated group, currency	Addition	Consumption	Reversal	06/30/2014
Obligations from sales transaction	107,615	-4,110	103,407	96,028	8,673	102,211
Obligations from purchase transaction	16,859	-128	17,305	10,990	6,882	16,164
Other obligations	6,876	-744	11,062	3,653	75	13,466
	131,350	-4,982	131,774	110,671	15,630	131,841

The tax liabilities of €35,467 thousand (€31,929 thousand) include amounts for the year under review and the period not yet concluded by the external tax audit.

(14) Derivative financial instruments

		06/30/2014			06/30/2013	
in € thousand	Nominal volume	Carrying amounts	Market values	Nominal volume	Carrying amounts	Market values
Currency hedges	52,873	272	272	58,124	-207	-207
Interest-rate hedges	54,500	26	26	55,100	73	73
Commodity hedges	13,280	0	0	19,828	0	0
Total	120,653	298	298	133,052	-134	-134

Of the currency hedges, €4,408 thousand (€11,041 thou- the liability, after taking into account transaction costs, is sand) have remaining maturities of between one and five years. Of the interest-rate derivatives, hedges with a nominal volume of €39,500 thousand (€600 thousand) will mature within one year and hedges with a nominal value of €15,000 thousand (€15,000 thousand) will mature in more than five years. The commodity hedges have remaining maturities of less than one (one) year.

(15) Financial instruments

In general, the fair values of financial assets and liabilities are calculated on the basis of the market data available on the balance sheet date and are assigned to one of the three hierarchy levels in accordance with IFRS 13. The principal market, i.e. the market with the largest volume of trading and the greatest business activity, is used to calculate the fair value. If this market does not exist for the asset or liabilities in question, the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer

used. These are active and accessible markets for identical assets and liabilities, where the fair value results from quoted prices that are observable (level 1 input factors). At the KWS Group, this relates to securities in the category "available-for-sale financial assets," as well as fund shares at banks and other financial assets whose price is likewise quoted in active markets.

The level 2 input factors relate to derivative financial instruments that are not designated hedging instruments and have been concluded between KWS companies and banks. The prices can thus be derived indirectly from active market prices for similar assets and liabilities. The level 3 input factors cannot be derived from observable market information.

The carrying amounts and fair values of the financial assets (financial instruments), split into the measurement categories in accordance with IAS 39, are as follows:

06/30/2014		Financial instruments ir values Carrying amounts					
	Fair values						
in € thousand		Loans and receivables	Financial assets held for trading	Available- for-sale financial assets	Total carrying amount		
Financial assets							
Financial assets	2,774	0	0	2,774	2,774		
Trade receivables	361,576	361,576	0	0	361,576		
Securities	76,712	0	0	76,712	76,712		
Cash and cash equivalents	78,261	78,261	0	0	78,261		
Other current financial assets	15,881	15,002	879	0	15,881		
of which derivative financial instruments	(879)	(0)	(879)	(0)	(879)		
Total	535,204	454,839	879	79,486	535,204		

Previous year ¹	Financial instruments						
in € thousand	Fair values		Carrying a	mounts			
		Loans and receivables	Financial assets held for trading	Available- for-sale financial assets	Total carrying amount		
Financial assets							
Financial assets	7,305	0	0	7,305	7,305		
Trade receivables	359,867	359,867	0	0	359,867		
Securities	100,878	0	0	100,878	100,878		
Cash and cash equivalents	101,517	101,517	0	0	101,517		
Other current financial assets	26,587	25,775	812	0	26,587		
of which derivative financial instruments	(812)	(O)	(812)	(O)	(812)		
Total	596,154	487,159	812	108,183	596,154		

¹ adjusted pursuant to IAS 19 (2011)

The fair value of financial assets (equity instruments) measured at amortized costs cannot be reliably determined because there are no active markets. These assets relate to shares in unconsolidated subsidiaries and associated companies. It is assumed that the carrying amounts are the same as the fair values. In addition, the financial assets include securities classified as noncurrent assets, whose fair value is measured by their prices on the stock market (level 1).

