



Annual Report 2017 | 2018

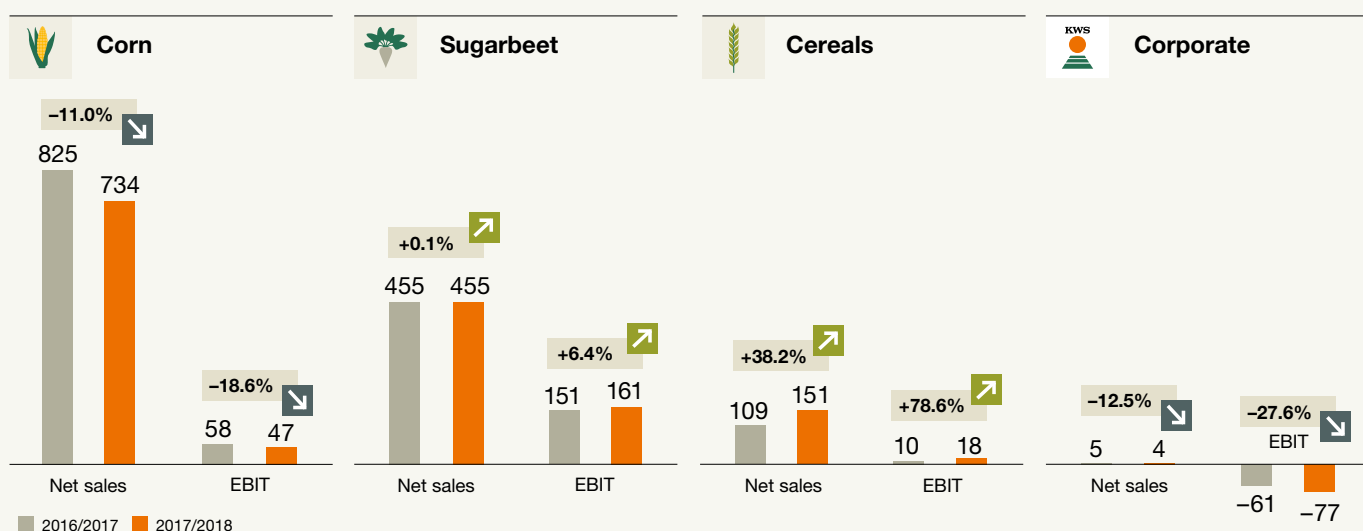
**SEEDING
THE FUTURE**
SINCE 1856



KWS in Figures

The KWS Group (in € millions)	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Net sales and income					
Net sales	1,068.0	1,075.2	1,036.8	986.0	923.5
EBIT	132.6	131.6	112.8	113.4	118.3
as a % of net sales (EBIT margin)	12.4	12.2	10.9	11.5	12.8
Net financial income/expenses	5.4	16.6	14.8	16.7	7.5
Net income for the year	99.7	97.7	85.3	84.0	80.3
Additional key figures on earnings					
R&D intensity in %	18.5	17.7	17.6	17.7	16.2
Key figures on the financial position and assets					
Capital expenditure	71.7	63.3	99.6	132.5	69.4
Depreciation and amortization	50.1	49.4	48.2	45.9	41.2
Equity	881.8	836.9	767.9	738.7	637.8
Equity ratio in %	58.1	56.0	53.5	55.2	54.7
Return on equity in %	13.3	13.1	11.9	13.6	12.8
Return on assets in %	7.1	7.3	7.0	7.8	7.8
Net debt ¹	37.4	48.5	87.9	105.9	31.6
Total assets	1,517.7	1,495.2	1,436.6	1,337.1	1,165.0
Capital employed (avg.) ²	981.1	990.1	906.9	851.0	737.5
ROCE (avg.) in % ³	13.8	13.3	12.4	13.3	16.0
Cash flow from operating activities	98.1	122.4	125.9	48.1	76.0
Employees					
Number of employees (avg.) ⁴	5,147	4,937	4,843	4,691	4,150
Personnel expenses	253.9	247.0	232.2	216.9	189.9
Key figures for the share					
Earnings per share in €	15.08	14.78	12.92	12.53	11.69
Dividend per share in € ⁵	3.20	3.20	3.00	3.00	3.00

Segments (in € millions)



Reconciliation (in € millions)	Segmente	Überleitung	KWS Gruppe
Net sales	1,344.6	-276.6	1,068.0
EBIT	149.0	-16.4	132.6

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 2017/2018 is subject to the consent of the 2018 Annual Shareholders' Meeting.

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Léon Broers Research & Breeding

Peter Hofmann Sugarbeet, Cereals, Marketing

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

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



To Our Shareholders

Foreword of the Executive Board

Dear Shareholders and friends of KWS,

High-yielding, yet eco-friendly arable farming – is that an unattainable vision or a realistic scenario? Most people agree: Things have to change if we are to achieve that goal. There is declining public acceptance of agriculture. Consequently, more than 80% of German farmers see acceptance of their work in society as their biggest challenge. Farmers and consumers have become alienated from each other. Many problems have already been identified, but there is no social consensus on how to solve them.

Agriculture is nowadays high tech – in all areas. Technology in agriculture stands for safety and innovation and enables transparency and precision. Yet the growing application of technology in agriculture strengthens the sense of alienation among consumers. Many feel that farming should be environmentally friendly and animal-friendly, and, if at all possible, done by hand. And a good feeling is important when consumers reach for a product from the shop shelf. However, an often ignored fact is that arable farming worldwide has to satisfy demand of more than 2 billion tons of cereals a year, while keeping price fluctuations to a minimum.

A discussion on the future of agriculture is not a one-way street. Our industry must accommodate consumers' wishes and take new paths – otherwise progress in winning public acceptance will remain wishful thinking. A particular focus here is on making agriculture greener. Reducing the use of pesticides is an acknowledged objective of the Central Committee of German Agriculture and also a key concern in “The Timetable for the 2050 Agricultural Revolution: Ecologized Agriculture in Germany.”

Plant breeding offers extensive eco-friendly solutions. KWS' variety portfolio is already one of the most diversified and highest-performing in the industry. Apart from delivering yield progress, we believe that our key tasks lie in developing and selecting resistant plant varieties, in ideal crop rotation and in biodiversity. All in all, our new varieties need fewer resources such as fertilizer or pesticides. They are the result of intensive research and the use of cutting-edge breeding technologies. The recent critical assessment of new breeding measures by the European Court of Justice was counterproductive in this regard. The use of mutagenesis in plant breeding has proven its worth for generations and can now be used in a far more targeted way. A failure to leverage this potential in Europe is tantamount to accepting social and economic harm.

Progress and innovation to promote more sustainable agriculture is encouraged by a functioning system of competition. The greater the number of companies that conduct their own research & development, the greater diversity of products. Consolidation in our industry has further reduced the number of competitors. Freedom to choose what means of production to use and thus entrepreneurial business management in agriculture are being increasingly restricted. Like

our customers, we remain independent – as we have been for more than 160 years. From the outset, we have steadily expanded our plant genetic resources – because genetic diversity is a key success factor in plant breeding.

We will also continue to grow independently and keep on enlarging our innovative portfolio for agriculture. In order to strengthen our independence and position ourselves ideally for growth moving ahead, we and the Supervisory Board are proposing to the upcoming Annual Shareholders' Meeting that we change our legal form into a partnership limited by shares (KGaA) – KWS SAAT SE & Co. KGaA. This move means we will be able to exploit opportunities to raise funds on the capital market more flexibly, yet the shareholder families, Büchting and Arend Oetker, will continue to shape and put their stamp on our company.

Seeding the future means shouldering responsibility. We look forward to shaping the future actively together with our shareholders, employees and customers. Our focus will remain on our core corporate objectives of innovation, independence, sustainability and profitable growth, flanked by the values of a company steeped in a tradition of family ownership.

My thanks for our success in the past fiscal year go to our employees for their untiring efforts, as well as to our partners and shareholders. I hope this Annual Report proves informative for you.

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



Dr. Hagen Duenbostel
Chief Executive Officer

Report of the Supervisory Board

In the year under review, the agricultural sector was again impacted by low producer prices, low incomes and new regulatory conditions. Business with sugar-beet and cereals seed developed successfully in this environment, while our Corn Segment was strained by declining net sales in Brazil and North America. The major process of consolidation in the industry ended with completion of the multiyear international antitrust reviews. KWS also discussed potential acquisitions. Preserving our company's independence remains a key concern of the family shareholders. In this spirit, the Executive Board and the Supervisory Board once again cooperated successfully in the past fiscal year.

The Supervisory Board discharged the duties incumbent on it in accordance with the law, the company's Articles of Association and the bylaws, regularly advised and monitored the Executive Board 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 course business, market trends and the competitive environment, research & 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 five regular meetings in fiscal 2017/2018, each of which was attended by all its members. After the fiscal year had ended, the Supervisory Board held a telephone conference on September 3, 2018, and its meeting to discuss the financial statements on October 23, 2018.

At the meeting to discuss the financial statements on October 25, 2017, the Supervisory Board examined and approved the financial statements of KWS SAAT SE and approved the consolidated financial statements of the KWS Group as of June 30, 2017. At the meeting it also adopted, at the proposal of the Nominating Committee, its new profile of skills and expertise, which was published on the company's homepage on October 26, 2017. On the basis of the Nominating Committee's proposals, the Supervisory Board then discussed the persons to be nominated as shareholder representatives for the new Supervisory Board elections at the Annual Shareholders' Meeting on December 14, 2017. The new profile of skills and expertise was taken into account in the nominations. The Supervisory Board also discussed redrafting the Articles of Association relating to its compensation. The Annual Shareholders' Meeting on December 14, 2017, endorsed the nominations

and adopted the proposed amendment of the Articles of Association relating to the new compensation system for the Supervisory Board (please refer to the Compensation Report on page 63), in each case by more than 97% of the votes represented.

On December 13 and 14, 2017, the Supervisory Board also heard reports on the current status of research activities and related global challenges relating to patents. Measures to expand corn activities in Brazil and China were adopted and options for entering the vegetable breeding market by means of an acquisition were explored. At its meeting on March 14, 2018, the Supervisory Board discussed the performance status of KWS' respective breeding programs. As usual, the Supervisory Board adopted the annual planning for fiscal 2018/2019 and the medium-term planning in June 2018. It also addressed the issue of the company's legal form. The objective was to choose a legal form that enables equity to be raised more flexibly as and when required so as to lastingly strengthen the company's growth strategy. In a telephone conference on September 3, 2018, the Supervisory Board discussed converting KWS SAAT SE into a partnership limited by shares (KGaA) and decided to take all the measures necessary for that. As part of that, a stock split at a ratio of 1:5 with a simultaneous increase in the capital stock to €99,000,000 is to be prepared and there is to be an international merger of KWS Services West S. L. U. with KWS SAAT SE & Co. KGaA. The Executive Board informed the capital market of the conversion and the stock split in its ad-hoc release dated September 3, 2018. At its meeting on October 23, 2018, the Supervisory Board then decided to propose conversion of KWS SAAT SE to KWS SAAT SE & Co. KGaA and a stock split of at a ratio of 1:5, with a simultaneous increase in the capital stock to €99,000,000 to the Annual Shareholders' Meeting on December 14, 2018.

Annual and consolidated financial statements and auditing

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the independent auditor chosen at the Shareholders' Meeting on December 14, 2017, 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 2017/2018 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 recommendations of the "German Commission for the 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 appropriation of the net retained 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. In addition, the Supervisory Board examined the separate non-financial report (Section 289b HGB (German Commercial Code)) and the separate non-financial group report (Section 315b HGB) with the audit report by the independent auditor (Section 111 (2) Sentence 4 AktG (German Stock Corporation Act)). The Supervisory Board also held detailed discussions of questions on the agenda at its meeting to discuss the financial statements on October 23, 2018. 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. As can be seen from the Notes, the independent auditor did not provide any additional services.

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 review in fiscal year 2017/2018 was accompanied by the accounting firm Deloitte GmbH Wirtschaftsprüfungsgesellschaft, which held extensive interviews with members of the Executive and Supervisory Boards. Deloitte came to the conclusion that the Supervisory Board works in accordance with best practices.

The Supervisory Board also discussed compliance with the recommendations of the "German Commission for the Corporate Governance Code" and – after the last compliance declaration in October 2017 – 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 2018. It is reproduced on page 56 of the Annual Report for fiscal 2017/2018 and can also be obtained on the company's website at www.kws.com/corporate-governance.

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

Supervisory Board committees

The **Audit Committee** convened for two joint meetings in fiscal 2017/2018. It also held three telephone conferences – on all occasions with all its members in attendance. At its meeting on September 27, 2017, the Audit Committee discussed the annual financial statements and accounting of KWS SAAT SE and the consolidated financial statements of the KWS Group for the fiscal year 2016/2017, along with the Combined Management Report and the proposal by the Executive Board on the appropriation of the profits. Risk management and the results of the auditing projects were also on the agenda. The meeting of the Audit Committee on March 14, 2018, discussed and defined the focus of the audit for fiscal year 2017/2018 in the presence of the appointed independent auditor. The Annual Compliance Report and the requirements of the German CSR Directive Implementation Act and the German Pay Transparency Act were discussed and risk management and the results of the auditing projects in the new fiscal year were presented. The audit plan for fiscal 2018/2019 was also defined and adopted. The quarterly reports and the semiannual report for fiscal 2017/2018 were discussed in detail in three telephone conferences and their publication was approved.

The Audit Committee convened on September 25, 2018, to discuss the current annual financial statements of KWS SAAT SE and KWS' consolidated financial statements and accounting, along with the Combined Management Report. The independent auditor for fiscal 2017/2018 explained the results of its audit of the 2017/2018 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.

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 and examined its qualifications. The Audit Committee also satisfied itself that the regulations on internal rotation were observed by the independent auditor and dealt with the issue of any additional services rendered by the independent auditor.

The **Nominating Committee** dealt in detail with the subject of diversity and submitted to the Supervisory Board one proposed resolution to the effect that the ratio of female and male members on the Supervisory Board and Executive Board is to be at least 25% on each. Under a new requirement in Clause 5.4.1 of the German Corporate Governance Code in the version dated February 7, 2017, the Supervisory Board is to draw up a profile of skills and expertise for the board as a whole. The Nominating Committee discussed the skills and expertise required under the bylaws for the Supervisory Board and summarized them in a newly drafted profile of skills and expertise, which was submitted as a proposed resolution to the Supervisory Board. The profile was created in particular on the basis of the principles for the necessary skills and expertise specified in the Supervisory Board's bylaws (version dated October 24, 2016). The Nominating Committee was also guided by the joint position paper from AdAR (Working Group of German Supervisory Boards), ArMiD (Association for Supervisory Boards at SMEs in Germany) and FEA (Financial Experts Association).

The term of office of all members of the Supervisory Board expired at the end of the Annual Shareholders' Meeting that ratified the acts of the Supervisory Board of KWS SAAT SE for the fiscal year 2016/2017, i.e., the Annual Shareholders' Meeting on December 14, 2017. The Nominating Committee prepared the decision by the Supervisory Board on the persons to be nominated as shareholder representatives to the Annual Shareholders' Meeting and, in accordance with Section 6 (2) of the Supervisory Board's bylaws, submitted suitable candidates to the Supervisory Board for the latter to nominate to the Annual Shareholders' Meeting. The Nominating Committee took into account the proposed profile of skills and expertise and the target for the ratio of men and women in choosing the persons to be nominated for election.

In the year under review, the **Committee for Executive Board Affairs** dealt with the impending renewal of the contracts with Dr. Léon Broers and Eva Kienle. At the committee's proposal, the Supervisory Board renewed the contract with Léon Broers, at his own request, only for a period of three years, namely from January 1, 2019, to December 31, 2021, by when Léon Broers will have reached the age of 62. In the new fiscal year 2018/2019, it extended the contract with Eva Kienle by five years, namely from July 1, 2019, to June 30, 2024.

The second period of office of Hubertus von Baumbach on the Supervisory Board of KWS SAAT SE ended at the Annual Shareholders' Meeting on

Supervisory Board Committees

Committee	Chairman	Members
Audit Committee	Hubertus von Baumbach (until 12/2017) Victor W. Balli (since 12/2017)	Andreas J. Büchting Jürgen Bolduan
Committee for Executive Affairs	Andreas J. Büchting	Hubertus von Baumbach (until 12/2017) Marie Th. Schnell (since 12/2017) Cathrina Claas-Mühlhäuser
Nominating Committee	Andreas J. Büchting Marie Th. Schnell (since 12/2017)	Marie Theres Schnell (until 12/2017) Andreas J. Büchting (since 12/2017) Cathrina Claas-Mühlhäuser



Andreas J. Büchting, Chairman of the Supervisory Board

December 14, 2017. Hubertus von Baumbach, who had chaired the Audit Committee as a financial expert on the Supervisory Board since he took up his office in December 2007, did not stand for reelection. KWS' Supervisory Board formed an Audit Committee for the first time in December 2007. As its Chairman, Hubertus von Baumbach not only established the committee, but was also influential in shaping its work. Circumspect, pragmatic and always aiming to find solutions, he helped drive key processes, such as our compliance and risk management, and our auditing projects. Hubertus von Baumbach was a critical, yet constructive sparring partner, especially for our Executive Board. When Dr. Arend Oetker departed to make way for a younger generation of his family in December 2016, he also took over as Deputy Chairman of the Supervisory Board for the last year of his office. At the end of his ten years of work for our company, Hubertus von Baumbach also conducted the complex and time-consuming process of changing our independent auditor and so leaves

his successor Victor W. Balli a tidy and well-tended field. On behalf of all of KWS' shareholders, the Supervisory Board expresses its deepest thanks to Hubertus von Baumbach for his good advice and the expertise and experience with which he oversaw our processes. His services for KWS have been particularly valuable.

The Supervisory Board also expresses its thanks to the Executive Board and all employees of KWS SAAT SE and the subsidiaries in the KWS Group for their commitment and contribution to the successful further development of KWS in fiscal 2017/2018.

Einbeck, October 23, 2018

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



Our roots are in Einbeck – and in a hundred thousand fields around the world.

Despite our global growth, we never lose sight of our beginnings. It takes an eye for detail to make great things possible. That is independence – and it allows us to work with you as equals.



KWS on the Capital Market

Performance

Stock markets performed variously in fiscal 2017/2018 (July 1 to June 30), among other things due to increasing geopolitical tensions. Key interest rates stayed relatively low and so the stock market remained an attractive place to invest up to the spring of 2018. The DAX reached an all-time high of 13,560 points in January 2018, but then fell sharply by the middle of the year, among other things due to the new U.S. trade policy, and finished at the same level as the previous year at the end of our fiscal year. In contrast, the SDAX gained around 10% over the same period. KWS' share also reached an all-time high at €380.30 in October 2017, but then suffered losses. It closed on June 30, 2018, at €304.00 (344.45)¹ or down around 12% down year on year. The stock price of our larger competitors likewise declined in that period of time, in some cases more seriously than KWS' share. The sector's performance thus reflects the fact that the environment for agriculture remains strained. Looking at the past ten years, however, the price of KWS' share has increased by 106.1% and so has again more than doubled.

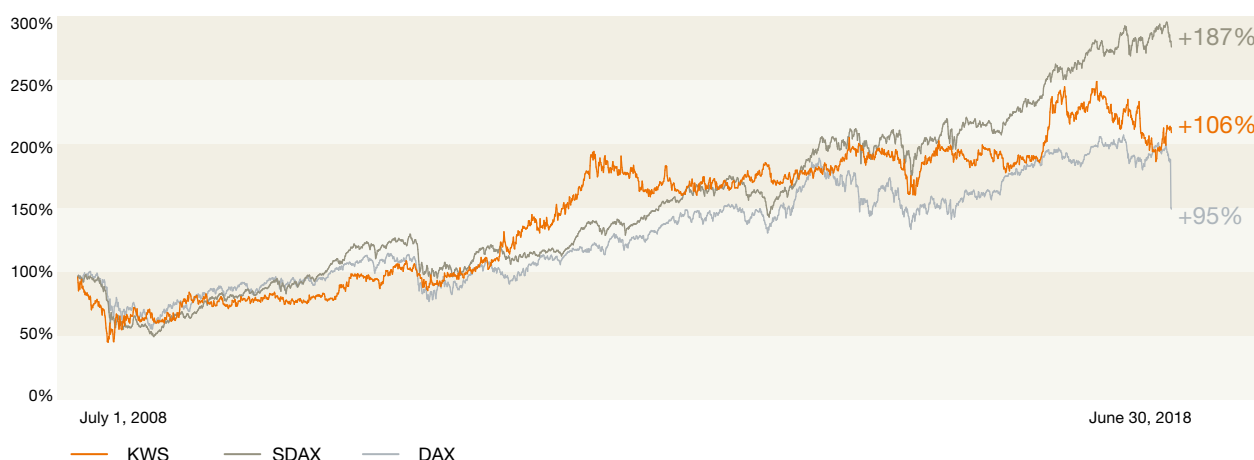
Listing

The KWS share ranked 28th (14th) in the SDAX, Germany's index for small caps, in terms of market capitalization on the balance sheet date of June 30, 2018. KWS ranked 49th (42nd) in terms of trading volume over the past twelve months. On May 18, 2018, Deutsche Börse announced changes to its rules for the MDAX, SDAX and TecDAX, which took effect September 24, 2018. After the SDAX was expanded from 50 to 70 companies, the KWS share remained listed on the SDAX. In order to increase the volume of trading in the share, the Executive Board and the Supervisory Board plan to propose a stock split at a ratio of 1:5 to the Annual Shareholders' Meeting on December 14, 2018.

Employee Stock Purchase Plan

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 €273.60 (225.60), including a 20% discount, which the individual employees must pay tax on. A total of 407 (435) employees in eight (six) European

The KWS share's performance
over 10 years



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

Shareholder structure at June 30, 2018



countries took up this offer and purchased a total of 9,832 (11,594) shares, corresponding to an average stake per employee of 24 (27) 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 (3.4) million was used to buy back the company's own shares, giving an average purchase price per share (including fees) of €344.63 (290.31). More details have been published in information released for the capital market and can be viewed on our website at www.kws.com/ir.

Planned appropriation of profits

Continuing to grow profitably is one of KWS' core corporate goals. We were able to maintain our good after-tax profitability of the previous year in the year under review, despite a slight decline in net sales. The KWS Group's net income was €99.7 million, following €97.7 million the year before. Operating income likewise remained virtually constant at €132.6 (131.6) million. The Executive and Supervisory Boards will therefore again propose a dividend of €3.20 (3.20) for fiscal year 2017/2018 to the Annual Shareholders' Meeting on December 14, 2018. €21.1 (21.1) million would thus be distributed to KWS SAAT SE's shareholders. That would correspond to a dividend payout ratio of 21.2% (21.6%), 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, 2018	304.00
June 30, 2017	344.45
High and low	in €
High (October 5, 2017)	380.30
Low (April 24, 2018)	285.00
Trading volume	in shares/day
2017/2018	2,086
2016/2017	2,484
Market capitalization	in € million
June 30, 2018	2,006
June 30, 2017	2,273
Earnings per share	in €
June 30, 2018	15.08
June 30, 2017	14.78
Volatility (avg.)	In €/day
2017/2018	7.00
2016/2017	5.18



Spotlight Topic

The Power of Nature

Plant breeding's contribution to global sustainability

As far as product development is concerned, Mother Nature does innovative, record-breaking work. There are currently around 350,000 different species of plants on Earth, all of which have come about in development cycles that are almost beyond the bounds of our imagination. Top-class products made by nature. There are survival artists such as cacti in the desert or pine trees that live to the age of 5,000 years or more. Rainforests thrive in frugal, leached soil, and bamboo grows up to 1.2 meters a day. Moss and lichen survive at altitudes of 3,000 meters between the ice and snow in high mountain regions. So plants can achieve truly great things – and we humans have exploited that in the more than 10,000 years we have cultivated them. That has been the foundation for progress and prosperity. However, humankind has had an increasing impact on the global ecosystem, especially since the age of industrialization.

Planetary limits

In 2009, a team of scientists led by Johan Rockström from the Stockholm Resilience Centre defined nine areas, termed planetary boundaries, and global

thresholds for them. The planetary boundaries are climate change, biodiversity loss, freshwater consumption, land use, ocean acidification, stratospheric ozone depletion, nitrogen and phosphorus flows to the biosphere, atmospheric aerosol loading and chemical pollution. If one of the defined thresholds is exceeded, there is the risk of sudden and irreversible changes to the environment.

Consequently, these planetary boundaries are intended as the basis for a change toward greener, more social and more economically sustainable development. All social groups are to play their part in that. Business and enterprises have a key role here by driving innovation and change. At the same time, consumers and their habits also bear a key responsibility.

The agriculture and food sectors are held responsible for exceeding four of the nine boundaries worldwide. Excessive nutrient discharge to terrestrial and aquatic ecosystems means that the nitrogen and phosphorus cycles are the main factors here, followed by excessive land system change and biodiversity loss caused by farming and the food industry.

The Power of Nature



350,000
SPECIES OF
PLANTS

are now known world-wide.

10,000

YEARS OF ARABLE
FARMING

have ensured prosperity, but have also impact on the ecosystem.



9

PLANETARY BOUNDARIES

show potential future scenarios for global environmental changes.



AGRICULTURE & FOOD

are a burden on four of the defined boundaries.



BUSINESS, ENTERPRISES & CONSUMERS

can change something together.



160 YEARS OF EXPERIENCE

in plant breeding.

KWS' VISION

To supply generations of farmers with high-yielding seed.



KWS' CONTRIBUTION

Creation of new high-yielding, resource-conserving plant traits.



17

general global Sustainable Development Goals have been defined by the UN.

6

goals are already supported by KWS. And it is coming up with further solutions.

How plant breeding helps achieve steady improvement

As a plant breeding company, KWS has now worked on solutions for sustainable agriculture for more than 160 years. Our vision is to supply generations of farmers with seed for a high-yielding harvest, coupled with increasing optimization of the use of resources. To enable that, we work on plant traits, such as resistances to pests and diseases, drought tolerance and nutrient efficiency, and also advise farmers on resource-conserving cultivation methods. That is not only a great benefit for farmers, but also for the protection of the environment and nature conservation as a whole. Reduced use of resources such as pesticides and fertilizer, as well as efficient use and conservation of the soil, also mean less discharge to the environment, with potentially harmful effects on the climate, water sources, soil and biodiversity. High-yielding and resource-conserving varieties from KWS can therefore have a positive impact on the above-mentioned planetary boundaries. We invest a large part of our research expenditure of currently around €200 million in developing such new plant varieties.

