Annual Report 2007|2008

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KWS SAAT AG

KWS

KWS

Seeding the future
since 1856

Key Figures of the KWS Group

Figures in € millions, unless otherwise specified

Fiscal year	2007/08	2006/07	2005/06	2004/05	2003/04
Net sales	599.1	537.9	505.0	495.3	444.5
Operating income	70.1	63.9	46.7	56.3	52.3
as a % of net sales	11.7	11.9	9.2	11.4	11.8
Net income	54.6	38.2	28.4	34.8	29.8
as a % of net sales	9.1	7.1	5.6	7.0	6.7
Operative cash flow	74.6	51.1	53.4	11.1	36.6
Net cash from investing activities	−18.1	−26.7	−20.1	−30.1	−21.8
Equity	398.0	366.1	338.0	326.2	294.0
Equity ratio in %	59.3	60.0	58.6	57.0	59.5
Balance sheet total	671.1	609.8	577.0	572.4	494.4
Return on equity in %	15.3	11.6	8.9	10.8	10.1
Return on assets in %	9.2	6.8	5.3	7.4	6.5
Fixed assets	197.1	189.4	188.6	185.6	169.2
Capital expenditure	30.4	27.2	23.8	36.9	24.7
Depreciation	17.0	16.1	17.0	16.8	16.7
Average number of employees	2,856	2,739	2,652	2,550	2,516
Personnel costs	119.0	111.3	109.1	101.4	98.3
Performance of KWS shares in €					
Dividend per share	1.70	1.40	1.20 *	1.20 **	1.10 **
Earnings per share	7.74	5.61	4.16	5.09 **	4.27 **
Operative cash flow per share	11.30	7.74	8.09	1.68 **	5.55 **
Equity per share	60.31	55.47	51.21	49.42 **	44.55 **

* Dividend of €1.00 plus anniversary bonus of €0.20
** Value after share split

Segments of the KWS Group

Sugarbeet
KWS SAAT AG
As well as 15 subsidiaries and affiliated companies*
Net sales €194.8 million
Operating income €28.1 million

Corn
KWS MAIS GMBH
As well as 15 subsidiaries and affiliated companies
Net sales €328.9 million
Operating income €23.2 million

Cereals
KWS LOCHOW GMBH
As well as 3 subsidiaries and affiliated companies
Net sales €67.4 million
Operating income €9.0 million

Breeding & Services
KWS SAAT AG
As well as 9 subsidiaries and affiliated companies
Net sales €121.8 million (net sales of third parties €8.0 million)
Operating income €9.8 million

* Subsidiaries and affiliated companies see page 78

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

KWS SAAT AG

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

Chairman's Foreword

Dear shareholders and friends of KWS,

We are pleased to report that KWS performed well again this year. Riding the wave of the global rise in prices for agricultural raw materials and the related intensification of agricultural production, KWS surpassed its outstanding performance of 2006/2007 in terms of both net sales and profit. We grew net sales by 11 %, and our operating result (EBIT) rose by 10 % in the year under review.

We – that is the 2,856 employees of KWS SAAT AG and its 44 subsidiaries and affiliated companies who devote their talents and hard work to developing forward-looking crops at around 70 locations throughout the world. The Executive Board would like to express its thanks – on behalf of the Supervisory Board as well – to all employees in Germany and abroad for their commitment in enabling this extraordinary success.

The gratifying performance in 2007/2008 shows in particular that the measures we have taken to expand corn business are now gaining traction. Sales of corn in the strategically important growth regions of Southeastern Europe, as well as in Germany and France, increased substantially. Despite the sharp depreciation of the US dollar, our joint venture AgReliant in the U.S. contributed to the corn segment's growth. Moreover, the segment benefited from higher demand for our highyielding rapeseed hybrids.

KWS' cereals business is bundled at the KWS LOCHOW Group. It developed well, with growing sales volumes for our winter cereal varieties. High consumer prices and the suspension of the policy of laying areas fallow encouraged farmers to significantly expand cultivation of wheat, rye and barley.

While prices for cereals, corn and soybean rose worldwide, sugar prices stagnated in the last business year. That had a negative impact on the sales volumes of sugarbeet seed since many farmers, especially in Eastern Europe, chose to cultivate cereals. As anticipated, cultivation area in the EU 27 declined as part of the reform of the Sugar Market Regime. In contrast, American farmers exploited the opportunity of increasing their productivity with genetically modified (Roundup Ready) sugarbeet varieties from KWS.

Climate change and the growing demand for food, as well as the constantly increasing hunger for energy, are the main global challenges facing agriculture and plant breeding in the 21st century. Productivity in agriculture can certainly be increased by further progress in plant breeding to meet the steadily growing need for food and fodder, regenerative raw materials and more environmentally friendly sources of bioenergy.

Sharp economic fluctuations occur more and more frequently along this growth path. However, what is important for a plant breeder like KWS is to analyze longterm trends and respond promptly to them. For more than 150 years, KWS has developed successful and innovative varieties for the production of food, fodder and energy. In our research and development work, we address not only the wide diversity of sales markets, but also the different forms of agriculture, developing and marketing seed for conventional and ecological cultivation as well as genetically modified varieties. Our goal is to provide customers with expert consulting for their specific needs and supply them with the varieties that are right for each individual. In this way, KWS helps increase agricultural yields continuously and reduce the use of pesticides. At the same time, our products permit the sparing use of scarce resources such as fertilizer and water.

We owe KWS' success to the relationship of trust we have with our customers, our business partners and our employees. We express our most sincere thanks to everyone involved for this gratifying and successful collaboration. These thanks go especially to our shareholders for their trust in our business model and its orientation toward longterm success.

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

Yours Philip Bussche

Philip von dem Bussche
Chairman of the Executive Board

» Only a fool never experiments. «

Charles Darwin, natural scientist

DNA analysis reveals whether the crossing experiment was a success and the new generation has the desired property.

Spotlight topic:
The bright promise of bioenergy

Today's global developments pose great challenges for modern civilization, as the world's population and energy consumption continue to grow. Bioenergy, which is a means of producing energy from plants, offers sustainable, environmentally friendly and efficient solutions for the future.

What is biomass?

The term 'biomass' can denote any organic substance. Biomass can be used as a source of all forms of energy – heat, electricity and fuel. Different kinds of biomass are used in keeping with their energy properties and suitability. For example, in Germany heat is provided mainly by solid fuels such as wood. In contrast, electricity and fuels are typically produced by transforming energy plants into liquid or gaseous sources of bioenergy – i.e. biofuels and biogas. Such energy forms obtained from biomass are commonly described by the collective term bioenergy.

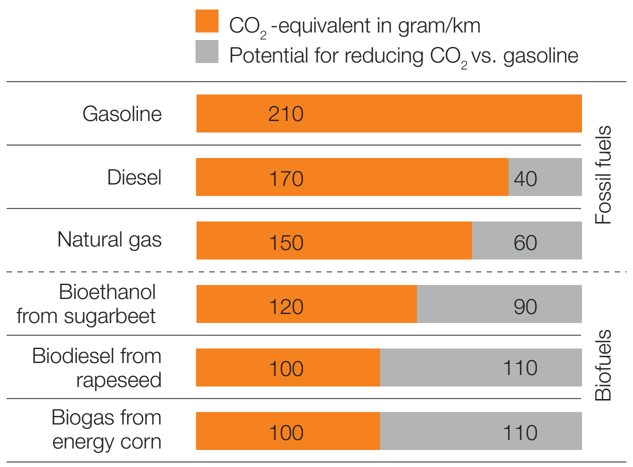
Background of bioenergy production

According to a study by the IEA, global energy consumption will increase by up to 55 % by 2030, largely as a result of growing demand in Asia. The increasing concentration of greenhouse gases (such as CO_2) in the atmosphere is attributable largely to the use of fossil energy sources such as coal or oil. Studies by the University of Bern found that the concentration of CO_2 is now around 28 % higher than the highest value in the past 800,000 years. Consequently, sharp fluctuations in temperature can no longer be blamed solely on natural influences such as solar activity. The climate-friendly generation of energy is thus a key challenge to curbing climate change in our age.

Bioenergy – environmentally friendly and efficient

Plants absorb and store carbon dioxide in the environment by means of photosynthesis. If they are decomposed or burned, they release the carbon dioxide back into the atmosphere – in exactly the same amount as they had absorbed. Plants are therefore a CO_2-neutral energy source. When biomass is cultivated and prepared for use, carbon dioxide is released as a result of the use of auxiliary fossil energy; however, the CO_2 balance of bioenergy overall is far better than that of fossil sources.

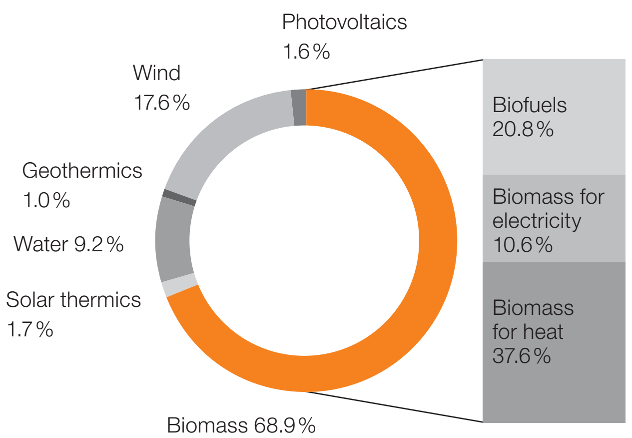
CO_2 savings potential through bioenergy



Source: Institut für Energetik und Umwelt, 2008

If renewable energy had not been used in Germany in 2007, total CO_2 emissions there (approx. 774 million tons) would have been 115 million tons higher. This reduction is largely attributable to the use of biomass, which is more climate-friendly than fossil fuels. The reduction is equivalent to the CO_2 that would be emitted if around 8 million cars were to travel around the world.

Sources of renewable energy in Germany (2007)



8.6 % of the energy provided in Germany (2007) is based on renewable energies

Source: BMU, 2008

Emission trading within the EU was introduced in 2005 to provide initial economic incentives for investments in new technologies. The goal of emission trading is to promote ecologically effective measures through economic means. However, more innovations will be needed to continue cutting production costs and to further the independence of the national energy industry.

Biomass now delivers around 6 % of all energy consumed in Germany and is, above all in the form of wood, by far the largest source of renewable energy. However, the technical possibilities for exploiting energy plants are still in their infancy. First-generation biofuels (biodiesel and bioethanol), for example, use only part of the whole plant and are thus inherently inefficient. With second-generation biofuels, on the other hand, the entire plant is used to produce energy. The production of biogas is such a second-generation technology. Biogas is formed by the microbiological decomposition of organic substances under anaerobic conditions. The biogas yield and energy content of the gas depend on the substrates used.

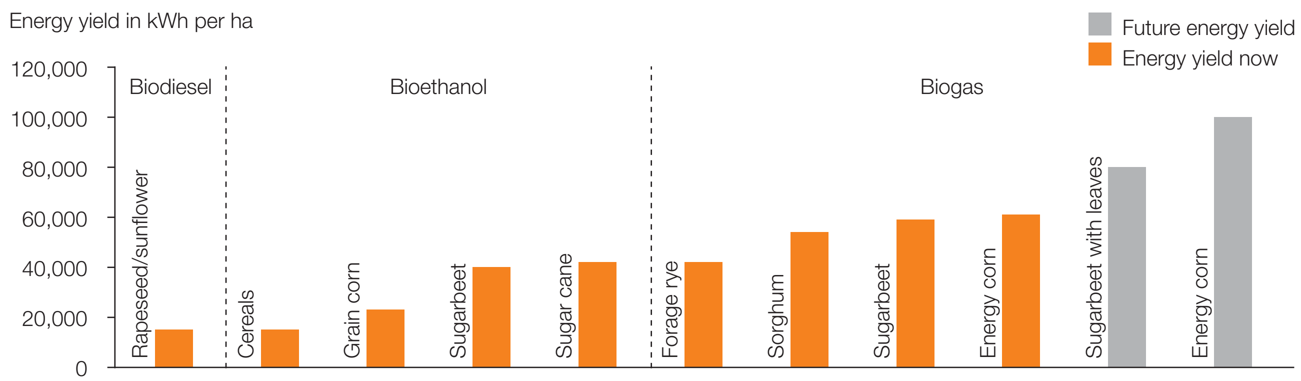
In addition, biogas production plants are "fed" with damp raw materials. There is no need to dry them. The dregs that result from the fermentation process are returned to the fields as a natural fertilizer, completing the nutrient cycle. As a result, energy-intensive mineral fertilizers can be dispensed with to a large extent.

New perspectives thanks to plant breeding

KWS already has a wide-ranging breeding program that will produce even higher energy yields from plants in the future. The energy efficiency and cost-effectiveness of producing bioenergy from regenerative plants depends in large part on the specific properties of the energy plants used. In leveraging an energy plant's yield potential, the plant is assessed on the basis of four criteria throughout the many years of the breeding process: (1) biomass formation, (2) energy yield, (3) speed of transformation into energy, (4) process costs.

In its breeding program, the KWS Group invests selectively in future-oriented products such as corn, sugarbeet, sorghum, rye and sunflowers. At the heart of this process is the concept of using the entire plant. Our economic goal is to maximize efficiency per unit area and to enable an independent energy supply. We also aim at enabling energy production with an environmentally friendly CO_2 balance, a closed nutrient cycle and a diversity of varieties through crop rotation. The 20 % increase in yields achieved in six years of breeding are the basis for our continuing research and, with the aid of the ecological and economic potential of bioenergy, represent solution approaches for future developments.

Energy plants: Yields and potential



1 ha of energy corn generates enough electrical power to supply a family of five with electricity for one year*

* KWS, Verband der Elektrizitätswirtschaft, 2001

Report of the Supervisory Board

The Supervisory Board carefully accompanied, advised and monitored the management of KWS SAAT AG in accordance with the law and the company's articles of association throughout fiscal 2007/2008. It was involved at an early stage of all key decisions of strategic and fundamental importance for the company and was provided by the Executive Board with prompt and extensive information in written and oral form. Following thorough deliberations, the Supervisory Board approved the submitted measures and business transactions requiring its consent. Its detailed discussions focused on corporate policy, corporate and financial planning, individual projects, the competitive risk situation and risk management, the general development of the various businesses and profitability. The Chairman of the Supervisory Board was also in close contact with the Chairman of the Executive Board and the Executive Board as a whole outside of the meetings of the Supervisory Board, and he took part in key meetings of the Executive Board, where he discussed special occurrences and the general development of the various businesses and closely followed important decision-making processes. The Supervisory Board held five meetings in fiscal 2007/2008. All its members participated in at least four of the five meetings. The regularly scheduled election of a newly constituted Supervisory Board was held at the Annual Shareholders' Meeting on December 13, 2007.

Focal areas of deliberations

The strong growth of the corn segment was a focus of several meetings of the Supervisory Board. The issues discussed included expanding the international distribution organization and growing production capacities and the breeding infrastructure. The Supervisory Board discussed and approved the investments required for this.

In addition, deliberations focused on opportunities for new business activities, such as a significantly broader range of energy plants and the launch of seed potato business as part of a new joint venture. Potential risks, such as the legal action against approval of genetically modified sugarbeet in the U.S., the European moratorium on conventional seed dressing agents and the global increase in multiplication costs, were discussed intensively.

At the suggestion of the Committee for Executive Board Affairs, the Supervisory Board reviewed the compensation system for the Executive Board, including key contractual elements, and dealt with compliance matters.

Annual and consolidated financial statements and auditing

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the independent auditor chosen at the Shareholders' Meeting and commissioned by the Supervisory Board, has audited the financial statements of KWS SAAT AG that were prepared by the Executive Board for fiscal 2007/2008 and the financial statements of the KWS Group (consolidated financial statements), as well as the management report of KWS SAAT AG and the KWS Group (group management report), including the accounting reports, and awarded them its unqualified audit certificate.

The Supervisory Board received and discussed the financial statements and management reports of KWS SAAT AG and the KWS Group, along with the report by the independent auditor of KWS SAAT AG and the KWS Group and the proposal on utilization of the net profit for the year made by KWS SAAT AG. It also held detailed discussions of questions on the agenda at its meeting to discuss the financial statements on October 29, 2008. The auditor took part in the meeting and reported on the main results of the audit. The Supervisory Board endorsed the results of the audit with no objections, among other things as a result of the vote by the Audit Committee. It gave its consent to the financial statements of KWS SAAT AG, which are thereby approved. The Supervisory Board also gave its consent to the statements of the KWS Group. It also endorses the proposal by the Executive Board on the appropriation of the profits of KWS SAAT AG.

Corporate Governance and committees

Other focal issues of the Supervisory Board were Corporate Governance and control. It followed and discussed the further development of the Corporate Governance Standards and drove their implementation forward in cooperation with the Executive Board. The Executive Board and Supervisory Board issued a new compliance declaration on October 29, 2008.

The **Committee for Executive Board Affairs** held one meeting, which focused on compensation structures and the financing out of pension obligations for the Executive Board. At the meeting of the Supervisory Board on October 30, 2007, Philip von dem Bussche was appointed as a member and Chairman of the Executive Board for five more years effective January 1, 2008. Dr. Christoph Amberger was appointed a member of the Executive Board for five more years effective July 1, 2008. In addition, the **Nominating Committee** convened ahead of the Annual Shareholders' Meeting on December 13, 2007, to draw up nominations for the upcoming election of the Supervisory Board.

At the end of the Annual Shareholders' Meeting on December 13, 2007, Dr. Dr. h. c. Andreas J. Büchting resigned his post on the Executive Board after 30 years of work. As a result, the **Executive Board** again comprises four members; however, it is the first time that it has not had a member from the founding families since the company was established.

Philip von dem Bussche is now responsible for Corporate Affairs, Sugarbeet and Human Resources. The other members of the Executive Board are responsible for the following: Dr. Christoph Amberger (Corn, Cereals, Marketing), Dr. Hagen Duenbostel (Finance, Controlling, Information Technology, Legal), Dr. Léon Broers (Breeding and Research, Energy Plants).

On December 13, 2007, the **Annual Shareholders' Meeting** elected Dr. Andreas J. Büchting, Hubertus von Baumbach and Cathrina Claas as new members representing the shareholders on the Supervisory Board, while Dr. Arend Oetker was reelected. Jürgen Bolduan and Dr. Dietmar Stahl were appointed as new members representing German employees on the Supervisory Board. Due to his considerable services to the company, Dr. Carl-Ernst Büchting has been Honorary Chairman of the Supervisory Board since 1993.

At its constitutive meeting after the Annual Shareholders' Meeting on December 13, 2007, the new Supervisory Board elected Dr. Andreas J. Büchting as its Chairman and formed the following **committees**:

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

Following the constitutive meeting of the Supervisory Board, the **Audit Committee** held an initial meeting, at which it decided to compile a set of bylaws, which have been posted on KWS' homepage (www.kws.com). In two further meetings, the committee dealt with issues including risk management and compliance. Moreover, the Audit Committee discussed the semiannual and quarterly reports with the Executive Board before they were published. At its meeting on October 6, 2008, which the Executive Board and auditor also attended, the annual financial statements and accounting were discussed.