The fair value of trade receivables, other current financial assets and cash and cash equivalents is the same as the carrying amounts as a result of the short time in which these instruments are due.

The fair values of securities classified as current assets are based on the price for them quoted on active markets (level 1). The fair value of derivative financial instruments is the present values of the payments related to these balance sheet items. These instruments are mainly forward exchange deals. They are measured on the basis of quoted exchange rates and yield curves available from market data and allowing for counterparty risks (level 2).

The carrying amounts and fair values of the financial liabilities (financial instruments), split into the measurement categories in accordance with IAS 39, are as follows:

06/30/2014	Financial instruments							
	Fair values		Carrying amounts					
in € thousand		Financial liabilities measured at amortized cost	Financial liabilities held for trading	Disclosure in acc. with IFRS 7	Total carrying amount			
Financial liabilities								
Long-term borrowings	113,754	79,056	0	34,698	113,754			
of which outstanding purchase price obligations for consolidated subsidiaries	(34,698)	(O)	(O)	(34,698)	(34,698)			
Long-term trade payables	1,470	1,470	0	0	1,470			
Short-term borrowings	53,357	53,357	0	0	53,357			
Short-term trade payables	81,111	81,111	0	0	81,111			
Other current financial liabilities	12,191	11,610	581	0	12,191			
of which derivative financial instruments	(581)	(0)	(581)	(0)	(581)			
Total	261,883	226,604	581	34,698	261,883			

Previous year	Financial instruments							
	Fair values							
in € thousand		Financial liabilities measured at amortized cost	Financial liabilities held for trading	Disclosure in acc. with IFRS 7	Total carrying amount			
Financial liabilities								
Long-term borrowings	98,460	66,199	0	32,261	98,460			
of which outstanding purchase price obligations for consolidated subsidiaries	(32,261)	(0)	(0)	(32,261)	(32,261)			
Long-term trade payables	1,697	1,697	0	0	1,697			
Short-term borrowings	33,259	33,259	0	0	33,259			
Short-term trade payables	82,746	82,746	0	0	82,746			
Other current financial liabilities	11,833	10,887	946	0	11,833			
of which derivative financial instruments	(946)	(O)	(946)	(O)	(946)			
Total	227,995	194,788	946	32,261	227,995			

Financial liabilities are measured at amortized cost and using the effective interest method in accordance with when they are due. The carrying amount is approximately the market value, since the financial liabilities have a variable rate of interest on them. The fixed interest rate loans have a rate of interest approximately that of the market rate.

The outstanding purchase price obligation for consolidated subsidiaries must be carried at the present value of the anticipated future purchase price payments for minority interests. This is derived from the anticipated operating income of the subsidiary and a risk-adjusted discount rate (level 3).

4. Notes to the balance sheet

Due to the mainly short times in which trade payables are due, it is assumed that their carrying amounts are equal to the fair value.

The method of calculating the fair values of derivative financial instruments is presented above under the comments on financial assets.

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

The table below shows the financial assets and liabilities measured at fair value:

	06/30/2014				Previous year			
in € thousand	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative financial instruments not part of a hedge under IAS 39	0	879	0	879	0	812	0	812
Available-for-sale financial assets	79,011	0	0	79,011	101,864	0	0	101,864
Financial assets	79,011	879	0	79,890	101,864	812	0	102,677
Derivative financial instruments not part of a hedge under IAS 39	0	581	0	581	0	946	0	946
Financial liabilities	0	581	0	581	0	946	0	946

The derivative financial instruments mainly consists of forward exchange deals, whose fair value is derived from the forward exchange rates and the use of option pricing models (level 2).

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

in € thousand	06/30/2014	Previous year
Available-for-sale financial assets	125	123
Financial assets held for trading	81	-250
Loans and receivables	-658	-335
Financial liabilities measured at amortized cost	-10,729	-11,879
Financial liabilities held for trading	985	-2,655

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

The net gains from financial assets held for trading and financial liabilities held for trading mainly comprise changes in the market value of derivative financial instruments.