In 2017 we rolled out a global reporting system at the KWS Group for the main resource inputs and outputs in the seed development and production process for the first time. We will successively optimize the quality and scope of the data we collect. The goal is to obtain insightful data that can be used to deduce potential for improvement.

Yet our commitment to sustainability does not stop where our business operations end. Above and beyond our focal commercial activities, we are also committed to increasing capacities in developing countries such as Peru and Ethiopia, for example. That is because these countries often do not have efficient, high-yielding seed. That is why we are on the ground there, contributing our knowledge to help breed varieties adapted to local requirements and sharing optimized cultivation methods.

Outlook

It is becoming more and more important for KWS to differentiate itself authentically in a consolidating seed and chemical industry. All in all, we believe we have the duty to make an active contribution to sustainable development in agriculture. As a leading provider of high-yielding and resource-preserving seed, we are gearing our company toward achieving measurable ecological and social objectives that take up the global UN Sustainable Development Goals. Of the seventeen goals defined there, we already support six with our products. A process of dialogue with our stakeholders helps us along the path to developing KWS-specific sustainability. However, sustainable global development is a task for society as a whole and one we all have to help shape. Every generation is responsible for helping create a future that is liveable for future generations

The Earth Overshoot Day calculated by the U.S. non-profit organization Global Footprint Network denotes the date on which humanity's resource consumption for the year exceeds Earth's capacity to regenerate those resources and capacity to absorb CO₂ for that year. The trend of the past years shows that this date is earlier every year. This year it was August 1 – but it was September 23 a decade ago. In other words: We use nature 1.7 times faster than ecosystems can regenerate.

**Follow the movement under the Twitter hashtag:
How will you #MoveTheDate?**

2. Combined Management Report

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2. Combined Management Report

In the year under review, we merged our sustainability reporting with the Annual Report and published its contents in the Combined Management Report and on our homepage at www.kws.com/ir. As a consequence, the structure of the Combined Management Report has changed slightly. We refer to the report aspects required under Sections 289b et seq. and Sections 315b et seq. of the German Commercial Code (HGB) in our “Non-Financial Declaration” on page 73. The contents of the Non-Financial Declaration were not audited as part of the audit of the annual and consolidated financial statements, but underwent a voluntary external audit. They are indicated by an acronym **NFD**. The Combined Management Report also includes voluntary components that are not audited separately. These are indicated by footnotes.

2.1 Fundamentals of the KWS Group

2.1.1 Business Model

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 a broad portfolio of crops. We cover the complete value chain of a modern seed producer – from developing 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. 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 pinpointed consulting.

Organization and segments of the KWS Group

The KWS Group’s operational business currently consists of four Business Units, which are grouped in the three product segments Corn, Sugarbeet and Cereals. The Business Units Sugarbeet and Cereals are identical to the segments of the same name.

There are the Business Units Corn Europe/Asia and the Business Unit Corn Americas in the Corn Segment:

The **Corn Segment** is the KWS Group’s largest segment in terms of net sales. It covers production and distribution of seed for corn, soybean, sunflower and sorghum. Its operating performance depends largely 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 and soybean varieties in South America. KWS is the market leader for silage corn 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 58%. 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. Rye accounts for the largest share of revenue from cereals (around 35%), followed by rapeseed, wheat and barley (a combined total of around 60%). We generate the remainder from other crops such as peas and triticale. In our core markets for cereals 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).

Apart from the operating segments, there is also **Corporate**, a segment which by and large does not conduct any operational activities. Its relatively low net sales come from the revenue from our own farms in Germany. Since the costs for the KWS Group's administrative functions and basic research expenditure are charged to the Corporate Segment, its income is usually negative.

More details on the net sales and income contributed by the segments, including our joint ventures, can be found in our segment reports starting on page 35.

Main business processes

KWS' breeding processes are geared toward exploiting plants' potential as much as possible and leveraging it to tackle the major 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 in three-year field trials. Seed multiplication in our selected cultivation regions also takes up to two years in a process that is sometimes begun alongside the approval process. Only then can the varieties be marketed to our customers via the various distribution channels.

Products, markets and external factors

We offer our customers – farmers – a broad range of varieties of agricultural crops that have been adapted by breeding to the conditions of their

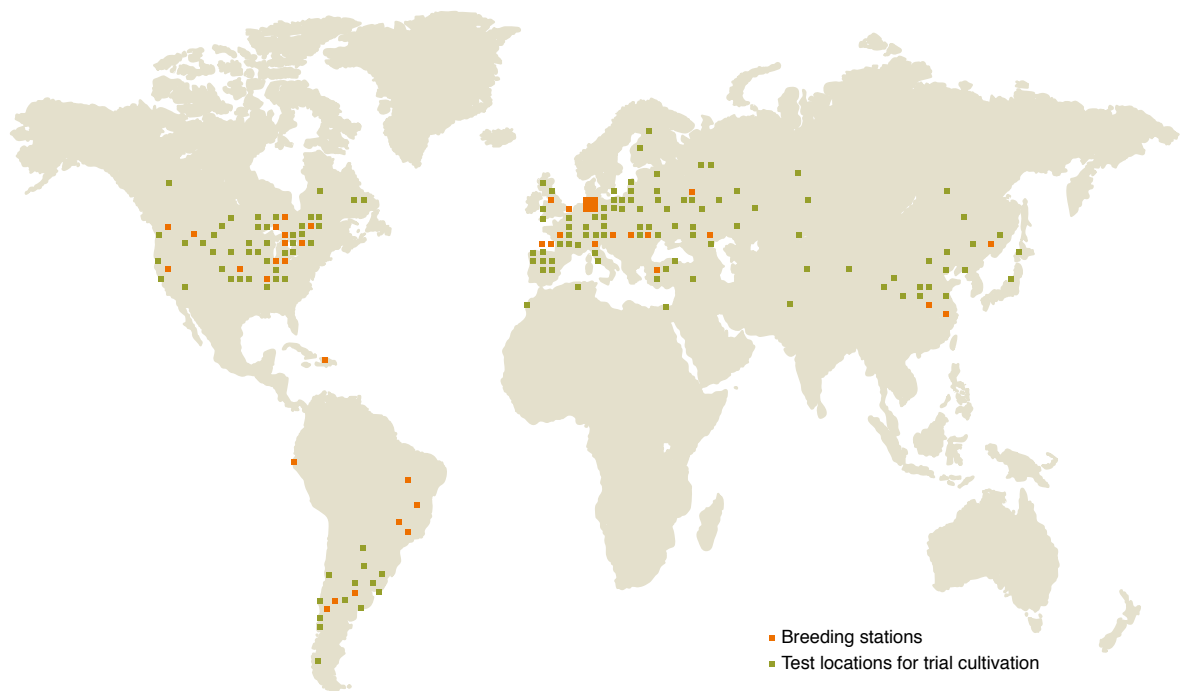
specific location. These crops include corn, Sugarbeet, the cereals rye, wheat and barley, oil plants such as sunflower, soybean and rapeseed, and catch crops. The varieties are mainly adapted to markets in the moderate climatic zones. Since we entered the Brazilian market in 2012, corn and soybean varieties for tropical 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.

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 the external factors in our Opportunity and Risk Report on pages 65 to 70.

Changes to the composition and organization of the KWS Group

Since the beginning of the fiscal year, our rapeseed activities, which were previously managed in the Corn Segment and in the Cereals Segment, have been pooled in one unit and transferred completely to the Cereals Segment. This step will enable us to benefit from integrated management and controlling of rapeseed activities moving ahead (see the Research & Development Report on page 26). Consequently, all net sales and earnings contributed by our rapeseed business are now allocated to the Cereals Segment. This effect meant an additional shift in net sales of around €30 million and in EBIT of around €4 million from the Corn Segment in fiscal 2017/2018. The other changes are presented in the section on the companies consolidated in the KWS Group in the Notes to the consolidated financial statements starting on page 95, but do not constitute any significant change in the KWS Group's composition.

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



We are gearing our global administrative organization more strongly toward functional responsibility, as well as harmonizing and standardizing processes, to underpin our profitable and sustainable growth with efficient administration. The new model will replace our previously 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. Implementation was begun in the year under review, following the successful creation of the concept for a cross-function target structure and the conclusion of the negotiations on an accommodation of interests in Germany. The goals include setting up and expanding our location for shared services in Berlin, establishing Expert Hub structures and providing a global business partner organization in the coming years. Our objective is not to make any job cuts as part of the reorganization.

2.1.2 Branches

KWS SAAT SE is the parent company of the KWS Group. Strategic management of all of KWS' global activities is pooled under its roof. It is headquartered in Einbeck, Germany, and controls breeding of the KWS Group's range of varieties. It conducts basic research, produces and distributes Sugarbeet and corn seed, and is home to a number of central functions. There are also currently 70 subsidiaries and associated companies in 33 countries and our sales, research and breeding activities are spread over around 70 countries, largely in the moderate climatic zone. You can find a detailed breakdown of net sales by region on page 32. An overview of our subsidiaries and associated companies can be found in the Notes on pages 96 to 97.

2.1.3 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 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 can further enhance our know-how in regional markets with their special climatic conditions.

Corporate objectives of the KWS Group

In the Annual Report for the year under review, we have changed the previous presentation of our corporate objectives, consolidating it into the three core topics of profitable growth, innovation and sustainability and adding the issue of independence. We have reformulated our objectives in a few places and made the following adjustments:

Profitable growth is vital for our future development. We aim to increase net sales in particular in our growth regions, which are also located in moderate climatic zones. Expansion of our variety portfolio is therefore of relevance to all our new markets, not just tropical or subtropical ones.

Independence has always been a key corporate objective for KWS, but it is gaining greater strategic relevance in view of the process of consolidation in our industry. We have therefore added independence as a separate subject area in our presentation.

Our business developed largely in line with our strategic objectives in the year under review. Only our net sales failed to reach the envisaged growth target of at least 5%. We deal with that and other details on achievement of our objectives in the respective sections, which are referred to in the table on the corporate objectives.

2.1.4 Control System

Detailed annual and medium-term operational plans are used to control the Group and our Business Units in the three product segments Corn, Sugarbeet and Cereals, as well as in the Corporate Segment. The medium-term plan covers the time frame of the annual plan and planning for the three subsequent fiscal years. It is derived from the strategic planning, which covers a timescale of ten years.

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

Objectives		Content of the objective unchanged?	Objective achieved?	Explanation of the course of the year
Profitable growth	■ Increase in consolidated net sales by an average of at least 5% to 10% p.a.	Yes	No	Page 31
	■ EBIT margin $\geq 10\%$	Yes	Yes	Page 31
	■ Expansion of the portfolio of varieties for new markets	Reformulated	Yes	Page 26
	■ A dividend payout ratio of 20% to 25% of the KWS Group's net income for the year	Yes	Yes	Page 130
Innovation	■ 1% to 2% progress in yields p.a. for our customers and development of tolerances and resistances	Yes	Yes	Page 23 to 28
	■ R&D intensity of around 17% of consolidated net sales	Yes	Yes	Page 27
Independence	■ Retention of a control structure shaped by the family owners	Yes	Yes	Page 63
Sustainability	■ Integration of international subsidiaries in KWS' sustainability reporting	Yes	Yes	Page 75 (NFD)

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, breeding activities, 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 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 planned and actual results. That serves to optimize our internal processes.

Controlling is responsible for coordinating and documenting all planning processes and our current expectations. It reports on 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 & breeding 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 2016/2017, our Business Units have been the cash-generating units in accordance with the actual management reporting structure.

Management and control

KWS SAAT SE has a system of dual management and supervision, consisting of the Executive Board and the Supervisory Board. The two bodies have strictly separated responsibilities and different members. The Executive Board is tasked with ensuring KWS' responsible, sustainable development. It jointly manages KWS' business. The Supervisory Board supervises and advises the Executive Board. The declaration on corporate governance in accordance with Section 289f of the German Commercial Code (HGB) contains detailed information on the extensive and close cooperation between the Executive Board and the Supervisory Board and has been published at www.kws.com/corporate-governance.

2.1.5 Responsible Business Activity

Aspiration and principles

As a family business, we think across generations. Apart from our corporate objectives, responsible business activity with regard to people and the environment (corporate social responsibility) is therefore a firmly entrenched principle of how we run our company. As a profitable, independent family business, we have the necessary entrepreneurial stability and freedom to operate within that framework, largely independently of short-term shareholder interests.

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

Our guiding principles define the framework for our everyday work, so that we are able to create 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:

Essence:

Make yourself grow.

Vision:

KWS seeds the future.

Our high-yielding seed and agricultural knowledge are why farmers have trusted us for generations. That is our contribution to solving the issue of feeding the world.

Mission:

- 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.

We also have a central policy framework – Rules, Guidelines and Procedures (RGPs) – with which we create a common understanding of the freedoms and decision-making processes within the KWS Group. 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.

Stakeholder management

The key stakeholder groups include not only our direct customers, farmers, our shareholders and employees, but also other players along the food value chain (sugar companies, food processors, retailers and end consumers), as well as policymakers, public authorities, non-governmental organizations, science, academia and the media.

We learn of our stakeholders' requirements through various channels – from daily business, in our work for associations or through dialogue with stakeholders

on specific subjects. A first International Stakeholder Dialogue was held in 2017. It dealt with the new breeding method of genome editing in the context of sustainable agriculture. All information and insights from our dialogue with stakeholders are gathered and evaluated in a structured process.

2.1.6 Fundamentals of Research & Development

The objective of our research & development work is to create high-performance varieties that meet various environmental and application requirements and deliver continuous value added to farmers. They include absolute yield, as well as issues such as yield stability, resistance to diseases, cultivation characteristics or constituent properties. We accordingly continue to invest in expanding our research & breeding capacities.

Plant breeding is a very research-intensive and long-term business. The average time to develop a new, high-performance variety for our international markets is up to ten years. As part of that, our plant varieties are adapted to the specific environmental conditions of their target markets. 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 over several years.

By applying leading-edge breeding methods, which are continually optimized by the use of molecular biology, IT or technical approaches, we have created sustainable annual progress in yields of 1% to 2% for decades. We also create genetic diversity by new crossings, which is vital to improving crop varieties. That is why KWS has supported various gene banks in different projects for years. By continuously improving yield and delivering new plant traits, we can make a contribution to resource-conserving, sustainable agriculture. Only by doing so can we tackle the challenges of climate change and increased demand as a result of global population growth.



We partner with you to meet challenges. Depend on it.

We take on challenges that others won't touch. That is independence. It's the foundation of our lasting success – and yours.



2.2 Research & Development Report

In fiscal 2017/2018 alone, our R&D expenditure totaled €197.7 (190.3) million. The result was that new KWS varieties were awarded around 402 (357) marketing approvals.

Further strengthening of our innovativeness

As part of our own research activities, scientists at KWS continuously work on innovative approaches that enable us to develop improved product traits and further optimize our breeding methods. We strive to keep on expanding our internal know-how and expertise in plant breeding through partnerships with public research institutes and private enterprises. That allows us to integrate the latest scientific findings and methods faster in our breeding work.

In a competitive environment characterized by increasing concentration, it is vital to protect our research results with patents and, at the same time, preserve our freedom of action as a company that conducts research. In the year under review, we filed twice as many patent applications relating to the use of important breeding technologies than the year before. In addition, important varietal traits and lines in various crops were protected successfully by means of variety protection. Apart from protection measures of our own, our own patents give us options for cross-licensing with other companies in the industry and thus secure access to the latest technologies.

At the same time, we have driven expansion of our network in science and research and in the agricultural sector. For example, further cooperation ventures with leading research institutes in Europe, North America and Asia give us access to know-how and are an ideal complement to our own research activities. In addition to partnerships and cooperation, KWS also takes financial stakes in young companies so as to secure strategic access to new, ground-breaking technologies.

Licensed and applied – new breeding technology at KWS

The past years have seen the development of a number of molecular biology methods that open up new prospects for plant breeding. Genome editing is particularly worthy of mention in this regard. This still-young breeding technique allows precise cuts in the genetic material of a plant. Breeders can use this method to develop plant varieties with desired traits very precisely and in a far shorter time.

As a globally operating breeding company, KWS always endeavors to drive innovative technologies so as to keep on optimizing breeding methods. We have identified genome editing as a key future technology and were able to secure access to it in the last fiscal year under a license agreement with a research institute and a prestigious university in the U.S. Crucial steps in applying the method have been taken for corn, Sugarbeet and wheat. We intend to continue driving this field of research with high priority in the coming years, even though a ruling by the European Court of Justice (ECJ) means that, only in Europe, the products developed using this breeding method will be covered by genetic engineering law. Regardless of that, the opportunities offered by this technology are to be leveraged in countries outside the EU.

Drones for modern agriculture

KWS works constantly on new innovative approaches in order to meet the high standards demanded in modern plant breeding. The quality of the product, i.e., the plant in the field, is naturally of particular importance to our customers. Crucial factors here are yield, resistance to diseases and pests, and ability to adapt to environmental influences such as drought stress. The sum total of all visible and measurable traits of a plant is termed the phenotype and is vital in plant breeding.



Working for progress. With precision and a balanced combination of technology and craftsmanship, sophisticated breeding is producing the varieties of tomorrow.

At present, our breeders assess plants in the field mainly with their naked eye. Backed by their many years of experience, they are able to collect high-quality data. A focus in the future will be on tools for recording and evaluating digital images and hyperspectral measurement data so as to improve efficiency as part of phenotyping. Among other things, KWS' experts use drones that are equipped with cutting-edge software and special cameras for that. The color, size, shape or temperature of the plants and leaves are identified when the drones fly over the field. Large plant populations are recorded automatically by digital means and their phenotype is thus defined in a precise and standardized manner.

That gives our breeders more extensive and new information to help them make decisions on selection. Good interdisciplinary collaboration and the use of external networks and existing technology thus mean that our breeders have an additional tool to assist them.

High-performance corn varieties for the Brazilian market

A long-term license agreement with a leading provider gave KWS' corn breeders global access to its technology portfolio of genetically modified traits from 2015 on. Traits that make corn plants resistant to harmful insects are vital for the North and South American markets.

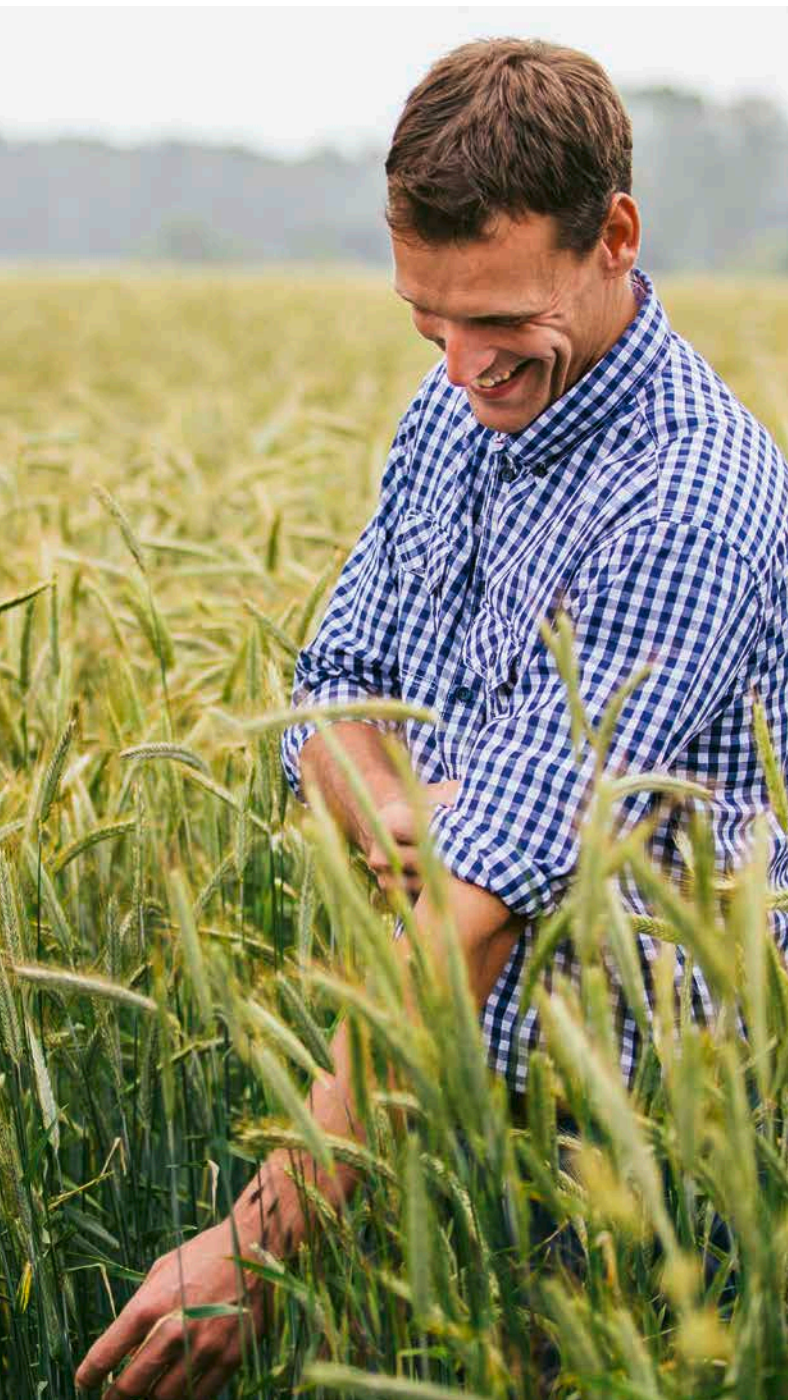
Key figures for research & development

in € millions		2017/2018	2016/2017	+/-
R&D employees ¹	avg.	1,920	1,889	1.6%
Ratio of R&D employees	in %	37,3	38,3	-2.6%
R&D expenditure		197,7	190,3	3.9%
R&D intensity ²	in %	18,5	17,7	4.5%
Marketing approvals for new varieties		402	357	12.6%

¹ Average number of employees
² In % of net sales

The license agreement now enables KWS to access alternative trait technology. As a result, we can offer farmers new, competitive varieties that boast an ideal combination of powerful traits with traits from our own breeding material. The result is healthier plants in the field and less use of chemicals to combat pests. We were able to generate revenue in Brazil from new varieties with this technology for the first time in the past fiscal year.

Let's roll up our sleeves – and get to work! Being a farmer isn't just an occupation, it's a way of life. Our customers are people of action, and we're proud of them.



Robust Sugarbeet varieties pay off

The main task in breeding for resistance is to equip KWS' varieties with the resistance genes required for the particular cultivation region. Where possible, the varieties should protect themselves against pathogens or pests. As a result, less pesticide can be used and diseases that cannot be protected against by chemical or biological means can be combated more efficiently.

More and more combinations of resistances, coupled with a stable and high sugar yield, are required for growing Sugarbeet. We at KWS have developed a wide-ranging portfolio of high-yielding varieties that is a very good fit for the individual markets. Varieties with a good performance, better robustness and good leaf health contribute to sustainable and high-yielding Sugarbeet cultivation. That is reflected in the excellent results of official tests on our varieties and our very successful fiscal year.

Successful restructuring of rapeseed operations

At the start of the fiscal year, KWS pooled its rapeseed activities in a joint Sub Business Unit "SBU Oilseed Rape" under the roof of the Cereals Segment. This restructuring enables a more focused approach to breeding and product development. Existing breeding structures in Germany and France have already been merged under joint management and now cover maritime and continental rapeseed cultivation areas in Europe. That permits achievement of the traditional breeding objectives of grain and oil yield, as well as even more focused work on specific traits relating to plants' health, growth behavior and ripening times.

In addition to the breeding activities being merged, the areas of Portfolio Management and Production were also restructured. That resulted in the very first year in an improvement in the portfolio's performance in the stated cultivation regions and an expansion of KWS' position in the European rapeseed business.

2.3 Economic Report

2.3.1 Business Performance

General developments and business performance of the KWS Group

All in all, there were again good harvests in most of the world's cultivation regions in the past fiscal year. However, the rise in consumption ultimately resulted in slight declines in global inventories, for example in worldwide stocks of cereals. However, the slight price increases were not sufficient to cause a turn-around in the basic general conditions for growing agricultural crops. In some cases, arable farming remained a loss-making business as a result of high inventories and relatively low prices for agricultural raw materials. Farmers in some regions were able to increase their liquidity, but only in the meat and dairy industry or through other non-farm income. While corn cultivation mostly remained under pressure, the cultivation area for Sugarbeet was largely constant, despite the fall in sugar prices in the EU. Exchange rate trends for many local currencies in the countries where the KWS Group operates – in particular the US dollar – had a negative impact on its net sales, which are consolidated in euros. Among other things, we see political effects on our business from the growing number of regulatory decisions relating to pesticides. These restrictions will probably make growing a number of agricultural crops less profitable. Increasingly there were new barriers and

sanctions in international trade in the year under review. That also had a negative impact on our business in some regions.

Guidance versus actual business performance of the KWS Group

Our uncertainty as to what guidance to issue for the year as a whole diminished in the course of the year after the end of our winter cereals, rapeseed and South American corn seed business. We were able to put a more precise figure on our earnings expectations (an EBIT margin between 11.0% and 12.0%) in the KWS Group's Semiannual Report in February 2018. For the same reasons, we were also able to give a more specific figure for our R&D intensity then. Nevertheless, these adjustments still meant that our guidance was within what we had forecast up to that time. After a large part of the spring sowing season had ended, our net sales expectations for several regions were reduced due to a decline in corn business, as well as the continuing weak performance of a number of local currencies. As a consequence, we lowered our guidance for the KWS Group's net sales slightly in May 2018. Our expectations for research & development expenditure and earnings remained constant by and large at the time. Ultimately, the EBIT margin at the end of the fiscal year was slightly above the last guidance we published, in particular because our cost of sales and selling expenses were lower.