Thanks

In December 2007 **Dr. Guenther H. W. Stratmann** ended his 15 years of work on the Supervisory Board of KWS SAAT AG. His successful period of office is reflected in the company's development, which he helped shape significantly with his entrepreneurial spirit, international legal experience and economic expertise. We would like to express our most sincere thanks for his professional leadership and the critical eye with which he followed the work of the Executive Board.

Apart from Dr. Guenther H. W. Stratmann, two other outstanding members retired from the Supervisory Board. One was **Goetz von Engelbrechten**, a personality who has followed KWS closely and always constructively for decades inside and outside the company. In his work as a member of the Supervisory Board, our company benefited above all from his extensive knowledge of the European sugar industry in times of radical change.

Prof. Dr. Dr. h. c. Ernst-Ludwig Winnacker gave the company new impetus with his scientific expertise, superb oversight and immense wealth of experience. KWS has benefited frequently from his many insightful remarks and suggestions. The Supervisory Board would like to offer its most sincere thanks to both former members for their unstinting commitment in helping the KWS Group move forward.

Jürgen Kunze and Eckhard Halbfaß, employee representatives who had served for many years on the Supervisory Board, also made a great contribution to its work with their relevant suggestions. Both resigned effective December 13, 2007, since they will be retiring during the new period of office. The company also expresses its thanks to them.

The Supervisory Board expresses its thanks to the Executive Board and all employees of KWS SAAT AG and its subsidiaries once more for their successful contributions and their commitment in fiscal 2007/2008.

Einbeck, October 29, 2008

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

Corporate Governance Report

Responsible, value-oriented governance geared toward people has been a tradition at KWS for more than 150 years. It is not only firmly integrated in its company guidelines – it is lived by executives in a relationship of trust with employees. We therefore support the goals of the German Corporate Governance Code. The Executive Board and Supervisory Board have dealt in considerable detail with the code. KWS SAAT AG complies with its recommendations, with only a few exceptions specific to the company and its industry.

Management with a sense of responsibility

As a medium-sized agricultural company with a rich tradition, we are not only committed to the recommendations of the German Corporate Governance Code and their business management perspective when making decisions, but also to ethical principles. External dialog is a very important part of this, since we work to ensure that our business activities are transparent to our shareholders as well as to our customers, consumers and the public. With our "management with a sense of responsibility", we at KWS go beyond the recommendations of the German Corporate Governance Code. The business principles are binding on everyone and are essentially based on four pillars:

- Compliance
- Integrated management system and risk management
- Responsibility for the environment and society
- Communication and transparency

An important guide for all employees is the Code of Business Ethics, an abridged version of which has been published on our homepage. One special focus of the Code is on regulating conflicts of interest. A separate international anti-corruption guideline precisely defines the freedom of action that KWS employees have. The effectiveness and sustainability of the compliance system are reviewed regularly by the independent auditor.

Identifying negative developments in good time and countering them effectively

For more than ten years, KWS has used an integrated management system that documents all the relevant processes and regulations in the company. A key component is the risk management system. It governs how risks in the individual segments are identified by means of a key parameter control system. A clear distribution of responsibilities ensures that negative effects resulting from market changes, technological developments and changes in general political and social conditions, for example, can be countered quickly and effectively. We report in detail on opportunity and risk management on pages 36/37.

Creating and strengthening trust is the maxim of our regular and open reporting. We continuously inform our shareholders on the progress of our business in press releases and quarterly reports. We report new developments that may impact the share price in ad hoc releases. All relevant information is published promptly on our homepage under "Investor Relations" so as to ensure equal treatment of all shareholders.

Relationship of trust and cooperation between the Executive Board and the Supervisory Board

The focus of good corporate governance is a cooperative relationship of trust between the managing, supervisory and decision-making bodies, with the aim of ensuring value-oriented corporate governance and effective monitoring. This is the task of the Executive Board and the Supervisory Board, supported by legal experts and auditors.

The Executive Board develops the company's strategic orientation in collaboration with the Supervisory Board and manages the KWS Group under its own responsibility. It conducts business transactions in a value-oriented manner, with the goal of ensuring the company's long-term success. In making decisions, the Executive Board takes care to ensure fair competition and the well-being of all employees and to fulfill its responsibility to customers, shareholders and society.

In its constitutive meeting on December 13, 2007, the newly elected Supervisory Board appointed Dr. Dr. h.c. Andreas J. Büchting, the former Chairman of the Executive Board, as its chairman. As a company with a family-owned character, KWS has consciously deviated from the recommendation of the Corporate Governance Code with this decision. KWS does not want to lose the extensive knowledge, experience and contacts of Andreas J. Büchting. They are important components of KWS' success and corporate culture. Many studies have shown that companies in which members of the shareholding families are involved over a long time operate with above-average success.

To meet the recommendations of the Corporate Governance Code, the Supervisory Board has formed an Audit Committee.

There are no personal conflicts of interest on the part of Supervisory Board members that might result from agreements to provide consulting or services for additional remuneration. The Report of the Supervisory Board on page 12 provides details on the work of the Supervisory Board and its cooperative relationship of trust with the Executive Board in the past fiscal year.

The Annual Shareholders' Meeting

The Annual Shareholders' Meeting makes decisions on important matters, such as the appropriation of profits, capital measures or changes to the Articles of Association. It also elects the members of the Supervisory Board and selects the auditor of the financial statements. Each share entitles its holder to one vote. To make it easier for shareholders to cast their votes, proxies can be appointed to vote on their behalf and in accordance with their instructions at the Annual Shareholders' Meeting. We also publish the Notice of Annual Shareholders' Meeting and the Annual Report on our Internet site.

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

I. The Executive Board and Supervisory Board of KWS SAAT AG declare in compliance with section 161 AktG (German Stock Corporation Act) that – with the exception of the points stated under II – the company has complied with the recommendations of the German Corporate Governance Code in the version dated June 14, 2007, since the last compliance declaration on October 30, 2007, and has complied, does now comply, and will comply in the future with the recommendations of the German Corporate Governance Code in the version dated June 6, 2008.

II. Clause 5.4.4.: The former Chairman of the Executive Board of KWS SAAT AG, Dr. Dr. h.c. Andreas J. Büchting, has – due to his extensive knowledge and experience in the very specialized sector of plant breeding – been elected Chairman of the Supervisory Board. It accords with the character and the recipe for success of a company with a tradition of family ownership for representatives of the families to be involved in influential positions.

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

This declaration has also been published on our homepage at www.kws.com.

Einbeck, October 29, 2008

For the Supervisory Board
Dr. Dr. h.c. Andreas J. Büchting

For the Executive Board
Philip von dem Bussche

The KWS share

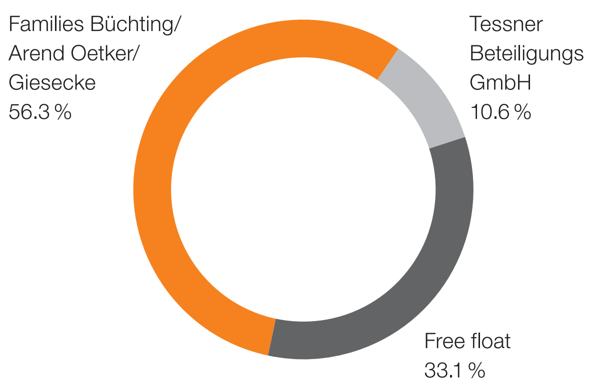
The number of publicly traded plant breeding companies worldwide is extremely small, especially if you only look at companies that, like KWS, focus on plant breeding and seed production. In this regard, our share is a rarity – and one that is enjoying steadily growing attention as part of the strong interest in agriculture.

KWS is a company with a rich tradition, one characterized by family ownership, and – as a result of the intensity of its research – it is geared toward the future. With our breeding and distribution activities in 70 countries in the moderate climatic zone, we are one of the world's top 5 in the industry. We have a broadly diversified product range: We are the world's No. 1 for sugarbeet seed, as well as the German market leader, No. 2 in Europe and No. 4 in the U.S. for corn. We are the leader in Germany and second in Europe in cereals. Moreover, we have an extensive portfolio for the production of biogas, biodiesel and bioethanol from biomass.

The company's success in global competition is based on its many years of experience, intense research, successful international partnerships and independence. Plant breeding is a very complex business, and it is affected by many factors, including some – like the weather – that we cannot influence. The time factor plays a particularly large role. Despite cutting-edge biotechnology methods, it still takes about ten years to develop a new variety and get it ready for the market. That is why this process of creating value necessitates a great degree of strategic planning and continuity.

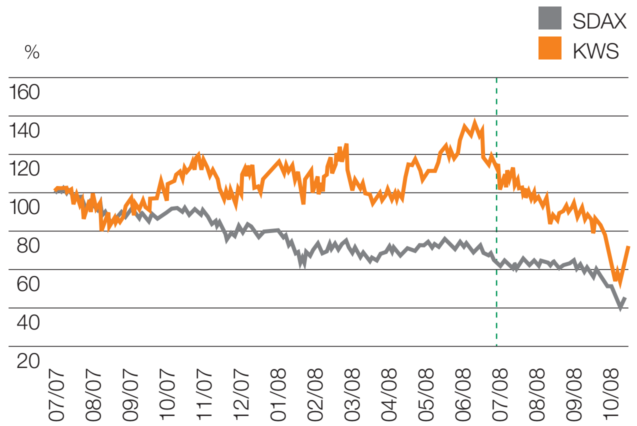
Following a phase of consolidation in the sugarbeet segment, KWS is back on the path to growth in all segments in the fiscal year 2008/2009 now underway. The stock market has already rewarded KWS' strong business promise and, in particular, has priced in our future profit potentials. In the period from July 1, 2007, to June 30, 2008, the share price increased by more than 13 percent to € 145. The comparative German index for small enterprises, the SDAX, lost about 35 % in value over the same period.

Shareholder structure
on June 30, 2008



Sentiment on the international capital markets continued its downward spiral at the beginning of the new fiscal year. KWS' share was not able to escape this trend, especially since higher food prices have kindled a controversial debate on bioenergy production. Despite KWS' good operating performance, its share has since dropped significantly from its peaks in mid-June 2008.

Performance of the KWS share vs. SDAX



» Everywhere, a presentiment precedes knowledge. «

Alexander Freiherr von Humboldt, natural scientist

We are gathering knowledge of nature's building blocks in international genome research projects.

Report on the performance of the KWS Group

The growing demand for high-quality food, increasing energy needs and climate change are the global challenges facing agriculture in the 21st century. High-quality seed is the crucial ingredient for the resource-efficient intensification of agricultural production of food, fodder and bioenergy. Thanks to our wide-ranging product portfolio, we again benefited from increasing global demand in fiscal year 2007/2008. Growth in the corn and cereals segments was particularly strong. As expected, however, our sugarbeet seed business declined in the wake of reform of the European Sugar Regime. Sales and income at the KWS Group again posted double-digit increases.

In the race to meet growing demand, worldwide agricultural production is experiencing an ever faster process of rationalization. At the same time, government subsidies are being reduced. As a result, farmers must generate more of their income from market revenue. Thanks to higher selling prices for agricultural consumer goods, many farms were able again last year to make structural adjustments and improve their yield per unit area by means of modern cultivation methods and efficient operating resources. Use of certified high-yielding seed plays a crucial role here. This meant that our business developed dynamically, both in our growth markets and in our core markets.

Consolidation in sugarbeet

Due to the sluggish trend in the price of sugar and the reform of the European Sugar Market Regime, the worldwide cultivation area for sugarbeet fell by 17 %. This development also impacted KWS, the global leader for sugarbeet seed. Net sales in the segment were down only slightly from the previous year, however, since our business performance varied depending on the region. Sugarbeet cultivation in the European Union was restricted to the anticipated extent in the 2008 growing season, and net sales in the EU 27 fell sharply. In contrast, business outside the EU increased strongly despite declining cultivation areas, above all in North America as a result of first-time sales of genetically modified sugarbeet.

Corn grows in all regions

Our corn business developed very well in all sales regions. We sharply increased our sales volumes, especially in the strategic growth region of Southeastern Europe, as well as in our domestic market of Germany and in Europe's largest agricultural market, France. The North American joint venture AgReliant contributed to the segment's growth in net sales, despite the weak US dollar.

Cereals profit from high consumer prices

The cultivation of cereals in Europe picked up significantly as a result of the sharp increase in prices for them. The KWS LOCHOW Group, in which KWS' cereals activities are bundled, successfully shared in this trend. In particular, net sales of hybrid rye increased by around a third. Sales volumes of winter barley also developed positively, while slight losses in market share were posted by the wheat business.

Strong rise in net sales to about €600 million

In the year under review, the KWS Group's net sales rose by 11.4 % to €599.1 (537.9) million. Domestic business developed well, with net sales growing by 14.1 % to €151.1 (132.4) million. The weak US dollar dampened the positive performance abroad. Due to higher sales volumes, sales in foreign countries as a ratio of total sales remained virtually constant at 75 % (76 %). On the basis of the previous year's exchange rates, the group's net sales would have been €622 million.

Net sales in the sugarbeet segment fell by 2.6 % to €194.8 (199.9) million, accounting for 33 % of the figure for the group. The corn segment far exceeded our expectations, recording an increase in net sales of 19.4 % to €328.9 (275.5) million and now accounting for 55 % of our business volume. The cereals product segment grew its net sales by 23.7 % to €67.4 (54.5) million, or 11 % of the KWS Group's total sales.

Economies of scale improve return on net sales

The cost of sales increased above-proportionately in relation to the growth in sales by 15.7 % to €305.4 (263.9) million. Gross profit rose by 7.2 % to €293.7 (274.0) million.

Selling and administrative expenses increased less than proportionately to net sales. We were able to achieve significant economies of scale here. Selling expenses rose by 4.5 % to €106.1 (101.5) million, mainly as a result of rigorous expansion of the KWS brand across all product segments and further strategic marketing projects. They fell relative to net sales to 17.7 % (18.9 %). Starting in fiscal 2007/2008, research and development expenses, which were included last year in the cost of sales, are reported separately due to their great importance. They rose by 7.2 % to €80.6 (75.2) million in the period under review.

Generations of trust in a brand: the result of continuous breeding progress and personal customer care.

Administrative expenses increased to €42.3 (38.5) million as a result of numerous maintenance measures, IT projects and higher energy costs and amounted to 7.1 % (7.2 %) of net sales. At €5.4 (5.1) million, the balance of other operating income and other operating expenses was at the level of the previous year.

Operating income sets new record

The operating income for the KWS Group increased by 9.7 % to the best-ever mark of €70.1 (63.9) million. The decline in sales in the high-margin EU market was not able to be compensated for in the sugarbeet segment, where operating income fell to €28.1 (35.1) million. Its contribution to group income declined to 40.1 % (55.0 %). Operating income in the corn segment improved to €23.2 (13.3) million despite further expansion of distribution structures and production capacities in Southeastern Europe and North America and accounted for 33.1 % (20.9 %) of the group's earnings. The cereals segment benefited mainly from hybrid rye business and its high contribution to margins. Operating income rose to €9.0 (5.3) million and was 12.8 % (8.3 %) of group earnings. Our breeding & services segment posted stable income of €9.8 (10.1) million, accounting for 14.0 % (15.8 %) of the group's earnings.

Financial results profit from sale of affiliated company

Net financial income/expense improved by €11.3 million to €5.3 (–6.0) million. This includes a profit of €5.8 million from sale of our potato business at the beginning of the fiscal year. The interest result improved due to far higher liquidity and an increase in the level of interest rates. It should also be noted that the net financial result was impacted last year by a non-recurring charge of €3.1 million as a result of the financing out of pension provisions. The result from ordinary activities improved by 30.2 % to €75.4 (57.9) million. As a result, the gross return on net sales increased by 1.8 percentage points to 12.6 % (10.8 %).

The potato is the most important arable crop after corn, wheat and rice. About 20 million ha of potatoes are grown worldwide.

Above-proportionate rise in net income

Total tax expenditures rose by 5.6 % to €20.8 (19.7) million, resulting in a reduction in the tax rate for the group from 34.0 % in the previous year to 27.6 %. This is due in particular to the 2008 corporate income tax reform in Germany, under which the rate of corporate income tax was cut from 25 % to 15 %.

A sharp increase in gross profit and a lower tax rate meant that the KWS Group's net income increased by 42.9 % to €54.6 (38.2) million. The return on net sales after tax rose by 2 percentage points from 7.1 % to a gratifying 9.1 %.

Investments in expanding production

Our capital spending on property, plant and equipment was aimed largely at further improving seed quality and expanding breeding and production capacities. The largest individual investments related to a processing plant for corn seed in Romania, greenhouses and extension of the office building in Einbeck. The KWS Group invested a total of €30.4 (27.2) million in the year under review. Depreciation and amortization was € 17.0 (16.1) million, meaning that, once again, investments exceeded depreciation by a significant margin. Of the total investments by the KWS Group, 46 % went to Germany, 31 % to the rest of Europe, 19 % to North and South America and 4 % to other countries. Just under half of investments were made in the breeding & services segment and almost a third in the corn segment.

Solid assets situation

Total assets increased in fiscal 2007/2008 by €61.3 million to €671.1 (609.8) million. Equity rose by €31.9 million as a result of the good profits situation. The KWS Group has solid financing, with an equity ratio of 59.3 % (60.0 %).

Net working capital fell slightly in the fiscal year. Receivables in the corn segment increased by €23 million as a reflection of our business expansion, while inventories were reduced by €7 million. In the sugarbeet segment, net working capital decreased slightly.

Totaling €310.0 (294.8) million, inventories and trade receivables accounted for around 46 % (48 %) of total assets. On the balance sheet date, cash and cash equivalents, including securities, amounted to € 113.0 (68.1) million.

Equity rose to €398.0 (366.1) million, and fully covered non-current assets and inventories. Debt capital increased by a total of €29.4 million to €273.1 (243.7) million, in particular as a result of unpaid royalties, while financial borrowings were reduced as planned to €6.5 (8.4) million. Short-term borrowings rose by €27 million to € 182.5 million and were covered at a rate of 196 % (181 %) by cash and cash equivalents and trade receivables.

Operating activities generate high cash flow

Net cash from operating activities increased by €23.5 million to €74.6 (51.1) million. The ratio of cash flow to net sales improved to 12.4 % (9.5 %), underlining the KWS Group's great financial strength. Net funds used in investing activities were €30.1 (26.7) million while proceeds of € 12.0 million were obtained largely from the disposal of RAGIS KARTOFFELZUCHT- & HANDELSGESELLSCHAFT MBH, Einbeck, yielding a free cash flow of €56.5 (24.4) million, with net cash used in financing activities at € 11.6 (11.1) million. Net cash consequently improved markedly to € 106.5 (59.7) million.

