Annual Report 2008|2009

KWS SAAT AG

KWS

KWS

Seeding the future
since 1856

Key Figures of the KWS Group

Figures in € millions, unless otherwise specified (IFRS)

Fiscal year	2008/09	2007/08	2006/07	2005/06
Net sales	717.2	599.1	537.9	505.0
Operating income (= EBIT)	77.9	70.1	63.9	46.7
as a % of net sales (= ROS)	10.9	11.7	11.9	9.2
Net income	50.1	54.6	38.2	28.4
as a % of net sales	7.0	9.1	7.1	5.6
Operative cash flow	82.0	74.6	51.1	53.4
Net cash from investing activities	–59.4	–18.1	–26.7	–20.1
Equity	434.5	398.0	366.1	338.0
Equity ratio in %	57.5	59.3	60.0	58.6
Balance sheet total	756.0	671.1	609.8	577.0
Return on equity in %	13.0	15.3	11.6	8.9
Return on assets in %	7.8	9.2	6.8	5.3
Fixed assets	231.9	197.1	189.4	188.6
Capital expenditure	61.1	30.4	27.2	23.8
Depreciation	23.3	17.0	16.1	17.0
Average number of employees	3,215	2,856	2,739	2,652
Personnel costs	135.0	119.0	111.3	109.1
Performance of KWS shares in €				
Dividend per share	1.80	1.70	1.40	1.20 *
Earnings per share	6.98	7.74	5.61	4.16
Operative cash flow per share	12.42	11.30	7.74	8.09
Equity per share	65.83	60.31	55.47	51.21

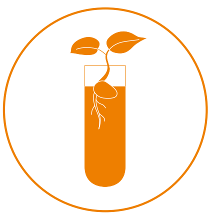
* Dividend of € 1.00 plus anniversary bonus of € 0.20

Segments of the KWS Group

Sugarbeet
KWS SAAT AG
As well as 15 subsidiaries and affiliated companies*
Net sales € 228.0 million
Operating income € 23.2 million

Corn
KWS MAIS GMBH
As well as 15 subsidiaries and affiliated companies
Net sales € 381.5 million
Operating income € 25.2 million

Cereals
KWS LOCHOW GMBH
As well as 7 subsidiaries and affiliated companies
Net sales € 84.3 million
Operating income € 12.0 million



Breeding & Services
KWS SAAT AG
As well as 14 subsidiaries and affiliated companies
Net sales € 154.2 million (net sales of third parties € 23.4 million)
Operating income € 17.5 million

* Subsidiaries and affiliated companies see page 79

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Foreword of the Executive Board

Dr. Christoph Amberger
Corn, Cereals, Marketing

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

Dr. Léon Broers
Research and Breeding, Energy plants

Philip von dem Bussche (CEO)
Corporate Affairs, Sugarbeet, Human Resources

Dear shareholders and friends of KWS,

This year's Annual Report shows that KWS is continuing to grow and flourish. The work of a plant breeder has a long time horizon and is thus less subject to general economic influences than are other industries. Despite the global financial and economic crisis, we are in the happy position of being able to present another very successful year for your KWS. Of course, the crisis has also had negative influences on us. Nevertheless, we have sharply increased our research and development budget as part of our longterm strategy. This strategy has produced successful varieties and good competitive positions in 70 countries around the world. In the year under review, the KWS Group was therefore able to grow net sales by almost 20% and improve its operating income (EBIT) by 11%.

This gratifying performance reflects the achievements of our 3,200 employees, who have earned a high level of trust of our customers in Germany and abroad through their expertise and their commitment.

Corn seed business again exceeded our expectations. We were able to further increase our market share in Europe. Net sales in North America rose sharply, particularly as a result of continuing growth in demand for genetically modified corn varieties.

In the sugarbeet segment, we were able to halt the downward trend triggered by reform of the European Sugar Market Regime. In particular, the very strong demand in the U.S. for herbicide-tolerant Roundup Ready® sugarbeet from KWS contributed to the further rise in net sales. In addition, the cereals segment generated good growth, primarily with hybrid rye business. One factor contributing to growth at the breeding & services segment was our potato activities, which were launched in the joint venture Van Rijn – KWS B.V. at the beginning of the fiscal year.

To help us keep on expanding our good market position, we approximately doubled our capital spending compared with the previous year. These investments included our new engagement in seed potato business and construction of an environmentally friendly, resource-saving development center at our headquarters in Einbeck, where we converted a seed storehouse dating from 1948. In acknowledgement of this project, KWS was presented with the 2009 "Energy-Optimized Construction" award by the German Ministry of Economics and Technology in May 2009.

With our investments, we have selectively created new jobs, increasing the workforce by around 10% worldwide and by almost 8% in Germany in the past fiscal year. Our headquarters in Einbeck benefited particularly from this development. The quality of jobs at our company is vital to our sustained success. The German Minister of Family Affairs acknowledged this when she bestowed the "Family-Friendly Business" award on KWS in June 2009. The independent jury was especially impressed by the flexible working time models.

A sense of responsibility for humankind and nature is deeply entrenched at KWS. KWS also takes a responsible approach in its use of biotechnology. This year our research company PLANTA Angewandte Pflanzengenetik und Biotechnologie GmbH celebrated its 25th anniversary. Our unchanging vision over all these years has been the pursuit of genetic engineering methods when traditional methods run up against their limitations. Although we have successfully developed products, however, we have not yet been able to launch a single one on the European market. The emotional and often subjective discussion of this matter endangers the continuing development in Germany of a key technology of the 21st century. One must ask whether a policy of doing nothing will help solve the world's supply problems. Some 60% of the potential global harvest is still destroyed by pests, diseases and negative weather influences.

We will continue to optimize our products and services for our customers out of a sense of responsibility for our company and its future. This includes offering our employees family-friendly jobs so that they can develop their abilities to the fullest. We take our responsibility toward society seriously, as is evidenced by our ecology-friendly production methods and an open information policy. Our shareholders benefit from this responsible corporate policy through solid business performance and long-term growth in the value of KWS.

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

Yours Philip Bussche

Philip von dem Bussche
(CEO)

»The only real valuable thing is intuition.«

Albert Einstein, physicist

In plant breeding, we can choose our parents. Only by choosing the right crossing partners can we reach our envisaged goal: Vitality and yield.

Spotlight topic:
25 years of PLANTA – Biotechnology at KWS

In 1984, the year PLANTA was founded, everyone was talking about biotechnology. There was speculation at the time that it would soon replace traditional plant breeding. KWS, however, came up with a different concept: the efficient intermeshing of conventional breeding methods with biotechnology tools.

But just what is behind the buzzword "biotechnology"?

Were we embarking on completely new territory back then? No. 5,000 years ago, people used what they knew about yeast to make bread and wine, while the ancient Egyptians selectively chose plants with certain characteristics for breeding. So even that long ago, people made conscious use of biological processes – and that is precisely what biotechnology is.

The accelerating pace of technical developments in microscopy gave biochemists, microbiologists and, finally, molecular biologists deeper and deeper insights into new worlds. The father of today's "green" or plant biotechnology is the English natural scientist Charles Robert Darwin. With his findings on the origin of species, which he published exactly 150 years ago, and his observations on the mechanisms of natural selection, he paved the way for modern plant genetics and its use in breeding.

Why was PLANTA founded?

A General Research working group at KWS had been examining the possibility of using molecular biology techniques for breeding since the mid-1970s. The declared objective was – and still is – to tap the potential of this relatively young technology to add to KWS' specialized plant breeding know-how and to combine the two. With an eye to implementing this concept as efficiently as possible, the subsidiary PLANTA Angewandte Pflanzengenetik und Biotechnologie GmbH was established in 1984 to focus solely on the area of biotechnology research. The dizzying pace at which biotechnological research has progressed over the past 25 years can be seen from PLANTA's rapid growth: From two permanent employees at its launch, PLANTA now employs more than 100 scientists and scientific technologists in its laboratories.

What exactly does PLANTA do?

Generally speaking, PLANTA has two main missions: It is the service provider for practical breeding within the KWS Group and also the competence center for our application-oriented research. These services as well as biotechnological genome research are carried out primarily in three departments: Marker Service, Molecular and Cell Biology Research and the Cell Service working group.

Why are genes marked?

Just as important passages of a text are highlighted with neon-colored markers, our employees at the Marker Service department identify and "mark" individual parts of a genome that are responsible for certain characteristics, such as resistance. This gradually creates a topographic map of a plant's genetic material – a genetic fingerprint, as it were. This technology is of enormous practical benefit to breeders: Using the parents' fingerprints, our breeders can determine which valuable characteristics have been passed on to the next generation in the crossing process. This is a rapid and precise means of selection in developing new varieties.

What makes breeding quicker?

Once the valuable characteristics of a plant have been identified, the idea is to make them particularly dominant so that they are more likely to be inherited. To achieve that, a plant used to be crossed with itself again and again over a period of up to eight generations. Today, the sets of chromosomes containing the plant's genes are doubled by biotechnological means (double haploid technology). The resulting homozygosity, i.e. the dominance of the desired characteristics, can be achieved in a single generation. Crossing two homozygous parents produces especially vigorous and high-yielding plants – something that is called the heterosis effect.

Leaf sample for DNA analysis: What's the essence of the plant?

113 staffers celebrate PLANTA's birthday.

What are the advantages of gene transfer?

From the very beginning, KWS has addressed the potential of "green genetic engineering" in its research activities, but without regarding molecular research as the sole solution to all problems or one that might replace traditional breeding approaches. Gene transfer is a scientifically very demanding and cutting-edge process. If certain genes with specific characteristics can successfully be transferred from one organism to a plant across species, important goals can be achieved for agriculture and the environment. The goal is to make plants resistant to diseases, pests or negative environmental influences in order to reduce the need for pesticides and insecticides and increase yield stability. PLANTA's most successful genetic engineering project to date is the Roundup Ready® sugarbeet, the world's first variety with genetically engineered resistance to be used in agriculture.

Who benefits from PLANTA's work?

PLANTA is primarily a service provider for all of KWS' breeding activities. Thanks to its diverse and innovative research activities and its extensive networks in the scientific community, it also guarantees the consistent, top-flight quality of KWS' varieties. Farmers around the world get seed that is tailored specifically to their wishes and their particular regional needs. Plant breeding stands at the beginning of the food chain. Its mission in the face of the global challenges of providing food and protecting the environment is to keep increasing the yields of our crops in the areas of food, feed and energy. Biotechnology methods are now an indispensable tool in achieving that, and that is why KWS will continue to make significant investments in them.

PLANTA Angewandte Pflanzengenetik und Biotechnologie GmbH

Its headcount demonstrates how rapidly it has grown: from two at the beginning to the current figure of 113 scientists and laboratory staffers

PLANTA's responsibilities:
- Molecular biology and cell biology research
- Marker service and research
- Cell Service
- Supervision of approval processes

PLANTA's scientists have excellent networks in the "Scientific Community" and play a major role in many projects:
- For example, in projects as part of GABI (Genome Analysis in the Biological System of the Plant), a genome research initiative funded by the German Federal Ministry for Education and Research

Milestones:
- 1984: Establishment of PLANTA
- 1999: Inauguration of the new laboratory building as the headquarters of PLANTA (Biotechnology Center)
- 2000: Chancellor Schröder opens the local EXPO project "Fascination plant breeding". 10,000 visitors learn more at the Biotechnology Center.
- 2007: The world's first successful sugarbeet variety with genetically engineered resistance (Roundup Ready®) was developed primarily in PLANTA's labs. Three years after its commercial launch, it is now grown on 95% of the area used for sugarbeet in America.

Report of the Supervisory Board

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

These financial statements for 2008/2009 clearly show that KWS is well positioned to tackle the challenges of even a tough economic environment. Broad product diversification, our global footprint and agricultural markets in the moderate climate zones as well as a solid financial and asset situation have limited the impact of the financial and economic crisis on our business. The following developments in particular have helped us weather the crisis: The reduction of production areas resulting from the reform of the European Sugar Market Regime is now behind us. At the same time, our herbicide-tolerant sugarbeet is meeting with enormous acceptance in North America and our corn segment is continuing its undiminished growth. At the end of the day, this is the result of our long-term strategic orientation – and it is also a positive confluence of events.

Cooperation with the Executive Board in a spirit of openness and trust is a particular concern 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 2008/2009. 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 regular, prompt and extensive information in written and oral form. The reports by the Executive Board to the Supervisory Board contained all relevant information on planning, business performance and the situation of the company and the KWS Group, including the risk situation, risk management and compliance. 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 bilateral contact with the Chief Executive Officer and the individual members of the Executive Board outside of the meetings of the Supervisory Board. In addition, there were monthly meetings between the Chairman of the Supervisory Board and the Executive Board as a whole, where special occurrences and developments and the general development of the various businesses were discussed. The full Supervisory Board held five regular meetings in fiscal 2008/2009. Its members participated in all of the meetings, with the exception of one member who was unable to attend two meetings due to illness.

Focal areas of deliberations

A regular subject of discussion at the full meetings of the Supervisory Board were sales, income and employment trends at KWS SAAT AG and the KWS Group, as well as questions relating to competition, compliance and corporate governance.

The focus of the meeting of the Supervisory Board to discuss the financial statements on October 29, 2008, was to examine and approve the financial statements of KWS SAAT AG and the consolidated financial statements as of June 30, 2008. Following the report by the independent auditor and detailed discussion, the Supervisory Board approved the financial statements and consolidated financial statements. In addition, potential acquisition opportunities, current capital spending measures and Executive Board matters were discussed. The deliberations at the meeting on December 15, 2008, focused on cross-segment expansion of activities in Eastern Europe. The Supervisory Board continued its deliberations on December 16, 2008, with a discussion of the capital resources required by the subsidiaries and associated companies to secure their planned growth. At this meeting, the Supervisory Board also appointed Dr. Léon Broers as a full member of the Executive Board for a term of five years as of January 1, 2009, at the proposal of the Committee for Executive Board Affairs.

On March 11, 2009, the Supervisory Board dealt with the current performance of KWS' breeding activities across all products and regions. The focus of the final meeting in fiscal year 2008/2009 on June 23, 2009, was corporate planning and approval of the budgets for fiscal 2009/2010.

Annual and consolidated financial statements and auditing

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the independent auditor chosen at the Shareholders' Meeting on December 16, 2008, and commissioned by the Audit Committee, has audited the financial statements of KWS SAAT AG that were presented by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB) for fiscal 2008/2009 and the financial statements of the KWS Group (IFRS consolidated financial statements), as well as the Management Report of KWS SAAT AG and the KWS Group Management Report, including the accounting reports, and awarded them its unqualified audit certificate. The Supervisory Board received and discussed the financial statements and the Management Reports of KWS SAAT AG and the KWS Group, along with the report by the independent auditor of KWS SAAT AG and the KWS Group and the proposal on utilization of the net profit for the year made by KWS SAAT AG. In addition, the auditor concluded that the audit of the financial statements did not reveal any facts that might indicate a misstatement in the Declaration of compliance with the German Corporate Governance Code issued by the Executive Board and Supervisory Board (cf. Clause 7.2.3 of the Corporate Governance Code). The financial statements, Management Reports and audit reports by the independent auditors were submitted to all members of the Supervisory Board.

It also held detailed discussions of questions on the agenda at its meeting to discuss the financial statements on October 28, 2009. The auditor took part in the meeting and reported on the main results of the audit and was also available to answer additional questions and provide further information for the Supervisory Board. According to the report of the independent auditor, there were no material weaknesses in the internal control and risk management system in relation to the accounting process. There were also no circumstances that might indicate a lack of impartiality on the part of the independent auditor. The small extent of services additionally provided by the independent auditor can be seen from the Notes.

In accordance with the final results of its own examination, the Supervisory Board endorsed the results of the audit 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, the Management Report of KWS SAAT AG and the KWS Group Management Report. It also endorses the proposal by the Executive Board on the appropriation of the profits of KWS SAAT AG after having examined it.

Corporate Governance

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.

