

# Annual Report 2016|2017

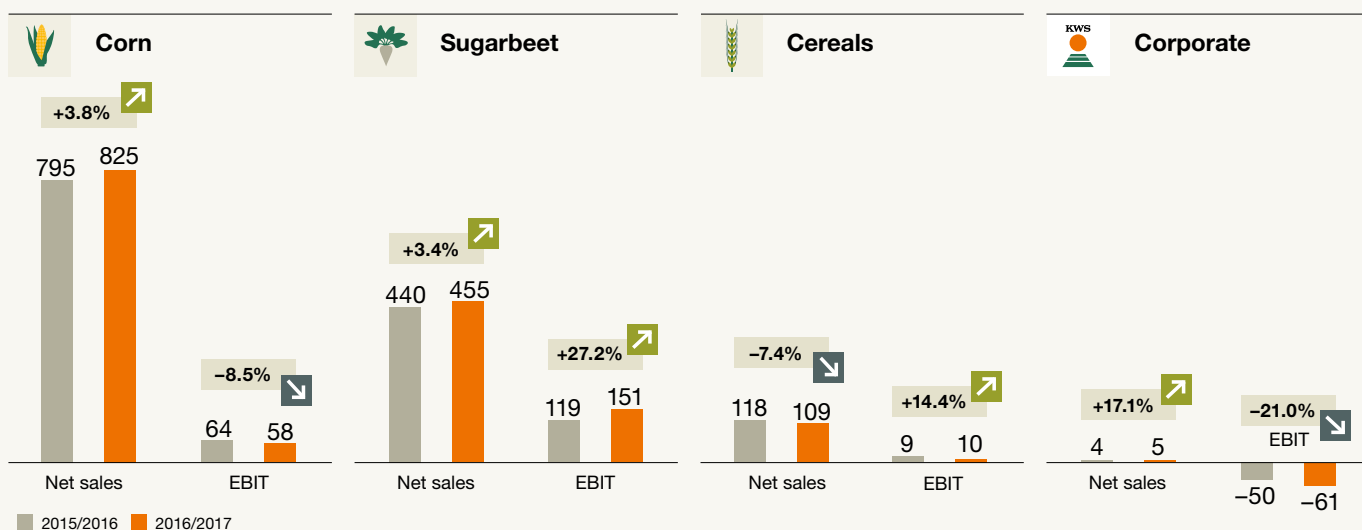
**SEEDING  
THE FUTURE**  
SINCE 1856



# KWS in Figures

The KWS Group (in € millions)	2016/2017	2015/2016	2014/2015	2013/2014
<b>Net sales and income</b>				
Net sales	1,075.2	1,036.8	986.0	923.5
EBIT	131.6	112.8	113.4	118.3
as a % of net sales (EBIT margin)	12.2	10.9	11.5	12.8
Net financial income/expenses	16.6	14.8	16.7	7.5
Net income for the year	97.7	85.3	84.0	80.3
<b>Additional key figures on earnings</b>				
R&D intensity in %	17.7	17.6	17.7	16.2
<b>Key figures on the financial position and assets</b>				
Capital expenditure	63.3	99.6	132.5	69.4
Depreciation and amortization	49.4	48.2	45.9	41.2
Equity	836.9	767.9	738.7	637.8
Equity ratio in %	56.0	53.5	55.2	54.7
Return on equity in %	13.1	11.9	13.6	12.8
Return on assets in %	7.3	7.0	7.8	7.8
Net debt <sup>1</sup>	48.5	87.9	105.9	31.6
Total assets	1,495.2	1,436.6	1,337.1	1,165.0
Capital employed (avg.) <sup>2</sup>	990.1	906.9	851.0	737.5
ROCE (avg.) in % <sup>3</sup>	13.3	12.4	13.3	16.0
Cash flow from operating activities	122.4	125.9	48.1	76.0
<b>Employees</b>				
Number of employees (avg.) <sup>4</sup>	4,937	4,843	4,691	4,150
Personnel expenses	247.0	232.2	216.9	189.9
<b>Key figures for the share</b>				
Earnings per share in €	14.78	12.92	12.53	11.69
Dividend per share in € <sup>5</sup>	3.20	3.00	3.00	3.00

## Segments (in € millions)



Reconciliation (in € millions)	Segments	Reconciliation	KWS Group
Net sales	1,394.0	-318.8	1,075.2
EBIT	158.8	-27.2	131.6

1 = Short-term + long-term borrowings – cash and cash equivalents – securities.

2 = Total capital employed at the end of the quarters ((Intangible assets + property, plant and equipment + inventories + trade receivables – trade payables) / 4.)

3 = EBIT / capital employed (avg.).

4 Average number of employees in the year under review.

5 The dividend for 2016/2017 is subject to the consent of the 2017 Annual Shareholders' Meeting.

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**Léon Broers** Research and Breeding

**Eva Kienle** Finance, Controlling, Global Services, IT, Legal, Human Resources

**Hagen Duenbostel** (CEO) Corn, Corporate Development and Communications, Compliance

**Peter Hofmann** Sugarbeet, Cereals, Marketing





To our  
Share-  
holders

## Foreword of the Executive Board

*Dear Shareholders and  
friends of KWS,*

The good harvests worldwide, high inventories of agricultural raw materials and low consumer prices below the average of the past decade were the main factors that shaped the continued muted trend in the agricultural sector.

Returns on investment in the entire industry remain under pressure in view of these fundamentals. The net income earned by farmers in North America this year is likely to be the second-lowest in the past seven years, following 2016. The picture is similar in Germany and other markets. With costs on the rise, farmers in just about all cultivation regions worldwide face low liquidity. They are forced to save on operating resources and are investing far less than they did a few years ago. At the same time, consumer expectations now pose diverse challenges for the agricultural industry. Transparency and safety in production, reduced use of limited resources, protection of the environment, and new products for modern nutrition to suit every lifestyle are demanded by everyone and keep the pressure on costs high.

Looking ahead, no significant easing of the situation in the industry can be expected in the short term. The UN and the OECD anticipate that growth in global demand for food will weaken by the middle of the next decade. The growth drivers of the past – rising demand for meat from emerging and developing countries, or growth in the global bioenergy sector – will no longer have the same impact as they did in previous years. At the same time, crop yields will increase and keep the level of supply high. As far as can be seen at present, the future prices of agricultural raw materials will therefore not exhibit any significant upward movement and – despite a high degree of volatility – will stagnate at the current level.

These market conditions are making it tough for the agricultural sector to keep up the growth rates of past years. Consolidation projects in the pesticide and seed industry are largely aimed at strengthening the business models in this arena by creating broad, integrated product portfolios. In KWS' view, however, creating economic strength through integration does not offer an adequate solution to current challenges on its own. Farmers will continue to use their freedom of choice to select the best operating resources from a range of different, independent vendors – because every vendor has its own individual strengths and its own specialized products.

For generations, KWS has successfully developed tailored, state-of-the-art plant varieties, thereby creating the foundation for its organic growth in the past 160 years. And with every new plant generation, breeders aim to improve a product further. New varieties that offer rising yields, resistance to diseases and pests, or lower consumption of limited resources such as water, fertilizer or pesticides are already in practical use or are achievable breeding objectives for even more sustainable agriculture. KWS' goal is to provide farmers with specialized varieties and thus offer them very specific ways of increasing their yields and cutting costs – even under difficult market conditions. Our response to the current situation in the agricultural sector is therefore – largely without regard to economic developments – to keep on

investing in innovations and steadily increasing our spending on breeding, so as to create value added for farmers. Together with our expert consulting and great commitment, we aim to create trust through our joint success and to be partners for farmers. In doing so, KWS is, and will remain, an independent family business.

The fact that KWS has so many good things to present in this Annual Report is owed to the passion and responsible, thoughtful actions of our now almost 5,000 employees worldwide and to their constant professional dedication. And so our deep and heartfelt thanks go out to all of them, as well as to our partners and shareholders.

Given its current business performance and on the basis of a medium- and long-term analysis of opportunities and risks, KWS continues to look to the future with optimism. Successes – like failures – are ideal springboards for further necessary efforts to grow our position as a global breeding company in our various markets.

I hope this Annual Report proves an informative and stimulating read. With best regards from Einbeck on behalf of the entire Executive Board.



Dr. Hagen Duenbostel  
Chief Executive Officer

## Report of the Supervisory Board

The past fiscal year was characterized by growing volatility in agricultural markets, changing regulatory conditions, and increasing consolidation in the industry. While the discontinuation of the European Sugar Market Regime stimulated our sugarbeet seed business, the continuing low prices of agricultural raw materials weighed on our Corn and Cereals Segments. At the same time, the company had to decide whether to complement its largely organic growth by means of selective acquisitions. Investments to enable future growth were adopted and organizational changes to the KWS Group initiated in the year under review. All in all, KWS believes it is well positioned to address future trends as a result.

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 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 constructive and trusted cooperation as in the past. 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 the 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 breeding and, along with important individual projects, risk management at the KWS Group were 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 individual aspects 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 six meetings in fiscal 2016/2017. All members participated in all of the meetings, with the exception of the meeting on June 29, 2017, where one member was unable to attend due to illness.

At the meeting to discuss the financial statements on October 24, 2016, the Supervisory Board dealt with the recommendation by the Audit Committee on the appointment of a new independent auditor. The Supervisory Board endorsed the recommendation by the Audit Committee and decided to propose the appointment of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, at the 2016 Annual Shareholders' Meeting. Examination and approval of the financial statements of KWS SAAT SE and the consolidated financial statements of the KWS Group were

also on that meeting's agenda. The independent auditor also conducted the survey of the Supervisory Board with the aim of avoiding and identifying fraud. The Supervisory Board is not aware of any relevant acts.

The deliberations on December 14 and 15, 2016, focused on current developments relating to genetically improved traits and new molecular biology methods of plant breeding. The progress made in breeding drought tolerance was also presented. At its meetings on March 23 and June 29, 2017, the Supervisory Board discussed the KWS Group's organizational development and any acquisition opportunities as part of the process of increasing consolidation in the industry. As usual, the Supervisory Board adopted the annual planning for fiscal 2017/2018 and the medium-term planning in June 2017.

At its meeting on October 25, 2017, the Supervisory Board adopted a competence profile for the body as a whole on the basis of the proposal by the Nominating Committee.

Since the members of the Supervisory Board of KWS SAAT SE are appointed for the period of time up to the end of the Annual Shareholders' Meeting that ratifies the acts of the Supervisory Board for the fiscal year 2016/2017, new elections for the shareholder representatives on the Supervisory Board of KWS SAAT SE are to be held at the Annual

Shareholders' Meeting on December 14, 2017. However, employee representatives are elected by direct vote by all KWS employees in the European Union (EU) in accordance with Sections 12 (a) and 15 et seq. of the Agreement on Employee Involvement at KWS SAAT SE and Section 8.2 of KWS SAAT SE's Articles of Association.

The Supervisory Board endorsed the recommendations by the Nominating Committee at its meeting on October 25, 2017, and decided to propose that the following serving members of the Supervisory Board be reelected to the Supervisory Board: Dr. Drs. h. c. Andreas J. Büchting, Cathrina Claas-Mühlhäuser and Dr. Marie Theres Schnell.

The current Deputy Chairman of the Supervisory Board, Hubertus von Baumbach, had announced that he would not be standing for reelection. Likewise on the basis of the recommendation by the Nominating Committee, the Supervisory Board therefore proposed electing the further candidate Mr. Victor W. Balli as a member of the Supervisory Board. Mr. Balli is from Switzerland and has been CFO of the world-leading cocoa and chocolate manufacturer Barry Callebaut AG since 2007. More details about him can be found in the Notice of the Annual Shareholders' Meeting on December 14, 2017. As a financial expert, Victor Balli is to succeed Hubertus von Baumbach in his function as Chairman of the Audit Committee.



## **Annual and consolidated financial statements and auditing**

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the independent auditor chosen at the Annual Shareholders' Meeting on December 15, 2016, and commissioned by the Audit Committee, has audited the financial statements of KWS SAAT SE that were presented by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB) for fiscal 2016/2017 and the financial statements of the KWS Group (IFRS consolidated financial statements), as well as the Combined Management Report of KWS SAAT SE 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 "German Commission for the 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 SE and the consolidated financial statements and Combined Management Report of KWS SAAT SE and the KWS Group, along with the report by the independent auditor of KWS SAAT SE and the KWS Group and the proposal on utilization of the net profit for the year made by KWS SAAT SE, 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, Combined Management Report, 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 25, 2017. The auditor took part in the meeting. It 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. There are no services additionally provided by the independent auditor as can be seen in 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 preliminary examination by the Audit Committee, and did not raise any objections. The Supervisory Board gave its consent to the annual financial statements of KWS SAAT SE, which were prepared by the Executive Board, and to the consolidated financial statements of the KWS Group, along with the Combined Management Report of KWS SAAT SE 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 SE after having examined it.

## Corporate Governance

The Supervisory Board conducts the efficiency review recommended in Clause 5.6 of the German Corporate Governance Code every two years. The next review is scheduled in fiscal 2017/2018.

The Supervisory Board discussed compliance with the recommendations of the “German Commission for the Corporate Governance Code” and – after the last compliance declaration in October 2016 – issued a new declaration of compliance with the German Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Act) together with the Executive Board in October 2017. It is reproduced on page 64 of this Annual Report and can also be obtained on the company’s website at [www.kws.com/corporate-governance](http://www.kws.com/corporate-governance). As regards setting a limit on the length of time members can serve on the Supervisory Board of KWS SAAT SE in accordance with Clause 5.4.1 of the German Corporate Governance Code, the Supervisory Board stuck by its decision once more this year to continue not to comply with these recommendations of the German Corporate Governance Code, since they would significantly restrict the rights of a business with a tradition of family ownership like KWS, whose family shareholders hold a majority stake.

The Supervisory Board otherwise stuck to its target composition, as well as to its assessment of the number of independent members – also taking into account the company’s ownership structure. The Supervisory Board also took into consideration the competence profile for the body as a whole as proposed by the Nominating Committee in putting

forward candidates for election to the Supervisory Board at the Annual Shareholders’ Meeting on December 14, 2017.

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 four joint meetings in fiscal 2016/2017. It also held three telephone conferences – on all occasions with all its members in attendance. In its meeting on September 22, 2016, the Audit Committee discussed the annual financial statements and accounting of KWS SAAT SE and consolidated financial statements of the KWS Group for the fiscal year 2015/2016. In addition, this meeting assessed and intensively discussed the offers submitted by a total of nine auditing firms in the tendering process relating to selection of the independent auditor to be proposed to the Annual Shareholders’ Meeting, which the Audit Committee had conducted from March 31, 2016, to September 22, 2016 (among other things at its meeting on August 24, 2016). As a result, the Audit Committee recommended that the Supervisory Board propose that the company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, be appointed at the Annual Shareholders’ Meeting, and also named an alternative candidate. The Annual Shareholders’ Meeting on December 15, 2016, endorsed the proposal by the Supervisory

## Supervisory Board Committees

Committee	Chairman	Members
Audit Committee	Hubertus von Baumbach	Andreas J. Büchting Jürgen Bolduan
Committee for Executive Affairs	Andreas J. Büchting	Hubertus von Baumbach Cathrina Claas-Mühlhäuser
Nominating Committee	Andreas J. Büchting	Marie Theres Schnell Cathrina Claas-Mühlhäuser

Board and appointed the company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, as independent auditor of the financial statements of KWS SAAT SE and the consolidated financial statements. At its meeting on December 14, 2016, the Audit Committee dealt with the results of the follow-up audits and discussed the candidates for awarding the new contract for internal auditing. On the basis of the criteria defined by the Audit Committee, the Executive Board awarded the commission to Baker Tilly GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The Annual Compliance Report, as well as the new arrangements for the audit opinion and audit report, were on the agenda of the meeting of the Audit Committee on March 23, 2017. The quarterly reports and the semiannual report for fiscal 2016/2017 were discussed in detail in three telephone conferences and their publication was approved.

The Audit Committee convened on September 27, 2017, to discuss the current annual financial statements of KWS SAAT SE and KWS' consolidated financial statements and accounting. The independent auditor for fiscal 2016/2017 explained the results of its audit of the 2016/2017 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 SE and recommended that the

Supervisory Board approve it. The Audit Committee also dealt with the results of auditing projects. The audit plan for fiscal 2017/2018 was also discussed and adopted.

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, ascertained and monitored the auditor's independence, examined its qualifications and defined the focal areas of the audit. The Audit Committee also satisfied itself that the regulations on internal rotation were observed by the independent auditor and dealt with the services rendered additionally by the independent auditor.

In addition, the Audit Committee in its meetings dealt with preparing the resolution on the appointment of the independent auditor for fiscal year 2017/2018 to be proposed to the Annual Shareholders' Meeting on December 14, 2017.

The **Nominating Committee** dealt with the candidates to stand as shareholder representatives in the new elections to the Supervisory Board at the Annual Shareholders' Meeting on December 14, 2017, and proposed that the following serving members of the Supervisory Board be reelected: Dr. Drs. h.c. Andreas J. Büchting, Ms. Cathrina Claas-Mühlhäuser and Dr. Marie Theres Schnell; in addition, Mr. Victor W. Balli was proposed as a member to be elected to the Supervisory Board for the first time.

The committee satisfied itself that all the candidates also had the time expected for them to discharge their duties on the board. Moreover, the Nominating Committee took into account the Supervisory Board's target composition and the competence profile for the body as a whole in proposing candidates. The aspect of diversity should be taken into account in filling posts on the Supervisory Board. In this context, the Supervisory Board decided in accordance with Section 111 (5) AktG (German Stock Corporation Act) that the ratio of female shareholder representatives on the Supervisory Board of KWS SAAT SE should not be less than 25% by June 30, 2017. The Supervisory Board stuck to this objective. In the future as well (with a deadline of June 30, 2022), the percentage of women and that of men among the shareholders is to be at least 25% each. On the other hand, the Supervisory Board is not charged with setting such targets for the employee representatives. The regulations for the election of employee representatives to the Supervisory Board do not contain target or minimum percentages for the proportions of women and men. This objective was also taken into account in proposing candidates for the new elections to the Supervisory Board to the Annual Shareholders' Meeting on December 14, 2017. As part of naming suitable candidates for the Supervisory Board to propose as members to the Annual Shareholders' Meeting, the Nominating Committee examined all the candidates and determined that they were all very well qualified to hold a position on the Supervisory Board.

For the first time since KWS SAAT AG was converted into KWS SAAT SE, the employee representatives on the Supervisory Board were elected by all KWS employees in the European Union. In accordance with Part III Section 12 (a) of the Agreement on Employee Involvement at KWS SAAT SE, employees in Germany stood for election for the second period of office of the Supervisory Board of KWS SAAT SE in accordance with the Articles of Association. Jürgen Bolduan, the long-term Chair of the Central Works Council of KWS SAAT SE and Christine Coenen, the Chair of the European Employee Committee, were elected to the Supervisory Board.

### **Change on the Supervisory Board during fiscal 2016/2017**

Dr. Arend Oetker resigned as a member of the Supervisory Board of KWS SAAT SE effective the end of the Annual Shareholders' Meeting on December 15, 2016; the Annual Shareholders' Meeting on December 15, 2016, then appointed Dr. Marie Theres Schnell as a member of the Supervisory Board of KWS SAAT SE.

The departure of Arend Oetker marked the end of an era that was of outstanding importance for KWS' development. Arend Oetker, a family business owner with a long-term approach, took over his equity stake in KWS in 1994. In a pool with the shareholder family Büchting, this formed a felicitous partnership between the two families that has shaped KWS' fortunes and guaranteed the company's independence. In January 1995, the Annual Shareholders' Meeting elected Dr. Arend Oetker to the Supervisory Board, on which he held the post of Deputy Chairman for 17 years. In that function, he made a major contribution to defining the company's strategic direction and in making influential decisions. With him as a partner, KWS was not only able to preserve its independence in the face of considerable resistance, but also made significant advances in diversification.

That is especially true as regards expansion and internationalization of the Corn Segment. Arend Oetker not only played a part in shaping the company's development, but also helped fund it. After all, the necessary up-front investments for successfully establishing the Corn Segment were possible only thanks to a cautious dividend policy. In recognition of his great services to our company, the Supervisory Board made him an honorary member on December 15, 2016. On behalf of all shareholders, we would like to express our great thanks for his trust in our common enterprise, for his commitment, his energy and, not least, his entrepreneurial vision on our board.





Andreas J. Büchting, Chairman of the Supervisory Board

The Supervisory Board expresses its thanks to the Executive Board and all employees of KWS SAAT SE and its subsidiaries for their great commitment and efforts yet again in helping KWS continue its positive development.

Einbeck, October 25, 2017

A handwritten signature in blue ink, reading "Andreas J. Büchting". The signature is written in a cursive style.

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

The background of the entire advertisement is a photograph of a landscape at sunset. Several tall, slender trees are silhouetted against a sky filled with horizontal bands of orange and yellow light. The trees are positioned on the left and right sides of the frame, with their branches reaching upwards. In the distance, a smaller, denser tree is visible on the horizon line. The overall mood is serene and timeless.

We have been independent since 1856. And will remain so moving ahead.

Our independence. Our continuity. Your success. Doing something everyone can trust.  
That is independence. KWS stands for long-term, sustainable success.





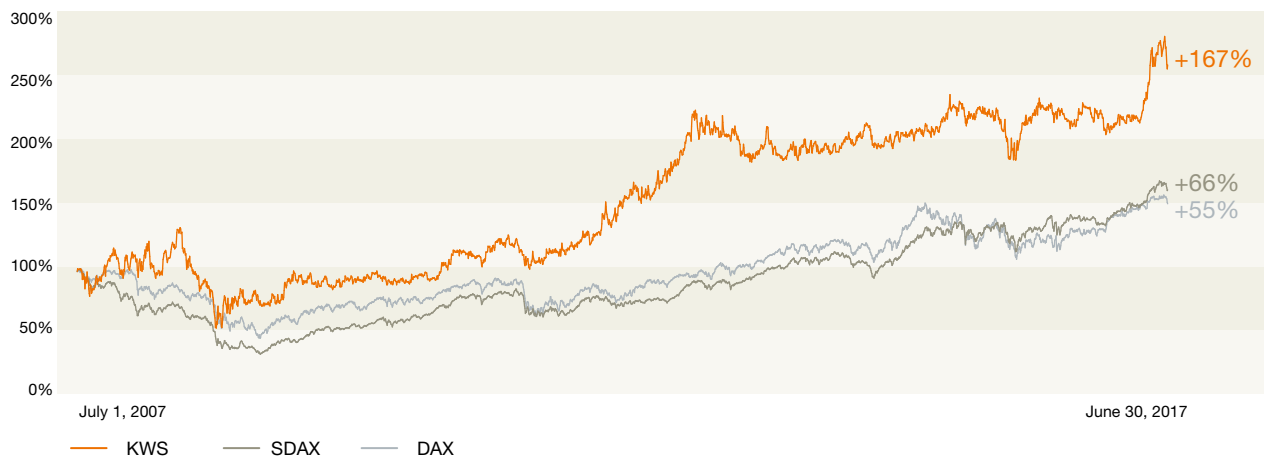
## The KWS Share

### Performance: Higher trading volume, less volatility, 15% increase in share price

The stock market remained an attractive place to invest in the year under review. The new hike in the base rate by the U.S. Federal Reserve – the last one was to 1.25% on June 14, 2017 – did not put an end to the all-time highs on international stock exchanges, especially since the European Central Bank kept its main interest rate at 0%. The DAX surged to a record high of 12,951 points during trading on June 20, 2017. The KWS share likewise climbed to an all-time high of €375.00 in June 2017, far surpassing the consensus estimate of equity analysts. Prior to that, we had turned in a very good operating performance in corn seed business in South America and in global sugar-beet seed business. In December 2016, the share was listed at a low for the year of €270.00. At the end of the fiscal year on June 30, 2017, it closed at €344.45 (297.80)<sup>1</sup>, around 16% higher year on year.

Other stocks in the industry also performed similarly or better, among other things due to the progress made in consolidation projects by our competitors. The DAX and SDAX also performed positively in the same period, rising sharply by around 27% and 24%, respectively. The KWS share's average daily fluctuation between the highest and lowest price – a measure of volatility – fell year on year despite a far higher volume of trading, and was €5.18 (5.62) or 1.50% (1.89%) relative to the closing price at the end of the year under review. A look at its performance over the past five years (July 1, 2012, to June 30, 2017) shows that KWS' share price has increased by 66%, and even by 167% over the past ten years (July 1, 2007, to June 30, 2017). The SDAX has risen by 123% over the past five years and by 66% over the past ten years, while the DAX has risen by 90% and 55% in the same periods.

**The KWS share's performance**  
over 10 years



### Listing: KWS remains a firm part of the SDAX

The KWS share continued to climb in the SDAX, Germany's index for small caps, in terms of market capitalization on the balance sheet date of June 30, 2017. It ranked number 14 (18) among the 50 companies in the index. However, the share fell

three places to 42nd (39th) in terms of trading volume over the past twelve months. As a result, it still meets the criteria for being included in the SDAX. The market capitalization for the free float of 30.1% was €684 (568) million.

<sup>1</sup> If not otherwise specified, the figures in parentheses give the previous year's figure.



## Shareholder structure at June 30, 2017



### Employee Stock Purchase Plan: Number of shares sold increases by more than 50%

For more than 30 years, KWS has offered its employees the chance to become a shareholder in the company and thus share in its success and identify more strongly with it. The content of our Employee Stock Purchase Plan remained unchanged in the year under review. Our employees were able to buy up to 500 KWS shares at a price of €225.60 (217.60), including a 20% discount, which the individual employees must pay tax on. A total of 435 (395) employees in six (ten) European countries took up this offer and purchased a total of 11,594 (7,541) shares, corresponding to an average stake per employee of 27 (19) shares. 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 Stock Purchase Plan were acquired in accordance with Section 71 (1) No. 2 of the German Stock Corporation Act (AktG). A total of €3.4 (1.9) million was used to buy back the company's own shares, giving an average purchase price per share of €290.31 (258.85). More details have been published in information released for the capital markets and can be viewed on our website at [www.kws.com/ir](http://www.kws.com/ir).

### Planned appropriation of profits: increase in the dividend to €3.20

We continued our earnings-oriented growth in the past fiscal year. The KWS Group increased its net sales and pretax profit. Its net income for the year also rose by 14.5% to €97.7 million. The Executive and Supervisory Boards will therefore propose a dividend of €3.20 (3.00) for fiscal year

2016/2017 to the Annual Shareholders' Meeting on December 14, 2017; €21.1 (19.8) million would thus be distributed to KWS SAAT SE's shareholders. That would correspond to a dividend payout ratio of 21.6% (23.2%), once again in line with the KWS Group's earnings-oriented policy of paying a dividend of 20% to 25% of its net income.

#### Key figures for the KWS share (Xetra®)

ISIN	DE0007074007
Share class	Individual share certificates
Number of shares	6,600,000

Closing price	in €
June 30, 2017	344.45
June 30, 2016	297.80

High and low	in €
High (June 22, 2017)	375.00
Low (December 6, 2016)	270.00

Trading volume (avg.)	in shares/day
2016/2017	2,484
2015/2016	2,068

Market capitalization	in € millions
June 30, 2017	2,273
June 30, 2016	1,965

Earnings per share	in €
June 30, 2017	14.78
June 30, 2016	12.92

Volatility (avg.)	in €/day
2016/2017	5.18
2015/2016	5.62

## Corporate Sustainability

### Thinking and acting in terms of generations – corporate sustainability at KWS

When KWS' founders established the company in 1856, they created the basis for its sustainable development that has now lasted more than 160 years. We owe this success to our continuous and profitable growth, which has forged us into a powerful, independent family-run business. Given that it takes more than ten years to develop a variety, long-term thinking and acting has been a firm part of our corporate strategy. We regularly examine the broad range of success factors in order to keep our core sustainability issues up to date. We formulate these core issues together with our internal and external stakeholders, looking at financial and non-financial aspects alike. As a result, we last identified five subject areas with more than 40 individual topics.

These are the basis for our sustainability reporting and illustrate that long-term profitable growth poses economic, ecological and social challenges for us as a company.

### Sustainability reporting

You can find a detailed report on our core issues relating to corporate sustainability for Germany in the Sustainability Report for fiscal 2016/2017. The report is based on the international GRI G4 specifications on sustainability reporting; it fulfills the "Core" option and can be obtained in the Internet on our website at [www.kws.com/ir](http://www.kws.com/ir). We plan to combine the Annual Report and Sustainability Report next fiscal year so as to link financial and non-financial topics more closely with each other in the future.

No risk of being mistaken. Green containers transport dried sugarbeet seed, while orange ones are ready to bring in the corn harvest.



## Core sustainability issues

### Economics and products

- **Economic success:** Key factors in our economic success are the clear focus on our core business – i.e., breeding new, high-yielding varieties to enable resource-sparing, efficient agriculture – coupled with rigorous customer orientation, profitable growth, financial independence and sufficient liquidity.
- **Product innovations:** Our research & development as part of creating new varieties focuses on addressing global trends such as climate change and the limited availability of natural resources (such as soil and water), as well as the occurrence of plant diseases and pests.
- **Modern breeding methods:** The use of modern breeding methods is indispensable to enable goal-oriented, efficient plant breeding. Apart from traditional methods, KWS therefore also uses biotechnology methods such as genome editing methods or gene transfer.
- **Seed quality and safety:** KWS seed is quality seed that enables plants' genetic potential to be fully leveraged after sowing in the field. We ensure the high quality of our seed for people and the environment by means of technical and organizational measures, and demonstrate that quality in extensive tests and analyses in compliance with official requirements – regardless of whether it is ecological, conventional or genetically modified seed.
- **Protection of intellectual property:** Protecting intellectual property is vital for us in recouping our expenditure on research & development. Thanks to the breeder's exemption, variety protection safeguards access to plant genetic resources for breeding new varieties. We also welcome patent protection to protect our investments in state-of-the-art technologies. It is important for us to have unhindered access to biological starting material and to protect our intellectual property in the form of innovative plant varieties and new breeding technologies.

### Governance

- **Employment, social and environmental standards:** As a responsible, internationally growing company we have established 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. We will also define them for our business partners in the supply chain and prevent violations of them.
- **Compliance:** We support observance of the law and company requirements by means of effective compliance management.

### Employees

Our company's success is founded on the achievements of all our employees. We make intensive efforts to recruit good employees and maintain a process to identify and further develop our junior staffers.

### Work safety and protection of the environment

We strive to surpass statutory requirements relating to work safety and environmental protection, as well as to the efficient use of resources, such as water, energy and pesticides, as far as our influence allows.

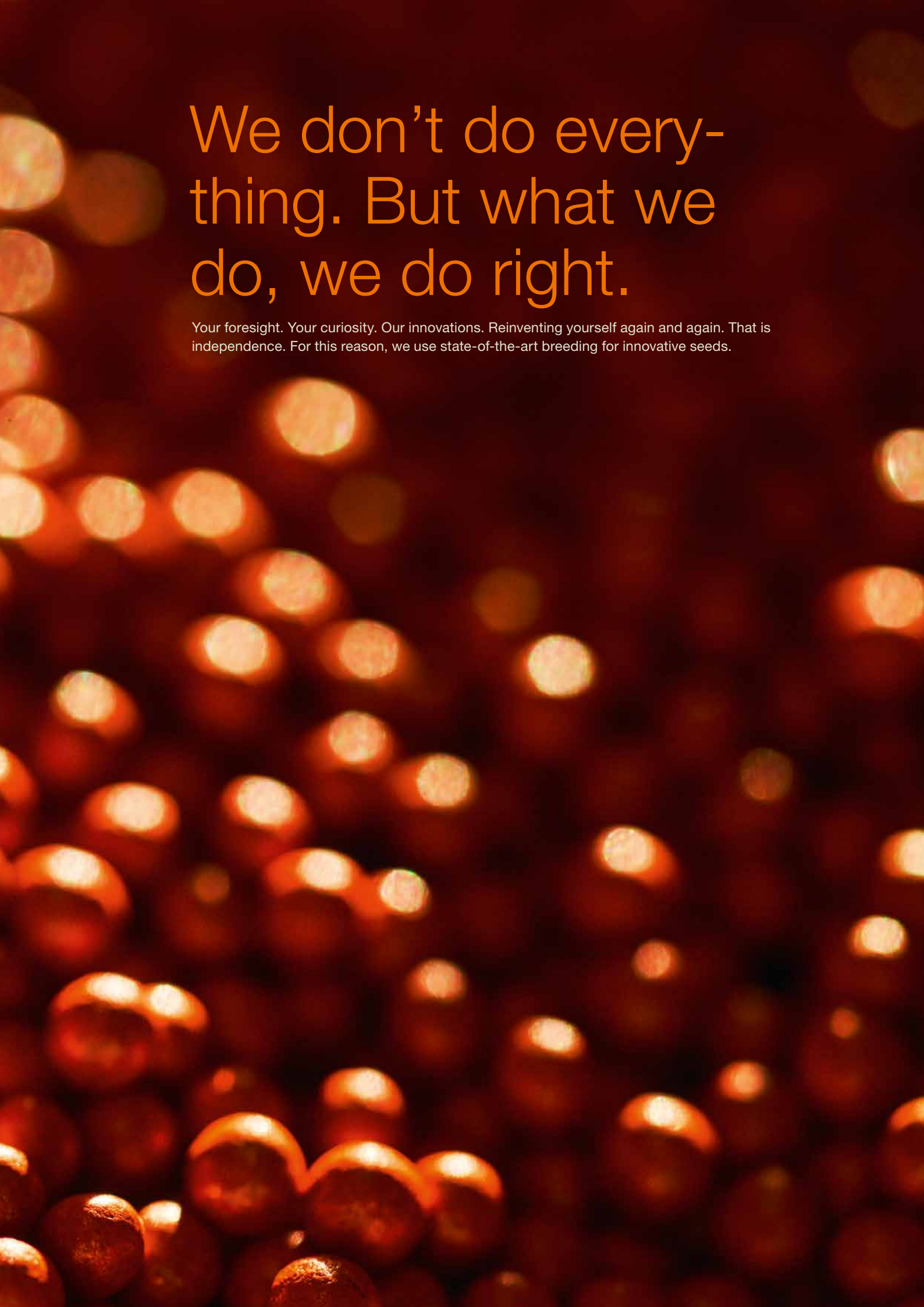
### Social commitment

One focus of our commitment is on strengthening the regional and local attractiveness of our locations at the cultural and social level. We support young scientists (by awarding Deutschlandstipendien and through internships, for example), as well as top-class research. We encourage our employees to become actively engaged in their social environment.