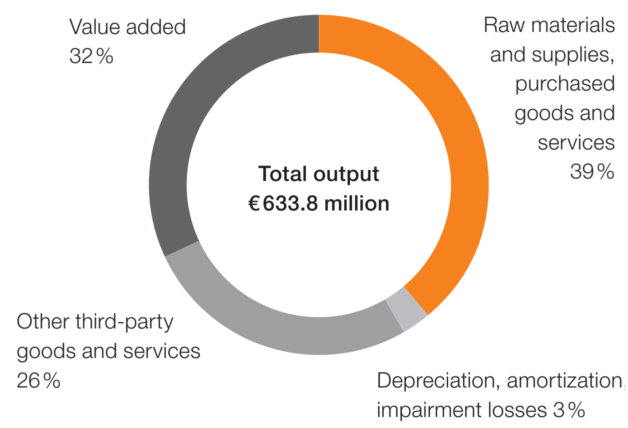
Proposed appropriation of profits

For the year under review, KWS SAAT AG achieved net income of €24.1 million, compared to € 18.3 million for the previous year. Of this, € 12.0 (9.0) million has already been allocated to the revenue reserves of KWS SAAT AG. Following a dividend of € 1.40 for fiscal 2006/2007, the Executive and Supervisory Boards will propose payment of a dividend of € 1.70 for each of the 6,600,000 shares at the Annual Shareholders' Meeting, making the total distribution to shareholders this year € 11.2 (9.2) million. €0.9 million will be carried forward to the new account.

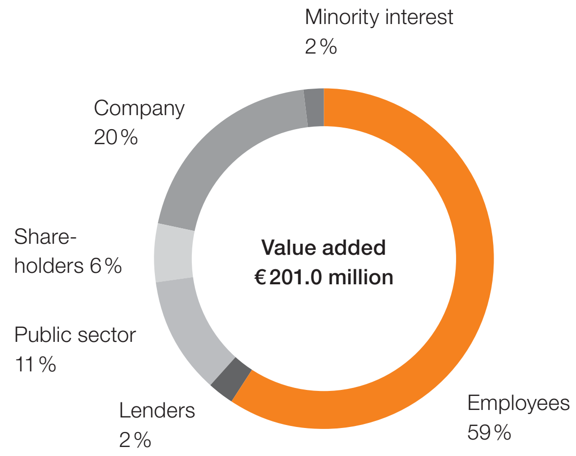
The KWS Group

Apart from KWS SAAT AG, the consolidated KWS Group comprised a total of 44 (45) subsidiaries and associated companies in fiscal 2007/2008. A total of 42 (41) companies were fully consolidated and 3 foreign companies were proportionally consolidated. Two companies that had been included in the KWS Group's financial statements at equity were sold effective July 1, 2007 (see list of consolidated companies on page 78). A new breeding company was established in Russia.

Creation of value added



Distribution of value added



In fiscal year 2007/2008, the KWS Group generated total output of €633.8 (563.2) million, consisting of net sales of €599.1 (537.9) million and other income of €34.7 (25.3) million.

The costs of raw materials and supplies and of third-party goods and services attributable to cost of sales totaled €247.1 (286.6) million. Deduction of depreciation, amortization, and impairment losses of € 17.0 (16.1) million and other third-party goods and services of € 168.7 (81.6) million gives value added of €201.0 (178.9) million.

The distribution was as follows: Employees received € 119.0 (111.3) million, including social insurance and retirement benefit costs. Interest paid fell by €3.6 million to €5.1 million. The public sector received €22.3 million, compared with €20.7 million in the previous year. Value added of €3.5 (1.1) million was distributed to minority shareholders. The shareholders will receive a dividend of € 11.2 million, with the result that €39.9 (27.9) million will be retained by the company.

»Energy lies in quality.«

Friedrich Wilhelm Nietzsche, writer and philosopher

Resistance to pests and diseases are the most important qualities of our varieties. After all, only a healthy plant can deliver a full yield.

Sugarbeet segment

Net sales at our sugarbeet segment were almost on a par with the previous year, despite a huge decline in cultivation area worldwide. Market volume slumped by 17 % in the last growing season, but KWS' net sales in the segment fell by only 2.6 % in fiscal 2007/2008.

There were three major influencing factors in the year under review. The main positive impact came from the enormous demand for our genetically modified herbicide-resistant sugarbeet varieties in North America. They are resistant to the active substance glyphosate (Roundup). In their very first year, these special varieties captured a market share of over 60 %. Compared with conventional means of combating weeds, American sugarbeet farmers were able to reduce crop protection costs by a third and reduce the use of special herbicides considerably with these innovative varieties.

In the EU 27, in contrast, virtually the entire sugar quota was returned in fiscal 2007/2008, something we had originally expected to see happen in 2006/2007. A significant influence on this were the high consumer prices for corn, wheat, soybean and rapeseed, which reached record levels in the year under review and induced many farmers, in particular in Eastern Europe, to switch from sugarbeet to other crops.

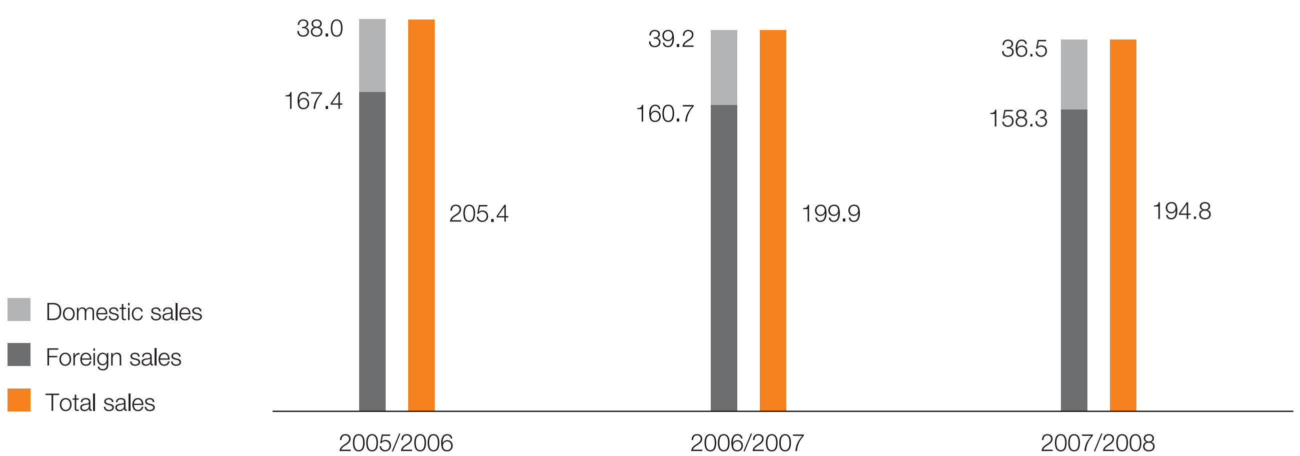
Cultivation area in the EU 27 fell by 16.3 % to a total of 1.49 (1.78) million ha. The area used to produce quota sugar declined to 1.27 (1.58) million ha. The area for industrial beet, among other things for the production of ethanol, rose slightly to 222 (197) thousand ha. The largest declines in area were in Poland (– 53 thousand ha), France (– 51 thousand ha), Germany (– 39 thousand ha) and Hungary (– 30 thousand ha), while sugarbeet cultivation was discontinued completely in Bulgaria.

There was a worldwide decline in sugarbeet cultivation area of 17.1 % to 4.25 (5.13) million ha, due not only to sugar quota returns in the EU, but also to the already mentioned high consumer prices for corn, cereals, soybean and rapeseed. Sugarbeet cultivation areas in Ukraine, the Russian Federation and the U.S. were especially affected by this.

Net sales in the KWS Group's sugarbeet segment were € 194.8 (199.9) million, down slightly from the previous year. The losses in sales as a result of these declines in area were largely compensated for by higher revenue in the U.S. Net sales outside the EU increased by 13.1 % to € 87.2 (77.1) million. Our net sales in the EU 27 fell by 12.4 % to € 107.6 (122.8) million, below-proportionately in relation to the decline in area.

Higher unit costs, accompanied by a decline in net sales and negative exchange rate influences, reduced the segment's income by 19.9 % to € 28.1 (35.1) million. Thanks to rigorous cost optimization in sales and administration, the segment's return on net sales stabilized at a satisfactory 14.4 %, on a par with the long-term average. The previous year's extraordinarily high return on net sales of 17.6 % was also aided by the marketing of inventories for which allowances had already been charged. The sugarbeet segment still generates the highest return in the KWS Group.

Sugarbeet segment sales in millions of €



Leaf health is a key breeding objective. The sugarbeet assimilates energy through its leaves to form its body and store sugar.

The regions

Business in Germany was impacted by large reductions in cultivation area, which fell from 407 thousand ha to 368 thousand ha. KWS also suffered slight losses in market share as a result of fiercer competition. However, it remained the market leader by far with a share of just over 53 %. Areas in France also fell from 394 thousand ha to 343 thousand ha, with the result that we were not able to quite achieve the previous year's high net sales.

There were also reductions in area of almost 50 thousand ha in Northern Europe. However, the decline in net sales was only slight thanks to good variety performance and concomitant increases in market share. Cultivation area in Central Europe was reduced by more than 70 thousand ha, and we also lost market share in this region as a result of the competition's aggressive discount policy. Southeastern Europe also experienced significant reductions in areas. Apart from quota returns in Hungary and Bulgaria, high cereal prices in Croatia and Serbia were also responsible for farmers' switching to other crops. Overall, the area in this region fell by approximately 34 % to 136 thousand ha.

The largest reduction in cultivation area – more than 400 thousand ha – was in Eastern Europe. Nevertheless, we were able to retain our market share there, despite intense competition.

Our development in North America and other foreign countries was positive. Sales volumes for Roundup Ready varieties in the U.S. were as planned, meaning our North American subsidiary Betaseed was able to grow its market share to almost 60 %. However, this was impacted negatively by the weakening of the US dollar by some 12 %.

Our sales situation in Turkey was good, compared with the previous year when an oversupply meant no sales whatever to the Turkish sugar industry. Our business in China and Japan also picked up.

Corn segment

Thanks to its many and varied uses, corn is the world's most important field crop. Demand increases year by year, with the result that there were even some bottlenecks in seed availability in the 2008 growing season. In this market climate, we were able to expand our corn business in all sales regions.

The resultant 19.4 % increase in net sales to €328.9 (275.5) million far exceeded our expectations. In our strategically important growth region of Southeastern Europe, we even boosted net sales by over 60 %. Our up-front investments in the region over many years are thus gaining traction. We were also able to increase sales volumes by 20 % both in our home market of Germany and in France, Europe's largest agricultural market. Our North American joint venture AgReliant also helped grow the segment's net sales in the year under review despite a 7 % decline in corn area and a considerable strain because of the weak US dollar.

Area for cultivating cereals in Europe increased, primarily at the expense of winter rapeseed. Nevertheless, we managed to grow sales in this subarea of the corn segment by just over 20 %. This is attributable to the rapid pace at which farmers are switching from pureline varieties to high-performing hybrids.

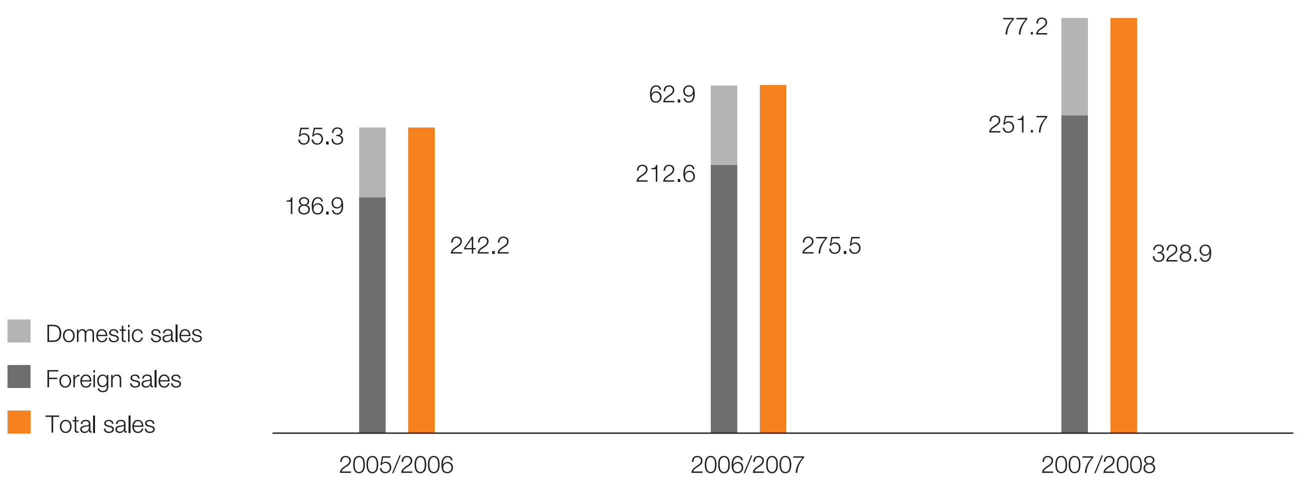
As a result of the good sales volume and comparably low production costs for seed multiplication in 2007, the segment's income rose by 74 % to €23.2 (13.3) million.

The regions

Soybean cultivation grew sharply in the U.S., in particular at the expense of corn cultivation areas, which fell by just over 7 % year-on-year to 35.3 million ha. Only by expanding its range of varieties with multiple-resistant genetically modified products was AgReliant (a 50:50 joint venture with the French breeding group Limagrain/Vilmorin) able to maintain its market share year-on-year and increase its net sales slightly to €235 (227) million. It retained its market position as the fourth-largest vendor of corn seed in North America. AgReliant was able to record strong growth in soybean seed, where, however, margins are lower.

Corn cultivation area in Europe increased in 2008 by around 5 % year-on-year. Moreover, we were able to improve our market position in all of Europe's regions. The sales season in Germany, in the markets of Northwestern Europe, in France and in the markets of Central and Southeastern Europe went especially well, so that we are now in second position in European corn business. We were able to consolidate our leadership in Germany and the other Northern European markets for early-maturing corn varieties.

Corn segment sales in millions of €



Grain corn is the world's most important fodder. The harvest from one hectare can be used to produce 15,000 l of milk, 2,000 kg of beef or 3,000 kg of pork.

Oil seed contributed about 14.2 % to the corn segment's net sales. This subarea mainly comprises distribution of winter rapeseed, sunflowers and soybeans in North America. Winter rapeseed performed especially well in the countries of Central and Southeastern Europe. In the EU 27, the share of hybrid rapeseed varieties is now 40 %. This is also attributable to the decision to focus more on breeding rapeseed hybrids, along with the development of pureline varieties in France.

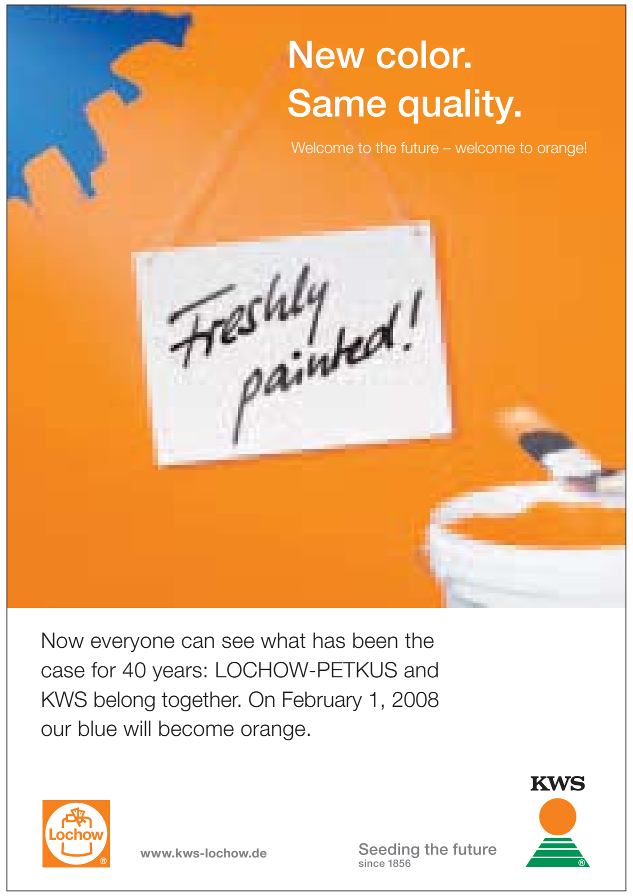
In the 2008 growing season, the sunflower cultivation area increased significantly to around 12 million ha. Approximately 70 % of this area is in Russia and Ukraine, where we were able to sell significant volumes for the first time in the year under review. Further areas of about 15 % for sunflower cultivation are in Southeastern Europe. We were able to expand our market share there thanks to our good presence in this region.

Seed availability

The growing demand for corn seed in all regions of Europe is accompanied by expansion in seed multiplication. We build on established partnerships that have proven their strength over the past 10 years. At the same time, we invest in seed processing technology wherever this partnership concept cannot be implemented. In the current fiscal year, for example, we started building a seed processing plant in Romania and initiated construction of a plant in Ukraine. Further projects are planned for the coming years to ensure the global and regional supply of seed and the high quality of KWS seed in all of Europe's markets.

Cereals segment

The LOCHOW-PETKUS cereals breeding company has a rich tradition and bundles the KWS Group's cereal activities. We implemented a brand change in this segment effective February 1, 2008: LOCHOW-PETKUS GmbH was renamed KWS LOCHOW GMBH.



This step means that our international cereal activities will benefit from the KWS brand and that the traditional name LOCHOW is retained in the domestic market of Germany. This measure was implemented against the backdrop of very positive business development.

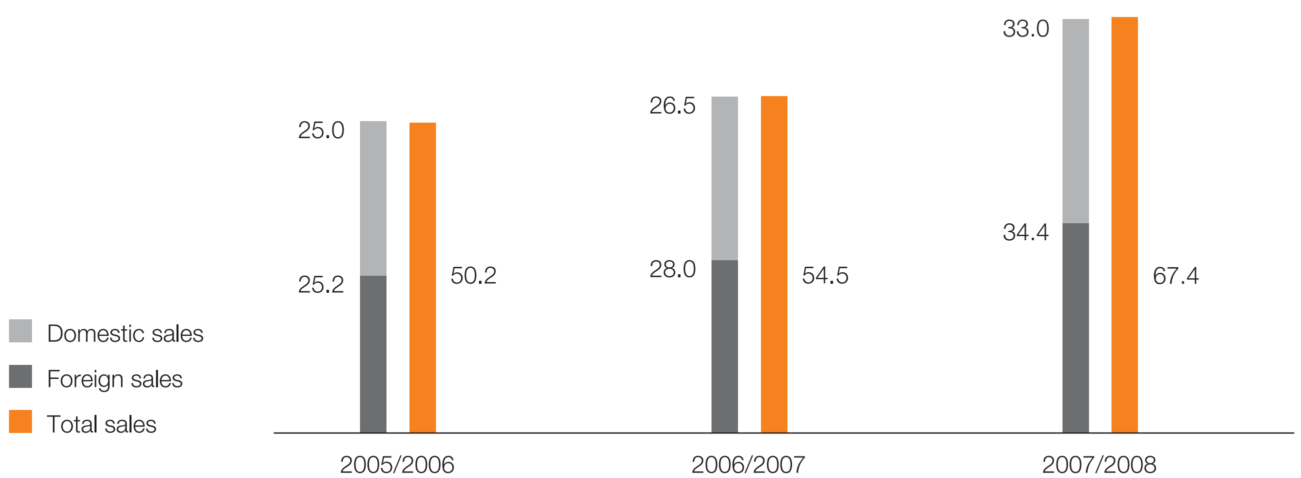
Lengthy periods of drought in the summer of 2007 led to significantly lower yields in the production of cereals for consumption and seed. The resulting price increases in the cereals sector led in turn to above-average demand for seed in the fall sowing season that it was not possible to meet satisfactorily. In particular, the KWS LOCHOW Group sold its entire inventory of hybrid rye varieties and increased net sales by 23.7 % to €67.4 (54.5) million. We also profited from a strong increase in cultivation area for cereals for consumption in the 2008 harvest season in Germany due to reduction in the EU's obligatory fallow land quota. The most important foreign markets were still in the UK, Poland and France. With a stable share slightly more than 50 % from sales abroad, KWS LOCHOW is firmly established among European cereal breeders.