Supervisory Board

Dr. Carl-Ernst Büchting
Einbeck
Honorary Chairman

Dr. Dr. h.c. Andreas J. Büchting
Einbeck
Chairman

Dr. Arend Oetker
Berlin
Deputy Chairman

Hubertus von Baumbach
Ingelheim

Jürgen Bolduan
Einbeck
Chairman of the Central Works Committee of KWS SAAT AG

Cathrina Claas-Mühlhäuser
Frankfurt/Main

Dr. Dietmar Stahl
Einbeck
Employee Representative

In order to determine whether the existing risk management system needed to be adapted to the requirements of the German Accounting Law Modernization Act (BilMoG), the auditing firm KPMG was commissioned to analyze the existing monitoring systems and determine whether there was any need for adjustment. At their meeting on October 28, 2009, the Executive Board and the Supervisory Board discussed updating the declaration of compliance with the German Corporate Governance Code and issued a new declaration in accordance with Section 161 AktG (German Stock Corporation Act). It is permanently available to the public on KWS SAAT AG's Website. There were no conflicts of interest on the part of Supervisory Board members in the period under review.

Supervisory Board committees

In order to ensure that it discharges its duties efficiently, the Supervisory Board has established the Committee for Executive Board Affairs and the Audit Committee.

The **Committee for Executive Board Affairs** held a meeting on September 23, 2008. Its main subject was renewal of the contract of employment with Dr. Léon Broers. Options to adjust the Executive Board's compensation in accordance with the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG), a law that specifies guidelines for reasonable remuneration of board members of stock corporations, were discussed at a meeting on September 14, 2009.

The **Audit Committee** held four meetings and two telephone conferences in fiscal 2008/2009. It discussed the interim reports to be published. In its meeting in the new fiscal year on October 5, 2009, the financial statements and accounting were discussed in the presence of the Chief Financial Officer and the independent auditor. The independent auditor reported in detail on all findings and occurrences that were of importance to the Supervisory Board in discharging its duties and that had arisen in the course of its audit of the financial statements; the auditor was also available to answer additional questions and provide further information to the Supervisory Board. According to the report of the independent auditor, there were no material weaknesses of the internal control and risk management system with regard to the accounting process. In addition, the Audit Committee obtained the statement of independence from the auditor in accordance with Clause 7.2.1 of the German Corporate Governance Code and monitored the auditor's independence. The Audit Committee additionally satisfied itself that the regulations on internal rotation pursuant to Section 319a (1) No. 4 HGB were observed by the independent auditor.

There is also a **Nominating Committee**, which, however, did not meet in this fiscal year.

Composition of the Supervisory Board

The composition of the Supervisory Board did not change in fiscal year 2008/2009. Its composition and that of the Audit Committee comply with the requirements of the amended Sections 100 (5) and 107 (4) of the AktG (German Stock Corporation Act), under which at least one independent member must have expertise in the fields of accounting and auditing of financial statements.

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 2008/2009.

Einbeck, October 28, 2009
KWS SAAT AG

Andreas J. Büchting

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

Corporate Governance Report

Sustainable, long-term corporate governance lies at the heart of all decision-making processes at KWS. The overriding objective is to preserve our values as a medium-sized plant breeder and generate higher long-term yields in agriculture. That secures the company's existence and its sustained creation of value.

The Executive Board and the Supervisory Board have dealt in considerable detail with the German Corporate Governance Code and ensure that it is enforced. KWS SAAT AG complies with its recommendations, with only one exception specific to the company and its industry as a result of its seasonal course of business (see the Compliance declaration in accordance with Section 161 AktG (German Stock Corporation Act on page 16).

Helping secure the future

As a value-oriented, tradition-conscious agricultural company, we feel especially responsible for doing our part to secure the future. Among other things, we are guided by the principles of the Corporate Governance Code and the company's own business principles. The principles, which are binding for all of KWS' employees and its subsidiaries, rest on four cornerstones:

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

Solid and trustworthy Corporate Governance

The Executive Board develops the company's strategic orientation, coordinates it with the Supervisory Board and ensures that it is implemented. Cooperation between the Executive Board members at KWS is governed by a set of bylaws; the bylaws of the Executive Board and the Supervisory Board are published on our home page.

Compliance with statutory regulations and the company's ethical principles are governed at KWS by the Code of Business Ethics, an abridged version of which is likewise published on our home page. It offers employees a clear guide as to what they are allowed to do in all their business activities. The issue of compliance has increased in complexity as a result of KWS' strong international growth and greater statutory requirements. We have therefore established a separate central function for the KWS Group to offer legal advice to the operating units. For example, a Compliance Officer assists the Executive Board and the company's units in applying laws and regulations and implementing suitable monitoring and control instruments.

Recognizing risks early on

An efficient risk management system secures the continued existence and value of the company. The task of this integrated system is to recognize risks to the company at an early stage, assess their potential impact and enable us to respond proactively and adequately. We report in detail on the opportunities and risks at KWS on pages 38/39.

Supervision and advice in a relationship of trust

The Supervisory Board consists of six members: two employee and four shareholder representatives. This Board appoints, supervises and advises the Executive Board and is directly involved in decisions that are of fundamental importance for the company. The Supervisory Board is assisted by auditors and legal experts. Its Chairman coordinates the Board's work in accordance with its bylaws. As part of their relationship of trust and cooperation, the Executive Board and the Supervisory Board comply with the rules of proper corporate governance and safeguard confidentiality.

Expanding and improving Corporate Governance

The new German Accounting Law Modernization Act (BilMoG) expands and details important monitoring activities of the Supervisory Board and will impose further requirements on reporting by listed companies in the future. We are already preparing intensively for the obligatory changes in the coming years by assessing the status quo of our relevant control and risk management systems.

Important new requirements of the BilMoG have already been implemented at KWS. For instance, the Supervisory Board has established an Audit Committee chaired by Hubertus von Baumbach, a member of management at Boehringer Ingelheim who is responsible for finance there. He is very well suited for this function thanks to his adequate expertise.

Shareholders decide on fundamental matters
The Annual Shareholders' Meeting is the highest-level body of KWS SAAT AG. All shareholders are sent a written Notice of the Meeting once a year through their depositary bank. It is traditionally held at the company's headquarters in Einbeck. The Annual Shareholders' Meeting elects the Supervisory Board members. It makes decisions on important matters, such as the appropriation of profits, capital measures or changes to the Articles of Association. It also 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 the Annual Shareholders' Meeting, the power of attorney and voting instruction forms for proxies and the Annual Report on our Internet site at www.kws.com.

Transparent communications
We aim to strengthen the trust of our shareholders, business partners, employees and the public through openness and transparency. We provide regular information on KWS' business situation in the form of quarterly reports. We present the company to domestic and foreign investors at many roadshows. We publish the roadshow presentations on our home page so that all shareholders receive the same information at the same time. The financial calendar gives information on the most important dates in the year. In addition, all legally prescribed notifications and press releases are published immediately in the Internet. The detailed compensation report of KWS is part of the Management Report of the KWS Group and can be found on pages 44/45. Management regularly takes part in public information events in order to inform the public about KWS' responsible use of modern plant breeding methods and "green genetic engineering" and to conduct a dialogue with citizens on these subjects.

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 point given below – the company has complied with the recommendations of the German Corporate Governance Code in the version dated June 6, 2008, since the last compliance declaration on October 29, 2008, 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 18, 2009.

II. 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 the Frankfurt Stock Exchange. It does not comply with the recommended deadlines of 90 and 45 days respectively in the German Corporate Governance Code because of the seasonal course of its business.

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

Einbeck, October 28, 2009

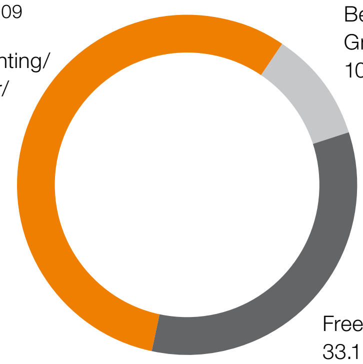
For the Supervisory Board
Dr. Dr. h. c. Andreas J. Büchting

For the Executive Board
Philip von dem Bussche

The KWS share

KWS is one of the world's top five vendors of seed for agricultural crops. The Group generates more than half of its net sales from corn, almost a third from sugarbeet seed and the remainder mainly from winter cereals. KWS is the world leader in sugarbeet, as well as No. 1 in Germany and No. 2 in Europe for corn and cereals. Since the company is the only plant breeder listed on the stock exchange in Germany, it attracts considerable attention from international investors and analysts. KWS' consistent and open information policy has impressed 800 capital market experts from 17 countries: DIRK, the German Investor Relations Association, awarded us third place in the 2009 German Investor Relations Prize in the SDAX company category.

Shareholder structure
on June 30, 2009

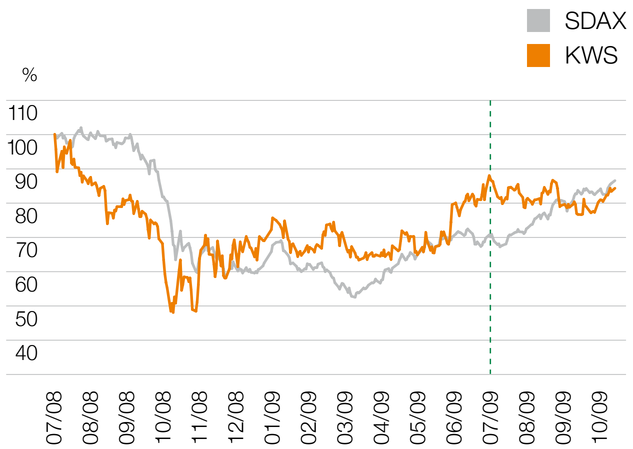


As a result of growing global demand for food and fodder and for climate-friendly energy plants, KWS' sales figures are largely independent of general economic fluctuations. Volatile prices for agricultural consumer goods, on the other hand, impact our cost of sales. Farmers who multiply our seed earn more than if they raised crops in their fields for sale via the usual channels.

Until July 2008, the prices for agricultural products had soared to new heights as a result of the strained supply situation and speculative forward transactions. Within a few weeks, however, the global financial and economic crisis caused commodity prices to slump – including those for agricultural products. In this climate, KWS' share price tumbled from its peak of just under € 175 on June 12, 2008, to a low of € 70 on October 8, 2008. The following months saw commodity prices, especially for sugar, surge again on the world markets, and KWS' share price rebounded at the same time. The sugar price has now climbed to all-time highs. On September 1, 2009, it stood at € 407, slightly above the price for quota sugar guaranteed by the EU. Despite some violent fluctuations and a drop of 13 percent, KWS' share again far outperformed the comparative German index SDAX – which lost around one-third in value – in the past fiscal year.

The keys to our success are our many years of experience, independence, a solid equity ratio and – especially – intensive research. In order to secure its long-term growth, KWS sharply increased its capital spending in fiscal 2008/2009, especially in research and development. Over approximately the last 50 years, modern plant breeding has ensured sustained progress in agricultural yields, with increases averaging one to two percent a year. In view of the limited nature of cultivation areas, the rapid growth in the world's population and climate change, continuously increasing yields and sustainably safeguarding yield performance are the main challenges facing a plant breeder. Plants are also gaining in importance as a source of energy. The energy plant sector now accounts for some 15 percent of KWS' net sales. Bioenergy – especially biogas – offers an array of advantages over other renewable energy sources: low production costs, versatile uses, distributed production and supply security at all times of the year and day. As a result, it opens up new alternative revenue streams for farming.

Performance of the KWS share vs. SDAX



» You see things; and you say, 'Why?' But I dream things that never were; and I say, "Why not?" «

George Bernard Shaw, author

So we said: Why not produce energy from plants?

Management Report of the KWS Group

Organic growth despite the global financial crisis – that is how fiscal year 2008/2009 can be summed up for the KWS Group. Although KWS felt negative effects, especially in Southeastern and Eastern Europe, it was able to offset them with successes in other regions. It was also helped in this by a solid financial and assets situation as well as continuing high demand for quality seed for food and fodder and bioenergy. Net sales and operating income surpassed the figures for the excellent fiscal year 2007/2008.

KWS's robust strength in the face of the crisis is attributable to several factors: First, demand for seed remained high despite the sharp slide in the price of agricultural raw materials at the end of 2008. Overall, the company was able to increase its volume of business with high-quality corn, sugarbeet and cereal seed. Second, KWS traditionally has solid financing. Our equity ratio of around 58 % and high liquidity also ensured that we were able to obtain funds in the crisis for the resources we needed at favorable terms. Nevertheless, KWS did not escape the financial crisis unscathed: The global economic crisis had a particularly serious impact in Southeastern and Eastern Europe, which also put a strain on our business there.

Effects of the financial crisis in Southeastern and Eastern Europe

The financial crisis had a far more momentous impact on farmers in this region than in the West. This has specific historical grounds: After the collapse of the former Soviet Union, many countries tried to catch up with Western standards of consumption. To this day, countries like Hungary, Ukraine and Romania still import more than they export – food as well as other goods. Their traditional current account deficits were financed in the past with the aid of direct foreign investment and loans. However, the banking crisis meant that Western investors stopped pumping in capital. The risk premiums for government bonds soared in order to attract urgently needed foreign exchange. Countries such as Hungary and Romania have already negotiated with the International Monetary Fund to secure emergency aid. Yet the forint, zloty, ruble and other currencies plunged in value. The economic situation of farmers deteriorated more and more as a result. High debt, tighter availability of new loans and weak currencies meant they were strapped for cash. As a consequence, KWS suffered slumps in demand, especially in Southeastern Europe. The price of seed, which is usually tied to the euro, increased sharply for farms there as local currencies were devalued. The liquidity problems were also the reason for additional allowances on receivables that were necessary in this region in the past fiscal year.

KWS' business model in the financial and economic crisis

KWS' business model benefits from the steadily growing demand for food, fodder and energy. According to the German Foundation for World Population, the global population is growing at an annual rate of 1.2 % – or, given the current figure of 6.8 billion, by around the population of Germany every year. In addition, consumer behavior is changing as prosperity grows in newly industrializing countries such as China and India. The German Sugar Association notes that average percapita sugar consumption in China has increased by some 3 kg since 2005 to 12 kg – and there is still enormous potential for growth: Consumption in Europe remains more than three times as high. The situation is similar regarding the increased demand for meat, since greater numbers of livestock have to be fed. That means soybean, corn and other fodders will continue to gain in importance.

All in all, the positive conclusion is: The short-term consequences of the financial crisis on the KWS Group were more than compensated for in fiscal 2008/2009 by high overall demand for agricultural products.

Demand for bioenergy remains high

There was a rapid drop in commodity prices over the past 12 months – including prices for energy. At the end of 2008, the price of crude oil fell below 40 US dollars a barrel, which diminished the attractiveness of renewable energies in today's deregulated markets. Nevertheless, there was no significant slump in bioenergy production. This is due to the fact that almost all industrialized countries are now promoting renewable energies due to their concerns regarding supply security and environmental issues. As a result, a slump in demand cannot be foreseen at present, specifically in Europe or the U.S. Moreover, the oil price rose again at times to over 70 US dollars by mid-2009. According to a study by the International Energy Agency, worldwide demand for energy will rise by around 50 % by the year 2030. Meeting that demand will require new sources of energy that can gradually supplement finite fossil resources and

Seeding the Future: A farmer sows some 30 kilograms of corn on one hectare – and harvests an average of over 300 times that.

finally replace them in the long term. Efficient renewable energies are already available for this purpose and will play a key part in supplying energy in the future. Bioenergy will also continue to profit from this trend.

Net sales grow in all segments

The KWS Group grew its net sales in fiscal 2008/2009 by 19.7 % to € 717.2 (599.1) million. There was an improvement in business in Germany, where we increased net sales by 21.9 % to € 184.2 (151.1) million. Our good performance in North America was further supported by the stronger US dollar, compared to the previous year. Negative exchange rate influences from Eastern, South-eastern and Central Europe were more than offset by the US dollar's positive performance. Net foreign sales rose by 19 % to a total of € 533.0 (€ 448.0) million and accounted for 74.3 % (74.8 %) of total revenue.