# We don't do everything. But what we do, we do right.

Your foresight. Your curiosity. Our innovations. Reinventing yourself again and again. That is independence. For this reason, we use state-of-the-art breeding for innovative seeds.

## Passion and Performance

### Insights into the cradle of sugarbeet breeding at KWS

Sugarbeets and their breeding have been a core competency of KWS for more than 160 years. We again posted very good net sales and earnings for sugarbeet this fiscal year – and that is due to a joint effort by many hands. Our breeders sow the seed for this value chain.



”What’s so wonderful is that everyone can truly make their own decisions in their sphere of responsibility and help shape things here – and that goes for every level.

Andreas Looock,  
Head of Sugarbeet Breeding at KWS

Glass, a lot of glass, and light, natural and artificial – KWS’ largest and most modern greenhouse complex at Grimsehlstrasse in Einbeck is almost the size of three soccer pitches. It is the heart of sugarbeet breeding: sugarbeet plants in different stages of growth stand in several of the countless large glass cells. Small plants in black plastic pots are growing in one of these chambers and have just formed the first wreath of foliage. “That’s a completely normal program for breeding performance and sugar content,” explains Andreas Looock, Head of Sugarbeet Breeding at KWS.

## Spotlight Topic

After germinating, the plants spent twelve weeks in a cooling chamber at five to seven degrees – because they would not form flowers without cold stimulus. Breeders use this trick to shorten sugarbeet’s natural two-year reproduction cycle to just one, and thus speed up the breeding process. Since the 1960s, sugarbeets have been bred solely by means of hybrid breeding. First, inherently homozygous father and mother lines with the desired traits are bred. When, after many cycles, the best maternal and paternal inbred lines are crossed with each other, the result is the seed supplied to farmers.

That sounds simple, but it is in fact a lengthy and arduous process in breeding practice. It takes ten to twelve years for a sugarbeet variety to be ready for the market. It took even longer for the new-generation herbicide-tolerant varieties that will be launched next year, initially in northern Europe, under the name CONVISO® SMART: a new system in combination with a broad-spectrum pesticide. In 2001, at the start of its development, there was just one single plant cell out of the millions tested in the lab that had the desired herbicide tolerance as a result of natural mutation.

Such a discovery is followed by what Looock describes as a process that has largely the same pattern as most of the now around 50 KWS research and breeding projects for sugarbeet (in which approximately €45 million was invested in 2016/2017): “We create genetic variety by means of conventional crossbreeding, select the best candidates, create new variation, select the candidates again and so on.” State-of-the-art biotechnology methods, such as intensive use of molecular markers, are now a natural part of a sugarbeet breeder’s tools of the



## It takes less than a year:

a 20,000-fold increase in just 180 days

1 → 20,000



From a kilogram of sugarbeet seed comes as much as 20 tons of sugar

## Beta vulgaris var. altissima



Botanically speaking, sugarbeet belongs to the goosefoot family

## Innovative

50 KWS research and breeding projects amounting to

€ 45 mill.

(Sugarbeet capital expenses 2016/2017)

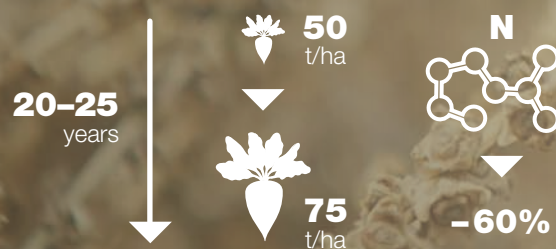
## Sugar content

has increased tenfold over 200 years



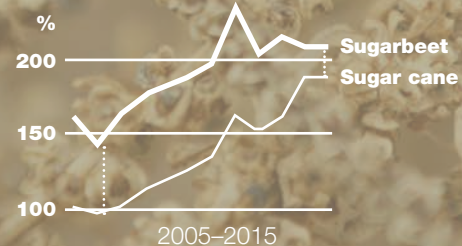
## Sugarbeet yield and nutrient content

Increase and decrease in parallel



## Cost of sugar production

The gap is closing



≈ 11,000 qm<sup>2</sup>

The greenhouse complex in Einbeck is about the size of three soccer pitches



trade and speed up variety development significantly. Further development of, and creation of, new modern breeding methods, such as genome editing, will enlarge the breeder's tool set and help accelerate breeding progress. Nevertheless, plant breeding still involves a lot of manual work.

The next chamber contains sugarbeet plants that are in blossom. A number of sprays of the around one-and-a-half meter high inflorescences are covered by bags made of what looks like sandwich wrap paper. "The mother lines of the starting material are sterilized and protected with these isolating bags in order to prevent self-pollination in this stage," explains Looock. To ensure that, each flower (up to 20 a bag) is opened by hand before maturity and the tiny anthers bearing the pollen are removed using tweezers. At the same time, the pollen on the male plants is likewise collected in bags. Once the flowers are mature, the isolating bags are removed, the bags containing the pollen are put over them, and so the plants are systematically pollinated.

The best seed from this breeding step is then crossed with itself in several cycles. Around 50 plants, closely packed together and completely wrapped in white sheaths, are awaiting self-pollination in the next glass room. The resultant homozygous parental lines are then tested in the field under different conditions. "The wonderful thing is that we can always track and verify

our work in the field and in the lab," notes Looock. His team comprises a total of 30 breeders and the same number of breeding assistants, who supervise the different breeding programs in several working groups. Foresight and vision are their constant companions – because the plants here in the greenhouse are the starting material for a new variety in around ten years' time.

KWS' breeders work with clear strategic targets and are tasked with developing variety components with precisely defined traits and improvements in yield. To do that, they need a good education, a sound understanding of genetics, statistics and the use of biotechnology methods, as well as passion, a capacity for suffering and a lot of patience. "A good breeder also has to be able to say goodbye to material. I start with 100 plants and end up with one. That's a success rate of one percent. We throw most away until finally the combination of the best candidates produces the new variety." Sugarbeet breeding has lost none of its fascination for Looock even after 25 years. "What's so wonderful is that everyone can truly make their own decisions in their sphere of responsibility and help shape things here – and that goes for every level. We not only act as an independent company in the eyes of outsiders. This spirit of personal responsibility and teamwork is also practiced here – and that's what makes my work exciting and makes our company strong."



The goal is sterility: To avoid self-pollination, calm hands are needed to open the sugarbeet flower with tweezers and remove the tiny anthers bearing the pollen. The female part of the flower on the intended male plant is now ready to receive the pollen. That is called hybrid breeding.



# Combined Management Report

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# Combined Management Report

Compared with the previous year, there have not been any significant changes in the fundamentals of the KWS Group as presented in the following.

## Fundamentals of the KWS Group

### Group Structure and Business Activity

Since it was founded in 1856, KWS has specialized in breeding, producing and distributing high-quality varieties and seed for agriculture. From our beginnings in sugarbeet breeding, we have evolved into an innovative, international supplier with an extensive portfolio of crops. We cover the complete value chain of a modern seed producer – from developing new varieties, multiplication and processing, to marketing the seed and consulting for farmers. KWS' core competence is in breeding new, high-performance varieties that are adapted to regional needs, such as climatic and soil conditions. Every new variety delivers added value for the farmer. Our business model is based on this added value – which is ultimately attributable to breeding progress, optimization of seed quality and consulting founded on a spirit of trust.

### Organization and segments of the KWS Group

KWS SAAT SE is the parent company of the KWS Group. It is responsible for strategic management and, among other things, breeds, multiplies and distributes sugarbeet and corn seed. It finances basic research and breeding of the main range of varieties at the KWS Group and provides its subsidiaries with new varieties every year for the purpose of multiplication and distribution. An overview of the subsidiaries and associated companies included in the consolidated financial statements of the KWS Group is provided in the Notes on pages 91 to 93.

The KWS Group's operational business is conducted in the three product segments Corn, Sugarbeet and Cereals.

The **Corn Segment** is the KWS Group's largest division in terms of net sales and the market leader for silage corn in Europe. It covers production and distribution of seed for corn, rapeseed, soybean, sunflower and sorghum. Its operating performance depends significantly on the spring sowing season in the northern hemisphere. That means most of the segment's net sales are generated in the second half of the fiscal year (January to June). The segment generates a lower share of its revenue in the first two quarters, mainly from corn varieties in South America and from winter rapeseed (which will be managed under the Cereals Segment as of fiscal 2017/2018; see the forecast report on page 61) in Europe.

The **Sugarbeet Segment** comprises sugarbeet seed production and distribution, as well as the development of diploid hybrid potatoes. Our high-quality sugarbeet varieties are some of the highest yielding in the industry, which is why we are the clear leader in the field of sugarbeet seed, with a global market share of 55%. Our main sales markets are North America, a region where genetically modified, herbicide-tolerant sugarbeet varieties are used exclusively, and the EU, Russia and Turkey, where KWS likewise has a very good market position with conventionally bred, multiple-resistant varieties. Sugarbeet is sown in the spring, which means that net sales in this segment are largely generated in the second half of our fiscal year (January to June).

The **Cereals Segment** includes production and distribution of seed for rye, wheat, barley and rapeseed. Hybrid rye accounts for the largest share of revenue from cereals (40%), followed by wheat and barley (each around 20%). We generate the remainder from other crops such as rapeseed, peas and triticales. In our core markets for cereal seed (Germany, Poland, the UK, France and Scandinavia), farmers predominantly sow the crops in the fall. Consequently, we generate most of our revenue in this segment in the first half of our fiscal year (July to December).

The **Corporate Segment** supports the operating segments with research activities and provides central functions for controlling the group. Its relatively low net sales come from the revenue from our own farms. Since all cross-segment function costs and research expenditure are charged to this segment, its income at the end of the fiscal year is regularly clearly negative.

Information on the net sales and income contributed by the segments, including our joint ventures, can be found in our segment reports starting on page 45.

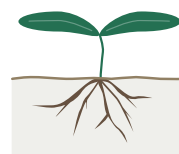
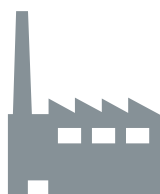
#### Locations and sales markets

KWS SAAT SE's headquarters are located in Einbeck, Lower Saxony. We have 62 subsidiaries and associated companies at present, operating in more than 70 countries, largely in the moderate climatic zone. You can find a detailed breakdown of net sales by region on page 41.

#### Products and consulting on varieties

We offer our customers – farmers – a broad range of agricultural crops that have been adapted by breeding to the conditions of their specific location. These crops include corn, sugarbeet, the cereals rye, wheat and barley, oil plants such as sunflower, soybean and rapeseed, and catch crops. The varieties are mainly adapted to the moderate climatic zones. Since we entered the Brazilian market in 2012, corn and soybean varieties for subtropical regions have also been part of our portfolio. In addition to selling seed, our field staff is also on hand to offer farmers consulting on choosing and cultivating varieties. We also offer digital consulting with our KWS CULTIVENT Farm Service in mobile form or on our website [www.kws.com](http://www.kws.com).

#### What steps are involved in seed multiplication?



Planning

Field production

Seed processing

Cultivation

Up to three years elapse until cultivation.

### Breeding is the essential business process

KWS' breeding processes are geared toward exploiting plants' potential as much as possible and leveraging it to tackle the challenges of modern sustainable agriculture. Whether it is plants for producing food, fodder or energy, conventional, organic or genetically modified, we offer farmers the ideal variety for their purposes. It takes at least ten years to breed a new variety. Thanks to our large network of breeding and trial stations in all the world's key markets, we can test the individual candidates under a wide range of climatic and local conditions to determine whether the varieties are suitable for cultivation. In most markets, variety development ends in an official approval process in which candidates have to meet high quality standards, usually for three years. Only then can the varieties be marketed to our customers via the various distribution channels.

### External influences on our business

Our breeding and seed multiplication activities are subject to weather influences that cannot always be quickly compensated for with countermeasures. Economic policy decisions in the agricultural industry, which is strongly regulated worldwide, may also impact our business. You can find more details on these external factors in our opportunity and risk report beginning on page 53 to 59.

### Significant changes in the KWS Group's composition

The adjustments to the consolidated group are explained in the Notes to the annual financial statements on page 91; they do not constitute significant changes to the KWS Group's composition.

### New organizational structure

KWS is gearing its global administrative organization more strongly toward functional responsibility – as well as harmonizing and standardizing processes – to help it continue growing profitably and sustainably in the coming years. The new model will replace the current, region-based organization. The core objective is to bundle administrative services and control business processes for 70 countries more efficiently. The project, which was launched in 2016, is going according to plan. The structures for the individual functions are currently being fleshed out in detail and the transformation will be accomplished in the coming years. No job cuts are envisaged as part of the reorganization. KWS plans to create more than 300 additional jobs worldwide next fiscal year.

### Objectives and Strategies

Our strategic planning is the foundation for the KWS Group's further development. It defines strategic objectives, initiatives and core measures for existing activities and for potential new fields of business. The planning is based on a long-term horizon (ten years) and includes an analysis and assessment of market trends, competitors and the KWS Group's position. Strategic planning is carried out regularly

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

Objectives	
Profitable growth	<ul style="list-style-type: none"><li>■ Increase in consolidated net sales by an average of 5% to 10% p.a.</li><li>■ EBIT margin <math>\geq 10\%</math></li></ul>
Research & Development	<ul style="list-style-type: none"><li>■ R&amp;D intensity of around 17% of consolidated net sales</li><li>■ 1% to 2% process in yields p.a. for our customers and development of tolerances and resistances</li></ul>
Internationalization	<ul style="list-style-type: none"><li>■ Expansion of the portfolios of varieties for subtropical markets</li></ul>
Sustainability	<ul style="list-style-type: none"><li>■ Integration of international subsidiaries in KWS' sustainability reporting</li></ul>
Dividend	<ul style="list-style-type: none"><li>■ A dividend payout ratio of 20% to 25% of the KWS Group's net income for the year</li></ul>



on a rolling basis. We believe that strategic success factors are, in particular, our intensive research, breeding of new, high-yielding varieties and continuous expansion of our global footprint so that we are on the ground in regional markets with their special climatic conditions.

### Corporate objectives of the KWS Group

The corporate objectives listed on the previous page were retained without changes in the year under review. Our business developed essentially in line with these objectives in the year under review. Only our net sales failed to reach the envisaged growth target of at least 5%. We deal with this in more detail in the explanation of our business performance on page 39.

Our investments and expenditure for research & development are the foundation for **profitable growth**. We aim to increase the KWS Group's net sales by an average of 5% to 10% each year and achieve an EBIT margin of at least 10%. In line with the principles of our long-term corporate strategy, we use our earnings strength to expand research & development, our production capacities and our distribution operations. As a result, we bolster the KWS Group's potential and lay the foundation for future growth.

The objective of our **research & development** is to obtain new varieties that are tailored to different needs and changing agricultural requirements. Our most important objectives across all crops are to increase yield, breed resistance to plant diseases and pests and improve plants' quality of processing. Conservation of plant genetic resources is also a key concern of ours. Expressed in hard and fast figures, our goal with the new varieties we supply to our customers is to deliver an average yield progress of 1% to 2% a year.

We will push further ahead with the **internationalization** of our company. Our commitment in the subtropical market of Brazil and the joint venture with our partner Kenfeng in China are part of that. Markets such as Brazil, with several harvests a year, not only offer attractive sales potential – especially for our corn business – but also enable us to cushion the highly seasonal nature of our business in the medium to long term.

KWS' business model is geared toward sustainable success. We are currently working to internationalize our **sustainability reporting**, with the objective of expanding it so that it covers the entire KWS Group and combining it in the Annual Report by fiscal 2017/2018. You can find more information on the current reporting on pages 16 to 17.

The KWS Group's profitable growth is the basis of our dividend policy. Thanks to our successful performance over the past years, we have been able to pay our shareholders an annual **dividend** of 20% to 25% of the KWS Group's net income for the year. This policy is to be retained in the future.

### Control System

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 and the three subsequent fiscal years. It is linked to the strategic planning, which covers a timescale of ten years.

The targets set in the annual and medium-term planning are arrived at on the basis of the strategic planning, regional economic and legal situation, anticipated market trends and assessments of the company's position in the market and the potential product performance. In a subsequent bottom-up process, which also includes the development of our joint ventures, we use these premises to define figures 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 allocation and the resultant balance sheet data, along with the financial budget. In principle, part of the planning documentation is also an opportunity/risk assessment that 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 estimates on the underlying general conditions. If necessary, we initiate suitable countermeasures and make adjustments. We update the forecast for the current fiscal year at the end of every quarter. At the end of each fiscal year, all the units conduct a detailed variance analysis of the budgeted and actual results. That serves to optimize our internal planning processes.

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. Controlling also advises decision-makers on economic optimization measures. In particular the heads of the product segments, the regional directors and the heads of research & development activities and the central functions are responsible for the content of the planning and current forecasts.

The Executive Board uses various indicators for planning, controlling and monitoring the business

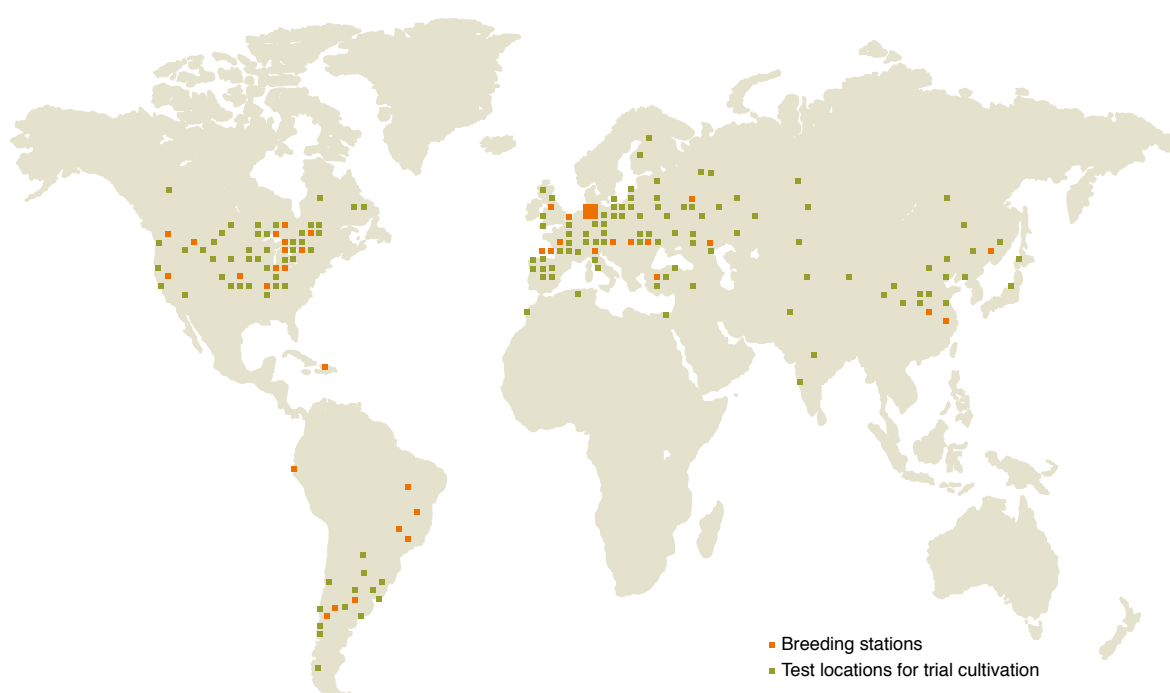
performance of the KWS Group and its operating units. The main indicators for the KWS Group are net sales, operating profitability (EBIT margin) and R&D intensity. KWS' product segments, which are divided into Business Units, are in turn geared toward the main indicators of net sales and EBIT margin. Since the year under review, our Business Units have been the cash-generating units in accordance with the actual management reporting structure. Please also refer to our explanations in the Notes on page 100 of the Annual Report.


### Management and control

KWS SAAT SE has a system of dual management and supervision, consisting of the Executive Board and the Supervisory Board. Both bodies have strictly separated responsibilities and different members. While the Executive Board manages the company, the Supervisory Board supervises and advises the Executive Board. These responsibilities have also been retained following the company's conversion into a European Stock Corporation (Societas Europaea/SE). The declaration on corporate governance in accordance with Section 289a of the German Commercial Code (HGB) contains detailed information on the extensive

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### Breeding and distribution activities of the KWS Group in over 70 countries





Automated high throughput – a growing population, climate change and demand for sustainability make breeding increasingly complex.

and close cooperation between the Executive Board and the Supervisory Board and has been published at [www.kws.com/corporate-governance](http://www.kws.com/corporate-governance).

#### **Guidelines for the company's day-to-day work**

Our guiding principles define the framework for our goal of creating sustainable and profitable growth for our customers, employees and investors. Our strategic decisions and day-to-day actions in operational business are guided by the following company principles:

- We increase genetic potential through outstanding research and top-class breeding programs.
- We supply our farmers with seed of the very best quality.
- We aim to be a strong partner who earns the trust of our customers.
- We create entrepreneurial freedom and help people unfold their talents.

The KWS Group owes its innovativeness and success to a growing workforce worldwide. With our central policy framework – Rules, Guidelines and Procedures (RGPs) – we create a common understanding of the freedoms and decision-making processes within KWS. The RGPs are continuously improved by means of constant monitoring and feedback. They complement our existing guiding principles, with the objective of preserving KWS' unmistakable profile, also against the backdrop of the Group's increasing internationalization.

#### **Research & Development**

The objective of our research & development work is to create high-performance varieties that meet various environmental and application requirements and ensure a continuous increase in yield. To enable that, we continue to invest in expanding our research and breeding capacities. In fiscal 2016/2017 alone, our R&D expenditure totaled €190.3 (182.4) million. The result was that new KWS varieties were awarded around 357 (397) marketing approvals.

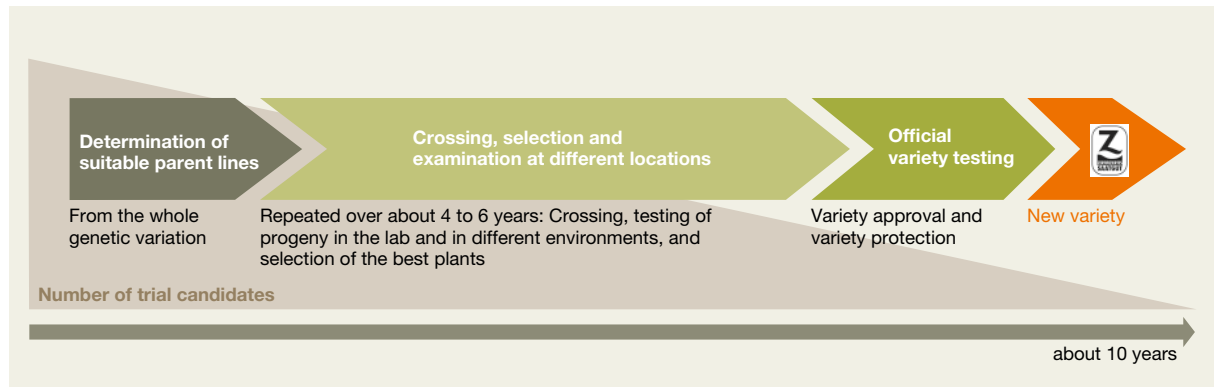
Plant breeding is a very research-intensive and long-term business. Promising parent lines have to be crossed for each new variety and their progeny examined and selected with regard to the desired traits over a period of several years. At the end of the development process come variety tests in which the traits of new varieties are determined and compared with standard varieties. An average of more than ten years elapse between the first crossing and the actual marketing of a variety.

To develop new varieties, we maintain our own long-term breeding programs organized in a crop-specific structure. Our breeders are assisted in that by a global network of various breeding and trial stations. That means candidate varieties can be tested under the location-specific conditions in their target markets.

As part of our own research activities, scientists at KWS continuously work on new molecular biology, IT or technical approaches that enable us to develop



## The long road to a new variety



new, improved product traits and further optimize our breeding methods. So that the latest scientific findings and methods can be integrated faster in our breeding work, we also complement our research activities with partnerships with public research institutes and private enterprises.

### Activities in the past fiscal year

#### Strengthening of KWS' corn breeding activities

We were able to strengthen our variety development activities in Europe by establishing two new breeding programs for southwest France and Serbia. As a result, we not only cover all maturity zones, but also the most important corn regions in Europe. Apart from their significance for the markets in southern France and Serbia, the new breeding programs are also important for developing varieties in earlier maturity groups and for improving tolerance to leaf diseases.

We were able to expand corn breeding in Argentina by establishing a new breeding station near the city of Cordoba and a second breeding program in the country's main northern cultivation region. We are thereby addressing the growing importance of a market that has grown to 4.9 million hectares in the past two years. We have already captured a market share of 5% in Argentina with our own hybrids, which have additional traits for corn from our license agreement with one of the world's leading providers.

#### Increase in sugarbeet's competitiveness through development of a powerful variety portfolio

More and more combinations of resistances, coupled with a stable and high sugar yield, are required for growing sugarbeet. In order to tackle increasing requirements, we have developed a wide-ranging portfolio of high-yielding varieties that is a very good fit for the individual markets. Resistance to rhizomania – a viral disease that can cause losses in yield of up to 80% – is still the most important trait. KWS is protecting sugarbeet crops successfully by rolling out a second resistance based on the new strategy RIZO 2.0. Moreover, the varieties with tolerance to nematodes (threadworms), coupled with better resistance to leaf diseases such as Cercospora, contribute to sustainable and high-yielding sugarbeet cultivation.

#### First milestones on the path to the hybrid potato achieved

KWS has pursued a long-term, research-intensive goal since 2011, to develop diploid hybrid potatoes that can be multiplied and marketed in the form of seed. Hybrid potato breeding and multiplication using seed instead of tubers is a completely new and highly promising approach. Diploid potatoes permit far more effective breeding. The cost and effort of transporting seed potatoes and cold storage of them would be eliminated. Seed is also at far less risk of being infested with pests.

We were able to achieve initial milestones last fiscal year. We have now successfully incorporated self-fertility, a vital requirement for developing diploid inbred lines. We have also been able to create powerful diploid breeding material, which will be developed further in subsequent product-oriented phases. As a result, the foundations for hybrid potato breeding have been established. However, there is still a long way to go before it is ready for market. The first competitive varieties that can be sold in the form of seed are expected in ten years.

#### First commercial seed production operations for sunflower

We are now again producing seed for new commercial sunflower varieties in 2017 – seven years after we resumed breeding sunflower – so that sunflower marketing can begin in southeastern Europe in the coming 2018 sowing season. A key requirement for that was successful approval of seven varieties for the southeastern and Eastern Europe regions, of which four are currently being prepared for marketing in 2018. The varieties have thus achieved competitiveness in terms of yield and agronomic characteristics in the past years. Further successive strengthening of these young product ranges is envisaged in the coming years.

#### Successful restructuring of wheat breeding in France

France is one of the key markets for winter wheat in Europe. Since acquiring Momont in full three years ago, we have therefore made considerable investments in our wheat breeding program, in order to improve our competitiveness. We have since been able to significantly improve the program's structure, for example, by splitting it up into different breeding zones for northern France and for central and southern France. That permits more focused cultivation of the different market segments. In addition, we expanded our breeding activities in the south of the country. The breeding process was also further optimized by intensive integration of state-of-the-art breeding methods, such as marker or double haploid (DH) technology. We expect the breeding cycle to be reduced by one year in the future as a result of an increase in DH production and other measures. As a result, we have laid the foundation for improving our competitive position and becoming one of the leading companies in this important market segment long term.

#### Key figures for research & development

in € millions		2016/2017	2015/2016	+/-
R&D employees	avg.	1,889	1,830	3.2%
Ratio of R&D employees	in %	38.3	37.8	1.3%
R&D expenditure		190.3	182.4	4.3%
R&D intensity <sup>1</sup>	in %	17.7	17.6	0.6%
Marketing approvals for new varieties		357	397	-10.1%

<sup>1</sup> In % of net sales





A photograph of a vast cornfield at sunset. The sun is low on the horizon, creating a warm, golden glow across the sky and the field. The corn plants are in the foreground, their leaves catching the light. In the background, a line of trees is silhouetted against the bright sky.

Farmers are not  
customers for us.  
They're partners.

Your crop. Your choice. Our dedication. Making decisions. That is independence.  
You know what's best for your farm. We have the fitting variety.



Can emotions always be captured in words? KWS employees at a "Make yourself grow" event.

## Employees

Over six generations, our employees have made KWS what it is today: an innovative, world-leading plant breeding company. That is due in great measure to their skills, mindsets, ideas and their satisfaction. As a family-run business, we attach importance to a work culture of respect, foster employees' personal and professional development, yet also demand a high degree of personal initiative from them. Openness, trust and team spirit define our culture.

### Employment trends

We employed an average of 4,937<sup>1</sup> people worldwide in the year under review, a slight increase of 94; 1,911 (1,908), or around 39% of the workforce, were employed in Germany. While the headcount in Europe (excluding Germany) remained virtually unchanged, it rose in North and South America and in the rest of the world. Once again, the area that accounted for the most employees was research & development: Our colleagues in this field made up

38.3% of the total workforce. The average length of service in Germany was 13.5 years. The ratio of women remained virtually unchanged.

### Employer brand

We pursue a policy of positioning KWS clearly as part of our presence in international labor markets. In doing that, we address interests and needs that are important to our current and future employees. Among other things, we are committed to fostering employees' personal and professional development in a targeted manner as well as an appropriate work-life balance. Our values of team spirit, closeness, reliability, independence and foresight accompany us in all our internal and external activities. Establishing networks and nurturing contacts with professional groups of importance to us are key elements of our HR strategy. We launched a cooperation with the prestigious Chinese Agricultural University in Beijing in the last fiscal year, for example.

<sup>1</sup> All details in this section do not include our equity-accounted companies. Including these companies, the average headcount is 5,621 (+149).

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### Employees by function<sup>1</sup>

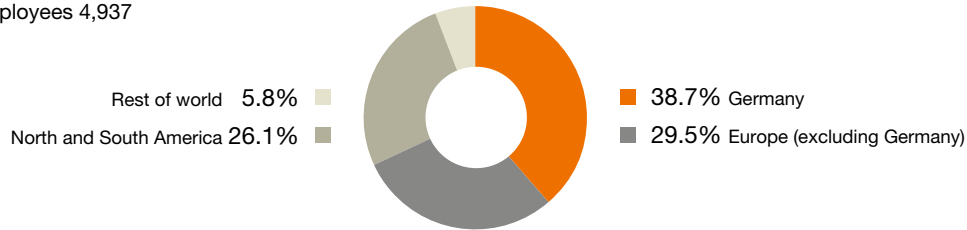
Number of employees 4,937



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### Employees by region<sup>1</sup>

Number of employees 4,937



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<sup>1</sup> Average number of employees

### Development of young talents

We give school pupils and students the chance to gain initial insights into working life by means of internships or excursions. We also support talents early on by awarding various scholarships. Like every new employee, career starters are given a comprehensive introduction to our global, strongly networked business processes when they join us. The training KWS offers helps employees develop practical skills. There are diverse options to choose from – from vocational training to a dual course of study. Our instructors and trainee supervisors supported a total of 95 young people in seven different fields of training on their path to gaining their vocational qualifications in fiscal 2016/2017. We offer university graduates two highly popular springboards for starting their careers – our international trainee program and the Breeders Academy, which is geared specifically to plant breeding.

### Advantages for employees

KWS is a modern employer, offering its employees varied and attractive conditions. Flexible hours and the possibility of working from home are established everyday practices at KWS and help staff reconcile work and private life. We promote a healthy working world through local activities at our sites. Medical checkups, dietary advice and sports courses are offered, for example. There is the opportunity to obtain “Job Bikes” or join fitness studios at special terms. Under our Employee Stock Purchase Plan, employees can acquire shares in their company at preferential conditions. A family-friendly spirit is also writ large at KWS. Among other things, KWS gives parents financial support for childcare. KWS won an award in Germany as a family-friendly company in June 2017, for instance. We also support our employees in their involvement in non-profit organizations or work for social causes by giving them additional freedom to pursue these activities.





"Tea kitchen talk" – dialogue and communication are part and parcel of our company.

### **Employee development**

Global growth and regional markets mean that a high degree of adaptivity is always required. Our range of further training measures is therefore open to all employees. It is reviewed regularly to ensure it reflects practical needs and adapted if necessary. The measures aim, in particular, to enhance our employees' professional expertise and are discussed and defined together with their supervisors in annual performance and career development reviews.

There are also several development programs aimed at specific target groups. "Sparring Circles" enable a profitable sharing of ideas, while "KWS on Board" provides a comprehensive insight into our corporate strategy, culture and values, and shows what we expect from the employee group in question. The "Orientation Center" enables us to verify individual potential and draw up pinpointed development plans. For its part, the "International Development Program" offers experts and executives an additional opportunity to enhance their personal and professional strengths – also with the aid of internal mentors – in the international environment.

### Diversity

KWS operates in more than 70 countries. This international range involves more than having a variety of languages at KWS. Different cultures, disciplines and personal backgrounds join to enrich our working climate. We value this individuality and give it our appreciation, support and respect. KWS also implements the statutory requirements on equal participation of women and men in management positions.