The unusual market situation in the past fiscal year entailed a sharp increase in the volume of seed sales. Consequently, we were able to post higher net sales for all the main crops: hybrid rye, wheat, barley and rapeseed. The main contributor to net sales and income was hybrid rye, sales of which were around 34 % up year-on-year. We were able to grow our market share for hybrid rye, with its strong contribution to profits, to 58 % (48 %) in Germany and about 60 % (54 %) in Poland. The share of hybrid rye relative to our rye business as a whole increased to around 95 %. The potential profit contribution from barley and wheat breeding is still unsatisfactory due to the high levels of farm saved seed, meaning that the funds available for promising breeding programs are severely limited.

The positive and in some cases exceptional influences in the year under review resulted overall in a considerable increase in the cereals segment's income of around 70 % to €9.0 (5.3) million. The high return on net sales of 13.4 % means a sharp increase in earnings strength (9.8 %) over the previous year.

Compared with wheat and barley, rye is especially high-yielding in dry locations. Moreover, this cereal is far more robust in withstanding leaf diseases.

Cereals segment sales in millions of €



Breeding & services segment

KWS' core competence lies in developing innovative, high-yielding varieties adapted to their location for – at present – 70 countries around the world. Other differentiating features of our products are resistance to disease and pests, as well as their specific properties for use as food, fodder or raw materials to produce energy. The product portfolio is rounded out by customized treatments, meaning our customers world-wide can choose from several thousand articles.

In the calendar year 2008, KWS was awarded 266 (267) distribution approvals for new varieties internationally as part of official testing: 114 (108) for sugarbeet, 90 (112) for corn, 56 (26) for cereals and 6 (21) for the product area of oil seed. The approved varieties are made available to the product segments in exchange for royalties at a level customary in the market.

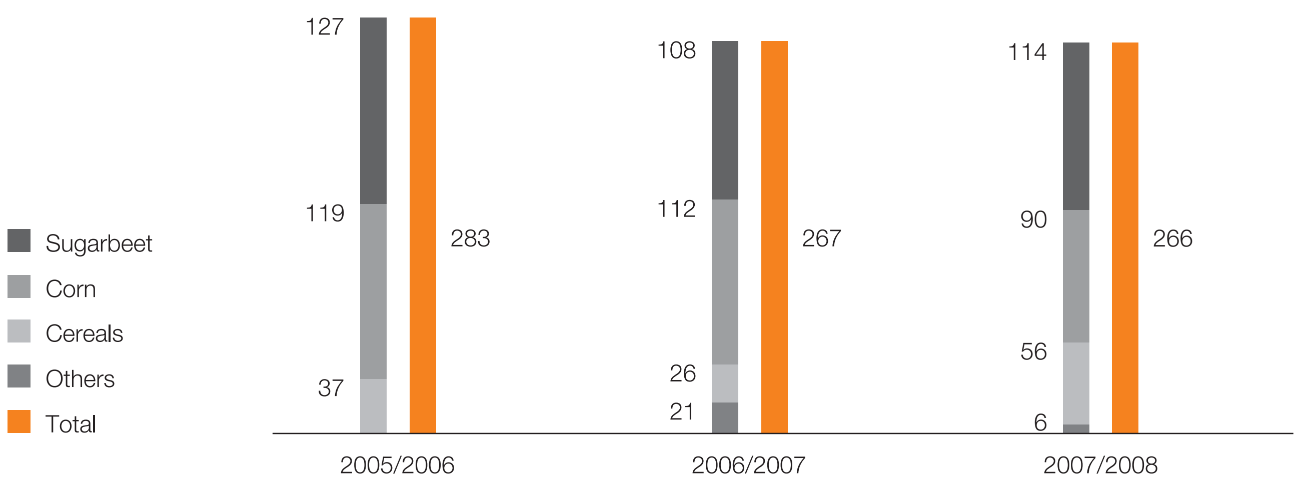
Apart from breeding and research, the central corporate functions and farming are operated in this segment. Farming also accounts for most of the segment's external sales of €8.0 (8.1) million. Including the internal royalties generated from development of varieties, net sales at the segment in fiscal year 2007/2008 increased to € 121.8 (109.0) million. However, income was €9.8 (10.1) million, only at the level of the previous year, due to the sharp increase in product development costs and numerous projects in the central functions, in particular for brand development.

Success in genome research

As a result of genome research, several plant genomes have been sequenced either completely (Arabidopsis, rice, poplar, corn, soybean) or partially (barley, sugarbeet, rapeseed) over the past ten years. As part of this work, it has been possible to acquire extensive knowledge in the area of molecular biology, something that brings with it advantages for our traditional crossing and selection processes. Various genome research programs into sugarbeet and corn have produced numerous molecular markers – DNA sections that mark the propensities for a specific property. Molecular markers thus make it possible to identify features in the plant for a wide range of breeding objectives (e. g. quality, resistance to disease, tolerance to cold) early on in the laboratory instead of later, in lengthy field trials.

One of the molecular markers used is the SNP (single nucleotide polymorphisms) marker. It permits high-throughout applications. As a result of the high-throughout potential of marker technology, larger populations can be selected more quickly for several properties. That means that knowledge of the properties of the existing breeding material will increase dramatically, enabling even more precise breeding. Our PLANTA marker laboratory has achieved remarkable technological progress in this field and in fiscal 2007/2008 developed a multi-parallel DNA analysis system. Thanks to the introduction of this high-throughput technology (SNP multiplex analysis) and the associated dramatic reduction in costs, the volume of analysis results for sugarbeet and corn will increase almost tenfold in fiscal year 2008/2009. Ultimately, the many low-cost molecular markers are also a prerequisite for being able to test completely new applications for complex breeding objectives.

Marketing approval for new varieties



The secret of plant breeding lies in diversity: The larger the pool of different plants (genotypes) is, the more valuable are the new crossings that can be produced from them.

Development of modern plant breeding

Year after year, KWS invests in the further technical development of modern plant breeding. In particular, they include long-term, molecular genome research projects aimed at improving our crops where traditional breeding is no longer able to. The resultant inventions can be protected by patents, which give KWS an exclusive right to use the patented invention for a limited period of time. Adequate patent protection thus promotes technical progress and increases productivity in agriculture. Glyphosate-resistant sugarbeet is one example of such a technical development. KWS was granted a patent for it in the U.S. in February 2008.

However, we also achieved technological successes in other areas. KWS has been awarded patent protection for the tissue-specific and storage-induced promoters it has developed; other patent applications are also being processed. Promoters are control units that regulate reading of genetic information (genes).

Expansion of breeding activities in new markets

Developing varieties that are ideally adapted to their location is only possible through selection in the target market. For instance, strategic expansion of KWS' corn breeding program in Hungary has just been completed. There has already been initial success in the testing of medium-late maturity hybrids. Moreover, initial steps have been taken to establish a new corn breeding program with additional testing locations in Romania, Bulgaria, Ukraine and Russia.

Selective pollination is carried out in the rapeseed breeding garden. Extreme care is vital.

Breeding station in Russia

Since 2006, KWS has been conducting performance tests to a small extent and on its own responsibility in Lipezk (Central Black Earth region). We plan in the short and medium term to establish further trial locations outside the Central Black Earth region in the North Caucasus and Volga/Ural region. These investments will ensure that sugarbeet, corn, summer cereal and winter rye products developed specifically for the Russian and other Eastern European markets will be available in the future and enable the KWS Group to expand its market position.

To this end, a separate breeding infrastructure is being built up in Russia. The cornerstone for the new KWS breeding station near Lipezk was laid at the beginning of July 2008. €2.8 million has initially been invested to build the station, where performance tests and other breeding work are to be carried out for the crops sugarbeet, corn and cereals, in addition to agrotechnical trials. Moreover, we intend to invest in special technology for trials in the coming years, as well.

Repositioning in the potato market

The KWS Group has repositioned itself in potato breeding. On July 1, 2008, the new joint venture “Van Rijn – KWS B.V.” launched its international activities in breeding, producing and distributing seed potatoes. As a result, KWS has regained an independent, strategic position in this market.

The 50:50 joint venture, which is headquartered in Poeldijk near The Hague, operates in around 60 countries with its four subsidiaries in France, the UK, Romania and Morocco and its network of multiplication and distribution partners. Breeding activities are conducted in Emmeloord, the center of potato breeding in the Netherlands.

Van Rijn – KWS B.V. has a competitive portfolio of varieties for processing and for consumption as fresh produce. Its market position in Northern and Southern Europe and in North Africa is based on longstanding partnerships of the Van Rijn Group in the potato, fruit and vegetable value chain. Entry into the markets of Eastern and Southeastern Europe opens up significant growth potentials in the medium term.

Outlook for the 2008/2009 fiscal year

In the current fiscal year, we continue to expect the KWS Group to grow its net sales by up to 10%, and we expect that all product segments will likely contribute to this growth. This also goes for the sugarbeet segment, following the phase of consolidation in the previous year. In addition, we will generate revenue from our new potato business for the first time.

The objectives of reform of the Sugar Market Regime in the European Union were largely achieved in the year under review. All that remains to be returned is a quota of 0.3 million tons of sugar, corresponding to a further reduction in area of approximately 30 thousand ha. Assuming this, we expect our **sugarbeet sales volumes** in the EU 27 to stabilize at the level of fiscal 2007/2008, especially given the fact that we have a competitive advantage in Europe in the field of nematode-resistant varieties. We see growth opportunities in Eastern Europe. Falling consumer prices for other crops make it more interesting for farmers to grow sugarbeet. Ukraine’s accession to the WTO also means a significant reduction in protectionist tariff rates, which had virtually prevented us from exporting to Ukraine in the past years. Moreover, we plan to expand sales volumes of our Roundup Ready varieties in the U.S. Based on these anticipated increases in net sales, we assume at present that we will be able to compensate largely for the rising cost of sales and that income at the segment will remain at the level of the year before.

While slight growth is forecast again in corn cultivation areas in the U.S., we expect areas in Europe to stagnate. Nevertheless, we are planning to increase total net sales in our **corn segment**, above all by growing sales volumes in France and Southeastern and Southern Europe, and by increasing sales of genetically modified varieties in America. However, the segment’s income will be strained by far higher production costs since the multiplication agreements for products to be sold in 2009 were concluded on the basis of the high consumer prices in the fall of 2007. This resulted in sharp price increases for seed multiplication in the various production countries. It is not yet possible to determine the extent to which these cost increases can be passed on, due to fierce competition in the market. As things now stand, we will likely not be able to repeat the good result of 2007/2008.

In the **cereals segment**, the liberalization of markets resulting from the restriction of EU intervention will continue to have a positive impact on net sales. Above all, we expect to grow sales volumes for hybrid rye in Germany and Poland and give a further positive boost to this business activity. We therefore anticipate that the segment will continue its positive net sales and income trend.

The **seed potato company** Van Rijn – KWS B.V., which was launched on July 1, 2008, plans to generate net sales of approximately €30 million, half of which will be reported for the KWS Group’s breeding & services segment, and break even in its very first fiscal year.

In summary, in the current fiscal year we expect income once again on a par with the high level of the previous year, on the strength of an increase in net sales in the KWS Group.

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

Risks for future development

KWS acts in an entrepreneurial fashion to exploit market opportunities. The goal of our value-oriented corporate governance is to leverage all profitable strategic potentials. That entails risks. How these risks are handled in entrepreneurial fashion is a crucial factor of business success. Opportunities and risks are always analyzed and assessed systematically. Responsible corporate decisions are then made on the basis of this information.

Evaluation of opportunities

Recognizing and leveraging opportunities secures long-term commercial success. KWS identifies opportunities by means of a permanent observation of the market and intensive dialog with customers, business partners and scientific institutions. The key to rapid and flexible exploitation of opportunities when they arise lies in the independence and the long years of breeding experience of KWS and its subsidiaries. A lean, medium-sized organizational structure and an active exchange of knowledge based on trust enable agility in responding to such opportunities.

The main opportunities arise from the global trend of growing demand for food, fodder and energy. This trend is influenced by the world's growing population and increasing prosperity in individual regions. As their incomes rise, people demand higher-quality food and use more energy. Reserves of fossil fuels and land that can be used for agriculture on our planet are limited. That is why solutions for cost-effective, resource-saving and efficient production of food are growing in importance. We have explained how KWS will leverage these opportunities in entrepreneurial fashion in the "Outlook for the 2008/2009 fiscal year" section on page 35 of this management report.

Risk management

A suitable risk management system is needed to systematically and efficiently evaluate, document and control risks, the likelihood of their occurrence and their potential effects. KWS has firmly established such a system in its corporate planning and controlling and in its reporting system. The risk management system is based on strategic planning and investment controlling, continuous operational controlling and the quality and process monitoring systems. The efficiency of the risk management system is ensured by a clear assignment of responsibilities and internal control and was checked by the auditors as part of their audit of the annual financial statements. External auditing by experienced auditors is conducted at KWS and is a key component of risk management in ensuring that internal controls work. Several audits are held each year, covering processes and organizational units. The goals are to optimize internal control systems and to increase efficiency.

The KWS Group is subject to the usual economic and political risks in the countries in which it and its subsidiaries operate. In addition, the risks described below may significantly impair KWS' net sales, financial position and performance. These risks have been identified. However, other risks that have not yet been recognized or have been underestimated may also influence its business. No risks that pose a threat to the company's existence have been identified to date. There was no significant change in the risk situation in fiscal 2007/2008 compared with the previous year.

Market risks

The medium-term sales risk depends on product performance and the competitive situation. KWS addresses this challenge with systematic analyses of the market and competition and by permanently developing higher-quality seed for innovative, high-yielding plants. KWS counters the risk of a decline in cultivation areas with its efforts to win market share and grow sales in other areas of production. A wide-ranging product portfolio contributes to diversification of risks. The company ensures the high quality of its products through strict internal quality standards and monitoring. KWS tackles the risks involved in investing in acquisitions and research and construction projects by means of efficient controlling and professional project management. It also addresses the liquidity risk with professional cash management, sufficient long-term, syndicated credit lines – of which only some were made use of in the year under review – and a comfortable equity ratio of 59.3%. It uses extensive trade credit insurance to counter the risk of losing receivables in risky regions and business segments. The risk of interest rate changes and currency risks are addressed through the usual standardized hedging instruments.

Political risks

In the strongly regulated agriculture industry, political risks have a significant impact on business development. The new EU Sugar Market Regime, which came into effect on July 1, 2006, and will remain in force until September 30, 2015, has a serious effect on KWS, the world market leader in sugarbeet seed. However, it has so far largely been possible to cushion the declines in net sales in the EU 27 by higher sales volumes outside the EU, in particular in the U.S. and Turkey.

Demand for high-yielding energy plants is dependent on the price of fossil fuels and on general regulatory conditions, such as government market incentive programs for startup financing for the investments needed for bioenergy production, admixture ratios for biofuels or regulations on direct feeding of biogas into existing natural gas networks, to name a few examples.

We believe that the Genetic Engineering Act (GenTG) adopted by the German Parliament on January 25, 2008, is not efficacious, since it impedes the use of state-of-the-art, internationally acknowledged breeding methods in Germany. It entails serious competitive disadvantages for agriculture, research institutions and medium-sized enterprises such as KWS, in particular because it fails to define the issue of liability precisely and because the exact plot of areas has to be reported in the location registry.

It is not only direct legislative procedures that impact business operations. Reservations on the part of the population can also influence opportunities for business development. For example, there is strong disapproval of "green genetic engineering" in agriculture, especially in Europe. Worldwide, on the other hand, genetically improved crops are cultivated on more than 110 million hectares a year, with remarkable economic and ecological advantages. In the U.S. in particular, it is mainly genetically improved varieties that are cultivated and that are helping to solve problems in agriculture. However, rapid market penetration of our herbicide-resistant, genetically modified sugarbeet varieties (Roundup Ready) in the U.S. has also provoked opposition from opponents of genetic engineering in that country. On January 23, 2008, environmental protection associations filed legal action against the United States Department of Agriculture (USDA), with the aim of revoking the approval for cultivation of Roundup Ready sugarbeet awarded in March 2005. Although we expect the ruling to be positive for us, a risk to our business in North America cannot be fully ruled out.

A further risk is the suspension of approval for a number of common pesticides for treating seed by the German Federal Office of Consumer Protection and Food Safety. If this directive remains in force, it would necessitate significant impairment to the value of already treated stocks and a loss of value created from the way we treat our products.

Weather-related risks

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

KWS sets a clear signal for freedom of research and innovation in Germany – 450 employees support and protect seed sowing in an outdoor trial with genetically modified sugarbeet in the Northeim district.

Employees

Our employees have a personal relationship of trust with customers worldwide – the foundation of our company's success. The reliability of each employee of KWS and the quality of our products are the factors that create and nurture our customers' confidence in our company.

Together with its subsidiaries, KWS SAAT AG is a leading global seed company. 2,856 employees in 70 countries worked for the KWS Group worldwide in 2007/2008. Our success is founded on the combination of traditional values with cutting-edge technology and comprehensive know-how. As a result, the company, with its tradition of family ownership, has grown in the international markets for more than 150 years. Our employees deliver on our promises to our customers. Their motivation, abilities and hard work are vital to the entire company's success. That is why the crucial task of HR management is to ensure that employees are deployed in a way that best reflects their skills, potential and personal inclinations.

Leadership and encouragement

KWS' HR management is geared to maximizing the achievements, motivation and development of employees and ensuring that they are assigned effectively and as best possible at the company. Three key tasks were formulated in 2006 by the International Management Circle (IMC): leadership – a common management philosophy; change – controlling and communicating change processes; and analysis of potentials – early identification and encouragement of special talents and top performers.

Five training courses, in which 44 managers from 26 countries took part, were held to qualify and develop executives. They focused on the global implementation of the company's shared philosophy. In addition, executives are given regular training on employee leadership methods and support in developing their capacities as a manager and role model.