The corn segment again performed well, growing its net sales by 16.0 % to € 381.5 (328.9) million or 53.1 % (54.9 %) of consolidated net sales. The sugarbeet segment exceeded our expectations with an increase in net sales of 17.1 % to € 228.0 (194.8) million, accounting for 31.8 % (32.5 %) of total business volume. Net sales in the cereals segment improved by 25.1 % to € 84.3 (67.4) million, accounting – as in the previous year – for almost 12 % of the KWS Group's total net sales. In the breeding & services segment, acquisition of our new potato activities meant that sales leapt to € 23.4 million compared with € 8.0 million the previous year.

Further intensification of breeding activities

The cost of sales increased faster than net sales, rising by 24.8 % to € 381.0 (305.4) million, in particular as a result of higher production costs for seed multiplication. As a consequence, gross profit did not increase quite as sharply as net sales, growing by 14.5 % to € 336.2 (293.7) million.

As expected, we generated economies of scale in the year under review. Consequently, the increase in selling, administrative and R&D expenditures, which are less dependent on net sales, was far lower relative to net sales.

KWS is investing about 20 million in Einbeck. A new competence center for our scientists and 7,000 m² of additional greenhouse area are under construction.

Selling expenses increased by 8.4 % to € 115.0 (106.1) million. One main element here was the expansion of our distribution structures and the systematic growth of the KWS brand. Selling expenses fell relative to net sales to 16.0 % (17.7 %). Administrative expenses rose by 9.5 % to € 46.3 (42.3) million or 6.5 % (7.1 %) of net sales. We increased expenditure on research and development by 11.0 % to € 89.5 (80.6) million in order to secure and strengthen our market position.

The balance of other operating income and other operating expenses was € –7.5 (5.4) million. This is mainly attributable to a greater need for allowances on receivables as a result of the financial crisis.

Double-digit increase in operating income

The KWS Group's operating income rose by 11.1 % to € 77.9 (70.1) million. Operating income in the corn segment improved to € 25.2 (23.2) million despite further expansion of our distribution structures and higher unit costs in seed production. Its contribution to group income was 32.3 % (33.1 %). The gratifying increase in net sales in the sugarbeet segment did not have an impact on income, since a large portion of revenues from successful business in America benefited the breeding & services segment in the form of internal royalties for technology. In addition, allowances for inventories strained the segment's operating income, which fell by 17.4 % to € 23.2 (28.1) million as a result. Its contribution to Group income declined to 29.8 % (40.1 %). The cereals segment's income comes primarily from hybrid rye business, which makes a high contribution to margins. Its operating income rose to € 12.0 (9.0) million despite one-time amortization of goodwill amounting to € 2.0 million and accounted for 15.4 % (12.8 %) of Group income. Meanwhile, our breeding & services segment profited from higher internal royalties from all product segments. For instance, it was able to share in the strong performance of the North American market as a result of the technology licenses for Roundup Ready® sugarbeet mentioned above. The segment's income improved to € 17.5 (9.8) million and now accounts for 22.5 % (14.0 %) of group income.

Net income impacted by lower net financial income/expense and higher taxes

Net financial income/expense fell by € 8.0 million to € – 2.7 (5.3) million. The previous year's figure contained non-recurring profits from the disposal of investments totaling € 5.8 million. During the financial market crisis, net financial income/expense was strained by additional expenditure on growth and investments. The result from ordinary activities was € 75.2 million and thus again at the level of the previous year. Total tax expenditures rose to € 25.1 (20.8) million due to lower tax-free earnings, resulting in a rise in the tax rate for the Group from 27.6 % in the previous year to 33.3 %. Lower net financial income/expense and the higher tax rate reduced the KWS Group's net income by 8.2 % to € 50.1 (54.6) million. The return on net sales after tax was 7.0 % (9.1 %).

Investments in potato business and corn

Our capital spending on assets was aimed largely at further improving seed quality and expanding breeding and production capacities. The largest individual investments related to the potato joint venture Van Rijn – KWS B.V., processing plants for corn seed in Romania, Turkey and North America and a greenhouse and office space at Einbeck. The KWS Group invested a total of € 61.1 (30.4) million in the year under review. Depreciation and amortization was € 23.3 (17.0) million, meaning that, once again, investments exceeded depreciation by a significant margin. Of the total investments by the KWS Group, 24 % went to Germany, 60 % to the rest of Europe, 11 % to North and South America and 5 % to other countries. Just under half of investments were made in the breeding & services segment and almost a third in the corn segment.

Equity enables growth

Total assets increased in fiscal 2008/2009 by € 84.9 million to € 756.0 (671.1) million. Equity rose by € 36.5 million as a result of the profit situation. The KWS Group continues to have solid financing, with an equity ratio of 57.5 % (59.3 %).

Net working capital at the Group level fell in the past fiscal year by 5 % to € 143.7 (150.9) million. Inventories at the corn segment rose by € 22 million, while receivables remained at the level of the previous year despite the growth in sales.

Totaling € 338.4 (310.0) million, inventories and biological assets and trade receivables accounted for around 44.8 % (46.2 %) of total assets. On the balance sheet date, cash and cash equivalents, including securities, amounted to € 125.6 (113.0) million.

Equity rose to € 434.5 (398.0) million, and fully covered noncurrent assets and inventories. Debt capital increased by a total of € 48.4 million to € 321.5 (273.1) million, in particular as a result of unpaid royalties.

Net cash from operating activities funds investments

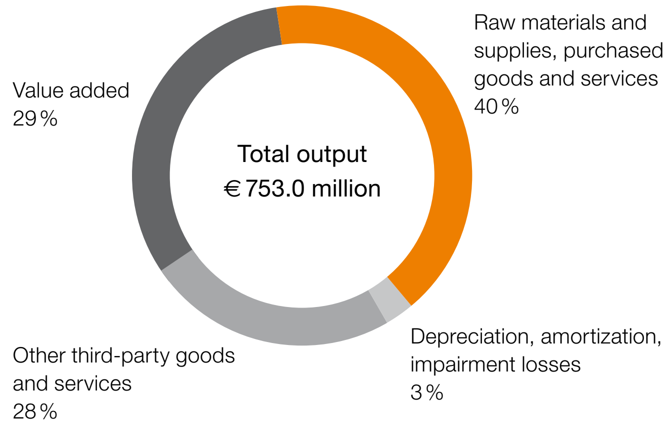
Net cash from operating activities increased by € 7.4 million to € 82.0 (74.6) million. The ratio of cash flow to net sales fell slightly to 11.4 % (12.4 %), underscoring again the KWS Group's great financial strength. Net funds used in investing activities were € 59.4 (18.1) million, yielding a free cash flow of € 22.6 (56.5) million, with net cash used in financing activities at € 9.6 (11.6) million. Net cash consequently improved to € 117.0 (106.5) million. At the balance sheet date there were still only slight financial borrowings of € 8.6 (6.5) million. Short-term borrowings rose by € 40.2 million to € 222.7 million and were covered at a rate of 163 % (196 %) by cash and cash equivalents, trade receivables and other current assets.

Proposed appropriation of profits

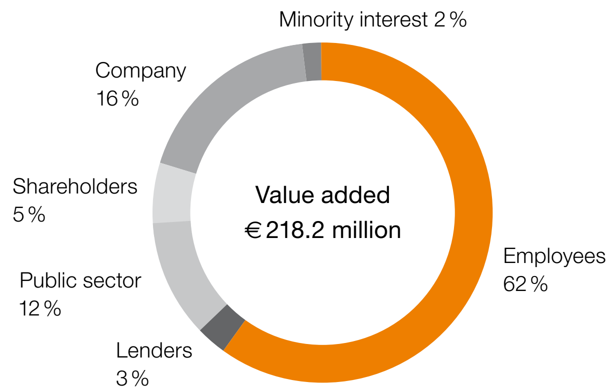
The amount of the dividend depends on the KWS Group's earnings strength and net profit for the year. After adjustment of the previous year's net profit for the non-recurring, tax-free profits of € 5.8 million from disposal of our former potato activities, net profit for fiscal 2008/2009 increased from € 48.8 million to € 50.1 million, despite a marked rise in the tax rate. The improved earnings strength is also reflected in the KWS Group's operating income (EBIT), which increased year-on-year by 11 % to € 77.9 million.

In view of this positive performance, the Executive and Supervisory Boards will propose payment of a dividend of € 1.80 for each of the 6,600,000 shares at the Annual Shareholders' Meeting. The positive trend in dividend payouts is thus continuing, with a moderate increase of 6 % over the previous year (€ 1.70). A total of € 11.9 (11.2) million will be distributed to shareholders in December 2009.

Creation of value added



Distribution of value added



»I know the price of success: dedication, hard work, and an unremitting devotion to the things you want to see happen.«

Frank Lloyd Wright, architect

From around 70,000 new potato seedlings, we selectively breed varieties for ecological farmers in addition to conventional varieties.

Sugarbeet segment

The sugarbeet segment posted record net sales in the past fiscal year 2008/2009. While global cultivation area remained constant at 4.2 million ha, KWS was able to grow net sales at the segment by 17 %. The high acceptance of our genetically modified Roundup Ready® sugarbeet among North American farmers made a significant contribution to this growth. Revenues in America rose by 80 %.

This is the third year since its launch that the Roundup Ready® sugarbeet has been on the North American market. The genetically modified, herbicide-tolerant sugarbeet varieties were able to achieve almost complete penetration of the market (around 95 %) in this short time. Thanks to its good competitive position, KWS captured a market share of almost 70 % in North America.

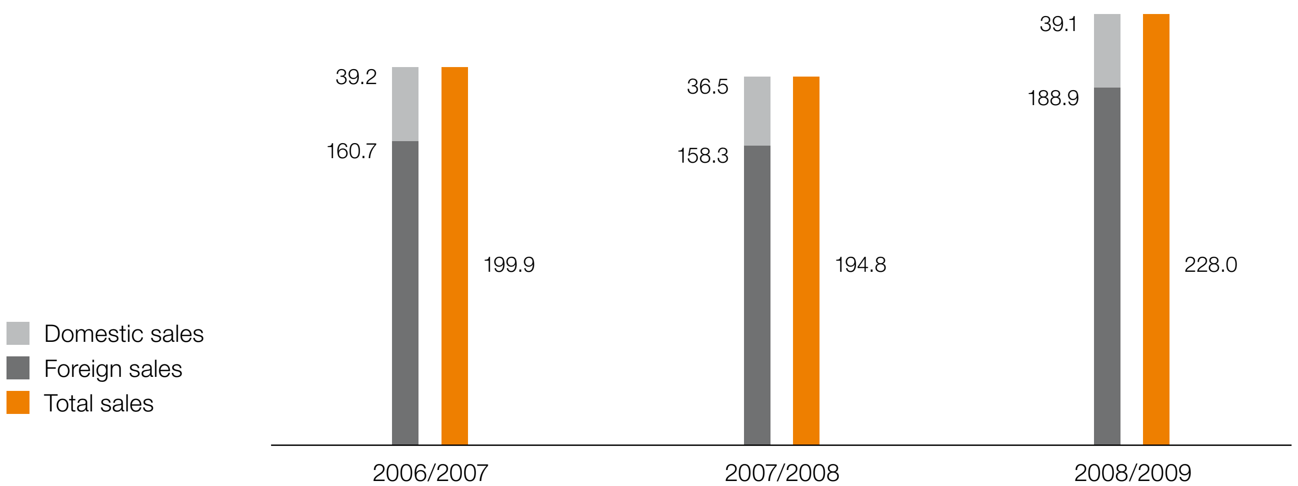
A further key factor in this positive sales performance is the fact that reform of the Sugar Market Regime, which has been underway since 2005 in the EU 27, is largely complete. Because not all the quotas have been taken up in full, a slight increase in cultivation area over the previous year was recorded. The area for quota sugar therefore rose to 1.31 (1.27) million ha. However, there are other diverse areas in which sugarbeet can be used besides sugar production – in the chemical industry to produce cosmetics, plastics or pharmaceuticals, for example. Greater use of sugarbeet for bioenergy and other industrial purposes also contributed to the increase in total cultivation area in Europe to 1.57 (1.49) million ha.

However, the financial crisis curbed the success of our sugarbeet business and caused net sales to slump in some regions. It had a particularly noticeable impact on the economic situation of our customers in Central and Eastern Europe. The rapid depreciation of national currencies and the fact that the price of seed, as well as that of fertilizers, pesticides and insecticides, is largely linked to western currencies meant that many farms had liquidity problems. In order to protect itself against counterparty defaults, KWS refrained in some cases from selling seed to customers with higher liquidity risks. That led to sharp drops in net sales, especially in the Russian Federation, Poland and Belarus.

Thanks to the previously mentioned positive factors, however, net sales in the sugarbeet segment rose to € 228.0 (194.8) million. Net sales outside the EU increased by 33.4 % to € 116.3 (87.2) million. Net sales in the EU 27 were slightly higher, rising by 3.8 % to € 111.7 (107.6) million.

As expected, the segment was not able to follow up on the previous year's successful income result. In particular, there was a greater need for allowances for inventories, since the crisis meant that sales of already produced goods were lower. Added to this were foreign exchange losses. Moreover, a large part of the revenue from our excellent North America business went to the breeding & services segment in the form of internal royalties, since the Roundup Ready® sugarbeet was developed there. Consequently, the segment's income fell by 17.4 % to € 23.2 (28.1) million, despite a significant increase in net sales.

Sugarbeet segment sales in millions of €



The on-site consulting we offer customers is part of our agro service. The goal is to make the right choice for a particular location from KWS' current portfolio of some 250 sugarbeet varieties.

The regions

After the previous year's huge reductions in area in Germany as part of reform of the Sugar Market Regime, cultivation areas for sugar production and for industrial beet expanded again slightly. KWS was able to benefit from this trend and further expanded its competitive position. There was also an increase in area in France. However, the currently weaker variety performances resulted in a drop in market share there.

A trend similar to that in Germany could be observed in Northern Europe: a slight increase in areas and gains in market share due to strong variety performance, especially in the nematode-resistant segment. The picture in Central Europe has two sides: While our sugarbeet business in the Czech Republic, Slovakia and Lithuania benefited from increases in area, we suffered sharp drops in revenue in Poland as a result of the depreciation of the zloty. As described above, weaker currencies had the effect of making our products more expensive for Polish farmers. Consequently, revenue from sales of sugarbeet seed in Poland fell by more than 10 %.

There was a reduction in areas in Eastern Europe for the second year in a row. In 2008, high cereal prices initially made it more difficult to sell sugarbeet seed, while in the 2009 cultivation year our customers began to suffer from a lack of liquidity as a result of the economic crisis. Consequently, the cultivation area in this region declined by around 34 % to 1.09 million ha within two years. That meant we were not able to avoid a drop in net sales in the Russian Federation in the past fiscal year. However, Ukraine's accession to the WTO – and thus the abolition of most import duties – had a positive influence on our business. Lower income from Russia was more than compensated for by additional revenue in Ukraine, with the result that the Eastern Europe region as a whole made a slight contribution to the segment's growth in net sales.

Trends in Turkey remained positive. We were able to grow seed sales significantly. Although the Turkish lira depreciated considerably over the previous year, revenue – in euro terms – rose by almost 30 %.

Corn segment

The corn segment represents the key element in our successful business performance. Once again, we posted sharply higher revenue from sales of corn seed in the year under review. The segment's net sales increased for the tenth year in a row – significantly again this year, rising about 16 %. Its income beat last year's record figure, despite a higher cost of sales.

In the past growing season of 2009, international commodity prices came under pressure from the global financial crisis, resulting in a drop in prices in the market for corn for consumption. However, demand for corn seed was influenced only indirectly by this. At the end of fiscal 2008/2009, the corn price on the American commodity futures exchanges was over 50 % lower than at July 1, 2008. In the same period, the price of soybeans was down only about 20 %. However, the step-up in cultivation of corn in North America as a means of producing bioethanol (which now accounts for around 30 % of cultivation area in the U.S.) countered the anticipated decline in area. Corn cultivation area in America rose slightly by 1.2 % to just over 35.2 million ha. Soybean cultivation area expanded more strongly by comparison, by 2.3 % to 31.4 million ha. In Europe, on the other hand, corn cultivation area declined to 12.7 (13.5) million ha, decreasing in Southern and Southeastern Europe in particular.