### Dialogue with the Works Councils

The working relationship with our Works Councils is close and based on trust. In meetings with management, issues are discussed openly and common solutions are found constructively. Our European Employee Committee (EEC), which represents the

interests of KWS SAAT SE's workforce, always becomes actively involved if matters affecting employees from at least two EU countries are discussed. The first new elections to the EEC will be held in the fall of 2017, two years after it was founded. The period of office will be five years in the future.

At the national level, negotiations on the company collective bargaining agreement for Germany were held between the construction, agricultural and environmental workers' union Bauen Agrar Umwelt (IG BAU) and KWS SAAT SE in May 2017. Key aspects of the results were a non-recurring payment of €1,500 for fiscal 2017/2018 and a pay increase of 3% effective July 1, 2018.

Welcome to KWS!  
Around 1,300 employees  
work at our Einbeck  
location – the figure was  
30% lower 10 years ago.





### Occupational safety

Early identification and initiation of measures relating to occupational safety and health for our employees has top priority for KWS. Work safety is pursued in a structured manner, organized to reflect the com-

pany's needs and continuously improved by being incorporated in the Integrated Management System, for example. In Germany, experts in occupational safety and healthcare provide support in these fields. They are assisted by external service providers.

### Key figures for employees in Germany<sup>1</sup>

		2016/2017	2015/2016	+/-
Number of employees		1,911	1,908	0.2%
of which part-time employees		415	392	5.9%
Ratio of men	in %	51.3	50.9	0.8%
Ratio of women	in %	48.7	49.1	-0.8%
Number of apprentices		95	97	-2.1%
Apprentice ratio	in %	5.0	5.1	-2.0%
Average age (in years)		40.8	40.5	0.7%
Length of service (in years)		13.5	13.2	2.3%

<sup>1</sup> Average number of employees



Ready, set, go! The motivational shout of "Dragon! Seed!" was raised back in 2014, when the paddles hit the water for the first time. Apart from regular training, KWS' "Dragonseeds" team also takes part in dragon boat races.

## Economic Report

### Business Performance

#### General developments and business performance of the KWS Group

KWS faced an economic environment similar to that of the previous year. There was still a high level of supply on international commodity exchanges, which exerted pressure on prices of agricultural raw materials and – to a varying extent for the different regions and crops – on cultivation area. An exception was the sometimes sharp rises in the price of sugar due to high demand and the increase in sugarbeet cultivation area. The latter increased significantly in all important cultivation regions – with the exception of North America – and also in the EU due to the end of the European Sugar Market Regime. Exchange rates in the KWS Group's business arena remained volatile, with different trends regionally and in some cases (in Brazil and Argentina) with a significant impact on the KWS Group's net sales, which are consolidated in euros. Political impact on our business came from the reduction in state-guaranteed prices for corn in China, resulting in a decline in the cultivation area in an important region for KWS. The Brexit vote had a negative impact, in particular on cereals business, due to the sharp devaluation of pound sterling.

#### Guidance versus actual business performance of the KWS Group

In November 2016, we lowered our guidance for the KWS Group's EBIT margin in our 1st Quarterly Report for 2016/2017. That was due to additional distribution projects and inventory write-downs. The improvement in the KWS Group's cost of sales ratio anticipated at the start of the year under review was also slightly lower at the time as a result of the higher cost of sales at the Corn Segment. The increase in sugarbeet area in the 2017 cultivation year was well above our expectations. That, and the good performance of our varieties, had a positive effect on the course of our business and was the main reason why we subsequently raised the net sales and margin expectations for the KWS Group and for the level of earnings we ultimately generated. Our performance in Europe and South America in the fourth quarter was below expectations, causing the Group's net sales to fall below the anticipated 5% growth mark.

#### Guidance versus actual business performance of the KWS Group

	Results for 2015/2016	Guidance for 2016/2017	Adjustments to the guidance during the year			Results for 2016/2017
		Annual Report (10/25/2016)	Quarterly Report Q1 (11/24/2016)	Semiannual Report (03/07/2017)	Quarterly Report 9M (05/23/2017)	
Net sales	€1,036.8 million	<+5%	–	Still almost +5%	Just over +5%	€1,075.2 million; +3.7%
R&D intensity	17.6%	Around 17%	–	–	–	17.7%
EBIT margin	10.9%	≥11%	10.0–10.5%	≥10.5%	≥11%	12.2%





Searching for clues in the plant's genetic makeup: We use cutting-edge chip technology to uncover a daily trove of data so as to ensure breeding success.

### Summary of the segments' course of business and comparison with the guidance<sup>1</sup>

Every year, the fall sowing season determines the main business trends of the **Cereals Segment**. The key crop in that is hybrid rye, which accounts for a very significant share of the segment's net sales and earnings. Net sales of hybrid rye seed fell in the year under review, also due to declines in the cultivation area in Germany. The devaluation of pound sterling also had a negative impact on net sales. These trends led us to adjust our net sales and earnings expectations for the Cereals Segment during the year.

In South America, the sales season for the **Corn Segment** is in the first half of the fiscal year (June to December), whereas we generate most of our sales in the other regions in the spring due to the sowing season there. The main increases in this segment's net sales were in South America. Our oil seed business in Europe also went well. A rise in the cost of sales, higher inventory write-downs and additional research & development projects were the reasons why we

lowered our guidance for the segment's EBIT margin in November 2016. The increase in net sales in the year under review and the EBIT margin were ultimately slightly below the guidance we last published. The reason for that was that our performance in South America and Europe in the fourth quarter was below expectations.

The main sales season for the **Sugarbeet Segment** is in the third and fourth quarters (January to June). High demand for sugar, the related significant expansion in the cultivation area for sugarbeet and the performance of our sugarbeet varieties were the main factors that influenced the successful course of the segment's business. These trends surpassed our expectations and were the reasons why we raised our guidance for net sales and income during the year.

There were no adjustments to the guidance for the **Corporate Segment** during the year. Its net sales and earnings were largely in the range we expected.

<sup>1</sup> Including equity-accounted companies. Details on the segments' business performance and their economic environment can be found in the segment reports.

## Earnings, Financial Position and Assets

### Earnings

#### Continued growth in net sales

We were able to continue the growth of the KWS Group and increase our net sales in the period under review by 3.7% to €1,075.2 (1,036.8) million. That is mainly attributable to our successful business performance in the Corn and Sugarbeet Segments. These gains were made in the regions South America (corn and soybean) and Europe (sugarbeet and winter rapeseed). However, net sales in the Cereals Segment fell, in particular due to the decline in hybrid rye business in Germany. Exchange rate influences varied from region to region, but all in all had a slightly positive impact on the KWS Group's net sales as a result of the performance of the US dollar and Brazilian real. Assuming constant exchange rates at the level of the previous year, net sales would have been €1,070.3 million.

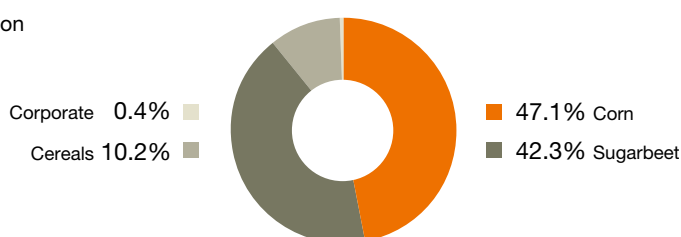
#### Strong earnings – increase in EBIT

The weather is an external factor that impacts our cost of sales, especially in our local seed production operations. There were various trends regionally in the year under review, but all in all the impact for

the KWS Group was positive. Although the KWS Group's cost of sales rose to €493.9 (480.9) million, the cost of sales ratio fell to 45.9% (46.4%). That was the result of an improvement in the cost of sales in the Sugarbeet and Cereals Segments. However, the cost of sales ratio at the Corn Segment rose. We increased our function costs aimed at securing our future growth – i.e., expenditure on distribution and on research & development – by a total of around €12 million and so in line with our planning. Additional distribution activities focused on the growth regions of Brazil, Argentina and Russia. The planned increase in research & development spending to €190.3 (182.4) million resulted in an R&D intensity at 17.7% (17.6%). Administrative expenses rose moderately to €79.8 (76.4) million. The balance of other operating income and other operating expenses increased by 68.8% to €21.1 (12.5) million. The related individual items are explained in detail in the Notes on pages 120 to 121. One of the key factors was lower expenses as part of receivables management. All in all, in fiscal 2016/2017 the KWS Group's EBIT increased by 16.7% to €131.6 (112.8) million, and the EBIT margin was at 12.2% (10.9%).

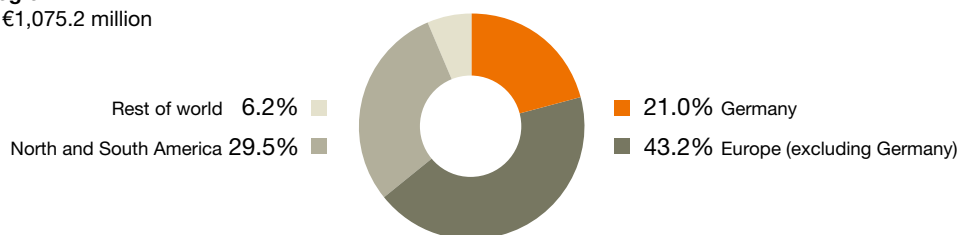
#### Net sales by segment

Total net sales €1,075.2 million



#### Net sales by region

Total net sales €1,075.2 million



**Abridged income statement**

in € millions	2016/2017	2015/2016	+/-
Net sales	1,075.2	1,036.8	3.7%
Operating income	131.6	112.8	16.7%
Net financial income/expenses	16.6	14.8	12.2%
Result of ordinary activities	148.2	127.6	16.1%
Income taxes	50.5	42.3	19.4%
Net income for the year	97.7	85.3	14.5%
Earnings per share in €	14.78	12.92	14.4%
EBIT margin in %	12.2	10.9	

**Improvement in net financial income/expenses  
– stable tax rate – net income up well over the  
previous year**

Our net financial income/expenses is made up of the net income from equity investments and the interest result. One component of income from equity investments is the income from equity-accounted financial assets, which fell to €24.9 (26.5) million due to lower contributions to earnings from our equity-accounted companies. The interest result improved to €–8.3 (–11.7) million, mainly due to better borrowing terms and the lower level of debt capital that was raised. Net financial income/expenses was thus €16.6 (14.8) million. Earnings before taxes (EBT) rose by 16.1% to €148.2 (127.6) million. Income taxes were €50.5 (42.3) million, giving a tax rate of 34.1% (33.1%). Overall, the KWS Group generated net income of €97.7 (85.3) million in the year under review. The number of shares was unchanged, giving earnings per share of €14.78 (€12.92).

**Financial Situation**

The task of financial management is to ensure the KWS Group's earnings strength and secure its financial assets long-term. Among other things, extensive liquidity planning, monitoring of cash flows and hedging the risk of interest rate changes and currency risks contribute to that.

Higher net income year on year, before allowing for noncash expenses and income, coupled with a reduction in long-term provisions, resulted in a reduction in cash earnings to €105.4 (107.3) million. The increase in other liabilities and lower dividends from our equity-accounted companies had a major impact on net cash from operating activities, which totaled €122.4 (125.9) million.

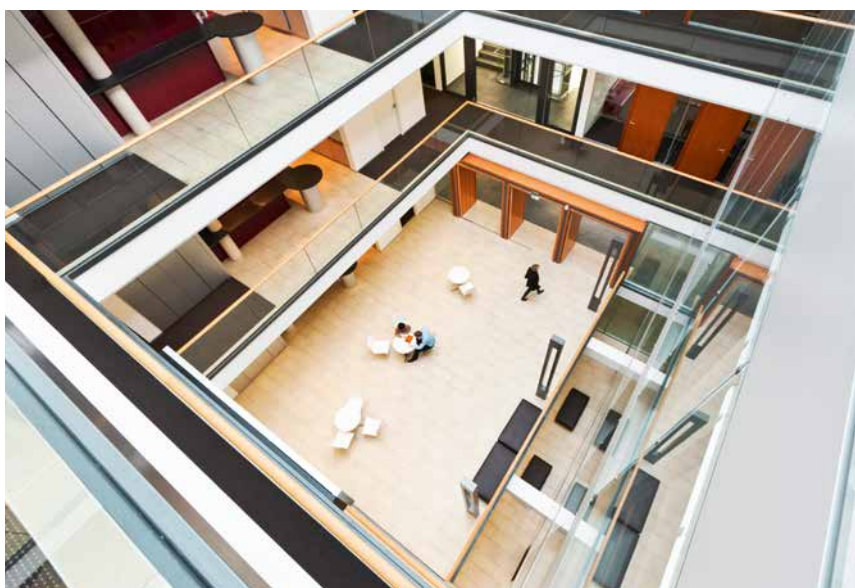
The net cash from investing activities totaled €–64.8 (–92.2) million in fiscal 2016/2017. The main focus of our capital spending in the year under review was on erecting and expanding production and research & development capacities. Among other things, expansion of sugarbeet seed production and of the greenhouse complex was completed in Germany. A new corn seed plant was erected in Ukraine. We also restructured our ERP license landscape in the year under review. Total capital spending in fiscal 2016/2017 was €63.3 (99.6) million. Some of the investments planned for the year under review



were shifted to fiscal 2017/2018, which is why our investment planning for the coming year envisages a sharp increase in capital spending. Depreciation and amortization increased slightly to €49.4 million.

Since short-term commercial papers were issued for the first time in the fiscal year in order to finance business operations during the year and more capital debt was repaid than raised compared with the previous year, the net cash from financing activities was €-29.6 (21.4). Commercial papers have lower interest terms than our available credit lines, which enhances the attractiveness of this financing instrument. The KWS Group's cash and cash equivalents at the end of fiscal 2016/2017 rose to €191.4 (163.9) million.

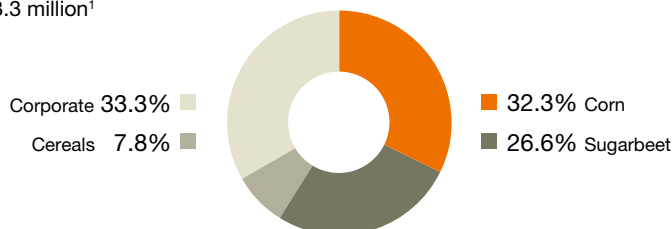
A syndicated loan with a total volume of €200 million and running until 2021 still exists with KWS SAAT SE's principal bankers to finance operating resources during the year. It was not utilized in the year under review; the covenants were fulfilled by KWS at all times.



KWS' transparent spirit is reflected in our building.

#### Capital expenditure by segments

Total capital expenditure €63.3 million<sup>1</sup>



#### Capital expenditure by region

Total capital expenditure €63.3 million<sup>1</sup>



<sup>1</sup> Without capital expenditures of our at equity consolidated companies

#### Selected key figures on the financial position

in € millions	2016/2017	2015/2016	+/-
Cash and cash equivalents	191.4	163.9	16.8%
Net cash from operating activities	122.4	125.9	-2.8%
Net cash from investing activities	-64.8	-92.2	-29.7%
Net cash from financing activities	-29.6	21.4	< -100.0%

#### Assets

The KWS Group's balance sheet is impacted by the seasonal nature of our business. In the course of the year, there are usually balance sheet items that differ significantly from the corresponding figures at the balance sheet date, in particular in relation to working capital.

Total assets at June 30, 2017, were €1,495.2 (1,436.6) million. Changes in working capital had a particular impact here. Like in the previous year, the increase in cash and cash equivalents is attributable to the expansion in our business activities and reversal of securities positions. The increase in trade receivables to €302.6 (293.9) million was in line with the growth in net sales. Inventories rose by 4.9% to

€194.9 (185.8) million, meaning their ratio relative to total assets increased slightly. That was due to good yields from our seed production operations. Current assets at the balance sheet date totaled €815.1 (768.7) million. Net debt at the end of the fiscal year was €48.5 (87.9) million due to higher cash and cash equivalents and repayments of borrowings.

The allocation to the other reserves meant that equity rose to €836.9 (767.9) million. As a result, noncurrent assets were again fully covered by equity. Partial repayment of the borrower's note loan and repayment of other long-term loans reduced noncurrent liabilities to €358.8 (393.6) million. The equity ratio increased to 56.0% (53.5%) as a result. We have consequently strengthened our solid financial structure even further.

#### Abridged balance sheet

in € millions	06/30/2017	06/30/2016	+/-
<b>Assets</b>			
Noncurrent assets	680.1	667.9	1.8%
Current assets	815.1	768.7	6.0%
<b>Equity and liabilities</b>			
Equity	836.9	767.9	9.0%
Noncurrent liabilities	358.8	393.6	-8.8%
Current liabilities	299.5	275.1	8.9%
<b>Total assets</b>	<b>1,495.2</b>	<b>1,436.6</b>	<b>4.1%</b>

## Segment Reports

### Reconciliation with the KWS Group

The KWS Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The segments are presented in the Management Report in line with our internal corporate controlling structure in accordance with GAS 20. The main difference is that we no longer carry the revenues and costs of our equity-accounted companies in the statement of comprehensive income (in accordance with IFRS 11). The KWS Group's net sales and EBIT will therefore be lower than the total for the segments. The earnings

contributed by the equity-accounted companies are instead included under net financial income/expenses. In addition, their assets are included separately in the KWS Group's balance sheet. Our equity-accounted companies are included proportionately in the segment reports in line with our internal corporate controlling structure.

The difference from the KWS Group's statement of comprehensive income is summarized for a number of key indicators in the reconciliation table:

Reconciliation table

in € millions	Segments	Reconciliation	KWS Group
Net sales	1,394.0	-318.8	1,075.2
EBIT	158.8	-27.2	131.6
Number of employees avg.	5,621	-684	4,937
Capital expenditure	67.9	-4.7	63.3
Total assets	1,628.8	-133.6	1,495.2

The reconciliation between the KWS Group's statement of comprehensive income and the reporting by segments in fiscal 2016/2017 is impacted by our equity-accounted companies in the North American and Chinese corn markets. That applies to all key figures in the above table, with the main influences coming from North America. Net sales

from corn and EBIT were lower there in the year under review, which therefore had an impact on the reconciliation. The Chinese company KENFENG – KWS SEEDS CO., LTD. Increased its contribution to net sales and income in the year under review, although that still had a minor effect on the reconciliation.

Marke Eigenbau. In unserer Werkstatt in Einbeck werden mit einer zyklengesteuerten Drehbank Ersatzteile für Maschinen gefertigt.





## Corn Segment

### Key figures

in € millions	2016/2017	2015/2016	+/-
Net sales	825.3	795.2	3.8%
EBIT	58.2	63.6	-8.5%
EBIT margin in %	7.1	8.0	
Capital expenditure	25.0	119.1	-79.0%
Capital employed (avg.)	728.0	654.4	11.2%
ROCE (avg.) in %	8.0	9.7	

### Economic environment: high level of supply in most markets

The situation on international corn markets continues to be shaped by a high level of supply of goods for consumption. Corn prices on the commodity exchanges therefore remained under pressure. Large corn seed inventories at breeding and distribution companies intensified the fierce competition already prevailing. The corn cultivation area declined in Europe, mainly because growing other crops, such as oil seed (rapeseed, sunflower, soybean) proved more attractive for farmers. In China, a reduction in state-guaranteed prices for corn led to a sharp drop in the cultivation area in Heilongjiang, an important province for us in the country's northeast. In Argentina, however, there was a significant increase in the corn cultivation area as a result of a change in agricultural export policy. The uncertain political situation in Brazil has had hardly any effect on our business to date. The Brazilian real appreciated significantly year on year. The US dollar and Russian ruble also gained in value on average for the year. In contrast, the Argentinean peso, pound sterling and the Turkish lira depreciated sharply.

### The segment's performance: continued increase in net sales

In the year under review, we increased net sales in the Corn Segment – for the 18th time in a row. They were €825.3 (795.2) million, an increase of 3.8%. We generated most of the growth through our corn and oil seed business in South America, although our winter rapeseed in Europe also helped increase net sales. However, net sales of corn seed in Europe, North America and China declined, reflecting the fall

in the cultivation area there. All in all, exchange rate influences had a positive impact on net sales. If exchange rate effects had remained constant, the segment's net sales would have risen by 2.7% to €816.9 million.

The segment's income was €58.2 (63.6) million. There was a slightly above-proportionate increase in the cost of sales, due among other things to the significant expansion in our corn activities in Brazil and negative weather influences. The main factor influencing income remained the increase in our function costs: We increased expenditure on distribution and on research & development – which are key to enabling our future growth – by a total of €15 million.

### The regions: flourishing business in South America – high demand for oil seed

Following the extremely good harvest of the previous year, the corn cultivation area in North America came under pressure as a result of low consumer prices and fell by 3% to around 37 million hectares in the 2017 cultivation year. The cultivation area for soybean rose by 7% and almost has the size of the area for corn. This climate meant that our corn business declined, while net sales of soybean increased. Our 50:50 joint venture AgReliant generated total net sales of €307.4 million, a drop of 1%.

We increased our net sales in Brazil to more than €100 million, among other things thanks to our products' good performance. The negative impact of the weather resulted in good prices for corn for consumption and thus a sharp increase of more than 10% in the cultivation area there. The significant



# Corn

appreciation in the Brazilian real made a significant contribution to the rise in net sales. Growth in net sales was dampened slightly by a fourth quarter that came in below expectations. We grew our net sales sharply in Argentina. We also benefited here from the license agreement concluded with a leading provider of corn traits in 2015, which had a positive effect on the cost of sales.

In Europe, the Corn Segment was able to maintain its net sales, despite the fact that the market environment remained difficult. The very good performance of our oil seed business helped in that. However, our net sales from corn seed dropped by 1.6%. In particular, our performance in the final quarter was below expectations.

In China, the previously mentioned decline in area in our important cultivation region in the country's northeast resulted in a sharp drop in net sales in the year under review. However, our corn varieties remained the leaders in the markets of relevance for KENFENG – KWS SEEDS CO., LTD. We are making good progress with developing new varieties and expect further variety approvals and growth in sales volumes in the coming years.

## **Sharp expansion in oil seed business – reduction in capital spending**

Oil seed business in the Corn Segment mainly comprises the crops soybean (in North and South America), as well as winter rapeseed and sunflower (in Europe). There was high demand in all of KWS' markets, resulting in an increase in net sales of 33.1% to €125.5 (94.2) million. In particular, winter rapeseed business in Europe went very well.

The segment's capital spending was far lower year on year at €25.0 (€119.1) million. That was mainly due to the fact that the second tranche for corn traits is due in fiscal 2017/2018. Capital expenditure on property, plant and equipment mainly related to completion of the seed production plant in Ukraine and purchase of a soybean production plant in North America.

Just one hectare of corn supplies the annual oxygen needs of 50 to 60 people as a by-product.

## Sugarbeet Segment

### Key figures

in € millions	2016/2017	2015/2016	+/-
Net sales	454.6	439.5	3.4%
EBIT	150.9	118.6	27.2%
EBIT margin in %	33.2	27.0	
Capital expenditure	16.8	17.2	-2.3%
Capital employed (avg.)	260.4	242.9	7.2%
ROCE (avg.) in %	58.0	48.8	

### Economic environment: increasing cultivation area

The European Sugar Market Regime came to an end on September 30, 2017, meaning there are no longer any restrictions on production volumes, minimum prices for sugarbeet or limits on imports and exports. Sugar produced from the 2017 sugarbeet harvest will therefore be marketed fully under the new conditions for the first time. By the end of 2016, the white sugar price in London increased to €550 per ton due to surplus demand on the world market, a factor that was given an additional boost by the 15% increase in the cultivation area in the EU. The cultivation area in Eastern Europe also increased, whereas North America was the only large sugarbeet cultivation region to record a fall in area. The performance of the US dollar and the Russian ruble had a positive impact on net sales, which are consolidated in euros. In contrast, the Turkish lira and pound sterling fell in value year on year. All in all, however, there were no appreciable exchange rate effects on the segment's net sales.

### The segment's performance: increase in net sales and income

We again successfully grew our operational business in the Sugarbeet Segment and further strengthened our market leadership in the year under review, thanks to constantly good variety performance. Net sales rose by 3.4% to €454.6 (439.5) million.

Following the decision made the previous year, sale of our seed potato business to Stet Holland B.V. was successfully completed with the transfer of its assets in the UK, France, Poland and Russia. The disposal resulted in a reduction of around €27 million in net sales, although that was more than compensated for by our successful sugarbeet seed business. After adjustment for net sales from the potato business, net sales from sugarbeet seed rose by 10.3%. We grew our net sales mainly in the EU 28 and Eastern Europe. A further factor in this success, apart from the increase in the cultivation area and good variety performance, was our adjusted distribution strategy. All in all, we achieved a global market share of 55% (55%) in the year under review. That means KWS remains the world's market leader by far.

The segment's earnings improved, mainly as a result of higher net sales. The cost of sales was also impacted by special effects (see also the end of the paragraph) and fell on the back of a rise in net sales. Selling expenses rose slightly due to additional marketing projects, such as in the U.S. Research & development activities were expanded in line with our planning. Disease resistance will increase in importance in the medium to long term – among other things because the use of pesticides may be further restricted in the future. Administrative expenses were kept stable. As part of our stock management activities, expenses from write-downs and



# Sugarbeet

destruction of inventories remained at the level of the previous year. The segment increased its EBIT to €150.9 (118.6) million. Positive special effects also had a significant impact on that. The main ones were the disposal of our potato business the year before and a one-off credit as part of our seed production.

## **The regions: competitiveness thanks to strong variety performance at a high level**

In the segment's key region, the EU 28, we grew our net sales from sugarbeet seed by 22% to €182.4 (149.7) million. Thanks to our consistently high-yielding portfolio of varieties, the KWS brand was able to maintain its high market share of 40% (40%). Our market share in North America remained largely unchanged at well over 80%, despite an approximately 3% decline in the cultivation area and a slight fall in net sales. We gained market share sharply in Eastern Europe thanks to good variety performance and an adjusted distribution strategy, and also benefited from a sharp increase in the cultivation area. We also gained market share in Turkey and the Middle East.

## **Investments in seed production – market launch of CONVISO® SMART draws closer**

We pressed ahead with renovating and expanding our seed production plant at Einbeck in the year under review. The first part of the project was accomplished with completion of the new logistics center. Other investments were the construction of a new cold store and expansion of a greenhouse complex in the U.S.

Preparations to launch our new sugarbeet herbicide technology CONVISO® SMART – a joint project with Bayer CropScience – progressed further in the year under review. For fiscal 2017/2018, plans call for the start of successive launches in initial countries.



A square meter is not enough space for a car to drive, but it can produce 1½ to 2 kilograms of sugar.

## Cereals Segment

### Key figures

in € millions	2016/2017	2015/2016	+/-
Net sales	109.3	118.0	-7.4%
EBIT	10.3	9.0	14.4%
EBIT margin in %	9.4	7.6	
Capital expenditure	5.0	9.2	-45.7%
Capital employed (avg.)	114.9	120.7	-4.8%
ROCE (avg.) in %	9.0	7.5	

### Economic environment: Cereal commodity prices remain low

The main external factors that influenced our cereal operations in the year under review included stagnating cereal prices, devaluation of pound sterling as a result of the Brexit vote and the declining rye cultivation area in Germany. The generally low level of cereal prices – in particular that of rye compared with bread wheat – meant that farmers in Germany tended to grow less rye, instead preferring wheat. However, the cultivation area for rye, wheat, barley and oil seed remained largely stable in other markets.

### The segment's performance: slight decline in net sales, but an increase in earnings

We were not able to compensate fully for the effects of the devaluation of pound sterling and lower net sales of rye in Germany with growth in other markets, so net sales in the Cereals Segment declined to €109.3 (118.0) million. If exchange rates had remained constant, there would have been a lower reduction of 4.7% to €112.5 million. Our wheat business was able to follow up on the results of the previous year thanks to consistently good variety performance and relatively good prices for wheat for consumption compared to those for other types of cereal. In contrast, our net sales from rye fell by 7.0% on the back of a sharp drop in rye cultivation area. Net sales from rapeseed and barley also declined slightly, mainly due to the devaluation of pound sterling. Rye remained the mainstay of the Cereals Segment, contributing 40% of net sales, followed by wheat, barley and rapeseed.

The lower cost of sales year on year had a positive impact on the segment's earnings and was able to more than offset the negative impact on them from the reduction in net sales. That was mainly attributable to two effects: Negative weather influences in the previous year led to higher material costs for hybrid rye – a situation that returned to normal in the year under review – and there was also a positive impact from a higher proportion of revenue from licenses. While selling expenses were reduced in line with the decline in net sales, our research & development expenditure remained at the level of the previous year. The segment's EBIT rose to €10.3 (9.0) million, giving an EBIT margin of 9.4% (7.6%).

### The regions: KWS still has good market positions

While we recorded steadily positive business in our key markets of the UK, Poland, France and Scandinavia – which accounted for just over 55% of the segment's net sales – the decline in the segment's net sales was due in particular to lower demand for hybrid rye seed in Germany. KWS remains the clear leader here with 50% of the market, despite a slight fall in its share. Our business performance in our strategic growth markets of Ukraine, Russia and Canada was positive overall.

France is one of the world's largest cereal markets in terms of cultivation area (around 5.6 million hectares of wheat and approximately 1.8 hectares of barley). We successfully integrated the MOMONT Group in our Cereals Segment following its acquisition in September 2014 and can look back on a successful operating performance there. We were able to



# Cereals

cement our market share in a challenging environment. That was mainly attributable to our good variety performance and establishment of the KWS brand in our cereals activities. Our breeding programs for wheat were focused even more strongly on addressing local market requirements, and we also expanded our activities in southern France. We were also able to launch highly promising new rapeseed varieties on the market in the year under review.

## **Development of new cereal varieties – increase in marketing approvals for the near future**

Our capital spending on production plants and breeding stations – their expansion and modernization – totaled €5.0 (9.2) million in the year under review. Our focus remains on the quality of our varieties and seed. With our investments, we are sticking to our long-term strategy of developing new, continuously improved varieties to suit our customers' needs. We also increased the number of new variety approvals year on year.

Long-term research & development projects, along with conventional breeding, are vital to the segment's future. The positive trends in Eastern Europe and Canada are due to successful adaptation of our varieties to the demanding growth conditions there. Our focus in these highly promising regions is on tailored hybrid rye varieties to tap further market potential. Another long-term goal is to build and develop hybrid breeding activities for barley and wheat. Our variety candidates for hybrid rye occupy top rankings in terms of yield in the official tests, so we have good prospects to keep on growing our strong market position in Germany and other EU countries in the short term.

Wheat – all a question of type? Wheat's high starch content means it has excellent baking properties; it is the number one staple food in many countries.



## Corporate

Building bridges, bringing people together and fostering communication – that's the goal of this building on the KWS campus in Einbeck.

## Segment Corporate

### Key figures

in € millions	2016/2017	2015/2016	+/-
Net sales	4.8	4.1	17.1 %
EBIT	-60.6	-50.1	-21.0 %
Capital expenditure	21.1	14.6	44.5 %

The Corporate Segment's net sales are generated mainly from our farms in Germany. In the past fiscal year they were €4.8 (4.1) million. All cross-segment costs are also allocated to the segment. They include expenses for all central functions of the KWS Group and for long-term research projects. The segment's

net sales cannot cover these expenses. As a result, the EBIT reported by the segment is impacted every fiscal year by regularly increasing costs, depending on our business activity. It was €-60.6 (-50.1) million at the end of the year under review.



## Opportunity and Risk Report

As an international seed company, the KWS Group operates in a dynamically changing environment. That results in risks as well as opportunities, which we have to weigh as the foundation for our entrepreneurial decisions.

### Opportunities

We understand an opportunity as a development that might have a positive impact on our earnings, financial position and assets. At the KWS Group, opportunity management is an integral component of the established controlling system between the subsidiaries/associated companies and company management. Strategic opportunities of major importance, such as joint ventures and acquisitions, are jointly discussed by the KWS Group's Executive Board. Even though the strategic orientation is mainly based on organic growth, selective acquisitions may also round out KWS' portfolio.

Operational opportunities are identified and exploited in the Business Units of the segments, since they have the most extensive knowledge of their markets and products. Targeted measures are formulated together with the Executive Board so that strengths can be leveraged and strategic growth potentials tapped. Extensive strategic planning covering a 10-year time frame is the basis for opportunity management. In keeping with our earnings-oriented growth strategy, we exploit the industry-specific and strategic opportunities that arise by means of pinpointed investments in production capacities, research & development activities, and expansion of distribution.

We see diverse opportunities for the KWS Group to develop the company further in line with our strategy. To succeed in achieving sustainable, profitable growth in the future as well, our prime goal must be to retain and increase our innovativeness. The latter is expressed in seed business by continuous increases in the yields of new varieties. The plants' yield potential can be increased or their resistance to detrimental influences, of whatever type, can be improved. Our goal is to offer our customers an increase in yield of 1% to 2% per annum with our new varieties. That is why we constantly expand our research & development activities. In the approval processes, our varieties are compared directly with rival products in official performance tests.

There are also market opportunities as a result of our intensified activities in subtropical regions. Our corn activities in Brazil and China will enable us to tap additional sales potential for the KWS Group in the medium to long term, including in other subtropical markets, by developing varieties tailored precisely to their climatic conditions.

Investing in expansion of our production capacities and modernization of our seed processing offers additional opportunities to grow further. Further development of our variety portfolio and expansion of capacities are accompanied by expansion of our international distribution structures to enable even more tailored and intensive information and advice for our customers on the possible uses of our seed, and so allow us to leverage further sales potential. In addition, continuous optimization of processes offers the KWS Group the opportunity to increase productivity and optimize cost structures.

## Risks

We define a risk as a potential future event that might have a negative impact on our earnings, financial position and assets.

### Organizational structure of the risk management system

Responsibility for risk management lies with the Executive Board. The group functions Corporate Finance, Corporate Compliance Office, Corporate Development & Communications and Corporate Controlling operate actively and report to the Executive Board (see the figure). The Corporate Management Circle, consisting of the first and second management tiers, forms the Risk Committee of KWS.