Guidance versus actual business performance of the KWS Group

	Results for 2016/2017	Guidance for 2017/2018	Adjustments to the guidance during the year			Results for 2017/2018
			Quarterly Report Q1 (11/23/2017)	Semiannual Report (02/27/2018)	Quarterly Report 9M (5/17/2018)	
Net sales	€1,075 million	Slight increase in net sales	–	–	Stable net sales	€1,068 million –0.7%
R&D intensity	17.7%	Rising R&D intensity	–	Above 18%	About 18%	18.5 %
EBIT margin	12.2%	Double-digit EBIT margin below the previous year's figure	–	11.0–12.0%	–	12.4 %

Summary of the segments' course of business and comparison with the guidance¹

Most of the net sales in the **Corn Segment** are generated in the second half of our fiscal year (January to June), i.e., in the spring sowing season in the northern hemisphere. A lesser share of revenue is earned in South America in the first two quarters. All in all, corn cultivation remained under pressure in many regions due to relatively low producer prices. Our net sales in South America fell sharply due to negative exchange rate effects and a temporary inadequate supply of seed resulting from the planned switchover to our own varieties in our portfolio. Our net sales in North America also declined due to lower volumes and exchange rate influences. Whereas most expenditures in the segment declined in line with the reduction in net sales, the fall in value of the US dollar, Argentinean peso and Brazilian real resulted in a sharp increase in foreign exchange losses on the reporting date and thus a reduction in the EBIT margin forecast for the segment.

The main sales season for the **Sugarbeet Segment** is in the third and fourth quarters (January to June). The strong performance of our Sugarbeet varieties was again a mainstay in the segment's success in the year under review. Contrary to our expectations, the cultivation area in the EU remained at the high level of the previous year. We were able to grow our

net sales in most regions, apart from North America and Turkey. However, the decline in business in North America was not as strong as expected, which also had a significant positive impact on the segment's margin. As a result, its performance surpassed our expectations and was the main reason we raised our guidance for net sales and income during the year.

Every year, the fall sowing season determines the main business trends of the **Cereals Segment**. The key crop in that is rye, which accounts for a very significant share of the segment's net sales and earnings. In particular, net sales from rye and rape-seed seed rose more sharply than expected in the year under review. These trends led us to adjust our net sales and earnings expectations for the Cereals Segment during the year.

There were adjustments to the EBIT guidance for the **Corporate Segment** during the year. As part of our extensive reorganization of administration, a more precise figure was able to be put on the associated costs as the planning for the project was fleshed out in more detail. These costs were above our expectations and so ultimately resulted overall in a slight increase in expenses in the Corporate Segment than we had previously forecast.

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

2.3.2 Earnings, Financial Position and Assets

Earnings

Net sales down slightly year on year due to exchange rate effects

The KWS Group's net sales in the year under review were €1,068.0 (1,075.2) million, a decline of 0.7%. They were impacted in the year under review by significant exchange rate effects and a market environment that remained challenging and was characterized by low producer prices in the face of high inventories of agricultural raw materials world-wide. Apart from the depreciation in the US dollar and the Brazilian real, the Argentinean peso and the Turkish lira also had a negative impact on net sales. Assuming constant exchange rates at the level of the previous year, net sales would have been €1,113.4 million, an increase of 3.5%. We grew our net sales in Europe (corn, Sugarbeet, winter rapeseed and cereals seed) and Asia (corn seed). Net sales from corn in South America fell due to exchange rate effects and a temporary inadequate supply of seed resulting from the planned switch-over to our own varieties in our portfolio in Brazil. Net sales from Sugarbeet seed also fell in North America, mainly due to exchange rate effects.

EBIT increased again

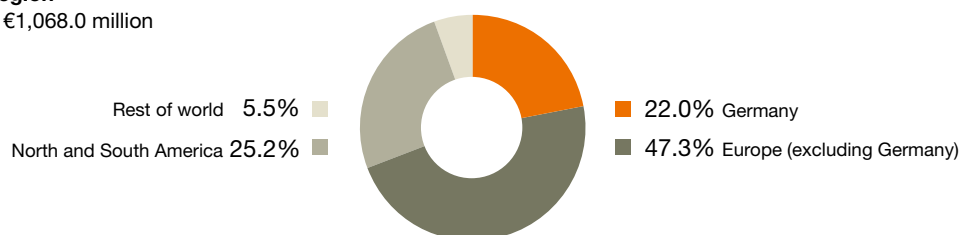
The KWS Group's cost of sales fell sharply in the year under review to €446.1 (493.9) million, giving a cost of sales ratio of 41.8% (45.9%). That was mainly attributable to lower license costs in the U.S. and higher contributions of net sales from regions with a relatively lower cost of sales. Despite stable net sales, research & development expenditure was increased to €197.7 (190.3) million, resulting in an R&D intensity of 18.5% (17.7%). Administrative expenses rose to €95.8 (79.8) million, in particular due to costs relating to optimization of our organizational structure (see page 19). The balance of other operating income and other operating expenses fell by 73.0% to €5.7 (21.1) million. Key factors in that were higher expenses as part of receivables management and positive special effects in the previous year, which were not repeated. The related individual items are explained in detail in the Notes on pages 124 to 125. All in all, the KWS Group posted an EBIT of €132.6 (131.6) million, i.e., 0.8% above the level of the previous year, and an EBIT margin of 12.4% (12.2%) in fiscal 2017/2018.

Abridged income statement

in € millions	2017/2018	2016/2017	+/-	
Net sales	1,068.0	1,075.2	-0.7%	
Operating income	132.6	131.6	0.8%	
Net financial income/expenses	5.4	16.6	-67.5%	
Result of ordinary activities	138.0	148.2	-6.9%	
Income taxes	38.3	50.5	-24.2%	
Net income for the year	99.7	97.7	2.0%	
Earnings per share	in €	15.08	14.78	2.0%
EBIT margin	in %	12.4	12.2	

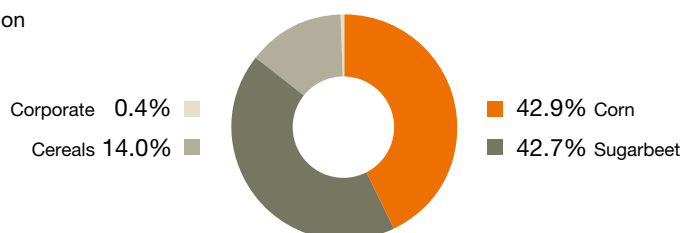
Net sales by region¹

Total net sales €1,068.0 million



Net sales by segment¹

Total net sales €1,068.0 million



¹ Ohne Umsätze unserer at equity bilanzierten Gesellschaften.

Fall in net financial income/expenses – tax rate improves – net income for the year rises by 2.0%

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 €13.4 (24.9) million due to the drop in earnings (see page 36) from our joint ventures in North America. The interest result remained stable and was €–8.0 (–8.3) million.

Net financial income/expenses was thus €5.4 (16.6) million. Earnings before taxes (EBT) fell by 6.9% to €138.0 (148.2) million. A sharp drop in income taxes to €38.3 (50.5) million gave a tax rate of 27.8% (34.1%). Tax expenses fell in particular in Germany and North America. Overall, the KWS Group generated net income of €99.7 (97.7) million in the year under review. Given that the number of shares was unchanged, earnings per share were €15.08 (14.78).

Financial Situation

Selected key figures on the financial position

in € millions	2017/2018	2016/2017	+/-
Cash and cash equivalents	192.6	191.4	0.6%
Net cash from operating activities	98.1	122.4	–19.9%
Net cash from investing activities	–68.1	–64.8	5.1%
Net cash from financing activities	–25.3	–29.6	–14.5%

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 non-cash expenses and income, coupled with a rise in long-term provisions and higher allowances for receivables (other non-cash expenses), resulted in an increase in cash earnings² to €147.2 (105.4) million.

² Net income for the year, allowing for depreciation (+) and write-ups (–) for fixed assets, the increase (–) and decrease (+) in long-term provisions, and other non-cash expenses (+) and income (–) = cash earnings



Good storage is half the battle. Everything has to be just right so that the seed's top quality is not impaired.

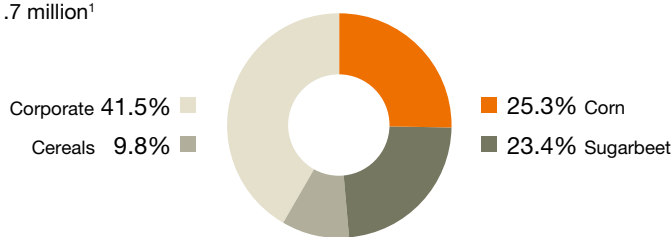
However, the decrease in short-term provisions, low income taxes and the increase in trade receivables were a major reason for the weaker net cash from operating activities, which totaled €98.1 (122.4) million.

The net cash from investing activities totaled €-68.1 (-64.8) million in fiscal 2017/2018. Our capital spending in the year under review was consistent with our long-term growth plans and focused on erecting and expanding production, research & development capacities. Among other things, we continued to expand Sugarbeet seed production in

Einbeck, a multiyear project with a total investment volume of around €40 million. We also began expanding our laboratory capacities there. We expanded our corn seed drying and production capacities in Brazil and Argentina. Total capital spending in fiscal 2017/2018 was €71.7 (63.3) million. Some of the investments planned for the year under review were shifted to fiscal 2018/2019, which is why our investment planning for the coming year envisages an increase in capital spending. Depreciation and amortization remained virtually constant at €50.1 million.

Capital expenditure by segments

Total capital expenditure €71.7 million¹



Capital expenditure by region

Total capital expenditure €71.7 million¹



¹ Without capital expenditures of our at equity consolidated companies

Since short-term commercial papers were issued again 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 €-25.3 (-29.6) million. 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 2017/2018 rose to €192.6 (191.4) 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.

Assets

Abridged balance sheet

in € millions	06/30/2018	06/30/2017	+/-
Assets			
Noncurrent assets	691.3	680.1	1.6%
Current assets	826.4	815.1	1.4%
Equity and liabilities			
Equity	881.8	836.9	5.4%
Noncurrent liabilities	334.3	358.8	-6.8%
Current liabilities	301.6	299.5	0.7%
Total assets	1,517.7	1,495.2	1.5%

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, 2018, were €1,517.7 (1,495.2) million. Noncurrent assets rose to €691.3 (680.1) million, mainly due to planned investments in new production plants and research & development capacities. Trade receivables rose slightly to €310.1 (302.6) million. However, inventories fell by 7.1% to €181.0 (194.9) million, meaning their ratio relative to total assets decreased slightly. The drop in inventories was attributable, among other things,

to the inadequate supply of seed in Brazil (see the report on the Corn Segment) as well as currency translation effects. Current assets at the balance sheet date totaled €826.4 (815.1) million. Net debt was reduced further to €37.4 (48.5) million as a result of repayments.

The allocation to the other reserves meant that equity rose to €881.8 (836.9) million. As a result, noncurrent assets were again fully covered by equity. Repayment of the borrower's note loan and repayment of other long-term loans reduced noncurrent liabilities to €334.3 (358.8) million. As a result, the equity ratio also increased to 58.1% (56.0%), meaning we again continued our stable and solid financial policy this year.

2.3.3 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:

The reconciliation between the KWS Group's statement of comprehensive income and the reporting by segments in fiscal 2017/2018 is impacted by our equity-accounted companies in the North American and Chinese corn markets. That applies to all key figures in the table below, 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.

Reconciliation table

in € millions	Segments	Reconciliation	KWS Group
Net sales	1,344.6	-276.6	1,068.0
EBIT	149.0	-16.4	132.6
Number of employees	avg. 5,872	-725	5,147
Capital expenditure	117.7	-46.0	71.7
Total assets	1,627.3	-109.6	1,517.7

Corn Segment

Key figures

in € millions	2017/2018	2016/2017	+/-
Net sales	734.2	825.3	-11.0%
EBIT	47.4	58.2	-18.6%
EBIT margin	in %	6.5	7.1
Capital expenditure	64.1	25.0	156.4%
Capital employed (avg.)	695.5	728.0	-4.5%
ROCE (avg.)	in %	6.8	8.0

Economic environment: High inventories impact commodity prices

The economic environment for corn continued to prove extremely difficult in most regions in fiscal 2017/2018. First of all, there were very good harvests in the most important corn cultivation regions in 2017. Corn production in the U.S. was again at one of its highest-ever levels – despite a decline in the cultivation area. The global price trends for corn hardly changed due to the fact that inventories remained high. In the 2018 cultivation year, price trends for agricultural raw materials again went against corn, especially in North and South America and Europe. With the exception of Argentina, there was a reduction in the corn cultivation area here, since growing alternative crops proved more attractive for farmers. The adverse conditions at the time of the cereals sowing season in the fall resulted in sporadic increases in the corn cultivation area in Europe. Increasing regulatory restrictions on the use of insecticidal seed dressings hampered sales here. Cultivation area in Russia fell by around 10%, whereas it increased in Ukraine by approximately 2%. There were also slight increases in cultivation area in China due to fact that corn was more profitable than soybeans. There were very sharp exchange rate effects on the segment in the year under review, primarily from the depreciation of the US dollar, the Brazilian real and the Argentinean peso.

The segment's performance: Decline in net sales and income

Operational business at the Corn Segment was not able to match that of the previous year and net sales fell by 11.0% to €734.2 (825.3) million. If exchange rates had remained constant, net sales would have

been €783.4 million, a decline of 5.1%. Rapeseed business was also transferred to the Cereals Segment in the year under review. After adjustment for that effect, the net sales in the previous year would have been €800.9 million. Net sales from corn seed in South America – in particular Brazil – were below the strong level of the previous year. There was also a decline in net sales in North America. However, we grew net sales from our corn business slightly in Europe and China.

The segment's earnings decreased due to a fall in sales volumes in Brazil and North America and negative exchange rate effects. Our earnings increased in Europe and China. The segment's function costs developed in line with net sales and were below the levels of the previous year. As a result, their ratio relative to net sales remained largely the same. The segment's earnings were thus €47.4 (58.2) million. After adjustment for the contribution made by rapeseed business, there would have been an imputed EBIT of €52.9 million last year.

The regions: Net sales fall in North and South America – Higher revenue in China and Europe

Net sales in North America fell by almost 14% to a total of €264.9 million, among other things on the back of lower sales volumes. The depreciation of the US dollar had a significant impact on net sales and there was also a slight decrease in the cultivation area. Our 50:50 joint venture AgReliant is currently formulating a new strategy for establishing strong national brands. This new strategy is the basis for our planned growth in the coming years.



Corn

In Brazil, we began switching to new, high-performance varieties equipped with market-leading technology in the year under review. There were problems resulting from that as part of our seed production, which led to a temporary inadequate supply of seed. That, as well as exchange rate effects, meant our net sales decreased for the first time since we entered the market. We currently expect to complete this switchover in our portfolio in the current season, so our net sales will probably increase again sharply. We grew sales volumes of corn seed in Argentina once more, but the Argentinean peso continued to slump in value this year.

We increased our net sales from corn seed in Europe and Asia following the difficult previous years. Improved product performance resulted in the largest growth in net sales from corn seed in the regions of southern, southeastern and Central Europe and China. Net sales in Ukraine also rose sharply.

Expansion of production and storage capacities

The segment's capital spending rose to €64.1 (25.0) million in the year under review. One of the reasons for that was that the second tranche for corn trait technology licenses from the previous year was due in the year under review. Apart from that, we mainly invested in expanding production and processing plants in Brazil and Argentina so as to provide sufficient capacities for our strategic objectives. Along with that, we expanded our storage capacities in southern Europe.

Sugarbeet Segment

Key figures

in € millions	2017/2018	2016/2017	+/-
Net sales	455.1	454.6	0.1%
EBIT	160.5	150.9	6.4%
EBIT margin	in %	35.3	33.2
Capital expenditure	16.8	16.8	0.0%
Capital employed (avg.)	282.0	260.4	8.3%
ROCE (avg.)	in %	56.9	58.0

Economic environment: Constant cultivation area and low world market prices for white sugar

In the first sowing season after the end of the Sugar Market Regime, the cultivation area for sugarbeet in the EU – a key factor for our business – remained virtually constant despite the low price for white sugar, while the cultivation area in Eastern Europe declined by around 5%. The area in the important cultivation region of North America likewise remained constant. The foreign currencies of relevance to the segment in Eastern Europe, the U.S. and Turkey fell significantly in value year over year. The segment was also subject to political influences to a greater extent in the year under review, while the still strained geopolitical situation weighed on earnings in the Middle East.

The segment's performance: Stable net sales

In the year under review, we were able to maintain our operational business in the Sugarbeet Segment at the level of the previous year thanks to constantly good variety performance. Net sales totaled €455.1 (454.6) million. We grew our net sales mainly in Germany, France and northern and Eastern Europe. On the other hand, there were declines in net sales in the U.S. and Turkey due to exchange rate effects and falls in volumes. If exchange rates had remained constant, the segment's net sales would have risen by 4.5% to €474.8 million.

Additional marketing activities, for example as part of the launch of CONVISO® SMART varieties, resulted in higher selling expenses. We expanded

our research & development activities significantly.

Administrative expenses fell, among other things due to lower costs as a result of the fall in value of the US dollar. The reimposition of political sanctions led to an allowance for our outstanding receivables in the Middle East, which resulted in a reduction in earnings. Expenses from remeasurement and destruction of inventories were above the level of the previous year and are attributable to higher stocks. The segment ultimately posted an increase in its EBIT to €160.5 (150.9) million as a result of lower royalty payments due to the fact that a patent expired.

The regions: Competitiveness remains at a high level thanks to strong variety performance

In the segment's key region of the EU 28, we grew our net sales from sugarbeet seed by 12.1% to €204.6 (182.4) million, even though the cultivation area remained constant. We captured a market share of 55% (49%) here thanks to the consistently high performance of our portfolio of sugarbeet varieties and improved our market position in France, in particular. In view of the further restrictions on pesticides in the EU, we believe that the development of natural resistances will grow in importance in the medium to long term. Consequently, we will intensify our breeding activities in this direction. Despite a slight decline in net sales in North America, we were able to retain our very strong market position there. In Eastern Europe, we reaped rewards from our fine variety performance and tailored sales and marketing strategy.

Sugarbeet



Here, too, net sales were grown significantly. However, we were not able to maintain net sales in Turkey and the Middle East at the high level of the previous year. In summary, KWS remains the world's market leader by far. All in all, we achieved a global market share of 58% (55%) in the year under review.

Successful market launch of CONVISO® SMART – Investments in seed production

The new CONVISO® SMART system not only makes growing sugarbeet easier for farmers and gives them more flexibility in terms of time, but is also more environmentally friendly. The technology was sold to farmers in six European countries for the first time in the year under review. Other rollouts in our key markets are scheduled for the coming years. In addition, a long-term license for the technology was awarded to a competitor in mid-2017.

We continued our multiyear capital spending projects as planned in the year under review. Our most important construction project at the moment is aimed at renewing and expanding our seed production plant at Einbeck and has a total investment volume of more than €40 million. As part of it, we will expand our production capacity by up to 60%. We will also deploy a completely new process technology so as to ensure high seed purity, achieve greater flexibility in production and make the process more efficient. After completion of the logistics center, the project was continued in the year under review with the construction of a further production building. The new dressing and packaging plant is expected to be put into operation in April 2019.

Cereals Segment

Key figures

in € millions	2017/2018	2016/2017	+/-
Net sales	151.1	109.3	38.2%
EBIT	18.4	10.3	78.6%
EBIT margin	in %	12.2	9.4
Capital expenditure	7.0	5.0	40.0%
Capital employed (avg.)	127.8	114.9	11.2%
ROCE (avg.)	in %	14.4	9.0

Economic environment: Cereal commodity prices still low

The economic situation remained strained for cereals farmers in Europe in the year under review. Apart from poor weather conditions, the main external factors influencing our customers' purchasing decisions were low cereal commodity prices, in particular in our growth markets for rye in Eastern Europe. The prices of rye of bread-making quality in Germany and Poland trended positively compared to those for bread wheat, resulting in an increase in rye cultivation area in those countries. Despite a fall in demand for biodiesel, lower availability of efficient dressing applications and the above-mentioned poor weather conditions at the time of the sowing season, the cultivation area for rapeseed remained constant in the EU.

The segment's performance: Increase in net sales and income

Net sales in the Cereals Segment rose by around 38% to €151.1 (109.3) million. We expanded net sales from rapeseed sharply, due to two factors: the transfer of all rapeseed activities from the Corn Segment and higher demand overall for KWS' rapeseed varieties. We increased our net sales from rye seed by 16% thanks to new variety approvals and net sales from wheat seed by 12%, while revenue from barley rose slightly. Rye seed was still the main sales driver in the Cereals Segment, contributing around 36%, followed by rapeseed, wheat and barley. If exchange rates had remained constant, net sales would have been slightly higher at €152.3 million.

Apart from a further devaluation of the pound sterling, the loss in value of the Ukrainian hryvnia also had a negative impact.

A higher proportion of revenue from licenses and rapeseed seed resulted in an improvement in the segment's gross margin. Expenditure on distribution, research & development and administration was higher, primarily due to the transfer of rapeseed operations. Apart from the effects from the organizational restructuring, the segment's EBIT rose in particular due to an expansion in rye and winter rapeseed seed business by 78.6% to a total of €18.4 (10.3) million.

The regions: European business grows – Net sales increase in all main cultivation areas

We increased our domestic net sales again in the past fiscal year. We generated around 29% of net cereal sales in Germany, mainly from rye, barley, wheat and rapeseed seed, and so Germany remains the most important single market for our Cereals Segment. The main driver here was rye seed business. We were able to increase our market share to approximately 60% and so strengthen our position as a market leader thanks to improved variety performance after two years in which our share declined.

We again turned in a positive business performance in our other key markets – the UK, France, Poland and Scandinavia – which accounted for almost 40% of the segment's net sales. We gained market share in rapeseed business in France and southeastern

Cereals

Europe. Our wheat licensing business in the UK grew by double digits and increased its market share to 46%. We likewise won market share in wheat and barley seed in France. We also expanded business in our strategic growth markets of Russia and Ukraine. Net sales in our young future markets in North America remained constant.

Investments in the future continued

Along with conventional breeding, long-term breeding and development projects are vital to the segment's future. Our focus is on breeding high-performance varieties and preserving and enhancing their resource efficiency. So that we can tap further market potential in the medium term, our breeding and development projects are also aimed at tailored rye varieties for Eastern Europe and North America. The initiative for expanded use of rye as feed aims to provide additional incentive to grow rye in Germany. Another long-term goal is to establish hybrid breeding activities for wheat and barley.

The segment's capital expenditure in the year under review totaled €7.0 (5.0) million. We invested primarily in expanding and modernizing breeding stations and production plants. Our focus is still on the quality of our varieties and seed. Investments to renew and replace plant and equipment help ensure that we meet high quality requirements in our breeding and production processes. At the same time, they are geared to providing sufficient capacities for our strategic objectives. These are, in particular, expansion of wheat seed business in France and Germany and our rye seed business in Eastern Europe and North America, as well as development of hybrid wheat and hybrid barley varieties.





Corporate

Corporate Segment

Key figures

in € millions	2017/2018	2016/2017	+/-
Net sales	4.2	4.8	-12.5%
EBIT	-77.3	-60.6	27.6%
Capital expenditure	29.8	21.1	41.2%

The Corporate Segment's net sales are generated mainly from our farms in Germany. In the past fiscal year they were €4.2 (4.8) 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. In the year under review, it was influenced, in particular, by costs for optimizing our organizational structure, tax consulting services and strengthening our IT infrastructure and totaled €-77.3 (-60.6) million.

NFD **2.4 Environmental Report**

2.4.1 Product Innovations

The most important environmental aspect in producing seed is to optimize the use of resources such as soil, water, pesticides and fertilizer. We have drawn up environmental protection guidelines in which we commit ourselves to ensuring resource efficiency in our work processes.

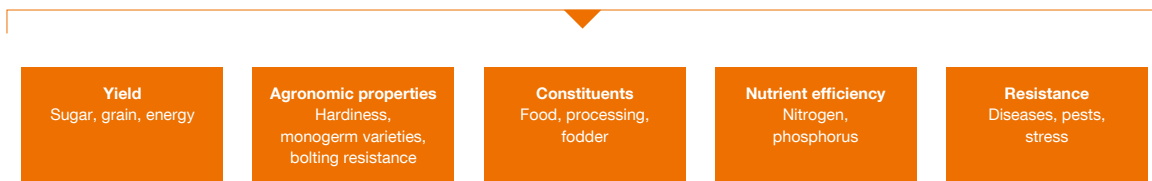
Research & breeding – Development of high-yielding and resource-efficient plant varieties

Resource efficiency in our breeding processes means developing varieties that produce a higher yield with the same or fewer resources. Our goal is to deliver an average yield progress of 1% to 2% a year for farmers with new and innovative varieties. That is why we

NFD equip our varieties with resistance to pests and plant diseases and are working, for example, to improve drought tolerance and nutrient efficiency, allowing for the conditions at the location and the regional climate. The crop-specific development objectives are agreed between Research, the respective development departments, Production and Sales and submitted annually as a proposal for the Executive Board to decide on. In an extensive internal reporting process, the core component of which is an annual performance status report to the Executive Board and the Supervisory Board, the progress made in the individual breeding programs is regularly reviewed and changes or adjustments are defined if necessary.

Breeding objectives

High-performance seed



Alternatives to seed dressing

We are working on biologicals, which are obtained from microorganisms or plants, to be used as an alternative or to complement the standard means of dressing seed with chemical pesticides commonly used at present. Biologicals are becoming increasingly attractive, since they can help improve crops' nutrient efficiency and stress tolerance, for example, without the need to use chemical substances. This means chemical residues in the soil are avoided. We launched sugarbeet varieties equipped with biologicals that protect the plants against stress in Eastern Europe in fiscal 2016/2017. We plan to expand our development work on the use of biologicals to all relevant KWS crops in the coming years.