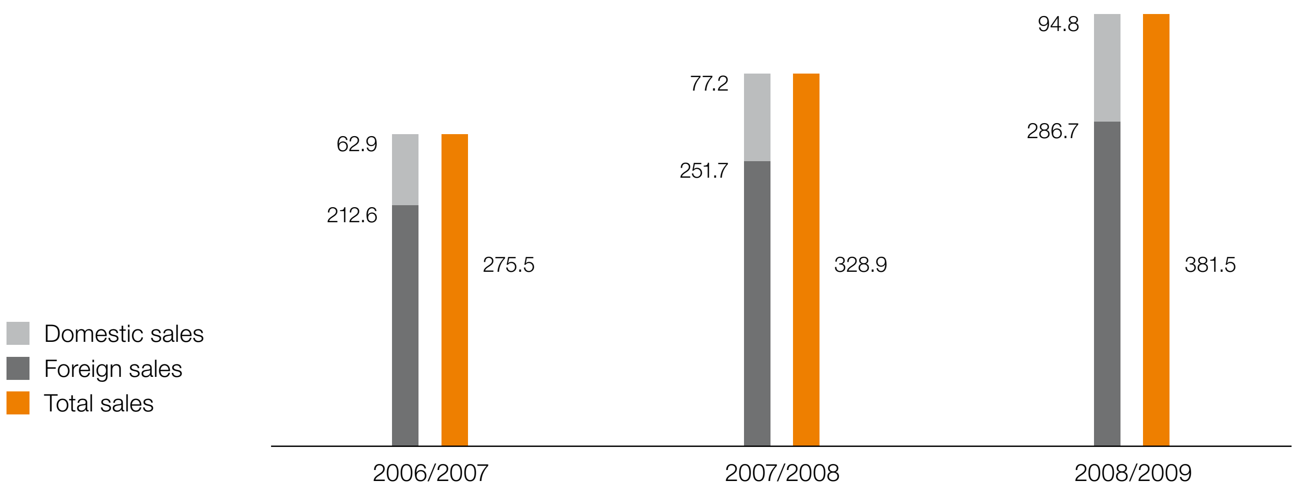
The production of energy from plants is growing in importance in Europe, especially in Germany. Low consumer prices have rekindled interest in production of biogas by fermentation of biomass. The most important source of raw material is corn. Apart from being grown for food and fodder on some 1,700 thousand ha, corn is now cultivated for biogas production on approximately 350 thousand ha in Germany.

However, our customers in the markets of Southeastern European and Eastern Europe suffered from liquidity bottlenecks as the economic crisis unfolded. As a consequence, KWS has refrained from selling seed there in some cases because of the greater risk of counterparty defaults. The currencies of the new EU member states in Central and Southeastern Europe also experienced a sharp downturn in the past fiscal year following the upward trends of the past years. The corn segment was hit by exchange losses totaling almost € 4 million.

Net sales in the corn segment at June 30, 2009, totaled € 381.5 (328.9) million, meaning it has grown at an annual average of around 15 % over the last ten years. These positive effects are mainly attributable to our operations in Germany, France and Northern Europe, as well as to sales of genetically modified varieties in North America. The segment's income at June 30, 2009, was € 25.2 (23.2) million, despite higher costs of sales in seed multiplication.

Cultivation of winter rapeseed in the EU fell year-on-year by approximately 3 %. Nevertheless, KWS was able to grow its sales volume slightly, above all through a higher contribution from hybrids, to achieve a market share in the EU of about 15 % in the year under review.

Corn segment sales in millions of €



Not only the right variety is vital, but also the right time: The corn is harvested only when the plant's humidity has fallen to a specific level.

On the back of a slight increase in area in North America, our corn company AgReliant – a joint venture (50/50) with the French breeding company Vilmorin – was able to maintain its good market position in the American corn belt. The main reason for the 21 % year-on-year increase in net sales to € 285 (235) million is the higher share of genetically modified, multiple-resistant varieties in our portfolio. Almost 60 % of the volume sold contains a triple stack, a genetically engineered combination of resistances to the European corn borer, the Western corn rootworm and the herbicide Roundup. AgReliant is still the fourth-largest vendor of corn seed in the U.S.

KWS was able to expand its position as the second-largest vendor of corn in Europe, mainly by winning market share in Germany, the Benelux countries and France. It also improved its market position in the other regions – despite in some cases dramatic declines in cultivation area – by growing its sales slightly.

The sale of premium corn seed was problematic in the spring of 2009. Insecticidal seed dressing agents have been completely banned in some countries, Italy for example, and they obtained approval in other countries such as France and Germany only in the course of the sales season – in some cases with considerably stricter requirements for the quality of dressing imposed on the seed industry. Thanks to rigorous quality management, we were quickly able to meet even the more stringent conditions and ensure that corn seed was available at the start of the sowing season.

The possibility of selling genetically modified corn varieties in Europe has worsened further compared with 2008. France imposed a total ban on their cultivation, for example. In Germany, permission to grow the only approved genetically modified variety was suspended. Today, genetically modified, insect-resistant corn varieties can only be grown in Spain, Romania, Poland, the Czech Republic and Slovakia. Their entire cultivation area in Europe is around 100,000 ha (approximately 0.6 % of the area used for growing corn in Europe).

Cereals segment

KWS LOCHOW has for many years been the world's undisputed specialist when it comes to breeding high-performing hybrid rye varieties. Demand for them for cereal cultivation in Europe is steadily rising. In the past fiscal year alone, our sales of hybrid rye seed rose by over 40 %.

Rye displays its advantages over other types of cereal to fullest effect in lighter soils and dry locations. Yields there are well above those of wheat, for instance. If farmers also use a hybrid rye variety, the advantages in terms of yield increase further. Consequently, the growth in net sales at our cereals segment – by 25 % to € 84.3 (67.4) million – is almost fully attributable to the success of this crop.

Despite lower prices for cereals for consumption compared with calendar year 2007, the sowing area for cereals in Europe remained largely stable in 2008. In this environment, we were able to maintain or increase sales revenues year-on-year in KWS LOCHOW's most important markets. The German and UK markets developed very well, with growth rates of more than 30 %. At KWS UK, this was mainly the result of a significant increase in market share in the winter wheat business.

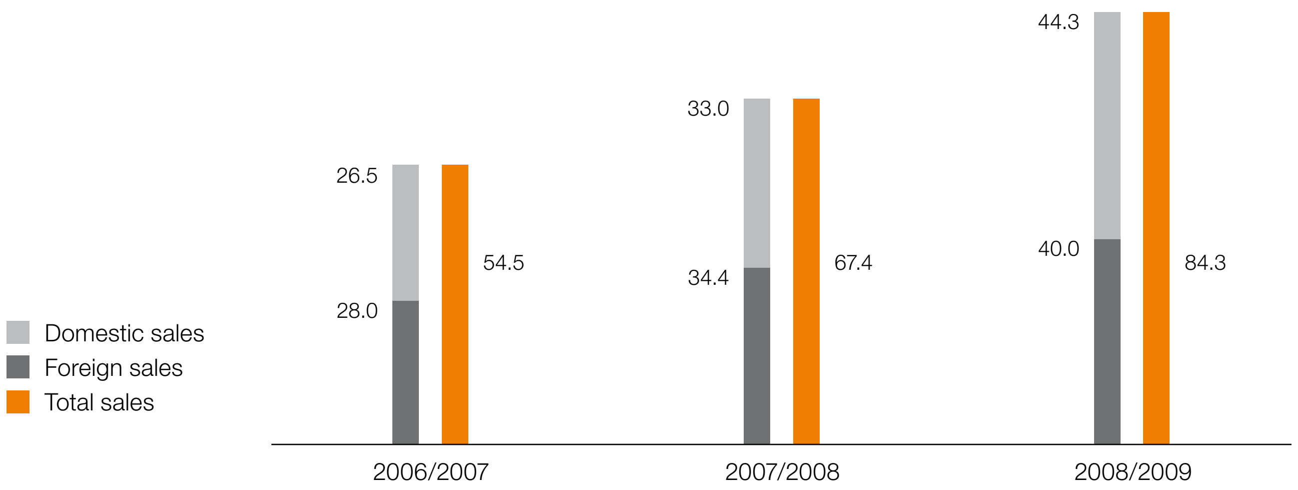
Rye sales also rose sharply in Poland, although this resulted in only a slight increase in net sales due to the fact that the zloty fell in value against the euro. Despite strong competitive pressure in France, we posted figures on a par with the previous year, while the financial crisis had a sharp impact in Eastern Europe – in particular in the Russian Federation, where net sales slumped by more than 60 %. Unlike in Southeastern Europe, where we were able to increase sales, our main focus in Russia and Ukraine is on summer cereal varieties. These are not sold until the spring. By then, the financial crisis – and thus our customers' liquidity bottlenecks – was more serious than when seed was sold in mid-2008 for fall planting.

KWS has maintained a partnership with the French cereals breeder Momont for ten years in order to strengthen its position in the French market for rapeseed hybrids and wheat. This joint venture has successfully positioned itself on the French market. In the past fiscal year, however, we were forced to revise our growth expectations for our French joint venture with the cereals breeder Momont as a result of the fiercer competitive situation on the rapeseed market. This necessitated amortization of goodwill, which had a direct impact on the segment's income.

Still, this negative impact on income was more than compensated for by the high share of net sales (51 %) accounted for by high-margin hybrid rye and the particularly good licensing business in the UK. Income at the cereals segment was € 12.0 (9.0) million at June 30, 2009, up by 33 % over the previous year. The high return on net sales from the previous year was increased again to 14.2 % (13.4 %). In the final analysis, our expectations for the cereals business were clearly exceeded.

18,000 cereal test plots in Seligenstadt near Würzburg – but only a handful of cereal varieties will finally be awarded approval.

Cereals segment sales in millions of €



Breeding & Services segment

Modern biotechnology has long been an indispensable part of conventional plant breeding. With the help of biotechnology tools, test crossings can now be carried out more precisely and subsequent selection sped up. An additional aspect is the cross-species transfer of individual genes – i.e. the use of previously inaccessible genetic resources for our crops.

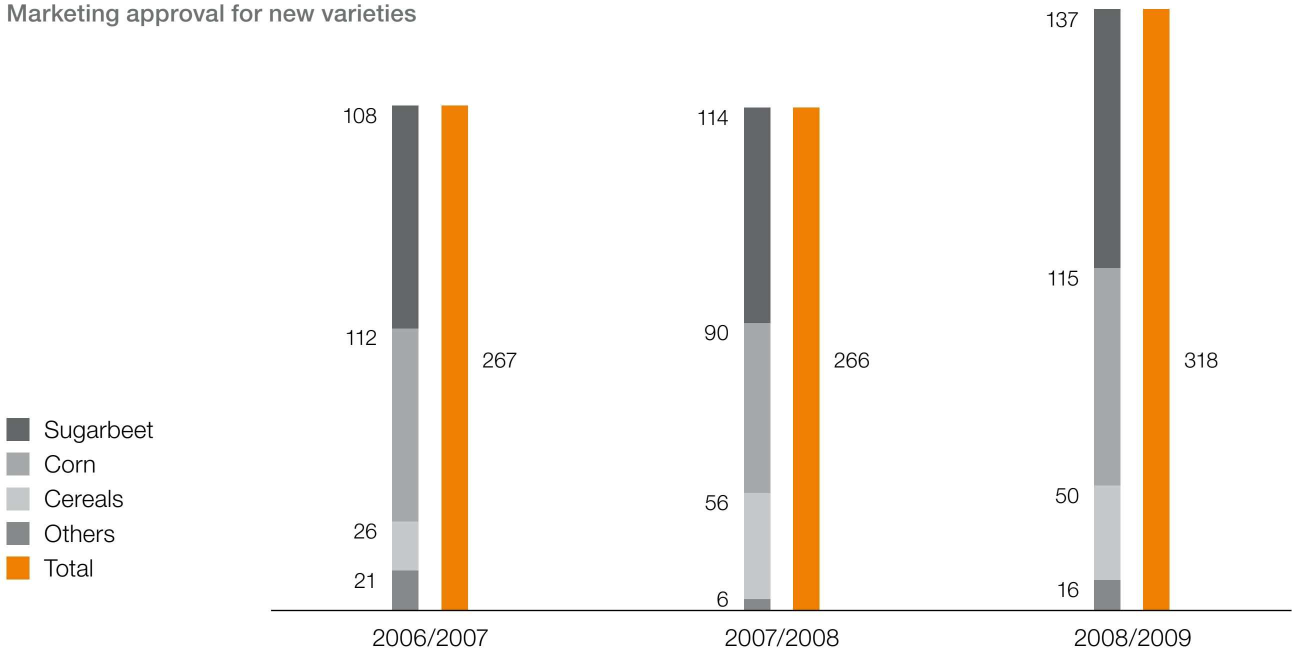
25 years ago, KWS founded the research company PLANTA Angewandte Pflanzengenetik und Biotechnologie GmbH in order to build up its own biotechnology expertise. The company now employs 113 people at Einbeck and is an integral part of our product development work. Apart from services for traditional breeding activities – the creation of homozygous double-haploid lines for breeding hybrids or extensive DNA analyses to select the best candidates for crossing, for example – PLANTA also works on genetically modified products. It is therefore especially gratifying in this anniversary year for PLANTA that, after 14 years of development and deregulation, considerable value added from a transgenic research project conducted by PLANTA has been generated for the first time with our herbicide-tolerant sugarbeet in the U.S.

In fiscal 2008/2009, the breeding & services segment chalked up its highest-ever profit and net sales. Its net sales, which are mainly generated from internal royalties for the varieties it develops and licenses to KWS' product segments, rose by around 27 % to € 154.2 (121.8) million. € 23.4 (8.0) million of this was attributable to external net sales to third parties for products from our farms and to the net sales from our new potato joint venture Van Rijn – KWS B.V., which were consolidated for the first time at 50 %. The segment's sharp increase in earnings is mainly the result of internal royalties from the product segments. The result was an increase in operating income to € 17.5 (9.8) million. R&D expenditure, which grew by 11 % to € 89.5 (80.6) million, is already accounted for in this figure. However, the crucial factor is KWS' innovative strength, which we measure by the number of international distribution approvals for our new varieties. The figure for these in fiscal 2008/2009 was 318 (266).

KWS corn hybrids on the rise

The strong development of our European corn business is based largely on our successful special breeding programs. In particular, the fast-maturing KWS varieties with good cold tolerance – termed dent x flint hybrids – produced excellent results in official performance tests. They are preferred in all Northern European regions due to the shorter vegetation periods there. This range of varieties covers some 40 % of the European market. At the same time, our corn breeding activities are moving more and more into the dent x dent segment. The warmer and longer vegetation periods in the southern regions of Europe means that there is generally a higher yield potential there. Successful expansion of our dent x dent programs is therefore of great importance for our business development. Especially in France, our activities in this field are proceeding promisingly, with steady improvement in performance. A new breeding program in Romania is expanding KWS' portfolio in South-eastern Europe.

Marketing approval for new varieties



Breeders ensure by means of selective pollination that the plants develop as envisioned.

Application-oriented research

In the field of virus resistance, KWS is pursuing a genetic engineering approach to resistance to rhizomania (root madness) in sugarbeet. In the meantime, there is proof of the feasibility of transgenic rhizomania resistance, even to particularly aggressive viruses. Unlike in the conventional approach, virus multiplication is completely inhibited in the transgenic beet. As a result, further spreading of the virus in a region can be prevented.