Our risk management system is based on the internationally recognized COSO II model (Committee of Sponsoring Organizations of the Treadway Commission). The principles of risk management are enshrined in our Group-wide "Rules, Guidelines & Procedures." Core contents of it define the scope of application, responsibilities and reporting lines. Opportunity management is not part of the risk management system.

As part of its audit of the annual financial statements for fiscal year 2016/2017, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft confirmed the working order of our system for early detection of risks in accordance with Section 91 (2) of the German Stock Corporation Act (AktG).

### Structure of risk management at the KWS Group

	Tasks
Corporate Finance	<ul style="list-style-type: none"><li>■ Early detection of risks</li><li>■ Risk management</li><li>■ Interest and currency management</li><li>■ Insurance</li><li>■ Loan management</li><li>■ Damage prevention</li><li>■ Internal revision</li></ul>
Corporate Controlling	<ul style="list-style-type: none"><li>■ Planning/budget</li><li>■ Current expectation</li></ul>
Corporate Development & Communications	<ul style="list-style-type: none"><li>■ Integrated Management System</li><li>■ Rules, Guidelines &amp; Procedures (RGPs)</li><li>■ Auditing and Case Management</li><li>■ Excellence Through Stewardship (ETS)</li></ul>
Corporate Compliance Office	<ul style="list-style-type: none"><li>■ Compliance Management System</li><li>■ Compliance Risk Assessment</li><li>■ Compliance training</li><li>■ Auditing</li><li>■ Examinations</li></ul>



Our commitment to you – a preview. Corn seed production at our Serbian plant.

### Objectives and brief description of the risk management system

The objective of the risk management system is to record and assess all the main risks. Moreover, the identified risks are to be countered by appropriate, proactive measures to reduce or avoid negative impacts on our corporate objectives so that we can survive and thrive on the world market.

The persons responsible for the Group companies and specific functions within the Group are integrated in KWS' risk management system. They identify and quantify the risks in their sphere of responsibility and formulate measures to control them. This enables risks to be identified, quantified, assessed, reported on and controlled promptly. Risk Management coordinates this process and supports the departments. Risks are assessed by Risk Management and the Risk Committee. Since last year, the method

of assessment has been changed from the expected damage rating method to a new system. It assesses risks as moderate, significant or critical on the basis of their potential level of damage and likelihood of occurrence.

### Risk management process

The risk management process at KWS consists of the phases of identification, assessment, control and monitoring of risks and risk reporting. As part of risk identification, the persons responsible for the Group companies and specific functions record individual risks in their sphere of responsibility on an electronic platform. In doing so, they quantify the likelihood of the risk occurring and its potential financial impact measured by its effect on EBIT.

The individual risks are classified as follows as part of the assessment:

### Assessment of the risk categories

		Likelihood of occurrence		
		Low <20%	Moderate 20%–60%	High ≥60%
EBIT risk <sup>1</sup>	<b>Very low</b> <€1 million	Moderate	Moderate	Moderate
	<b>Low</b> €1 million–€2.5 million	Moderate	Moderate	Substantial
	<b>Middle</b> €2.5 million–€10 million	Substantial	Substantial	Critical
	<b>High</b> ≥€10 million	Critical	Critical	Critical

<sup>1</sup> Before measures

Appropriate countermeasures are formulated and analyzed for all risks where possible. They may be measures to reduce risks, constant monitoring of them or taking out insurance. The measures are weighed on the basis of economic aspects and initiated. The individual risks are analyzed in aggregated form using risk categories and assessed, taking the initiated measures into account.

Risks are controlled systematically by regular checks, which review whether they are still applicable and whether the measures and control activities are effective. In addition, experienced independent auditors examine compliance with the measures and controls using a risk-based approach. A report on the status and the process is given to the Audit Committee of the Supervisory Board every year.

The Group function Corporate Finance reports regularly to the Risk Committee on the current risk situation at the KWS Group and business segments. On that basis, the Risk Committee discusses how to deal with the risks and provides stimuli on how to control them.

#### **Risk management and the internal control system in the accounting process**

The risk management and internal control system comprises structures and processes designed to make sure that business transactions are included in accounting consistently, promptly and correctly. The following are examined regularly: 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. Intra-Group transactions are consolidated appropriately and in full.

The Group functions Corporate Finance, Group Accounting and Corporate Controlling are responsible for consolidated accounting at KWS. A consistent system tool that is subject to the Group's regulations on accounting makes it easier to ensure that the consolidated financial statements comply with the rules.

#### **Overview of the risks**

The table below presents the risks, aggregated into risk categories.

##### **Assessment of the risk categories**

Risk category	Likelihood of occurrence	Extent of damage
Market risks	High	High
Production risks	High	Moderate
Procurement risks	Low	Low
Product risks	Low	High
Environmental risks	Low	High
Liquidity risks	Low	Low
Legal risks	Moderate	High
Personnel risks	Moderate	Low
IT risks	Low	Moderate

In addition, the following deals with the risk categories that we see as having a greater influence on our future business performance.

#### **Market risks**

KWS faces regional political risks due to the regulated nature of the agricultural industry in many countries. There is uncertainty in Ukraine, and continued sanctions against Russia might negatively impact our business activities there. We generated net sales totaling €68.3 (59.9) million in these two countries in fiscal 2016/2017. Other important growth countries, such as Brazil and China, currently face economic and political difficulties, too. The economic impact of the United Kingdom's decision to leave the EU (Brexit) is not significant for our business as far as can be seen at present.

Our business success depends, among other things, on the type of market access, our own variety performance and the competitive environment. However, the global economy has an indirect influence on our net sales and income. We address these challenges with systematic analyses of the market and the competition and by developing high-yielding varieties optimized for different climatic zones.



Currency risks arise in particular from receivables and liabilities denominated in foreign currency. There are interest rate risks as a result of potential changes to market interest rates. The interest payable on financial obligations with a variable rate of interest may increase. We address currency risks and the risk of interest rate changes to a reasonable extent through the usual hedging instruments, to reduce the influence on the KWS Group's earnings and assets situation. In fiscal 2016/2017, we hedged our research & development expenditure and intra-group loans to a large part in order to avoid exchange rate risks.

Some of the consolidation projects in the agricultural industry have now been completed. We do not expect any negative impact on our business in the short term. There are opportunities and risks from further market consolidation in the medium to long term. For example, market opportunities may arise for KWS in general as a result of carve-outs and divestments by the new groups due to antitrust considerations.

#### **Production risks**

Seed production is dependent on the weather. We reduce the risk of crop failures by multiplying seed in separate locations and regions in Europe, North and South America and Asia. In order to prevent and avoid bottlenecks in seed production, we maintain appropriate stocks and can carry out contra-seasonal multiplication in the winter half-year in the southern hemisphere.

We counter the outage of seed processing plants by means of preventive maintenance, risk inspections and organizational and technical damage prevention programs. To cover economic loss, we have Group-wide property and business interruption insurance.

We have established detailed checks and tests to determine the performance and quality of our seed. Quality controls, such as germination and sprouting strength tests, are conducted at all stages of production. The aim of that is to avoid claims for damages

To grow into a plant under a layer of soil, a seed needs enough strength – our mighty cereals being tested.





Manual detail work is also vital in research into and development of new, high-yielding varieties.

due to product liability. We also have product liability insurance to defend against unjustified claims and to settle justified claims.

#### **Product risks**

Our quality controls of conventional seed include an examination to determine that it is free of GMOs. Very strict requirements must be met regarding management of genetically modified products, in particular, to prevent GMOs becoming mixed with conventional seed. In the absence of a standardized legal threshold value, a number of European countries practice a policy of zero tolerance. KWS is a member of the “Excellence Through Stewardship” (ETS) initiative, an internationally standardized quality management program. It defines how genetically modified plant material is used throughout the product lifecycle. By being a member, we signal our clear commitment to the responsible use of transgenic plant material.

The acquisition or licensing of technologies is customary and necessary in the industry. We reduce the related risks by developing our own innovations, which may also be attractive to competitors.

#### **Legal risks**

KWS faces risks from official proceedings and legal disputes. Legal disputes are possible, in particular, with suppliers, licensors, customers, employees, lenders and investors, and may result in payments or other obligations. There were no significant legal proceedings in fiscal 2016/2017.

Under our compliance policy and the Code of Business Ethics, we not only obligate our employees to undertake to act in accordance with laws, contracts, internal guidelines and our corporate values, but also ensure they have the requisite awareness for such issues. In addition, we regularly hold international compliance training courses.

#### **Personnel risks**

Our HR strategy aims to recruit and keep qualified employees at KWS. KWS also faces the increasingly challenging task of competing for staff with companies from outside the industry, too. That may result in the risk of losing employees or not being able to fill vacancies promptly. We counter these risks by continuously further developing our HR strategy. Among other things, we are committed to fostering talents, growing our brand as an attractive employer, and expanding the KWS Group at new locations in urban centers.

#### **IT risks**

The KWS Group's business and production processes, as well as its internal and external communications, are run on globally networked IT systems. Any outages or attacks can sometimes result in significant interruptions to business operations. In addition, theft of sensitive data can entail a loss of reputation for us.

On the basis of our IT security policies, our IT security organization monitors access to company data. Firewall, antivirus and other programs are kept up to date to avoid losses and damage as a result of hacking and malware. There is also an extensive authorization concept. We commission IT service providers to constantly examine our IT security and system authorizations in order to obtain recommendations for optimization measures through an external risk assessment.

#### **Overall statement on the risk situation by the Executive Board**

Our risk situation remained essentially the same in fiscal 2016/2017. There has been a further increase

in personnel risks as a result of the challenging conditions for finding and keeping qualified employees. The most important risks are still related to the market and products. Our business in emerging countries and in foreign currency continues to grow in importance and harbors additional, yet calculable currency and political risks. The identified risks do not jeopardize the existence of the KWS Group, neither individually nor in their entirety.

We feel sure that, thanks to our global footprint, innovative strength and the quality of our products, we can seize opportunities and successfully counter risks as they arise. Risks that jeopardize the company's existence are not currently discernible.



Every plant is different – every variety is special. Finding the right one for you is our goal, motivation and focus.



## Forecast Report

The expectations of management outlined here are based on our corporate planning and the information it takes into account, including market expectations, strategic decisions, regulatory measures or exchange rate trends. They are subject to the same premises as the consolidated financial statements and forecast our business performance up to the end of fiscal 2017/2018 on June 30, 2018. In our forecast for the KWS Group's statement of comprehensive income in accordance with IFRS, we deal with the KWS Group's anticipated net sales, EBIT and R&D intensity. Our forecast for the segments contains comments on our net sales and EBIT expectations, including the contributions made by our equity-accounted companies, which are included proportionately in the segment reports in line with our internal corporate controlling structure.

### **Changes in the KWS Group's composition that are significant for the forecast**

From fiscal 2017/2018 on, we will pool our rapeseed activities, which have been managed so far partly in the Corn Segment and partly in the Cereals Segment, in one unit and transfer it completely to the Cereals Segment. Consequently, all net sales and earnings contributed by our rapeseed business will be allocated to the Cereals Segment.

### **Forecast for the KWS Group's statement of comprehensive income**

We do not expect any significant change to the economic environment in the coming fiscal year. We also anticipate largely similar exchange rate influences as in the previous year – although we have considered significant changes in the expected average rates in our interim reports. We expect slight devaluations in local currencies in South America, Eastern Europe and Turkey. As far as can be seen at present, cultivation area is subject to the usual regional fluctuations. We do not anticipate significant changes at present; however, a more concrete picture of the actual trends will largely emerge toward the end of the forecast

horizon. The signs for our corn business in South America remain positive and we expect to continue to grow net sales there. There is a high level of supply in the European corn seed market, accompanied by continuing pressure on seed prices. Nevertheless, we also assume here that our corn seed business will grow its net sales slightly. In fiscal 2017/2018, we will probably not be able to maintain the very good net sales and earnings from our sugarbeet seed business, meaning net sales and earnings will likely be lower. In our cereals business, we expect to grow revenue from hybrid rye and wheat seed.

Due to the strongly seasonal nature of our business as a result of the great importance of the spring sowing season and external factors that are difficult to anticipate, such as the weather and fluctuations in cultivation area, detailed statements on our net sales and earnings performance cannot yet be made with sufficient reliability. All in all, we currently expect the KWS Group to increase its net sales slightly over fiscal 2016/2017 and to post a double-digit EBIT margin, albeit below the previous year's 12.2%. As far as can be seen at present, our research & development projects will result in an increase in the R&D intensity. We are also increasing our capital spending significantly. Among other things, we are beginning to expand a research complex at the Einbeck site, continuing expansion of the sugarbeet seed production plant and modernizing a sugarbeet breeding station in North America.

### **Forecast for the segments**

As far as can be seen at present, the **Corn Segment** will grow its net sales in the coming fiscal year. Our anticipated positive business performance will more than compensate for the decline in net sales due to the previously mentioned transfer of rapeseed business to the Cereals Segment (the segment generated net sales from rapeseed of just over €20 million in the year under review). We assume that net sales will increase in Europe on the back of higher volumes,





Research today – reap success tomorrow. We like looking into the future, so as to live up to the standards our customers and we ourselves demand.

despite the fact that there will still be perceptible pressure on prices. We expect to increase our net sales from corn and soybean seed in North and South America, but will not be able to do so in South America to the same extent as in the very successful previous year. The other regions will also likely contribute to the segment's growth in net sales – thanks to a slight increase in revenue from corn seed in China, for instance. The segment's EBIT margin should likewise improve slightly over the previous year (7.1%).

In view of the constant strength of our variety portfolio and the fact that the cultivation area will remain largely stable, we expect the **Sugarbeet Segment** to again post very good net sales and earnings in the coming fiscal year. However, we will not be able to replicate our success of the previous year as far as can be seen at present. Our large market share in North America will probably decline slightly. Demand in Turkey will likely be lower since our customers have large stocks of seed. We will be able to offer our new CONVISO® SMART sugarbeet varieties in a number of Eastern European countries for the first time, albeit it in small quantities to begin with. All in all, the segment's net sales will therefore probably be lower than in the year under review (€454.6 million). Its EBIT margin will also probably decline slightly

(previous year: 33.2%) despite lower license payments for American sugarbeet technology.

The **Cereals Segment** will benefit in the coming fiscal year from taking over the Corn Segment's rape-seed activities. That should increase its net sales by around €20 million. As far as can be seen at present, revenue from rye and wheat will increase and barley business will remain stable. Just about all important cereal regions are expected to contribute to this growth. Net sales for the Cereals Segment will therefore probably rise by at least 20% year on year. The segment's income will also be strengthened by the planned growth in net sales and earnings from rape-seed business. We currently expect an EBIT margin at around the level of the previous year (9.4%).

Revenue from our farms in Germany is grouped in the **Corporate Segment**. It should be around €4 million. Since all cross-segment costs for the KWS Group's central functions and basic research expenditure are charged to the Corporate Segment, its income is regularly negative. In our corporate planning for fiscal 2017/2018, its costs will tend to rise due to the planned expansion of our business activity and so its income is expected to be between €–65 and €–75 million.

#### Forecast for the 2017/2018 fiscal year

	Net sales growth	EBIT margin	R&D intensity
Statement of comprehensive income of the KWS Group	Slight increase	Double-digit EBIT margin below previous year	Slight increase







# Only people who like their job do it well.

Your job. Your passion. Our respect. Being passionate about your job. That is independence. We not only respect that, it unites us.





## Corporate Governance

### Corporate Governance Report and Declaration on Corporate Governance<sup>1</sup>

Responsible corporate governance has always been of great importance at KWS SAAT SE. Since it was founded more than 160 years ago, our company's successful development has been based on thinking in the long term and acting in terms of sustainability. The Executive Board and the Supervisory Board run and accompany KWS with the goal of ensuring it creates sustainable value added. They once again examined in the year under review whether the company complies with the stipulations of the German Corporate Governance Code. As a result,

the following declaration of compliance was issued to the effect that the company complies almost fully with the code's recommendations.

You can find detailed information on corporate governance, also with the contents in accordance with Clause 3.10 of the German Corporate Governance Code, 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 in full on our website at [www.kws.com/corporate-governance](http://www.kws.com/corporate-governance). You can find the compensation report on the next page.

### Compliance Declaration in Accordance with Section 161 AktG (German Stock Corporation Act)<sup>1</sup>

The Executive Board and the Supervisory Board of KWS SAAT SE 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 5, 2015, since the last compliance declaration in October 2016, and with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017, 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 4.2.2 (2) Sentence 3 of the German Corporate Governance Code, the Supervisory Board shall consider the relationship between the compensation of the Executive Board and that of senior management and the workforce overall, particularly in terms of its development over time, whereby the Supervisory Board shall determine how senior managers and the relevant staff are to be differentiated. This recommendation is not complied with, since the compensation of the Executive Board, senior management and staff is based on variable criteria that defy rigid definition. These criteria include not only generally applicable yardsticks such as degree of responsibility, tasks, personal performance, expertise and the like for the Executive Board, but also the company's economic situation, success and future prospects.

In accordance with Clause 5.4.1 (2) Sentence 2 of the German Corporate Governance Code, the Supervisory Board is to set a limit on the length of time members can serve on the Supervisory Board. This recommendation is not complied with, since in a business with a tradition of family ownership like KWS SAAT SE, it would significantly restrict the rights of the family shareholders, who hold a majority stake in the company.

Clause 7.1.2 Sentence 3 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 SE 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 recommended periods in the German Corporate Governance Code.

Einbeck, October 2017

The Supervisory Board

The Executive Board

<sup>1</sup> Not part of the audited Combined Management Report



### Compensation Report

The compensation report contains explanations on the salient features, structure and level of the compensation paid to members of the Executive Board and the Supervisory Board of KWS SAAT SE. It is based on the relevant statutory provisions and oriented toward the pertinent recommendations of the German Corporate Governance Code.

#### Compensation for members of the Executive Board

The compensation system for members of the Executive Board was set by the Supervisory Board in 2010 and approved by the Annual Shareholders' Meeting. Compensation for the members of the Executive Board 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 the following components:

1. A basic fixed annual salary (if applicable with a CEO bonus)
2. Fringe benefits
3. A variable payment in the form of a performance-related bonus
4. A variable payment in the form of a long-term incentive (LTI) based on the KWS stock price
5. Any special payments
6. Pension arrangements

The performance-related bonus (including fringe benefits), the LTI payment and the total compensation of every member of the Executive Board is limited individually to a maximum amount.

The **basic annual salary** in the year under review for all Executive Board members was €300 thousand. The Chief Executive Officer receives an extra "CEO bonus" of 25% on top of the basic annual salary. The basic compensation is paid as a monthly salary.



It's how you look at things ... Whatever your viewpoint: Our seed stands for quality.

Apart from these fixed salaries, there is also non-monetary compensation in the form of **fringe benefits** (such as a company car and a mobile phone), contributions to health and nursing care insurance, and accident insurance in favor of members of the Executive Board.

The **variable payment** for Executive Board members (performance-related bonus) is calculated on the basis of a fixed percentage and depends on the average net income of the KWS Group for the past three years ("sustained net income"). The object of that is for the compensation to reflect the company's performance, positive or negative. Additional payments for any duties performed in subsidiaries and associated companies are offset against the variable payment (performance-related bonus). This – including the fringe benefits – is limited to an amount of €500 thousand for each Executive Board member per fiscal year. If sustainable net incomes of more than €100 million in each year are generated in two successive years, the upper limit for the bonus is increased to €600 thousand for each Executive Board member as of the following fiscal year.

Since fiscal year 2010/2011, there has also been a **stock-based bonus system** (the first reference point for which was in January 2012). It is intended to act as a long-term incentive and thus support the company's sustainable development. 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 shares of KWS SAAT SE. The long-term incentive (LTI) is paid in the form of cash compensation after a holding period of five years. It was paid for the first time at the beginning of 2017. This payment is calculated on the basis of the share's performance over the holding period and on the average return on sales (ROS, based on segment reporting), measured as the ratio of operating income to net sales.

The LTI payment is limited to a maximum of one-and-a-half times (two times for Dr. Hagen Duenbostel) of the capital used to acquire the shares.

Additional **special payments** were not granted to the members of the Executive Board in the year under review.

**Pension obligations** are granted in the form of a direct obligation to provide benefits, with the annual anticipated pensions ranging between €13 thousand and €130 thousand, and a defined contribution plan. In fiscal 2016/2017, €306 (306) thousand was paid to a provident fund backed by a guarantee for pension commitments to members of the Executive Board. A further €–204 (423) thousand was allocated to the pension provisions in accordance with IAS 19 (of which €18 thousand was interest expenses and €–222 thousand from revaluation effects). Pension provisions totaling €1,180 (1,384) thousand were thus formed for the members of the Executive Board of KWS SAAT SE.

#### Pension commitments

in €	06/30/2017	06/30/2016	Interest expenses	Revaluation effects
Dr. Hagen Duenbostel	852,085.00	1,015,005.00	13,195.00	–176,115.00
Dr. Peter Hofmann	327,562.00	368,618.00	4,792.00	–45,848.00
<b>Total</b>	<b>1,179,647.00</b>	<b>1,383,623.00</b>	<b>17,987.00</b>	<b>–221,963.00</b>

The total compensation to be reported for the Executive Board in accordance with Section 314 (1) No. 6a of the German Commercial Code (HGB) in conjunction with German Accounting Standard No. 17 (GAS 17) was €3,772 (3,531) thousand in fiscal 2016/2017. 36.7% (38.8%) was accounted for by the

basic annual salary, including fringe benefits, 47.9% (45.4%) by annual variable components and 15.4% (15.8%) by multi-year variable components. The tables below provide an overview of the total compensation granted in the fiscal year on an individualized basis (excluding pension costs).

#### Total compensation for the Executive Board 2016/2017

in €	Cash compensation				LTI FV <sup>1</sup>	Total	LTI
	Basic compensation	Fringe benefits	Performance-related bonus	Total	Grant		Cost
Dr. Hagen Duenbostel	375,000.00	29,316.14	451,457.68	855,773.82	199,823.52	1,055,597.34	316,943.04
Dr. Léon Broers	300,000.00	23,801.47	451,457.68	775,259.15	199,823.52	975,082.67	245,241.93
Dr. Peter Hofmann	300,000.00	22,623.40	451,457.68	774,081.08	82,991.22	857,072.30	25,831.79
Eva Kienle	300,000.00	32,828.59	451,457.68	784,286.27	99,911.76	884,198.03	47,097.33
<b>Total</b>	<b>1,275,000.00</b>	<b>108,569.60</b>	<b>1,805,830.72</b>	<b>3,189,400.32</b>	<b>582,550.02</b>	<b>3,771,950.34</b>	<b>635,114.09</b>

#### Total compensation for the Executive Board 2015/2016

in €	Cash compensation				LTI FV <sup>1</sup>	Total	LTI
	Basic compensation	Fringe benefits	Performance-related bonus	Total	Grant		Cost
Dr. Hagen Duenbostel	375,000.00	21,522.58	421,671.27	818,193.85	205,561.20	1,023,755.05	252,034.89
Dr. Léon Broers	300,000.00	23,126.34	421,671.27	744,797.61	205,561.20	950,358.81	202,245.34
Dr. Peter Hofmann	300,000.00	22,835.78	337,337.02	660,172.80	64,567.30	724,740.10	6,470.38
Eva Kienle	300,000.00	27,966.54	421,671.27	749,637.81	82,224.48	831,862.29	20,096.09
<b>Total</b>	<b>1,275,000.00</b>	<b>95,451.24</b>	<b>1,602,350.83</b>	<b>2,972,802.07</b>	<b>557,914.18</b>	<b>3,530,716.25</b>	<b>480,846.70</b>

<sup>1</sup> Long-term incentive fair value

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,774 (1,334) thousand, of which €96 (97) thousand was payment under a consultancy agreement. Pension commitments in accordance with IAS 19 (2011) recognized for this group of persons amounted to €7,337 (8,027) thousand as of June 30, 2017. 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 the Supervisory Board in the year under review.

In the tables below, we present the individual grants and receipts separately for each member of the Executive Board, as incurred in the year under review and in the previous year in accordance with the recommendations in Clause 4.2.5 (3) of the German Corporate Governance Code (DCGK) in the version dated February 7, 2017.

The target compensation, including the agreed lower and upper limits, is shown under "Grant." The LTI grants are assessed at the present value at the time of acquisition of the last tranche of shares. The details on the receipts show the same figures as under "Grant" for the fixed compensation and fringe benefits. The receipt for fiscal years 2016/2017 and 2015/2016 (amounts paid) is stated for the one-year variable payment (performance-related bonus), as is the amount for the multi-year variable payments (LTI), whose planned term ends in the year under review. In turn, the benefit expense is presented in accordance with IAS 19 and does not constitute a receipt in the narrower sense, but serves to illustrate the overall compensation.



Executive Board compensation in keeping with Clause 4.2.5 (3) of the German Corporate Governance Code (DCGK)

in €				Grant	Receipt	
	2016/2017			2015/2016	2016/2017	2015/2016
		min.	max.			
<b>Dr. Hagen Duenbostel</b> (Chief Executive Office)						
Fixed payment	375,000.00	375,000.00	375,000.00	375,000.00	375,000.00	375,000.00
Fringe benefits	29,316.14	29,316.14	29,316.14	21,522.58	29,316.14	21,522.58
<b>Subtotal</b>	<b>404,316.14</b>	<b>404,316.14</b>	<b>404,316.14</b>	<b>396,522.58</b>	<b>404,316.14</b>	<b>396,522.58</b>
Performance-related bonus	449,253.30	0.00	470,683.86	419,876.27	451,457.68	421,671.27
<b>Total cash compensation</b>	<b>853,569.44</b>	<b>404,316.14</b>	<b>875,000.00</b>	<b>816,398.85</b>	<b>855,773.82</b>	<b>818,193.85</b>
Multi-year variable payment						
LTI 2010/2011					414,433.23	
LTI 2014/2015				205,561.20		
LTI 2015/2016	199,823.52	0.00	421,140.01			
<b>Subtotal</b>	<b>1,053,392.96</b>	<b>404,316.14</b>	<b>1,296,140.01</b>	<b>1,021,960.05</b>	<b>1,270,207.05</b>	<b>818,193.85</b>
Pension costs <sup>1</sup>	103,195.00	103,195.00	103,195.00	107,059.00	103,195.00	107,059.00
<b>Total compensation</b>	<b>1,156,587.96</b>	<b>507,511.14</b>	<b>1,399,335.01</b>	<b>1,129,019.05</b>	<b>1,373,402.05</b>	<b>925,252.85</b>
Maximum compensation <sup>2</sup>			1,765,000.00	1,765,000.00		
<b>Dr. Léon Broers</b>						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	23,801.47	23,801.47	23,801.47	23,126.34	23,801.47	23,126.34
<b>Subtotal</b>	<b>323,801.47</b>	<b>323,801.47</b>	<b>323,801.47</b>	<b>323,126.34</b>	<b>323,801.47</b>	<b>323,126.34</b>
Performance-related bonus	449,253.30	0.00	476,198.53	419,876.27	451,457.68	421,671.27
<b>Total cash compensation</b>	<b>773,054.77</b>	<b>323,801.47</b>	<b>800,000.00</b>	<b>743,002.61</b>	<b>775,259.15</b>	<b>744,797.61</b>
Multi-year variable payment						
LTI 2010/2011					221,364.43	
LTI 2014/2015				205,561.20		
LTI 2015/2016	199,823.52	0.00	315,855.01			
<b>Subtotal</b>	<b>972,878.29</b>	<b>323,801.47</b>	<b>1,115,855.01</b>	<b>948,563.81</b>	<b>996,623.58</b>	<b>744,797.61</b>
Pension costs <sup>1</sup>	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00
<b>Total compensation</b>	<b>1,044,878.29</b>	<b>395,801.47</b>	<b>1,187,855.01</b>	<b>1,020,563.81</b>	<b>1,068,623.58</b>	<b>816,797.61</b>
Maximum compensation <sup>2</sup>			1,547,000.00	1,547,000.00		
<b>Dr. Peter Hofmann</b>						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	22,623.40	22,623.40	22,623.40	22,835.78	22,623.40	22,835.78
<b>Subtotal</b>	<b>322,623.40</b>	<b>322,623.40</b>	<b>322,623.40</b>	<b>322,835.78</b>	<b>322,623.40</b>	<b>322,835.78</b>
Performance-related bonus	449,253.30	0.00	477,376.60	335,901.02	451,457.68	337,337.02
<b>Total cash compensation</b>	<b>771,876.70</b>	<b>322,623.40</b>	<b>800,000.00</b>	<b>658,736.80</b>	<b>774,081.08</b>	<b>660,172.80</b>
Multi-year variable payment						
LTI 2010/2011					0.00	
LTI 2014/2015				64,567.30		
LTI 2015/2016	82,991.22	0.00	131,181.72			
<b>Subtotal</b>	<b>854,867.92</b>	<b>322,623.40</b>	<b>931,181.72</b>	<b>723,304.10</b>	<b>774,081.08</b>	<b>660,172.80</b>
Pension costs <sup>1</sup>	76,792.00	76,792.00	76,792.00	78,953.00	76,792.00	78,953.00
<b>Total compensation</b>	<b>931,659.92</b>	<b>399,415.40</b>	<b>1,007,973.72</b>	<b>802,257.10</b>	<b>850,873.08</b>	<b>739,125.80</b>
Maximum compensation <sup>2</sup>			1,247,000.00	1,047,000.00		

<sup>1</sup> In accordance with IAS 19R from commitments for pensions and other pension benefits; this relates to costs for the company, not the actual entitlement or payment.

<sup>2</sup> The total compensation is limited individually to a maximum overall amount per fiscal year.

**Executive Board compensation in keeping with Clause 4.2.5 (3) of the German Corporate Governance Code (DCGK)**

in €				Grant	Receipt	
	2016/2017			2015/2016	2016/2017	2015/2016
		min.	max.			
<b>Eva Kienle</b>						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	32,828.59	32,828.59	32,828.59	27,966.54	32,828.59	27,966.54
<b>Subtotal</b>	<b>332,828.59</b>	<b>332,828.59</b>	<b>332,828.59</b>	<b>327,966.54</b>	<b>332,828.59</b>	<b>327,966.54</b>
Performance-related bonus	449,253.30	0.00	467,171.41	419,876.27	451,457.68	421,671.27
<b>Total cash compensation</b>	<b>782,081.89</b>	<b>332,828.59</b>	<b>800,000.00</b>	<b>747,842.81</b>	<b>784,286.27</b>	<b>749,637.81</b>
Multi-year variable payment						
LTI 2010/2011					0.00	
LTI 2014/2015				82,224.48		
LTI 2015/2016	99,911.76	0.00	157,927.50			
<b>Subtotal</b>	<b>881,993.65</b>	<b>332,828.59</b>	<b>957,927.50</b>	<b>830,067.29</b>	<b>784,286.27</b>	<b>749,637.81</b>
Pension costs <sup>1</sup>	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00
<b>Total compensation</b>	<b>953,993.65</b>	<b>404,828.59</b>	<b>1,029,927.50</b>	<b>902,067.29</b>	<b>856,286.27</b>	<b>821,637.81</b>
Maximum compensation <sup>2</sup>			1,247,000.00	1,247,000.00		

<sup>1</sup> In accordance with IAS 19R from commitments for pensions and other pension benefits; this relates to costs for the company, not the actual entitlement or payment.

<sup>2</sup> The total compensation is limited individually to a maximum overall amount per fiscal year.

**Compensation for members of the Supervisory Board**

The Supervisory Board's compensation was set by the Annual Shareholders' Meeting on December 17, 2009, and has remained unchanged since then. 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 a fixed payment for work on committees, but also a performance-related component. This component is geared toward the company's long-term development. In keeping with that, members of the Supervisory Board receive €400 for each full €0.10 by which the average consolidated annual earnings per share before minority interests for the past three fiscal years, starting with the fiscal year for which the compensation is granted, exceeds the amount of €4.00. 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 fixed compensation of an ordinary member. There is no extra compensation for them for work on committees. The Chairman of the Audit Committee receives €25 thousand p.a. Ordinary

members of the Supervisory Board receive €5 thousand p.a. for their work on the Committee for Executive Board Affairs and €10 thousand p.a. 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 compensation for the Supervisory Board in the year under review was slightly below that of the previous year due to the changes in composition confirmed by the Annual Shareholders' Meeting in December 2016. Total compensation was €504 (516) thousand exclusive of value added tax. In all, 47% (46%) or €238 (238) thousand of the total compensation is performance-related.

At the end of fiscal 2016/2017, the Executive Board and the Supervisory Board commenced deliberations on converting the compensation of KWS SAAT SE's Supervisory Board to a purely fixed compensation effective the start of fiscal 2017/2018 (July 1, 2017) in line with recent trends for the remuneration of Supervisory Board members at large listed companies in Germany. The company believes that a fixed compensation structure that is therefore no longer linked to the company's business

#### Total compensation for the Supervisory Board

in €	Fixed	Work on committees	Performance-related	Total 2016/2017	Total 2015/2016
Dr. Andreas J. Büchting <sup>1</sup>	84,000.00	0.00	84,000.00	168,000.00	168,000.00
Dr. Arend Oetker <sup>2</sup>	21,000.00	0.00	21,000.00	42,000.00	84,000.00
Dr. Marie Theres Schnell <sup>3</sup>	14,000.00	0.00	14,000.00	28,000.00	0.00
Hubertus von Baumbach <sup>4</sup>	35,000.00	12,500.00	35,000.00	82,500.00	81,000.00
Jürgen Bolduan	28,000.00	10,000.00	28,000.00	66,000.00	66,000.00
Cathrina Claas-Mühlhäuser	28,000.00	5,000.00	28,000.00	61,000.00	61,000.00
Dr. Berthold Niehoff	28,000.00	0.00	28,000.00	56,000.00	56,000.00
	<b>238,000.00</b>	<b>27,500.00</b>	<b>238,000.00</b>	<b>503,500.00</b>	<b>516,000.00</b>

<sup>1</sup> Chairman

<sup>2</sup> Deputy Chairman until 12/15/2016

<sup>3</sup> Since 12/15/2016

<sup>4</sup> Deputy Chairman since 12/15/2016, Chairman of the Audit Committee

performance means that the Supervisory Board can better exercise its control function. The change is also intended to reflect the greater sphere of responsibility of the Supervisory Board and its bodies, especially that of the Audit Committee. Subject to the consent of the Annual Shareholders' Meeting on December 14, 2017, the compensation system would thus be adjusted for the first time since 2009. It would still comply with the recommendations of the German Corporate Governance Code in its new form.