Organic seed and special minor crops

We pooled our research & development work in the field of organic seed, founding a separate Sub Business Unit, "Special Crops & Organic Seed," effective July 1, 2018. This special Sub Business Unit will deal not only with organic seed, but also crops of lesser economic importance, such as peas, triticale, oats, sorghum and catch crops. General conditions in society, such as the difficult situation regarding the approval of pesticides, mean established crop rotations and traditional farming systems need to be rethought and farmers are increasingly turning their attention to minor crops.

Sales and consulting

KWS also informs and advises farmers on cultivation methods. On our trial fields, we develop methods that help prevent soil erosion. We also market the KWS AckerFit catch crop mixtures, a product line that enables farmers to break up the crop rotation cycle and additionally protect the soil.

2.4.2 Plant and Process Safety

In the operational processes at our plants of relevance to the environment, we have to prevent environmentally harmful substances being released into the air, soil and water in the form of dusts, hazardous wastewater and waste. KWS defined minimum standards in 2016 to specify binding minimum requirements for the local environmental protection technology and process organization for all its plants. They are based on the environmental standards that apply at KWS SAAT SE's headquarters in Einbeck. The Corn Segment has already begun introducing the environmental standards. They are to be expanded to the other segments in 2019. Compliance with the standards is tracked and reviewed by internal audits. Two audits were conducted at Corn Segment locations in fiscal 2017/2018 and confirmed that the environmental standards were being met. KWS SAAT SE and KWS Services Deutschland GmbH at Grimsehlstrasse in Einbeck were successfully recertified in accordance with the environmental management standard ISO 14001 in the spring of 2017.

A further key aspect in plant and process safety is responsible use of modern breeding methods such as genetic engineering. Unintentional release of genetically modified organisms in the production process and mixing of seed produced using conventional means and genetic engineering must be prevented. In order to prove that we use genetically modified organisms responsibly throughout the life cycle of our products, our entire Group has been certified in accordance with the industry standard

“Excellence Through Stewardship” (ETS) since 2015. Regular internal and external audits are held as part of that. KWS gained the certification for successful completion of the second audit cycle in August 2018.

All the audits, records and measures are administered in a central database. The results are reported to the Executive Board once a year.

2.4.3 Resource-efficient Processes and Climate Protection*

In 2017 we introduced a standard accounting system for the main resources used, such as fertilizer, pesticides, energy and water, as well as for waste, wastewater and greenhouse gas emissions, at the KWS Group. That means we now have for the first time a Group-wide database, which we will optimize further in terms of the scope of data collected and the quality of data in the coming years. The objective is to be able to use the database to analyze and derive potential for improvement.

As a member of the “Climate Protection Companies,” an excellence initiative of the German business community in the field of climate protection and energy efficiency, we are committed in particular to saving energy by optimizing technical processes and reducing greenhouse emissions resulting from energy consumption by moving to renewable sources of energies. Our headquarters at Einbeck, which requires most of the energy used in the KWS Group, operates its own block-type thermal power station with biogas, for example. KWS' Wiebrechtshausen monastery estate, where organic farming trials are conducted, supplies itself fully with renewable energy from wood chips and green electricity. Residues from the corn harvest are used as sources of energy at our locations in Romania and Hungary.

* Not an audited part of the Combined Management Report.



From food for people and animals to CO₂-neutral biodiesel and soil protection against erosion and weed pressure, rapeseed is an absolute all-rounder.



Life doesn't always go smoothly.

We pitch in when others have long since given up. That is independence. And it's not only the greatest asset on your farm, but here in Einbeck as well. As it has been for more than 160 years.



2.5 Employee and Social Report

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 job satisfaction. As a company with a tradition of family ownership, we attach importance to a work culture of respect, a high degree of personal initiative, and personal and professional development. Openness, trust and team spirit define our culture.

2.5.1 Employment Trends

We employed an average of 5,147 people worldwide in the year under review, an increase of 4.3%. A total of 1,952 (1,911), or around 38% (39%) of the workforce, were employed in Germany. While the headcount in Europe (excluding Germany) remained virtually unchanged, it rose sharply in North and South America. However, the headcount fell slightly in the rest of the world. Once again, the area that accounted for the most employees was research & development: The number of employees here increased and made up 37.4% of the total workforce.

2.5.2 Recruitment and Qualification

We pursue various measures to cover the KWS Group's quantitative and qualitative personnel requirements to match its strategic objectives.

Employer branding: KWS as an employer

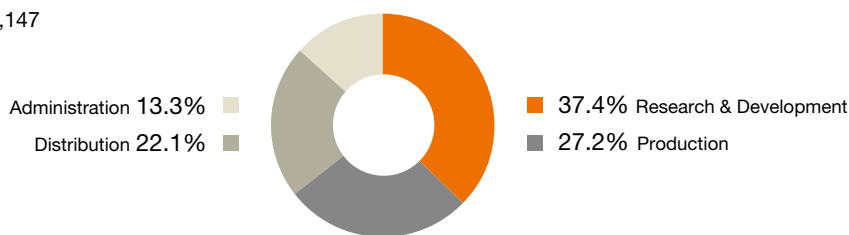
As a global player, our constant goal is to clearly position KWS in international labor markets by modern means of online communications and a presence in social media. A key aspect in our employer branding is to actively address interests and needs that are important to our current and future employees. 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. In the rankings by the consulting firm Universum, which ascertains the most popular employers among students every year, KWS came in 49th in the area of sciences and so captured a place among the top 50 in Germany for the first time.

As a research company, KWS attaches great importance to ensuring that employees of KWS have the freedom to "seed the future" successfully and to advance their own ideas.



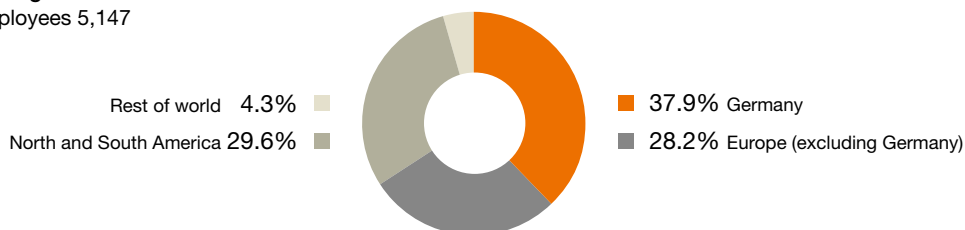
Employees by function¹

Number of employees 5,147



Employees by region¹

Number of employees 5,147



¹ Average number of employees

NFD

Establishment of global networks and contacts

Establishing networks and nurturing contacts with professional groups of importance to us are key elements of our HR strategy. That is why we attend trade fairs and events and also maintain close ties with universities. School pupils and students have the chance to gain initial insights into working life at KWS by means of internships or excursions, or by writing their degree theses at our company. We also award various scholarships to young talents and offer induction programs.

Vocational training and induction programs

The vocational training we offer helps our employees develop practical skills. There are diverse options to choose from in Germany – from vocational training to a dual course of study. In fiscal 2017/2018, for example, our instructors and trainee supervisors supported a total of 93 trainees on their path to gaining their vocational qualifications.

Continuous qualification

We offer all our employees a continually enhanced range of professional and personal development measures, since our global growth and regional markets increasingly demand a high level of adaptivity. KWS' competence model, which is founded

NFD

on the company's values, is the basis for that. We continue to expand and optimize our employee development activities, emphasizing both internal and external further training measures. Qualification needs are discussed and agreed on by the supervisor and employee in the annual performance and career development reviews.

Our internal development programs aim to enhance a wide range of skills. The "Orientation Center" enables us to verify individual potential and draw up customized development plans on that basis. For its part, the "International Development Program" offers experts and executives an additional opportunity to enhance their personal and professional strengths in the international environment.

KWS is also working in the field of IT to optimize tools and provide innovative solutions so as to provide better central support for employee development. The objective is to systematize all activities globally to a greater extent – from recruiting, onboarding, further development of employees, feedback processes to succession planning. The focus is initially on rolling out a digital recruiting module. Other modules are to be introduced successively over the coming years.

2.5.3 Good Working Conditions*

One foundation for our attractiveness as an employer is good working conditions. We are therefore committed to decent labor standards worldwide.

Contracts and compensation

Every employee of the KWS Group has a written contract of employment that complies with labor and social insurance legislation. The overall compensation package for KWS employees takes into account their individual expertise and local market circumstances and consists of a basic salary, social benefits, performance-related payments (if applicable) and, locally,

Employee Stock Purchase Plans where staff can buy shares in the company. Equal pay for the same activities is a principle of our compensation policy.

Work-life balance

Different working time models enable employees to strike a good work-life balance. Employees can also work from home, if that can be reconciled with their activity. We also offer part-time models. Employees in Germany also have the opportunity to take leave or reduce their working hours, with an adjustment to their salary, if they would like to look after dependents who need caring for.

Key figures for employees in Germany¹

	2017/2018	2016/2017	+/-
Number of employees	1,952	1,911	2.1%
of which part-time employees	443	415	6.7%
Ratio of men	in % 52.7	51.3	2.7%
Ratio of women	in % 47.3	48.7	-2.9%
Number of apprentices	93	95	-2.1%
Apprentice ratio	in % 4.8	5.0	-4.0%
Average age (in years)	39.1	40.8	-4.2%
Length of service (in years)	13.8	13.5	2.2%

¹ Average number of employees

Equal opportunity and diversity

KWS is committed to equal opportunities and rights for its employees, regardless of gender, age, origin, culture, religion or sexual orientation. We have enshrined that in our binding Code of Business Ethics and related anti-discrimination guidelines. We believe that diversity of our employees, as displayed in their individual attitudes, knowledge, skills and ideas, is a key value and a competitive advantage. It encourages creativity and innovativeness and strengthens our understanding of markets and different cultures by fostering intercultural skills.

We aim to increase the ratio of women in the top two management levels at KWS. The targets for that can be found in our declaration on corporate governance, which is published on our website at www.kws.com/ir.

Work safety and health

The individual KWS companies are responsible for work safety and health management in compliance with local statutory regulations. In fiscal 2016/2017, the Corn Segment established technical and organizational minimum work safety standards for all its production sites, and these will be reviewed regularly by internal audits. A global accounting system for workplace incidents (as defined by the U.S. Occupational Safety and Health Administration (OSHA)) was also introduced in 2017. This new transparency enables us for the first time to analyze and assess work safety globally and initiate targeted measures. KWS has set itself the goal of establishing a Group-wide work safety concept for all sites where safety is of relevance in the coming calendar year 2019.

Employee representative bodies

Employees' interests are represented collectively toward management by the elected Works Councils and the persons entrusted with representing young people and trainees. We also have a European Employees' Committee (EEC), a body that represents the interests of European employees and is responsible for cross-border matters within the EU. The working relationship between the employee representative bodies and management is close and based on trust. In regions where there is no collective employee representative body, we attach importance to mutual respect and dialogue between regional management and employees.

As part of its ongoing reorganization activities to optimize administration, KWS has opened a global Shared Service Center in Berlin, in particular so that standard processes that are still performed at the local level can be pooled centrally to a greater extent. In this regard, the employee representatives and Executive Board of KWS SAAT SE negotiated a framework accommodation of interests and two company agreements in fiscal 2017/2018, to ensure that the measures, in particular the relocation of jobs, are implemented with the greatest possible social compatibility.

2.5.4 Social Commitment*

As an international company, we not only pursue our primary corporate purpose, but are also engaged in the fields of science and education and promote cultural and social projects. We believe that our society benefits from top-level science. We therefore focus our support in this field in particular – also to the benefit of up-and-coming scientists.

KWS' international support initiatives include capacity development programs in Peru and Ethiopia. Many local farmers there cannot afford fertilizer, pesticides and the machinery they need. A sustainable harvest in both countries therefore depends, in particular, on robust plant varieties that offer high resistance and good quality, as well as the know-how required to cultivate them efficiently. Despite intensive research, there are still not sufficient




It's the people at KWS who are the foundation of the future success of their company. Their personal development, their dedication and their satisfaction are vital factors in this success.

varieties adapted to the demanding cultivation conditions. The projects specifically aim to conserve domestic plant genetic resources and breed high-performance crop varieties that are adapted to local conditions so as to give farmers there access to quality seed. The focus is on corn and quinoa in Peru and on barley and wheat in Ethiopia. The projects aim to help the local population to help themselves. In cooperation with other partners, KWS is training young scientists and plant breeders in Peru and Ethiopia so that farmers there can work efficiently and independently using varieties adapted to local requirements.

In fiscal 2017/2018, we determined the scope of our social commitment worldwide. We spent a total of €1.1 million – or around 1% of our operating income (EBIT) – on social projects.

* Not an audited part of the Combined Management Report.

A misty morning landscape with a field of green plants in the foreground and trees in the background under a blue sky.

If you get up every
morning before dawn,
you won't sleep away
the future.

Wanting to go to work – not having to. That is independence. Your energy and drive motivate us. Day in and day out.



2.6 Corporate Governance

2.6.1 Corporate Governance Report and Declaration on Corporate Governance*

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. You can find the Compensation Report starting on page 56 of this Annual Report.

2.6.2 Compliance Declaration in Accordance with Section 161 AktG (German Stock Corporation Act)*

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 February 7, 2017, since the last compliance declaration in October 2017, 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 2018

The Supervisory Board

The Executive Board

* Not an audited part of the Combined Management Report



Got your eye on everything? Drone technology supports us in evaluating and documenting trials and practical areas. The high-resolution photos provide new perspectives for consultation and for farmers.

NFD 2.6.3 Business Ethics & Compliance

Compliance with basic principles of business ethics is vital to our license to operate. Binding principles of business conduct therefore apply to all employees of the KWS Group.

Group-wide ethical business principles

Our Code of Business Ethics gives employees crucial guidance in their day-to-day work and contains stipulations on compliance with the law, fair competition, safety at work, protection of the environment and the need to treat each other, customers, business partners, other third parties and public authorities with respect. All employees must undertake to comply with the code.

Preventive training and leadership

The central point of contact for all matters relating to business ethics is the Compliance department, which advises all divisions of the KWS Group in complying with laws, regulations and internal rules of conduct and controlling their observance. The focus is on the subjects of antitrust law, anti-corruption, data protection and capital market law.

The Chief Compliance Officer provides information about the compliance system and its principles, as well as about the latest issues and developments, in training courses, information events and workshops, and with a Compliance Newsletter. Apart from this information, a broad range of aids is also available to employees. Checklists, instructional leaflets and other guides provide practical tips on observing compliance rules in everyday work. All information

NFD and rules of conduct can be accessed by all employees worldwide on a Compliance site on KWS' intranet. In addition, all supervisors are obliged to inform their employees about compliance issues.

Reporting and investigation of potential compliance cases

Compliance cases are analyzed in accordance with KWS' regulations entitled "Procedures of Internal Compliance Notification." The open door principle applies to reporting suspected violations: Employees can supply information on them to their supervisor, directly to the Chief Compliance Officer or to the external compliance hotline, where cases can also be reported anonymously. The reported cases are investigated, as are anonymous tips. Whistle-blowers do not suffer any disadvantages, unless they have obviously abused their right to report violations. After the investigation has been completed, the whistle-blowers are informed of the results, as long as there are no legal reasons or legitimate interests against doing so or other disadvantages are to be feared.

Sanctions and consequences in the event of violations

If the suspected cases prove to be actual violations, the system of sanctions is applied. In general, it can be applied to all types of compliance violations and is also accessible to employees. The system of sanctions defines various criteria governing the measures to be taken, such as the gravity of the violations, the degree of the person's breach of duty, the functional level, behavior after the violation – help in investigating it or attempts to cover it up – as well as the consequences of the violation,

such as the threat of damage or actually incurred damage, among other things. The sanctions consequently range from cautions, warnings and reductions in bonuses to immediate dismissal and laying of a complaint.

Prevention of corruption and bribery

Anti-corruption management is an integral part of our compliance management work. On the basis of the regulations in the Code of Business Ethics, there is a policy of zero tolerance toward any form of corruption at the KWS Group and that principle is stipulated as a Group-wide standard in the Anti-Corruption Policy. This standard applies regardless of whether bribery is prohibited by law, tolerated or permitted in the country in question. The Group-wide Anti-Corruption Policy defines the responsibilities, processes and regulations in relation to preventing corruption and bribery at the KWS Group. The central Compliance department is responsible for informing employees and provides relevant material.

Monitoring

Implementation of individual compliance aspects is reviewed as part of audits. The Compliance department also conducts regular compliance risk analyses for all divisions and regions and derives measures for improvement from them. In addition, the companies are asked to supply key performance indicators once a year along with the data for the annual financial statements. According to them, no incidents of corruption that were subsequently confirmed were reported to headquarters in fiscal 2017/2018. No violations of antitrust, anti-corruption and data protection legislation, and so no related fines, were reported to headquarters, either.

The Executive Board is informed once a year about the current status and latest developments of the Compliance Management System.

Suppliers and service providers

KWS also expects its suppliers, service providers, their employees and subcontractors (jointly termed "suppliers") to act responsibly and in a spirit of sustainability. The requirements for our suppliers are specified in the Code of Business Ethics for Suppliers and include respect for, and obligation to,

maintain human rights, equal treatment and anti-discrimination, safety at work, protection of the environment and avoidance of corruption.

We are currently reorganizing our purchasing organization. As part of that, fundamental corporate social responsibility aspects will be incorporated in the guidelines and requirements, in selecting suppliers and as part of management's work.

2.6.4 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 the Executive Board was set by the Supervisory Board in 2010 and approved by the Annual Shareholders' Meeting. The Executive Board's compensation 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:

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

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 consolidated 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 fiscal year.

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 2017/2018, €306 (306) thousand was paid to a provident fund backed by a guarantee for pension commitments to members of the Executive Board. A further €111 (–204) thousand was allocated to the pension provisions in accordance with IAS 19 (of which €22 thousand was interest expenses and €89 thousand from revaluation effects due to adjusted Heubeck mortality tables). There were thus pension provisions totaling €1,291 (1,180) thousand for the members of the Executive Board of KWS SAAT SE.

Pension commitments

in €	06/30/2018	06/30/2017	Interest expenses	Revaluation effects
Dr. Hagen Duenbostel	938,928.00	852,085.00	16,190.00	70,653.00
Dr. Peter Hofmann	352,134.00	327,562.00	6,224.00	18,348.00
Total	1,291,062.00	1,179,647.00	22,414.00	89,001.00

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 €4,016 (3,772) thousand in fiscal 2017/2018; 34.3% (36.7%) was accounted for by the basic annual salary, including fringe benefits, 47.3%

(47.9%) by annual variable components and 18.5% (15.4%) by multiyear 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 2017/2018

in €	Cash compensation			Total	LTI FV ¹ Grant	Total	LTI Cost
	Basic compensation	Fringe benefits	Performance-related bonus				
Dr. Hagen Duenbostel	375,000.00	21,686.48	478,313.52	875,000.00	214,116.10	1,089,116.10	231,635.44
Dr. Léon Broers	300,000.00	23,724.44	476,275.56	800,000.00	214,116.10	1,014,116.10	217,245.89
Dr. Peter Hofmann	300,000.00	23,792.93	476,207.07	800,000.00	162,741.00	962,741.00	44,122.41
Eva Kienle	300,000.00	31,282.37	468,717.63	800,000.00	149,977.00	949,977.00	60,986.87
Total	1,275,000.00	100,486.22	1,899,513.78	3,275,000.00	740,950.20	4,015,950.20	553,990.61

Total compensation for the Executive Board 2016/2017

in €	Cash compensation			Total	LTI FV ¹ Grant	Total	LTI Cost
	Basic compensation	Fringe benefits	Performance-related bonus				
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
Total	1,275,000.00	108,569.60	1,805,830.72	3,189,400.32	582,550.02	3,771,950.34	635,114.09

¹ Long-term incentive fair value.

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,575 (1,774) thousand, of which €0 (96) thousand was payment under a consultancy agreement. Pension commitments in accordance with IAS 19 (2011) recognized for this group of persons amounted to €7,315 (7,337) thousand as of June 30, 2018. 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 2017/2018 and 2016/2017 (amounts paid) is stated for the one-year variable payment (performance-related bonus), as is the amount for the multiyear 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	
			2017/2018	2016/2017	2017/2018	2016/2017	
		Min.	Max.				
Dr. Hagen Duenbostel (Chief Executive Officer)							
Fixed payment	375,000.00	375,000.00	375,000.00	375,000.00	375,000.00	375,000.00	
Fringe benefits	21,686.48	21,686.48	21,686.48	29,316.14	21,686.48	29,316.14	
Subtotal	396,686.48	396,686.48	396,686.48	404,316.14	396,686.48	404,316.14	
Performance-related bonus	470,827.83	0.00	478,313.52	449,253.30	477,876.64	451,457.68	
Total cash compensation	867,514.31	396,686.48	875,000.00	853,569.44	874,563.12	855,773.82	
Multiyear variable payment							
LTI 2010/2011						414,433.23	
LTI 2011/2012					297,479.52		
LTI 2015/2016				199,823.52			
LTI 2016/2017	214,116.10	0.00	451,235.69				
Subtotal	1,081,630.41	396,686.48	1,326,235.69	1,053,392.96	1,172,042.64	1,270,207.05	
Pension costs ¹	106,190.00	106,190.00	106,190.00	103,195.00	106,190.00	103,195.00	
Total compensation	1,187,820.41	502,876.48	1,432,425.69	1,156,587.96	1,278,232.64	1,373,402.05	
Maximum compensation ²			1,765,000.00				

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

in €				Grant		Receipt	
			2017/2018	2016/2017	2017/2018	2016/2017	
		Min.	Max.				
Dr. Léon Broers							
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	
Fringe benefits	23,724.44	23,724.44	23,724.44	23,801.47	23,724.44	23,801.47	
Subtotal	323,724.44	323,724.44	323,724.44	323,801.47	323,724.44	323,801.47	
Performance-related bonus	470,827.83	0.00	476,275.56	449,253.30	476,275.56	451,457.68	
Total cash compensation	794,552.27	323,724.44	800,000.00	773,054.77	800,000.00	775,259.15	
Multiyear variable payment							
LTI 2010/2011						221,364.43	
LTI 2011/2012					229,805.09		
LTI 2015/2016				199,823.52			
LTI 2016/2017	214,116.10	0.00	338,426.77				
Subtotal	1,008,668.37	323,724.44	1,138,426.77	972,878.29	1,029,805.09	996,623.58	
Pension costs ¹	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	
Total compensation	1,080,668.37	395,724.44	1,210,426.77	1,044,878.29	1,101,805.09	1,068,623.58	
Maximum compensation ²			1,547,000.00				

¹ 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.
² 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	
	2017/2018		2016/2017	2017/2018	2016/2017	
	Min.	Max.				
Dr. Peter Hofmann						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	23,792.93	23,792.93	23,792.93	22,623.40	23,792.93	22,623.40
Subtotal	323,792.93	323,792.93	323,792.93	322,623.40	323,792.93	322,623.40
Performance-related bonus	470,827.83	0.00	476,207.07	449,253.30	476,207.07	451,457.68
Total cash compensation	794,620.76	323,792.93	800,000.00	771,876.70	800,000.00	774,081.08
Multiyear variable payment						
LTI 2010/2011						0.00
LTI 2011/2012					0.00	
LTI 2015/2016				82,991.22		
LTI 2016/2017	162,741.00	0.00	257,224.52			
Subtotal	957,361.76	323,792.93	1,057,224.52	854,867.92	800,000.00	774,081.08
Pension costs ¹	78,224.00	78,224.00	78,224.00	76,792.00	78,224.00	76,792.00
Total compensation	1,035,585.76	402,016.93	1,135,448.52	931,659.92	878,224.00	850,873.08
Maximum compensation ²			1,247,000.00			

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

in €	Grant				Receipt	
	2017/2018		2016/2017	2017/2018	2016/2017	
	Min.	Max.				
Eva Kienle						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	31,282.37	31,282.37	31,282.37	32,828.59	31,282.37	32,828.59
Subtotal	331,282.37	331,282.37	331,282.37	332,828.59	331,282.37	332,828.59
Performance-related bonus	468,717.63	0.00	468,717.63	449,253.30	468,717.63	451,457.68
Total cash compensation	800,000.00	331,282.37	800,000.00	782,081.89	800,000.00	784,286.27
Multiyear variable payment						
LTI 2010/2011						0.00
LTI 2011/2012					0.00	
LTI 2015/2016				99,911.76		
LTI 2016/2017	149,977.00	0.00	237,050.05			
Subtotal	949,977.00	331,282.37	1,037,050.05	881,993.65	800,000.00	784,286.27
Pension costs ¹	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00
Total compensation	1,021,977.00	403,282.37	1,109,050.05	953,993.65	872,000.00	856,286.27
Maximum compensation ²			1,247,000.00			

¹ 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.

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

Total compensation for the Supervisory Board

in €	Fixed	Work on committees	Total 2017/2018	Total 2016/2017
Dr. Andreas J. Büchting ¹	180,000.00	0.00	180,000.00	168,000.00
Dr. Arend Oetker ²				42,000.00
Dr. Marie Theres Schnell ³	75,000.00	10,000.00	85,000.00	28,000.00
Hubertus von Baumbach ⁴	45,000.00	30,000.00	75,000.00	82,500.00
Victor W. Balli ⁵	30,000.00	30,000.00	60,000.00	
Jürgen Bolduan	60,000.00	20,000.00	80,000.00	66,000.00
Cathrina Claas-Mühlhäuser	60,000.00	10,000.00	70,000.00	61,000.00
Christine Coenen ⁶	30,000.00	0.00	30,000.00	
Dr. Berthold Niehoff ⁷	30,000.00	0.00	30,000.00	56,000.00
	510,000.00	100,000.00	610,000.00	503,500.00

¹ Chairman.

² Deputy Chairman until 12/15/2016.

³ Deputy Chairman since 12/14/2017.

⁴ Deputy Chairman since 12/15/2016, Chairman of the Audit Committee until 12/14/2017.

⁵ Chairman of the Audit Committee since 12/14/2017.

⁶ Since 12/14/2017.

⁷ Until 12/14/2017.