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

Liquidity is managed in the euro zone by the central Treasury unit using a cash pooling system. Liquidity requirements are determined by means of cash planning and are covered by cash and promised credit lines. There is a credit line of €200 million under a syndicated loan, which was extended by a further year and runs until November 2018.

The table below shows the KWS Group's liquidity analysis for non-derivative and derivative financial liabilities. The table is based on contractually agreed, undiscounted payment flows:

Notes for the KWS Group 2013/2014 4. Notes to the balance sheet

in € thousand	Book value	Le Cash flows			
Liquidity analysis of financial liabilities	06/30/2014	06/30/2014 Total	Due in < 1 year	Due in > 1 year and < 5 years	Due in > 5 years
Financial liabilities	167,111	185,894	60,611	125,090	193
Trade payables	82,581	82,581	81,111	1,470	
Other financial liabilities	11,610	11,610	11,610		
Non-derivative financial liabilities	261,302	280,085	153,332	126,560	193
Payment claim		22,531	22,531		
Payment obligation		23,221	23,221		
Derivative financial liabilities	581	690	690		

The cash flows of the derivative financial liabilities mainly relate to forward exchange deals and include both interest payments and redemption payments. These derivative financial instruments are settled in gross.

Interest income from financial assets that are not measured at fair value and recognized in the income statement was €1,777 thousand (€1,552 thousand). Interest expenses for financial borrowings were €10,729 thousand (€11,879 thousand).

In order to assess the risk of exchange rate changes, the sensitivity of a currency to fluctuations was determined. After the euro, the US dollar is the most important currency in the KWS Group. All other currencies are of minor importance. The average exchange rate in the fiscal year was 1.36 (1.30) USD/€. If the US dollar depreciated by 10%, the financial instruments would have a value of €144 thousand (€184 thousand). If the US dollar appreciated by 10%, the financial instruments would have a value of €176 thousand (€225 thousand). The net income for the year and equity would change accordingly.

In order to assess the risk of interest rate changes, the sensitivity of interest rates to fluctuations was determined. The average rate of interest in the fiscal year was 0.26% (0.29%). An increase in the rate of interest of 1 percentage point would add a further €0.2 million

to the interest result (previous year: reduction of $\in 0.5$ million); equity would improve by $\in 0.1$ million (previous year: a drop of $\in 0.3$ million). A reduction in the rate of interest to 0 percentage points would add a further $\in 1.3$ million ($\in 1.3$ million) to the interest result. Equity would increase by $\in 0.8$ million ($\in 0.9$ million) in the event of such a change in the rate of interest.

In order to assess the risk of changes in commodity prices, the sensitivity of commodity prices to fluctuations was determined. A 10% increase in commodity prices would increase the cost of sales by around €1.3 million (€2.0 million); a decrease would reduce it by around €1.3 million (€2.0 million).

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

(16) Contingent liabilities

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

(17) Other financial obligations

There was a \in 10,159 thousand (\in 5,588 thousand) obligation from uncompleted capital expenditure projects. The increase is mainly the result of spending on new software licenses totaling \in 1.7 million.

Obligations under rental agreements and leases

in € thousand	06/30/2014	Previous year
Due within one year	14,854	13,968
Due between 1 and 5 years	19,354	17,439
Due after 5 years	7,124	3,576
	41,332	34,983

The leases relate primarily to full-service agreements for IT equipment and fleet vehicles, which also include services for which a total of €1,300 thousand (€2,139 thousand) was paid in the year under review. The main leasehold obligations relate to land under cultivation.

5. Notes to the income statement

Income statement of the KWS Group for the period July 1, 2013 through June 30, 2014

in € millions	2013/2014	% of sales	Previous year 1	% of sales
Net sales	1,178.0	100.0	1,147.2	100.0
Cost of sales	614.5	52.2	607.0	52.9
Gross profit on sales	563.5	47.8	540.2	47.1
Selling expenses	204.0	17.3	190.5	16.6
Research and development expenses	148.8	12.6	140.4	12.2
General and administrative expenses	76.8	6.5	69.0	6.0
Other operating income	60.7	5.2	61.9	5.4
Other operating expenses	56.2	4.8	50.1	4.4
Operating income	138.4	11.7	152.1	13.3
Net financial income/expenses	-12.5	-1.1	-10.3	-0.9
Result of ordinary activities	125.9	10.7	141.8	12.4
Taxes	45.6	3.9	49.5	4.3
Net income for the year	80.3	6.8	92.3	8.0
Shares of minority interest	3.2	0.3	3.4	0.3
Net income after minority interest	77.1	6.5	88.9	7.7