A resolution to this effect is currently being prepared.

#### Explanatory Report of the Executive Board in accordance with Section 176 (1) Sentence 1 AktG (German Stock Corporation Act) on the Disclosures in Accordance with Sections 289 (4) and 315 (4) HGB (German Commercial Code)

##### Composition of the subscribed capital

The subscribed capital of KWS SAAT SE is €19.8 million. It is divided into 6.6 million bearer shares. Each share grants the holder the right to cast one vote at the Annual Shareholders' Meeting.

##### Restrictions relating to voting rights or the transfer of shares

There may be restrictions relating to voting rights or the transfer of shares as a result of statutory or contractual provisions. For example, shareholders are barred from voting under certain conditions pursuant to Section 136 of the German Stock Corporation Act (AktG) or Section 28 of the German Securities Trading

Act (WpHG). In addition, no voting rights accrue to the company on the basis of the shares it holds (Section 71b AktG). The Executive Board is not aware of any contractual restrictions relating to voting rights or transfer of shares. If there are no restrictions to voting rights, all shareholders who register for the Annual Shareholders' Meeting in time and have submitted proof of their authorization to participate in the Annual Shareholders' Meeting and exercise their voting rights are authorized to exercise the voting rights conferred by all the shares they hold and have registered. If members of the Executive Board or executive employees have acquired shares as part of the long-term incentive programs, these shares are subject to a lock-up period until the end of the fifth year after the end of the quarter in which they were acquired. The lock-up period for shares that employees have acquired as part of the Employee Stock Purchase Plans runs until the end of the fourth year as of when they are posted to the employee's securities account.

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

The company has been informed by shareholders of the following direct or indirect participating interests in the capital of KWS SAAT SE 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



and Arend Oetker listed below each exceed 10% and total 54.5%:

- 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
- Christa Nagel, Germany
- Bodo Sohnemann, Germany
- Matthias Sohnemann, Germany
- Malte Sohnemann, Germany
- Arne Sohnemann, Germany
- AKB Stiftung, Hanover
- Büchting Beteiligungsgesellschaft mbH, Hanover
- Zukunftsstiftung Jugend, Umwelt und Kultur, Einbeck
- Kommanditgesellschaft Dr. Arend Oetker Vermögensverwaltungsgesellschaft mbH & Co., Berlin
- Dr. Arend Oetker, Germany
- Dr. Marie Theres Schnell, Germany
- Johanna Sophie Oetker, Germany
- Leopold Heinrich Oetker, Germany
- Clara Christina Oetker, Germany
- Ludwig August Oetker, Germany

The voting shares, including mutual allocations, of the shareholders stated below each exceed 10% and total 15.4%.

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

#### **Shares with special rights and voting control**

Shares with special rights that grant powers of control have not been issued by the company. There is no special type of voting control for the participating interests of employees. Employees who have an interest in the company's capital exercise their control rights in the same way as other shareholders.

#### **Appointment and removal of members of the Executive Board**

Members of the Executive Board of KWS SAAT SE are appointed and removed in accordance with Article 9 (1) and Article 39 (2) of the Council Regulation on the Statute for a European Company (SE Regulation),

Article 46 of the Council Regulation on the Statute for a European Company (SE Regulation) and Sections 84 and 85 AktG (German Stock Corporation Act). Section 6 of KWS SAAT SE's Articles of Association also contains provisions that relate to the appointment of members of the Executive Board by the Supervisory Board and that correspond to the statutory regulations.

#### **Amendments to the Articles of Association**


The company's Articles of Association can be amended by a resolution adopted by the Annual Shareholders' Meeting in accordance with Article 59 of the Council Regulation on the Statute for a European Company (SE Regulation) and Section 179 (1) AktG (German Stock Corporation Act). In accordance with Article 51 of the SE Implementation Act (SEAG), Section 179 (2) AktG (German Stock Corporation Act) and Section 18 of the Articles of Association of KWS SAAT SE, amendments to the Articles of Association require that at least half the capital stock be represented and that a resolution be adopted by the Annual Shareholders' Meeting by a simple majority of the capital stock represented in adoption of the resolution, unless obligatory statutory regulations specify otherwise. If at least half the capital stock is not represented in adoption of the resolution to amend the Articles of Association, the resolution must be passed with a majority of at least two-thirds of the votes cast. The power to make amendments to the Articles of Association that only affect the wording (Section 179 (1) Sentence 2 AktG) has been conferred on the Supervisory Board in accordance with Section 22 of the Articles of Association of KWS SAAT SE.

#### **Powers of the Executive Board, in particular in relation to issuing or buying back shares**

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

#### **Significant agreements in the event of a change of control, compensation agreements**

Significant agreements subject to the condition of a change in control pursuant to a takeover bid have not been concluded. The compensation agreements between the company and members of the Executive Board governing the case of a change in control stipulate that any such compensation will be limited to the applicable maximum amounts specified by the German Corporate Governance Code.



# Others think in quarters. We think in generations.

Your farm. Your heritage. Our reliability. Doing something you are fully convinced of since generations. That is independence. That's why you can rely on us – since 1856.





## KWS SAAT SE (Explanations in Accordance with HGB)

### References to KWS SAAT SE in the KWS Group's Annual Report

The Management Reports of KWS SAAT SE and the KWS Group are combined. The declaration on corporate governance in accordance with Section 289a of the German Commercial Code (HGB),

which also contains the compliance declaration in accordance with Section 161 AktG (German Stock Corporation Act), has been published in the Internet at [www.kws.com/ir](http://www.kws.com/ir). The following disclosures are identical to those of the KWS Group and are printed in this Annual Report:

### References to KWS SAAT SE in the Annual Report of the KWS Group

Disclosures	Page(s)
On the Compensation Report, in accordance with Section 289 (4) of the German Commercial Code (HGB) and explanatory report of the Executive Board	65 to 71
On business activity, corporate strategy, corporate controlling and management, as well as explanations on business performance	24 to 52
On the dividend	15
On research & development	29 to 31

KWS SAAT SE is the parent company of the KWS Group. It is responsible for strategic management and, among other things, multiplies and distributes sugarbeet and corn seed. It finances basic research and breeding of the main range of varieties at the KWS Group and provides its subsidiaries with new varieties every year for the purpose of multiplication and distribution. On October 26, 2016, KWS SAAT SE concluded profit and loss transfer agreements with Agromais GmbH, Betaseed GmbH, Delitzsch Pflanzenzucht Gesellschaft mit beschränkter Haftung, Kant-Hartwig & Vogel Gesellschaft mit beschränkter Haftung and KWS Services Deutschland GmbH, each of which applies retroactively as of July 1, 2016. The Shareholders' Meetings of the individual companies on October 27, 2016, and the Annual Shareholders' Meeting of KWS SAAT SE on December 15, 2016, approved conclusion of the profit and loss transfer agreements; as a result, a profit of €10.5 million was paid to KWS SAAT SE for the first time for fiscal year 2016/2017 on the basis of the agreements.

### Earnings

KWS SAAT SE's net sales increased in fiscal 2016/2017 by 11.0% to €508.4 (€458.0) million. This rise is mainly attributable to the increase in revenue from sugarbeet seed and the new definition of sales

revenues under the German Accounting Directive Implementation Act (BilRUG) that was applied for the first time in the fiscal year and relates to reclassification of parts of other operating income to sales revenues. The increase in net sales would be 5.2% excluding the effect from reclassification of €26.5 million. Research & development expenditure, which is pooled at KWS SAAT SE, was increased to €165.0 (158.0) million. Selling expenses rose slightly to €60.6 (59.2) million. Most of the administrative expenses at the KWS Group are incurred at KWS SAAT SE – general and administrative expenses in the year under review totaled €50.1 (57.0) million. The balance of other operating income and other operating expenses was €11.0 (100.8) million. Significant changes to this item resulted from the amendments in accordance with the German Accounting Directive Implementation Act (BilRUG) and reclassification of the profit of €67.7 million from the merger of KWS MAIS GMBH as other operating income last year. Overall, KWS SAAT SE's operating income was thus €23.4 (85.8) million. Net financial income/expenses is made up of the net income from equity investments from eleven (eight) companies and the interest result. Net income from equity investments rose by €7.6 million to €29.9 (22.3) million, in particular due to the profits paid over under the profit and loss transfer agreements concluded

in the year under review. The interest result was €4.2 (4.3) million, on a par with the previous year. Taking into account tax expenditures, net income for the year was €34.6 (100.8) million. The previous year's income included a profit of €67.7 million from the merger of KWS MAIS GMBH with KWS SAAT SE.

### Financial position and assets

KWS SAAT SE's total assets increased in fiscal 2016/2017 by €24.5 million to €909.7 (885.2) million. Fixed assets at the balance sheet date were €498.7 (485.4) million or, as in the previous year, 54.8% of total assets. The increase is due in particular to property, plant and equipment and financial assets. Among other things, a new warehouse was built at Einbeck, the company cafeteria expanded and ERP licenses acquired in the year under review. Current assets rose to €71.9 (67.0) million due to the increase in inventories, while receivables and other assets rose to €211.4 (206.4) million. KWS SAAT SE's equity increased by €17.0 million to €281.3 (266.4) million, giving an equity ratio of 30.9% (30.1%). In addition, liabilities to affiliated companies rose to €266.8 (237.3) million, mainly due to financing activities. KWS SAAT SE's total liabilities at the balance sheet date were €495.3 (493.0) million.

### Employees

An average of 1,434 (1,424) people were employed at KWS SAAT SE in the year under review, of whom 114 (116) were trainees and interns.

### Risks and opportunities

The opportunities and risks at KWS SAAT SE are essentially the same as at the KWS Group. It shares the risks of its subsidiaries and associated companies in accordance with its respective stake in them. You can find a detailed description of the opportunities and risks and an explanation of the internal control and risk management system (Section 289 (5) of the German Commercial Code (HGB)) on pages 53 to 59.

### Forecast report

KWS SAAT SE generates the main part of its net sales from sugarbeet and corn seed business and royalties from basic corn seed. The further development of sugarbeet seed business depends, among other things, on the performance of our varieties, cultivation areas in our key markets and developments in our growth markets in Eastern Europe. We currently anticipate a slight increase in net sales from this business. As a result of a continued challenging environment in the EU and the reassignment of net sales of rapeseed to the Cereals Segment (see page 63), we anticipate that the net sales of corn at KWS SAAT SE will decline slightly. Overall, we expect net sales for KWS SAAT SE to rise slightly year on year. KWS SAAT SE's operating income is mainly impacted by the costs of central functions of the KWS Group and cross-segment research & development activities. The planned increase in research & development spending and a slight decline in income from sugarbeet will probably reduce KWS SAAT SE's EBIT significantly.



Employees from all over the world are our foundation. Dedicated and grounded – we instill and encourage home-grown talent, our most important asset.





# Annual Financial Statements for the KWS Group 2016/2017

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## Statement of Comprehensive Income

July 1 to June 30

in € thousand	Note no.	2016/2017	2015/2016
<b>I. Income statement</b>			
Net sales	(20)	1,075,244	1,036,774
Cost of sales		493,922	480,864
<b>Gross profit on sales</b>		<b>581,322</b>	<b>555,910</b>
Selling expenses		200,676	196,818
Research & development expenses		190,327	182,360
General and administrative expenses		79,833	76,402
Other operating income	(21)	69,706	70,372
Other operating expenses	(22)	48,601	57,938
<b>Operating income</b>		<b>131,591</b>	<b>112,764</b>
Interest and similar income		3,101	2,662
Interest and similar expenses		11,410	14,347
Income from equity-accounted financial assets		24,935	26,466
Other net income from equity investments		-27	3
<b>Net financial income/expenses</b>	(23)	<b>16,599</b>	<b>14,784</b>
<b>Results of ordinary activities</b>		<b>148,190</b>	<b>127,548</b>
Taxes	(24)	50,478	42,271
<b>Net income for the year</b>	(27)	<b>97,712</b>	<b>85,277</b>
<b>II. Other comprehensive income</b>	(12)		
Revaluation of available-for-sale financial assets		-262	354
Currency translation difference for economically independent foreign units		-13,194	-18,743
Currency translation difference from equity-accounted financial assets		-3,817	-469
Items that may have to be subsequently reclassified as profit or loss		-17,273	-18,858
Revaluation of net liabilities/assets from defined benefit plans		8,459	-17,049
Items not reclassified as profit or loss		8,459	-17,049
<b>Other comprehensive income after tax</b>		<b>-8,814</b>	<b>-35,907</b>
<b>III. Comprehensive income (total of I. and II.)</b>		<b>88,898</b>	<b>49,370</b>
Net income after shares of minority interests		97,549	85,261
Share of minority interests		163	16
<b>Net income for the year</b>		<b>97,712</b>	<b>85,277</b>
Comprehensive income after shares of minority interests		88,735	50,681
Share of minority interests		163	-1,311
<b>Comprehensive income</b>		<b>88,898</b>	<b>49,370</b>
<b>Earnings per share (in €)</b>		<b>14.78</b>	<b>12.92</b>

## Balance Sheet

### Assets

in € thousand	Note no.	06/30/2017	06/30/2016
Intangible assets	(2)	87,432	95,098
Property, plant and equipment	(3)	389,345	378,639
Equity-accounted financial assets	(4)	151,769	147,511
Financial assets	(6)	3,069	2,192
Noncurrent tax assets	(7)	2,011	3,382
Other noncurrent financial assets		32	96
Deferred tax assets	(24)	46,535	41,039
<b>Noncurrent assets</b>		<b>680,193</b>	<b>667,957</b>
Inventories	(8)	194,919	185,783
Biological assets	(8)	13,562	12,496
Trade receivables	(9)	302,571	293,881
Securities	(10)	9,455	30,679
Cash and cash equivalents	(11)	181,913	133,224
Current tax assets	(9)	59,975	55,451
Other current financial assets	(9)	40,573	45,070
Other current assets	(9)	12,064	12,090
<b>Current assets</b>		<b>815,032</b>	<b>768,674</b>
<b>Total assets</b>		<b>1,495,225</b>	<b>1,436,631</b>

### Equity and liabilities

in € thousand	Note no.	06/30/2017	06/30/2016
Subscribed capital		19,800	19,800
Capital reserve		5,530	5,530
Retained earnings		809,132	740,197
Minority interest	(13)	2,534	2,432
<b>Equity</b>	(12)	<b>836,996</b>	<b>767,959</b>
Long-term provisions		125,408	136,515
Long-term borrowings		200,828	228,712
Trade payables		1,217	1,413
Deferred tax liabilities	(24)	12,721	9,447
Other noncurrent financial liabilities		1,306	681
Other noncurrent liabilities		17,405	16,885
<b>Noncurrent liabilities</b>	(14)	<b>358,885</b>	<b>393,653</b>
Short-term provisions		72,774	80,914
Short-term borrowings		39,065	23,078
Trade payables		75,400	75,014
Current tax liabilities		25,620	21,062
Other current financial liabilities		16,318	13,990
Other current liabilities		70,167	60,961
<b>Current liabilities</b>	(15)	<b>299,344</b>	<b>275,019</b>
<b>Liabilities</b>		<b>658,229</b>	<b>668,672</b>
<b>Total equity and liabilities</b>		<b>1,495,225</b>	<b>1,436,631</b>



## Statement of Changes in Equity

July 1 to June 30

in € thousand	Parent company					
	Subscribed capital	Capital reserve	Accumulated Group equity from earnings		Comprehensive other Group income	
				Adjustments from currency translation	Adjustments from currency translation of equity-accounted financial assets	Reserve for available-for-sale financial assets
<b>07/01/2015</b>	<b>19,800</b>	<b>5,530</b>	<b>724,943</b>	<b>3,233</b>	<b>9,930</b>	<b>-91</b>
Dividends paid			-19,800			
Net income for the year			85,261			
Other comprehensive income after tax			0	-17,395	-469	333
Total consolidated gains (losses)			85,261	-17,395	-469	333
Change in shares of minority interests			3,596			
<b>06/30/2016</b>	<b>19,800</b>	<b>5,530</b>	<b>794,000</b>	<b>-14,162</b>	<b>9,461</b>	<b>242</b>
Dividends paid			-19,800			
Net income for the year			97,549			
Other comprehensive income after tax				-13,194	-3,817	-262
Total consolidated gains (losses)	0	0	97,549	-13,194	-3,817	-262
Change in shares of minority interests			0	0		
<b>06/30/2017</b>	<b>19,800</b>	<b>5,530</b>	<b>871,749</b>	<b>-27,356</b>	<b>5,644</b>	<b>-20</b>

Parent company				Minority interest				Group equity	
Comprehensive other Group income			Total	Minority interest	Comprehensive other Group income			Total	
Revaluation of defined benefit plans	Other trans- actions				Adjustments from currency translation	Revaluation of defined benefit plans	Other trans- actions		
-33,751	1,456		731,050	10,424	-1,878	0	-878	7,668	738,718
			-19,800	-329				-329	-20,129
			85,261	16				16	85,277
-17,049	0		-34,580		-1,348		21	-1,327	-35,907
-17,049	0		50,681	16	-1,348	0	21	-1,311	49,370
			3,596	-6,728	3,132		0	-3,596	0
-50,800	1,456		765,527	3,383	-94	0	-857	2,432	767,959
			-19,800	0				0	-19,800
			97,549	163				163	97,712
8,459			-8,841		0		0	0	-8,814
8,459	0		88,735	163	0	0	0	163	88,898
			0	-61	0			-61	-61
-42,341	1,456		834,462	3,485	-94	0	-857	2,534	836,996

## Cash Flow Statement

July 1 to June 30

in € thousand	Note no.	2016/2017	2015/2016
Net income for the year		97,712	85,277
Depreciation/reversal of impairment losses (–) on property, plant and equipment		49,353	48,187
Increase/decrease (–) in long-term provisions		–10,906	1,184
Other noncash expenses/income (–)		–30,751	–27,351
<b>Cash earnings</b>		<b>105,408</b>	<b>107,297</b>
Increase/decrease (–) in short-term provisions		–4,594	5,562
Net gain (–)/loss from the disposal of assets		–1,692	849
Income tax expense (+)/-income (–)		54,077	40,803
Income tax payments (–)/-refunds (+)		–52,610	–46,916
Increase (–)/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		–26,590	–26,973
Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities		31,494	19,560
Proceeds and payments (+) from/for equity-accounted companies		16,861	25,682
<b>Net cash from operating activities</b>	(1)	<b>122,354</b>	<b>125,864</b>
Proceeds from disposals of property, plant and equipment		2,840	1,101
Payments (–) for capital expenditure on property, plant and equipment		–57,125	–67,745
Proceeds from disposals of intangible assets		2,930	87
Payments (–) for capital expenditure on intangible assets		–12,752	–29,699
Proceeds from disposals of financial assets		626	348
Payments (–) for capital expenditure on financial assets		–1,279	–266
Receipts from the disposal of consolidated subsidiaries and other business units		0	4,000
<b>Net cash from investing activities</b>	(2)	<b>–64,760</b>	<b>–92,174</b>
Dividend payments (–) to owners and minority shareholders		–19,860	–47,215
Cash proceeds from long-term borrowings		125,256	144,758
Cash repayments of long-term borrowings		–151,345	–71,066
Changes from proceeds (+)/repayments (–) of short-term borrowings		16,345	–5,092
<b>Net cash from financing activities</b>	(3)	<b>–29,604</b>	<b>21,385</b>
<b>Net cash changes in cash and cash equivalents</b>		<b>27,990</b>	<b>55,075</b>
<b>Changes in cash and cash equivalents due to exchange rate, consolidated group and measurement changes</b>		<b>–525</b>	<b>644</b>
Cash and cash equivalents at beginning of year		163,903	108,184
<b>Cash and cash equivalents at end of year</b>	(4)	<b>191,368</b>	<b>163,903</b>

## Notes for the KWS Group 2016/2017

The consolidated financial statements of KWS SAAT SE and its subsidiaries were prepared under the assumption that the operations of the companies will be continued and applying Section 315a of the German Commercial Code (HGB). They comply with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

KWS SAAT SE, the ultimate parent company of the KWS Group, is an international company based in Germany, has its headquarters at Grimsehlstrasse 31, 37574 Einbeck, Germany, and is registered at Göttingen Local Court under the number HRB 204567. Since it was founded in 1856, KWS has specialized in developing, producing and distributing high-quality seed for agriculture. KWS covers the complete value chain of a modern seed producer – from breeding of new varieties, multiplication and processing, to marketing of the seed and consulting for farmers. KWS' core competence is in breeding new, high-performance varieties that are adapted to regional needs, such as climatic and soil conditions.

Unless otherwise stated, all the figures in the Notes are in thousands of euros (€ thousand) and have been rounded in accordance with standard commercial practice.

In addition, the following standards had to be applied for the first time in fiscal year 2016/2017: Amendments to IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations; Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception; Annual Improvements to the International Financial Reporting Standards (2010–2014 cycle); Amendments to IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization; Amendments to IAS 16 and IAS 41 – Property, Plant and Equipment and Agriculture: Bearer Plants; Amendments to IAS 27 – Separate Financial Statements: Equity Method in Separate Financial Statements; Amendments to IAS 1 – Presentation of Financial Statements: Disclosure Initiative. The new standards and interpretations to be applied did not result in any significant impact.

The following standards and interpretations, or revisions of standards or interpretations, were not applied in the year under review, as they have not yet been adopted by the EU or application of them for fiscal 2016/2017 was not yet mandatory:

### To be applied in the future

Financial reporting standards and interpretations	Mandatory first-time application
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	Fiscal year 2017/2018
Amendments to IAS 7 – Statement of Cash Flows: Disclosure Initiative	Fiscal year 2017/2018
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	Fiscal year 2018/2019
Amendments to IFRS 4 – Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts	Fiscal year 2018/2019
Annual Improvements to the International Financial Reporting Standards (2014–2016 cycle)	Fiscal year 2018/2019
Amendments to IAS 40 – Transfers of Investment Property	Fiscal year 2018/2019
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	Fiscal year 2018/2019
IFRS 15 – Revenue from Contracts with Customers	Fiscal year 2018/2019
IFRS 9 – Financial Instruments	Fiscal year 2018/2019
IFRS 16 – Leases	Fiscal year 2019/2020



### IFRSs that have been published and adopted by the EU, but not yet applied

The IASB published **IFRS 15** (Revenue from Contracts with Customers) in May 2014. IFRS 15 is the new standard for recognizing revenue and must be applied in general to all contracts with customers. The core principle of IFRS 15 is recognition of revenue to the amount to which a consideration from the customer for the assumed performance obligation (delivery of goods or provision of services) is expected. This principle is delivered in a five-step model framework. In step 1, the contract with a customer is identified. In step 2, the distinct performance obligations in the contract are identified. In step 3, the transaction price is determined and is then allocated to the separate performance obligations in the contract in step 4. In step 5, revenue is recognized when (at a point in time) or as (over time) the identified distinct performance obligation is satisfied. IFRS 15 replaces IAS 11 (Construction Contracts), IAS 18 (Revenue), IFRIC 13 (Customer Loyalty Programmes), IFRIC 15 (Agreements for the Construction of Real Estate), IFRIC 18 (Transfers of Assets from Customers) and SIC-31 (Revenue-Barter Transactions Involving Advertising Services). The KWS Group will apply IFRS 15 for the first time for the fiscal year starting on July 1, 2018. This fiscal year, the KWS Group initiated a Group-wide project to assess the impacts and to implement the new regulations. The quantitative effects cannot be estimated reliably before the project has been completed. Following an initial analysis, it is still necessary to examine in detail whether there are further distinct services in addition to seed delivery. As far as can be seen at present, no significant impact on the KWS Group's assets, financial position and earnings is expected from application of IFRS 15. In addition, IFRS 15 entails new obligations to disclose qualitative and quantitative information.

**IFRS 9** (Financial Instruments) replaces the current standard for reporting financial instruments, IAS 39 (Financial Instruments: Recognition and Measurement). Adoption of IFRS 9 means that measurement of financial assets at "amortized cost" or "fair value" will depend, in future, on the underlying business model and the contractual terms giving rise to cash flows. The new regulations in IFRS 9 relating to recognition of impairments are based on the premise of providing for expected losses. Up to now, impairments have only been recognized if they relate to losses that have already occurred. In addition, the regulations on recognition of hedging relationships have been amended. They are now more strongly geared to the entity's risk management strategy. The effects of IFRS 9 on the consolidated financial statements of the

KWS Group are currently being examined. The quantitative effects cannot be estimated reliably at present. There may be effects, in particular, pursuant to the new regulations on impairments. The main balance sheet item for which anticipated losses will have to be recognized as an impairment in future are trade receivables. However, the vast majority of them are covered by credit insurance or other hedging instruments and so, on the basis of an initial assessment, no significant impact on earnings can be expected. The new regulations on hedging relationships do not have any impact, since the KWS Group does not currently report any transactions that qualify for hedge accounting. In addition, IFRS 9 entails new obligations to disclose qualitative and quantitative information. The KWS Group will apply IFRS 9 for the first time for the fiscal year starting on July 1, 2018.

### IFRSs that have been published, but not yet adopted by the EU or applied

In January 2016, the IASB published the standard **IFRS 16** (Leases), which is intended to replace the current standard IAS 17 (Leases) and the related interpretations IFRIC 4 (Determining Whether an Arrangement Contains a Lease), SIC-15 (Operating Leases – Incentives) and SIC-27 (Evaluating the Substance of Transactions in the Legal Form of a Lease). IFRS 16 introduces a single lease accounting model, requiring lessees to recognize assets and liabilities for all leases. The previously required distinction between finance and operating leases no longer applies to the lessee. In the future, all rights and obligations from leases are to be recognized as right-of-use assets and lease liabilities in the balance sheet. The only exceptions are for short-term leases of one year or less and for "small ticket leases" (e.g., small items of office furniture and business equipment). This balance sheet extension means that liabilities will increase and the equity ratio be reduced accordingly. For leases currently classified as operating leases, the lessee will recognize depreciation and interest expenses instead of leasing costs in the future. Among other things, this amendment will result in an improvement in operating income. The approach to lessor accounting adopted in IFRS 16 is substantially unchanged from that in IAS 17. In addition, IFRS 16 entails new obligations to disclose qualitative and quantitative information. The KWS Group will apply IFRS 16 for the first time for the fiscal year starting on July 1, 2019. This fiscal year, the KWS Group initiated a Group-wide project to assess the impacts and to implement the new regulations. The quantitative effects cannot be estimated reliably before the project has been completed.

The other published standards that have not yet been adopted by the EU are not expected to have a significant impact on the KWS Group's assets, financial position and earnings.

# 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 SE and its subsidiaries in Germany and other countries, as well as joint ventures and associated companies, which are carried using the equity method, and a joint operation. A company is a subsidiary if KWS SAAT SE has existing rights that give it the current ability to control its relevant activities. Relevant activities are the activities that significantly affect the company's returns. Control therefore only exists if KWS SAAT SE has the ability to use its power to affect the amount of the variable returns. Control can usually be derived from holding a majority of the voting rights directly or indirectly. 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 the section "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 included in the consolidated financial statements and the single-entity financial statements of the joint ventures and associated companies included using the equity method and of the joint operation were uniformly prepared on the basis of the accounting and measurement methods applied at KWS SAAT SE; they were audited by independent auditors. For company acquisitions, 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 at the end of the year (impairment-only approach). Investments in unconsolidated companies are carried at cost.

Joint ventures are consolidated using the equity method in application of IFRS 11 and IAS 28. The basis for a joint venture is a contractual agreement with a third party to manage a joint venture together. In the case of joint ventures, the parties who exercise joint management have rights to the net assets of the agreement.

In the case of joint ventures carried in accordance with the equity method, the carrying amount is increased or reduced annually by the equity capital changes corresponding to the KWS Group's share. In the case of first-time consolidation of equity investments using the equity method, differences from first-time consolidation are treated in accordance with the principles of full consolidation. The changes in the proportionate equity that are recognized in profit or loss are included, along with impairment of goodwill, under the item "Income from equity-accounted financial assets" in the net financial income/expenses. Associated companies in which a stake between 20% and 50% is held are likewise measured using the equity method.

As part of the elimination of intra-Group balances, borrowings, receivables, liabilities and provisions are netted between the consolidated companies. Intercompany profits not realized at Group level are eliminated from intra-Group transactions. Sales, income and expenses are netted between consolidated companies, and intra-Group distributions of profit are eliminated.

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

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

### Currency translation

Under IAS 21, the financial statements of the consolidated foreign group companies 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 following exchange rates were applied in the consolidated financial statements for the main foreign currencies relative to the euro:

#### Exchange rates for main currencies

		Rate on balance sheet date		Average rate	
1 EUR/		06/30/2017	06/30/2016	2016/2017	2015/2016
ARS	Argentina	18.80320	16.67190	17.03851	13.58600
BRL	Brazil	3.76780	3.61730	3.52999	4.11588
GBP	UK	0.87865	0.82615	0.86129	0.75290
RUB	Russia	67.49930	71.21020	66.48928	74.54532
UAH	Ukraine	29.78678	27.56354	28.59361	26.60710
USD	USA	1.14030	1.11430	1.09302	1.10631

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. According to IAS 21, exchange differences resulting from loans to foreign subsidiaries are reported in the Other comprehensive income and are not recognized in profit or loss.

### Classification of the statement of comprehensive income

The KWS Group has prepared the income statement using the cost-of-sales method. The costs for the functions include all directly attributable costs, including other taxes. Research & development expenses are reported separately for reasons of transparency.

### Accounting policies

#### Consistency of accounting policies

The accounting policies are unchanged from the previous year, with the exception of the change for cash-generating units as part of impairment testing.

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. Income from service transactions is recognized if it is likely that the economic benefit will accrue to the Group and the amount of income can be reliably determined. 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 and impairment losses. It is necessary to examine whether the useful life of intangible assets is finite or indefinite. Goodwill has an indefinite useful life. Goodwill and intangible assets with an indefinite useful life are not amortized, but tested for impairment at least once a year. The Executive Board has adapted internal budgeting and reporting processes due to the fact that the Group's business activities have been centralized in Business Units across all companies. That resulted in a change in the cash-generating units at the Group, since monitoring and controlling (including of goodwill) has been the responsibility of the main decision makers at the level of the Business Units and no longer at the level of the legal entities since fiscal 2016/2017. In the fiscal year, the impairment test was conducted using the old system at the level of the legal entities and using the new system at the level of the Business Units, and did not result in any need to recognize an impairment loss in either case.

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.

The service life of intangible assets is as follows:

### Useful life of intangible assets

	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
Trait licensing agreements	15 years

## Property, plant and equipment

Property, plant and equipment is measured at cost less straight-line depreciation and impairment losses. Depreciation of an asset commences when the asset is at its location and is in the condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ends when the asset has been fully expensed or is classified as held for sale in accordance with IFRS 5 or, at the latest, when it is derecognized.

If property, plant and equipment is sold or scrapped, the profit or loss from the difference between the proceeds and residual carrying amount is recognized under the other operating income or other operating expenses.

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 of property, plant and equipment

	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. If the reason for an earlier impairment loss on property, plant and equipment no longer applies, its value is increased to up to the amount that would have resulted if the impairment loss had not occurred, taking depreciation into account. In accordance with IAS 20, government grants for assets are deducted from the costs of the asset. Any deferred income is not recognized.

The residual values, useful economic lives and methods of depreciation for property, plant and equipment are reviewed at the end of each fiscal year and adjusted prospectively, if necessary.

## Leases

A lease is an agreement whereby the lessor conveys the right to use an asset for an agreed period of time to the lessee in exchange for a payment or a series of payments. A distinction is made between finance leases and operating leases. A finance lease relates to leasing transactions in which all the risks and rewards incidental to ownership of an asset are transferred to the lessee. Otherwise a lease is classified as an operating lease. An assessment as to whether the agreement is a lease or an agreement involves a lease is made when the contract is concluded.

If the KWS Group is the lessee in a finance lease, the lower of the asset's fair value and the present value of the minimum lease payments at the start of the lease is capitalized in the balance sheet and simultaneously recognized under the financial liabilities. The minimum lease payments are



divided into a repayment component of the residual debt and financing costs, which are determined in accordance with the effective interest method. The leased asset is written down using the straight-line method of depreciation over its estimated useful life or the term of the contract, whichever is shorter. An operating lease is a lease that does not involve a finance lease. Lease payments under an operating lease are recognized as operating expense in the income statement on a straight-line basis over the lease's term.

### Financial instruments

Apart from equity 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, other financial assets 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. A detailed presentation of the value and age of the financial assets can be found in section (9) Current receivables. 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. 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.

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; 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 fixed-income short-term securities. Loans are measured at cost. Loans that carry no interest or only low interest are measured at their present value. Discernible risks are taken into account by recognition of an impairment loss. After their initial recognition, the other financial assets in this category are measured at amortized cost using the effective interest method, minus impairments. Receivables that carry no interest or only low interest and with a term of more than twelve months are discounted. Necessary value impairments are based on the objective criteria of IAS 39 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. Derivate financial instruments with a positive market value are also categorized as held for trading, unless they are designated hedging instruments. 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.

In the case of securities that are classified as available for sale, 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.