Overcoming uncertainties in the change process

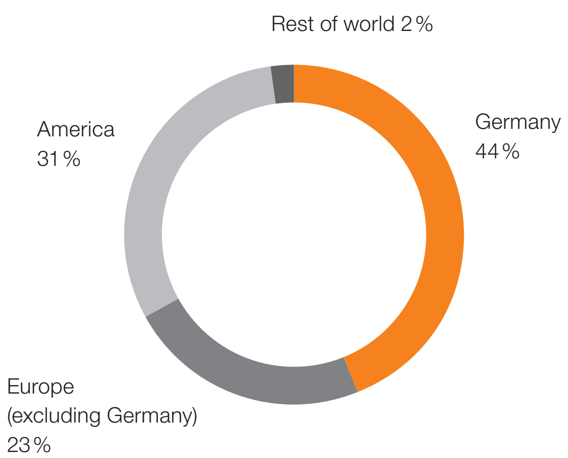
To help address changing customer needs and identify at an early stage the long-term trends that are common among individual areas, the people and the organization of modern companies are subject to a state of permanent change. A company's success depends in large measure on how this change process is handled and communicated. After all, changes sometimes do not motivate employees, but rather irritate or disconcert them. That is why KWS attaches special importance to integrating its employees in change processes at an early stage. The Works Committee is closely involved in such processes in order to ensure a common understanding for change processes and their nature.

Identifying and developing potential

Early recognition of potential, encouragement of top performers and their effective deployment are important elements in the development of managers and experts. In order to identify and help develop employees with high potential, KWS held two Orientation Centers last year – each lasting several days – in which top management also participated. 20 junior executives from six countries took part.

Another key aspect apart from identifying the various talents is training and continuing education to ensure that our employees can unfold their talents to the full. In fiscal 2007/2008, KWS invested more than €600 thousand in employee development alone. In all, 109 seminars, lasting an average of two days each, were attended by more than 1,000 participants. KWS also offers an extensive range of language courses to promote the intercultural skills of its workforce and help it adapt to the requirements of global business. KWS gives junior personnel the chance to gather experience internationally. We offer business administration apprentices the possibility of working at subsidiaries abroad for several weeks.

KWS Group employees by regions



Participants in KWS' training program: If continuing education is made to be fun, the outcome is motivation and team spirit.

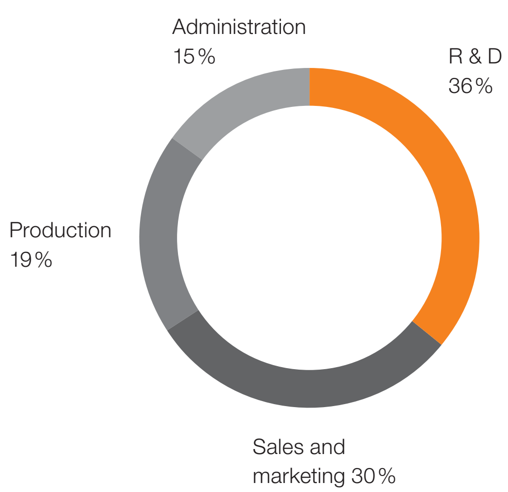
Employees in figures

In the fiscal year 2007/2008, the KWS Group workforce grew by 4.3 % to 2,856 (2,739) people worldwide, of whom 860 (777) were at KWS SAAT AG. Personnel expenses at the KWS Group rose to € 119.0 (111.3) million; KWS SAAT AG accounted for €43.2 (37.7) million of this. The future of KWS lies in ensuring that its junior staff members receive good training. Moreover, the company is aware of its social responsibilities in its home region and has been training young people for years – in numbers in excess of what we actually need ourselves. In the fiscal year 2007/2008, 75 (72) apprentices and 10 (12) trainees were employed. The company offers a wide variety of vocations: industrial clerks in the area of business administration, technical assistants and laboratory technicians in the field of agricultural research, and in the technical field as industrial mechanics, energy-tech engineers specializing in plant engineering, and electronics engineers for operations technology.

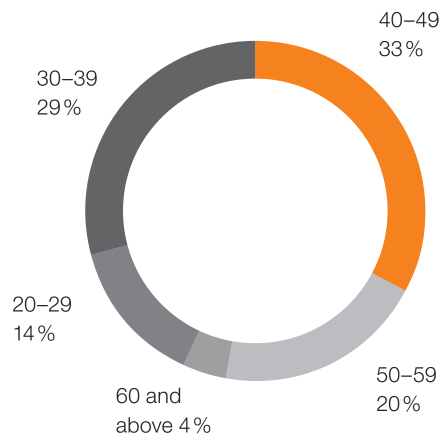
KWS builds on trust

We attach special importance to promoting our employees' achievement, motivation and development. After all, people who are assigned in accordance with their abilities and whose talents are encouraged, and also act independently and responsibly, enjoy their work and identify with the company.

KWS Group employees by functions



KWS Group employees by age



» We are just a small particle of a whole, but everyone has an infinitely great responsibility. « Konrad Lorenz, physician and zoologist

In the agricultural production process, we share this responsibility with our customers, since careful use of natural resources is indispensable.

Compensation Report

The Supervisory Board's compensation is set by the Annual Shareholders' Meeting at the proposal of the Executive Board and Supervisory Board. It is based on the size of the company, the duties and responsibilities of the members of the Supervisory Board and the company's economic situation. The remuneration includes not only a fixed payment, but also a variable component based on the dividend paid. Accordingly, Supervisory Board members receive fixed compensation of €8,000 and a dividend-related payment of €2,000 for each €0.10 by which the dividend per share exceeds €0.20.

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

Providing that the annual meeting of shareholders resolves the proposed dividend, total compensation of the members of the Supervisory Board will be €333 thousand (€272 thousand), excluding value-added tax. In all 79 % (75 %) or €263 thousand (€204 thousand) of the total compensation is performance-related.

Supervisory Board compensation 2007/08 in €	Fixed	Performance-related	Total
Dr. Guenther H. W. Stratmann*[1]	12,000.00	45,000.00	57,000.00
Dr. Andreas J. Büchting*[2]	12,000.00	45,000.00	57,000.00
Dr. Arend Oetker**	12,000.00	45,000.00	57,000.00
Hubertus v. Baumbach***[2]	6,000.00	22,500.00	28,500.00
Jürgen Bolduan[2]	4,000.00	15,000.00	19,000.00
Cathrina Claas[2]	4,000.00	15,000.00	19,000.00
Goetz von Engelbrechten[1]	4,000.00	15,000.00	19,000.00
Eckhard Halbfaß[1]	4,000.00	15,000.00	19,000.00
Jürgen Kunze[1]	4,000.00	15,000.00	19,000.00
Dr. Dietmar Stahl[2]	4,000.00	15,000.00	19,000.00
Prof. Dr. Ernst-Ludwig Winnacker[1]	4,000.00	15,000.00	19,000.00
	70,000.00	**262,500.00**	**332,500.00**

* Chairman; ** Deputy Chairman; *** Chairman of the Audit Committee
[1] until December 2007, [2] since December 2007

The Executive Board's compensation is set by the Committee for Executive Board Affairs of the Supervisory Board and is based on the size and activity of the company, its economic and financial situation and the level and structure of the compensation received by members of the Executive Board at comparable companies. It is composed of a fixed and a performance-related component. There are no stock-based components.

The fixed compensation is paid as a monthly salary. Apart from these salaries, there is also non-monetary compensation, such as a company car or phone. There are also accident insurance policies for the members of the Executive Board. The performance-related compensation is calculated on the basis of an individual percentage of the net profit for the year for the KWS Group. Payments for duties performed in subsidiaries and associated companies were €37 thousand (€24 thousand) and are offset against the performance-related payment. There is an absolute upper limit for the variable compensation.

Executive Board compensation 2007/08 in €	Fixed	Benefits in kind	Performance-related	Total
Dr. Andreas J. Büchting*	112,500.00	42,623.51	304,538.49	459,662.00
Dr. Christoph Amberger	180,000.00	22,331.82	547,668.18	750,000.00
Philip von dem Bussche**	202,500.00	16,680.84	553,319.16	772,500.00
Dr. Hagen Duenbostel	180,000.00	19,047.42	550,952.58	750,000.00
Dr. Léon Broers (Deputy)	150,000.00	24,986.05	304,538.49	479,524.54
	825,000.00	**125,669.64**	**2,261,016.90**	**3,211,686.54**

* Chairman, partially until December 2007; ** Chairman since December 2007

Pension obligations are granted in the form of an obligation to provide benefits, with the annual pensions ranging between € 130 thousand and € 140 thousand. In fiscal 2007/2008, € 117 thousand (€ 296 thousand) was allocated to the pension provisions in accordance with IAS 19 for pension obligations to members of the Executive Board. Pension provisions of € 1,018 thousand (€ 901 thousand) were formed for the following members of the Executive Board of KWS SAAT AG:

Compensation of former members of the Executive Board amounted to € 883 thousand (€ 738 thousand). Pension provisions recognized for this group of persons amounted to €2,745 thousand (€3,055 thousand) as of June 30, 2008.

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

Pension commitments in €	07/01/2007	Personnel expenses	Interest expenses	06/30/2008
Dr. Christoph Amberger	678,801.00	44,698.00	36,930.00	760,429.00
Dr. Hagen Duenbostel	221,758.00	25,266.00	11,025.00	258,049.00
	900,559.00	**69,964.00**	**47,955.00**	**1,018,478.00**

Disclosures in accordance with section 289 (4) and section 315 (4) HGB (German Commercial Code)

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

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

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

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

- The voting shares, including mutual allocations, of the members, foundations and companies of the families Büchting/Giesecke and Arend Oetker listed below each exceed 10 % and total 56.3 %.

Dr. agr. Carl-Ernst Büchting, Einbeck
Dr. Andreas J. Büchting, Einbeck
Christiane Stratmann, Meerbusch
Dorothea Schuppert, Augsburg
Michael C.-E. Büchting, Basel
Annette Büchting, Bremen
Stephan O. Büchting-Hansing, Ammerbuch-Entringen
Elke Giesecke, Altenberge
Christa Nagel, Springe
AKB Stiftung, Hannover
Büchting Beteiligungsgesellschaft mbH, Hannover
Dr. Arend Oetker, Berlin
Kommanditgesellschaft Dr. Arend Oetker Vermögensverwaltungsgesellschaft mbH & Co., Berlin

- The voting shares, including mutual allocations, of the shareholders stated below each exceed 10 % and total 10.6 %.

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

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

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

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

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

Significant agreements subject to the condition of a change in control pursuant to a takeover bid have not been concluded. Moreover, there are no compensation agreements between the company and the members of the Executive Board or employees governing the case of a change in control.

Einbeck, October 7, 2008

KWS SAAT AG
THE EXECUTIVE BOARD

Annual Financial Statements of the KWS Group 2007/2008

Balance sheet

at June 30, 2008; figures in € thousands, unless otherwise specified

ASSETS	Note No.	06/30/2008	Previous year
Intangible assets	(2)	34,471	35,435
Property, plant and equipment	(3)	157,086	147,914
Other financial assets	(4)	5,531	6,011
Noncurrent tax assets	(5)	7,182	7,124
Deferred tax assets	(6)	16,858	16,315
Noncurrent assets		**221,128**	**212,799**
Inventories and biological assets	(7)	85,829	90,565
Trade receivables	(8)	224,163	204,238
Available-for-sale securities	(9)	17,958	19,980
Cash and cash equivalents	(10)	94,973	48,075
Current tax assets	(8)	7,113	7,814
Other current assets	(8)	19,934	15,889
Subtotal of current assets		449,970	386,561
Noncurrent assets held for sale	(11)	0	10,437
Current assets		**449,970**	**396,998**
Total assets		**671,098**	**609,797**

EQUITY AND LIABILITIES	Note No.	06/30/2008	Previous year
Subscribed capital		19,800	19,800
Capital reserve		5,530	5,530
Retained earnings		351,777	320,718
Minority interest		20,911	20,036
Equity	**(12)**	**398,018**	**366,084**
Long-term provisions		60,872	59,263
Long-term borrowings		2,629	3,887
Trade payables		1,983	2,440
Deferred tax liabilities		13,815	16,683
Other long-term liabilities		11,259	4,530
Noncurrent liabilities	**(13)**	**90,558**	**86,803**
Short-term provisions		88,238	71,282
Short-term borrowings		3,842	4,510
Trade payables		36,863	39,838
Current tax payables		22,639	19,151
Other liabilities		30,940	20,688
Subtotal of current liabilities		182,522	155,469
Liabilities directly connected to noncurrent assets held for sale	(11)	0	1,441
Current liabilities	**(14)**	**182,522**	**156,910**
Liabilities		**273,080**	**243,713**
Total equity and liabilities		**671,098**	**609,797**

Income statement

for the period July 1, 2007 through June 30, 2008; figures in € thousands, unless otherwise specified

	Note No.	2007/08	Previous year
Net sales	(19)	599,089	537,930
Cost of sales		305,423	263,969
Gross profit on sales		**293,666**	**273,961**
Selling expenses		106,096	101,485
Research and development expenses		80,576	75,205
General and administrative expenses		42,257	38,505
Other operating income	(20)	24,267	22,575
Other operating expenses	(21)	18,890	17,472
Operating income		**70,114**	**63,869**
Interest and other income		3,765	3,112
Interest and other expenses		5,139	8,708
Share of profit from affiliated companies		5,779	–500
Other income from equity investments		848	73
Net financial income/expenses	**(22)**	**5,253**	**–6,023**
Result of ordinary activities		**75,367**	**57,846**
Income taxes	(23)	20,816	19,674
Net income for the year	**(25)**	**54,551**	**38,172**
Share of minority interest		3,494	1,124
Net income after minority interest		**51,057**	**37,048**
Earnings per share (in €)		**7.74**	**5.61**

Statement of changes in fixed assets 2007/2008 and 2006/2007

Figures in €thousands, unless otherwise specified

	Gross values							Amortization/depreciation							Net book values	
	Balance 07/01/2007	Currency translation	Changes in the consol. group	Additions	Disposals	Transfers	Balance 06/30/2008	Balance 07/01/2007	Currency translation	Changes in the consol. group	Additions	Disposals	Transfers	Balance 06/30/2008	Balance 06/30/2008	Previous year
Patents, industrial property rights and software	20,657	–288	0	2,476	1,213	2	21,634	10,137	–121	0	1,873	1,212	2	10,679	10,955	10,520
Goodwill	25,582	–1,399	0	0	0	0	24,183	667	0	0	0	0	0	667	23,516	24,915
Intangible assets	**46,239**	**–1,687**	**0**	**2,476**	**1,213**	**2**	**45,817**	**10,804**	**–121**	**0**	**1,873**	**1,212**	**2**	**11,346**	**34,471**	**35,435**
Land and buildings	145,239	–3,401	0	8,514	349	2,228	152,231	47,048	–1,363	0	3,906	182	0	49,409	102,822	98,191
Technical equipment and machinery	120,824	–2,842	0	5,911	6,818	3,696	120,771	89,711	–2,158	0	6,625	6,719	–137	87,322	33,449	31,113
Operating and office equipment	53,049	–1,747	0	4,980	3,565	660	53,377	38,718	–1,338	0	4,283	3,265	135	38,533	14,844	14,331
Payments on account	4,279	–216	0	8,500	6	–6,586	5,971	0	0	0	0	0	0	0	5,971	4,279
Property, plant and equipment	**323,391**	**–8,206**	**0**	**27,905**	**10,738**	**–2**	**332,350**	**175,477**	**–4,859**	**0**	**14,814**	**10,166**	**–2**	**175,264**	**157,086**	**147,914**
Financial assets	**6,181**	**31**	**–42**	**6**	**170**	**0**	**6,006**	**170**	**0**	**0**	**305**	**0**	**0**	**475**	**5,531**	**6,011**
Assets	**375,811**	**–9,862**	**–42**	**30,387**	**12,121**	**0**	**384,173**	**186,451**	**–4,980**	**0**	**16,992**	**11,378**	**0**	**187,085**	**197,088**	**189,360**

	Balance 07/01/2006	Currency translation	Changes in the consol. group	Additions	Disposals	Transfers	Balance 06/30/2007	Balance 07/01/2006	Currency translation	Changes in the consol. group	Additions	Disposals	Transfers	Balance 06/30/2007	Balance 06/30/2007	Previous year
Patents, industrial property rights and software	14,986	–93	9	6,826	1,112	41	20,657	9,985	–38	8	1,278	1,096	0	10,137	10,520	5,001
Goodwill	26,640	–656	5	157	0	–564	25,582	1,232	–1	0	0	0	–564	667	24,915	25,338
Intangible assets	**41,626**	**–749**	**14**	**6,983**	**1,112**	**–523**	**46,239**	**11,217**	**–39**	**8**	**1,278**	**1,096**	**–564**	**10,804**	**35,435**	**30,339**
Land and buildings	139,868	–469	27	3,859	1,435	3,389	145,239	44,227	–326	1	3,754	768	160	47,048	98,191	95,641
Technical equipment and machinery	116,392	–84	164	4,925	3,159	2,586	120,824	86,245	–15	35	6,534	2,926	–162	89,711	31,113	30,147
Operating and office equipment	52,312	52	83	4,805	4,520	317	53,049	38,258	140	53	4,280	4,015	2	38,718	14,331	14,054
Payments on account	4,394	9	21	6,191	3	–6,333	4,279	0	0	0	0	0	0	0	4,279	4,394
Property, plant and equipment	**312,966**	**–492**	**295**	**19,780**	**9,117**	**–41**	**323,391**	**168,730**	**–201**	**89**	**14,568**	**7,709**	**0**	**175,477**	**147,914**	**144,236**
Affiliated companies	6,074	0	0	0	861	–5,213	0	0	0	0	0	0	0	0	0	6,074
Other financial assets	8,755	33	0	422	36	–2,993	6,181	764	0	0	219	0	–813	170	6,011	7,991
Financial assets	**14,829**	**33**	**0**	**422**	**897**	**–8,206**	**6,181**	**764**	**0**	**0**	**219**	**0**	**–813**	**170**	**6,011**	**14,065**
Assets	**369,421**	**–1,208**	**309**	**27,185**	**11,126**	**–8,770**	**375,811**	**180,711**	**–240**	**97**	**16,065**	**8,805**	**–1,377**	**186,451**	**189,360**	**188,640**

Statement of changes in equity

Figures in €thousands, unless otherwise specified

	Parent company							Minority interests				Group equity
				Comprehensive other group income					Comprehensive other group income			
	Subscribed capital	Capital reserve	Accumulated group equity from earnings	Adjustments from currency translation	Revaluation reserve	Other transactions	Equity	Minority interest	Adjustments from currency translation	Other transactions	Equity	
Balance as at June 30, 2006	**19,800**	**5,530**	**298,174**	**−4,763**	**−9**	**610**	**319,342**	**18,761**	**−139**	**0**	**18,622**	**337,964**
Dividends paid			−7,920				−7,920	−264			−264	−8,184
Other changes							0	27			27	27
Consolidated net income			37,048				37,048	1,124			1,124	38,172
Other recognized gains (losses)				−2,470	64	−16	−2,422		531	−4	527	−1,895
Total consolidated gains (losses)			37,048	−2,470	64	−16	34,626	1,124	531	−4	1,651	36,277
Balance as at June 30, 2007	**19,800**	**5,530**	**327,302**	**−7,233**	**55**	**594**	**346,048**	**19,648**	**392**	**−4**	**20,036**	**366,084**
Dividends paid			−9,240				−9,240	−426			−426	−9,666
Other changes			1,560				1,560	−1,993			−1,993	−433
Consolidated net income			51,057				51,057	3,494			3,494	54,551
Other recognized gains (losses)				−12,326	8		−12,318		−200		−200	−12,518
Total consolidated gains (losses)			51,057	−12,326	8	0	38,739	3,494	−200	0	3,294	42,033
Balance as at June 30, 2008	**19,800**	**5,530**	**370,679**	**−19,559**	63	**594**	**377,107**	**20,723**	**192**	**−4**	**20,911**	**398,018**