¹ adjusted pursuant to IAS 19 (2011)

(18) Net sales and function costs

By product category

in € thousand	2013/2014	Previous year
Certified seed sales	1,068,263	1,047,039
Royalties income	63,922	57,806
Basic seed sales	14,694	16,931
Services fee income	8,784	5,637
Other sales	22,344	19,822
	1,178,007	1,147,235

By region

		Previous
in € thousand	2013/2014	year
Germany	225,399	223,385
Europe	447,171	433,524
North and South America	448,120	435,787
Rest of world	57,317	54,539
	1,178,007	1,147,235

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 1.2% to €614,528 thousand (€607,027 thousand), or 52.2% (52.9%) of sales. The total cost of goods sold was €336,361 thousand (€351,442 thousand).

Allowances on inventories totaling €2,147 thousand more (previous year: €2,220 thousand more) were required. The allowances were lower by €275 thousand (€553 thousand) for the Cereals Segment, while they were higher by €514 thousand for the Sugarbeet Segment (previous year: lower by €150 thousand). Additional allowances totaling €1,908 thousand (€4,864 thousand) were required in the Corn Segment.

The €13,404 thousand increase in **selling expenses** to €203,952 thousand (€190,548 thousand) is attributable to the creation and expansion of distribution structures. This is 17.3% of net sales, up from 16.6% the year before.

Research and development is recognized as an expense in the year it is incurred; in the year under review, this amounted to €148,821 thousand (€140,371 thousand the year before). Development costs for new varieties are not recognized as an asset because evidence of future economic benefit can only be provided after the variety has been officially certified.

General and administrative expenses increased by €7,698 thousand to €76,741 thousand, representing 6.5% of sales, after 6.0% the year before.

(19) Other operating income

in € thousand	2013/2014	Previous year
Income from sales of fixed assets	416	836
Income from the reversal of provisions	15,638	10,763
Exchange rate gains and gains from currency and interest rate hedges	13,582	14,757
Income from reversal of allowances on receivables	5,561	6,542
Grants	5,548	6,204
Income relating to previous periods	6,466	6,773
Income from loss compensation received	191	580
Miscellaneous other operating income	13,270	15,488
	60,672	61,943

The other operating income mainly comprises foreign exchange gains and income from interest rate hedges, as well as income from the reversal of provisions and miscellaneous other operating income.

Notes for the KWS Group 2013/2014 5. Notes to the income statement

(20) Other operating expenses

in € thousand	2013/2014	Previous year
Legal form expenses	1,056	1,263
Allowances on receivables	8,216	7,865
Counterparty default	392	352
Exchange rate losses and losses on currency and interest rate hedges	22,289	16,428
Losses from sales of fixed assets	269	636
Expenses relating to previous periods	1,099	1,027
Expense from remeasurement of intangible assets	2,366	72
Other expenses	20,518	22,418
	56,205	50,061

In the year under review, allowances for receivables of €4,596 thousand (€3,414 thousand) were recognized as an expense at the Corn Segment, €3,504 thousand

(€4,400 thousand) at the Sugarbeet Segment, €52 thousand (€48 thousand) at the Cereals Segment and €64 thousand (€3 thousand) at the Corporate Segment.

(21) Net financial income/expenses

in € thousand	2013/2014	Previous year
Interest income	1,791	1,641
Interest expenses	11,515	8,227
Income from other financial assets	119	78
Write-down on securities	0	1
Interest expenses from pension provisions	2,774	2,904
Interest expense for other long-term provisions	179	948
Net interest expense	-12,558	-10,361
Net income from subsidiaries and joint ventures	0	38
Net income from participations	6	6
Net income from write-ups on subsidiaries, joint ventures and participations	1	1
Net income from equity investments	7	45
Net financial income/expenses	-12,551	-10,316

Net financial income/expenses fell by a total of €2,235 thousand to €-12,551 thousand as a result of higher interest expenses. Net interest expense was €-12,558 thousand compared with €-10,361 thousand the year before. Net income from equity investments likewise fell by €38 thousand to €7 thousand. The interest effects from pension provisions comprise interest expenses (compounding) and the planned income.