Compensation for members of the Supervisory Board

Pursuant to the resolution adopted by the Annual Shareholders' Meeting on December 14, 2017, the compensation of KWS SAAT SE's Supervisory Board was converted to a purely fixed compensation effective the start of fiscal 2017/2018, in line with recent trends for the remuneration of supervisory board members at large listed companies in Germany. The compensation system was thus adjusted for the first time since 2009. The compensation is based on the size of the company and the duties and responsibilities of the members of the Supervisory Board. The company believes that the fixed compensation structure, which is therefore no longer linked to the company's business performance, means that the Supervisory Board can better exercise its control function. The change also reflected the greater sphere of responsibility of the Supervisory Board and its bodies, especially that of the Audit Committee. The compensation system for the Supervisory Board still complies with the recommendations of the German Corporate Governance Code.

The members of the Supervisory Board receive a fixed annual payment of €60,000 for their work. The Chairperson receives three times and the Deputy Chairperson one-and-a-half times the said amount. Members of the Supervisory Board receive separate payment for their work on committees; the Chairperson of the

Supervisory Board does not receive additional compensation for his or her work on committees. Members of the Supervisory Board who are members of a committee receive an additional payment of €10,000 therefor. The Chairperson of a committee receives two times the said amount. The additional compensation for members of the Audit Committee is €20,000. The Chairperson of the Audit Committee receives three times the said amount. Additional compensation is owed only for participation in one committee, namely at the amount that is the highest to which the member in question is entitled for his or her work on a committee. If a person is a member of the Supervisory Board or a committee, or holds the office of Chairperson or Deputy Chairperson of the Supervisory Board or Chairperson of a committee for only part of the fiscal year, or if a fiscal year is shorter than the calendar year, the payment is granted only on a pro rata temporis basis. Members of the Supervisory Board also receive reimbursement of their expenses incurred in connection with exercise of their office and the value added tax due on their payment and on their expenses.

The compensation for the Supervisory Board in the year under review was higher than in the previous year due to the conversion to a purely fixed compensation as explained above. Total compensation was €610 (504) thousand exclusive of value added tax. In the previous year, 47% or €238 thousand of the total compensation was performance-related.

2.6.5 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 Section 289a (1) and Section 315a (1) HGB (German Commercial Code)

Composition of the subscribed capital

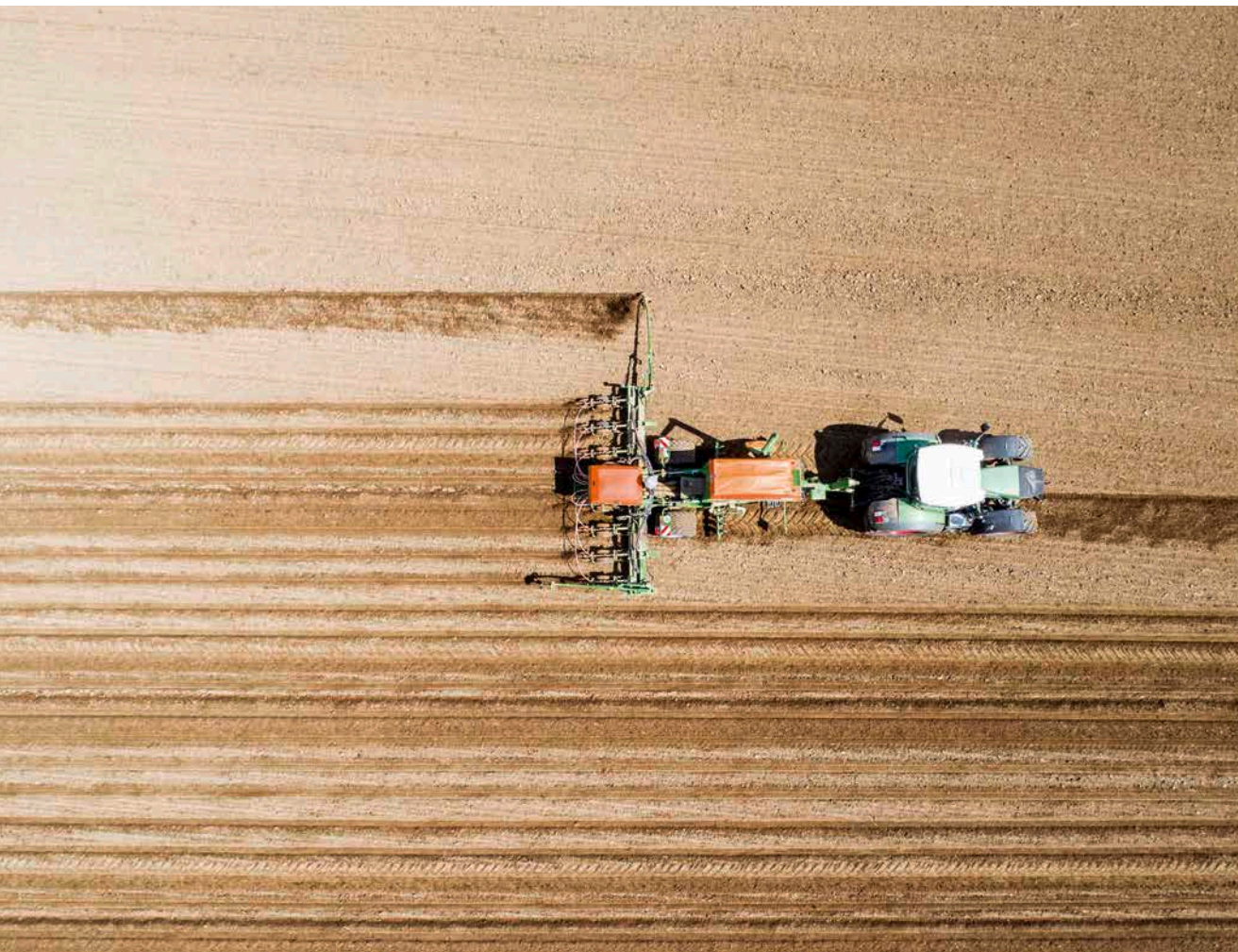
The subscribed capital of KWS SAAT SE is €19.8 million. It is divided into 6.6 million bearer shares. Each share grants the holder the right to cast one vote at the Annual Shareholders' Meeting.

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 44 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 the 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.

Ready – set – go! In determining the right time for planting, assistance comes from KWS' digital tools and computers as well as our personal advisers.



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 33 and Section 34 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
- RETOKE Holding Vermögensverwaltungs-gesellschaft mbH & Co. KG, Bad Schwartau³
- Dr. Marie Th. 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 members, companies and foundations of the Büchting and Arend Oetker families listed above exceed 10% and total 54.6% for:

- Dr. Arend 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.

³ Formerly Kommanditgesellschaft Dr. Arend Oetker Vermögensgesellschaft mbH & Co., Berlin.



Personal dialogue with vision: KWS lives from farmers' trust. We have acquired that trust over generations by being close at hand to help them, always taking their concerns and commercial ambitions seriously and proving time and again to be a reliable partner.

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 and governing the case of a change in control stipulate that any such compensation will be limited to the applicable maximum amounts specified by the German Corporate Governance Code.

2.7 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.

2.7.1 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 ten-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 tropical 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 tropical 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 improve cost structures.

2.7.2 Risks

We define a risk as a potential future event with a negative impact on our earnings, financial position and assets. In the past fiscal year, we added the potential negative impacts on the environment and society resulting from our business activities, products and supply chain to the definition of risks, so that they can be addressed adequately in our management processes.

Organizational structure of the risk management system

The Executive Board is responsible for risk management. The Group functions Corporate Finance, Corporate Compliance Office, Corporate

Development & Communications and Corporate Controlling each assume specific operational tasks (see the figure). The Corporate Management Circle, consisting of the first and second management tiers, forms the Risk Committee of KWS.

KWS' 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.

Structure of risk management at the KWS Group

	Tasks
Corporate Finance	<ul style="list-style-type: none"> ■ Early detection of risks ■ Risk management ■ Interest and currency management ■ Insurance ■ Loan management ■ Damage prevention ■ Internal auditing
Corporate Controlling	<ul style="list-style-type: none"> ■ Planning/budget ■ Current expectations
Corporate Development & Communications	<ul style="list-style-type: none"> ■ Integrated Management System ■ Rules, Guidelines & Procedures (RGPs) ■ Auditing and case management ■ Excellence Through Stewardship (ETS) ■ Sustainability management ■ Non-financial accounting
Corporate Compliance Office	<ul style="list-style-type: none"> ■ Compliance Management System ■ Compliance Risk Assessment ■ Compliance training ■ External audits ■ Examinations

As part of its audit of the annual financial statements for fiscal year 2017/2018, 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).

Brief description of the risk management system

The objective of the risk management system is to record and assess all the main risks and counter them with suitable measures. With proactive measures, we reduce or avoid negative impacts on our corporate objectives so that we can survive and thrive on the world market.



Artistic change of perspective: Our trial fields near Selgenstadt – chosen for their orderliness and well-arranged layout.

The persons responsible for the Group companies and specific functions within the Group are integrated in KWS' risk management system. Risk Management coordinates the process and supports the departments. Risks are assessed by Risk Management and the Risk Committee.

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 below as part of assessment. Following a suggestion by KWS' Audit Committee, the respective EBIT thresholds were raised in the year under review to reflect the change in the KWS Group's earnings, so as to obtain more reasonable materiality thresholds.

Scheme for assessing individual risks

		Likelihood of occurrence		
		Low <20%	Moderate 20%–60%	High ≥ 60%
EBIT risk ¹	Very low < €3 million	Moderate	Moderate	Moderate
	Low €3 million–€7 million	Moderate	Moderate	Substantial
	Moderate €7 million–€13 million	Substantial	Substantial	Critical
	High ≥ €13 million	Critical	Critical	Critical

¹ Before measures.

Appropriate countermeasures are formulated and analyzed for all recorded 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 the risk categories presented in the following and assessed, taking the initiated measures into account.

Risks are controlled systematically by continuous 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.

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.

Aggregated risk categories

Risk category	Likelihood of occurrence	Extent of damage
Market risks	High	High
Product risks	High	Moderate
Procurement risks	Low	Low
Product risks	Low	High
Environmental and social 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 political risks in many countries in the strongly regulated international agricultural industry. There is uncertainty in Ukraine, and continued sanctions against Russia might negatively impact our business activities there. We generated net sales totaling €79.5 (68.3) million in these two countries in fiscal 2017/2018. Other important growth countries for KWS face economic and political difficulties, too. The impact of the United Kingdom's decision to leave the EU (Brexit) does not appear to be 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 2017/2018, we hedged our research & development expenditure and intra-group loans almost completely in order to avoid exchange rate risks.

There have been no significant changes for KWS as part of the now completed process of consolidation in the agricultural industry. We still do not expect any negative impact on our business in the short term. There are opportunities and risks from market consolidation in the medium to long term.

Production risks

Seed production is dependent on the weather. We reduce the risk of crop failures by multiplying seed – depending on the crop – in separate locations and regions in Europe, North and South America and Asia. We can carry out contra-seasonal multiplication in the winter half-year in the southern hemisphere if there are bottlenecks in the volume of seed produced.

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 high quality of our seed should

also reduce claims for damages under product liability law. We also have product liability insurance to defend against unjustified claims and to settle justified claims.

Product risks

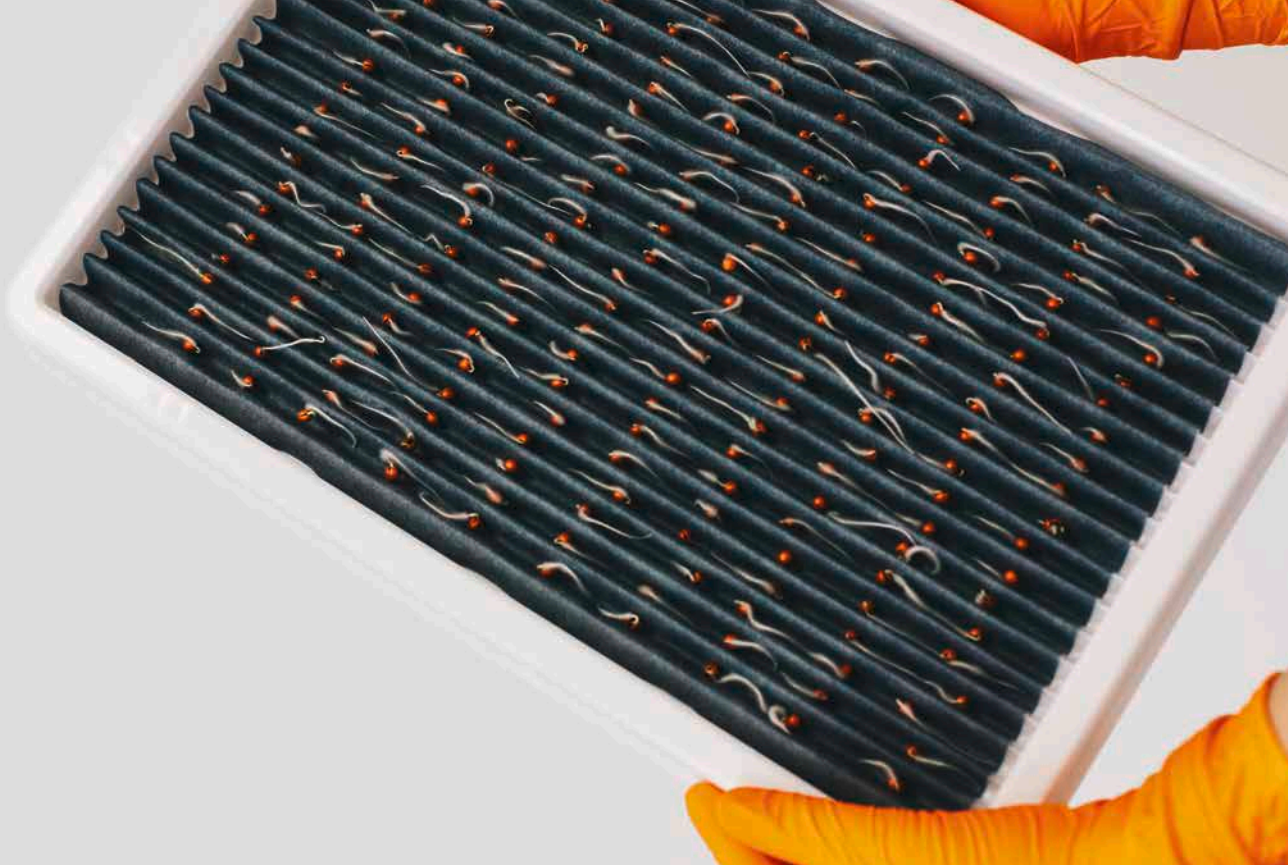
Our quality controls of conventional seed include an examination to determine that it is free of GMOs. Very strict requirements must be met regarding management of genetically modified products, in particular, to prevent GMOs becoming mixed with conventional seed. In the absence of a standardized legal 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 with suppliers, licensors, customers, employees, lenders and investors and may result in payments or other obligations. There were no significant legal proceedings in fiscal 2017/2018.

Under our compliance policy and the Code of Business Ethics, we obligate our employees to undertake to act in accordance with laws, contracts, internal guidelines and our corporate values, and raise their awareness in this regard. In addition, we regularly hold international compliance training courses.



Trust is good – and control is vital. To develop the best varieties, in Research & Development we continuously check the current status of our plants.

Personnel risks

Our HR strategy aims to recruit and keep qualified employees at KWS. KWS also faces the 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 this risk 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 to 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. IT service providers constantly examine our IT security and system authorizations so that we can obtain recommendations for optimization measures through an external risk assessment.

Overall statement on the risk situation by the Executive Board

Our risk situation essentially remained essentially the same in fiscal 2017/2018. The most important risks are still related to the market and products. Our business in emerging countries and in foreign currency continues to grow 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. However, we cannot rule out the possibility that other factors that are currently unknown or which are not assessed as significant may jeopardize the continued existence of the KWS Group in the future.

2.8 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 2018/2019 on June 30, 2019. 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.

2.8.1 Changes in the KWS Group's Composition that are Significant for the Forecast

There have not been any significant changes in the KWS Group's composition that are of significance for the forecast for its business performance in fiscal 2018/2019.

2.8.2 Forecast for the KWS Group's Statement of Comprehensive Income

There have been no fundamental changes to the economic environment and agricultural policy that impact the assumptions on which we base our forecast. We anticipate a slight reduction in the sugarbeet cultivation area in the EU and North America and an increase in Eastern Europe. We expect a largely stable cultivation area for our corn and cereals seed business. Due to the continued high level of supply for cereals, corn and sugar worldwide, there will also likely be fierce competition and heavy pressure on prices for seed in most markets. In view of the current geopolitical situation, we expect – as

in the previous year – the strongest exchange rate effects to come from the regions North and South America, Eastern Europe and Turkey, but also in China.

We expect a slight increase in the KWS Group's net sales on the back of an improvement in corn seed business, among other things in Brazil. As far as can be seen at present, the EBIT margin will be between 10.0% and 12.0%, despite a significant increase in our research & development and distribution activities and a decline in sugarbeet seed business. Expansion of our research & development activities will result in an increase in the R&D intensity to around 19%. Our capital spending in fiscal 2018/2019 will focus on expanding our processing, production and research capacities and, as far as can be seen at present, will exceed €100 million. 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 areas, more detailed statements on our net sales and earnings performance cannot yet be made with sufficient reliability.

2.8.3 Forecast for the Segments

We anticipate that net sales in the **Corn Segment** will increase again sharply in fiscal 2018/2019 following the decline in the year under review. In most regions, but particularly in South America and also Europe, we will likely post higher sales volumes for seed, despite the fact that, by and large, there will still be no change in the heavy pressure on prices. In North America, we expect a decline in cultivation areas and an environment where competition remains fierce, but also anticipate that net sales will rise slightly – as in the other regions. In the latter, we expect to perform positively in China in

particular. The concrete sales of corn seed there will depend, among other things, on the development of soybean imports from the U.S. Corn, like soybean, is an important source of fodder in China. As far as can be seen at present, the EBIT margin will be well above the previous year's figure (6.5%), even though there will be a planned increase of around €14 million in our research & development and distribution expenditures.

In the **Sugarbeet Segment**, our consistently high-yielding portfolio of varieties will probably mean another successful year for us. As far as can be seen at present, however, the surplus supply of sugar on the world market will result in declines in cultivation area in the EU and North America, and so lower sales volumes for seed overall. These significant factors mean that we will probably not be able to match our good net sales and earnings figures from the previous year. We therefore expect the segment's net sales to be slightly down from the previous year (€455.1 million). As far as can be seen at present, the EBIT margin will also be lower than in the year under review (35.3%), among other things due to higher research & development and distribution expenditures.

The success of our cereals seed business depends greatly on the fall sowing season in the northern hemisphere, which commences in September of each year. Its concrete performance will depend on conditions in the sowing season, which were not ideal in terms of the weather at the time this report was created. We currently anticipate a slight increase in net sales in the **Cereals Segment** as a result of growth in rye sales in Germany. We assume that net sales for rapeseed, wheat and barley seed will remain stable or fall slightly. The segment's earnings will benefit from an increase in sales of rye seed. However, we are planning to spend around €7 million more on our research & development and distribution activities. Consequently, the segment's EBIT margin will probably fall slightly compared to the figure for the year under review (12.2%).

Revenue from our farms in Germany is grouped in the **Corporate Segment**. It should again 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 usually negative. In our corporate planning for fiscal 2018/2019, its costs will rise due to the planned expansion of our business activity and the current reorganization of our administration (see page 19 and 20). Income will likely be between €-80 and €-90 million.

Forecast for the 2018/2019 fiscal year

	Net sales growth	EBIT margin	R&D intensity
Statement of comprehensive income of the KWS Group	Slight increase in net sales	10–12%	Around 19%

2.9 Report on KWS SAAT SE and Non-Financial Declaration (Declaration based on the German Commercial Code (HGB))

2.9.1 KWS SAAT SE

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 289f 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 on the Internet at 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 KWS Group's Annual Report

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	56 to 64
On business activity, corporate strategy, corporate controlling and management, as well as explanations on business performance	18 to 42
On the dividend	130 (Notes)
On Research & Development	23 to 28

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 & 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.

Earnings

KWS SAAT SE's net sales increased in fiscal 2017/2018 by 4.6% to €532.0 (508.4) million. That was in line with the expectations of a slight rise in net sales we forecast. This rise is mainly attributable to the increase in revenue from sugarbeet seed. Research & development expenditure, which is pooled at KWS SAAT SE, was increased to €173.8 (165.0) million. Selling expenses rose slightly to €65.0 (60.6) 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 €69.6 (50.1) million. One reason for the increase is higher consulting and personnel costs as part of the process of optimizing the organizational structure. The balance of other operating income and other operating expenses was €-2.3 (11.0) million, primarily due to lower currency translation gains and higher

allowances for receivables. Overall, KWS SAAT SE's operating income was thus €-12.1 (23.4) million and so, as we had forecast, fell sharply. Net financial income/expenses is made up of the net income from equity investments from eleven (eleven) companies and the interest result. Net income from equity investments rose by €9.3 million to €39.2 (29.9) million. The profits paid over under Profit and Loss Transfer Agreements were €14.0 (17.8) million in the fiscal year. The interest result was €4.2 (4.2) million, on a par with the previous year. Taking into account tax expenditures, net income for the year was €22.1 (34.6) million.

Financial position and assets

KWS SAAT SE's total assets increased in fiscal 2017/2018 by €25.8 million to €935.5 (909.7) million. Fixed assets at the balance sheet date were €525.8 (498.7) million or 56.2% 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 and construction of a machine hall for a production plant was commenced in the year under review. Current assets fell to €68.5 (71.9) million due to the reduction in inventories. Receivables and other assets were €213.4 million and so were at the level of the previous year (€211.4 million). KWS SAAT SE's equity

increased by €1.0 million to €282.3 (281.3) million, giving an equity ratio of 30.1% (30.9%). Liabilities to affiliated companies rose to €319.7 (266.8) million, mainly due to financing activities. KWS SAAT SE's total liabilities at the balance sheet date were €508.6 (495.3) million.

Employees

An average of 1,484 (1,434) people were employed at KWS SAAT SE in the year under review, of whom 109 (114) 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 (4) of the German Commercial Code (HGB)) on pages 65 to 70.

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 expect a slight decline in net sales as a result of the anticipated reductions in cultivation areas, in particular in the EU. KWS SAAT SE's net sales from corn in Europe are expected to be at the level of fiscal 2017/2018 due to the still challenging environment. All in all, we expect that KWS SAAT SE will post a slight year-on-year drop in net sales. 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 spending on research & development and on distribution activities, as well as a slight decline in income from sugarbeet, will probably reduce KWS SAAT SE's EBIT significantly once more.

We make use of contra-seasonal possibilities in the tropical climates of the southern hemisphere to expand production options for corn.



2.9.2 Combined Non-Financial Declaration for the KWS Group

In accordance with Sections 289b et seq. and Sections 315b et seq. of the German Commercial Code (HGB), KWS is obliged to prepare a Non-Financial Declaration for the parent company KWS SAAT SE and the Group disclosing details of the business model and related material corporate social responsibility (CSR) aspects (environmental issues, social issues, employee issues, human rights, and prevention of corruption and bribery), where these are necessary for an understanding of the course of business, business results, the situation of KWS SAAT SE and the KWS Group, and the effects on said aspects. The disclosures in the Combined Non-Financial Declaration relate to both KWS SAAT SE and the KWS Group, unless otherwise specified.

In order to identify issues that need to be reported in the Non-Financial Declaration, the relevant issues from an existing GRI materiality analysis were systematically reassessed to determine their impact on the environment and society and on the position of the KWS Group. On the basis of this analysis, ten issues were identified as material within the meaning

of the statutory regulations. They include product innovations, yield optimization, product quality, product safety, genetic engineering, education and further training, plant and process safety, compliance and anti-corruption. They were then consolidated into four issues: product innovations, plant and process safety, recruitment and qualification, and business ethics and compliance.

The table below gives an overview of the CSR report aspects stipulated by law in accordance with Section 289c of the German Commercial Code (HGB) and other associated issues that require reporting, as well as references to the sections in which the required disclosures on concepts, results, risks and key performance indicators are made. We did not identify any issue that required reporting for the aspect of social issues. We also did not identify any risks that exceeded the statutory materiality threshold defined in Section 289c (3) of the German Commercial Code (HGB). In addition, the KWS Group has not defined any non-financial performance indicators relating to controlling at present.

We were guided by the GRI standards in preparing the Non-Financial Declaration.

Index for the Non-Financial Declaration

Required HGB disclosures	Material issues for KWS	Reference to sections
Business model	–	2.1 Fundamentals of the KWS Group
Environmental issues	Product innovations	2.4.1 Product Innovations
	Plant and process safety	2.4.2 Plant and Process Safety
Employee issues	Recruitment and qualification	2.5.2 Recruitment and Qualification
Corruption and bribery	Business ethics and compliance	2.6.3 Business Ethics and Compliance
Human rights	Business ethics and compliance	2.6.3 Business Ethics and Compliance
Social issues	After an internal analysis for fiscal 2017/2018, this issue was regarded as not being material, so no disclosures have to be made on it.	



You don't become a
seed specialist over-
night, but through hard
work in the field.

We think about tomorrow today. And pass on knowledge and values – as we have done and will do for generations. We think independently and practice sustainability.