Cash flow statement

Figures in €thousands, unless otherwise specified

	Note	2007/08	Previous year
Net income		54,551	38,172
Depreciation/reversal of impairment losses (–) on property, plant, and equipment		16,992	16,065
Increase/decrease (–) in long-term provisions		1,565	–1,113
Other noncash expenses/income (–)		–8,830	–5,147
Cash earnings		**64,278**	**47,977**
Increase/decrease (–) in short-term provisions		20,089	7,923
Net gain (–)/loss from the disposal of assets		–6,051	–375
Increase (–)/decrease in inventories, trade receivables, and other assets not attributable to investing or financing activities		–27,090	–7,353
Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities		23,354	14,216
Net cash from operating activities before external financing of pension provisions		**74,580**	**62,388**
External financing of pension provisions		0	–11,256
Net cash from operating activities	(A)	**74,580**	**51,132**
Proceeds from disposals of property, plant, and equipment		848	1,783
Payments (–) for capital expenditure on property, plant, and equipment		–26,668	–24,024
Proceeds from the disposal of intangible assets		1	15
Payments (–) for capital expenditure on intangible assets		–2,476	–4,390
Proceeds from disposal of financial assets		170	36
Payments (–) for financial assets		–6	–62
Proceeds from the sale of consolidated companies and other business units		12,025	0
Payments (–) for the acquisition of consolidated companies and other business units		–1,969	–95
Net cash from investing activities	(B)	**–18,075**	**–26,737**
Equity capital increase with no effect on profits		0	71
Dividend payments (–) to shareholders parent and minority		–9,666	–8,184
Payments (–) to redeem borrowings		–1,927	–2,955
Net cash from financing activities	(C)	**–11,593**	**–11,068**
Net cash changes in cash and cash equivalents		**44,912**	**13,327**
– Effect of exchange rate changes on assets		0	893
– Effect of exchange rate changes on equity		0	–1,939
– Others		–36	154
Changes in cash and cash equivalents due to exchange rate, consolidated group, and measurement changes		**–36**	**–892**
Cash and cash equivalents at beginning of year		68,055	55,620
Cash and cash equivalents at end of year	(D)	**112,931**	**68,055**

Notes to the cash flow statement

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

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

(A) Cash flows from operating activities

The cash proceeds from operating activities are primarily determined by cash earnings. They were €64,278 thousand, €16,301 thousand higher than the previous year. The proportion of cash earnings included in sales was 10.7% (8.9%). Lower inventories, higher receivables and an increase in current provisions and liabilities resulted in cash proceeds of €10,302 thousand (€14,411 thousand). The cash proceeds from operating activities also include interest income of €3,342 thousand (€3,052 thousand) and dividend income of €1,153 thousand (138 thousand) as well as interest expense of €1,607 thousand (€2,051 thousand). €0 (11,256) thousand was paid out for the external financing of pension commitments. Income tax payments amounted to €21,324 thousand (€14,679 thousand).

(B) Cash flows from investing activities

A net total of €18,075 thousand (€26,737 thousand) was required to finance investing activities. An amount of €29,144 thousand (€28,414 thousand) was paid for intangible and tangible assets and an amount of €6 thousand (€62 thousand) for financial assets. There were total cash receipts of €1,019 thousand (€1,834 thousand) for disposals of assets. In the fiscal year under review, shares in affiliated companies were sold at a total price of €12,025 thousand.

(C) Cash flows from financing activities

Financing activities resulted in cash outflows of €11,593 thousand (€11,068 thousand). The dividend payments to shareholders parent and minority related to the dividends of €9,240 thousand (€7,920 thousand) paid to the shareholders of KWS SAAT AG, as well as profit distributions paid to other shareholders of and capital reductions at fully consolidated subsidiaries of €426 thousand (€264 thousand). In addition, borrowings of €1,927 thousand (€2,955 thousand) were repaid.

(D) Supplementary information on the cash flow statement

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

Cash and cash equivalents includes €9,217 thousand (€15,031 thousand) from partially consolidated companies.

Information on acquisitions and disposals of subsidiaries and other business units

	2007/08	Previous year
Total amount of all purchase prices	0	95
Total amount of sales prices	12,025	0
Total amount of cash components of purchase prices	0	95
Total amount of cash components of sales prices	12,025	0
Total amount of all cash and cash equivalents acquired with the companies	0	153
Total amount of all cash and cash equivalents sold with the companies	0	0

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

	2007/08		Previous year	
	acquired	sold	acquired	sold
Assets	0	7,393	207	0
Current assets, incl. prepaid expenses (excluding cash and cash equivalents)	0	3,072	1,302	0
Provisions	0	1,208	–90	0
Liabilities, incl. deferred income	0	3,009	–1,630	0

Segment reporting

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

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

- Sugarbeet
- Corn
- Cereals
- Breeding & services

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

Description of segments

Sugarbeet

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

Corn

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

Cereals

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

Breeding & services

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

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

Consulting services include the systems business of KWS SAAT AG and its agricultural operations, KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH, KWS SAATFINANZ GMBH and EUROHYBRID GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH.

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

Segment information

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

The breeding & services segment generates 93.4 % (92.6 %) of its sales from the other segments. The sales of this segment represents 1.3 % (1.5 %) of the group's external sales. The corn segment is the largest contributor of external sales, accounting for 54.9 % (51.2 %) of external sales, followed by sugarbeet with 32.5 % (37.2 %) and cereals with 11.3 % (10.1 %).

	Segment sales		Internal sales		External sales	
	2007/08	Previous year	2007/08	Previous year	2007/08	Previous year
Sugarbeet	194,796	199,880	27	0	194,769	199,880
Corn	329,131	275,689	212	160	328,919	275,529
Cereals	69,401	57,195	2,018	2,727	67,383	54,468
Breeding & services	121,755	109,043	113,737	100,990	8,018	8,053
KWS Group	**715,083**	**641,807**	**115,994**	**103,877**	**599,089**	**537,930**

External sales by region

	2007/08	Previous year
Germany	151,106	132,437
Europe (excluding Germany)	263,298	244,818
Americas	160,342	141,956
Rest of world	24,343	18,719
KWS Group	**599,089**	**537,930**

69.1 % (70.1 %) of total sales are recorded in Europe (including Germany).

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

Depreciation and amortization charges of € 16,687 thousand (€ 15,631 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.

	Segment earnings 2007/08	Segment earnings Previous year	Depreciation and amortization 2007/08	Depreciation and amortization Previous year	Other noncash items 2007/08	Other noncash items Previous year	Assets 2007/08	Assets Previous year	Liabilities 2007/08	Liabilities Previous year
Sugarbeet	28,081	35,104	3,770	3,904	18,119	3,855	135,817	136,941	30,553	27,462
Corn	23,230	13,321	2,575	2,462	14,166	13,656	217,339	199,317	119,688	105,537
Cereals	8,968	5,341	1,529	1,250	285	543	33,376	30,586	8,638	8,431
Breeding & services	9,835	10,103	8,813	8,015	3,864	–6,694	150,568	140,090	63,957	60,782
Total segments	**70,114**	**63,869**	**16,687**	**15,631**	**36,434**	**11,360**	**537,100**	**506,934**	**222,836**	**202,212**
Others	0	0	0	0	0	0	133,998	102,863	50,244	41,501
KWS Group	**70,114**	**63,869**	**16,687**	**15,631**	**36,434**	**11,360**	**671,098**	**609,797**	**273,080**	**243,713**

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

Cash and cash equivalents and/or current available-for-sale securities are allocated to the segments only to the extent that the allocation of operating liabilities makes it necessary to increase operating assets by a corresponding amount.

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

Capital expenditure on assets was mainly attributable to the breeding & services segment, where it amounted to €13,865 thousand (€15,787 thousand), and the sugarbeet segment, where it amounted to €4,275 thousand (€4,868 thousand). 46% (56%) of capital expenditure was made in Germany, mainly in Einbeck, and 32% (21%) in Europe (excluding Germany).

Investments in long-term assets by segment

	2007/08	Previous year
Sugarbeet	4,275	4,868
Corn	8,293	3,612
Cereals	3,948	2,496
Breeding & services	13,865	15,787
KWS Gruppe	**30,381**	**26,763**

Investments in long-term assets by region

	2007/08	Previous year
Germany	13,885	14,887
Europe (excluding Germany)	9,579	5,526
North and South America	5,845	5,513
Rest of world	1,072	837
KWS Gruppe	**30,381**	**26,763**

Operating assets by region

	2007/08	Previous year
Germany	201,714	194,521
Europe (excluding Germany)	185,261	176,776
North and South America	141,148	127,452
Rest of world	8,977	8,185
KWS Gruppe	**537,100**	**506,934**

Notes

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

The KWS Group (KWS Konzern) is a consolidated group as defined in the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), London, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and in addition the commercial law regulations to be applied pursuant to section 315a (1) of the HGB (German Commercial Code). The consolidated financial statements discharge the obligations of KWS LOCHOW GMBH, Bergen, and KWS MAIS GMBH, Einbeck, to produce its own financial statements. The following standards and interpretations have already been published, but have not yet been applied: Amendments to IAS 1, 16, 19, 20, 23, 27, 28, 29, 31, 32, 36, 38, 39, 40, 41, IFRS 1, 2, 3, 5, 8 and IFRIC 12–14. Since these relate to supplementary disclosure obligations, there will be no effects on the balance sheet or income statement. The possible effects of the other changes are currently being examined. IFRS 7 was applied for the first time in the year under review. The statements were prepared under the assumption that the operations of the company will be continued.

General disclosures

Companies consolidated in the KWS Group

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

Consolidation methods

The single-entity financial statements of the individual subsidiaries and joint ventures included in the consolidated financial statements were uniformly prepared on the basis of the accounting and measurement methods applied at KWS SAAT AG; they were audited by independent auditors. For fully or proportionately consolidated units acquired before July 1, 2003, the group exercised the option allowed by IFRS 1 to maintain the consolidation procedures chosen to date. The goodwill reported in the HGB financial statements as of June 30, 2003 was therefore transferred unchanged at its carrying amount to the opening IFRS balance sheet. For acquisitions made after June 30, 2003, capital consolidation follows the purchase method by allocating the cost of acquisition to the group's interest in the subsidiary's equity at the time of acquisition. Any excess of interest in equity over cost is recognized as an asset, up to the amount by which fair value exceeds the carrying amount. Any goodwill remaining after first-time consolidation is recognized under intangible assets. According to IFRS 3, goodwill is not amortized, but tested for impairment at least once a year (impairment only approach). Investments in non-consolidated companies are carried at cost. Goodwill is reported under intangible assets.

Joint ventures are carried according to the percentage of equity held in the companies concerned using IAS 31.

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

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

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

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

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

The difference resulting from the application of annual average rates to the net profit for the period in the income statement is taken directly to equity.

Classification of the balance sheet and the income statement
The costs for the functions include all directly attributable costs, including other taxes. Research and development expenses were included to date in the cost of sales and are now reported separately for reasons of transparency. The previous year's gross profit on sales has been adjusted accordingly. Research grants are not deducted from the costs to which they relate, but reported gross under other operating income.

Accounting policies

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

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

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

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

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

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

The fair value of financial instruments is determined on the basis of the market information available on the balance sheet date and in accordance with the measurement methods applied.

The other noncurrrent financial assets are essentially available for sale and are carried at market value where possible. If a market value cannot be determined, the amortized costs are carried as an alternative.

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

Derivative instruments held for trading are carried at market values in accordance with IAS 39 and may have a positive or negative value. This relates essentially to common derivative financial instruments that are used to hedge interest rate and foreign currency risks. In particular, the derivative financial instruments are measured using recognized mathematical models, such as present value or Black-Scholes, to calculate option values, taking their volatility, remaining maturity, and capital market interest rates into account.

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

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. Discernable risks are taken into account by recognition of an impairment loss. After their initial recognition, the other financial assets in this category are measured at amortized cost using the effective interest method, minus impairments. Receivables that do not carry any interest or only low interest and with a term of more than twelve months are discounted. Necessary value impairments are based on the expected credit risk and are carried in separate impairment accounts. Receivables are derecognized if they are settled or uncollectible. Other assets are derecognized at the time they are disposed of or if they have no value.
- **Financial assets at fair value**
  Held-for-trading securities acquired with the intention of being sold in the short term are assigned to this category. Derivate financial instruments with a positive market value are also categorized as held for trading, unless they are designated hedging instruments in accordance with IAS 39. They are measured at fair value. Changes in value are recognized in income. Securities are derecognized after being sold on the settlement date.
- **Available-for-sale financial assets**
  This category covers all financial assets that have not been assigned to one of the above categories. In principle, securities are classed as available for sale, unless a different classification is required due to the fact that they have an explicit purpose. Equity instruments,

such as shares in (unconsolidated) affiliated companies and shares held in listed companies, are also included in this category. In principle, financial instruments in this category are measured at their fair value in subsequent recognition. The changes to their fair value in subsequent recognition are recognized as unrealized gains and losses directly in equity in the revaluation reserve. The realized gains or losses are not recognized as profit or loss until they are disposed of. If there is objective evidence of permanent impairment on the balance sheet date, the instruments are written down to the lower value. The amount carried in the revaluation reserve is derecognized in equity. 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. Derivates that are designated hedging instruments in accordance with IAS 39 are excluded from this provision.

Derivatives
Derivatives cannot be designated as hedging instruments pursuant to the regulations of IAS 39. They are measured at their market value. The changes in their market value are recognized in the income statement. Derivatives are derecognized on their day of settlement.

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

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

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

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

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

Contingent liabilities
The contingent liabilities recognized in the balance sheet correspond to the loan amounts drawn down as of the balance sheet date.

Consolidated group and changes in the consolidated group

Number of companies including KWS SAAT AG

	2007/08 Domestic	2007/08 Foreign	2007/08 Total	Previous year Domestic	Previous year Foreign	Previous year Total
Consolidated	11	31	**42**	11	30	**41**
Consolidated at quota	0	3	**3**	0	3	**3**
	11	34	**45**	11	33	**44**
At equity	0	0	**0**	2	0	**2**
Total	11	34	**45**	13	33	**46**

The companies are listed under item number (32).

Changes in the fully consolidated companies relate to establishment of the new wholly-owned subsidiary of KWS INTERSAAT GMBH

- KWS SCANDINAVIA A/S, Guldborgsund, Denmark

establishment of the new wholly-owned subsidiary of KWS RUS OOO, Moscow, Russia

- KWS R&D RUS LTD., Lipezk, Russia

The previously unconsolidated subsidiary

- ZKW ZÜCHTUNGSGESELLSCHAFT KLEIN WANZLEBEN MBH, Klein Wanzleben, which was merged with KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH effective July 1, 2007

and first-time consolidation of the wholly-owned subsidiary of KWS SAAT AG

- RAGIS KARTOFFELZUCHT- UND HANDELSGESELLSCHAFT MBH, Klein Wanzleben, which is to run the KWS Group's future potato activities.

On the other hand KWS SAAT AG sold its 100 % stake in RAGIS KARTOFFELZUCHT- & HANDELSGESELLSCHAFT MBH, Einbeck, effective July 1, 2007.

The sale resulted in the disposal of the following assets and liabilities (previous year: €0 thousand):

	2007/08
Investments in affiliated companies	5,213
Other financial assets	2,180
Noncurrent tax receivables	370
Other assets	2,674
Total assets	**10,437**
Pension provisions	1,040
Other provisions	19
Tax liabilities	150
Trade payables	32
Other liabilities	2,975
Total liabilities	**4,216**

In addition, KWS INTERSAAT GMBH sold its 100 % stake in KWS SCANDINAVIA AB, Stockholm, Sweden, in the year under review at the proportion of equity held of €25 thousand.

The financial position and results of operations of proportionately consolidated and at equity accounted companies are as follows:

	Proportionately consolidated companies		Companies carried at equity	
	2007/08	Previous year	2007/08	Previous year
Noncurrent assets	25,621	27,571	0	20,000
Current assets	78,696	77,713	0	10,000
Total assets	**104,317**	**105,284**	**0**	**30,000**
Equity	49,332	53,781	0	22,700
Noncurrent liabilities	752	802	0	2,800
Current liabilities	54,233	50,701	0	4,500
Total equity and liabilities	**104,317**	**105,284**	**0**	**30,000**
Net sales	**126,775**	**120,899**	**0**	**9,500**
Net profit for the year	**7,966**	**11,922**	**0**	**1,200**

The companies carried at equity in the previous year related solely to the potato activities that were sold effective July 1, 2007, and had been assigned to the breeding & services segment. The details for fiscal 2006/07 corresponded to the figures anticipated at the time of the intended sale.

Notes to the balance sheet

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

(1) Assets

The statement of changes in noncurrent assets contains a breakdown of assets summarized in the balance sheet and shows how they changed in 2007/08. Capital expenditure on assets was € 30,387 thousand (€ 27,185 thousand). The management report describes the significant additions to assets. Depreciation and amortization amounted to € 16,992 thousand (€ 16,065 thousand).

(2) Intangible assets

This item includes purchased varieties, rights to varieties and distribution rights, software licenses for electronic data processing, and goodwill. Additions to intangible assets amounting to € 2,476 thousand (€ 6,983 thousand) relate primarily to the acquisition of software licenses. Amortization of intangible assets amounted to € 1,873 thousand (€ 1,278 thousand); this charge is included in the relevant functional costs, depending on the operational use of the intangible assets.

The goodwill recognized as an asset relates mainly to the company AGRELIANT GENETICS LLC. (€ 15,595 thousand) in the corn segment and the companies SOCIETE DE MARTINVAL S.A. (€ 3,706 thousand) and KWS UK LTD. (€ 1,693 thousand) in the cereals segment.

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

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

A standard discount rate of 8.0 % (7.9 %) has been assumed to calculate present values. A growth rate of 1.5 % (1.5 %) has been assumed beyond the detailed planning horizon in order to allow for extrapolation in line with the expected inflation rate. Tests provided evidence that the goodwill recognized in the consolidated balance sheet and determined for the cash-generating units is not impaired. No impairment losses were required.

(3) Property, plant, and equipment

Capital expenditure amounted to € 27,905 thousand (€ 19,780 thousand) and depreciation amounted to € 14,814 thousand (€ 14,568 thousand). The management report describes the significant capital expenditure.