#### **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**

Inventories 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 in accordance with IAS 12 and Deferred taxes are calculated on differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax base, and on carried-forward tax losses. Deferred tax assets are netted off against deferred tax liabilities, provided they relate to the same tax creditor and have the same due date. Deferred tax assets are recognized if it can be assumed that they will be used in future. Deferred tax liabilities must be set up for all taxable temporary differences. All deferred taxes must be assessed individually at each balance sheet date. Under IAS 12, deferred taxes are calculated on the basis of the applicable local income tax anticipated at the time of reversal. No discounting is carried out.

#### **Provisions for income taxes**

The provisions for income taxes comprise obligations from current income taxes. They are measured on the basis of a best-possible assessment of the future amount to be paid. Deferred taxes are carried in a separate balance sheet item.

#### **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 must be recognized directly in equity in other comprehensive income. The service costs, including the past service costs, are recognized in operating income in accordance with the employees' assignment to the functions. 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 the contributions to the statutory pension insurance program are recognized in measuring them.

### Other provisions

Provisions are set up if current obligations have accrued from past events and it is likely that they will be utilized. In addition, it must be possible to estimate the amount of the anticipated obligation reliably.

Provisions are measured at their expected amount or most likely amount, depending on whether they comprise a large number of items or constitute a single obligation. Provisions are reviewed regularly and adjusted to reflect new findings or changes in circumstances. If it is no longer likely that a provision will be utilized or the conditions for why it was set up no longer apply, expense-related provisions are reversed against the original expense item and revenue-related provisions are reversed against revenue. If the reversal amount is material, and so the effect not related to the period must be classified as material, the reversal is carried as income from the reversal of provisions under other operating income not related to the period.

Long-term provisions are discounted taking into account future cost increases and using a market interest rate that adequately reflects the risk, insofar as the interest effect is material.

### 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 the following discretionary decisions:

- Determination of the useful life of the depreciable asset
- Definition of measurement assumptions and future results in connection with impairment tests, above all for capitalized goodwill
- 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 SE prepared the consolidated financial statements on September 27, 2017, 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

### Number of companies including KWS SAAT SE

	06/30/2017			06/30/2016		
	Germany	Abroad	Total	Germany	Abroad	Total
Fully consolidated	13	46	59	13	46	59
Equity method	0	3	3	0	3	3
Joint operation	0	1	1	0	1	1
<b>Total</b>	<b>13</b>	<b>50</b>	<b>63</b>	<b>13</b>	<b>50</b>	<b>63</b>

#### Consolidated group and changes in the consolidated group

KWS SEEDS THAILAND CO., LTD. was included in the consolidated companies for the first time effective July 1, 2016.

In addition, KWS SERVICES NORTH B.V. was liquidated effective September 30, 2016.

The Brazilian company RIBER KWS SEMENTES S.A. was merged with KWS MELHORAMENTO E SEMENTES LTDA. effective October 1, 2016, and operates under the name RIBER KWS SEMENTES LTDA.

In addition, the company KWS R&D INVEST B.V., Emmeloord, Netherlands, was founded on October 25, 2016, and included in the consolidated companies.

Following acquisition of the remaining shares in DYNAGRI S.A.R.L. in November 2016, the company has operated under the name KLEIN WANZLEBENER SAATZUCHT MAROC S.A.R.L.A.U.

A total of 59 (59) companies were fully consolidated in the consolidated financial statements at June 30, 2017. Three (three) joint ventures and associated companies were measured using the equity method. One (one) joint operation has been included proportionately. This is GENECTIVE S.A.



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

### Fully consolidated subsidiaries<sup>1</sup>

Sugarbeet	Corn	Cereals	Corporate
100% BETASEED INC. <sup>2</sup> Bloomington, MN, U.S.	100% KWS BENELUX B.V. Amsterdam, Netherlands	100% KWS LOCHOW GMBH <sup>4</sup> Bergen, Germany	100% KWS LANDWIRTSCHAFT GMBH <sup>4</sup> Einbeck, Germany
100% KWS FRANCE S.A.R.L. Roya, France	100% KWS SEMENA S.R.O. Bratislava, Slovakia	100% KWS UK LTD. <sup>5</sup> Thriplow, UK	100% KWS INTERSAAT GMBH Einbeck, Germany
100% DELITZSCH PFLANZENZUCHT GMBH <sup>4,9</sup> Einbeck, Germany	100% KWS MAIS FRANCE S.A.R.L. Champhol, France	100% KWS LOCHOW POLSKA SPZ O.O. <sup>6</sup> Kondratowice, Poland	100% KWS SEEDS INC. <sup>8</sup> Bloomington, MN, U.S.
100% O.O.O. KWS RUS <sup>11</sup> Lipetsk, Russia	100% KWS AUSTRIA SAAT GMBH Vienna, Austria	100% KWS MOMONT S.A.S. <sup>6</sup> Mons-en-Pévèle, France	100% GLH SEEDS INC. <sup>2</sup> Bloomington, MN, U.S.
100% O.O.O. KWS R&D RUS <sup>10</sup> Lipetsk, Russia	100% KWS SJEME D.O.O. Pozega, Croatia	100% KWS MOMONT RECHER- CHE S.A.R.L. <sup>13</sup> Mons-en-Pévèle, France	100% KWS SAATFINANZ GMBH Einbeck, Germany
100% KWS ITALIA S.P.A. Forlì, Italy	100% KWS OSIVA S.R.O. Velke Mezirici, Czech Republic		100% RAGIS KARTOFFELZUCHT- UND HANDELS- GESELLSCHAFT MBH Einbeck, Germany
100% KWS POLSKA SPZ O.O. Poznań, Poland	100% KWS BULGARIA E.O.O.D. Sofia, Bulgaria		100% GLS KLOSTERGUT WIEBRECHTSHAUSEN GMBH Northeim-Wiebrechtshausen, Germany
100% KWS SCANDINAVIA A/S <sup>9</sup> Guldborgsund, Denmark	Formerly: KWS SEMENA Bulgaria E.O.O.D.		100% EURO-HYBRID GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH Einbeck, Germany
100% KWS SEMILLAS IBERICA S.L. <sup>9</sup> Zaragoza, Spain	100% AGROMAIS GMBH <sup>4</sup> Everswinkel, Germany		100% KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. <sup>18</sup> São Paulo, Brazil
100% SEMILLAS KWS CHILE LTDA. Rancagua, Chile	100% KWS MAGYARORSZÁG KFT. Győr, Hungary		100% KWS GATEWAY RESEARCH CENTER LLC. <sup>2</sup> St. Louis, MO, U.S.
100% KWS SRBIJA D.O.O. New Belgrade, Serbia	100% KWS SEMINTE S.R.L. <sup>12</sup> Bucharest, Romania		100% KWS SERVICES DEUTSCHLAND GMBH <sup>4</sup> Einbeck, Germany
100% KWS SUISSE SA Basel, Switzerland	100% KWS ARGENTINA S.A. Balcarce, Argentina		100% KWS SERVICES EAST GMBH Vienna, Austria
100% BETASEED FRANCE S.A.R.L. <sup>17</sup> Bethune, France	51% RAZES HYBRIDES S.A.R.L. <sup>3</sup> Alzonne, France		100% KWS SERVICES WEST S.L.U. Barcelona, Spain
100% KWS UKRAINE T.O.V. <sup>11</sup> Kiev, Ukraine	100% RIBER KWS SEMENTES LTDA <sup>19</sup> Curitiba, Brazil		100% KWS SERVICES NORTH AMERICA LLC. Bloomington, MN, U.S.
100% KWS TÜRK TARIM TICARET A.S. <sup>8</sup> Eskişehir, Turkey	100% KWS PERU S.A.C. <sup>7</sup> Lima, Peru		100% BEIJING KWS AGRICULTURE TECHNOLOGY CO., LTD. <sup>14</sup> Beijing, China
100% BETASEED GMBH <sup>4</sup> Frankfurt, Germany	100% KWS R&D CHINA LTD. <sup>14</sup> Hefei, China		100% KWS CEREALS USA LLC. <sup>2</sup> Champagne, IL, U.S.
100% KWS POTATO B.V. <sup>16</sup> Emmeloord, Netherlands	100% KWS SEEDS THAILAND CO., LTD. <sup>14</sup> Chiang Mai, Thailand		100% KANT-HARTWIG & VOGEL GMBH <sup>4</sup> Einbeck, Germany
100% KLEIN WANZLEBENER SAATZUCHT MAROC S.A.R.L.A.U. <sup>15</sup> Casablanca, Morocco			100% KWS R&D INVEST B.V. Emmeloord, Netherlands
100% KWS Podillya T.O.V. <sup>20</sup> Kiev, Ukraine			

### Equity-accounted joint ventures<sup>1</sup>

Corn
50% AGRELIANT GENETICS, LLC. <sup>5</sup> Westfield, IN, U.S.
50% AGRELIANT GENETICS, INC. Chatham, Ontario, Canada

### Equity-accounted associated companies<sup>1</sup>

Corn
49% KENFENG – KWS SEEDS CO., LTD. Beijing, China

### Joint operation (proportionately consolidated)<sup>1</sup>

Corn
50% GENECTIVE S.A. Chappes, France

## Unconsolidated subsidiaries<sup>1</sup>

Sugarbeet	Corn	Cereals
67% VAN RIJN BALCAN S.R.L. <sup>15</sup> Vulcan, Romania	100% KWS R&D PRIVATE LIMITED <sup>11</sup> Hyderabad, India	74% LOCHOW-PETKUS BELGIUM N.V. <sup>6</sup>
	100% KWS PARAGUAY S.R.L. <sup>21</sup> Asuncion, Paraguay	Linter, Belgium
	50% GENECTIVE CANADA INC. <sup>22</sup> Montreal, Canada	
	50% GENECTIVE TAIWAN LTD. <sup>22</sup> Taipei City, Taiwan	
	50% GENECTIVE USA CORP. <sup>22</sup> Weldon, U.S.	
	50% GENECTIVE JAPAN K.K. <sup>22</sup> Chiba, Japan	
	50% GENECTIVE KOREA <sup>22</sup> Sangdaewon-dong, Korea	

<sup>1</sup> The percentages shown for each company relate to the share in that company held within the KWS Group.

<sup>2</sup> Subsidiary of KWS SEEDS INC.

<sup>3</sup> Subsidiary of KWS FRANCE S.A.R.L.

<sup>4</sup> Profit and loss transfer agreement.

<sup>5</sup> Investee of GLH SEEDS INC.

<sup>6</sup> Subsidiary of KWS LOCHOW GMBH

<sup>7</sup> Subsidiary of KWS CHILE LTDA. and KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA.

<sup>8</sup> Subsidiary of KWS INTERSAAT GMBH and KWS SAAT SE

<sup>9</sup> Subsidiary of KWS INTERSAAT GMBH

<sup>10</sup> Subsidiary of O.O.O. KWS RUS

<sup>11</sup> Subsidiary of EURO-HYBRID GMBH and KWS SAATFINANZ GMBH

<sup>12</sup> Subsidiary of KWS SAAT SE and KWS SAATFINANZ GMBH

<sup>13</sup> Subsidiary of KWS MOMONT S.A.S.

<sup>14</sup> Subsidiary of EURO-HYBRID GMBH

<sup>15</sup> Subsidiary of KWS POTATO B.V.

<sup>16</sup> Subsidiary of RAGIS GMBH

<sup>17</sup> Subsidiary of BETASEED GMBH

<sup>18</sup> Subsidiary of KWS INTERSAAT GMBH and KWS SAATFINANZ GMBH

<sup>19</sup> Subsidiary of KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. and KWS INTERSAAT GMBH

<sup>20</sup> Subsidiary of KWS UKRAINE T.O.V.

<sup>21</sup> Subsidiary of KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. and RIBER-KWS SEMENTES LTDA.

<sup>22</sup> Subsidiary of GENECTIVE S.A.

Status: June 30, 2017

### 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 SE in Einbeck. The breeding material, including the relevant information and expertise about how to use it, is owned by KWS SAAT SE 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. The distribution and production of oil and field seed are reported in the Cereals and Corn Segments, in keeping with the legal entities currently involved.

#### Description of segments

##### Corn

KWS SAAT SE is the lead company in the Corn Segment. The production and distribution activities of this segment relate to corn for grain and silage corn, and to oil and field seed. Apart from KWS SAAT SE, the business activities are conducted by one (one) German company, 15 (15) foreign subsidiaries, two (two) joint ventures, one (one) associated company and one (one) joint operation of the KWS Group.

##### Sugarbeet

In addition to multiplication, processing and distribution activities for sugarbeet seed, the breeding activities relating to development of a hybrid potato are also reported in the Sugarbeet Segment. Under the leadership of KWS SAAT SE, 17 (17) foreign subsidiaries 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 four (four) foreign subsidiaries in France, the UK and Poland.

##### Corporate

Apart from revenue from 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 holding functions and expenses for long-term research projects that have not yet reached market maturity.

It also includes all management services of KWS SAAT SE, such as the 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

The Executive Board as the main decision-making body is responsible for allocating resources and assessing the earnings strength of the business segments. The segments and regions are defined in compliance with the internal controlling and reporting systems (management approach). The accounting policies used to determine the information for the segments are basically the same as used for the KWS Group. The only exception relates to consolidation of the equity-accounted joint ventures that are assigned to the Corn Segment, namely AGRELIANT GENETICS, LLC., AGRELIANT GENETICS, INC. and KENFENG – KWS SEEDS CO., LTD. In accordance with internal controlling practices, they are included proportionately as part of segment reporting.

The segment net sales, segment income, depreciation and amortization, other noncash items, operating assets, operating liabilities and capital expenditure on noncurrent assets by segment have been determined in accordance with the internal operational controlling structure, with the joint ventures and associated company consolidated proportionately (management approach). In order to permit better comparability, they have been reconciled with the figures in the IFRS consolidated financial statements.

**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.

## Sales per segment

in € thousand	Segment sales		Internal sales		External sales	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Corn	825,867	795,320	530	162	825,337	795,158
Sugarbeet	454,860	439,635	319	88	454,541	439,547
Cereals	111,526	119,046	2,179	1,095	109,347	117,951
Corporate	18,235	17,921	13,436	13,811	4,799	4,110
<b>Segments acc. to management approach</b>	<b>1,410,488</b>	<b>1,371,922</b>	<b>16,464</b>	<b>15,156</b>	<b>1,394,024</b>	<b>1,356,766</b>
Elimination of equity-accounted financial assets					-318,780	-319,992
<b>Segments acc. to consolidated financial statements</b>					<b>1,075,244</b>	<b>1,036,774</b>

The Corporate Segment generates 73.7% (77.1%) of its sales from the other segments. As in the previous year, the sales of this segment represent 0.3% of the Group's external sales.

The Corn Segment is the largest contributor of external sales, accounting for 59.2% (58.6%) of external sales, followed by Sugarbeet with 32.6% (32.4%) and Cereals with 7.8% (8.7%).

## Earnings, depreciation and amortization and other noncash items per segment

in € thousand	Segment earnings		Depreciation and amortization		Other noncash items	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Corn	58,213	63,570	27,417	23,199	4,213	16,080
Sugarbeet	150,929	118,571	12,994	14,193	-2,482	11,002
Cereals	10,310	9,028	8,472	8,192	-4,034	5,862
Corporate	-60,585	-50,102	10,444	10,343	-981	1,555
<b>Segments acc. to management approach</b>	<b>158,867</b>	<b>141,067</b>	<b>59,327</b>	<b>55,927</b>	<b>-3,284</b>	<b>34,499</b>
Elimination of equity-accounted financial assets	-27,276	-28,303	-9,974	-7,740	-3,688	-21,328
<b>Segments acc. to consolidated financial statements</b>	<b>131,591</b>	<b>112,764</b>	<b>49,353</b>	<b>48,187</b>	<b>-6,972</b>	<b>13,171</b>
Net financial income/expenses	16,599	14,784	0	0	0	0
<b>Earnings before taxes</b>	<b>148,190</b>	<b>127,548</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The income statements of the consolidated companies are assigned to the segments by means of profit center allocation. Operating income, the most important internal parameter and an indicator of the earnings strength in the KWS Group, is used as the segment result. 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 on the basis of an appropriate formula.

**Depreciation and amortization charges** of €59,327 (55,927) thousand allocated to the segments relate exclusively to intangible assets and property, plant and equipment.

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



## Operating assets and operating liabilities per segment

in € thousand	Operating assets		Operating liabilities	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Corn	742,506	717,419	162,508	163,694
Sugarbeet	266,734	262,555	83,096	91,227
Cereals	116,106	118,283	22,481	25,772
Corporate	113,276	108,600	87,447	90,508
<b>Segments acc. to management approach</b>	<b>1,238,622</b>	<b>1,206,857</b>	<b>355,532</b>	<b>371,201</b>
Elimination of equity-accounted financial assets	-250,793	-240,961	-82,431	-78,981
<b>Segments acc. to consolidated financial statements</b>	<b>987,829</b>	<b>965,897</b>	<b>273,101</b>	<b>292,220</b>
Others	507,396	470,735	385,128	376,452
<b>KWS Group acc. to consolidated financial statements</b>	<b>1,495,225</b>	<b>1,436,631</b>	<b>658,229</b>	<b>668,672</b>

The operating assets of the segments are composed of intangible assets, property, plant and equipment, inventories, biological assets and trade receivables 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** fell to €67,940 thousand (previous year: €160,048 thousand). Capital expenditure in the Corn Segment (€25,079 thousand; previous year: €119,072 thousand) relates mainly to the production plant in Ukraine. The Sugarbeet Segment's capital expenditure totaled €16,811 thousand following €17,199 thousand in the previous year and relates mainly to expansion of production capacities at Einbeck.

## Investments in long-term assets by segment

in € thousand	06/30/2017	06/30/2016
Corn	25,079	119,072
Sugarbeet	16,811	17,199
Cereals	4,961	9,174
Corporate	21,089	14,603
<b>Segments acc. to management approach</b>	<b>67,940</b>	<b>160,048</b>
Elimination of equity-accounted financial assets	-4,659	60,472
<b>Segments acc. to consolidated financial statements</b>	<b>63,281</b>	<b>99,576</b>

## Disclosures by region

The disclosures on the regional composition of net sales, capital expenditure and operating assets have been made in accordance with the accounting policies to be applied to the consolidated financial statements of the KWS Group, and thus, without proportionate consolidation of the equity-accounted financial investments.

The external net sales by sales region are broken down on the basis of the country where the customer is based. No individual customer accounted for more than 10% of total net sales in the current or past fiscal year.

**External sales by region**

in € thousand	2016/2017	2015/2016
Germany	226,291	223,971
Europe (excluding Germany)	464,283	450,817
Thereof in France	(113,649)	(107,067)
North and South America	317,472	282,999
Thereof in Brazil	(109,914)	(78,557)
Thereof in the U.S.	(173,056)	(180,288)
Rest of world	67,198	78,986
<b>KWS Group</b>	<b>1,075,244</b>	<b>1,036,774</b>

A total of 64.2% (65.1%) of total sales are recorded in Europe (including Germany).

**Investments in long-term assets by region**

in € thousand	06/30/2017	06/30/2016
Germany	26,481	48,945
Europe (excluding Germany)	20,256	32,220
Thereof in France	(4,856)	(10,681)
North and South America	14,743	15,800
Thereof in Brazil	(2,240)	(2,710)
Thereof in the U.S.	(8,774)	(9,745)
Rest of world	1,800	2,611
<b>KWS Group</b>	<b>63,281</b>	<b>99,576</b>

A total of 41.9% (49.1%) of the capital spending was made in Germany. Of the further capital spending, 23.3% (15.9%) was made in North and South America, 32.0% (32.4%) in

Europe (excluding Germany) and 2.8% (2.6%) in the rest of the world.

**Long-term assets by region**

in € thousand	06/30/2017	06/30/2016
Germany	215,945	214,217
Europe (excluding Germany)	167,567	163,994
Thereof in France	(68,576)	(71,889)
North and South America	238,388	234,253
Thereof in Brazil	(33,435)	(37,603)
Thereof in the U.S.	(190,954)	(184,839)
Rest of world	9,715	10,976
<b>KWS Group</b>	<b>631,615</b>	<b>623,440</b>

## 4. Notes to the Balance Sheet

### Statement of changes in fixed assets

in € thousand		Gross book values							
		Currency translation	Change in consolidated companies	Additions	Additions of equity-accounted assets	Disposals	Disposals of equity-accounted assets	Transfers	
	07/01/2016								06/30/2017
Patents, industrial property rights and software	116,986	-891	0	7,306	0	9,896	0	1,378	114,883
Goodwill	28,700	-699	0	-1	0	0	0	0	28,000
<b>Intangible assets</b>	<b>145,686</b>	<b>-1,590</b>	<b>0</b>	<b>7,305</b>	<b>0</b>	<b>9,896</b>	<b>0</b>	<b>1,378</b>	<b>142,883</b>
Land and buildings	295,023	-2,355	21	16,213	0	8,799	0	9,092	309,195
Technical equipment and machinery	230,095	-3,260	3	11,399	0	6,838	0	9,788	241,187
Operating and office equipment	94,145	649	27	10,554	0	3,902	0	545	102,018
Payments on account	38,298	-1,182	0	15,952	0	372	0	-20,803	31,893
<b>Property, plant and equipment</b>	<b>657,561</b>	<b>-6,148</b>	<b>51</b>	<b>54,118</b>	<b>0</b>	<b>19,911</b>	<b>0</b>	<b>-1,378</b>	<b>684,293</b>
<b>Equity-accounted financial assets</b>	<b>155,904</b>	<b>-3,817</b>	<b>0</b>	<b>0</b>	<b>24,936</b>	<b>0</b>	<b>16,861</b>	<b>0</b>	<b>160,162</b>
<b>Financial assets</b>	<b>2,827</b>	<b>-41</b>	<b>-76</b>	<b>1,858</b>	<b>1</b>	<b>627</b>	<b>0</b>	<b>0</b>	<b>3,941</b>
<b>Assets</b>	<b>961,979</b>	<b>-11,596</b>	<b>-25</b>	<b>63,281</b>	<b>24,937</b>	<b>30,434</b>	<b>16,861</b>	<b>0</b>	<b>991,280</b>
	07/01/2015								06/30/2016
Patents, industrial property rights and software	110,543	-829	0	29,538	0	23,625	0	1,359	116,986
Goodwill	36,975	-7,712	0	0	0	5,451	0	4,888	28,700
<b>Intangible assets</b>	<b>147,518</b>	<b>-8,541</b>	<b>0</b>	<b>29,538</b>	<b>0</b>	<b>29,076</b>	<b>0</b>	<b>6,247</b>	<b>145,686</b>
Land and buildings	284,248	-5,331	0	11,507	0	1,896	0	6,495	295,023
Technical equipment and machinery	211,210	-3,319	0	16,558	0	6,631	0	12,277	230,095
Operating and office equipment	90,489	679	0	10,037	0	6,268	0	-792	94,145
Payments on account	24,483	-307	0	31,645	0	228	0	-17,295	38,298
<b>Property, plant and equipment</b>	<b>610,430</b>	<b>-8,278</b>	<b>0</b>	<b>69,747</b>	<b>0</b>	<b>15,023</b>	<b>0</b>	<b>685</b>	<b>657,561</b>
<b>Equity-accounted financial assets</b>	<b>161,411</b>	<b>-470</b>	<b>0</b>	<b>44</b>	<b>26,466</b>	<b>0</b>	<b>25,682</b>	<b>-5,865</b>	<b>155,904</b>
<b>Financial assets</b>	<b>2,835</b>	<b>-32</b>	<b>0</b>	<b>247</b>	<b>0</b>	<b>378</b>	<b>0</b>	<b>156</b>	<b>2,827</b>
<b>Assets</b>	<b>922,194</b>	<b>-17,321</b>	<b>0</b>	<b>99,576</b>	<b>26,466</b>	<b>44,477</b>	<b>25,682</b>	<b>1,223</b>	<b>961,979</b>

Amortization/depreciation									Net book values		
		Currency translation	Change in consolidated companies	Planned additions	Value impairments	Adjustment not affecting profit and loss	Disposals	Transfers			
07/01/2016									06/30/2017	06/30/2017	06/30/2016
50,588	-799	0	12,632	0	0	0	6,966	-4	55,451	59,432	66,398
0	0	0	0	0	0	0	0	0	0	28,000	28,700
<b>50,588</b>	<b>-799</b>	<b>0</b>	<b>12,632</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,966</b>	<b>-4</b>	<b>55,451</b>	<b>87,432</b>	<b>95,098</b>
89,122	-637	1	9,140	0	0	0	8,561	7	89,072	220,123	205,901
130,573	-2,150	0	17,686	0	0	0	6,893	2,553	141,769	99,418	99,522
59,225	902	-1	9,846	0	0	0	3,310	-2,556	64,106	37,912	34,920
2	-1	0	0	0	0	0	0	0	1	31,892	38,296
<b>278,922</b>	<b>-1,886</b>	<b>0</b>	<b>36,672</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,764</b>	<b>4</b>	<b>294,948</b>	<b>389,345</b>	<b>378,639</b>
8,393	0	0	0	0	0	0	0	0	8,393	151,769	147,511
635	-6	0	49	0	195	0	0	0	873	3,069	2,192
<b>338,539</b>	<b>-2,691</b>	<b>0</b>	<b>49,353</b>	<b>0</b>	<b>195</b>	<b>25,731</b>	<b>0</b>	<b>0</b>	<b>359,665</b>	<b>631,615</b>	<b>623,440</b>
07/01/2015									06/30/2016	06/30/2016	06/30/2015
56,405	-23	0	11,434	2,181	0	0	19,538	129	50,588	66,398	54,138
5,452	0	0	0	0	0	0	5,452	0	0	28,700	31,523
<b>61,857</b>	<b>-23</b>	<b>0</b>	<b>11,434</b>	<b>2,181</b>	<b>0</b>	<b>24,990</b>	<b>129</b>	<b>50,588</b>	<b>50,588</b>	<b>95,098</b>	<b>85,661</b>
80,407	-535	0	9,365	0	0	0	1,598	1,484	89,122	205,901	203,841
120,161	-506	0	16,097	0	0	0	5,921	742	130,573	99,522	91,049
58,004	-623	0	9,110	0	0	0	5,552	-1,714	59,225	34,920	32,485
2	0	0	0	0	0	0	0	0	2	38,296	24,481
<b>258,574</b>	<b>-1,664</b>	<b>0</b>	<b>34,572</b>	<b>0</b>	<b>0</b>	<b>13,071</b>	<b>512</b>	<b>278,922</b>	<b>278,922</b>	<b>378,639</b>	<b>351,856</b>
8,393	0	0	0	0	0	0	0	0	8,393	147,511	153,018
370	296	0	0	0	0	0	31	0	635	2,192	2,465
<b>329,194</b>	<b>-1,391</b>	<b>0</b>	<b>46,006</b>	<b>2,181</b>	<b>0</b>	<b>38,092</b>	<b>641</b>	<b>338,539</b>	<b>338,539</b>	<b>623,440</b>	<b>593,000</b>



## (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 2016/2017.

## (2) Intangible assets

This item includes purchased varieties, rights to varieties and distribution rights, software licenses for electronic data processing and goodwill. The current additions of €7,305 (29,538) thousand related to software licenses and patents. Amortization of intangible assets amounted to €12,632 (13,615) thousand, of which €0 (2,181) thousand were value impairments. Depending on the operational use of the intangible assets, these charges were carried last year in the selling expenses to an amount of €1,737 thousand and in the research & development costs to an amount of €444 thousand.

One major intangible asset is the trait licensing agreement. Its carrying amount at the balance sheet date was €22,332 thousand. Its remaining useful life is 13 years.

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 units were the legal entities up to now. In the current fiscal year, the Executive Board adapted internal budgeting and reporting processes due to the fact that the Group's business activities have been centralized in Business Units across all companies. That resulted in a change in the cash-generating units at the Group, since monitoring and controlling (including of goodwill) has been the responsibility of the main decision makers at the level of the Business Units since fiscal 2016/2017. To test for impairment, the carrying amount of each Business Unit is determined by allocating the assets and liabilities, including attributable goodwill and intangible assets. An impairment loss is recognized if the recoverable amount of a Business Unit 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 tests to be carried out for fiscal 2016/2017 determine the recoverable amount on the basis of the value in use of the respective cash-generating unit.

The impairment test uses the expected future cash flows on which the medium-term plans of the companies, which are grouped in segments, are based; these plans, which cover a period of four years, have been approved by the Executive Board. They are based on historical patterns and expectations about future market development.

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

The discount rate at the KWS Group has been derived as the weighted average cost of capital (WACC) and for the cash-generating units is 4.66% (4.48%) after tax. A growth rate of 1.5% (1.5%) has been assumed here beyond the detailed planning horizon in order to allow for extrapolation in line with the expected inflation rate.

The impairment tests conducted at the end of fiscal year 2016/2017 confirmed that the existing goodwill is not impaired. Even under the old structure (legal entity = cash-generating unit), all the impairment tests conducted confirmed that the goodwill is not impaired. The Business Unit Corn America carries goodwill totaling €17,780 (18,395) thousand. The Business Unit Corn Europe/Asia carries goodwill totaling €6,304 (6,304) thousand. A total of €3,916 (4,000) thousand of the goodwill is carried by the Business Unit Cereals. Sensitivity analyses were also carried out 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 €54,118 (69,747) thousand and depreciation amounted to €36,672 (34,572) thousand. The main focus of our capital spending in the year under review was on erecting and expanding production and research & development capacities. Among other things, expansion of sugarbeet seed production and of the greenhouse complex was completed in Germany. A new corn seed plant was erected in Ukraine. The gross carrying amount of the property, plant and equipment that has already been written down in full, but not yet used, is €127,880 thousand. Property, plant and equipment – mainly assets under construction – to an amount of €2,299 (€3,111) thousand are held as security for liabilities.

### (4) Equity-accounted financial assets

#### Equity-accounted joint ventures

The joint ventures AGRELIANT GENETICS, LLC. and AGRELIANT GENETICS, INC., which KWS operates together with its joint venture partner Vilmorin, are recognized at equity. In the year under review, AGRELIANT GENETICS, LLC. was classified as a significant joint venture. From the Group perspective, AGRELIANT GENETICS, INC. was classified as an insignificant joint venture.

The two joint ventures are operating units. The main business activity of the two joint ventures is the production and sale of corn and soybean seed in North America.

The following disclosures on the joint ventures in accordance with IFRS 12.21 (a) and (b) in conjunction with IFRS 12.B12-B13 are only slightly influenced by the insignificant joint venture. If individual items of the information presented are materially influenced by the insignificant joint venture, this information is presented separately.

#### Disclosures on equity-accounted joint ventures (with the partner Vilmorin)

in € thousand	06/30/2017	06/30/2016
Stake in the joint venture	50%	50%
Current assets	341,140	310,658
Thereof cash and cash equivalents <sup>1</sup>	(27,700)	(23,428)
Noncurrent assets	191,468	206,013
Current liabilities	265,560	253,654
Thereof current financial liabilities (excluding trade payables and other liabilities and provisions)	(88,998)	(74,624)
Noncurrent liabilities	2,570	3,674
Net assets (100%)	264,478	259,343
Group share of net assets (50%)	132,239	129,672
Goodwill	8,802	8,802
<b>Carrying amount for the stake in the joint ventures</b>	<b>141,041</b>	<b>138,474</b>
Net sales	631,904	637,976
Depreciation and amortization	18,765	15,478
Net income for the year	44,364	48,004
Other comprehensive income	0	0
Comprehensive income (100%)	44,364	48,004
Comprehensive income (50%)	22,182	24,002
<b>Group share of comprehensive income</b>	<b>22,182</b>	<b>24,002</b>
<b>Dividend payment</b>	<b>32,508</b>	<b>51,364</b>

<sup>1</sup> Thereof AGRELIANT GENETICS, LLC.: €12,721 (5,878) thousand

### Equity-accounted associated companies

The disclosures on insignificant associated companies in accordance with IFRS 12.21 (c) in conjunction with IFRS 12.B16 are as follows:

#### Disclosures on insignificant associated companies accounted for using the equity method

in € thousand	06/30/2017	06/30/2016
<b>Carrying amount for the stake in insignificant associated companies (aggregated)</b>	<b>10,726</b>	<b>9,059</b>
Net income for the year	5,761	5,029
Other comprehensive income	0	0
Comprehensive income (100 %)	5,761	5,029

In the year under review, this relates to our Chinese joint venture KENFENG – KWS SEED CO. LTD., which is carried in the KWS Group's consolidated financial statements as an associated company in accordance with the equity method.

### (5) Proportionately consolidated joint operations

Joint operations are based on joint arrangements that always exist when the KWS Group jointly conducts operations managed together with a third party pursuant to a contractual agreement. The operation is jointly managed only if decisions on significant activities require the unanimous consent of the parties involved. The assets and liabilities and revenue and expenses from the joint operations are included proportionately (at 50%) in the consolidated financial statements. The main activity of the proportionately consolidated GENECTIVE S.A. is development of its own traits for genetically improving crops.

### (6) Financial assets

Investments in unconsolidated subsidiaries totaling €330 (439) thousand and shares in cooperatives, GmbHs and other securities classified as noncurrent assets that are of minor significance are reported, in principle, at their amortized cost totaling €689 (692) thousand since the fair value cannot be reliably determined. Listed shares are carried at their fair value of €0 (452) thousand. This account also includes other interest-bearing loans totaling €144 (230) thousand. MLS Capital Fund II has been carried for the first time at a fair value of €1,603 thousand. The other financial assets totaling €303 thousand are reported at their amortized cost, since the fair value cannot be reliably determined.