(22) Taxes

Income tax expense is computed as follows:

in € thousand	2013/2014	Previous year ¹
Income taxes, Germany	15,824	26,453
Income taxes, other countries	34,513	39,967
Current expenses from income taxes	50,337	66,420
Thereof from previous years	(-6,829)	(4,836)
Deferred taxes, Germany	-111	-6,231
Deferred taxes, other countries	-4,631	-11,513
Deferred tax income/expense	-4,742	-17,744
Reported income tax expense	45,595	49,528

¹ adjusted pursuant to IAS 19 (2011)

Adjusted for tax relating to previous periods, KWS pays tax in Germany at a rate of 29.1%. Corporate income tax of 15.0% (15.0%) and solidarity tax of 5.5% (5.5%) are applied uniformly to distributed and retained profits. In addition, municipal trade tax is payable on profits generated in Germany. Trade income tax is applied at a weighted average rate of 13.3% (13.3%), resulting in a total tax rate of 29.1% (29.1%).

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

€4,933 thousand (€6,123 thousand) at June 30, 2014. €1,190 thousand (€1,235 thousand) was recovered in the year under review and recognized directly in equity.

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

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

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

Deferred tax liabilities

Deferred taxes result from the following:

Deletted tax assets				Dei	ierreu tax iiabiiities	•
in € thousand	2013/2014	Previous year ¹	Change	2013/2014	Previous year ¹	Change
Intangible assets	12	5	7	9,431	12,754	-3,323
Property, plant and equipment	284	220	64	13,987	14,083	-96
Financial assets	1,529	2,479	-950	634	662	-28
Inventories	9,527	8,516	1,011	166	201	-35
Current assets	2,376	3,957	-1,581	1,200	428	772
Noncurrent liabilities	14,327	10,413	3,914	888	1,042	-154
Current liabilities	14,403	16,146	-1,743	16	521	-505
Tax loss carryforward	5,210	2,887	2,323	0	0	0
Other consolidation transactions	388	326	62	10	4	6
Deferred taxes recognized	48,056	44,949	3,107	26,332	29,695	-3,363

Deferred tay assets

¹ adjusted pursuant to IAS 19 (2011)

5. Notes to the income statement

The other comprehensive income includes exchange raterelated changes to the deferred taxes of €-674 thousand (€194 thousand), which were directly credited to equity, without recognition in profit or loss.

Tax loss carryforwards of €23,154 thousand (€5,359 thousand) were regarded as not being able to be utilized, with the result that no deferred tax assets were able to be recognized as an asset for them. The anticipated taxable profits projected in the medium-term plans of the com-

panies were used for this in principle; these plans, which cover a period of four years, have been approved by the Executive Board. They are based on historical patterns and expectations about future market development.

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

in € thousand	2013/2014	Previous year ¹
Earnings before income taxes	125,881	141,812
Expected income tax expense ²	36,631	41,267
Difference in income tax liability outside Germany	13,120	1,562
Tax portion for:		
Tax-free income	110	-517
Expenses not deductible for tax purposes	3,010	1,591
Temporary differences and losses for which no deferred taxes have been recognized	143	0
Tax credits	– 75	-279
Taxes relating to previous years	-6,829	4,836
Other tax effects	-515	1,068
Reported income tax expense	45,595	49,528
Effective tax rate	36.2%	34.9%

¹ adjusted pursuant to IAS 19 (2011) 2 Tax rate in Germany: 29.1%

This increase in the effective tax rate in the year under review was due to tax expenses from previous periods following field audits and strong income growth in coun-

tries with higher tax rates.