Research network

KWS has been able to expand its cooperation network at both the national and the international level. The SYNBREED project (total volume: € 12 million), in which the KWS Group is the only participating plant breeding company, has been successfully positioned in the national initiative "Networks of Competence in Agricultural and Food Research" sponsored by the German Ministry of Education and Research and the Ministry of Food, Agriculture and Consumer Protection. SYNBREED has an application-oriented research approach, and its objective is to optimize breeding programs. Part of this is a comparison of the different methods used in plant and animal breeding. These approaches are intended to lead to recommendations for optimizing breeding programs, which are then reviewed and used by the industry partners involved. SYNBREED is expected to bring about a paradigm shift in knowledge-based breeding research through the combination of results from genome research and know-how in breeding methods.

In the international arena, the "KWS-Tongji Laboratory for Plant Molecular Biology" was inaugurated at Tongji University in Shanghai, China, in the fall of 2008. Chinese students will work on research topics from KWS at this lab as part of their master's degree and doctoral research. Some of them will also be taught by scientists from PLANTA. The first students have already started their work. With this program, KWS can enhance its local visibility as an expert research partner, forge further important contacts and follow developments directly.

Successful launch of new potato activities

The KWS Group has successfully repositioned itself in potato breeding. On July 1, 2008, the new 50:50 joint venture "Van Rijn – KWS B.V." launched its international activities in breeding, producing and distributing seed potatoes. Van Rijn – KWS B.V., which is headquartered in Poeldijk, Netherlands, 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.

This new market presence was launched worldwide using the strong brand of both partners, who jointly defined the company's strategic orientation. The new potato activities have been integrated in the KWS Group's existing distribution structures in Central and Eastern Europe, Chile, Argentina and Turkey. Van Rijn – KWS B.V. generated net sales of around € 25 million with its competitive portfolio of varieties for processing and for consumption as fresh produce. The KWS Group's 50 % share in the joint venture Van Rijn – KWS B.V. means that half of the net sales are reported in the breeding & services segment.

From the flower to the fruit to the tuber: But it's the tuber that ultimately counts.

Outlook for the fiscal year 2009/2010

We expect that the KWS Group will post a slight increase in net sales for the current fiscal year 2009/2010, mainly in the corn segment. While we currently anticipate a stable sales volume for the sugarbeet segment, cereals business will probably drift lower due to a weaker market. We have budgeted a sharp increase in research and development expenditure at the breeding & services segment, which will result in lower income there. We intend to hire a large number of new employees for the new R&D projects. Allowing for a slight fall in unit costs and higher R&D expenditure, we forecast that the KWS Group will generate operating income (EBIT) at the level of fiscal 2008/2009.

The individual segments

We expect net sales at the **corn segment** to grow again by just over 5 %, largely from business in the U.S. The share of genetically engineered, multiple-resistant varieties (triple stack) and thus higher-priced varieties will continue to increase. Our objective in Europe is to maintain the very good level of sales in the Northern regions and improve our market position in Southern and Eastern Europe. The risks regarding the liquidity of farmers, above all in Southeastern and Eastern Europe, are difficult to assess. We are planning to expand our seed production capacities. Now that we have successfully completed similar projects in Romania and Ukraine, further capital spending projects are to be initiated in France, Turkey, Chile and Russia in the new fiscal year. The cost of sales per unit is expected to be slightly below that for the previous fiscal year. We anticipate that operating income will increase as net sales expand.

We see hardly any further potential for growth in the **sugarbeet segment** in the current year. While the sugarbeet cultivation area will decline slightly in the EU 27, above all in Southern Europe, it will probably increase again in Eastern Europe, the Middle East and East Asia. Reform of the Sugar Market Regime has been concluded in the EU 27, as has the launch of Roundup Ready® varieties in North America. Consequently, we will be able to achieve growth in these regions only by capturing further market share. If the general economic situation improves, we see opportunities mainly in Eastern Europe, the Middle East and North Africa. Since the margins that can be achieved in these regions are relatively low compared with those in the EU 27 and since they involve higher selling expenses, we expect them to make only a small contribution to income.

Producer prices for **cereals** fell sharply in fiscal 2008/2009, primarily as a result of the above-average yields in the 2008 harvest. In the past, such losses in income for farmers have regularly induced them to use higher levels of farm saved seed and refrain from buying certified high-yielding seed. In view of this, we expect significantly lower net sales and income at the cereals segment in 2009/2010.

» An investment in knowledge always pays the best interest. «

Benjamin Franklin, politician and scientist

That's why we increase our research and development expenditures by an average of 10% a year.

Risks and chances for future development

KWS' entrepreneurial actions are geared to leveraging opportunities and weighing the associated risks in a responsible and value-oriented manner. KWS aims to secure and expand its leading market position as a seed breeding company. Close contact with customers, careful observation of the markets, our own intensive research and an active dialogue with scientific institutions help ensure that opportunities are identified at an early stage. Short decision-making lines in the lean, medium-sized enterprise and an exchange of knowledge based on trust among employees at the various locations ensure that the company can respond quickly to specific opportunities.

Recognizing and leveraging opportunities

The key opportunities in plant breeding lie in further increasing yields while making efficient use of resources. The world's population is growing by about 80 million people every year. As a result, demand for food is growing constantly. At the same time, climate change is placing new demands on plants' ability to survive and on their yield – as a result of aridity, heat, floods or increased attacks by pests, for example. Renewable forms of energy are growing in importance in view of the limited reserves of fossil fuels. Bioenergy plays a special role in this, because plants are not only a source of food and fodder, but also for regenerative raw materials that can be used to produce energy. Of interest here is also the amendment to the "Renewable Energy Act" (EEG) that came into effect in Germany on January 1, 2009. It stipulates an entitlement to an – in part higher – payment for electricity produced from renewable energies for a period of 20 years.

Risk management

A suitable risk management system is needed to systematically and efficiently evaluate, document and thus 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. The system's working order was established 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 operates. In addition, the risks described below may significantly impair KWS' net sales, financial position and performance. These risks have either been identified or are regarded as likely. 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 2008/2009 compared with that of the previous year.

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 sensible diversification of risks. The company ensures the high quality of its products through strict internal quality standards and monitoring. KWS tackles the risks involved in investing in acquisitions and research and construction projects with efficient controlling and professional project management. It also addresses the liquidity risk with professional cash management, sufficient long-term, syndicated credit lines – full use of which was not made in the year under review – and an equity ratio of 57.5 %. It uses extensive trade credit insurance to counter the risk of losing receivables in risky regions and business segments – a risk that has increased as a result of the global economic crisis. The risk of interest rate changes and currency risks are addressed through the usual standardized interest rate derivate hedging instruments.

Market risks

More and more of KWS' business partners, above all in Eastern and Southeastern Europe, have suffered liquidity bottlenecks as a result of the global economic and financial crisis. That means a significant increase in the risk of insolvencies in the agricultural sector. The situation has become particularly aggravated in Ukraine, Moldavia and Romania. Counterclaims are also being asserted against KWS in this connection.

Clean energy from biogas helps protect the climate.

Political risks

In the strongly regulated agriculture industry, political risks have a significant impact on business development. The 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. KWS is endeavoring to compensate for the more difficult conditions for growth in the EU 27 by increasing sales in Eastern Europe and the U.S.

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.

The use of state-of-the-art, internationally acknowledged breeding methods is still impeded in Germany. That 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. There is thus the greater risk of destruction of trial fields.

In our opinion, the amendment of the law relating to the labeling of genetically engineered food waters down the originally stricter regulations, is inconsistent with the principle of transparency and thus does not help build confidence. For instance, products can be labeled as not genetically engineered although genetically modified production factors have been used in making them (cattle fodder, for example).

It is not only direct legislative procedures that impact business operations. Reservations on the part of the populace 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 modified crops are cultivated on more than 125 million hectares, with remarkable economic and ecological advantages. In the U.S. in particular, it is mainly genetically modified varieties that are cultivated and that are helping to solve problems in agriculture. However, rapid market penetration of our herbicide-tolerant, 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. An initial ruling was pronounced in these proceedings on September 21, 2009, obligating the USDA to obtain a comprehensive environmental compatibility assessment. In the approval process for cultivation of Roundup Ready®-tolerant sugarbeet, the USDA had dispensed with an extensive environmental compatibility statement since this system for protecting plants had already been used for many years and on a broad scale for other crops. The court has not ordered any restriction of cultivation in practice to date.

Weather-related risks

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

Employees

People, their personalities and their abilities shape our company. We at KWS are a value-oriented company with a tradition of family ownership. Every single person makes his or her own contribution to our good business performance and receives respect and recognition in return. In this way, we secure the company's long-term success and create high-quality jobs.

The KWS Group's gratifying business development is due largely to our motivated employees, who identify closely with the company's culture and objectives. One component of that identification is trust in how the company is led – trust that management has earned through open communication and continuing efforts to encourage personal responsibility among employees. In addition to a remuneration system that reflects performance, ensuring that employees share appropriately in the company's success is another part of our company's value orientation. That is why KWS expanded its employee participation program at the end of 2008. By the beginning of 2009, 220 employees in Germany and the EU had participated in an expanded stock purchase program and acquired more than 10,000 shares on the stock market at a discount of 20 percent. By participating in the company through acquisition of these shares, which must be held for a minimum of four years, our employees become co-owners of KWS.

Identifying and developing abilities

People can turn in top performances for themselves and the company only if they are deployed in a way that best reflects their skills and personal inclinations. Consequently, the focus of our personnel development strategy is to identify their different talents and help them advance through suitable training and continuing education measures. Our employees' willingness to continue developing their abilities throughout their lives is a vital part of success in the face of global competition – especially in plant breeding, a sector that demands intensive research and development.

First prize for family-friendly KWS

The family is of special importance to KWS, not only to the families who founded and own the company, but to its employees as well. People can develop their abilities to the full only if they can reconcile their careers and private lives. That is why KWS offers not only flexitime, but also the possibility of part-time employment, in particular during parental leave. In principle, all employees can also work from a home office if their work permits. In addition, families can recuperate at the company's own rest and vacation home in Bad Grund. In the contest "Family-Friendly Company Southern Lower Saxony 2009," KWS won first prize in the category for companies with more than 100 employees. In particular, the jury emphasized that "KWS has integrated the long-term importance of a family-friendly spirit in the company in exemplary fashion."

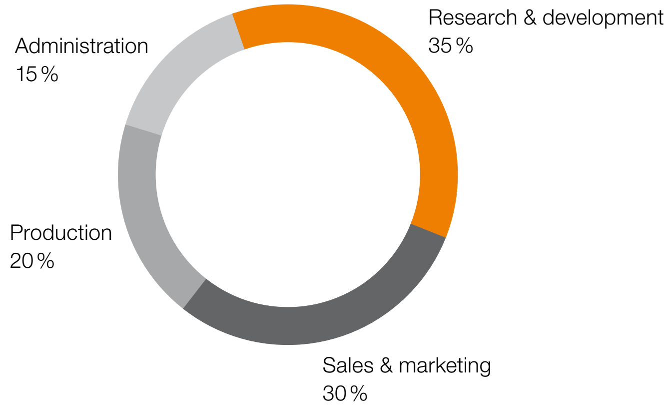
Our junior staff members are our future

"Seeding the Future" not only applies to our products, but also – and especially – to our employees. Our efforts are aimed at winning qualified employees from outside the company, where close contact with universities is essential, but also at filling as many posts as possible with people who have completed our own training programs. For example, young qualified junior workers are kept on in our Junior Staff Development Program after successfully completing our 24-month trainee program. Here they have the opportunity over a further 24 months to develop their skills and personality across disciplines in a total of five training modules.

To prepare them for their first major management tasks, junior staffers undergo an assessment in the Orientation Center to determine the specific areas where they need to develop. This gives participants and their supervisors important information on what steps should be taken next.

Learning together unites people: Interdisciplinary further training is a regular part of the two-year trainee program.

KWS Group employees by functions



The employees, their supervisor and the HR department then decide together what individual development measures are needed for their further career.

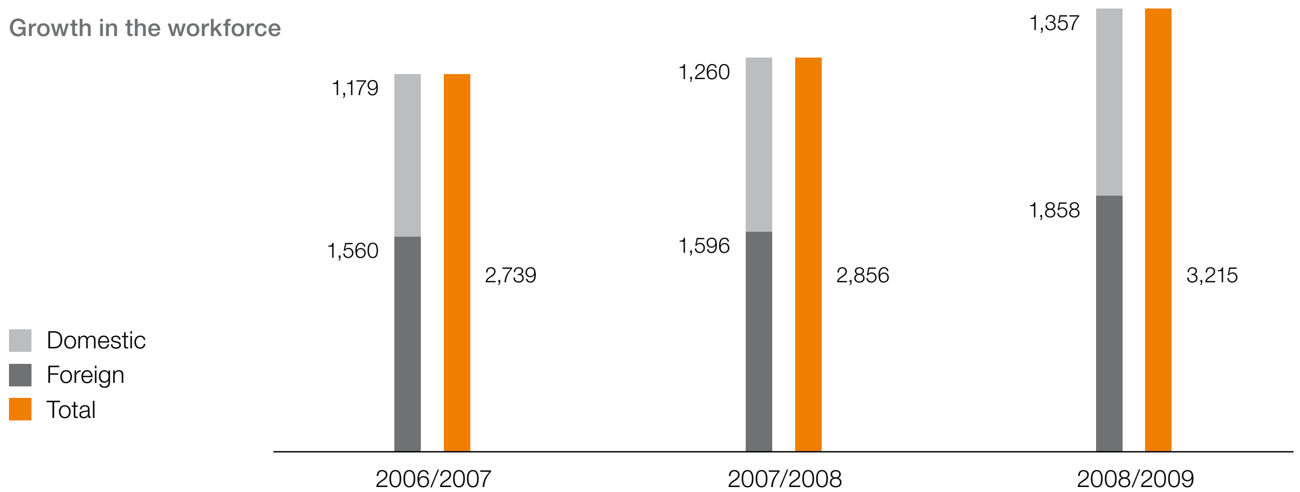
Apart from the key challenge of developing and retaining our junior personnel, management is increasingly addressing the issues of change and leadership. Tailored training measures have been formulated to train and develop flexibility and adaptability. The training and continuing education of employees was intensified in Germany in fiscal 2008/2009. 913 (926) employees took part in a total of 3,106 (2,725) days of training.

Employees in numbers

In the fiscal year 2008/2009, the KWS Group employed 3,215 (2,856) people worldwide, of whom 913 (860) were at KWS SAAT AG. Personnel expenses at the KWS Group rose to € 135.0 (119.0) million; KWS SAAT AG accounted for € 47.3 (43.2) million of this. We are convinced that good training is important for the future of young people. We therefore take our social responsibility seriously and train young people in numbers in excess of what we actually need ourselves. In the fiscal year 2008/2009, 75 (75) apprentices and 15 (12) trainees were employed. The company offers a wide variety of vocations: industrial, marketing communications and IT specialists in the area of business administration, technical assistants and laboratory technicians in the field of agriculture, and in the technical field as industrial mechanics, energy-tech engineers specializing in plant engineering, and electronics engineers for operations technology.

As an international company, we face the great challenge of enabling cooperation among all employees across national borders. That is why we attach great importance to helping our junior staff gain international experience. We give business administration apprentices and trainees the chance to spend several weeks working at subsidiaries abroad.

Growth in the workforce



»Only the ideas we actually live are of any value.«

Hermann Hesse, author

We have a long time horizon for our ideas and everything we do. The development of a variety takes 10 years or more. In the final analysis, our success is measured by the contribution we make to successful and resource-friendly agriculture.

Compensation Report

The Supervisory Board's compensation is set by the Annual Shareholders' Meeting at the proposal of the Executive Board and the 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. 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.

Provided that the Annual Shareholders' Meeting resolves to pay the proposed dividend, total compensation of the members of the Supervisory Board will be € 360 thousand (€ 333 thousand), excluding value-added tax. In all 80 % (79 %) or € 288 thousand (€ 263 thousand) of the total compensation is performance-related.