### (7) 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.

### (8) Inventories and biological assets

#### Inventories and biological assets

in € thousand	06/30/2017	06/30/2016
Raw materials and consumables	21,965	18,041
Work in progress	58,051	52,206
Immature biological assets	13,562	12,496
Finished goods	114,903	115,536
	<b>208,481</b>	<b>198,279</b>

Inventories and biological assets increased by €10,202 thousand, or 5.1%, a figure that includes cumulative impairment losses on the net realizable value totaling €54,344 (49,947) thousand. Inventories to an amount of €2,654 (5,225) thousand are held as security for liabilities. 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 €1,275 (1,368) thousand, for which all the requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,308 (4,240) ha and were recognized in income. Future public subsidies depend on the further development of European agricultural policy.

### (9) Current receivables

#### Current receivables

in € thousand	06/30/2017	06/30/2016
Trade receivables	302,571	293,881
Current tax assets	59,975	55,451
Other current financial assets	40,573	45,070
Other current assets	12,064	12,090
	<b>415,183</b>	<b>406,492</b>

Trade receivables were €302,571 thousand following €293,881 thousand in the previous year. This amount includes €1,819 (1,386) thousand in receivables from joint ventures and joint operations.

#### Development of trade receivables

in € thousand							
	Carrying amount	Of which: neither written down nor overdue on the balance sheet date	Of which: not written down on the balance sheet date and overdue in the following time frames				Of which: written down and not overdue on the balance sheet date
			1–90 days	91–180 days	181–360 days	>360 days	
<b>06/30/2017</b>							
Trade receivables	302,571	264,486	26,984	1,284	1,051	398	4,249
Other current financial assets	40,573	33,688	1	0	0	0	0
	<b>343,144</b>	<b>298,174</b>	<b>26,985</b>	<b>1,284</b>	<b>1,051</b>	<b>398</b>	<b>4,249</b>
<b>06/30/2016</b>							
Trade receivables	293,881	268,656	15,656	2,748	1,257	0	4,521
Other current financial assets	45,070	34,559	0	0	0	0	0
	<b>338,951</b>	<b>303,215</b>	<b>15,656</b>	<b>2,748</b>	<b>1,257</b>	<b>0</b>	<b>4,521</b>

The already overdue trade receivables that have been partly written down amount to a net total of €4,119 (1,043) 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 nonpayment of trade receivables:

#### Change in allowances on receivables

in € thousand	07/01	Addition	Disposal	Reversal	06/30
2016/2017	26,736	4,469	2,213	2,449	26,543
2015/2016	22,627	9,466	1,317	4,040	26,736

The receivables include an amount of €639 (450) thousand due after more than one year.

#### (10) Securities

Securities amounting to €9,455 (30,679) thousand relate primarily to debt securities and fund shares.

#### (11) Cash and cash equivalents

Cash and cash equivalents of €181,913 (133,224) 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.

#### (12) Equity

The fully paid-up subscribed capital of KWS SAAT SE is still €19,800 thousand. 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 other reserves and net retained profit essentially comprise the net income generated in the past by the companies included in the consolidated financial statements, minus dividends paid to shareholders, and the net retained profit. The differences from currency translation, the reserve for available-for-sale financial assets and the reserve for revaluation of net liabilities/assets from defined benefit plans, as well as the reserve for currency translation for equity-accounted financial assets, are also carried here.

Differences from translation of the functional currency of foreign business operations into the currency used by the Group in reporting (euro) are carried in the item Adjustments from currency translation. The item Revaluation of net liabilities/assets from defined benefit plans and associated planned assets includes the actuarial gains and losses from pensions and other employee benefits. Differences from translation of the functional currency of equity-accounted foreign business units into the currency used by the Group in reporting (euro) are essentially carried in the reserve for currency translation for equity-accounted financial assets.

The tax effects on other comprehensive income are as follows:

#### Other comprehensive income

in € thousand	2016/2017			2015/2016		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Items that may have to be subsequently reclassified as profit or loss	-17,323	50	-17,273	-18,752	-106	-18,858
Revaluation of available-for-sale financial assets	-312	50	-262	460	-106	354
Currency translation difference for economically independent foreign units	-13,194	0	-13,194	-18,743	0	-18,743
Currency translation difference from equity-accounted financial assets	-3,817	0	-3,817	-469	0	-469
Items not reclassified as profit or loss	12,158	-3,699	8,459	-24,652	7,603	-17,049
Revaluation of net liabilities/assets from defined benefit plans	12,158	-3,699	8,459	-24,652	7,603	-17,049
<b>Other comprehensive income</b>	<b>-5,165</b>	<b>-3,649</b>	<b>-8,814</b>	<b>-43,404</b>	<b>7,497</b>	<b>-35,907</b>

The objective of KWS' capital management activities is to pursue the interests of shareholders and employees in accordance with the corporate strategy and earn a reasonable return on investment. One main goal is to retain the trust of investors, lenders and the market, so as to strengthen the company's future business development. KWS' capital management activities intend to optimize the average cost of capital. Another goal is a balanced mix of equity and debt capital. Consolidated income (after taxes and minority interests) is €97,549 (85,261) thousand. However, there was a total dividend payout of €19,800 (19,800) thousand in December 2016. This ensures the adequate internal financing

of further operating business expansion in the long term. Equity increased by €69,037 thousand to €836,996 (767,959) thousand. This figure includes a reduction of €17,011 thousand (previous year: reduction of €19,212 thousand) in the reserve for currency translation for foreign subsidiaries and equity-accounted joint ventures and associated companies. Please refer to the statement of changes in equity for further effects not recognized in the income statement.

An important indicator in capital management is the equity ratio. It was 56.0% (53.5%) at June 30, 2017, and thus at a good and solid level. The capital structure is as follows:

#### Capital structure

in € thousand	06/30/2017	Share of total capital	06/30/2016	Share of total capital
Equity	836,996	56.0%	767,959	53.5%
Long-term financial borrowings	200,828		228,712	
Other noncurrent liabilities	158,057		164,941	
Short-term borrowings	39,065		23,078	
Other noncurrent liabilities	260,279		251,941	
<b>Total capital</b>	<b>1,495,225</b>		<b>1,436,631</b>	

The focus in selecting financial instruments is on financing with matching maturities, which is achieved by controlling the maturities. Long-term financial borrowings fell by €27,884 thousand (previous year: increase of €46,929 thousand). This is mainly due to the decrease in long-term financial loans from banks.

### (13) Minority interest

The KWS Group does not have any minority interests that are assessed as being significant.

### (14) Noncurrent liabilities

Noncurrent liabilities decreased by €34,768 thousand (previous year: increase of €76,922 thousand). That is mainly attributable to the reduction in long-term financial borrowings from banks and the lower provision for pension commitments.

#### Noncurrent liabilities

in € thousand	06/30/2017	06/30/2016
Long-term provisions	125,408	136,515
Long-term borrowings	200,828	228,712
Trade payables	1,217	1,413
Deferred tax liabilities	12,721	9,447
Other noncurrent financial liabilities	1,306	681
Other noncurrent liabilities	17,405	16,885
	<b>358,885</b>	<b>393,653</b>

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

#### Long-term provisions

in € thousand	06/30/2016							06/30/2017
		Changes in the consolidated group, currency	Interest expenses from compounding	Addition	Adjustment not affecting profit or loss	Consumption	Reversal	
Pension provisions	126,431	-165	1,796	339	-12,157	4,346	1	111,897
Tax provisions	1,636	-19	0	1,000	0	919	0	1,698
Other provisions	8,448	-1,071	71	4,969	0	604	0	11,813
	<b>136,515</b>	<b>-1,255</b>	<b>1,867</b>	<b>6,308</b>	<b>-12,157</b>	<b>5,869</b>	<b>1</b>	<b>125,408</b>

The other provisions mainly comprise provisions by the German companies for semi-retirement and loyalty bonuses.

The pension provisions are based on defined benefit obligations, determined by years of service and pensionable compensation. They are measured using the projected unit credit method under IAS 19 (2011), on the basis of assumptions about future developments. The assumptions in detail are that wages and salaries in Germany will increase by 3.00% (3.00%) annually, in the U.S. by 3.75% (3.75%) annually and in the rest of the world by 1.80% to 3.00% (2.00%) annually. An annual increase in pensions of 2.00% (2.00%) is assumed in Germany. The discount rate in Germany was 1.90% compared with 1.30% the year before, 3.75% in the U.S. compared with 3.60% the year before, and between 1.65% and 3.15% (1.05% and 3.00%) in the rest of the world.

The following mortality tables were used at June 30, 2017:

- In Germany: The 2005G mortality table of Klaus Heubeck
- Abroad: Mainly RP-2014 Mortality Table Projection Scale MP-2016 and INSEE TD/TV 12-14

A retirement age of 65 years is imputed for Germany and 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
- 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 €9,428 (10,217) thousand correspond to the present value of the obligation. In accordance with IAS 19 (2011), the pension commitments are netted off against the corresponding assets (planned assets).

### Abroad

The defined benefit obligations abroad mainly relate to pension commitments in the U.S. Share funds and bonds were mainly invested as planned assets 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 five years
- A pro-rata pension if the employee reaches the minimum vesting period of five years, but is below 55

The pension plans are mainly 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. The corporate bonds and share funds are chosen to ensure risk diversification and managed by an external fund manager.

### Change in interest rates

The fall in the returns on corporate bonds and thus the discount rate will result in an increase in the 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.

### Salary and pension trends

The present value of the defined benefit obligation from the plan is calculated on the basis of future salaries/pensions. Consequently, increases in the salary and pension 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

in € thousand	2016/2017			2015/2016		
	Germany	Abroad	Total	Germany	Abroad	Total
<b>Accrued benefit entitlements from retirement obligations on July 1</b>	<b>126,607</b>	<b>23,262</b>	<b>149,869</b>	<b>106,837</b>	<b>18,408</b>	<b>125,245</b>
Service cost	993	1,186	2,179	787	917	1,704
Interest expense	1,613	736	2,349	2,608	761	3,369
Actuarial gains (-)/losses (+)	-10,925	-521	-11,446	21,388	3,792	25,180
of which due to a change in financial assumptions used for calculation	-10,953	-1,020	-11,973	21,229	3,389	24,618
of which due to experience adjustments	28	499	527	159	403	562
Pension payments made	-4,943	-534	-5,477	-5,013	-541	-5,554
Exchange rate changes		-449	-449		49	49
Other changes in value		0	0		-124	-124
<b>Accrued benefit entitlements from retirement obligations on June 30</b>	<b>113,345</b>	<b>23,680</b>	<b>137,025</b>	<b>126,607</b>	<b>23,262</b>	<b>149,869</b>

#### Change in planned assets

in € thousand	2016/2017			2015/2016		
	Germany	Abroad	Total	Germany	Abroad	Total
<b>Fair value of the planned assets on July 1</b>	<b>10,217</b>	<b>13,221</b>	<b>23,438</b>	<b>9,446</b>	<b>13,598</b>	<b>23,044</b>
Interest income	129	437	566	229	601	830
Income from planned assets excluding amounts already recognized as interest income	-312	1,024	712	1,133	-605	528
Pension payments made	-606	-525	-1,131	-591	-485	-1,076
Exchange rate changes		-284	-284		48	48
Other changes in value		1,827	1,827		64	64
<b>Fair value of the planned assets on June 30</b>	<b>9,428</b>	<b>15,700</b>	<b>25,128</b>	<b>10,217</b>	<b>13,221</b>	<b>23,438</b>

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

in € thousand	2016/2017			2015/2016		
	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on June 30	113,345	23,680	137,025	126,607	23,262	149,869
Fair value of the planned assets on June 30	9,428	15,700	25,128	10,217	13,221	23,438
<b>Balance sheet values on June 30</b>	<b>103,917</b>	<b>7,980</b>	<b>111,897</b>	<b>116,390</b>	<b>10,041</b>	<b>126,431</b>

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

#### Effects on the statement of comprehensive income

in € thousand	2016/2017			2015/2016		
	Germany	Abroad	Total	Germany	Abroad	Total
Service cost	993	1,186	2,179	787	917	1,704
Net interest expense (+)/income (-)	1,484	298	1,782	2,379	159	2,538
<b>Amounts recognized in the income statement</b>	<b>2,477</b>	<b>1,484</b>	<b>3,962</b>	<b>3,166</b>	<b>1,076</b>	<b>4,242</b>
Gains (-)/losses (+) from revaluation of the planned assets (excluding amounts already recognized as interest income)	312	-1,024	-712	-1,133	605	-528
Actuarial gains (-)/losses (+) due to a change in financial assumptions used for calculation	-10,953	-1,020	-11,973	21,229	3,390	24,618
Actuarial gains (-)/losses (+) due to experience adjustments	28	499	527	159	403	562
<b>Amounts recognized in other comprehensive income</b>	<b>-10,613</b>	<b>-1,545</b>	<b>-12,158</b>	<b>20,255</b>	<b>4,397</b>	<b>24,652</b>
<b>Total (amounts recognized in the statement of comprehensive income)</b>	<b>-8,136</b>	<b>-60</b>	<b>-8,196</b>	<b>23,421</b>	<b>5,473</b>	<b>28,894</b>

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

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

#### Breakdown of the planned assets by investment category

in € thousand	2016/2017			2015/2016		
	Germany	Abroad	Total	Germany	Abroad	Total
Corporate bonds		4,198	4,198		3,510	3,510
Equity funds		10,455	10,455		8,842	8,842
Consumer industry		1,863			1,935	
Finance		1,139			956	
Industry		1,127			656	
Technology		1,882			1,514	
Health care		1,367			986	
Other		3,077			2,795	
Cash and cash equivalents		1,047	1,047		869	869
Reinsurance policies	9,428		9,428	10,217		10,217
<b>Planned assets on June 30</b>	<b>9,428</b>	<b>15,700</b>	<b>25,128</b>	<b>10,217</b>	<b>13,221</b>	<b>23,438</b>

The planned assets abroad relate mainly 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. A total of 84.1% (previous year: 82.3%) of the corporate bonds have an AAA rating.

The following sensitivity analysis at June 30, 2017, 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 projected unit credit method used to calculate the balance sheet values was also used in the sensitivity analysis.

## Sensitivity analysis

in € thousand	Effect on obligation in 2016/2017			Effect on obligation in 2015/2016		
	Change in assumption	Decrease	Increase	Change in assumption	Decrease	Increase
Discount rate	+/- 100 basis points	25,306	-19,851	+/- 100 basis points	28,975	-22,459
Anticipated annual pay increases	+/- 50 basis points	-1,220	1,315	+/- 50 basis points	-1,325	1,437
Anticipated annual pension increase	+/- 25 basis points	-4,126	4,287	+/- 25 basis points	-4,654	4,846
Life expectancy	+/- 1 year	-4,883	4,978	+/- 1 year	-5,471	5,592

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

### Anticipated payments for pensions

in € thousand	2016/2017		
	Germany	Abroad	Total
2017/2018	5,123	698	5,820
2018/2019	5,045	788	5,833
2019/2020	5,136	795	5,931
2020/2021	5,011	981	5,992
2021/2022	4,972	960	5,933
2022/2023–2026/2027	24,355	6,050	30,406

The weighted average time at which the pension obligations are due is 15.4 (16.6) years in Germany and 17.1 (17.3) years abroad.

### Defined contribution plans

Apart from the above-described pension obligations, there are other old-age pension systems. However, no provisions

### Anticipated payments for pensions

in € thousand	2015/2016		
	Germany	Abroad	Total
2016/2017	5,042	600	5,642
2017/2018	4,979	686	5,665
2018/2019	4,921	789	5,710
2019/2020	5,027	834	5,861
2020/2021	4,941	1,083	6,024
2021/2022–2025/2026	24,333	5,465	29,798

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 2016/2017 were as follows:

### Pension costs

in € thousand	2016/2017			2015/2016		
	Germany	Abroad	Total	Germany	Abroad	Total
Cost for defined contribution plans	3,080	1,600	4,680	2,266	1,302	3,568
Service cost for the defined benefit obligations	993	1,186	2,179	787	917	1,704
<b>Pension costs</b>	<b>4,073</b>	<b>2,786</b>	<b>6,859</b>	<b>3,053</b>	<b>2,219</b>	<b>5,272</b>

In addition, contributions of €13,955 thousand (previous year: €13,724 thousand) were paid to statutory pension insurance institutions.

The costs for defined contribution plans in Germany mainly related to the provident fund backed by a guarantee. The contributions to this pension plan were €3,080 (2,016) thousand. The return and income from the planned assets depend on the reinsurance policy, which yields guaranteed

interest of between 0.9% 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 €3,928 (3,581) thousand (defined contribution plan).

The long-term financial borrowings include loans from banks amounting to €200,828 (228,712) thousand. They have remaining maturities through 2025.

## (15) Current liabilities

<b>Current liabilities</b>		
<b>in € thousand</b>	<b>06/30/2017</b>	<b>06/30/2016</b>
<b>Short-term provisions</b>	<b>72,774</b>	<b>80,914</b>
Current liabilities to banks	38,782	22,684
Current financial liabilities to affiliates	65	65
Other current financial liabilities	218	329
<b>Short-term borrowings</b>	<b>39,065</b>	<b>23,078</b>
Trade payables to affiliates	1,266	0
Trade payables to joint ventures	65	45
Other trade payables	74,069	74,969
<b>Trade payables</b>	<b>75,400</b>	<b>75,014</b>
<b>Tax liabilities</b>	<b>25,620</b>	<b>21,062</b>
<b>Other current financial liabilities</b>	<b>16,318</b>	<b>13,990</b>
<b>Other current liabilities</b>	<b>70,167</b>	<b>60,961</b>
	<b>299,344</b>	<b>275,019</b>

### Short-term provisions

<b>in € thousand</b>	<b>06/30/2016</b>	<b>Changes in the consolidated group, currency</b>				<b>06/30/2017</b>
			<b>Addition</b>	<b>Consumption</b>	<b>Reversal</b>	
Obligations from sales transactions	62,884	-2,243	61,835	54,515	3,552	64,409
Obligations from purchase transactions	3,884	0	1,534	3,724	100	1,594
Other obligations	14,146	-59	4,623	10,843	1,096	6,771
	<b>80,914</b>	<b>-2,302</b>	<b>67,992</b>	<b>69,082</b>	<b>4,748</b>	<b>72,774</b>

The obligations from sales transactions essentially relate to provisions for licenses and returns. The obligations from purchase transactions include provisions for procurement transactions, such as compensation for breeding areas. The other obligations relate to litigation risks and other provisions that cannot be assigned to the group of sales transactions or the group of purchase transactions.

The tax liabilities of €25,620 (21,062) thousand include amounts for the year under review and the period not yet concluded by the external tax audit.



## (16) Derivative financial instruments

### Hedging transactions

in € thousand	06/30/2017			06/30/2016		
	Nominal volume	Carrying amounts	Fair value	Nominal volume	Carrying amounts	Fair value
Currency hedges	162,977	-1,881	-1,881	143,735	2,027	2,027
Interest-rate hedges	34,000	-311	-311	34,000	-485	-485
Commodity hedges	182	5	5	162	9	9
	<b>197,159</b>	<b>-2,187</b>	<b>-2,187</b>	<b>177,897</b>	<b>1,551</b>	<b>1,551</b>

Of the currency hedges, hedges with a nominal volume of €153,196 (140,625) thousand have a remaining maturity of less than one year, and hedges with a nominal volume of €9,781 (3,110) thousand have a remaining maturity of between one and five years. Of the interest-rate derivatives, hedges with a nominal volume of €34,000 (29,000) thousand will mature within one to five years, and hedges with a nominal value of €0 (5,000) thousand will mature in more than five years. The commodity hedges have remaining maturities of less than one (one) year.

## (17) 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 the liability, after taking into account transaction costs, is 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 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:

06/30/2017

in € thousand	Financial instruments				
	Fair values	Carrying amounts			
		Loans and receivables	Financial assets held for trading	Available-for-sale financial assets	Total carrying amount
<b>Financial assets</b>					
Financial assets	3,069	0	0	3,069	3,069
Other noncurrent financial assets	32	0	32	0	32
of which derivative financial instruments	(32)	(0)	(32)	(0)	(32)
Trade receivables	302,571	302,571	0	0	302,571
Securities	9,455	0	0	9,455	9,455
Cash and cash equivalents	181,913	181,913	0	0	181,913
Other current financial assets	40,573	38,920	1,653	0	40,573
of which derivative financial instruments	(1,653)	(0)	(1,653)	(0)	(1,653)
<b>Total</b>	<b>537,613</b>	<b>523,404</b>	<b>1,685</b>	<b>12,524</b>	<b>537,613</b>

06/30/2016

in € thousand	Financial instruments				
	Fair Values	Carrying amounts			
		Loans and receivables	Financial assets held for trading	Available-for-sale financial assets	Total carrying amount
<b>Financial assets</b>					
Financial assets	2,192	0	0	2,192	2,192
Other noncurrent financial assets	96	0	96	0	96
of which derivative financial instruments	(96)	(0)	(96)	(0)	(96)
Trade receivables	293,881	293,881	0	0	293,881
Securities	30,679	0	0	30,679	30,679
Cash and cash equivalents	133,224	133,224	0	0	133,224
Other current financial assets	45,070	42,120	2,950	0	45,070
of which derivative financial instruments	(2,950)	(0)	(2,950)	(0)	(2,950)
<b>Total</b>	<b>505,142</b>	<b>469,225</b>	<b>3,046</b>	<b>32,871</b>	<b>505,142</b>

The fair value of financial assets (equity instruments) measured at amortized costs cannot be reliably determined. 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 the 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:

06/30/2017

in € thousand	Financial instruments			
	Fair values	Carrying amounts		
		Financial liabilities measured at amortized cost	Financial liabilities held for trading	Total carrying amount
<b>Financial liabilities</b>				
Long-term borrowings	204,649	200,828	0	200,828
Long-term trade payables	1,217	1,217	0	1,217
Other noncurrent financial liabilities	1,306	455	851	1,306
of which derivative financial instruments	(851)	(0)	(851)	(851)
Short-term borrowings	39,065	39,065	0	39,065
Short-term trade payables	75,400	75,400	0	75,400
Other current financial liabilities	16,318	13,296	3,022	16,318
of which derivative financial instruments	(3,022)	(0)	(3,022)	(3,022)
<b>Total</b>	<b>337,955</b>	<b>330,261</b>	<b>3,873</b>	<b>334,134</b>

06/30/2016

in € thousand	Financial instruments			
	Fair values		Carrying amounts	
		Financial liabilities measured at amortized cost	Financial liabilities held for trading	Total carrying amount
<b>Financial liabilities</b>				
Long-term borrowings	233,558	228,712	0	228,712
Long-term trade payables	1,413	1,413	0	1,413
Other noncurrent financial liabilities	681	148	533	681
of which derivative financial instruments	(533)	(0)	(533)	(533)
Short-term borrowings	23,078	23,078	0	23,078
Short-term trade payables	75,014	75,014	0	75,014
Other current financial liabilities	13,990	13,026	964	13,990
of which derivative financial instruments	(964)	(0)	(964)	(964)
<b>Total</b>	<b>347,734</b>	<b>341,391</b>	<b>1,497</b>	<b>342,888</b>

The fair value of long-term borrowings was calculated on the basis of discounted cash flows. To enable that, interest rates for comparable transactions and yield curves were used (level 2).

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

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

Due to the generally short times by which trade payables and other financial liabilities (excluding derivatives) are due, it is assumed that their carrying amounts are equal to the fair value.

#### Assets and liabilities measured at fair value

in € thousand	06/30/2017				06/30/2016			
	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	1,685	0	1,685	0	3,046	0	3,046
Available-for-sale financial assets	12,182	0	0	12,182	32,421	0	0	32,421
<b>Financial assets</b>	<b>12,182</b>	<b>1,685</b>	<b>0</b>	<b>13,867</b>	<b>32,421</b>	<b>3,046</b>	<b>0</b>	<b>35,467</b>
Derivative financial instruments not part of a hedge under IAS 39	0	3,873	0	3,873	0	1,497	0	1,497
<b>Financial liabilities</b>	<b>0</b>	<b>3,873</b>	<b>0</b>	<b>3,873</b>	<b>0</b>	<b>1,497</b>	<b>0</b>	<b>1,497</b>



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

**Net gain/losses of financial instruments**

in € thousand	06/30/2017	06/30/2016
Available-for-sale financial assets	29	47
Financial assets held for trading	-1,059	-262
Loans and receivables	-68	-1,349
Financial liabilities measured at amortized cost	-11,251	-12,228
Financial liabilities held for trading	-2,506	1,158

The net income from available-for-sale financial assets includes income from equity investments in cooperatives and income from securities.

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

The net gain/loss from loans and receivables mainly includes effects from changes in the allowances for impairment.

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

Interest income from financial assets that are not measured at fair value and recognized in the income statement was €2,900 (2,278) thousand. Interest expenses for financial borrowings were €11,251 (12,228) thousand.

In order to control the credit risk resulting from receivables from customers, a regular creditworthiness analysis is conducted by the responsible credit manager in accordance with the credit volume. Security is available for some of these receivables and is used depending on the local circumstances. This includes, in particular, credit insurance, down payments and guarantees. In general, reservation of ownership of goods is agreed with our customers. Credit limits are defined for all customers. Credit risks from financial transactions are controlled centrally by Corporate Finance/Treasury. In order to minimize risks, financial transactions are exclusively conducted within defined limits with banks and partners who always have an investment grade. Compliance with the risk limits is constantly monitored. The limits are adjusted depending on the credit volume only subject to the approval of the regional or divisional management and the Executive Board.

Liquidity is managed in the eurozone by the central Treasury unit using a cash-pooling system. Liquidity requirements are generally determined by means of cash planning and are covered by cash and promised credit lines.

KWS SAAT SE raised a borrower's note loan for an amount of €70 million for financing purposes in December 2015. The tranches have a maturity of five and seven years; part of the loan has a variable interest rate, but most of it (€43 million) has a fixed interest rate.

There are unutilized credit lines totaling €268 million. The syndicated loan of €200 million runs until October 2021, since the option of extending it was utilized. This loan only contains one financial covenant. In the case of financial covenants, the dynamic gearing ratio is used as a financial indicator. Compliance with the covenants is regularly reviewed by KWS SAAT SE's Treasury unit and reported to the banks every quarter in connection with the quarterly and annual financial statements.

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

#### Fiscal year 2016/2017

in € thousand	Book value	Cash flows			
	06/30/2017	06/30/2017 Total	Due in < 1 year	Due in > 1 year and < 5 years	Due in > 5 years
<b>Liquidity analysis of financial liabilities</b>					
Financial liabilities	239,893	242,273	71,768	142,012	28,493
Trade payables	76,617	76,617	75,400	1,217	0
Other financial liabilities	13,751	13,751	13,749	2	
<b>Nonderivative financial liabilities</b>	<b>330,261</b>	<b>332,641</b>	<b>160,917</b>	<b>143,231</b>	<b>28,493</b>
Payment claim		112,163	106,016	6,147	
Payment obligation		117,830	110,630	7,200	
<b>Derivative financial liabilities</b>	<b>3,873</b>	<b>5,667</b>	<b>4,614</b>	<b>1,053</b>	

#### Fiscal year 2015/2016

in € thousand	Book value	Cash flows			
	06/30/2016	06/30/2016 Total	Due in < 1 year	Due in > 1 year and < 5 years	Due in > 5 years
<b>Liquidity analysis of financial liabilities</b>					
Financial liabilities	251,790	257,621	27,496	124,519	105,606
Trade payables	76,427	76,427	75,014	1,202	210
Other financial liabilities	13,174	13,174	13,026	148	
<b>Nonderivative financial liabilities</b>	<b>341,391</b>	<b>347,221</b>	<b>115,536</b>	<b>125,869</b>	<b>105,816</b>
Payment claim		21,052	20,237	815	
Payment obligation		23,225	21,961	1,264	
<b>Derivative financial liabilities</b>	<b>1,497</b>	<b>2,173</b>	<b>1,724</b>	<b>449</b>	

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.

The following sensitivity analyses show the impact on income and equity. The calculated figures relate to the portfolio at the balance sheet date and show the hypothetical effect for one year.

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 1.09 (1.11) USD/EUR. If the US dollar depreciated by 10%, the financial instruments would be worth €192 (199) thousand. If the US dollar appreciated by 10%, the financial instruments would have a value of €234 (244) thousand. The net income for the year and equity would change accordingly.

Interest rate sensitivity is a measure for showing the interest rate risk. The variable-interest components of the KWS Group's interest expenses and interest income were determined to calculate it. An average rate of interest per Group company for the past fiscal year was then formed for all relevant investments and loans. This average rate of interest was then used in a scenario analysis to calculate the effects on the interest result and equity if the interest rate increased by one percentage point (100 base points) or decreased by the same amount. That yielded the following results in the past fiscal year. An increase in the rate of interest of one percentage point would result in additional interest expense of €0.5 million (previous year: income and expense canceled each other out); equity would fall by €0.3 (+0.0) million in the event of such a change in the rate of interest. A reduction in the rate of interest of one percentage point would add a further €0.5 (0.6) million in income. Equity would increase by €0.3 (0.4) million in the event of such a change in the rate of interest.

#### (18) Contingent liabilities

As in the previous year, there are no contingent liabilities to report at the balance sheet date.

#### (19) Other financial obligations

There was a €4,610 (13,211) thousand obligation from uncompleted capital expenditure projects, mainly relating to property, plant and equipment. The largest items are the obligations from investments of €0.5 million in expanding the Biotechnology Center, €1.1 million for conversion of a machine hall, and €0.6 million for expansion of the block-type thermal power station at Einbeck.

#### Obligations under rental agreements and leases

in € thousand	06/30/2017	06/30/2016
Due within one year	17,216	16,520
Due between 1 and 5 years	34,219	21,353
Due after 5 years	4,399	6,002
	<b>55,834</b>	<b>43,875</b>

The leases relate primarily to full-service agreements for IT equipment and fleet vehicles, which also include services for which a total of €4,620 (5,556) 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

in € millions	2016/2017		2015/2016	
		% of sales		% of sales
Net sales	1,075.2	100.0	1,036.8	100.0
Cost of sales	493.9	45.9	480.9	46.4
<b>Gross profit on sales</b>	<b>581.3</b>	<b>54.1</b>	<b>555.9</b>	<b>53.6</b>
Selling expenses	200.7	18.7	196.8	19.0
Research & development expenses	190.3	17.7	182.4	17.6
General and administrative expenses	79.8	7.4	76.4	7.4
Other operating income	69.7	6.5	70.4	6.8
Other operating expenses	48.6	4.5	57.9	5.6
<b>Operating income</b>	<b>131.6</b>	<b>12.2</b>	<b>112.8</b>	<b>10.9</b>
<b>Net financial income/expenses</b>	<b>16.6</b>	<b>1.5</b>	<b>14.8</b>	<b>1.4</b>
<b>Result of ordinary activities</b>	<b>148.2</b>	<b>13.8</b>	<b>127.6</b>	<b>12.3</b>
Taxes	50.5	4.7	42.3	4.1
<b>Net income for the year</b>	<b>97.7</b>	<b>9.1</b>	<b>85.3</b>	<b>8.2</b>
Share of minority interest	0.2	0.0	0.0	0.0
<b>Net income after minority interest</b>	<b>97.5</b>	<b>9.1</b>	<b>85.3</b>	<b>8.2</b>

### (20) Net sales and function costs

#### By product category

in € thousand	2016/2017	2015/2016
Certified seed sales	967,736	918,471
Royalties income	59,783	73,006
Basic seed sales	17,843	19,411
Services fee income	4,288	3,513
Other sales	25,594	22,373
	<b>1,075,244</b>	<b>1,036,774</b>



**By region**

in € thousand	2016/2017	2015/2016
Germany	226,291	223,972
Europe (excluding Germany)	464,283	450,817
North and South America	317,472	282,999
Rest of world	67,198	78,986
	<b>1,075,244</b>	<b>1,036,774</b>

For further details of sales, see segment reporting.

The **cost of sales** increased by 2.7% to €493,922 (480,864) thousand, or 45.9% (46.4%) of sales. The total cost of goods sold was €289,427 (290,480) thousand.

The impairment losses on inventories and the decreases in the impairment loss, which are carried as a reduction in the cost of materials in the period, are as follows:

**July 1 to June 30**

in € thousand	Total
Impairment losses	10,746
Decreases in impairment loss	2,612

**Selling expenses** increased by €3,858 thousand to €200,676 (196,818) thousand, or 18.7% (19.0%) of sales.

**Research & development** is recognized as an expense in the year it is incurred; in the year under review, this amounted to €190,327 (182,360) thousand. 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 €3,431 thousand to €79,833 thousand, representing 7.4% of sales as in the previous year.

**(21) Other operating income****July 1 to June 30**

in € thousand	2016/2017	2015/2016
Income from sales of fixed assets	2,693	445
Income from the reversal of provisions	3,841	6,748
Exchange rate gains and gains from currency and interest rate hedges	26,847	28,050
Income from reversal of allowances on receivables	3,777	4,636
Performance-based public grants	6,166	5,924
Income relating to previous periods	7,157	8,925
Income from loss compensation received	269	132
Miscellaneous other operating income	18,956	15,512
	<b>69,706</b>	<b>70,372</b>

The other operating income mainly comprises foreign exchange gains and income from interest rate hedges, as well as miscellaneous other operating income. The performance-based government grants mainly relate to breeding allowances and farm payments.

## (22) Other operating expenses

### July 1 to June 30

in € thousand	2016/2017	2015/2016
Legal form expenses	943	944
Allowances on receivables	4,526	8,263
Counterparty default	294	3,293
Exchange rate losses and losses on currency and interest rate hedges	29,149	28,986
Losses from sales of fixed assets	1,001	1,294
Expenses relating to previous periods	1,798	1,741
Other expenses	10,890	13,417
	<b>48,601</b>	<b>57,938</b>

In the year under review, allowances for receivables and counterparty defaults of €3,728 (4,132) thousand were recognized as an expense in the Corn Segment, €713 (7,244) thousand in the Sugarbeet Segment and €379 (180) thousand in the Cereals Segment.