3. Annual Financial Statements for the KWS Group 2017/2018

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Statement of Comprehensive Income

July 1 to June 30

in € thousand	Note no.	2017/2018	2016/2017
I. Income statement			
Net sales	5.1	1,068,012	1,075,244
Cost of sales		446,063	493,922
Gross profit on sales		621,949	581,322
Selling expenses		201,537	200,676
Research & development expenses		197,696	190,327
General and administrative expenses		95,793	79,833
Other operating income	5.2	65,668	69,706
Other operating expenses	5.3	60,035	48,601
Operating income		132,556	131,591
Interest and similar income		4,046	3,101
Interest and similar expenses		12,026	11,410
Income from equity-accounted financial assets		13,414	24,935
Other net income from equity investments		0	-27
Net financial income/expenses	5.4	5,434	16,599
Results of ordinary activities		137,990	148,190
Taxes	5.5	38,333	50,478
Net income for the year	5.8	99,657	97,712
II. Other comprehensive income			
Revaluation of available-for-sale financial assets	4.12	261	-262
Currency translation difference for economically independent foreign units		-28,913	-13,194
Currency translation difference from equity-accounted financial assets		-2,650	-3,817
Items that may have to be subsequently reclassified as profit or loss		-31,302	-17,273
Items not reclassified as profit or loss		-2,442	8,459
Other comprehensive income after tax		-33,744	-8,814
III. Comprehensive income (total of I. and II.)			
Net income after shares of minority interests		99,521	97,549
Share of minority interests		136	163
Net income for the year		99,657	97,712
Comprehensive income after shares of minority interests		65,776	88,735
Share of minority interests		137	163
Comprehensive income		65,913	88,898
Earnings per share (in €)		15.08	14.78

Balance Sheet

Assets

in € thousand	Note no.	06/30/2018	06/30/2017
Intangible assets	4.2	85,465	87,432
Property, plant and equipment	4.3	401,687	389,345
Equity-accounted financial assets	4.4	150,424	151,769
Financial assets	4.6	3,605	3,069
Noncurrent tax assets	4.7	822	2,011
Other noncurrent financial assets		1	32
Deferred tax assets	5.5	49,247	46,535
Noncurrent assets		691,251	680,193
Inventories	4.8	180,980	194,919
Biological assets	4.8	14,339	13,562
Trade receivables	4.9	310,141	302,571
Securities	4.10	18,282	9,455
Cash and cash equivalents	4.11	174,300	181,913
Current tax assets	4.9	56,772	59,975
Other current financial assets	4.9	52,922	40,573
Other current assets	4.9	18,694	12,064
Current assets		826,430	815,032
Total assets		1,517,681	1,495,225

Equity and liabilities

in € thousand	Note no.	06/30/2018	06/30/2017
Subscribed capital		19,800	19,800
Capital reserve		5,530	5,530
Retained earnings		853,640	809,132
Minority interest	4.13	2,813	2,534
Equity	4.12	881,783	836,996
Long-term provisions		127,833	125,408
Long-term borrowings		168,698	200,828
Trade payables		968	1,217
Deferred tax liabilities	5.5	19,342	12,721
Other noncurrent financial liabilities		288	1,306
Other noncurrent liabilities		17,194	17,405
Noncurrent liabilities	4.14	334,323	358,885
Short-term provisions		42,311	72,774
Short-term borrowings		61,287	39,065
Trade payables		75,721	75,400
Current tax liabilities		39,171	25,620
Other current financial liabilities		11,288	16,318
Other current liabilities		71,797	70,167
Current liabilities	4.15	301,575	299,344
Liabilities		635,898	658,229
Total equity and liabilities		1,517,681	1,495,225

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
07/01/2016	19,800	5,530	794,000	-14,162	9,461	242
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		
06/30/2017	19,800	5,530	871,749	-27,356	5,644	-20
Dividends paid			-21,120			
Net income for the year			99,521			
Other comprehensive income after tax				-28,914	-2,650	261
Total consolidated gains (losses)	0	0	99,521	-28,914	-2,650	261
Change in shares of minority interests			0	0		
Other changes	0	0	-148	0	0	0
06/30/2018	19,800	5,530	950,002	-56,270	2,994	241

Parent company			Minority interest					Group equity	
Comprehensive other Group income		Total	Minority interest	Comprehensive other Group income			Total		
Revaluation of defined benefit plans	Other transactions			Adjustments from currency translation	Revaluation of defined benefit plans	Other transactions			
-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	0	-8,814		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	
		-21,120	0				0	-21,120	
		99,521	136				136	99,657	
-2,442	0	-33,745		1		0	1	-33,744	
-2,442	0	65,776	136	1	0	0	137	65,913	
		0	142	0			142	142	
0	0	-148	0	0	0	0	0	-148	
-44,783	1,456	878,970	3,763	-93	0	-857	2,813	881,783	

Cash Flow Statement

July 1 to June 30

in € thousand	Note no.	2017/2018	2016/2017
Net income for the year		99,657	97,712
Depreciation/reversal of impairment losses (-) on property, plant and equipment		49,864	49,353
Increase/decrease (-) in long-term provisions		2,421	-10,906
Other noncash expenses/income (-)		-4,740	-30,751
Cash earnings		147,202	105,408
Increase/decrease (-) in short-term provisions		-44,290	-4,594
Net gain (-)/loss from the disposal of assets		34	-1,692
Income tax expense (+)/-income (-)		34,250	54,077
Income tax payments (-)/-refunds (+)		-16,451	-52,610
Increase (-)/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		-55,500	-26,590
Increase/decrease (-) in trade payables and other liabilities not attributable to investing or financing activities		20,708	31,494
Proceeds and payments (+) from/for equity-accounted companies		12,110	16,861
Net cash from operating activities	6.1	98,062	122,354
Proceeds from disposals of property, plant and equipment		1,592	2,840
Payments (-) for capital expenditure on property, plant and equipment		-55,133	-57,125
Proceeds from disposals of intangible assets		1	2,930
Payments (-) for capital expenditure on intangible assets		-12,535	-12,752
Proceeds from disposals of financial assets		227	626
Payments (-) for capital expenditure on financial assets		-744	-1,279
Receipts from the disposal of consolidated subsidiaries and other business units		-1,479	0
Net cash from investing activities	6.2	-68,071	-64,760
Dividend payments (-) to owners and minority shareholders		-21,120	-19,860
Cash proceeds from long-term borrowings		4,431	125,256
Cash repayments of long-term borrowings		-30,816	-151,345
Changes from proceeds (+)/repayments (-) of short-term borrowings		22,221	16,345
Net cash from financing activities	6.3	-25,284	-29,604
Net cash changes in cash and cash equivalents		4,707	27,990
Changes in cash and cash equivalents due to exchange rate, consolidated group and measurement changes		-3,494	-525
Cash and cash equivalents at beginning of year		191,368	163,903
Cash and cash equivalents at end of year	6.4	192,582	191,368

Notes for the KWS Group 2017/2018

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 315e 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 the breeding of new varieties, multiplication and processing, to the 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 2017/2018: Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses; amendments to IAS 7 – Statement of Cash Flows: Disclosure Initiative. The new revisions to the standards 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 2017/2018 was not yet mandatory:

To be applied in the future

Financial reporting standards and interpretations	Mandatory first-time application
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
IFRIC 23 – Uncertainty over Income Tax Treatments	Fiscal year 2019/2020
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	Fiscal year 2019/2020
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	Fiscal year 2019/2020
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	Fiscal year 2019/2020
Annual Improvements to the International Financial Reporting Standards (2015–2017 cycle)	Fiscal year 2019/2020
Conceptual Framework for Financial Reporting and Amendments to References to the Conceptual Framework in IFRS Standards	Fiscal year 2020/2021
IFRS 17 – Insurance Contracts	Fiscal year 2021/2022

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. The standard and the clarifications published in April 2016 have been adopted into European law by the EU. The objective of IFRS 15 is to introduce consistent, industry-independent regulations on revenue recognition that can generally be applied to all types of contracts with customers. IFRS 15 replaces IAS 11 (Construction Contracts), IAS 18 (Revenue), IFRIC 13 (Customer Loyalty Programs), 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). There are also expanded disclosure requirements.

The new standard provides a five-step model for recognizing revenues from customers. Under it, revenues are to be recognized to the amount to which a consideration from the customer for the assumed performance obligation (delivery of goods or provision of services) is expected, as soon as the company has transferred control over goods or services to a customer either over time or at a point in time.

The KWS Group will introduce IFRS 15 on the basis of the modified retrospective method, meaning any effects from the change will be recognized cumulatively in the revenue reserves at July 1, 2018. All common types of contract were analyzed for all Business Units as part of the Group-wide implementation project. The previous assessment that no significant impact on the time of revenue recognition for these types of contract were anticipated was confirmed. KWS will exercise the option of not adjusting the amount of the promised consideration by the effects of a financing component if the period for payment is less than twelve months. The analysis also revealed that there are no other separable performance obligations apart from seed deliveries. KWS will exercise the exemption permitted in IFRS 15.94 whereby, subject to the specified conditions, it may recognize the incremental costs of obtaining a contract as a current expense in the period.

The KWS Group will apply IFRS 15 for the first time for the fiscal year starting on July 1, 2018. Overall, the analysis revealed that first-time application of IFRS 15 does not have any significant impact on the KWS Group's assets, financial position and earnings.

IFRS 9 (Financial Instruments) replaces the current standard for reporting financial instruments, IAS 39 (Financial Instruments: Recognition and Measurement). It was adopted into European law in November 2016. The standard includes new requirements for classification, measurement, impairment and hedge accounting. IFRS 9 must be applied by KWS for the first time for fiscal year 2018/2019. Implementation of the new standard is being controlled as part of a Group-wide project.

The gross effect of applying it for the first time effective July 1, 2018, is €11,420 thousand. After recognition of deferred tax assets totaling €3,248 thousand, the net effect is €8,152 thousand. Since the country rating in accordance with IAS 39.A89 applies for the last time on June 30, 2018, the net effect from changing to the new standard is €4,754 thousand, which is recognized directly in equity under the revenue reserves. The effect from the change is due to measurement of receivables on the basis of the expected loss impairment model, measurement of cash and cash equivalents at banks, and the fact that the country rating no longer applies. The figures for the previous year have not been adjusted.

Apart from new obligations to disclose qualitative and quantitative information, IFRS 9 entails changes in the following three sub-areas:

Classification and measurement

Adoption of IFRS 9 means that measurement of financial assets at "amortized cost" or "fair value" will depend in the future on the underlying business model and the contractual terms giving rise to cash flows. Under KWS' business model, financial assets are generally held to maturity. Since the cash flows received usually constitute interest and repayment of the underlying receivable, the assets are still measured at amortized cost in the vast majority of cases, especially for trade receivables and other financial assets.

The method for classifying and measuring financial liabilities remains unchanged.

Impairments

The new regulations in IFRS 9 on recognizing credit losses and defaults relating to financial assets, including trade receivables, in the balance sheet are based on the premise of providing for expected losses (expected loss model). Impairments were previously recognized only if losses had already been incurred (incurred loss model). The Group's trade receivables are mainly due in a maximum of twelve months and so do not usually include a financing component. Customer and country ratings, as well as a recovery rate, have been used by market data service providers to calculate the probability of default for receivables. The provision for expected credit risks from trade receivables at the time of application of the new regulations is €11,235 thousand. The effects from measurement of other financial assets, mainly cash and cash equivalents at banks, are immaterial. That is due to the short times in which they are due (usually balances payable on demand) and the good ratings of investment grade banks.

Hedge accounting

The modified regulations on hedge accounting are more strongly geared toward the Group's risk management strategy. The new regulations do not have any impact, since the KWS Group does not currently report any transactions that qualify for hedge accounting.

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). It was adopted into European law in October 2017.

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 (right-of-use approach) 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." KWS intends to exercise the exemptions permitted in IFRS 16. The approach to lessor accounting adopted in IFRS 16 is substantially unchanged from that in IAS 17, meaning the lessor still has to distinguish

between finance and operating leases. Companies in the KWS Group mainly act as lessees. 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. Application of IFRS 16 means there will tend to be an improvement in net cash from operating activities in the cash flow statement as a result of lower payments as part of operations, whereas the repayment component of the lease payments and the interest expense are included as part of the net cash from financing activities. In addition, IFRS 16 entails new obligations to disclose qualitative and quantitative information.

Implementation of the new lease standard is being controlled as part of a Group-wide project. An analysis has so far revealed that a slight increase in total assets can be expected. We refer in this connection to the other financial obligations [note 4.19] from rent and leases presented in the Notes.

The KWS Group will apply IFRS 16 for the first time for the fiscal year starting on July 1, 2019. KWS currently plans to apply IFRS 16 using the modified retrospective method and, in compliance with the transitional provisions, not to adjust the previous year's figures and to recognize the cumulative effects from the change directly in equity under the revenue reserves.

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

IFRS 17 – Insurance Contracts will not have any significant impact on the KWS Group's assets, financial position and earnings.

1. General Disclosures

1.1 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. 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."

1.2 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.

1.3 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	
		06/30/2018	06/30/2017	2017/2018	2016/2017
1 EUR/					
ARS	Argentina	32.66250	18.80320	23.91751	17.03851
BRL	Brazil	4.49640	3.76780	3.98728	3.52999
GBP	UK	0.88590	0.87865	0.88563	0.86129
RUB	Russia	72.99210	67.49930	70.25821	66.48928
UAH	Ukraine	30.56800	29.78678	31.85345	28.59361
USD	USA	1.16410	1.14030	1.19399	1.09302

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.

1.4 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.

1.5 Accounting policies

1.5.1 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.

1.5.2 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 in which 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.

1.5.3 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.

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

1.5.4 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.

1.5.5 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.

1.5.6 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 (4.9) 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 the 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. Derivative 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.

1.5.7 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.

1.5.8 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.

1.5.9 Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 and 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 the 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.

1.5.10 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.

1.5.11 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.

1.5.12 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.

1.5.13 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.

1.5.14 Borrowing costs

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

1.5.15 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 25, 2018, 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

	06/30/2018			06/30/2017		
	Germany	Abroad	Total	Germany	Abroad	Total
Fully consolidated	14	48	62	13	46	59
Equity method	0	3	3	0	3	3
Joint operation	0	6	6	0	1	1
Total	14	57	71	13	50	63

2.1 Consolidated group and changes in the consolidated group

IKWS BERLIN GMBH, Berlin, was founded and included in the consolidated companies on September 4, 2017. In addition, IMPETUS AGRICULTURE INC., Lewes, U.S., was founded on June 29, 2018.

KWS PARAGUAY S.R.L., Asunción, Paraguay, was included for the first time as a fully consolidated subsidiary in the consolidated companies of the KWS Group at the end of the fiscal year. GENECTIVE TAIWAN LTD., Taipei City, Taiwan, GENECTIVE USA CORP., Weldon, U.S.,

GENECTIVE CANADA INC., Montreal, Canada, GENECTIVE JAPAN K.K., Chiba, Japan, and GENECTIVE KOREA, Sangdaewon-dong, Korea, were included as joint operations in the companies consolidated in the KWS Group effective the end of the fiscal year.

A total of 62 (59) companies were fully consolidated in the consolidated financial statements at June 30, 2018. Three (three) joint ventures and associated companies were measured using the equity method. Six (one) joint operations have been included proportionately.

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

Fully consolidated subsidiaries¹

Sugarbeet	Corn	Cereals	Corporate
100% BETASEED INC. ² Bloomington, MN, U.S.	100% KWS BENELUX B.V. Amsterdam, Netherlands	100% KWS LOCHOW GMBH ⁴ Bergen, Germany	100% KWS LANDWIRTSCHAFT GMBH ⁴ Einbeck, Germany
100% KWS FRANCE S.A.R.L. Roye, France	100% KWS SEMENA S.R.O. Bratislava, Slovakia	100% KWS UK LTD. ⁵ Thriplow, UK	100% KWS INTERSAAT GMBH Einbeck, Germany
100% DELITZSCH PFLANZENZUCHT GMBH ^{4,9} Einbeck, Germany	100% KWS MAIS FRANCE S.A.R.L. Champhol, France	100% KWS LOCHOW POLSKA SPZ O.O. ⁶ Kondratowice, Poland	100% KWS SEEDS INC. ⁸ Bloomington, MN, U.S.
100% O.O.O. KWS RUS ¹¹ Lipetsk, Russia	100% KWS AUSTRIA SAAT GMBH Vienna, Austria	100% KWS MOMONT S.A.S. ⁶ Mons-en-Pévèle, France	100% GLH SEEDS INC. ² Bloomington, MN, U.S.
100% O.O.O. KWS R&D RUS ¹⁰ Lipetsk, Russia	100% KWS SJEME D.O.O. Pozega, Croatia	100% KWS MOMONT RECHERCHE S.A.R.L. ¹³ 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 SP.Z O.O. Poznań, Poland	100% KWS BULGARIA E.O.O.D. Sofia, Bulgaria		100% KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH Northeim-Wiebrechtshausen, Germany
100% KWS SCANDINAVIA A/S ⁹ 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. ⁹ Zaratán, Spain	100% AGROMAIS GMBH ⁴ Everswinkel, Germany		100% KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. ¹⁸ São Paulo, Brazil
100% SEMILLAS KWS CHILE LTDA. Rancagua, Chile	100% KWS MAGYARORSZÁG KFT. Győr, Hungary		100% KWS GATEWAY RESEARCH CENTER LLC. ² St. Louis, MO, U.S.
100% KWS SRBIJA D.O.O. New Belgrade, Serbia	100% KWS SEMINTE S.R.L. ¹² Bucharest, Romania		100% KWS SERVICES DEUTSCHLAND GMBH ⁴ 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. ¹⁷ Bethune, France	51% RAZES HYBRIDES S.A.R.L. ³ Alzonne, France		100% KWS SERVICES WEST S.L.U. Barcelona, Spain
100% KWS UKRAINE T.O.V. ¹¹ Kiev, Ukraine	100% RIBER KWS SEMENTES LTDA ¹⁹ Curitiba, Brazil		100% KWS SERVICES NORTH AMERICA LLC. Bloomington, MN, U.S.
100% KWS TÜRK TARIM TICARET A.S. ⁸ Eskişehir, Turkey	100% KWS PERU S.A.C. ⁷ Lima, Peru		100% BEIJING KWS AGRICULTURE TECHNOLOGY CO., LTD. ¹⁴ Beijing, China
100% BETASEED GMBH ⁴ Frankfurt, Germany	100% KWS R&D CHINA LTD. ¹⁴ Hefei, China		100% KWS CEREALS USA LLC. ² Champagne, IL, U.S.
100% KWS POTATO B.V. ¹⁶ Emmeloord, Netherlands	100% KWS SEEDS THAILAND CO., LTD. ¹⁴ Chiang Mai, Thailand		100% KANT-HARTWIG & VOGEL GMBH ⁴ Einbeck, Germany
100% KLEIN WANZLEBENER SAATZUCHT MAROC S.A.R.L.A.U. ¹⁵ Casablanca, Morocco	100% KWS PARAGUAY S.R.L. ²¹ Asunción/Paraguay		100% KWS R&D INVEST B.V. Emmeloord, Netherlands
100% KWS Podillya T.O.V. ²⁰ Kiev, Ukraine			100% KWS BERLIN GMBH Berlin, Germany
			70% IMPETATUS AGRICULTURE INC. Lewes, DE, U.S.

Equity-accounted joint ventures¹

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

Equity-accounted associated companies¹

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

Joint operation (proportionately consolidated)¹

Corn
50% GENECTIVE S.A. Chappes, France
50% GENECTIVE CANADA INC. ²² Montreal, Canada
50% GENECTIVE TAIWAN LTD. ²² Taipei City, Taiwan
50% GENECTIVE USA CORP. ²² Weldon, U.S.
50% GENECTIVE JAPAN K.K. ²² Chiba, Japan
50% GENECTIVE KOREA ²² Sangdaewon-dong, Korea

Unconsolidated subsidiaries¹

Sugarbeet	Corn	Cereals	Corporate
67% VAN RIJN BALCAN S.R.L. ^{15*} Vulcan, Romania	100% KWS R&D PRIVATE LIMITED ^{11*} Hyderabad, India		

* In Liquidation

- 1 The percentages shown for each company relate to the share in that company held within the KWS Group.
- 2 Subsidiary of KWS SEEDS INC.
- 3 Subsidiary of KWS FRANCE S.A.R.L.
- 4 Profit and loss transfer agreement.
- 5 Investee of GLH SEEDS INC.
- 6 Subsidiary of KWS LOCHOW GMBH
- 7 Subsidiary of KWS CHILE LTDA. and KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA.
- 8 Subsidiary of KWS INTERSAAT GMBH and KWS SAAT SE
- 9 Subsidiary of KWS INTERSAAT GMBH
- 10 Subsidiary of O.O.O. KWS RUS
- 11 Subsidiary of EURO-HYBRID GMBH and KWS SAATFINANZ GMBH
- 12 Subsidiary of KWS SAAT SE and KWS SAATFINANZ GMBH
- 13 Subsidiary of KWS MOMONT S.A.S.
- 14 Subsidiary of EURO-HYBRID GMBH
- 15 Subsidiary of KWS POTATO B.V.
- 16 Subsidiary of RAGIS GMBH
- 17 Subsidiary of BETASEED GMBH
- 18 Subsidiary of KWS INTERSAAT GMBH and KWS SAATFINANZ GMBH
- 19 Subsidiary of KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. and KWS INTERSAAT GMBH
- 20 Subsidiary of KWS UKRAINE T.O.V.
- 21 Subsidiary of KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. and RIBER-KWS SEMENTES LTDA.
- 22 Subsidiary of GENEACTIVE S.A.

Status: June 30, 2018

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.

3.1 Description of segments

Since the beginning of the year under review, our rapeseed activities, which were previously managed in the Corn Segment and in the Cereals Segment, have been pooled in one unit and transferred completely to the Cereals Segment. This step will enable us to benefit from the integrated management and controlling of rapeseed activities moving ahead. Consequently, all net sales and earnings contributed by our rapeseed business are allocated to the Cereals Segment. This effect meant an additional shift in net sales of around €30 million and in EBIT of around €4 million in fiscal 2017/2018.

3.1.1 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, 16 (15) foreign subsidiaries, two (two) joint ventures, one (one) associated company and six (one) joint operations of the KWS Group.

3.1.2 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.

3.1.3 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.

3.1.4 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.

3.2 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 those 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 (inter-segment 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	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Corn	734,204	825,867	26	530	734,178	825,337
Sugarbeet	455,444	454,860	351	319	455,094	454,541
Cereals	151,410	111,526	300	2,179	151,109	109,347
Corporate	16,672	18,235	12,456	13,436	4,216	4,799
Segments acc. to management approach	1,357,730	1,410,488	13,133	16,464	1,344,597	1,394,024
Elimination of equity-accounted financial assets					-276,585	-318,780
Segments acc. to consolidated financial statements					1,068,012	1,075,244

The Corporate Segment generates 74.7% (73.7%) 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 54.7% (59.2%) of external sales, followed by Sugarbeet with 33.8% (32.6%) and Cereals with 11.2% (7.8%).

Earnings, depreciation and amortization and other noncash items per segment

in € thousand	Segment earnings		Depreciation and amortization		Other noncash items	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Corn	47,374	58,213	29,239	27,417	-10,936	4,213
Sugarbeet	160,473	150,929	12,480	12,994	-21,072	-2,482
Cereals	18,395	10,310	8,855	8,472	4,639	-4,034
Corporate	-77,277	-60,585	11,629	10,444	1,058	-981
Segments acc. to management approach	148,965	158,867	62,203	59,327	-26,311	-3,284
Elimination of equity-accounted financial assets	-16,409	-27,276	-12,062	-9,974	19,339	-3,688
Segments acc. to consolidated financial statements	132,556	131,591	50,141	49,353	-6,972	-6,972
Net financial income/expenses	5,434	16,599	0	0	0	0
Earnings before taxes	137,990	148,190	0	0	0	0

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 €62,203 (59,327) 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	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Corn	729,126	742,506	137,572	162,508
Sugarbeet	277,936	266,734	32,549	83,096
Cereals	120,731	116,106	28,383	22,481
Corporate	114,705	113,276	96,428	87,447
Segments acc. to management approach	1,242,498	1,238,622	294,932	355,532
Elimination of equity-accounted financial assets	-251,774	-250,793	-49,808	-82,431
Segments acc. to consolidated financial statements	990,724	987,829	245,124	273,101
Others	526,957	507,396	390,774	385,128
KWS Group acc. to consolidated financial statements	1,517,681	1,495,225	635,898	658,229

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 rose to €117,696 thousand (previous year: €67,940 thousand). Capital expenditure in the Corn Segment was €64,147 thousand (previous year: €25,079 thousand), which largely involved drying and production capacities in South America. The Sugarbeet Segment's capital expenditure totaled €16,741 thousand following €16,811 thousand in the previous year and relates mainly to continued expansion of sugarbeet seed production in Einbeck. In addition, expansion of our laboratory capacities was launched there as well.

Investments in long-term assets by segment

in € thousand	06/30/2018	06/30/2017
Corn	64,147	25,079
Sugarbeet	16,741	16,811
Cereals	7,027	4,961
Corporate	29,781	21,089
Segments acc. to management approach	117,696	67,940
Elimination of equity-accounted financial assets	-45,994	-4,659
Segments acc. to consolidated financial statements	71,702	63,281

3.3 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 and the previous fiscal years.

External sales by region

in € thousand	2017/2018	2016/2017
Germany	235,303	226,291
Europe (excluding Germany)	504,985	464,283
Thereof in France	(117,592)	(113,649)
North and South America	269,553	317,472
Thereof in Brazil	(82,168)	(109,914)
Thereof in the U.S.	(155,357)	(173,056)
Rest of world	58,171	67,198
KWS Group	1,068,012	1,075,244

A total of 69.3% (64.2%) of total sales are recorded in Europe (including Germany).

Investments in long-term assets by region

in € thousand	06/30/2018	06/30/2017
Germany	39,478	26,481
Europe (excluding Germany)	18,026	20,256
Thereof in France	(5,297)	(4,856)
North and South America	13,269	14,743
Thereof in Brazil	(1,187)	(2,240)
Thereof in the U.S.	(5,528)	(8,774)
Rest of world	929	1,800
KWS Group	71,702	63,281

A total of 55.1% (41.9%) of the capital spending was made in Germany. Of the further capital spending, 18.5% (23.3%) was made in North and South America, 25.1% (32.0%) in Europe (excluding Germany) and 1.3% (2.8%) in the rest of the world.