(4) Financial assets

Investments in non-consolidated subsidiaries and shares in cooperatives and GmbHs that are of minor significance, with an amortized cost totaling € 988 thousand (€ 1,398 thousand), are reported in this account since a market value cannot be reliably determined. As a result, the mutual investment in our French partner RAGT SEMENCES S.A. is carried at an unchanged cost of € 4,000 thousand. Listed shares are carried at market value of € 68 thousand (€ 97 thousand). This account also includes interest-bearing homebuilding loans to employees and other interest-bearing loans totaling € 475 thousand (€ 516 thousand). Amortization of financial assets amounted to € 305 thousand (€ 219 thousand).

(5) Noncurrent tax receivables

This relates to the present value of the corporate income tax credit balance, which was last determined at December 31, 2006, and will be paid in 10 equal annual amounts starting on September 30, 2008.

(6) Deferred tax assets

Under IAS 12, deferred tax assets are calculated as the difference between the IFRS balance sheet amount and the tax base. They are reported on a gross basis and total € 16,858 thousand (€ 16,315 thousand), of which € 2,290 thousand (€ 1,285 thousand) will be carried forward for the future use of tax losses.

(7) Inventories and biological assets

	06/30/2008	Previous year
Raw materials and consumables	15,290	13,147
Work in process	26,518	27,078
Immature biological assets	7,348	6,092
Finished goods	36,673	44,248
	85,829	**90,565**

Inventories decreased by € 4,736 thousand, or – 5.2 %, net of writedowns totaling € 30,262 thousand (€ 32,190 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 € 1,363 thousand (€ 1,261 thousand), for which all the requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,289 (4,218) ha. Future subsidies depend on the further development of European agricultural policy.

(8) Current receivables

	06/30/2008	Previous year
Trade receivables	224,163	204,238
Current tax assets	7,113	7,814
Other current assets	19,934	15,889
	251,210	**227,941**

Trade receivables amounted to € 224,163 thousand, an increase of 9.8 % over the figure of € 204,238 thousand for the previous year; this amount includes € 309 thousand (€ 926 thousand) receivables from related parties.

The already overdue trade receivables that have not been written down fully amount to € 7,226 thousand (€ 896 thousand).

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

			≤ 60 days	61–120 days	121–180 days	> 180 days	
06/30/2008	**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**
Trade receivables	224,163	181,535	16,141	6,986	1,390	0	10,885
Other receivables	3,144	3,140	0	0	0	4	0
	227,307	**184,675**	**16,141**	**6,986**	**1,390**	**4**	**10,885**
06/30/2007							
Trade receivables	204,238	174,733	15,115	4,076	347	5,249	3,822
Other receivables	4,487	4,462	0	7	0	18	0
	208,725	**179,195**	**15,115**	**4,083**	**347**	**5,267**	**3,822**

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

Allowances for receivables

	07/01	Addition	Disposal	Reversal	06/30
2007/08	19,707	2,499	3,923	3,925	14,358
2006/07	17,322	5,660	2,212	1,063	19,707

Other current assets also include current financing receivables and prepaid expenses.

Current financing receivables include an amount of € 68 thousand (€ 11 thousand) receivable from related parties.

Current receivables include an amount of € 124 thousand (€ 470 thousand) due after more than one year.

(9) Securities

Securities amounting to € 17,958 thousand (€ 19,980 thousand) relate primarily to short-term liabilities securities and fund shares.

(10) Cash

Cash of € 94,973 thousand (€ 48,075 thousand) consists of balances with banks and cash on hand. The cash flow statement explains the change in this item compared with the previous year, together with the change in securities.

(11) Noncurrent assets held for sale

The at equity accounted investments in potato business, which was sold effective July 1, 2007, and all further related assets were reported in the previous year.

(12) Equity

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

Equity (including minority interest) increased by € 31,934 thousand, from € 366,084 thousand to € 398,018 thousand. For details, see the statement of changes in equity.

(13) Noncurrent liabilities

Long-term provisions	07/01/2007	Changes in the consol. group, currency	Addition	Consumption	Reversal	06/30/2008
Pension provisions	55,403	126	4,599	3,820	28	56,280
Other provisions	3,860	888	558	293	421	4,592
	59,263	**1,014**	**5,157**	**4,113**	**449**	**60,872**

	06/30/2008	Previous year
Long-term provisions	60,872	59,263
Long-term financial borrowings	2,692	3,887
Trade payables	1,983	2,440
Deferred tax liabilities	13,815	16,683
Other long-term liabilities	11,259	4,530
	90,558	**86,803**

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

Pension provisions are measured using the accrued benefit method under IAS 19, on the basis of assumptions about future development. The assumptions in detail are that wages and salaries will increase by 2.80 % (2.00 %) annually and pensions by 2.00 % (1.50 %) annually.

The discount rate was 6.40 %, compared with 5.00 % the year before.

No income or expenses were recognized as a result of changes in retirement obligations or benefits payable or from the adjustment to assumptions. For benefit obligations backed by a guarantee by an insurance company, the planned assets of € 7,416 thousand (€ 8,174 thousand) correspond to the present value of the obligation.

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

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

	2007/08	Previous year
Accrued benefit entitlements at beginning of fiscal year	73,207	72,802
Cost of additional benefit entitlements	1,744	1,169
Interest expenses on benefit entitlements acquired in previous years	3,213	3,573
Changes in consolidated group and currency	126	−1,040
Changes in actuarial gains/losses	−5,711	550
Pension payments	4,207	3,847
Accrued benefit entitlements at end of fiscal year	68,372	73,207
Present value of planned assets	13,577	14,086
Actuarial gains/losses	1,485	−3,718
Pension provisions at end of fiscal year	**56,280**	**55,403**

The planned assets changed as follows during the fiscal year:

	2007/08	Previous year
Present value of planned assets at July 1	14,086	5,012
Expected gains from planned assets	866	1,111
Changes in actuarial gains/losses	−770	11
Employer's contribution to external social security bodies	0	11,256
Payments from external social security bodies	605	222
Adjustments to the planned assets	0	−3,082
Present value of planned assets at June 30	**13,577**	**14,086**

In addition, the benefit obligation from salary conversion was backed by a guarantee that exactly matches the present value of the obligation of €3,744 thousand (€4,113 thousand) (defined contribution plan).

The long-term financial borrowings include loans from banks amounting to €2,629 thousand (€3,045 thousand).

The remaining loans payable have remaining maturities through 2017.

Under IAS 12, deferred tax liabilities are calculated as the difference between the IFRS balance sheet amount and the tax base. They are reported on a gross basis and total € 13,815 thousand (€ 16,683 thousand).

(14) Current liabilities

	06/30/2008	Previous year
Short-term provisions	**88,238**	**71,282**
Current liabilities to banks	2,784	3,275
Current liabilities to affiliates	65	760
Other current financial liabilities	993	475
Short-term borrowings	**3,842**	**4,510**
Trade payables to affiliates	0	34
Trade payables to third party	36,863	39,804
Trade payables	**36,863**	**39,838**
Tax liabilities	**22,639**	**19,151**
Other liabilities	**30,940**	**20,688**
Liabilities directly connected to noncurrent assets held for sale	**0**	**1,441**
	182,522	**156,910**

Short-term liabilities increased by a total of € 25,612 thousand to € 182,522 thousand.

The tax liabilities of € 22,639 thousand (€ 19,151 thousand) include amounts for the year under review and the period not yet concluded by the external tax audit. Liabilities in direct connection with noncurrent assets held for sale relate to the liabilities disposed of as part of sale of the potato activities.

Short-term provisions	07/01/2007	Changes in the consol. group, currency	Addition	Consumption	Reversal	06/30/2008
Obligations from sales transaction	49,331	–6,629	62,014	33,971	2,073	68,672
Obligations from purchase transaction	11,165	0	5,513	10,880	179	5,619
Other obligations	10,786	–353	12,747	8,801	432	13,947
	71,282	**–6,982**	**80,274**	**53,652**	**2,684**	**88,238**

(15) Derivative instruments

	Nominal volume	Carrying amounts	Market values
	06/30/2008		
Currency hedges	38,096	–1,845	–1,845
Interest-rate hedges	39,600	543	543
Commodity hedges	10,765	0	0

Of the currency hedges, €4,839 thousand have remaining maturities of more than one year. Of the interest-rate derivatives, hedges with a nominal volume of €14,000 thousand will mature within one to five years. Transactions with a volume of €20,600 thousand have remaining maturities of more than 5 years. The commodity hedges have remaining maturities of less than 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 1.49 USD/€. If the US dollar depreciated by 10%, net sales would decline by around 3% and operating income likewise by around 3%. If the US dollar appreciated by 10%, net sales and income would each rise by 3%. Equity would change by up to €1.2 million in the event of such a change in the exchange rate.

In order to assess the risk of interest rate changes, the sensitivity of interest rates to fluctuations was determined. The average rate of interest in the fiscal year was 4.5%. A 1% increase in the rate of interest would add a further €0.5 million to interest result; a reduction of 1% would reduce it by €0.5 million. Equity would change by up to €0.4 million in the event of such a change in the rate of interest.

In order to assess the risk of changes in commodity prices, the sensitivity of commodity prices to fluctuations was determined. A 10% increase in commodity prices would increase the cost of sales by around 5%; a fall would reduce it by around 5%. Equity would change by around €11 million in the event of such a change in commodity prices.

(16) Financial instruments

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

	2007/08	Previous year
Available-for-sale financial assets	6,626	–427
Financial assets at fair value	29	114
Loans and receivables	5,783	–932
Financial liabilities measured at amortized cost	–1,707	–1,696
Financial liabilities at fair value	–3,575	384

The net income from financial assets includes income and expenses from financial assets apart from income from the sale of the potato activities (€5,779 thousand). The net gain/loss from loans and receivables mainly includes effects from changes in the allowances for impairment. The net gains/losses from financial assets at fair value and financial liabilities at fair value mainly include changes in the market value of derivative financial instruments. The net losses from financial liabilities measured at amortized cost mainly consist of interest expense.

Interest income from financial assets that are not measured at fair value and recognized in the income statement was €3,424 thousand (€2,793 thousand). Interest expenses for financial borrowings were €1,707 thousand (€2,000 thousand).

The carrying amounts and fair values of the financial instruments are as follows:

		Loans and receivables	Financial assets at fair value	Available-for-sale financial assets	Total carrying amount
	Financial instruments				
Balance as at June 30, 2008 Financial assets	**Fair values**	**Carrying amounts**			
Other financial assets	5,531	0	0	5,531	5,531
Trade receivables	224,163	224,163	0	0	224,163
Securities	17,958	17,958	0	0	17,958
Cash and cash equivalents	94,973	94,973	0	0	94,973
Other current assets	19,333	19,333	0	0	19,333
Derivative financial instruments	601	0	601	0	601
Total per category	**362,559**	**356,427**	**601**	**5,531**	**362,559**

		Financial liabilities measured at amortized cost	Financial liabilities at fair value	Total carrying amount
	Financial instruments			
Balance as at June 30, 2008 Financial liabilities	**Fair values**	**Carrying amounts**		
Long-term borrowings	2,491	2,629	0	2,629
Long-term trade payables	1,983	1,983	0	1,983
Other noncurrent liabilities	11,259	11,259	0	11,259
Short-term borrowings	3,842	3,842	0	3,842
Short-term trade payables	36,863	36,863	0	36,863
Other liabilities	29,179	29,179	0	29,179
Derivative financial instruments	1,761	0	1,761	1,761
Total per category	**87,378**	**85,755**	**1,761**	**87,516**

Balance as at June 30, 2007 Financial assets	Fair values	Carrying amounts: Loans and receivables	Carrying amounts: Financial assets at fair value	Carrying amounts: Available-for-sale financial assets	Total carrying amount
	Financial instruments				
Other financial assets	6,010	0	0	6,010	6,010
Trade receivables	204,238	204,238	0	0	204,238
Securities	19,980	19,980	0	0	19,980
Cash and cash equivalents	48,075	48,075	0	0	48,075
Other current assets	15,296	15,296	0	0	15,296
Derivative financial instruments	593	0	593	0	593
Total per category	**294,193**	**287,590**	**593**	**6,010**	**294,193**

Balance as at June 30, 2007 Financial liabilities	Fair values	Carrying amounts: Financial liabilities measured at amortized cost	Carrying amounts: Financial liabilities at fair value	Total carrying amount
	Financial instruments			
Long-term borrowings	3,766	3,887	0	3,887
Long-term trade payables	2,440	2,440	0	2,440
Other noncurrent liabilities	4,530	4,530	0	4,530
Short-term borrowings	4,510	4,510	0	4,510
Short-term trade payables	39,838	39,838	0	39,838
Other liabilities	20,489	20,489	0	20,489
Derivative financial instruments	199	0	199	199
Total per category	**75,772**	**75,694**	**199**	**75,893**

None of the reported financial instruments will be held until it finally matures.

(17) Contingent liabilities

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

(18) Other financial obligations

There was a €3,961 thousand (€2,571 thousand) obligation from uncompleted capital expenditure projects.

The leases relate primarily to full-service agreements for IT equipment and fleet vehicles, which also include services for which a total of €1,769 thousand (€2,089 thousand) was paid in the year under review. The main leasehold obligations relate to land under cultivation.

Obligations under rental agreements and leases	06/30/2008	Previous year
Due in fiscal year 2008/2009	6,065	7,509
Due 2009/10 through 2012/2013	8,055	9,951
Due after 2012/13	2,266	2,494
	16,386	**19,954**

Notes to the income statement

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

Income statement for the period July 1, 2007 through June 30, 2008

	2007/08 € millions	2007/08 % of sales	Previous year € millions	Previous year % of sales
Net sales	599.1	100.0	537.9	100.0
Cost of sales	305.4	51.0	263.9	49.1
Gross profit on sales	**293.7**	**49.0**	**274.0**	**50.9**
Selling expenses	106.1	17.7	101.5	18.9
Research and development expenses	80.6	13.5	75.2	13.9
General and administrative expenses	42.3	7.1	38.5	7.2
Other operating income	24.3	4.2	22.6	4.2
Other operating expenses	18.9	3.2	17.5	3.2
Operating income	**70.1**	**11.7**	**63.9**	**11.9**
Net financial income/expenses	5.3	0.9	–6.0	–1.1
Result of ordinary activities	**75.4**	**12.6**	**57.9**	**10.8**
Income taxes	20.8	3.5	19.7	3.7
Net income for the year	**54.6**	**9.1**	**38.2**	**7.1**
Shares of minority interest	3.5	0.6	1.1	0.2
Net income after minority interest	**51.1**	**8.5**	**37.1**	**6.9**

(19) Net sales

By product category	2007/08	Previous year
Certified seed sales	545,063	488,536
Royalties income	30,267	28,011
Basic seed sales	6,898	5,649
Services fee income	3,082	3,234
Other sales	13,779	12,500
	599,089	**537,930**

By region	2007/08	Previous year
Germany	151,106	132,437
Europe	263,298	244,818
Americas	160,342	141,956
Rest of world	24,343	18,719
	599,089	**537,930**

For further details of sales, see segment reporting.

Sales are recognized when the agreed goods or services have been supplied and risk and title pass to the buyer. Any rebates or discounts are taken into account.

The cost of sales increased by €41,454 thousand to €305,423 thousand, or 51.0% (49.1%) of sales. The total cost of goods sold was €143,851 thousand (€132,853 thousand).

Allowances on inventories totaling €1,929 thousand, less than the previous year's €–3,061 thousand, were required. They were charged to segment results as follows: charged to corn €952 thousand (€3,829 thousand) and to breeding & services €88 thousand (€–709 thousand); there was a reduction of €2,821 thousand (€312 thousand) in the allowances at the sugarbeet segment and of €148 thousand (€–253 thousand) at cereals.

Research and development is recognized as an expense in the year it is incurred; in the year under review, this amounted to €80,576 thousand (€75,205 thousand the year before). Development costs for new varieties are not recognized as an asset because evidence of future economic benefit can only be provided after the variety has been officially certified. The €4,611 thousand increase in selling expenses to €106,096 thousand is mainly due to expanded activities in the North America and Southern/Southeastern Europe regions. This is 17.7 % of sales, down from 18.9 % the year before.

General and administrative expenses increased by €3,752 thousand to €42,257 thousand, representing 7.1 % of sales, after 7.2 % the year before.

(20) Other operating income

	2007/08	Previous year
Income from sales of fixed assets	401	1,231
Income from the reversal of provisions	3,133	3,372
Exchange rate gains and gains from currency and interest rate hedges	6,240	5,692
Income from recoveries on receivables written off	23	7
Income from reversal of allowances of receivables	3,925	1,063
Research grants	1,620	1,561
Income relating to previous periods	658	1,034
Income from cost allocations	174	4
Income from loss compensation received	88	461
Miscellaneous other operating income	8,005	8,150
	24,267	**22,575**

Income from foreign exchange transactions, reversals of provisions and allowances for receivables that were no longer required, together with book profits from disposals of property, plant and equipment and research grants received, resulted in other operating income totaling €24,267 thousand, compared with €22,575 thousand the year before.

(21) Other operating expenses

Other operating expenses indicate in particular the lower risk of counterparty defaults, whereas the cost of foreign exchange cover and losses on currency and interest rate hedges increased sharply. Of the necessary allowances for receivables, €1,468 thousand (€2,987 thousand) was charged to the sugarbeet segment, €1,004 thousand (€2,521 thousand) to the corn segment, €27 thousand (€0 thousand) to the cereals segment and €0 thousand (€152 thousand) to the breeding & services segment.

	2007/08	Previous year
Legal form expenses	843	800
Allowances on receivables	2,499	5,660
Counterparty default	302	1,172
Exchange rate losses and losses on currency and interest rate hedges	10,781	3,792
Losses from sales of fixed assets	129	856
Expenses relating to previous periods	1,349	1,893
Other expenses	2,987	3,299
	18,890	**17,472**

(22) Net financial income/expenses

	2007/08	Previous year
Interest income	3,589	3,052
Interest expenses	1,707	2,052
Income from securities	45	0
Income from other financial assets	131	60
Reversal of impairment losses on other long-term investments	0	1
Interest expenses on donation of pension provisions	3,213	6,655
Interest expense for other long-term provisions	167	0
Interest expense for finance leasing	52	0
Net interest expense	**–1,374**	**–5,596**
Profit from affiliated companies	5,779	–500
Net income from subsidiaries and joint ventures	1,147	0
Impairment losses on goodwill from affiliated companies	6	138
Depreciations of subsidiaries	305	65
Net income from equity investments	**6,627**	**–427**
Net financial income/expenses	**5,253**	**–6,023**

The net financial result increased by a total €11,276 thousand to €5,253 thousand. In the previous year, the interest expenses on donation of pension provisions contained €3,082 thousand for adjustment of the planned assets as part of the pension obligations, with the result that net financial income/expenses was €–1,374 thousand compared with €–5,596 thousand the year before. Net income from equity investments increased by €7,054 thousand to €6,627 thousand, in particular due to disposal of the potato business.