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

(23) Personnel costs/employees

in € thousand	2013/2014	Previous year ¹
Wages and salaries	180,255	167,433
Social security contributions, expenses for pension plans and benefits	45,552	42,502
,	225,807	209,935

¹ adjusted pursuant to IAS 19 (2011)

Personnel costs went up by €15,872 thousand to €225,807 thousand, an increase of 7.6%. The number of employees increased by 404 to 4,847 or by 9.1%.

Compensation increased by 7.7% from €167,433 thousand in the previous year to €180,255 thousand. Social security contributions, expenses for pension plans and benefits were €3,050 thousand higher than in the previous year.

Employees¹

in € thousand	2013/2014	Previous year
Germany	1,763	1,676
Rest of Europe (without Germany)	1,223	1,139
North and South America	1,711	1,505
Rest of world	150	123
Total	4,847	4,443

¹ Annual average

Of the above number, 700 (713) employees are included according to the percentage of equity held in the companies that employ them. 61 (59) of them were in Europe and 639 (654) in North and South America.1,401 (1,428) employees are employed by now eight (seven) proportionately consolidated investees. If these persons are included in full, the workforce total is 5,549 (5,158). The reported number of employees is greatly influenced by seasonal labor.

(24) Net income for the year

Net income for the year was reduced by net financial income/expenses of €-12,551 thousand (€-10,316 thousand) and a higher tax rate and fell by €11,998 thousand to €80,286 thousand, representing a return on sales of 6.8%, down from 8.0% in the previous year. Net income for the year after minority interest is €77,124 thousand. Earnings per share are thus €11.69 (€13.47).

The share of net income of minority interests also includes the shares that accrued to shareholders who have left the company up to the time they left.

6. Notes to the cash flow statement

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.

(1) Net cash from operating activities

The cash proceeds from operating activities are substantially determined by cash earnings. They were €110,400 thousand (€109,485 thousand), slightly higher than the previous year. The proportion of cash earnings included in sales was 9.4% (9.5%). Capital tie-up amounted to €49,382 thousand (€24,907 thousand), mainly due to an increase in assets not attributable to financing or investing activity. The cash proceeds from operating activities also include interest income of €1,648 thousand (€1,498 thousand) and dividend income of €6 thousand (€44 thousand) as well as interest expense of €7,779 thousand (€5,017 thousand). Income tax payments amounted to €68,023 thousand (€56,972 thousand).

(2) Net cash from investing activities

A net total of €75,421 thousand (€88,942 thousand) was required to finance investing activities. An amount of €74,992 thousand (€62,145 thousand) was paid for intangible and tangible assets and an amount of €1,901 thousand (€5,745 thousand) for financial assets. There were total cash receipts of €1,472 thousand (€1,918 thousand) for disposals of assets. €0 thousand (€22,970 thousand) was paid to acquire shares in consolidated companies.

(3) Net cash from financing activities

Financing activities resulted in cash payments of €31,523 thousand (previous year: cash proceeds of €27,222 thousand). The dividend payments to parent shareholders and other shareholders related to the dividends of €19,800 thousand (€18,480 thousand) paid to the shareholders of KWS SAAT AG, as well as profit distributions paid to other shareholders of and at fully consolidated subsidiaries of €1,328 thousand (€664 thousand) and the acquisition of the remaining shares of other shareholders in KWS LOCHOW GMBH. In addition, net borrowings totaling €35,392 thousand (€40,650 thousand) were raised.

(4) Supplementary information on the cash flow statement

The changes in cash and cash equivalents due to exchange rate, consolidated group, and measurement changes were attributable to an amount of €–3,990 thousand (€–3,348 thousand) to exchange rate-related adjustments. The other changes mainly result in an amount of €2,494 thousand (€–83 thousand) from first-time partial consolidation of the joint venture GENECTIVE S.A.

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 €32,708 thousand (€46,582 thousand) from partially consolidated companies.