Long-term assets by region

in € thousand	06/30/2018	06/30/2017
Germany	235,994	215,945
Europe (excluding Germany)	166,600	167,567
Thereof in France	(66,430)	(68,576)
North and South America	230,125	238,388
Thereof in Brazil	(28,602)	(33,435)
Thereof in the U.S.	(185,842)	(190,954)
Rest of world	8,460	9,715
KWS Group	641,179	631,615

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	
	07/01/2017								06/30/2018
Patents, industrial property rights and software	114,883	-2,970	0	12,164	0	418	0	226	123,885
Goodwill	28,000	-2,898	0	13	0	0	0	0	25,115
Intangible assets	142,883	-5,868	0	12,177	0	418	0	226	149,000
Land and buildings	309,195	-4,161	0	9,842	0	2,044	0	7,922	320,754
Technical equipment and machinery	241,187	-4,340	0	11,226	0	5,746	0	8,944	251,271
Operating and office equipment	102,018	-1,797	2,052	12,230	0	5,964	0	2,678	111,217
Payments on account	31,893	-968	0	25,483	0	57	0	-19,770	36,581
Property, plant and equipment	684,293	-11,266	2,052	58,781	0	13,811	0	-226	719,823
Equity-accounted financial assets	160,162	-2,649	0	0	13,414	0	12,110	0	158,817
Financial assets	3,941	-55	-10	744	0	229	0	-172	4,218
Assets	991,280	-19,838	2,042	71,702	13,414	14,458	12,110	-172	1,031,859
	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
Intangible assets	145,686	-1,590	0	7,305	0	9,896	0	1,378	142,883
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
Property, plant and equipment	657,561	-6,148	51	54,118	0	19,911	0	-1,378	684,293
Equity-accounted financial assets	155,904	-3,817	0	0	24,936	0	16,861	0	160,162
Financial assets	2,827	-41	-76	1,858	1	627	0	0	3,941
Assets	961,979	-11,596	-25	63,281	24,937	30,434	16,861	0	991,280

									Amortization/depreciation		Net book values	
	Currency translation	Change in consolidated companies	Planned additions	Value impairments	Adjustment not affecting profit and loss	Disposals	Transfers					
07/01/2017									06/30/2018	06/30/2018	06/30/2017	
55,451	-2,519	0	11,019	0	0	416	0		63,535	60,350	59,432	
0	0	0	0	0	0	0	0		0	25,115	28,000	
55,451	-2,519	0	11,019	0	0	416	0		63,535	85,465	87,432	
89,072	-741	0	9,533	0	27	1,667	0		96,170	224,584	220,123	
141,769	-2,311	0	18,303	0	0	4,995	44		152,810	98,461	99,418	
64,106	-994	323	11,286	0	0	5,521	-44		69,156	42,061	37,912	
1	0	0	0	0	0	1	0		0	36,581	31,892	
294,948	-4,046	323	39,122	0	27	12,184	0		318,136	401,687	389,345	
8,393	0	0	0	0	0	0	0		8,393	150,424	151,769	
873	-5	0	0	0	253	0	0		615	3,603	3,069	
359,665	-6,570	323	50,141	0	280	12,600	0		390,680	641,179	631,615	
07/01/2016									06/30/2017	06/30/2017	06/30/2016	
50,588	-799	0	12,632	0	0	6,966	-4		55,451	59,432	66,398	
0	0	0	0	0	0	0	0		0	28,000	28,700	
50,588	-799	0	12,632	0	0	6,966	-4		55,451	87,432	95,098	
89,122	-637	1	9,140	0	0	8,561	7		89,072	220,123	205,901	
130,573	-2,150	0	17,686	0	0	6,893	2,553		141,769	99,418	99,522	
59,225	902	-1	9,846	0	0	3,310	-2,556		64,106	37,912	34,920	
2	-1	0	0	0	0	0	0		1	31,892	38,296	
278,922	-1,886	0	36,672	0	0	18,764	4		294,948	389,345	378,639	
8,393	0	0	0	0	0	0	0		8,393	151,769	147,511	
635	-6	0	49	0	195	0	0		873	3,069	2,192	
338,539	-2,691	0	49,353	0	195	25,731	0		359,665	631,615	623,440	

4.1 Assets

The statement of changes in fixed assets contains a breakdown of assets summarized in the balance sheet and shows how they changed in 2017/2018.

4.2 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 €12,177 (7,305) thousand related to software licenses and patents. Amortization of intangible assets amounted to €11,019 (12,632) thousand.

One major intangible asset is the trait licensing agreement. Its carrying amount at the balance sheet date was €20,614 thousand. Its remaining useful life is 12 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 budgeting and reporting processes. In the KWS Group, these are the Business Units. 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 2017/2018 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 4.85% (4.66%) 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 2017/2018 confirmed that the existing goodwill is not impaired. The Business Unit Corn America carries goodwill totaling €14,903 (17,780) thousand. The Business Unit Corn Europe/Asia carries goodwill totaling €6,306 (6,304) thousand. Some €3,906 (3,916) 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.

4.3 Property, plant and equipment

Capital expenditure amounted to €58,781 (54,118) thousand and depreciation amounted to €39,122 (36,672) 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 was continued in Germany. In addition, expansion of our laboratory capacities was also launched there. Drying and production capacities for corn seed were increased in South America as well. The gross carrying amount of the property, plant and equipment that has already been written down in full, but not yet used, is €154,691 thousand. Property, plant and equipment to an amount of €1,926 (€2,299) thousand are held as security for liabilities.

4.4 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 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	06/30/2018	06/30/2017
Stake in the joint venture	50%	50%
Current assets	302,250	341,140
Thereof cash and cash equivalents ¹	(26,144)	(27,700)
Noncurrent assets	254,586	191,468
Current liabilities	296,704	265,560
Thereof current financial liabilities (excluding trade payables and other liabilities and provisions)	(156,730)	(88,998)
Noncurrent liabilities	1,656	2,570
Net assets (100%)	258,476	264,478
Group share of net assets (50%)	129,238	132,239
Goodwill	8,802	8,802
Carrying amount for the stake in the joint ventures	138,040	141,041
Net sales	545,536	631,904
Depreciation and amortization	22,867	18,765
Net income for the year	21,696	44,364
Comprehensive income (100%)	21,696	44,364
Comprehensive income (50%)	10,848	22,182
Group share of comprehensive income	10,848	22,182
Dividend payment	22,006	32,508

¹ Thereof AGRELIANT GENETICS LLC.: €9,256 (€12,721).

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	06/30/2018	06/30/2017
Carrying amount for the stake in insignificant associated companies (aggregated)	12,344	10,726
Net income for the year	5,236	5,761
Other comprehensive income	0	0
Comprehensive income (100%)	5,236	5,761

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.

4.5 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.

4.6 Financial assets

Investments in unconsolidated subsidiaries totaling €155 (330) 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 €471 (689) thousand since the fair value cannot be reliably determined. This account also includes other interest-bearing loans totaling €85 (144) thousand. MLS Capital Fund II has been carried at a fair value of €2,637 (1,603) thousand. The other financial assets totaling €257 (303) thousand are reported at their amortized cost, since the fair value cannot be reliably determined.

4.7 Noncurrent tax assets

For the previous year, this figure was €2,011 thousand and 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.

4.8 Inventories and biological assets

Inventories and biological assets

in € thousand	06/30/2018	06/30/2017
Raw materials and consumables	20,524	21,965
Work in progress	58,979	58,051
Immature biological assets	14,339	13,562
Finished goods	101,477	114,903
	195,319	208,481

Inventories and biological assets decreased by €13,162 thousand, or 6.3%, a figure that includes cumulative impairment losses on the net realizable value totaling €63,992 (54,344) thousand. Immature biological assets relate to living plants in the process of growing (before harvest). The field inventories of the previous year have been harvested in full and the fields have been newly tilled in the year under review. Public subsidies of €1,289 (1,275) thousand, for which all the requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,387 (4,308) ha and were recognized in income. Future public subsidies depend on the further development of European agricultural policy.

4.9 Current receivables

Current receivables

in € thousand	06/30/2018	06/30/2017
Trade receivables	310,141	302,571
Current tax assets	56,772	59,975
Other current financial assets	52,922	40,573
Other current assets	18,694	12,064
	438,529	415,183

Trade receivables were €310,141 thousand following €302,571 thousand in the previous year. This amount includes €5,757 (1,819) 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	
06/30/2018							
Trade receivables	310,141	272,111	22,720	1,146	1,947	1	3,454
Other current financial assets	52,922	37,786	0	0	0	0	0
	363,063	309,897	22,720	1,146	1,947	1	3,454
06/30/2017							
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
	343,144	298,174	26,985	1,284	1,051	398	4,249

The already overdue trade receivables that have been partly written down amount to a net total of €8,762 (4,119) thousand.

In addition, specific bad-debt allowances for receivables from customers in Middle East were recognized to an amount of €8,671 thousand due to political uncertainties.

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
2017/2018	26,543	11,165	206	5,506	31,996
2016/2017	26,736	4,469	2,213	2,449	26,543

The receivables include an amount of €606 (639) thousand due after more than one year.

4.10 Securities

Securities amounting to €18,282 (9,455) thousand relate primarily to debt securities and fund shares.

4.11 Cash and cash equivalents

Cash and cash equivalents of €174,300 (181,913) 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.

4.12 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	2017/2018			2016/2017		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Items that may have to be subsequently reclassified as profit or loss	-31,238	-64	-31,302	-17,323	50	-17,273
Revaluation of available-for-sale financial assets	325	-64	261	-312	50	-262
Currency translation difference for economically independent foreign units	-28,913	0	-28,913	-13,194	0	-13,194
Currency translation difference from equity-accounted financial assets	-2,650	0	-2,650	-3,817	0	-3,817
Items not reclassified as profit or loss	-3,712	1,270	-2,442	12,158	-3,699	8,459
Revaluation of net liabilities/assets from defined benefit plans	-3,712	1,270	-2,442	12,184	-3,706	8,478
Other comprehensive income	-34,950	1,206	-33,744	-5,165	-3,649	-8,814

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 €99,521 (97,549) thousand. However, there was a total dividend payout of €21,120 (19,800) thousand in December 2017. This ensures the adequate internal financing of further operating business expansion in the long

term. Equity increased by €44,787 thousand to €881,783 (836,996) thousand. This figure includes a reduction of €31,564 thousand (previous year: reduction of €17,011 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 58.1% (56.0%) at June 30, 2018, and thus at a good and solid level. The capital structure is as follows:

Capital structure

in € thousand	06/30/2018	Share of total capital	06/30/2017	Share of total capital
Equity	881,783	58.1%	836,996	56.0%
Long-term financial borrowings	168,698		200,828	
Other noncurrent liabilities	165,625		158,057	
Short-term borrowings	61,287		39,065	
Other noncurrent liabilities	240,288		260,279	
Total capital	1,517,681		1,495,225	

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 €32,130 thousand (previous year: decrease of €27,884 thousand). This is mainly due to the decrease in long-term financial loans from banks.

4.13 Minority interest

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

4.14 Noncurrent liabilities

Noncurrent liabilities fell by €24,562 thousand (previous year: decrease of €34,768 thousand). This is mainly due to the decrease in long-term financial loans from banks.

Noncurrent liabilities

in € thousand	06/30/2018	06/30/2017
Long-term provisions	127,833	125,408
Long-term borrowings	168,698	200,828
Trade payables	968	1,217
Deferred tax liabilities	19,342	12,721
Other noncurrent financial liabilities	288	1,306
Other noncurrent liabilities	17,194	17,405
	334,323	358,885

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

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 2.00% to 3.00% (1.80% to 3.00%) annually. An annual increase in pensions of 2.00% (2.00%) is assumed in Germany. The discount rate in Germany was 1.65% compared with 1.90% the year before, 4.15% in the U.S. compared with 3.75% the year before, and between 1.45% and 3.15% (1.65% and 3.15%) in the rest of the world.

The following mortality tables were used at June 30, 2018:

- In Germany: The 2018 G mortality table of Klaus Heubeck
- Abroad: Mainly RP-2014 Mortality Table Projection Scale MP-2017 and INSEE TD/TV 13-15

Due to the change in actuarial assumptions in keeping with the 2018 G mortality table of Klaus Heubeck, there is an increase in the pension provisions of €1,636 thousand, which was recognized directly in equity.

A retirement age of 63 years is imputed for Germany, a retirement age of 65 years is imputed for the U.S. and a retirement age of 66 years is imputed for France.

Long-term provisions

in € thousand	06/30/2017							06/30/2018
		Changes in the consolidated group, currency	Interest expenses from compounding	Addition	Adjustment not affecting profit or loss	Consumption	Reversal	
Pension provisions	111,897	-121	2,380	649	3,712	4,396	0	114,121
Tax provisions	1,698	-14	0	914	0	1,053	0	1,545
Other provisions	11,813	0	87	1,260	0	979	13	12,168
	125,408	-135	2,467	2,823	3,712	6,428	13	127,834

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 €10,061 (9,428) 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 is 5 years
- A pro-rata pension if the employee reaches the minimum vesting period of 5 years, but is below 55

The pension plans are 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	2017/2018			2016/2017		
	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on July 1	113,345	23,680	137,025	126,607	23,262	149,869
Service cost	809	1,359	2,168	993	1,186	2,179
Interest expense	2,105	800	2,905	1,613	736	2,349
Actuarial gains (-)/losses (+)	6,656	-1,180	5,476	-10,925	-521	-11,446
of which due to a change in financial assumptions used for calculation	6,116	-1,201	4,915	-10,953	-1,020	-11,973
of which due to experience adjustments	540	21	561	28	499	527
Pension payments made	-4,987	-589	-5,576	-4,943	-534	-5,477
Exchange rate changes		-428	-428		-449	-449
Other changes in value		0	0		0	0
Accrued benefit entitlements from retirement obligations on June 30	117,928	23,642	141,570	113,345	23,680	137,025

Change in planned assets

in € thousand	2017/2018			2016/2017		
	Germany	Abroad	Total	Germany	Abroad	Total
Fair value of the planned assets on July 1	9,428	15,700	25,128	10,217	13,221	23,438
Interest income	173	552	725	129	437	566
Income from planned assets excluding amounts already recognized as interest income	1,086	678	1,764	-312	1,024	712
Pension payments made	-626	-511	-1,137	-606	-525	-1,131
Exchange rate changes		-305	-305		-284	-284
Other changes in value		1,274	1,274		1,827	1,827
Fair value of the planned assets on June 30	10,061	17,388	27,449	9,428	15,700	25,128

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	2017/2018			2016/2017		
	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on June 30	117,928	23,642	141,570	113,345	23,680	137,025
Fair value of the planned assets on June 30	10,061	17,388	27,449	9,428	15,700	25,128
Balance sheet values on June 30	107,867	6,254	114,121	103,917	7,980	111,897

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

Effects on the statement of comprehensive income

in € thousand	2017/2018			2016/2017		
	Germany	Abroad	Total	Germany	Abroad	Total
Service cost	809	1,359	2,168	993	1,186	2,179
Net interest expense (+)/income (-)	2,105	800	2,905	1,484	298	1,782
Amounts recognized in the income statement	2,914	2,159	5,073	2,477	1,484	3,962
Gains (-)/losses (+) from revaluation of the planned assets (excluding amounts already recognized as interest income)	-1,086	-678	-1,764	312	-1,024	-712
Actuarial gains (-)/losses (+) due to a change in financial assumptions used for calculation	6,116	-1,201	4,915	-10,953	-1,020	-11,973
Actuarial gains (-)/losses (+) due to experience adjustments	540	21	561	28	499	527
Amounts recognized in other comprehensive income	5,570	-1,858	3,712	-10,613	-1,545	-12,158
Total (amounts recognized in the statement of comprehensive income)	8,484	301	8,785	-8,136	-60	-8,196

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	2017/2018			2016/2017		
	Germany	Abroad	Total	Germany	Abroad	Total
Corporate bonds		4,755	4,755		4,198	4,198
Equity funds		11,456	11,456		10,455	10,455
Consumer industry		1,964			1,863	
Finance		1,475			1,139	
Industry		1,393			1,127	
Technology		2,346			1,882	
Health care		1,297			1,367	
Other		2,981			3,077	
Cash and cash equivalents		1,177	1,177		1,047	1,047
Reinsurance policies	10,061		10,061	9,428		9,428
Planned assets on June 30	10,061	17,388	27,449	9,428	15,700	25,128

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 83.8% (previous year: 84.1%) of the corporate bonds have an AAA rating.

The following sensitivity analysis at June 30, 2018, 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 2017/2018			Effect on obligation in 2016/2017		
	Change in assumption	Decrease	Increase	Change in assumption	Decrease	Increase
Discount rate	+/- 100 basis points	26,184	-20,535	+/- 100 basis points	25,306	-19,851
Anticipated annual pay increases	+/- 50 basis points	-1,229	1,327	+/- 50 basis points	-1,220	1,315
Anticipated annual pension increase	+/- 25 basis points	-4,264	4,434	+/- 25 basis points	-4,126	4,287
Life expectancy	+/- 1 year	-5,945	6,049	+/- 1 year	-4,883	4,978

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

Anticipated payments for pensions

in € thousand	2017/2018		
	Germany	Abroad	Total
2018/2019	5,233	798	6,031
2019/2020	5,273	774	6,047
2020/2021	5,138	1,008	6,145
2021/2022	5,057	947	6,004
2022/2023	5,031	1,086	6,116
2023/2024–2027/2028	24,640	6,175	30,814

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 15.5 (15.4) years in Germany and 17.3 (17.1) years abroad.

Defined contribution plans

Apart from the above-described pension obligations, there are other old-age pension systems. However, no provisions have to be set up for them, since there are no further

obligations above and beyond payment of the contributions (defined contribution plans). These comprise benefits that are funded solely by the employer and allowances for conversion of earnings by employees.

The total pension costs for fiscal 2017/2018 were as follows:

Pension costs

in € thousand	2017/2018			2016/2017		
	Germany	Abroad	Total	Germany	Abroad	Total
Cost for defined contribution plans	3,189	1,870	5,059	3,080	1,600	4,680
Service cost for the defined benefit obligations	809	1,359	2,168	993	1,186	2,179
Pension costs	3,998	3,229	7,227	4,073	2,786	6,859

In addition, contributions of €14,417 thousand (previous year: €13,955 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 €2,201 (3,080) 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 €4,322 (3,928) thousand.

The long-term financial borrowings include loans from banks amounting to €168,698 (200,828) thousand. They have remaining maturities through 2028.

4.15 Current liabilities

Current liabilities

in € thousand	06/30/2018	06/30/2017
Short-term provisions	42,311	72,774
Current liabilities to banks	60,536	38,782
Current financial liabilities to affiliates	65	65
Other current financial liabilities	686	218
Short-term borrowings	61,287	39,065
Trade payables to affiliates	2,903	1,266
Trade payables to joint ventures	56	65
Other trade payables	72,762	74,069
Trade payables	75,721	75,400
Tax liabilities	39,171	25,620
Other current financial liabilities	11,288	16,318
Other current liabilities	71,797	70,167
	301,575	299,344

Short-term provisions

in € thousand	06/30/2017	Changes in the consolidated group, currency			06/30/2018	
		Addition	Consumption	Reversal		
Obligations from sales transactions	64,409	-1,995	27,052	53,904	1,736	33,826
Obligations from purchase transactions	1,594	-2	943	1,508	20	1,007
Other obligations	6,771	135	5,394	4,320	502	7,478
	72,774	-1,862	33,389	59,732	2,258	42,311

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 €39,171 (25,620) thousand include amounts for the year under review and the period not yet concluded by the external tax audit.

4.16 Derivative financial instruments

Hedging transactions

in € thousand	06/30/2018			06/30/2017		
	Nominal volume	Carrying amounts	Fair value	Nominal volume	Carrying amounts	Fair value
Currency hedges	199,505	3,129	3,129	162,977	-1,881	-1,881
Interest-rate hedges	34,000	-223	-223	34,000	-311	-311
Commodity hedges	0	0	0	182	5	5
	233,505	2,906	2,906	197,159	-2,187	-2,187

Of the currency hedges, hedges with a nominal volume of €199,505 (153,196) thousand have a remaining maturity of less than one year, and hedges with a nominal volume of €0 (9,781) thousand have a remaining maturity of between one and five years. Of the interest-rate derivatives, hedges with a nominal volume of €34,000 (34,000) thousand will mature within one to five years. No commodity hedges were concluded in the current fiscal year.

4.17 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:

06/30/2018

in € thousand	Financial instruments				
	Fair values	Carrying amounts			
		Loans and receivables	Financial assets held for trading	Available-for-sale financial assets	Total carrying amount
Financial assets					
Financial assets	3,605	0	0	3,605	3,605
Other noncurrent financial assets	1	0	1	0	1
of which derivative financial instruments	(1)	(0)	(1)	(0)	(1)
Trade receivables	310,141	310,141	0	0	310,141
Securities	18,282	0	0	18,282	18,282
Cash and cash equivalents	174,300	174,300	0	0	174,300
Other current financial assets	52,922	47,619	5,303	0	52,922
of which derivative financial instruments	(5,303)	(0)	(5,303)	(0)	(5,303)
Total	559,251	532,060	5,304	21,887	559,251

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
Financial assets					
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)
Total	537,613	523,404	1,685	12,524	537,613

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:

06/30/2018

in € thousand	Financial instruments			
	Fair values	Carrying amounts		
		Financial liabilities measured at amortized cost	Financial liabilities held for trading	Total carrying amount
Financial liabilities				
Long-term borrowings	171,032	168,698	0	168,698
Long-term trade payables	968	968	0	968
Other noncurrent financial liabilities	288	65	223	288
of which derivative financial instruments	(223)	(0)	(223)	(223)
Short-term borrowings	61,287	61,287	0	61,287
Short-term trade payables	75,721	75,721	0	75,721
Other current financial liabilities	11,288	9,114	2,174	11,288
of which derivative financial instruments	(2,174)	(0)	(2,174)	(2,174)
Total	320,584	315,853	2,397	318,250

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
Financial liabilities				
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)
Total	337,955	330,261	3,873	334,134

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).

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.

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

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

Assets and liabilities measured at fair value

in € thousand	06/30/2018				06/30/2017			
	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	5,304	0	5,304	0	1,685	0	1,685
Available-for-sale financial assets	21,863	0	0	21,863	12,182	0	0	12,182
Financial assets	21,863	5,304	0	27,167	12,182	1,685	0	13,867
Derivative financial instruments not part of a hedge under IAS 39	0	2,397	0	2,397	0	3,873	0	3,873
Financial liabilities	0	2,397	0	2,397	0	3,873	0	3,873

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	06/30/2018	06/30/2017
Available-for-sale financial assets	103	29
Financial assets held for trading	3,532	-1,059
Loans and receivables	-2,829	-68
Financial liabilities measured at amortized cost	-11,763	-11,251
Financial liabilities held for trading	1,355	-2,506

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 €3,852 (2,900) thousand. Interest expenses for financial borrowings were €11,763 (11,251) 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.

There are unutilized credit lines totaling €251 million. The syndicated loan of €200 million runs until October 2021, since the option of extending it was utilized. This loan contains only one financial covenant, for which 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 2017/2018

in € thousand	Book value	Cash flows			
		06/30/2018 Total	Due in < 1 year	Due in > 1 year and < 5 years	Due in > 5 years
Liquidity analysis of financial liabilities	06/30/2018				
Financial liabilities	262,115	226,921	57,279	166,302	3,340
Trade payables	76,938	76,689	75,721	968	0
Other financial liabilities	14,227	14,227	14,227	0	
Nonderivative financial liabilities	353,280	317,837	147,227	167,270	3,340
Payment claim		77,383	77,383	0	
Payment obligation		80,490	80,490	0	
Derivative financial liabilities	2,397	3,107	3,107	0	

Fiscal year 2016/2017

in € thousand	Book value	Cash flows			
		06/30/2017 Total	Due in < 1 year	Due in > 1 year and < 5 years	Due in > 5 years
Liquidity analysis of financial liabilities	06/30/2017				
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	
Nonderivative financial liabilities	330,261	332,641	160,917	143,231	28,493
Payment claim		112,163	106,016	6,147	
Payment obligation		117,830	110,630	7,200	
Derivative financial liabilities	3,873	5,667	4,614	1,053	

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 1.19 (1.09) USD/EUR. If the US dollar depreciated by 10%, the financial instruments would be worth €199 (192) thousand. If the US dollar appreciated by 10%, the financial instruments would have a value of €243 (234) 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 1 percentage point would result in additional interest expense of €0.2 million (previous year: expense of €0.5 million); equity would fall by €0.1 million (previous year: a fall of €0.3 million) in the event of such a change in the rate of interest. A reduction in the rate of interest of 1 percentage point would add a further €0.2 (0.5) million in income. Equity would increase by €0.1 million (previous year: an increase of €0.3 million) in the event of such a change in the rate of interest.

4.18 Contingent liabilities

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

4.19 Other financial obligations

The obligations from uncompleted capital expenditure projects, mainly relating to property, plant and equipment, and other commitments amount to €45,296 thousand (€22,123 thousand).

Obligations under rental agreements and leases

in € thousand	06/30/2018	06/30/2017
Due within one year	14,071	17,216
Due between 1 and 5 years	16,516	34,219
Due after 5 years	9,007	4,399
	39,594	55,834

The leases relate primarily to full-service agreements for fleet vehicles, which also include services for which a total of €2,298 thousand was paid in the year under review (previous year: €4,620 thousand for IT equipment and fleet vehicles). The main leasehold obligations relate to land under cultivation.

Other guarantees with respect to third parties amount to €48,808 (€25,856) thousand. The likelihood that these guarantees will be utilized is seen as slight, based on the experience of previous years. No claims have yet been made.

5. Notes to the Income Statement

Income statement

in € millions	2017/2018		2016/2017	
		% of sales		% of sales
Net sales	1,068.0	100.0	1,075.2	100.0
Cost of sales	446.1	41.8	493.9	45.9
Gross profit on sales	621.9	58.2	581.3	54.1
Selling expenses	201.5	18.9	200.7	18.7
Research & development expenses	197.7	18.5	190.3	17.7
General and administrative expenses	95.8	9.0	79.8	7.4
Other operating income	65.7	6.2	69.7	6.5
Other operating expenses	60.0	5.6	48.6	4.5
Operating income	132.6	12.4	131.6	12.2
Net financial income/expenses	5.4	0.5	16.6	1.5
Result of ordinary activities	138.0	12.9	148.2	13.8
Taxes	38.3	3.6	50.5	4.7
Net income for the year	99.7	9.3	97.7	9.1
Share of minority interest	0.1	0.0	0.2	0.0
Net income after minority interest	99.6	9.3	97.5	9.1

5.1 Net sales and function costs

By product category

in € thousand	2017/2018	2016/2017
Certified seed sales	961,199	967,736
Royalties income	66,110	59,783
Basic seed sales	19,769	17,843
Services fee income	3,432	4,288
Other sales	17,502	25,594
	1,068,012	1,075,244

By region

in € thousand	2017/2018	2016/2017
Germany	235,303	226,291
Europe (excluding Germany)	504,985	464,283
North and South America	269,553	317,472
Rest of world	58,171	67,198
	1,068,012	1,075,244

For further details of sales, see segment reporting.