Supervisory Board compensation 2008/09 in €	Fixed	Performance-related	Total
Dr. Andreas J. Büchting*	24,000.00	96,000.00	120,000.00
Dr. Arend Oetker**	12,000.00	48,000.00	60,000.00
Hubertus v. Baumbach***	12,000.00	48,000.00	60,000.00
Jürgen Bolduan	8,000.00	32,000.00	40,000.00
Cathrina Claas-Mühlhäuser	8,000.00	32,000.00	40,000.00
Dr. Dietmar Stahl	8,000.00	32,000.00	40,000.00
	72,000.00	**288,000.00**	**360,000.00**

* Chairman; ** Deputy Chairman; *** Chairman of the Audit Committee

At the start of fiscal 2009/2010, the Supervisory Board and the Executive Board began deliberations on adjusting the basis for calculating the Supervisory Board's compensation in line with the recommendations of the German Corporate Governance Code. A proposal in this matter will be submitted to the Annual Shareholders' Meeting on December 17, 2009.

The German 'Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG)', a law that specifies guidelines for reasonable remuneration of board members of stock corporations, came into effect on August 5, 2009. The Supervisory Board is already deliberating on necessary adjustments to its remuneration structure. In particular, the basis for calculating variable compensation is to extend over several years and a stock-based program is to produce a long-term incentive. As a result, the remuneration structure will be geared more strongly toward the company's long-term development.

The Executive Board's current compensation 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 made up of a fixed and a performance-related component. There are no stock-based components at present.

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 a 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 € 33 thousand (€ 37 thousand) and are offset against the performance-related payment. There is an absolute upper limit for overall compensation.

Executive Board compensation 2008/09 in €	Fixed	Benefits in kind	Performance-related	Total
Philip von dem Bussche*	225,000.00	17,839.90	552,160.10	795,000.00
Dr. Christoph Amberger	173,235.56	20,078.22	556,686.22	750,000.00
Dr. Léon Broers	165,000.00	17,118.14	309,845.39	491,963.53
Dr. Hagen Duenbostel	180,000.00	18,747.34	551,252.66	750,000.00
	743,235.56	**73,783.60**	**1,969,944.37**	**2,786,963.53**

* (CEO)

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 2008/2009, € 121 thousand (€ 117 thousand) was allocated to the pension provisions in accordance with IAS 19 for pension obligations to members of the Executive Board. Pension provisions of € 1,139 thousand (€ 1,018 thousand) were formed for the following members of the Executive Board of KWS SAAT AG:

Compensation of former members of the Executive Board and their surviving dependents amounted to € 1,029 thousand (€ 883 thousand). Pension provisions recognized for this group of persons amounted to € 2,414 thousand (€ 2,745 thousand) as of June 30, 2009. There are also benefit obligations backed by a guarantee totaling € 7,728 thousand (€ 7,416 thousand).

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

Pension commitments in €	07/01/2008	Personnel expenses	Interest expenses	06/30/2009
Dr. Christoph Amberger	760,429.00	43,293.00	47,968.00	851,690.00
Dr. Hagen Duenbostel	258,049.00	18,175.00	11,194.00	287,418.00
	1,018,478.00	**61,468.00**	**59,162.00**	**1,139,108.00**

Disclosures in accordance with Section 315 (4) HGB (German Commercial Code)

The Executive Board provides the following explanations of the information in accordance with 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, Hanover
Büchting Beteiligungsgesellschaft mbH, Hanover
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 Holding KG, Goslar
Tessner Beteiligungs GmbH, 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 8, 2009

KWS SAAT AG
THE EXECUTIVE BOARD

Annual Financial Statements of the KWS Group 2008/2009

Balance sheet

at June 30, 2009; figures in € thousands, unless otherwise specified

ASSETS	Note No.	06/30/2009	Previous year
Intangible assets	(2)	47,881	34,471
Property, plant and equipment	(3)	180,731	157,086
Other financial assets	(4)	3,248	5,531
Noncurrent tax assets	(5)	6,365	7,182
Deferred tax assets	(6)	16,922	16,858
Noncurrent tax assets		**255,147**	**221,128**
Inventories and biological assets	(7)	121,533	85,829
Trade receivables	(8)	216,868	224,163
Securities	(9)	14,116	17,958
Cash and cash equivalents	(10)	111,515	94,973
Current tax assets		15,493	7,113
Other current assets	(8)	21,280	19,934
Current assets		**500,805**	**449,970**
Total assets		**755,952**	**671,098**

EQUITY AND LIABILITIES			
Subscribed capital		19,800	19,800
Capital reserve		5,530	5,530
Retained earnings		391,838	351,777
Minority interest		17,318	20,911
Equity	**(11)**	**434,486**	**398,018**
Long-term provisions		62,037	60,872
Long-term borrowings		1,926	2,629
Trade payables		6,429	1,983
Deferred tax liabilities		18,075	13,815
Other long-term liabilities		10,274	11,259
Noncurrent liabilities	**(12)**	**98,741**	**90,558**
Short-term provisions		112,696	88,238
Short-term borrowings		6,691	3,842
Trade payables		55,152	36,863
Current tax payables		18,251	22,639
Other liabilities		29,935	30,940
Current liabilities	**(13)**	**222,725**	**182,522**
Liabilities		**321,466**	**273,080**
Total equity and liabilities		**755,952**	**671,098**

Income statement

for the period July 1, 2008 through June 30, 2009; figures in € thousands, unless otherwise specified

	Note No.	2008/09	Previous year
Net sales	(18)	717,165	599,089
Cost of sales		381,052	305,423
Gross profit on sales		**336,113**	**293,666**
Selling expenses		114,961	106,096
Research and development expenses		89,456	80,576
General and administrative expenses		46,291	42,257
Other operating income	(19)	31,920	24,267
Other operating expenses	(20)	39,446	18,890
Operating income		**77,879**	**70,114**
Interest and other income		3,665	3,765
Interest and other expenses		6,570	5,139
Share of profit from affiliated companies		0	5,779
Other income from equity investments		183	848
Net financial income/expenses	**(21)**	**–2,722**	**5,253**
Result of ordinary activities		**75,157**	**75,367**
Income taxes	(22)	25,055	20,816
Net income for the year	**(24)**	**50,102**	**54,551**
Share of minority interest		4,007	3,494
Net income after minority interest		**46,095**	**51,057**
Earnings per share (in €)		**6.98**	**7.74**

Statement of changes in fixed assets 2008/2009 and 2007/2008

Figures in € thousands, unless otherwise specified

	Gross values: Balance 07/01/2008	Currency translation	Changes in the consol. group	Additions	Disposals	Transfers	Balance 06/30/2009	Amortization/depreciation: Balance 07/01/2008	Currency translation	Additions	Disposals	Transfers	Balance 06/30/2009	Net book values: Balance 06/30/2009	Previous year
Patents, industrial property rights and software	21,634	120	0	15,954	92	5	37,621	10,679	45	2,985	43	0	13,666	23,955	10,955
Goodwill	24,183	928	0	3,187	0	0	28,298	667	−3	3,708	0	0	4,372	23,926	23,516
Intangible assets	**45,817**	**1,048**	**0**	**19,141**	**92**	**5**	**65,919**	**11,346**	**42**	**6,693**	**43**	**0**	**18,038**	**47,881**	**34,471**
Land and buildings	152,231	531	0	6,435	805	5,611	164,003	49,409	394	4,221	682	14	53,356	110,647	102,822
Technical equipment and machinery	120,771	−596	0	11,574	4,368	2,597	129,978	87,322	−283	7,304	4,290	−13	90,040	39,938	33,449
Operating and office equipment	53,377	226	0	5,260	2,042	612	57,433	38,533	185	5,090	1,779	−1	42,028	15,405	14,844
Payments on account	5,971	−350	0	18,570	625	−8,825	14,741	0	0	0	0	0	0	14,741	5,971
Property, plant and equipment	**332,350**	**−189**	**0**	**41,839**	**7,840**	**−5**	**366,155**	**175,264**	**296**	**16,615**	**6,751**	**0**	**185,424**	**180,731**	**157,086**
Financial assets	**6,006**	**−4**	**−9**	**166**	**4,395**	**1,654**	**3,418**	**475**	**0**	**0**	**305**	**0**	**170**	**3,248**	**5,531**
Assets	**384,173**	**855**	**−9**	**61,146**	**12,327**	**1,654**	**435,492**	**187,085**	**338**	**23,308**	**7,099**	**0**	**203,632**	**231,860**	**197,088**

	Gross values: Balance 07/01/2007	Currency translation	Changes in the consol. group	Additions	Disposals	Transfers	Balance 06/30/2008	Amortization/depreciation: Balance 07/01/2007	Currency translation	Additions	Disposals	Transfers	Balance 06/30/2008	Net book values: 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	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	667	23,516	24,915
Intangible assets	**46,239**	**−1,687**	**0**	**2,476**	**1,213**	**2**	**45,817**	**10,804**	**−121**	**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	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	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	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	5,971	4,279
Property, plant and equipment	**323,391**	**−8,206**	**0**	**27,905**	**10,738**	**−2**	**332,350**	**175,477**	**−4,859**	**14,814**	**10,166**	**−2**	**175,264**	**157,086**	**147,914**
Financial assets	**6,181**	**31**	**−42**	**6**	**170**	**0**	**6,006**	**170**	**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**	**16,992**	**11,378**	**0**	**187,085**	**197,088**	**189,360**

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	Group equity
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**
Dividends paid			–11,220				–11,220	–594			–594	–11,814
Changes in the consolidated group							0	51			51	51
Other changes			2,384				2,384	–6,384			–6,384	–4,000
Consolidated net income			46,095				46,095	4,007			4,007	50,102
Other recognized gains (losses)				2,820	–18		2,802		–673		–673	2,129
Total consolidated gains (losses)			46,095	2,820	–18	0	48,897	4,007	–673	0	3,334	52,231
Balance as at June 30, 2009	**19,800**	**5,530**	**407,938**	**–16,739**	**45**	**594**	**417,168**	**17,803**	**–481**	**–4**	**17,318**	**434,486**

Cash flow statement

Figures in € thousands, unless otherwise specified

	Note	2008/09	Previous year
Net income		50,102	54,551
Depreciation/reversal of impairment losses (–) on property, plant, and equipment		23,308	16,992
Increase/decrease (–) in long-term provisions		–479	1,565
Other noncash expenses/income (–)		1,627	–8,830
Cash earnings		**74,558**	**64,278**
Increase/decrease (–) in short-term provisions		23,878	20,089
Net gain (–)/loss from the disposal of assets		–387	–6,051
Increase (–)/decrease in inventories, trade receivables, and other assets not attributable to investing or financing activities		–44,201	–27,090
Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities		28,110	23,354
Net cash from operating activities	**(A)**	**81,958**	**74,580**
Proceeds from disposals of property, plant, and equipment		1,477	848
Payments (–) for capital expenditure on property, plant, and equipment		–41,720	–26,668
Proceeds from the disposal of intangible assets		49	1
Payments (–) for capital expenditure on intangible assets		–19,141	–2,476
Proceeds from disposal of financial assets		89	170
Payments (–) for financial assets		–166	–6
Proceeds from the sale of consolidated companies and other business units		0	12,025
Payments (–) for the acquisition of consolidated companies and other business units		0	–1,969
Net cash from investing activities	**(B)**	**–59,412**	**–18,075**
Equity capital increase with no effect on profits		51	0
Dividend payments (–) to shareholders parent and minority		–11,814	–9,666
Cash proceeds from issuance of bonds and from short- or long-term borrowings		2,146	0
Payments (–) to redeem borrowings		0	–1,927
Net cash from financing activities	**(C)**	**–9,617**	**–11,593**
Net cash changes in cash and cash equivalents		**12,929**	**44,912**
– Effect of exchange rate changes on assets		0	0
– Effect of exchange rate changes on equity		0	0
– Others		–229	–36
Changes in cash and cash equivalents due to exchange rate, consolidated group, and measurement changes		**–229**	**–36**
Cash and cash equivalents at beginning of year		112,931	68,055
Cash and cash equivalents at end of year	**(D)**	**125,631**	**112,931**

Notes to the cash flow statement for the KWS Group

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 € 74,558 thousand, € 10,280 thousand higher than the previous year. The proportion of cash earnings included in sales was 10.4 % (10.7 %). Higher inventories, lower receivables and an increase in current provisions and liabilities resulted in cash proceeds of € 7,400 thousand (€ 10,302 thousand).
The cash proceeds from operating activities also include interest income of € 3,861 thousand (€ 3,342 thousand) and dividend income of € 90 thousand (€ 1,153 thousand) as well as interest expense of € 2,453 thousand (€ 1,607 thousand). € 501 thousand (€ 0 thousand) was paid out for the external financing of pension commitments. Income tax payments amounted to € 27,384 thousand (€ 21,324 thousand).

(B) Cash flows from investing activities

A net total of € 59,412 thousand (€ 18,075 thousand) was required to finance investing activities. An amount of € 60,861 thousand (€ 29,144 thousand) was paid for intangible and tangible assets and an amount of € 166 thousand (€ 6 thousand) for financial assets. There were total cash receipts of € 1,615 thousand (€ 1,019 thousand) for disposals of assets.

(C) Cash flows from financing activities

Financing activities resulted in cash outflows of € 9,617 thousand (€ 11,593 thousand). The dividend payments to shareholders parent and minority related to the dividends of € 11,220 thousand (€ 9,240 thousand) paid to the shareholders of KWS SAAT AG, as well as profit distributions paid to other shareholders at fully consolidated subsidiaries of € 594 thousand (€ 426 thousand). In addition, borrowings of € 2,146 thousand (€ –1,927 thousand) were raised.

(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 € 21,747 thousand (€ 9,217 thousand) from partially consolidated companies.

Information on acquisitions and disposals of subsidiaries and other business units

	2008/09	Previous year
Total amount of all purchase prices	0	0
Total amount of sales prices	0	12,025
Total amount of cash components of purchase prices	0	0
Total amount of cash components of sales prices	0	12,025
Total amount of all cash and cash equivalents acquired with the companies	0	0
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

	2008/09		Previous year	
	acquired	sold	acquired	sold
Assets	0	0	0	7,393
Current assets, incl. prepaid expenses (excluding cash and cash equivalents)	0	0	0	3,072
Provisions	0	0	0	1,208
Liabilities, incl. deferred income	0	0	0	3,009

Segment reporting for the KWS Group

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

In accordance with its internal reporting system, the KWS Group is primarily organized according to 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, in keeping with 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 seven 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 largely 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 – as in the previous year – by five other German and foreign subsidiaries and affiliated companies.

Potato activities are pooled in our joint venture VAN RIJN – KWS B.V. with its four foreign subsidiaries.

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

The **other services** performed for the KWS product segments essentially include all the management services of KWS SAAT AG, such as holding company and administrative functions, including strategic development projects, which are not directly charged to the product segments or indirectly allocated to them by means of an appropriate 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 84.9% (93.4%) of its sales from the other segments. The sales figure of this segment represents 3.3% (1.3%) of the Group's external sales. The corn segment is the largest contributor of external sales, accounting for 53.1% (54.9%) of external sales, followed by sugarbeet with 31.8% (32.5%) and cereals with 11.8% (11.3%).

	Segment sales		Internal sales		External sales	
	2008/09	Previous year	2008/09	Previous year	2008/09	Previous year
Sugarbeet	228,074	194,796	50	27	228,024	194,769
Corn	382,546	329,131	1,074	212	381,472	328,919
Cereals	86,684	69,401	2,380	2,018	84,304	67,383
Breeding & Services	154,231	121,755	130,866	113,737	23,365	8,018
KWS Group	**851,535**	**715,083**	**134,370**	**115,994**	**717,165**	**599,089**

External sales by region

	2008/09	Previous year
Germany	184,179	151,106
Europe (excluding Germany)	284,660	263,298
Americas	220,533	160,342
Rest of world	27,793	24,343
KWS Group	**717,165**	**599,089**

65.4% (69.1%) of total sales are recorded in Europe (including Germany).