7. Other notes

Proposal for the appropriation of net retained profits

KWS SAAT AG posted operating income of €-14,331 thousand compared with €11,768 thousand for the previous year. Allowing for net financial income/expenses of €37,911 thousand (€35,512 thousand) and income taxes totaling €-265 thousand €11,549 thousand), net income in accordance with the German commercial law regulations was €23,845 thousand (€35,731 thousand). Adding the net profit of €154 thousand (€223 thousand) brought forward from the previous year and the allocation to the revenue reserves of €4,000 thousand (€16,000 thousand), a net retained profit of €19,999 thousand is available for distribution.

A proposal will be made to the Annual Shareholders' Meeting that an amount of €19,800 thousand of KWS SAAT AG's net retained profit should be distributed as a dividend of €3.00 (€3.00) for each of the 6.600.000 shares.

The balance of €199 thousand (€154 thousand) is to be carried forward to the new account.

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

The compensation of the members of the Supervisory Board consists of a fixed and a variable component, with the variable component being limited to the level of the fixed compensation. As in the previous year, the total compensation for members of Supervisory Board amounts to €516 thousand (€516 thousand), excluding value-added tax. €238 thousand (€238 thousand) of the total compensation is performance-related.

In fiscal year 2013/2014, total Executive Board compensation amounted to €3,481 thousand (€4,072 thousand). Variable compensation of €1,884 thousand (€2,124 thousand), calculated on the basis of the net profit for the period of the KWS Group, includes compensation of €33 thousand (€38 thousand) for duties performed in subsidiaries.

Compensation of former members of the Executive Board and their surviving dependents amounted to $\[\in \]$ 1,476 thousand ($\[\in \]$ 1,097 thousand). Pension provisions recognized for this group of persons amounted to $\[\in \]$ 7,018 thousand ($\[\in \]$ 3,155 thousand) as of June 30, 2014, before being netted off with the relevant planned assets.

Shareholdings of members of the Supervisory Board and the Executive Board (as of August 31, 2014)

Dr. Arend Oetker indirectly holds a total of 1,650,010 (1,650,010) shares and Dr. Andreas J. Büchting 108,030 (108,030) shares in KWS SAAT AG. All together, the members of the Supervisory Board hold 1,758,725 (1,758,718) shares in KWS SAAT AG.

The members of the Executive Board hold 14,699 (12,059) shares in KWS SAAT AG.

Related party disclosures

As part of its operations, KWS procures goods and services worldwide from a large number of business partners, including companies in which KWS has an interest. Business dealings with these companies are always conducted on an arm's length basis; from the KWS Group's perspective, these dealings have not been material. As part of Group financing, short- and medium-term term loans are taken out from and granted to subsidiaries at market interest rates. A total of 14 shareholders declared to KWS SAAT AG in 2002 that as a result of mutual allocations, they respectively hold a total of more than 50% of the voting rights. The Executive Board, the Supervisory Board and the families of their members were also defined as related parties. There were no business transactions or legal transactions that required reporting for this group of persons in fiscal 2013/2014. The compensation that has to be

disclosed in accordance with IAS 24 for management in key positions at the Group comprises remuneration for the active Executive Board and the Supervisory Board. It is presented in the Group Management Report. No other related parties have been identified for whom there is a special reporting requirement under IAS 24.

There are lease agreements with an annual lease of €132 thousand (€86 thousand) between Hans-Joachim Tessner and KWS SAAT AG.

Audit of the annual financial statements

On December 19, 2013, 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 2013/2014.

Fee paid to the external auditors under Section 314 (1) No. 9 of the HGB

in € thousand	2013/2014	Previous year
a) Audit of the consolidated financial statements	710	683
b) Other certification services	2	5
c) Tax consulting	0	0
d) Other services	45	54
Total fee paid	757	742

For fiscal year 2014/2015, fees for consulting services (excluding auditing) of up to €75 thousand are expected.

Compliance Declaration with the German Corporate Governance Code

KWS SAAT AG has issued the Compliance Declaration with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and made it accessible to its shareholders on the company's home page at www.kws.com.