(23) Income taxes

Income tax expense is computed as follows:

	2007/08	Previous year
Income taxes, Germany	10,141	10,514
Income taxes, other countries	14,671	10,762
Current expenses from income taxes	24,812	21,276
Thereof from previous years	1,483	709
Deferred taxes, Germany	465	–111
Deferred taxes, other countries	–4,461	–1,491
Deferred tax income/expense	–3,996	–1,602
Reported income tax expense	**20,816**	**19,674**

The 2008 German Corporate Tax Reform Act was passed in July 2007 and means that, adjusted for tax relating to previous periods, KWS pays tax in Germany at a rate of 29.1 %. Corporate income tax of 15.0 % (25.0 %) and solidarity tax of 5.5 % (5.5 %) are applied uniformly to distributed and retained profits. In addition, municipal trade income tax is payable on profits generated in Germany. Trade income tax is applied at a weighted average rate of 13.3 % (16.0 %), resulting in a total tax rate of 29.1 % (38.1 %).

The "Law on Tax Measures Accompanying Introduction of the Societas Europaea and Amending Further Tax Regulations" (SEStEG), which was passed at the end of 2006, means that the corporate income tax credit balance at December 31, 2006, can be realized. It will be paid out in ten equal annual amounts from 2008 to 2017. The German group companies carried these claims as assets at their present value totaling €7,182 thousand (€7,124 thousand) at June 30, 2008.

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

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

For the German group companies, deferred tax was calculated at 29.1 % (38.1 %). For foreign group companies, deferred tax was calculated using the tax rates applicable in the country in which they are based.

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

	Deferred tax assets		Deferred tax liabilities	
	2007/08	Previous year	2007/08	Previous year
Intangible assets	8	6	425	351
Property, plant and equipment	68	126	11,086	12,938
Financial assets	4,151	193	0	217
Inventories	4,933	4,937	498	196
Current assets	2,696	1,990	1,355	2,112
Noncurrent liabilities	369	2,526	235	616
Current liabilities	2,091	5,049	197	220
Tax loss carryforward	2,290	1,285	0	0
Other consol. transactions	252	203	19	33
Deferred taxes recognized	**16,858**	**16,315**	**13,815**	**16,683**

In the year under review, deferred taxes of €446 thousand (€149 thousand) were directly credited to equity, without recognition in profit or loss. Tax loss carryforwards of €4,058 thousand (€11,123 thousand) were regarded as not being able to be utilized, with the result that no deferred tax assets were able to be recognized as an asset for them. The anticipated taxable profits projected in the medium-term plans of the companies were used for this in principle; these plans, which cover a period of four years, have been approved by the Executive Board. They are based on historical patterns and expectations about future market development.

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

	2007/08	Previous year
Earnings before income taxes	75,367	57,846
Expected income tax expense*	21,932	22,039
Difference in income tax liability outside Germany	−416	−162
Tax portion for:		
Tax-free income	−1,768	−10
Expenses not deductible for tax purposes	1,850	2,097
Temporary differences and losses for which no deferred taxes have been recognized	−1,916	3,144
Tax credits	−356	−8,133
Taxes relating to previous years	1,483	709
Other tax effects	7	−10
Reported income tax expense	20,816	19,674
Effective tax rate	27.6 %	34.0 %

*Tax rate in Germany 29.1 % (38.1) %

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

(24) Personnel costs/employees

	2007/08	Previous year
Wages and salaries	93,705	88,564
Social security contributions, expenses for pension plans and benefits	25,298	22,688
	119,003	**111,252**

Personnel costs went up by €7,751 thousand to € 119,003 thousand, an increase of 7.0 %. The number of employees (including trainees and interns) increased by 117 (or +4.3 %) to 2,856.

Compensation increased by 5.8 % to €93,705 thousand. **Social security contributions, expenses for pension plans and benefits** were €2,610 thousand higher than in the previous year. An amount of €6,074 thousand (€5,992 thousand) was recognized as an expense for defined contribution plans, including state pension insurance, in the year under review.

Employees*	2007/08	Previous year
Germany	1,260	1,179
Rest of Europe (without Germany)	670	633
Americas	872	884
Rest of world	54	43
Total	**2,856**	**2,739**

*Annual average

Of the above number, 528 (568) employees are included according to the percentage of equity held in the companies that employ them. 1,057 (1,137) employees are employed by now three proportionately consolidated investees. If these persons are included in full, the workforce total is 3,385 (3,308). The reported number of employees is greatly influenced by seasonal labor.

(25) Net income for the year

Net income for the year rose by € 16,379 thousand to €54,551 thousand, representing a return on sales of 9.1 %, up from 7.1 % the year before. The net profit for the period after minority interest is €51,057 thousand, and € 7.74 (€5.61) for each of the 6,600,000 shares on issue. The dividend distributed is geared to the earnings strength of the KWS Group; the goal is to ensure adequate internal financing of further business expansion in the long term. The equity ratio is currently 59.3 %, following 60.0 % in the previous year.

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

The members of the Supervisory Board receive fixed compensation and variable compensation based on the dividend paid. Providing that the annual meeting of shareholders resolves the proposed dividend, total compensation of the members of the Supervisory Board will be €333 thousand (€272 thousand), excluding value-added tax. €263 thousand (€204 thousand) of the total compensation is performance-related.

In the year under review, Dr. Guenther H. W. Stratmann was a partner in the consulting firm Freshfields Bruckhaus Deringer, Düsseldorf. In this period, this firm invoiced KWS €34 thousand (€147 thousand) for consulting services.

In fiscal year 2007/08, total Executive Board compensation amounted to €3,212 thousand (€2,372 thousand). Variable compensation of €2,261 thousand (€1,491 thousand), calculated on the basis of the net profit for the period of the KWS Group, includes compensation of €37 thousand (€24 thousand) for duties performed in subsidiaries. The fixed compensation includes not only the agreed salaries, but also non-monetary compensation granted by KWS SAAT AG.

Compensation of former members of the Executive Board amounted to €883 thousand (€738 thousand). Pension provisions recognized for this group of persons amounted to €2,745 thousand (€3,055 thousand) as of June 30, 2008.

(27) Shareholdings of members of the Supervisory Board and Executive Board (as of August 31, 2008)

Dr. Arend Oetker indirectly holds a total of 1,650,010 shares and Dr. Dr. h. c. Andreas J. Büchting 100,020 shares in KWS SAAT AG. All together, the members of the Supervisory Board hold 1,750,030 shares in KWS SAAT AG.

(28) Audit of the annual financial statements

On December 13, 2007, the Annual Shareholders' Meeting of KWS SAAT AG elected the accounting firm Deloitte & Touche GmbH, Hanover, to be the group's auditors for fiscal year 2007/08.

Fee paid to the external auditors under section 314 sentence 1 no. 9 of the HGB	2007/08
a) Audit of the consolidated financial statements	572
b) Certification and valuation services	25
c) Tax consulting	19
d) Other services	85
Total fee paid	**701**

For fiscal year 2008/09, fees for consulting services (excluding auditing) of € 100 thousand are expected.

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

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

(30) Related party disclosures

As part of its operations, KWS procures goods and services worldwide from a large number of business partners, including companies in which KWS has an interest. Business dealings with these companies are always conducted on an arm's length basis; from the KWS Group's perspective, these dealings have not been material. As part of group financing, short-term loans are taken out from and granted to subsidiaries at market interest rates. A total of 14 shareholders declared to KWS SAAT AG in 2002 that as a result of mutual allocations, they respectively hold more than 50 % of the voting rights. No other related parties have been identified for whom there is a special reporting requirement under IAS 24.

(31) Supervisory and Executive Board of KWS SAAT AG

SUPERVISORY BOARD

Dr. Carl-Ernst Büchting
Einbeck
Honorary Chairman

Dr. Dr. h.c. Andreas J. Büchting
Einbeck
Agricultural Biologist
Chairman
since December 2007

Membership of other legally mandated Supervisory Boards:
- Conergy AG, Hamburg

Dr. Guenther H. W. Stratmann
Düsseldorf
Attorney-at-law
Chairman
until December 2007

Membership of other legally mandated Supervisory Boards:
- apetito AG, Rheine (Deputy Chairman)
- AGCO GmbH, Marktoberdorf
- IXOS SOFTWARE AG, Grasbrunn (Chairman)

Membership of comparable German and foreign oversight boards:
- apetito catering GmbH, Rheine (Deputy Chairman)

Dr. Arend Oetker
Berlin
Businessman
Deputy Chairman

Membership of other legally mandated Supervisory Boards:
- Schwartauer Werke GmbH & Co. KGaA, Bad Schwartau (Chairman)
- Merck KGaA, Darmstadt
- Cognos AG, Hamburg (Chairman)

Membership of comparable German and foreign oversight boards:
- Hero AG, Lenzburg (President)
- Bâloise Holding AG, Basle, Schwitzerland
- E. Gundlach GmbH & Co. KG, Bielefeld
- Leipziger Messe GmbH, Leipzig
- Berliner Philharmonie GmbH, Berlin (Chairman)

Hubertus von Baumbach
Ingelheim
Businessman
since December 2007

Jürgen Bolduan
Einbeck
Seed Breeding Employee
Chairman of the Central Works Committee of KWS SAAT AG
since December 2007

Cathrina Claas
Frankfurt/Main
Businesswoman
since December 2007

Membership of other legally mandated Supervisory Boards:
- CLAAS KGaA mbH, Harsewinkel

Membership of comparable German and foreign oversight boards:
- CLAAS KGaA mbH, Harsewinkel (Deputy Chairwoman of the Shareholders' Committee)

Goetz von Engelbrechten
Uelzen
Farmer
until December 2007

Membership of other legally mandated Supervisory Boards:
- Nordzucker AG, Braunschweig (until July 2007)

Eckhard Halbfaß
Einbeck
Farmer
Member of the Works Committee of KWS SAAT AG, until December 2007

Jürgen Kunze
Einbeck
Chairman of the Works Committee of KWS SAAT AG, until December 2007

Dr. Dietmar Stahl
Einbeck
Biochemist
Employee Representative
since December 2007

Prof. Dr. Dr. h.c. Ernst-Ludwig Winnacker
Brussels
Belgium
European Research Council (ERC) – Secretary General
until December 2007

Membership of other legally mandated Supervisory Boards:
- Bayer AG, Leverkusen
- MediGene AG, Munich
- Wacker Chemie AG, Munich

EXECUTIVE BOARD

Dr. Dr. h.c. Andreas J. Büchting
Einbeck
Chairman
Corporate Affairs
until December 2007

Membership of legally mandated Supervisory Boards:
- Conergy AG, Hamburg

Philip von dem Bussche
Einbeck
Chairman (since December 2007)
Corporate Affairs, Sugarbeet, Human Resources

Membership of legally mandated Supervisory Boards:
- Sisi Wasabi AG, Berlin (since December 2007)

Dr. Christoph Amberger
Northeim
Corn, Cereals, Marketing

Dr. Hagen Duenbostel
Einbeck
Finance, Controlling, Information Technology, Legal

Membership of legally mandated Supervisory Boards:
- Sievert AG, Osnabrück (since July 2007)

Dr. Léon Broers (Deputy)
Einbeck, D / Heythuysen, NL
Research and Breeding, Energy plants

(32) Significant subsidiaries and affiliated companies

A list of shareholdings of KWS SAAT AG is published in the Electronic Federal Gazette.

Subsidiaries and associated companies, which were included in the consolidated group[1]

Sugarbeet		Corn		Cereals		Breeding & Services	
100%	BETASEED INC.[2] Shakopee, MN/USA	90%	KWS MAIS GMBH Einbeck	81%	KWS LOCHOW GMBH Bergen	100%	PLANTA ANGEWANDTE PFLANZENGENETIK UND BIOTECHNOLOGIE GMBH** Einbeck
100%	KWS FRANCE S.A.R.L. Roye/France	100%	KWS BENELUX B.V.[5] Amsterdam/Netherlands	100%	KWS UK LTD.[7] Thriplow/Great Britain	100%	KWS INTERSAAT GMBH Einbeck
100%	DELITZSCH PFLANZENZUCHT GMBH[10] Einbeck	100%	KWS SEMENA S.R.O.[5] Zahorska Ves/Slovakia	100%	KWS LOCHOW POLSKA SP.Z O.O.[7] Kondratowice/Poland	100%	KWS SEEDS INC.[9] Shakopee, MN/USA
100%	O.O.O. KWS RUS[12] Moscow/Russian Federation	100%	KWS MAIS FRANCE S.A.R.L.[5] Sarreguemines/France	49%	SOCIETE DE MARTINVAL S.A.[8]* Mons-en-Pévèle/France	100%	GLH SEEDS, INC.[2] Shakopee, MN/USA
100%	KWS ITALIA S.P.A. Forli/Italy	100%	KWS AUSTRIA SAAT GMBH[5] Vienna/Austria			100%	KWS SAATFINANZ GMBH Einbeck
100%	KWS POLSKA SP.Z O.O. Poznan/Poland	100%	KWS SEMINTE S.R.L.[5] Bukarest/Romania			100%	KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH Northeim-Wiebrechtshausen
100%	KWS SCANDINAVIA A/S[10] Guldborgsund/Denmark	100%	DUNASEM S.R.L.[13] Bukarest/Romania			100%	EURO HYBRID GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH Einbeck
100%	KWS SEMILLAS IBERICA S.L.[10] Zaratán/Spain	100%	KWS SJEME D.O.O.[5] Pozega/Croatia			100%	KWS R & D RUS LTD.[11] Lipezk/Russian Federation
100%	SEMILLAS KWS CHILE LTDA. Santiago de Chile/Chile	100%	KWS OSIVA S.R.O.[5] Velke Mezirici/Czech Republic			100%	RAGIS KARTOFFELZUCHT- UND HANDELSGESELLSCHAFT MBH Klein Wanzleben
100%	KWS SEME YU D.O.O. Belgrad/Serbia	100%	KWS SEMENA BULGARIA E.O.O.D.[5] Sofia/Bulgaria				
100%	KWS SUISSE SA Basle/Switzerland	100%	AGROMAIS GMBH[5] Everswinkel				
100%	ACH SEEDS INC.[4] Eden Prairie, MN/USA	100%	KWS MAGYARORSZÁG KFT.[5] Györ/Hungary				
100%	BETASEED FRANCE S.A.R.L.[4] Sarreguemines/France	95%	KWS ARGENTINA S.A.[5] Balcarce/Argentina				
100%	KWS UKRAINE T.O.W.[12] Kiew/Ukraine	51%	RAZES HYBRIDES S.A.R.L.[3] Alzonne/France				
100%	KWS TÜRK TARIM TICARET A.S.[10] Eskisehir/Turkey	50%	AGRELIANT GENETICS LLC.[6]* Westfield, IND/USA				
		50%	AGRELIANT GENETICS INC.* Chatham, Ontario/Canada				

* Proportionate consolidation
** Profit transfer agreement

1) The percentages stated relate to the interest held by the parent
2) Subsidiary of KWS SEEDS INC.
3) Subsidiary of KWS FRANCE S.A.R.L.
4) Subsidiary of BETASEED INC.
5) Subsidiary of KWS MAIS GMBH
6) Investee of GLH SEEDS, INC.
7) Subsidiary of KWS LOCHOW GMBH
8) Investee of KWS LOCHOW GMBH
9) Subsidiary of KWS INTERSAAT GMBH und KWS SAAT AG
10) Subsidiary of KWS INTERSAAT GMBH
11) Subsidiary of O. O. O. KWS RUS
12) Subsidiary of EURO HYBRID GMBH und KWS SAATFINANZ GMBH
13) Subsidiary of KWS MAIS GMBH und KWS SAATFINANZ GMBH

June 30, 2008

(33) Proposal for the appropriation of net retained profits

A proposal will be made to the Annual Shareholders' Meeting that an amount of € 11,220,000.00 of KWS SAAT AG's net retained profit of € 12,080,000.00 should be distributed as a dividend of € 1.70 (€ 1.40) for each of the 6,600,000 shares. The balance of € 860,000.00 is to be carried forward to the new account.

Declaration by legal representatives

We declare to the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Einbeck, October 6, 2008
KWS SAAT AG
THE EXECUTIVE BOARD

P. von dem Bussche | Ch. Amberger | H. Duenbostel | L. Broers

Auditor's Report

We have audited the annual financial statements of the KWS Group – consisting of the balance sheet, the Income Statement, the Notes, the Cash Flow Statement, Segment reporting and the Statement of Changes in Equity – and the group management report for the fiscal year from July 1, 2007, to June 30, 2008, all of which were prepared by KWS SAAT AG, Einbeck. The preparation of the consolidated financial statements and group management report according to the International Financial Reporting Standards (IFRS) as applicable in the EU, and in addition according to the commercial law regulations to be applied pursuant to section 315a (1) of the HGB (German Commercial Code), is the responsibility of the Executive Board of the company. Our task, on the basis of the audit we have conducted, is to give an opinion on the consolidated financial statements and the group management report.

We conducted our audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Certified Public Accountants). According to these standards, the audit must be planned and executed in such a way that misstatements and violations materially affecting the presentation of the view of the assets, financial position and earnings conveyed by the consolidated financial statements, taking into account the applicable regulations on orderly accounting, and by the group management report are detected with reasonable certainty. Knowledge of the business activities and the economic and legal operating environment of the group and evaluations of possible errors are taken into account. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are evaluated mainly on the basis of test samples within the framework of the audit. The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used and any significant estimates made by the Executive Board, as well as the evaluation of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

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

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

Hanover, October 10, 2008

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Dr. F. Beine)
Auditor

(T. Römgens)
Auditor

Agenda of the Annual Shareholders' Meeting on December 16, 2008

The Company's Executive Board hereby invites you to the

Annual Shareholders' Meeting
on Tuesday, December 16, 2008, at 11 a.m.,

at the Company's premises in 37574 Einbeck, Grimsehlstrasse 31, Germany.

AGENDA

1. Presentation of the approved Financial Statements of KWS SAAT AG, the Financial Statements of the KWS Group (consolidated Financial Statements) approved by the Supervisory Board, the management reports for KWS SAAT AG and the KWS Group for the fiscal year from July 1, 2007, to June 30, 2008, the Report of the Supervisory Board and the explanatory report by the Executive Board on the disclosures in accordance with section 289 (4) and section 315 (4) HGB (German Commercial Code)

2. Resolution on the appropriation of the net retained profit

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

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

5. Appointment of the independent auditor for fiscal year 2008/2009

Financial calendar	
November 28, 2008	Report on the 1st quarter of 2008/2009
December 16, 2008	Annual Shareholders' Meeting in Einbeck
February 26, 2009	Report on the 2nd quarter of 2008/2009
May 28, 2009	Report on the 3rd quarter of 2008/2009
October 29, 2009	Annual press conference in Hanover; Analyst conference in Frankfurt

Key data of KWS SAAT AG	
Securities identification number	707400
ISIN	DE0007074007
Stock exchange identifier	KWS
Transparency level	Prime Standard
Index	SDAX, GEX
Share class	Individual share certificates
Number of shares	6,600,000
Capital stock at June 30, 2008	€ 19,800,000
Share price high June 12, 2008 (Xetra)	€ 174.72
Share price low August 10, 2007 (Xetra)	€ 103.10
Average number of shares traded	
– in Xetra	8,602
– in floor trading in Frankfurt	930
Designated sponsor	Sal. Oppenheim jr. & Cie. KGaA