	Segment earnings		Depreciation and amortization		Other noncash items	
	2008/09	Previous year	2008/09	Previous year	2008/09	Previous year
Sugarbeet	23,223	28,081	3,735	3,770	25,239	18,119
Corn	25,150	23,230	3,406	2,575	27,900	14,166
Cereals	12,032	8,968	3,886	1,529	2,427	285
Breeding & Services	17,474	9,835	12,281	8,813	1,772	3,864
Total segments	**77,879**	**70,114**	**23,308**	**16,687**	**57,338**	**36,434**
Others	0	0	0	0	0	0
KWS Group	**77,879**	**70,114**	**23,308**	**16,687**	**57,338**	**36,434**

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

Depreciation and amortization charges of € 23,308 thousand (€ 16,687 thousand) allocated to the segments relate exclusively to intangible assets and property, plant, and equipment. Goodwill of € 2,009 thousand (€ 0 thousand) in the cereals segment and of € 1,697 thousand (€ 0 thousand) at the breeding & services segment had to be amortized.

	Assets		Liabilities	
	2008/09	Previous year	2008/09	Previous year
Sugarbeet	138,329	135,817	53,543	30,553
Corn	254,882	217,339	144,960	119,688
Cereals	35,115	33,376	8,791	8,638
Breeding & Services	179,693	150,568	67,643	63,957
Total segments	**608,019**	**537,100**	**274,937**	**222,836**
Others	147,933	133,998	46,529	50,244
KWS Group	**755,952**	**671,098**	**321,466**	**273,080**

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

The operating assets of the segments are composed of intangible assets, property, plant, and equipment, inventories and all receivables, other assets, and prepaid expenses that can be charged directly to the segments or indirectly allocated to them by means of an appropriate 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 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 € 27,043 thousand (€ 13,865 thousand), and the corn segment, where it amounted to € 17,357 thousand (€ 8,293 thousand). 60 % (32 %) of capital expenditure was made in Europe (excluding Germany) and 24 % (46 %) in Germany, mainly in Einbeck.

Investments in long-term assets by segment

	2008/09	Previous year
Sugarbeet	7,702	4,275
Corn	17,357	8,293
Cereals	8,878	3,948
Breeding & Services	27,043	13,865
KWS Group	**60,980**	**30,381**

Investments in long-term assets by region

	2008/09	Previous year
Germany	14,326	13,885
Europe (excluding Germany)	36,710	9,579
North and South America	6,865	5,845
Rest of world	3,079	1,072
KWS Group	**60,980**	**30,381**

Operating assets by region

	2008/09	Previous year
Germany	229,931	201,714
Europe (excluding Germany)	195,456	185,261
North and South America	169,827	141,148
Rest of world	12,805	8,977
KWS Group	**608,019**	**537,100**

Notes for the KWS Group 2008/2009

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, 7, 16, 17, 19, 20, 23, 27, 28, 29, 31, 32, 36, 38, 39, 40, 41, IFRS 1, 2, 3, 5, 7, 8 and IFRIC 12-18. 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. 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 intragroup 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 are reported separately for reasons of transparency. Research grants are not deducted from the costs to which they relate, but reported gross under other operating income.

Accounting policies

Consistency of accounting policies

The accounting policies are 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 twenty 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. Straight-line amortization of these separated intangible assets is applied over their individual useful life.

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

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 are carried at market values in accordance with IAS 39 and may have a positive or negative value. This relates essentially to common deriva-tive 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. Derivative financial instruments with a positive market value are also categorized as held for trading, unless they are designated hedging instruments in accordance with IAS 39. They are measured at fair value. Changes in value are recognized in income. Securities are derecognized after being sold on the settlement date.
- **Available-for-sale financial assets**
  This category covers all financial assets that have not been assigned to one of the above categories. In principle, securities are classed as available for sale, unless a different classification is required due to the fact that they have an explicit purpose. Equity instruments, such as shares in (unconsolidated) affiliated companies 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. Derivatives 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.

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 will they be recognized as income and distributed over the remaining working lives and included in the provision.

Other provisions

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

Contingent liabilities

The contingent liabilities correspond to the obligation for loan amounts drawn down by third parties as of the balance sheet date.

Consolidated group and changes in the consolidated group

Number of companies including KWS SAAT AG

	06/30/2009 Domestic	06/30/2009 Foreign	06/30/2009 Total	Previous year Domestic	Previous year Foreign	Previous year Total
Consolidated	11	31	**42**	11	31	**42**
Consolidated at quota	0	12	**12**	0	7	**7**
Total	11	43	**54**	11	38	**49**

The companies are listed under item number (31).

Changes in the companies consolidated at quota relate to the 50:50 joint venture VAN RIJN – KWS B.V. Poeldijk/Netherlands and its subsidiaries

- VAN RIJN UK Ltd., Donington/UK (85 %)
- DYNAGRI S.A.R.L., Casablanca/Morocco (75 %)
- VAN RIJN France S.A.R.L., Bazemont/France (70 %)
- VAN RIJN Balcan S.R.L., Vulcan/Romania (67 %)

The four companies of our French joint venture SOCIETE DE MARTINVAL S.A., which are consolidated at quota, were reported as a single company in the previous year's financial statements.

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

Proportionately consolidated companies	2008/09	Previous year
Noncurrent assets	47,458	25,621
Current assets	104,756	78,696
Total assets	**152,214**	**104,317**
Equity	81,313	49,332
Noncurrent liabilities	4,166	752
Current liabilities	66,735	54,233
Total equity and liabilities	**152,214**	**104,317**
Net sales	**164,519**	**126,775**
Net profit for the year	**13,799**	**7,966**

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 2008/09. Capital expenditure on assets was € 61,146 thousand (€ 30,387 thousand). The Management Report describes the significant additions to assets. Depreciation and amortization amounted to € 23,308 thousand (€ 16,992 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 € 1,439 thousand (€ 2,476 thousand) relate primarily to the acquisition of software licenses and – to an amount of € 17,702 thousand – to our investment in the joint venture VAN RIJN – KWS B.V., as part of which protected potato varieties and a customer base were obtained in particular. Amortization of intangible assets amounted to € 6,693 thousand (€ 1,873 thousand); this charge is included in the relevant functional costs and the other operating expenses, depending on the operational use of the intangible assets.

The goodwill recognized as an asset relates mainly to the company AGRELIANT GENETICS LLC. – amounting to € 16,532 thousand (€ 15,595 thousand) – in the corn segment, the company KWS UK LTD. – amounting to € 1,693 thousand (€ 1,693 thousand) – in the cereals segment and the new joint venture VAN RIJN – KWS B.V. – amounting to € 3,187 thousand (€ 0 thousand) – in the services & breeding 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 7.6 % (8.0 %) 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. Amortization totaling € 3,706 thousand (€ 0 thousand) has to be carried in the other operating expenses since the earnings prospects of our 49 %-owned joint ventures SOCIETÉ DE MARTINVAL S.A. diminished as a result of the difficult climate in the cereals market in France.

(3) Property, plant, and equipment

Capital expenditure amounted to € 41,839 thousand (€ 27,905 thousand) and depreciation amounted to € 16,615 thousand (€ 14,814 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 € 982 thousand (€ 988 thousand), are reported in this account since a market value cannot be reliably determined. The mutual investment in our French partner RAGT SEMENCES S.A. of € 4,000 thousand was taken back to equity in the year under review with the exercise of existing put and call options. Listed shares are carried at market value of € 86 thousand (€ 68 thousand). This account also includes interest-bearing homebuilding loans to employees and other interest-bearing loans totaling € 526 thousand (€ 475 thousand). In addition, the balance of € 1,654 thousand after netting off benefit obligations and planned assets is carried. Amortization of financial assets amounted to € 0 thousand (€ 305 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 has been paid in 10 equal annual amounts since September 30, 2008.

(6) Deferred tax assets

Under IAS 12, deferred tax assets are calculated as the difference between the IFRS balance sheet amount and the tax base. They are reported on a gross basis and total € 16,922 thousand (€ 16,858 thousand), of which € 1,734 thousand (€ 2,290 thousand) will be carried forward for the future use of tax losses.

(7) Inventories and biological assets

Inventories increased by € 35,704 thousand, or 41.6 %, net of writedowns totaling € 44,095 thousand (€ 30,262 thousand). Immature biological assets relate to living plants in the process of growing (before harvest). The field inventories of the previous year were harvested in full and the fields were newly tilled in the year under review. Public subsidies of € 1,533 thousand (€ 1,363 thousand), for which all the requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,082 (4,289) ha and were recognized in income. Future subsidies depend on the further development of European agricultural policy.

	06/30/2009	Previous year
Raw materials and consumables	26,713	15,290
Work in process	30,469	26,518
Immature biological assets	6,337	7,348
Finished goods	58,014	36,673
	121,533	**85,829**

(8) Current receivables

	06/30/2009	Previous year
Trade receivables	216,868	224,163
Current tax assets	15,493	7,113
Other current assets	21,280	19,934
	253,641	**251,210**

Trade receivables amounted to € 216,868 thousand, a decrease of 3.3 % from the figure of € 224,163 thousand for the previous year; this amount includes € 948 thousand (€ 309 thousand) receivables from related parties. The item "Other current assets" includes prepaid expenses totaling € 3,941 thousand (€ 3,779) thousand in addition to other receivables of € 17,312 thousand (€ 16,135 thousand).

06/30/2009	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 ≤60 days	61–120 days	121–180 days	>180 days	Of which: written down and not overdue on the balance sheet date
Trade receivables	216,868	176,946	23,085	4,995	1,032	2,882	3,004
Other receivables	17,313	15,288	1,287	272	0	12	343
	234,181	**192,234**	**24,372**	**5,267**	**1,032**	**2,894**	**3,347**
06/30/2008							
Trade receivables	224,163	181,535	16,141	6,986	1,390	0	10,885
Other receivables	16,135	16,131	0	0	0	4	0
	240,298	**197,666**	**16,141**	**6,986**	**1,390**	**4**	**10,885**

The already overdue trade receivables that have not been written down fully amount to € 4,924 thousand (€ 7,226 thousand). There are insignificant trade receivables for which contractual conditions were changed in the year under review and that otherwise would have been written down or overdue.

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

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

Allowances for receivables

	07/01	Addition	Disposal	Reversal	06/30
2008/09	14,358	8,868	538	1,376	21,312
2007/08	19,707	2,499	3,923	3,925	14,358

Current financing receivables include an amount of € 1 thousand (€ 68 thousand) receivable from related parties.

Current receivables include an amount of € 1,128 thousand (€ 124 thousand) due after more than one year.

(9) Securities
Securities amounting to € 14,116 thousand (€ 17,958 thousand) relate primarily to short-term liabilities securities and fund shares.

(10) Cash
Cash of € 111,515 thousand (€ 94,973 thousand) consists of balances with banks and cash on hand. The cash flow statement explains the change in this item compared with the previous year, together with the change in securities.

(11) Equity
The fully paid-up subscribed capital of KWS SAAT AG is still € 19,800,000.00. The no-par bearer shares are certificated by a global certificate for 6,600,000 shares. The company does not hold any shares on its own. Equity (including minority interest) increased by € 36,468 thousand, from € 398,018 thousand to € 434,486 thousand. For details, see the statement of changes in equity.

(12) Noncurrent liabilities
The trade payables are due for payment in between 1 and 5 years and the due dates for the other long-term liabilities extend through 2017.

	06/30/2009	Previous year
Long-term provisions	62,037	60,872
Long-term financial borrowings	1,926	2,629
Trade payables	6,429	1,983
Deferred tax liabilities	18,075	13,815
Other long-term liabilities	10,274	11,259
	98,741	**90,558**

Long-term provisions	07/01/2008	Changes in the consol. group, currency	Addition	Consumption	Reversal	06/30/2009
Pension provisions	56,280	1,577	4,329	5,228	22	56,936
Other provisions	4,592	117	638	221	25	5,101
	60,872	**1,694**	**4,967**	**5,449**	**47**	**62,037**

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 % (2.80 %) annually and pensions by 2.00 % (2.00 %) annually.

The discount rate was 5.80 %, compared with 6.40 % 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 € 7,728 thousand (€ 7,416 thousand) correspond to the present value of the obligation. Pension funds were invested in to cover foreign pension commitments.

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

	2008/09	Previous year
Accrued benefit entitlements at beginning of fiscal year	68,372	73,207
Cost of additional benefit entitlements	997	1,744
Interest expenses on benefit entitlements acquired in previous years	3,315	3,213
Changes in consolidated group and currency	93	126
Changes in actuarial gains/losses	3,725	–5,711
Pension payments	5,402	4,207
Accrued benefit entitlements at end of fiscal year	71,100	68,372
Present value of planned assets	12,948	13,577
Planned assets carried as assets	1,654	0
Actuarial gains/losses not included	–2,870	1,485
Pension provisions at end of fiscal year	**56,936**	**56,280**

The planned assets changed as follows during the fiscal year:

	2008/09	Previous year
Present value of planned assets at the start of the fiscal year	13,577	14,086
Expected gains from planned assets	890	866
Changes in actuarial gains/losses	–1,136	–770
Employer's contribution to external social security bodies	1,168	0
Payments from external social security bodies	753	605
Currency difference from foreign planned assets	–798	0
Present value of planned assets at the end of the fiscal year	**12,948**	**13,577**

The pension obligations and planned assets have changed over time as follows:

	2008/09	2007/08	2006/07
Accrued benefit entitlements on 6/30	71,100	68,372	61,718
Planned assets on 6/30	12,948	13,577	8,174
Shortage (+) / surplus (-)	**58,152**	**54,795**	**53,544**
Historical gains (+) / losses (-) from pension commitments	201	1,042	682
Historical gains (+) / losses (-) from planned assets	–1,551	–1,028	0

The table below shows of breakdown of the pension costs for the defined benefit obligations:

	2008/09	Previous year
Costs for additional benefit entitlements	997	1,744
Interest expense	4,240	4,052
Anticipated income from the planned assets	–924	–839
Pension costs	4,313	4,957

On July 1, 2008, a company agreement relating to reorganization of the company retirement pension program for KWS SAAT AG and German subsidiaries was concluded. As part of this, subsequent benefits will be provided by a provident fund backed by a guarantee and based on a defined contribution plan. The costs for contribution to this pension scheme were € 501 thousand (€ 0 thousand).

The return and income from the planned assets depend on the reinsurance policy, which yields guaranteed interest of 2.25 %. For the next year, income totaling € 550 thousand is expected.

In addition, the benefit obligation from salary conversion was backed by a guarantee that exactly matches the present value of the obligation of € 3,976 thousand (€ 3,744 thousand) (defined contribution plan).

The long-term financial borrowings include loans from banks amounting to € 1,926 thousand (€ 2,629 thousand). They have remaining maturities through 2017.

Under IAS 12, deferred tax liabilities are calculated as the difference between the IFRS balance sheet amount and the tax base. They are reported on a gross basis and total € 18,075 thousand (€ 13,815 thousand).

(13) Current liabilities

	06/30/2009	Previous year
Short-term provisions	**112,696**	**88,238**
Current liabilities to banks	6,367	2,784
Current liabilities to affiliates	255	65
Other current financial liabilities	69	993
Short-term borrowings	**6,691**	**3,842**
Trade payables to affiliates	67	0
Other trade payables	55,085	36,863
Trade payables	**55,152**	**36,863**
Tax liabilities	**18,251**	**22,639**
Other liabilities	**29,935**	**30,940**
	222,725	**182,522**

Short-term liabilities increased by a total of € 40,203 thousand to € 222,725 thousand and are due in less than one year.

Short-term provisions	07/01/2008	Changes in the consol. group, currency	Addition	Consumption	Reversal	06/30/2009
Obligations from sales transaction	68,672	6,390	89,228	71,646	4,119	88,525
Obligations from purchase transaction	5,619	0	1,425	2,236	2,478	2,330
Other obligations	13,947	0	17,517	9,289	334	21,841
	88,238	**6,390**	**108,170**	**83,171**	**6,931**	**112,696**

The tax liabilities of € 18,251 thousand (€ 22,639 thousand) include amounts for the year under review and the period not yet concluded by the external tax audit.

(14) Derivative instruments

	Nominal volume	Carrying amounts	Market values
	06/30/2009		
Currency hedges	28,735	393	393
Interest-rate hedges	39,000	–230	–230
Commodity hedges	4,558	0	0

Of the currency hedges, € 596 thousand have remaining maturities of more than one year. Of the interest-rate derivatives, hedges with a nominal volume of € 9,000 thousand will mature within one to five years. Transactions with a volume of € 20,000 thousand have remaining maturities of more than 5 years. The commodity hedges have remaining maturities of less than one year.