Supervisory and Executive Boards of KWS SAAT AG

Supervisory Board

Dr. Drs. h.c. Andreas J. Büchting

Einbeck

Agricultural Biologist/Economist

Chairman of the Supervisory Board of KWS SAAT AG

Membership of comparable German and foreign oversight boards:

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

Dr. Arend Oetker

Berlin

Businessman

Managing Partner of Kommanditgesellschaft Dr. Arend Oetker Vermögensverwaltungsgesellschaft mbH & Co,

Deputy Chairman of the Supervisory Board of KWS SAAT AG

Membership of other legally mandated Supervisory

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

Membership of comparable German and foreign oversight boards:

- Leipziger Messe GmbH, Leipzig
- Berliner Philharmonie gGmbH, Berlin (Chairman)

Hubertus von Baumbach

Ingelheim am Rhein

Businessman

Member of Management of Boehringer Ingelheim,

Ingelheim am Rhein

Jürgen Bolduan

Einbeck

Seed Breeding Employee

Chairman of the Central Works Committee of

KWS SAAT AG

Cathrina Claas-Mühlhäuser

Frankfurt am Main

Businesswoman

Chairwoman of the Supervisory Board of CLAAS

KGaA mbH, Harsewinkel

Membership of other legally mandated Supervisory Boards:

• CLAAS KGaA mbH, Harsewinkel (Chairwoman)

Membership of comparable German and foreign oversight boards:

• CLAAS KGaA mbH, Harsewinkel (Deputy Chairwoman of the Shareholders' Committee)

Dr. Berthold Niehoff

Einbeck

Agricultural Scientist

Employee Representative

Executive Board

Philip von dem Bussche

Einbeck

(CEO)

Corporate Development & Communications,

Human Resources

Dr. Léon Broers

Einbeck, D/Heythuysen, NL Research and Breeding

Dr. Hagen Duenbostel

Einbeck

Corn. Investor Relations

Membership of comparable German and foreign oversight boards:

 Hero AG, Lenzburg, CH (Member of the Board of Administration)

Dr. Peter Hofmann (since October 1, 2014)

Einbeck

Sugarbeet, Cereals, Marketing

Eva Kienle

Göttingen

Finance, Controlling, Global Services, IT, Legal

8. Declaration by legal representatives

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

Einbeck, October 1, 2014

KWS SAAT AG

The Executive Board

P. Bussde

P. von dem Bussche

L. Broers

H. Duenbostel

E. Kienle

P. Hofmann

Notes for the KWS Group 2013/2014 Auditors' Report

Auditors' Report

We have audited the annual financial statements of the KWS Group - consisting of the Balance Sheet, the Statement of Comprehensive Income, the Notes, the Cash Flow Statement, Segment Reporting and the Statement of Changes in Equity – and the Group Management Report for the fiscal year from July 1, 2013, to June 30, 2014, all of which were prepared by KWS SAAT AG, Einbeck. The preparation of the consolidated financial statements and the Group Management Report according to the International Financial Reporting Standards (IFRS) as applicable in the EU, and in addition according to the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (German Commercial Code), is the responsibility of the Executive Board of the company. Our task is to give, on the basis of the audit we have conducted, an opinion on the consolidated financial statements and the Group Management Report.

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

the framework of the audit. The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used and any significant estimates made by the Executive Board, as well as the evaluation of the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

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

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

Hanover, October 1, 2014

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft

(Kompenhans)

Auditor

(Bukowski) Auditor

Financial calendar

November 26, 2014	Report on the 1st quarter of 2014/2015
December 18, 2014	Annual Shareholders' Meeting in Einbeck
February 25, 2015	Report on the 2nd quarter of 2014/2015
May 27, 2015	Report on the 3rd quarter of 2014/2015
	Publication of 2014/2015 financial statements,
October 15, 2015	Annual press and analyst conference in Frankfurt
December 17, 2015	Annual Shareholders' Meeting

Key data of KWS SAAT AG

Securities identification number	707400
ISIN	DE0007074007
Stock exchange identifier	KWS
Transparency level	Prime Standard
Index	SDAX
Share class	Individual share certificates
Number of shares	6,600,000

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

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

Photos/Illustrations:

Jan Eric Euler • Eberhard Franke • Frank Stefan Kimmel • Dominik Obertreis • Jan Schmitt • KWS Group archive