The **cost of sales** decreased by 9.7% to €446,063 (493,922) thousand, or 41.8% (45.9%) of sales. The key factors in this development were savings in license payments in the U.S. and higher net sales shares in regions with a relatively low cost of sales. The total cost of goods sold was €275,388 (289,427) 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	2017/2018	2016/2017
Impairment losses	14,268	10,746
Decreases in impairment loss	2,907	2,612

5.2 Other operating income

July 1 to June 30

in € thousand	2017/2018	2016/2017
Income from sales of fixed assets	52	2,693
Income from the reversal of provisions	1,915	3,841
Exchange rate gains and gains from currency and interest rate hedges	31,418	26,847
Income from reversal of allowances on receivables	6,007	3,777
Performance-based public grants	7,121	6,166
Income relating to previous periods	2,602	7,157
Income from loss compensation received	1,329	269
Miscellaneous other operating income	15,223	18,956
	65,667	69,706

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

Selling expenses increased by €861 thousand to €201,537 (200,676) thousand, or 18.9% (18.7%) of sales.

Research & development is recognized as an expense in the year it is incurred; in the year under review, this amounted to €197,696 (190,327) 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 €15,960 thousand to €95,793 thousand, representing 9.0% of sales, after 7.4% the year before. They rose, in particular, due to the process of optimizing our organizational structure.

5.3 Other operating expenses

July 1 to June 30

in € thousand	2017/2018	2016/2017
Legal form expenses	1,090	943
Allowances on receivables	12,688	4,526
Counterparty default	1,123	294
Exchange rate losses and losses on currency and interest rate hedges	35,144	29,149
Losses from sales of fixed assets	18	1,001
Expenses relating to previous periods	2,797	1,798
Other expenses	7,174	10,890
	60,034	48,601

In the year under review, allowances for receivables and counterparty defaults of €2,529 (3,728) thousand were recognized as an expense in the Corn Segment, €9,925 (713) thousand in the Sugarbeet Segment and €234 (379) thousand in the Cereals Segment.

5.4 Net financial income/expenses

July 1 to June 30

in € thousand	2017/2018	2016/2017
Interest income	3,943	3,043
Interest expenses	9,749	9,510
Income from securities	0	32
Income from other financial assets	103	26
Write-down on securities	0	32
Interest effects from pension provisions	2,154	1,794
Interest expense for other long-term provisions	122	71
Financial lease interest expense	1	3
Interest result	-7,980	-8,309
Result from equity-accounted financial assets	13,414	24,935
Income from equity investments	0	3
Income from write-ups of subsidiaries, joint ventures and participations	0	10
Expenses from depreciation of shares of subsidiaries	0	40
Net income from equity investments	13,414	24,908
Net financial income/expenses	5,434	16,599

Net income from equity investments fell year on year by €11,494 thousand. Income from equity-accounted financial assets decreased from €24,935 thousand to €13,414 thousand. Together with an **interest result** of €-7,980

(-8,309) thousand, **net financial income/expenses** fell by €11,165 thousand to €5,434 (16,599) thousand. The interest effects from pension provisions comprise interest expenses (compounding) and the planned income.

5.5 Taxes

Income tax expense is computed as follows:

Income tax expenses

in € thousand	2017/2018	2016/2017
Actual income taxes	34,248	54,077
In Germany	1,178	17,760
Abroad	33,070	36,317
Thereof from previous years	-4,275	6,741
Deferred taxes	4,085	-3,599
In Germany	5,677	-2,035
Abroad	-1,592	-1,564
Income taxes	38,333	50,478

KWS pays tax in Germany at a rate of 29.1%. Corporate income tax of 15.0% (15.0%) and solidarity tax of 5.5% (5.5%) are applied uniformly to distributed and retained profits. In addition, trade tax is payable on profits generated in Germany. Trade income tax is applied at a weighted average rate of 13.3% (13.2%), resulting in a total tax rate of 29.1% (29.0%).

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 was paid out in ten equal annual amounts from 2008 to 2017, and for the last

time in December 2017. There is thus a carrying amount of €0 thousand at June 30, 2018 (previous year: €1,235 thousand). A total of €1,235 (1,235) 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 9.0% (10.0%) and 35.0% (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	
	2017/2018	2016/2017	2017/2018	2016/2017
Intangible assets	480	2,706	2,476	4,297
Property, plant and equipment	366	86	16,756	18,005
Biological assets	0	0	4	7
Financial assets	1,383	279	6,549	1,472
Inventories	15,971	11,702	1,088	1,047
Current assets	1,785	5,341	10,326	2,686
Noncurrent liabilities	20,344	26,892	271	1,246
of which pension provisions	(19,035)	(20,495)	(92)	(1,241)
Current liabilities	19,308	11,941	658	125
Deferred taxes recognized (gross)	59,637	58,947	38,128	28,885
Tax loss carryforward	8,397	3,752	0	0
Setting off	-18,787	-16,164	-18,787	-16,164
Deferred taxes recognized (net)	49,247	46,535	19,341	12,721

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 €13 (100) thousand.

There is a deferred tax expense of €684 (2,442) 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 €320 (2,754) thousand.

No deferred taxes were formed for tax loss carryforwards totaling €17,704 (15,772) thousand that have not yet been utilized. Of these, €4,053 (4,591) thousand must be utilized within a period of five years and €0 (2,251) thousand within a period of nine years. Loss carryforwards totaling €13,650 (8,930) thousand can be utilized without any time limit.

Deferred taxes were formed for all deductible temporary differences.

No deferred taxes were recognized for temporary differences amounting to €35,633 (37,331) thousand related to shares in subsidiaries in keeping with IAS 12.39.

In the year under review, there were surpluses of deferred tax assets from temporary differences and loss carryforwards totaling €20,913 (15,376) 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.

In addition, the company posted deferred tax income of approximately €4,500 thousand resulting from a change in tax rates in the U.S., due to the tax reform there. The tax rate used to determine deferred taxes in the U.S. thus fell from 37% to 26%.

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 29.1% (29.0%), taking into account the following effects.

Reconciliation of income taxes

in € thousand	2017/2018	2016/2017
Earnings before income taxes	137,990	148,190
Expected income tax expense¹	40,190	43,030
Reconciliation with the reported income tax expense		
Differences from the Group's tax rate	460	3,850
Effects of changes in the tax rate	-4,183	-27
Tax effects from:		
Expenses not deductible for tax purposes and other additions	6,100	8,073
tax-free income	-7,895	-13,629
other permanent deviations	365	1,868
Reassessment of the recognition and measurement of deferred tax assets	7,938	-688
Tax credits	-374	-464
Taxes relating to previous years	-4,725	8,318
Other effects	7	147
Reported income tax expense	38,333	50,478
Effective tax rate	27.8%	34.1%

¹ Tax rate in Germany: 29.1%

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

5.6 Personnel costs/employees

July 1 to June 30

in € thousand	2017/2018	2016/2017
Wages and salaries	202,912	198,675
Social security contributions, expenses for pension plans and benefits	51,017	48,316
	253,929	246,991

Personnel costs went up by €6,938 thousand to €253,929 thousand, an increase of 2.8%. The number of employees increased by 210 to 5,147, or by 4.3%. Of the 5,147 (4,937) employees, 3,742 (3,607) are permanent employees, 1,282 (1,193) are temporary employees and 123 (137) are trainees.

Compensation increased by 2.1% from €198,675 thousand in the previous year to €202,912 thousand. **Social security contributions, expenses for pension plans and benefits** were €2,701 thousand higher than in the previous year.

Employees by region¹

	2017/2018	2016/2017
Germany	1,952	1,911
Europe (excluding Germany)	1,451	1,454
North and South America	1,524	1,287
Rest of world	220	285
Total	5,147	4,937

¹ Average number of employees

With our joint ventures, associated company and joint operation consolidated proportionately, the number of employees was 5,834 (5,621). The reported number of employees is greatly influenced by seasonal labor.

5.7 Share-based payment

Employee Stock Purchase Plan

KWS has established an Employee Stock 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 4 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 9,832 (11,594) shares were repurchased for the Employee Stock Purchase Plan at a total price of €3,388 (3,354) thousand in the year under review. The total cost for issuing shares at a reduced price was €699 thousand in the past fiscal year (previous year: €750 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 2018 into account, were €1,038 (1,213) thousand in the period under review. The provision for it at June 30, 2018, was €2,440 (2,570) thousand. The LTI fair values are calculated by an external expert.

5.8 Net income for the year

The KWS Group's net income for the year was €99,657 (97,712) thousand on operating income of €132,556 (131,591) thousand and net financial income/expenses of €5,434 (16,599) thousand. The return on sales thus increased to 9.3% (9.1%). Net income for the year after minority interest was €99,521 (97,549) thousand. Earnings per share in the year under review were €15.08 (14.78).

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.

6.1 Net cash from operating activities

The cash proceeds from operating activities are substantially determined by cash earnings. In the year under review they were €147,202 (105,408) thousand. The proportion of cash earnings included in sales was 13.8% (9.8%). Since current receivables rose and current liabilities had already been repaid, there were net cash outflows of €22,682 thousand. The cash proceeds from operating activities also include interest income of €3,943 (3,035) thousand and interest expense of €8,418 (7,768) thousand. Income tax payments amounted to €16,451 (52,610) thousand. The dividends received from the joint ventures are also carried here and total €12,110 (16,861) thousand.

6.2 Net cash from investing activities

A net total of €68,071 (64,760) thousand was required to finance investing activities.

6.3 Net cash from financing activities

Financing activities resulted in cash outflows of €25,284 (29,604) thousand.

6.4 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 €-3,494 (-525) 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

7.1 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 €22,172 thousand, an amount of €21,120 thousand should be distributed as a dividend of €3.20 (3.20) for each of the 6,600,000 shares.

The balance of €1,052 (31) thousand is to be carried forward to the new account.

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

The compensation of the members of the Supervisory Board was converted to a purely fixed compensation pursuant to the resolution adopted by the Annual Shareholders' Meeting in December 2017. Members of the Supervisory Board who are members of a committee – with the exception of the Chairman of the Supervisory Board – receive an additional fixed payment therefor. The total compensation for members of the Supervisory Board amounts to €610 (504) thousand, excluding value-added tax.

In fiscal year 2017/2018, total Executive Board compensation amounted to €4,016 (3,772) 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 €1,899 (1,806) thousand; there are contributions from the long-term incentive tranche for 2016/2017 totaling €741 thousand (tranche for 2015/2016: €583 thousand). Pension provisions totaling €1,291 (1,180) 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 €1,575 (1,774) thousand. Pension provisions recognized for this group of persons amounted to €7,315 (7,337) thousand as of June 30, 2018, before being netted off with the relevant planned assets.

7.3 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 PFLANZENZUCHT 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.

7.4 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 2017/2018. 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	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Unconsolidated subsidiaries	0	0	0	0	0	0	0	0
Equity-accounted joint ventures	1,664	2,935	14,736	16,058	11,364	12,305	0	0
Joint operation	0	0	7,461	8,053	487	169	223	0
Other related parties	0	0	111	133	0	0	0	0

7.5 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.com.

7.6 Audit of the annual financial statements

On December 14, 2017, the Annual Shareholders' Meeting of KWS SAAT SE elected the accounting firm Ernst & Young GmbH, Hanover, to be the Group's auditors for fiscal year 2017/2018.

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

in € thousand	2017/2018	2016/2017
a) Audit of the consolidated financial statements	669	625
b) Other certification services	63	0
c) Tax consulting	0	0
d) Other services	0	0
Total fee paid	732	625

The non-audit services in the fiscal year comprised the voluntary audit of the Non-Financial Declaration, voluntary audits of annual financial statements, and agreed examination activities.

7.7 Report on events after the balance sheet date

The provisions of IAS 29 "Financial Reporting in Hyper-inflationary Economies" are relevant for KWS Argentina S.A. for the first time in fiscal 2018/2019. The cumulative inflation rate over the past three years has been 148%. The exchange rate for the Argentinean peso was 10.1629 ARS/EUR on June 30, 2015, and 32.6625 ARS/EUR on June 30, 2018. The company mainly sells corn seed in Argentina. It also provides breeding services and conducts contra-seasonal seed multiplication operations for KWS SAAT SE. A new item "Adjustment for inflation in accordance with IAS 29" will be included in the statement of changes in fixed assets in the future.

The Supervisory Board and Executive Board of KWS SAAT SE decided at the beginning of September 2018 to propose a change in the company's legal form to a partnership limited by shares (KGaA) and a stock split at a ratio of 1:5. As part of the change in legal form, KWS SAAT SE would be converted into an SE & Co. KGaA. The aim of the change in form is to sustainably further the company's continuing growth strategy. As a partnership limited by shares (KGaA), KWS will be able to leverage future growth opportunities with greater agility and flexibility and raise the equity required for that, without losing the company's character as a listed family business. In order to increase the share's fungibility, a stock split at the ratio of 1:5 is also being prepared. At the same time, there is to be a capital increase from company funds, i.e., reserves will be converted into capital stock. The decision by the Executive Board and the Supervisory Board on the related resolutions to be proposed to the upcoming Annual Shareholders' Meeting on December 14, 2018, had not been made by the time the audit opinion was issued.

7.8 Board of the Company

Supervisory Board

Members	Mandates
<p>Dr. Drs. h. c. Andreas J. Büchting Einbeck Agricultural Biologist Chairman of the Supervisory Board of KWS SAAT SE</p>	
<p>Hubertus von Baumbach 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 (until December 14, 2017)</p>	
<p>Dr. Marie Th. Schnell Munich Graduate in Communications Deputy Chairwoman of the Supervisory Board of KWS SAAT SE (since December 14, 2017)</p>	<p><i>Membership of comparable German and foreign oversight boards:</i></p> <ul style="list-style-type: none"> ■ DR.SCHNELL Chemie GmbH, Munich (Member of the Advisory Board) ■ DR.SCHNELL GmbH & Co. KGaA, Munich (Deputy Chairwoman of the Supervisory Board)
<p>Victor W. Balli Oberrieden (Switzerland) Chemical Engineer (since December 14, 2017)</p>	<p><i>Membership of other legally mandated supervisory boards:</i></p> <ul style="list-style-type: none"> ■ Givaudan SA (member of the Board of Directors, the Audit Committee and the Compensation Committee) ■ CEVA Logistics AG, Baar, Switzerland (a member of the Executive Board and Chairman of the Audit Committee) <p><i>Membership of comparable German and foreign oversight boards:</i></p> <ul style="list-style-type: none"> ■ Louis Dreyfus Holding B.V., Amsterdam, (member of the Supervisory Board and Audit Committee)
<p>Jürgen Bolduan Einbeck Seed Breeding Employee Chairman of the Central Works Council of KWS SAAT SE</p>	
<p>Cathrina Claas-Mühlhäuser Frankfurt am Main Businesswoman Chairwoman of the Supervisory Board of CLAAS KGaA mbH, Harsewinkel</p>	<p><i>Membership of other legally mandated Supervisory Boards:</i></p> <ul style="list-style-type: none"> ■ CLAAS KGaA mbH, Harsewinkel (Chairwoman) <p><i>Membership of comparable German and foreign oversight boards:</i></p> <ul style="list-style-type: none"> ■ CLAAS KGaA mbH, Harsewinkel (Deputy Chairwoman of the Shareholders' Committee)
<p>Christine Coenen Einbeck Interpreter Employee representative and Chairwoman of the European Employee Committee (EEC) (since December 14, 2017)</p>	
<p>Dr. Berthold Niehoff Einbeck Agricultural Scientist Employee Representative (until December 14, 2017)</p>	
<p>Dr. Arend Oetker Berlin Honorary member of the Supervisory Board of KWS SAAT SE</p>	

Supervisory Board Committees

Committee	Chairman	Members
Audit Committee	Hubertus von Baumbach (until 2017/12) Victor Balli (since 2017/12)	Andreas J. Büchting Jürgen Bolduan
Committee for Executive Affairs	Andreas J. Büchting	Hubertus von Baumbach (until 2017/12) Marie Th. Schnell (since 2017/12) Cathrina Claas-Mühlhäuser
Nominating Committee	Andreas J. Büchting (until 2017/12) Marie Th. Schnell (since 2017/12)	Marie Th. Schnell (until 2017/12) Andreas J. Büchting (since 2017/12) Cathrina Claas-Mühlhäuser

Executive Board

Members	Mandates (06/30/2018)
Dr. Hagen Duenbostel Einbeck Chief Executive Officer Corn, Corporate Development and Communication, Corporate Compliance	<i>Membership of comparable German and foreign oversight boards:</i> <ul style="list-style-type: none"> ■ Hero AG, Lenzburg, CH (Member of the Board of Administration)
Dr. Léon Broers Einbeck Research & Breeding	
Dr. Peter Hofmann Einbeck Sugarbeet, Cereals, Marketing	
Eva Kienle 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 of 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 comprehensive income for the fiscal year from 1 July 2017 to 30 June 2018, and the consolidated statement of financial position as at 30 June 2018, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 July 2017 to 30 June 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have 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 2017 to 30 June 2018. In accordance with the German legal requirements, we have not audited the content of the parts of the group management report listed in the appendix to the auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 30 June 2018 and of its financial performance for the fiscal year from 1 July 2017 to 30 June 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the parts of the group management report listed in the appendix to the auditor's report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under 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 2017 to 30 June 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

(1) 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. In light of the large number of different contractual agreements and the resulting judgment exercised in assessing expected return deliveries, we consider revenue recognition to be complex and therefore to pose an elevated risk of incorrect recognition.

Auditor's response

During our audit, we considered, based on the criteria defined in IAS 18, the accounting policies applied in accordance with the internal accounting instructions in the consolidated financial statements of KWS SAAT SE for the recognition of revenue. Our auditor's response 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 taking into account the findings from actual return deliveries. Based on analytical procedures defined group-wide, we examined whether the significant revenue items for fiscal year 2017/2018 correlate with the corresponding trade receivables to identify any irregularities in the development of revenue. With a view to the recognition of revenue on an accrual basis, we also obtained balance confirmations from customers and performed data analyses to identify any irregularities in comparison with the prior year. We analyzed the recognition of revenue based on the contractual arrangements on a sample basis with regard to the requirements of IAS 18. Based on analytical procedures carried out on historical data and the analysis of the underlying contracts, we examined the calculation of expected return deliveries of seeds and their deduction from revenue. Overall, our procedures relating to the recognition of revenue from the sale of seeds did not lead to any reservations.

Reference to related disclosures

With regard to the recognition and measurement policies 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.

(2) 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 intragroup financing. To calculate the provision for tax obligations and deferred tax items, the executive directors of KWS SAAT SE must exercise judgment in assessing tax matters, estimating tax risks and recognizing deferred taxes.

Auditor's response

The executive directors of KWS SAAT SE regularly engage external tax experts to validate their 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. We critically assessed the assumptions on the recoverability of deferred tax assets, in particular by analyzing the assumptions with respect to projected future taxable income and by comparing them to the internal business plan. Our auditor's response 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 recognition and measurement policies applied for current and deferred income taxes and the related disclosures on judgments by the executive directors 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.

Other information

The Supervisory Board is responsible for the Supervisory Board report. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the group management report listed in the appendix to the auditor’s report as well as the other parts of the annual report, except for the audited consolidated financial statements and group management report and our auditor’s report, in particular the responsibility statement pursuant to Sec. 297 (2) Sentence 4 HGB, the “Foreword by the Executive Board” section of the annual report and the Supervisory Board’s report pursuant to Sec. 171 (2) AktG [“Aktengesetz”: German Stock Corporation Act]. We obtained a version of this other information prior to issuing our auditor’s report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined 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, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide 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 of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of 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 an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on 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 and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 this 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 of 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 of arrangements and measures (systems) 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 by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting 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 the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. 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 be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (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 on 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 consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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 also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the 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 these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 14 December 2017. We were engaged by the Supervisory Board on 30 May 2018. We have been the group auditor of KWS SAAT SE without interruption since fiscal year 2016/2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr. Christian Janze.


Appendix to the auditor's report:

The following are the parts of the Group management report that are unaudited:

- The combined non-financial statement for KWS SAAT SE and the KWS Group contained in section 2.9 "Combined non-financial statement for the KWS Group" of the group management report, including any information in other sections referred to in this statement. The respective sections are marked "NFE" in the margin;
- The information in section 2.6.1 "Corporate governance report and statement on corporate governance" and
- The information in section 2.6.2 "Declaration of conformity in accordance with Sec. 161 AktG."
- Neither have we audited the content of the following information that is not typical or required for a group management report. This relates to any information whose disclosure in the group management report is not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB.
- Section 2.4.3 "Resource-efficient processes and climate protection,"
- Section 2.5.3 "Good working conditions" and
- Section 2.5.4 "Social commitment."

Hanover, 25 September 2018

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft



Ludwig
Wirtschaftsprüfer
[German Public Auditor]



Dr. Janze
Wirtschaftsprüfer
[German Public Auditor]

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the combined non-financial statement 2017/2018 of KWS SAAT SE. The following text is a translation of the original German Independent Assurance Report.

To KWS SAAT SE, Einbeck

We have performed a limited assurance engagement on the group non-financial statement of KWS SAAT SE according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial statement of the parent company according to § 289b HGB, consisting of the chapter "2.9.2 Combined Non-Financial Declaration for the KWS Group" in the combined management report and the chapters "2.1 Fundamentals of the KWS Group," "2.4.1 Product innovations," "2.4.2 Plant and process safety," "2.5.2 Recruitment & qualification" and "2.6.3 Business Ethics & Compliance" in the group management report being incorporated by reference (hereafter combined non-financial statement), for the reporting period from 1 July 2017 to 30 June 2018.

A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the combined non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud or error.

B. Auditor's declaration relating to independence and quality control

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [*Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer*] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [*IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis* (IDW QS 1)].

C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the combined non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the combined non-financial statement of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between May and September 2018, we performed, amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of documents regarding the selection of topics for the combined non-financial statement, the risk assessment and the concepts of the parent company and the group for the topics that have been identified as material
- Inquiries of employees at group level responsible for data capture and consolidation as well as the preparation of the combined non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the combined non-financial statement
- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating relevant data in the reporting period, and testing such documentation on a sample basis
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected statements and data
- Analytical procedures at the level of the group and selected sites regarding the quality of the reported data,
- Evaluation of the presentation of disclosures in the combined non-financial statement.

D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of KWS SAAT SE for the period from 1 July 2017 to 30 June 2018 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with KWS SAAT SE. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. Engagement terms and liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement ([https://www.ey.com/Publication/vwLUAssets/EY-idw-aab-2017-en/\\$FILE/EY-idw-aab-2017-en.pdf](https://www.ey.com/Publication/vwLUAssets/EY-idw-aab-2017-en/$FILE/EY-idw-aab-2017-en.pdf)). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether, and in what way, this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 25 September 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
[German Public Auditor]

Annette Johné
Wirtschaftsprüferin
[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 25, 2018

KWS SAAT SE

THE EXECUTIVE BOARD



H. Duenbostel



E. Kienle



L. Broers



P. Hofmann

Additional Information

Financial calendar

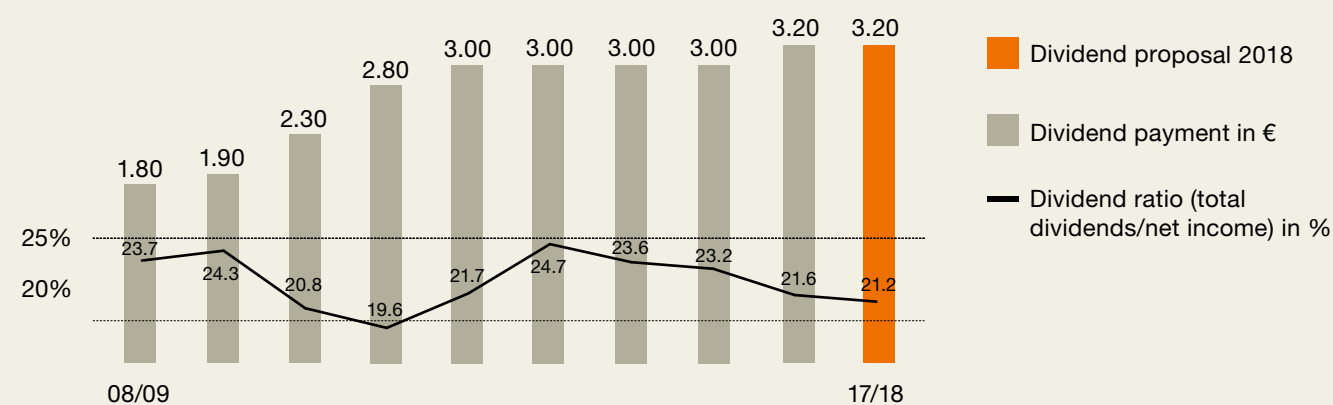
Datum	
November 27, 2018	Quarterly Report Q1 2018/2019
December 14, 2018	Annual Shareholders' Meeting in Einbeck
February 26, 2019	Semiannual Report 2018/2019
May 16, 2019	Quarterly Report 9M 2018/2019
October 23, 2019	Publication of 2018/2019 financial statements, annual press and analyst conference in Frankfurt
November 26, 2019	Quarterly Report Q1 2019/2020
December 17, 2019	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 and 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 (interim)	Editor
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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 ■ Hollis Bennett ■ Christian Bruch ■ Marcelo Coelho ■ Jan Eric Euler ■ Eberhard Franke ■ Frank Stefan Kimmel ■ Gerhard Launer ■ Julia Lormis ■ Thorsten Schmidtkord ■ Alex Telfer ■ Frank Tusch ■ KWS Gruppenarchiv

Date of publication: October 24, 2018

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.

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