## (23) Net financial income/expenses

### July 1 to June 30

in € thousand	2016/2017	2015/2016
Interest income	3,043	2,618
Interest expenses	9,510	11,679
Income from securities	32	0
Income from other financial assets	26	44
Write-down on securities	32	0
Interest effects from pension provisions	1,794	2,547
Interest expense for other long-term provisions	71	114
Financial lease interest expense	3	7
<b>Interest result</b>	<b>-8,309</b>	<b>-11,685</b>
Result from equity-accounted financial assets	24,935	26,466
Income from equity investments	3	3
Income from write-ups of subsidiaries, joint ventures and participations	10	0
Expenses from depreciation of shares of subsidiaries	40	0
<b>Net income from equity investments</b>	<b>24,908</b>	<b>26,469</b>
<b>Net financial income/expenses</b>	<b>16,599</b>	<b>14,784</b>

**Net income from equity investments** fell year on year by €1,561 thousand. Income from equity-accounted financial assets fell from €26,466 thousand to €24,935 thousand. Together with an **interest result** of €-8,309 (-11,685) thousand,

**net financial income/expenses** rose by €1,815 thousand to €16,599 (14,784) thousand. The interest effects from pension provisions comprise interest expenses (compounding) and the planned income.

## (24) Taxes

Income tax expense is computed as follows:

### Income tax expenses

in € thousand	2016/2017	2015/2016
<b>Actual income taxes</b>	<b>54,077</b>	<b>40,803</b>
In Germany	17,760	4,666
Abroad	36,317	36,137
Thereof from previous years	6,741	-267
<b>Deferred taxes</b>	<b>-3,599</b>	<b>1,468</b>
In Germany	-2,035	2,831
Abroad	-1,564	-1,363
<b>Income taxes</b>	<b>50,478</b>	<b>42,271</b>

KWS pays tax in Germany at a rate of 29.0% (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, trade tax is payable on profits generated in Germany. Trade income tax is applied at a weighted average rate of 13.2% (13.3%), resulting in a total tax rate of 29.0% (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 €1,235 (2,470) thousand at June 30, 2017. A total of €1,235 (1,236) thousand was recovered in the year under review and recognized directly in equity.

The profits generated by Group companies outside Germany are taxed at the rates applicable in the country in which they are based. The tax rates in foreign countries vary between 10.0% (10.0%) and 39.0% (39.0%).

The deferred taxes that are recognized relate to the following balance sheet items and tax loss carryforwards:

### Deferred taxes

in € thousand	Deferred tax assets		Deferred tax liabilities	
	2016/2017	2015/2016	2016/2017	2015/2016
Intangible assets	2,706	786	4,297	5,957
Property, plant and equipment	86	612	18,005	17,699
Biological assets	0	0	7	4
Financial assets	279	1,738	1,472	0
Inventories	11,702	8,122	1,047	1,013
Current assets	5,341	1,618	2,686	4,026
Noncurrent liabilities	26,892	27,549	1,246	1,420
of which pension provisions	(20,495)	(22,734)	(1,241)	(11)
Current liabilities	11,941	14,463	125	3
Deferred taxes recognized (gross)	58,947	54,888	28,885	30,122
Tax loss carryforward	3,752	5,588	0	0
Setting off	-16,164	-19,437	-16,164	-20,675
Deferred taxes recognized (net)	46,535	41,039	12,721	9,447

Due to the use of tax loss carryforwards and temporary differences on which no deferred taxes were recognized in the past, the actual tax expense fell by €100 (0) thousand.

There is a deferred tax expense of €2,442 (1,616) thousand from the allowance for deferred taxes on tax loss carryforwards and temporary differences in the year under review.

The write-up of deferred taxes results in deferred tax income of €2,754 (95) thousand.

No deferred taxes were formed for tax loss carryforwards totaling €15,772 (24,987) thousand that have not yet been utilized. Of these, €4,591 (4,627) thousand must be utilized within a period of five years and €2,251 (5,715) thousand within a period of nine years. Loss carryforwards totaling €8,930 (14,645) thousand can be utilized without any time limit.

No deferred taxes were formed for deductible temporary differences totaling €0 (543) thousand.

There are deferred taxes of €37,331 thousand relating to temporary differences in connection with shares in subsidiaries; they are not recognized pursuant to IAS 12.39.

In the year under review, there were surpluses of deferred tax assets from temporary differences and loss carryforwards totaling €15,376 (30,677) thousand at Group companies that made losses in the past period or the previous period. These were considered recoverable, since it is assumed that the companies in question will post taxable profits in the future. The fact is taken into account here that the KWS Group may realize income with a delay due to the long-term nature of research & development spending.

The reconciliation of the expected income tax expense to the reported income tax expense is derived on the basis of the consolidated income before taxes and the nominal tax rate for the Group of 29.0% (29.1%), taking into account the following effects.

#### Reconciliation of income taxes

in € thousand	2016/2017	2015/2016
Earnings before income taxes	148,190	127,548
<b>Expected income tax expense<sup>1</sup></b>	<b>43,030</b>	<b>37,148</b>
Reconciliation with the reported income tax expense		
Differences from the Group's tax rate	3,850	11,709
Effects of changes in the tax rate	-27	-393
Tax effects from:		
Expenses not deductible for tax purposes and other additions	8,073	4,255
tax-free income	-13,629	-13,155
other permanent deviations	1,868	-330
Reassessment of the recognition and measurement of deferred tax assets	-688	3,567
Tax credits	-464	-245
Taxes relating to previous years	8,318	-2,385
Other effects	147	2,100
Reported income tax expense	50,478	42,271
Effective tax rate	34.1%	33.1%

<sup>1</sup> Tax rate in Germany: 29.0%

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

#### (25) Personnel costs/employees

##### July 1 to June 30

in € thousand	2016/2017	2015/2016
Wages and salaries	198,675	188,170
Social security contributions, expenses for pension plans and benefits	48,316	44,013
	<b>246,991</b>	<b>232,183</b>

Personnel costs went up by €14,808 thousand to €246,991 thousand, an increase of 6.4%. The number of employees increased by 94 to 4,937, or by 1.9%. Of the 4,937 (4,843) employees, 3,607 (3,560) are permanent employees, 1,193 (1,136) are temporary employees and 137 (147) are trainees.

**Compensation** increased by 5.6% from €188,170 thousand in the previous year to €198,675 thousand. **Social security contributions, expenses for pension plans and benefits** were €4,303 thousand higher than in the previous year.



## Employees<sup>1</sup>

	2016/2017	2015/2016
Germany	1,911	1,908
Europe (excluding Germany)	1,454	1,449
North and South America	1,287	1,280
Rest of world	285	206
<b>Total</b>	<b>4,937</b>	<b>4,843</b>

<sup>1</sup> Annual average

With our joint ventures, associated company and joint operation consolidated proportionately, the number of employees was 5,621 (5,472). The reported number of employees is greatly influenced by seasonal labor.

## (26) Share-based payment

### Employee Share Purchase Plan

KWS has established an Employee Share Purchase Plan. All employees who have been with the company for at least one year without interruption and have a permanent employment relationship that has not been terminated at a KWS Group company that participates in the program are eligible to take part. That also includes employees who are on maternity leave or parental leave or who are in semi-retirement.

Each employee can acquire up to 500 shares. A bonus of 20% is deducted from the purchase price, which depends on the price applicable on the key date. The shares are subject to a lock-up period of four years beginning when they are posted to the employee's securities account. The right to a dividend, if KWS SAAT SE pays one out, exists during the lock-up period. Holders can also exercise their right to participate in the Annual Shareholders' Meeting during the lock-up period. They can dispose freely of the shares after the lock-up period.

A total of 11,594 (7,541) shares were repurchased for the Employee Share Purchase Plan at a total price of €3,354 (1,952) thousand in the year under review. The total cost for issuing shares at a reduced price was €750 thousand in the past fiscal year (previous year: €311 thousand).

## Long-Term-Incentive (LTI)

The stock-based compensation plans awarded at the KWS Group are recognized in accordance with IFRS 2 "Share-based Payment." The incentive program, which was launched in fiscal 2009/2010, involves stock-based payment transactions with cash compensation, which are measured at fair value at every balance sheet date. Members of the Executive Board are obligated to acquire shares in KWS SAAT SE every year in a freely selectable amount ranging between 20% and 50% of the gross performance-related bonus. Along with that, all members of the first management level below the Executive Board likewise take part in an LTI program. As part of this program, they are obligated to invest in shares in KWS SAAT SE every year in a freely selectable amount ranging between 10% and 40% of the gross performance-related bonus. The members of the Executive Board and the first management level below the Executive Board may sell these shares at the earliest after a regular holding period of five years beginning at the time they are acquired (end of the quarter in which the shares were acquired). The entitled persons are paid a long-term incentive (LTI) in the form of cash compensation after the holding period for the tranche in question. This was the case for members of the Executive Board for the first time in January 2017. Its level is calculated on the basis of KWS SAAT SE's share performance and on the KWS Group's return on sales (ROS), measured as the ratio of operating income to net sales, over the holding period. For persons with contracts as of July 1, 2014, the cash compensation for members of the Executive Board is a maximum of one-and-a-half times (for the Chief Executive Officer two times), and for members of the first management level below the Executive Board a maximum of two times their own investment (LTI cap). The costs of this compensation are recognized in the income statement over the period and, taking the cash compensation in January 2017 into account, were €1,213 (510) thousand in the period under review. The provision for it at June 30, 2017, was €2,570 (2,680) thousand. The LTI fair values are calculated by an external expert.

## (27) Net income for the year

The KWS Group's net income for the year was €97,712 (85,277) thousand on operating income of €131,591 (112,764) thousand and net financial income/expenses of €16,599 (14,784) thousand. The return on sales thus increased to 9.1% (8.2%). Net income for the year after minority interest was €97,549 (85,261) thousand. Earnings per share in the year under review were €14.78 (12.92).

## 6. Notes to the Cash Flow Statement

The cash flow statement 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. In the year under review they were €105,408 (107,297) thousand. The proportion of cash earnings included in sales was 9.8% (10.3%). Since current liabilities rose more sharply than inventories and receivables, there were net cash proceeds of €21,765 thousand. The cash proceeds from operating activities also include interest income of €3,035 (2,609) thousand and interest expense of €7,768 (7,871) thousand. Income tax payments amounted to €52,610 (46,916) thousand. The dividends received from the joint ventures are also carried here and total €16,861 (25,682) thousand.

### **(2) Net cash from investing activities**

A net total of €64,760 (92,174) thousand was required to finance investing activities.

### **(3) Net cash from financing activities**

The net cash used in financing activities was €29,604 thousand (previous year: cash proceeds of €21,385 thousand).

### **(4) Supplementary information on the cash flow statement**

Of the changes in cash and cash equivalents caused by exchange rate, consolidated group, and measurement changes, a total of €-582 (€-1,161) thousand results from exchange rate-related adjustments.

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

## 7. Other Notes

### Proposal for the appropriation of net retained profits

A proposal will be made to the Annual Shareholders' Meeting that, of KWS SAAT SE's net retained profit of €21,151 thousand, an amount of €21,120 thousand should be distributed as a dividend of €3.20 (3.00) for each of the 6,600,000 shares.

The balance of €31 (41) thousand is to be carried forward to the new account.

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

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 the Supervisory Board amounts to €504 (516) thousand, excluding value-added tax. Some €238 (238) thousand of the total compensation is performance-related.

In fiscal year 2016/2017, total Executive Board compensation amounted to €3,772 (3,531) thousand. The variable compensation, which is calculated on the basis of the net profit for the period of the KWS Group, is made up of a bonus and a long-term incentive. The bonus totals €1,806 (1,602) thousand; there are contributions from the long-term incentive tranche for 2015/2016 totaling €583 thousand (tranche for 2014/2015: €558 thousand). Pension provisions totaling €1,180 (1,384) thousand were formed for two members of the Executive Board at KWS SAAT SE.

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,774 (1,334 thousand). Pension provisions recognized for this group of persons amounted to €7,337 (8,027) thousand as of June 30, 2017, before being netted off with the relevant planned assets.

### Related party disclosures

Transactions with related parties in accordance with IAS 24 are all business dealings that are conducted with the reporting entity by entities or natural persons or their close family members, if the party or person in question controls the reporting entity or is a member of its key management personnel, for example. There were no business transactions or legal transactions that required reporting for this group of persons in fiscal 2016/2017. As part of its operations, KWS procures goods and services worldwide from a large number of business partners. They also include companies in which KWS has an interest and on which representatives of KWS' Supervisory Board exert a significant influence. Business dealings with these companies are always conducted on an arm's-length basis and are not material in terms of volume. As part of Group financing, short- and medium-term term loans are taken out from, and granted to, subsidiaries at market interest rates. The compensation of members of the Executive Board comprises short-term employee benefits, share-based payment benefits and post-employment benefits. Individualized disclosures on the compensation of members of the Executive Board and the Supervisory Board are presented in the Compensation Report, which is part of the audited Combined Management Report.

No other related parties have been identified for whom there is a special reporting requirement under IAS 24.

## Related parties

in € thousand	Deliveries and services provided		Received deliveries and services		Receivables		Payables	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Unconsolidated subsidiaries	0	0	0	0	0	330	0	0
Equity-accounted joint ventures	2,935	4,891	16,058	16,319	12,305	17,323	0	0
Joint operation	0	1,862	8,053	6,925	169	439	0	0
Other related parties	0	0	133	132	0	0	0	0

## Disclosure

The following subsidiaries with the legal form of a corporation within the meaning of Section 264 (3) of the German Commercial Code (HGB) have utilized the exemption provided in Section 264 (3) of the German Commercial Code (HGB) as regards preparation of financial statements and their publication:

- KWS LOCHOW GMBH, Bergen
- KWS LANDWIRTSCHAFT GMBH, Einbeck
- BETASEED GMBH, Frankfurt
- DELITZSCH PFLANZENTUCHT GMBH, Einbeck
- KANT-HARTWIG & VOGEL GMBH, Einbeck
- AGROMAIS GMBH, Everswinkel
- KWS SERVICES DEUTSCHLAND GMBH, Einbeck

KWS SAAT SE prepares the consolidated financial statements for the largest and smallest group of companies.

## Audit of the annual financial statements

On December 15, 2016, the Annual Shareholders' Meeting of KWS SAAT SE elected for the first time the accounting firm Ernst & Young GmbH, Hanover, to be the Group's auditors for fiscal year 2016/2017. The disclosures for the previous year are based on the work by the independent auditor at the time, Deloitte GmbH, Hanover.

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

in € thousand	2016/2017	2015/2016
a) Audit of the consolidated financial statements	625	674
b) Other certification services	0	0
c) Tax consulting	0	0
d) Other services	0	109
<b>Total fee paid</b>	<b>625</b>	<b>783</b>

## Report on events after the balance sheet date

In order to strengthen the technology platforms of KWS and Vilmorin & Cie, a licensing agreement relating to additional corn traits was concluded in October 2015. It authorizes KWS and Vilmorin & Cie, separately and independently of each other, as well as their joint ventures GENECTIVE and AGRELIANT, to make worldwide commercial use of corn traits developed and marketed by a leading provider, including future new developments. As agreed in 2015, further new approvals by the provider resulted in an additional payment by AGRELIANT totaling 75 million US dollars in September 2017.

Apart from that, there were no events after June 30, 2017, that can be expected to have a significant impact on the KWS Group's assets, financial position and earnings.

## Declaration of compliance with the German Corporate Governance Code

KWS SAAT SE has issued the declaration of compliance with the German Corporate Governance Code required by Section 161 Aktiengesetz (AktG – German Stock Corporation Act) and made it accessible to its shareholders on the company's home page at [www.kws.de](http://www.kws.de).



## Supervisory Board

Members	Mandates (06/30/2017)
<b>Dr. Drs. h.c. Andreas J. Büchting</b> Einbeck Agricultural Biologist Chairman of the Supervisory Board of KWS SAAT SE	
<b>Dr. Arend Oetker</b> Berlin Businessman Managing Partner of Kommanditgesellschaft Dr. Arend Oetker Vermögensverwaltungsgesellschaft mbH & Co., Berlin Deputy Chairman of the Supervisory Board of KWS SAAT SE (until December 15, 2016) Honorary member of the Supervisory Board of KWS SAAT SE (since December 15, 2016)	<i>Membership of other legally mandated supervisory boards:</i> <ul style="list-style-type: none"> <li>■ Schwartauer Werke GmbH &amp; Co. KGaA, Bad Schwartau (Chairman)</li> <li>■ Cognos AG, Hamburg (Chairman)</li> </ul> <i>Membership of comparable German and foreign oversight boards:</i> <ul style="list-style-type: none"> <li>■ Leipziger Messe GmbH, Leipzig</li> </ul>
<b>Hubertus von Baumbach</b> Ingelheim am Rhein Businessman Chairman of the Board of Managing Directors of C. H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein Deputy Chairman of the Supervisory Board of KWS SAAT SE (since December 15, 2016)	
<b>Jürgen Bolduan</b> Einbeck Seed Breeding Employee Chairman of the Central Works Council of KWS SAAT SE	
<b>Cathrina Claas-Mühlhäuser</b> Frankfurt am Main Businesswoman Chairwoman of the Supervisory Board of CLAAS KGaA mbH, Harsewinkel	<i>Membership of other legally mandated supervisory boards:</i> <ul style="list-style-type: none"> <li>■ CLAAS KGaA mbH, Harsewinkel (Chairwoman)</li> </ul> <i>Membership of comparable German and foreign oversight boards:</i> <ul style="list-style-type: none"> <li>■ CLAAS KGaA mbH, Harsewinkel (Deputy Chairwoman of the Shareholders' Committee)</li> </ul>
<b>Dr. Berthold Niehoff</b> Einbeck Agricultural Scientist Employee Representative	
<b>Dr. Marie Theres Schnell</b> Munich Graduate in Communications	<i>Membership of comparable German and foreign oversight boards:</i> <ul style="list-style-type: none"> <li>■ DR.SCHNELL Chemie GmbH, Munich (Member of the Advisory Board)</li> </ul>

## Supervisory Board Committees

Committee	Chairman	Members
Audit Committee	Hubertus von Baumbach	Andreas J. Büchting Jürgen Bolduan
Committee for Executive Affairs	Andreas J. Büchting	Hubertus von Baumbach (since 2016/12) Arend Oetker (until 2016/12) Cathrina Claas-Mühlhäuser
Nominating Committee	Andreas J. Büchting	Marie Theres Schnell (since 2016/12) Arend Oetker (until 2016/12) Cathrina Claas-Mühlhäuser

## Executive Board

Members	Mandates (06/30/2017)
<b>Dr. Hagen Duenbostel</b> Einbeck Chief Executive Officer Corn, Corporate Development and Communication, Corporate Compliance	<i>Membership of comparable German and foreign oversight boards:</i> ■ Hero AG, Lenzburg, CH (Member of the Board of Administration)
<b>Dr. Léon Broers</b> Einbeck Research and Breeding	
<b>Dr. Peter Hofmann</b> Einbeck Sugarbeet, Cereals, Marketing	
<b>Eva Kienle</b> Göttingen Finance, Controlling, Global Services, IT, Legal, Human Resources	

# Independent Auditor's Report

To KWS SAAT SE

## Report on the audit of the consolidated financial statements and the group management report

### Opinions

We have audited the consolidated financial statements of KWS SAAT SE, Einbeck, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 July 2016 to 30 June 2017 and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the group management report of KWS SAAT SE, which was combined with the management report of the Company, for the fiscal year from 1 July 2016 to 30 June 2017.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] and give a true and fair view of the net assets and financial position of the Group as of 30 June 2017 and its results of operations for the fiscal year from 1 July 2016 to 30 June 2017 in accordance with these requirements and
- the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with the provisions of German law and suitably presents the opportunities and risks of future development.

In accordance with Sec. 322 (3) Sentence 1 HGB, we hereby state that our audit has not led to any reservations regarding the compliance of the consolidated financial statements and the group management report.

### Basis for opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with Sec. 317 HGB and Regulation (EU) No 537/2014 (EU Audit Regulation) as well as German generally accepted standards on auditing promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those laws and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the group management report" section of our report. We are independent of the group companies in accordance with European and German commercial law and professional provisions, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. Furthermore, in accordance with Art. 10 (2) f of the EU Audit Regulation, we declare that we have not provided any prohibited non-audit services referred to in Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

### Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 July 2016 to 30 June 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

#### (1) Goodwill impairment test

##### Reasons why the matter was determined to be a key audit matter

In fiscal year 2016/2017, management of KWS SAAT SE modified the internal budgeting and reporting processes as part of its activities, in particular due to a cross-company centralization of the Group's operations into divisions. Pursuant to IAS 36, the internal management and reporting structure serves as the basis for designating cash-generating units to which the respective items of goodwill are allocated. There was therefore a change in the cash-generating units in the KWS SAAT SE Group since monitoring and management, including of goodwill, has been performed by

the chief operating decision makers at divisional instead of legal entity level since fiscal year 2016/2017.

Goodwill is tested for impairment as of 30 June each year. The result of these tests is highly dependent on management's estimate of future cash flows and the respective discount rates used.

In light of the new definition of the cash-generating units, the complexity of the valuation and the judgment exercised during valuation, the goodwill impairment test was one of the most significant matters we examined during our audit.

#### **Audit approach**

During our audit, among other things, we obtained an understanding of the methods used to carry out the impairment tests including an examination of the suitability of the procedure for performing an impairment test in accordance with IAS 36. In doing so, we analyzed the planning process and the operating effectiveness of the controls implemented therein. We discussed the significant planning assumptions with management and compared these with the results and cash inflows realized in the past. With respect to the rollforward of the medium to the long-term plan, we examined in particular the assumptions on the growth rate. Our assessment of the results of the impairment tests as of 30 June was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. Based on our understanding that even relatively small changes in the discount rates used can at times have significant effects on the amount of the business value calculated, we analyzed the inputs used to determine the discount rates and reperformed the calculation with regard to the relevant requirements of IAS 36. We also performed sensitivity analyses in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation. In addition, we analyzed the test performed by KWS SAAT SE's management to ascertain whether retaining the previous definition of the cash-generating units would also have resulted in no impairment.

We obtained evidence that the divisions represent the lowest level within the Group at which independent cash inflows are generated and goodwill is monitored for internal management purposes. Moreover, according to our findings, the modification of the cash-generating units is consistent with the realignment of the internal budgeting and reporting structure.

Our procedures regarding the valuation of goodwill did not lead to any reservations.

#### **Reference to related disclosures**

With regard to the accounting and valuation bases applied for goodwill, refer to the disclosure on intangible assets in the section "Accounting policies" in the notes to the consolidated financial statements. For the related disclosures on judgments by management and sources of estimation uncertainty as well as the disclosures on goodwill, refer to no. 2 "Intangible assets" in section 4 "Notes to the statement of financial position" in the notes to the consolidated financial statements.

#### **(2) Revenue recognition from the sale of seeds**

##### **Reasons why the matter was determined to be a key audit matter**

In the consolidated financial statements of KWS SAAT SE, revenue from the sale of seeds is recognized when risk passes, taking contractually agreed return deliveries into consideration. Management of KWS SAAT SE has issued detailed accounting instructions and implemented processes for recognizing revenue from seed sales and taking return deliveries into consideration. In light of the large number of different contractual agreements and judgment exercised in assessing expected return deliveries, we consider revenue recognition to be complex and therefore to pose an elevated risk of incorrect recognition.

##### **Audit approach**

During our audit, we considered, based on the criteria defined in IAS 18, the accounting and valuation requirements applied in the consolidated financial statements of KWS SAAT SE for the recognition of revenue. Our audit approach included an examination of whether the significant opportunities and risks passed to the buyers upon the sale of the seeds. We analyzed the process implemented by the management board of KWS SAAT SE and the accounting and valuation requirements for the recognition of seed sales, in particular regarding an appropriate consideration of return deliveries. We tested the operating effectiveness of the controls relating to revenue recognition and the correct cut-off of revenue. We examined whether the significant revenue items for fiscal year 2016/2017 correlate with the corresponding trade receivables and payments received and, based on analytical procedures defined group-wide, analyzed whether the revenue for fiscal year 2016/2017 was recognized on an accrual basis. We analyzed the recognition of revenue based on the contractual arrangements on a sample basis with regard to the requirements of IAS 18 for revenue recognition. We also obtained balance confirmations from customers. Based on analytical procedures carried out on historical data, the analysis of the underlying contracts and the test of the operating effectiveness of the



implemented controls in this area, we examined the calculation of expected return deliveries of seeds and their deduction from revenue. Based on our test of operating effectiveness, no significant exceptions were noted in terms of the controls implemented at KWS SAAT SE. Overall, our audit procedures relating to revenue recognition from the sale of seeds did not lead to any reservations.

#### **Reference to related disclosures**

With regard to the accounting and valuation bases applied for the recognition of revenue from the sale of seeds, refer to the disclosure on the recording of income and expenses in the section “Accounting policies” in the notes to the consolidated financial statements.

### **(3) Current and deferred income taxes**

#### **Reasons why the matter was determined to be a key audit matter**

The KWS SAAT SE Group operates in different legal jurisdictions with the resulting complexity of matters affecting the recognition of current and deferred income taxes, namely the transfer prices used, changes in tax legislation and intra-group financing. To calculate the provision for tax obligations and deferred tax items, management of KWS SAAT SE must exercise judgment in assessing tax matters, estimating tax risks and recognizing deferred taxes.

#### **Audit approach**

Management of KWS SAAT SE regularly engages external experts to validate its own risk assessment. We called on our tax specialists to consider these tax assessments. Our specialists also analyzed the correspondence with the competent tax authorities and the assumptions used to calculate provisions for current taxes and deferred taxes, considering in particular the applicable transfer prices, based on their knowledge and experience of how the authorities and courts currently apply the relevant legal provisions. In addition, we involved tax specialists from our international network with the relevant knowledge of the respective local jurisdictions and regulations who reported to us on the results of their work. We reperformed, based on the requirements of IAS 12, the reconciliation of the profit before tax reported in the IFRS financial statements to the taxable profit. We reperformed the calculation of the deferred tax items with regard to the provisions of IAS 12 and considered the assumptions on the recoverability of deferred tax assets. Our audit approach also included the disclosures in the notes to the consolidated financial statements of KWS SAAT SE on current and deferred income taxes.

Our procedures regarding the recognition of current and deferred income taxes did not lead to any reservations.

#### **Reference to related disclosures**

With regard to the accounting and valuation bases applied for current and deferred income taxes and the related disclosures on judgments by management and sources of estimation uncertainty, refer to the disclosure on deferred taxes and income tax provisions in the section “Accounting policies” in the notes to the consolidated financial statements and, with regard to the information on income taxes, no. 24 “Taxes” in section 4 “Notes to the statement of financial position” in the notes to the consolidated financial statements.

### **Responsibilities of management and the supervisory board for the consolidated financial statements and the group management report**

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Sec. 315a (1) HGB, for the preparation of consolidated financial statements that give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In addition, management is responsible for the preparation of the group management report that as a whole provides a suitable view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements, complies with the provisions of German law and suitably presents the opportunities and risks of future development and for such arrangements and measures (systems) as management deems necessary to enable the preparation of a group management report in accordance with the applicable provisions of German law and to furnish sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the management report.

### **Auditor's responsibilities for the audit of the consolidated financial statements and the group management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with the provisions of German law and suitably presents the opportunities and risks of future development, and to issue an independent auditor's report that includes our opinions on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation as well as generally accepted standards on auditing promulgated by the IDW will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Sec. 315a (1) HGB;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;
- evaluate the group management report's consistency with the consolidated financial statements, its compliance with the legal provisions and the view it gives of the Group's position;
- perform procedures on the forward-looking assertions made by management in the group management report. In particular, on the basis of sufficient appropriate audit evidence, we walk through the significant assumptions underlying management's forward-looking assertions and assess whether the forward-looking assertions were appropriately derived from these assumptions. We do not provide a separate opinion on the forward-looking assertions and underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking assertions.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on independence and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe each key audit matter in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Report on other legal and regulatory requirements

### Other reporting items in accordance with Art. 10 of the EU Audit Regulation

We were elected as auditor of the consolidated financial statements by the shareholder meeting on 15 December 2016. We were engaged by the supervisory board on 8 August 2017. We have been the auditor of KWS SAAT SE for an uninterrupted period since the audit of the consolidated financial statements for fiscal year 2016/2017.

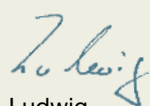
We confirm that the audit opinions included in this auditor's report are consistent with the additional report to the audit committee in accordance with Art. 11 of the EU Audit Regulation (audit report).

### Responsible auditor

The auditor responsible for the audit is  
Dr. Christian Janze.

Hanover, 27 September 2017

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft



Ludwig  
Wirtschaftsprüfer  
[German Public Auditor]



Dr. Janze  
Wirtschaftsprüfer  
[German Public Auditor]

## 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, which is combined with the Management Report of KWS SAAT SE, and that it describes the main opportunities and risks of the Group's anticipated development.

Einbeck, September 27, 2017

KWS SAAT SE

THE EXECUTIVE BOARD



H. Duenbostel



L. Broers



E. Kienle



P. Hofmann



## Financial calendar

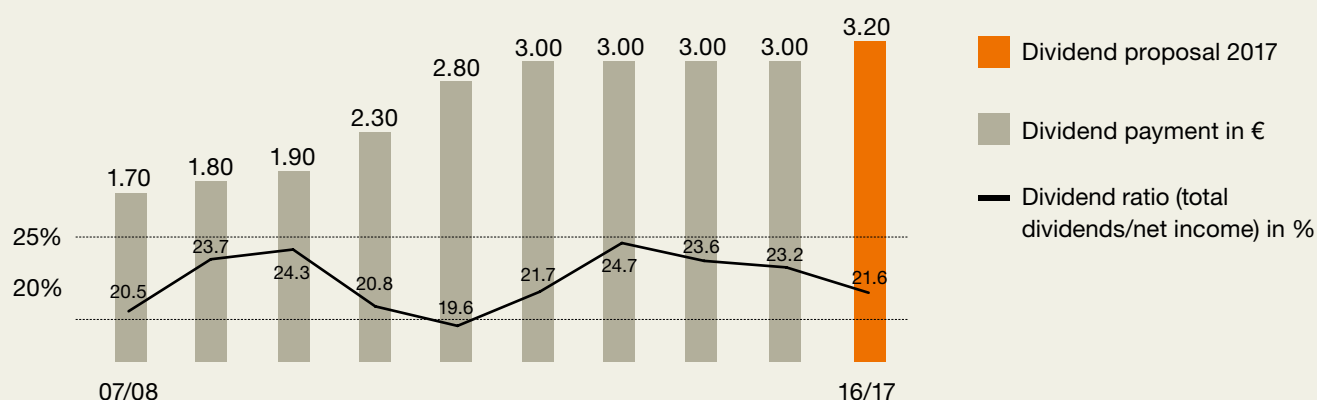
Date	
November 23, 2017	Quarterly Report Q1 2017/2018
December 14, 2017	Annual Shareholders' Meeting in Einbeck
February 27, 2018	Semiannual Report 2017/2018
May 17, 2018	Quarterly Report 9M 2017/2018
October 24, 2018	Publication of 2017/2018 financial statements, annual press and analyst conference in Frankfurt
November 27, 2018	Quarterly Report Q1 2018/2019
December 12, 2018	Annual Shareholders' Meeting in Einbeck

## KWS share

Key data of KWS SAAT SE	
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

## Dividend

### Dividend payment and dividend ratios of the past 10 years



## About this report

The Annual Report can be downloaded on our Internet sites at [www.kws.de](http://www.kws.de) and [www.kws.com](http://www.kws.com). The KWS Group's fiscal year begins on July 1 and ends on June 30. Unless otherwise specified, figures in parentheses relate to the same period or date in the previous year. There may be rounding differences for percentages and numbers.

## Contact

Investor Relations and Financial Press	Press	Sustainability	Editor
Wolf-Gebhard von der Wense	Mandy Schnell	Andrea Lukas	KWS SAAT SE
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Phone: +49 5561 311 968	Phone: +49 5561 311 334	Phone: +49 5561 311 1393	P.O. Box 1463
			37555 Einbeck
			Germany

## Remarks according with Article 80 EGHGB

In accordance with Article 80 of the German Introductory Act to the German Commercial Code (EGHGB), Sections 264, 289, 289a, 314, 315, 315a and 317 of the German Commercial Code (HGB), among others, in the version valid up to April 18, 2017, are to be applied for the last time to management reports and group management reports for the fiscal year commencing before January 1, 2017. Consequently, any reference to a provision of the German Commercial Code specified in Article 80 Sentence 1 EGHGB relates to the version valid up to April 18, 2017.

## Safe harbor statement

This Annual Report includes forward-looking statements based on the assumptions and estimates of KWS SAAT SE's management. These forward-looking statements may be identified by words such as "forecast," "assume," "believe," "assess," "expect," "intend," "can/may/might," "plan," "should" or similar expressions.

These statements are based on current assessments and forecasts of the Executive Board and the information currently available to it and are subject to certain elements of uncertainty, risks and other factors that may result in significant deviations between expectations and actual circumstances. These factors may be, for example, changes in the overall economic situation, the general statutory and regulatory framework, and the industry.

KWS SAAT SE does not warrant that the future development and actual results achieved in the future match the assumptions and estimates expressed in this Annual Report and shall not assume any liability if they do not. Forward-looking statements must therefore not be regarded as a guarantee or pledge that the developments or events they describe will actually occur. KWS SAAT SE does not intend, nor does it assume any obligation, to update forward-looking statements in order to adapt them to events or developments after the date of this report.

## Photos/illustrations

Uwe Aufderheide ■ Christian Bruch ■ Jan Eric Euler ■ Eberhard Franke ■ Frank Stefan Kimmel ■ Julia Lormis ■ Christian Mühlhausen ■ Dominik Obertreis ■ Spieker Fotografie ■ Alex Telfer ■ KWS Gruppenarchiv

Date of publication: October 26, 2017

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.