(15) Financial instruments

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

	2008/09	Previous year
Available-for-sale financial assets	183	6,626
Financial assets at fair value	246	29
Loans and receivables	–3,795	5,783
Financial liabilities measured at amortized cost	–2,546	–1,707
Financial liabilities at fair value	2,823	–3,575

The net income from financial assets includes income and expenses from financial assets and also the income from disposal of the associated companies in the previous year. The net gain/loss from loans and receivables primarily 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 largely consist of interest expense.

Interest income from financial assets that are not measured at fair value and recognized in the income statement was € 3,742 thousand (€ 3,424 thousand). Interest expenses for financial borrowings were € 2,545 thousand (€ 1,759 thousand).

In order to assess the risk of exchange rate changes, the sensitivity of a currency to fluctuations was determined. After the euro, the US dollar is the most important currency in the KWS Group. All other currencies are of minor importance. The average exchange rate in the fiscal year was 1.37 USD/€.

If the US dollar depreciated by 10 %, net sales would decline by around 3 % and operating income likewise by around 4 %. If the US dollar appreciated by 10 %, net sales would rise by 3 % and income by 4 %. Equity would change by up to € 2.0 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 3.3 %. An increase of 1 percentage point in the rate of interest would add a further € 0.4 million to the interest result; a reduction of 1 percentage point would reduce it by € 0.4 million. Equity would change by up to € 0.3 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 4 %; a decrease would reduce it by around 4 %. Equity would change by around € 11 million in the event of such a change in commodity prices.

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

	Financial instruments				
06/30/2009 Financial assets	**Fair values**	**Carrying amounts**			
		Loans and receivables	Financial assets at fair value	Available-for-sale financial assets	Total carrying amount
Financial assets	3,248	0	0	3,248	3,248
Trade receivables	216,868	216,868	0	0	216,868
Securities	14,116	14,116	0	0	14,116
Cash and cash equivalents	111,515	111,515	0	0	111,515
Other current assets	21,280	20,551	729	0	21,280
Of which derivative financial instruments	(729)	(0)	(729)	(0)	(729)
Total	**367,027**	**363,050**	**729**	**3,248**	**367,027**

	Financial instruments			
06/30/2009 Financial liabilities	**Fair values**	**Carrying amounts**		
		Financial liabilities measured at amortized cost	Financial liabilities at fair value	Total carrying amount
Long-term borrowings	1,926	1,926	0	1,926
Long-term trade payables	6,429	6,429	0	6,429
Other noncurrent liabilities	10,274	10,274	0	10,274
Short-term borrowings	6,691	6,691	0	6,691
Short-term trade payables	55,152	55,152	0	55,152
Other liabilities	29,935	28,174	1,761	29,935
Of which derivative financial instruments	(1,761)	(0)	(1,761)	(1,761)
Total	**110,407**	**108,646**	**1,761**	**110,407**

Previous year Financial assets	Financial instruments Fair values	Carrying amounts Loans and receivables	Financial assets at fair value	Available-for-sale financial assets	Total carrying amount
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	19,934	19,333	601	0	19,934
Of which derivative financial instruments	(601)	(0)	(601)	(0)	(601)
Total per category	**362,559**	**356,427**	**601**	**5,531**	**362,559**

Previous year Financial liabilities	Financial instruments Fair values	Carrying amounts Financial liabilities measured at amortized cost	Financial liabilities at fair value	Total carrying amount
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	30,940	29,179	1,761	30,940
Of which derivative financial instruments	(1,761)	(0)	(1,761)	(1,761)
Total per category	**87,378**	**85,755**	**1,761**	**87,516**

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

(16) Contingent liabilities

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

(17) Other financial obligations

There was a € 6,120 thousand (€ 3,961 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 € 1,932 thousand (€ 1,769 thousand) was paid in the year under review. The main leasehold obligations relate to land under cultivation.

Obligations under rental agreements and leases	06/30/2009	Previous year
Due next year	6,599	6,065
Due in 2 to 5 years	7,382	8,055
Due after 5 years	1,596	2,266
	15,577	**16,386**

Notes to the income statement

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

Income statement for the period July 1, 2008, through June 30, 2009

	2008/09 € millions	% of sales	Previous year € millions	% of sales
Net sales	717.2	100.0	599.1	100.0
Cost of sales	381.0	53.1	305.4	51.0
Gross profit on sales	**336.2**	**46.9**	**293.7**	**49.0**
Selling expenses	115.0	16.0	106.1	17.7
Research and development expenses	89.5	12.5	80.6	13.5
General and administrative expenses	46.3	6.5	42.3	7.1
Other operating income	31.9	4.5	24.3	4.2
Other operating expenses	39.4	5.5	18.9	3.2
Operating income	**77.9**	**10.9**	**70.1**	**11.7**
Net financial income/expenses	–2.7	–0.4	5.3	0.9
Result of ordinary activities	**75.2**	**10.5**	**75.4**	**12.6**
Income taxes	25.1	3.5	20.8	3.5
Net income for the year	**50.1**	**7.0**	**54.6**	**9.1**
Shares of minority interest	4.0	0.6	3.5	0.6
Net income after minority interest	**46.1**	**6.4**	**51.1**	**8.5**

(18) Net sales

By product category	2008/09	Previous year
Certified seed sales	650,855	545,063
Royalties income	33,988	30,267
Basic seed sales	11,001	6,898
Services fee income	4,085	3,082
Other sales	17,236	13,779
	717,165	**599,089**

By region	2008/09	Previous year
Germany	184,179	151,106
Europe	284,660	263,298
Americas	220,533	160,342
Rest of world	27,793	24,343
	717,165	**599,089**

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 € 75,629 thousand to € 381,052 thousand, or 53.1 % (51.0 %) of sales. The total cost of goods sold was € 198,358 thousand (€ 170,325 thousand).

Allowances on inventories totaling € 13,834 thousand more than the previous year's € –1,929 thousand, were required. They were charged to segment results as follows: charged to sugarbeet € 6,046 thousand (€ –2,821 thousand), to corn € 6,022 thousand (€ 952 thousand), to cereals € 1,664 thousand (€ –148 thousand) and to breeding & services € 102 thousand (€ 88 thousand).

The € 8,865 thousand increase in selling expenses to € 114,961 thousand is mainly due to expanded activities in the North America and Southern/Southeastern Europe regions. This is 16.0 % of sales, down from 17.7 % the year before.

Research and development is recognized as an expense in the year it is incurred; in the year under review, this amounted to € 89,456 thousand (€ 80,576 thousand the year before). Development costs for new varieties are not recognized as an asset because evidence of future economic benefit can only be provided after the variety has been officially certified.

General and administrative expenses increased by € 4,034 thousand to € 46,291 thousand, representing 6.5 % of sales, after 7.1 % the year before.

(19) Other operating income

	2008/09	Previous year
Income from sales of fixed assets	630	401
Income from the reversal of provisions	6,062	3,133
Exchange rate gains and gains from currency and interest rate hedges	7,888	6,240
Income from recoveries on receivables written off	20	23
Income from reversal of allowances of receivables	1,376	3,925
Grants	4,936	1,620
Income relating to previous periods	2,400	658
Income from cost allocations	0	174
Income from loss compensation received	190	88
Miscellaneous other operating income	8,418	8,005
	31,920	**24,267**

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 grants received, resulted in other operating income totaling € 31,920 thousand, compared with € 24,267 thousand the year before.

(20) Other operating expenses

The other operating expenses are indicative of the effects of the financial crisis, in particular the greater risk of counterparty defaults and higher costs of currency and interest rate hedges. Of the additional allowances for receivables, € 5,398 thousand (€ 1,004 thousand) was charged to the corn segment, € 279 thousand (€ 27 thousand) to the cereals segment and € 3,191 thousand (€ 1,468 thousand) to the sugarbeet segment.

	2008/09	Previous year
Legal form expenses	873	843
Allowances on receivables	8,868	2,499
Counterparty default	673	302
Exchange rate losses and losses on currency and interest rate hedges	14,449	10,781
Losses from sales of fixed assets	243	129
Expenses relating to previous periods	668	1,349
Amortization on goodwill	3,706	0
Other expenses	9,966	2,987
	39,446	**18,890**

(21) Net financial income/expenses

	2008/09	Previous year
Interest income	3,565	3,589
Interest expenses	3,026	1,707
Income from securities	0	45
Income from other financial assets	100	131
Interest expenses on donation of pension provisions	3,315	3,213
Interest expense for other long-term provisions	166	167
Interest expense for finance leasing	63	52
Net interest expense	**–2,905**	**–1,374**
Profit from affiliated companies	0	5,779
Net income from subsidiaries and joint ventures	83	1,147
Net income from participations	100	6
Depreciations of subsidiaries	0	305
Net income from equity investments	**183**	**6,627**
Net financial income/expenses	**–2,722**	**5,253**

The **net financial result** fell by a total € 7,975 thousand to € –2,722 thousand. **Net interest expense** was € –2,905 thousand (€ –1,374 thousand), whereas **net income from equity investments**, which contained the profits from disposals of associated companies in the previous year, fell by € 6,444 thousand to € 183 thousand.

(22) Income taxes

Income tax expense is computed as follows:

	2008/09	Previous year
Income taxes, Germany	8,583	10,141
Income taxes, other countries	15,323	14,671
Current expenses from income taxes	**23,909**	**24,812**
Thereof from previous years	(118)	(1,483)
Deferred taxes, Germany	68	465
Deferred taxes, other countries	1,081	–4,461
Deferred tax income/expense	1,149	–3,996
Reported income tax expense	**25,055**	**20,816**

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

The “Law on Tax Measures Accompanying Introduction of the Societas Europaea and Amending Further Tax Regulations” (SEStEG), which was passed at the end of 2006, means that the corporate income tax credit balance at December 31, 2006, can be realized. It will be paid out in ten equal annual amounts from 2008 to 2017. The German Group companies carried these claims as assets at their present value totaling € 7,279 thousand (€ 7,182 thousand) at June 30, 2009. € 901 thousand was recovered in the year under review and recognized directly in equity.

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

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

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

Deferred 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 2008/09	Deferred tax assets Previous year	Deferred tax assets Change	Deferred tax liabilities 2008/09	Deferred tax liabilities Previous year	Deferred tax liabilities Change
Intangible assets	4	8	–4	4,010	425	3,585
Property, plant and equipment	67	68	–1	11,342	11,086	256
Financial assets	6,857	4,151	2,706	0	0	0
Inventories	4,626	4,933	–307	224	498	–274
Current assets	1,751	2,696	–945	1,799	1,355	444
Noncurrent liabilities	407	369	38	567	235	332
Current liabilities	1,082	2,091	–1,009	128	197	–69
Tax loss carryforward	1,734	2,290	–556	0	0	0
Other consolidation transactions	394	252	142	5	19	–14
Deferred taxes recognized	**16,922**	**16,858**	**64**	**18,075**	**13,815**	**4,260**

In the year under review, deferred taxes of € 3,047 thousand (€ 446 thousand), mainly resulting from loss carryforwards and intangible assets, were directly credited to equity, without recognition in profit or loss. Tax loss carryforwards of € 4,509 thousand (€ 4,058 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:

	2008/09	Previous year
Earnings before income taxes	75,157	75,367
Expected income tax expense*	21,871	21,932
Difference in income tax liability outside Germany	1,216	–416
Tax portion for:		
Tax-free income	–16	–1,768
Expenses not deductible for tax purposes	1,913	1,850
Temporary differences and losses for which no deferred taxes have been recognized	131	–1,916
Tax credits	–418	–356
Taxes relating to previous years	118	1,483
Other tax effects	240	7
Reported income tax expense	25,055	20,816
Effective tax rate	33.3 %	27.6 %

*Tax rate in Germany 29.1 (29.1) %

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

(23) Personnel costs/employees

	2008/09	Previous year
Wages and salaries	108,333	93,705
Social security contributions, expenses for pension plans and benefits	26,685	25,298
	135,018	**119,003**

Personnel costs went up by € 16,015 thousand to € 135,018 thousand, an increase of 13.5 %. The number of employees (including trainees and interns) increased by 359 (or + 12.6 %) to 3,215.

Compensation increased by 15.6 % to € 108,333 thousand. Social security contributions, expenses for pension plans and benefits were € 1,387 thousand higher than in the previous year. An amount of € 8,282 thousand (€ 6,074 thousand) was recognized as an expense for defined contribution plans, including state pension insurance, in the year under review.

Employees*	2008/09	Previous year
Germany	1,357	1,260
Rest of Europe (without Germany)	782	670
Americas	1,002	872
Rest of world	74	54
Total	**3,215**	**2,856**

* Annual average

Of the above number, 630 (528) employees are included according to the percentage of equity held in the companies that employ them. 1,262 (1,057) employees are employed by now 12 proportionately consolidated investees. If these persons are included in full, the workforce total is 3,848 (3,385). The reported number of employees is greatly influenced by seasonal labor.

(24) Net income for the year

Net income for the year fell by € 4,449 thousand to € 50,102 thousand, representing a return on sales of 7.0 %, down from 9.1 % in the previous year. The net profit for the period after minority interest is € 46,095 thousand, and € 6.98 (€ 7.74) for each of the 6,600,000 shares on issue. The objective of KWS' capital management activities is to pursue the interests of shareholders, employees and other stakeholders in accordance with the corporate strategy. The dividend distributed is geared to the earnings strength of the KWS Group in order to ensure adequate internal financing of further business expansion in the long term. The equity ratio is currently 57.5 %, following 59.3 % in the previous year.

(25) 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 € 360 thousand (€ 333 thousand), excluding value-added tax. € 288 thousand (€ 263 thousand) of the total compensation is performance-related.

In fiscal year 2008/09, total Executive Board compensation amounted to € 2,787 thousand (€ 3,212 thousand). Variable compensation of € 1,970 thousand (€ 2,261 thousand), calculated on the basis of the net profit for the period of the KWS Group, includes compensation of € 33 thousand (€ 37 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 and their surviving dependents amounted to € 1,029 thousand (€ 883 thousand). Pension provisions recognized for this group of persons amounted to € 2,414 thousand (€ 2,745 thousand) as of June 30, 2009.

(26) Shareholdings of members of the Supervisory Board and Executive Board (as of August 31, 2009)

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 1,750,065 shares in KWS SAAT AG.

In sum, the members of the Executive Board hold 2,000 shares in KWS SAAT AG.

(27) Audit of the annual financial statements

On December 16, 2008, the Annual Shareholders' Meeting of KWS SAAT AG appointed the accounting firm Deloitte & Touche GmbH, Hanover, as the Group's auditors for fiscal year 2008/09.

Fee paid to the external auditors under Section 314 sentence 1 no. 9 of the HGB	2008/09
a) Audit of the consolidated financial statements	583
b) Certification and valuation services	29
c) Tax consulting	18
d) Other services	35
Total fee paid	**665**

For fiscal year 2009/10, fees for consulting services (excluding auditing) of up to € 100 thousand are expected.

(28) 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 it accessible to its shareholders.

(29) Related party disclosures

As part of its operations, KWS procures goods and services worldwide from a large number of business partners, including companies in which KWS has an interest. Business dealings with these companies are always conducted on an arm's length basis; from the KWS Group's perspective, these dealings have not been material. As part of Group financing, short- and medium-term 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.

(30) 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
Membership of other legally mandated Supervisory Boards:
- Conergy AG, Hamburg (until January 31, 2009)

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 (until July 1, 2009)
- Cognos AG, Hamburg (Chairman)

Membership of comparable German and foreign oversight boards:
- Hero AG, Lenzburg (President)
- Bâloise Holding AG, Basle/Switzerland (until May 1, 2009)
- E. Gundlach GmbH & Co. KG, Bielefeld
- Leipziger Messe GmbH, Leipzig
- Berliner Philharmonie GmbH, Berlin (Chairman)

Hubertus von Baumbach
Ingelheim
Businessman

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

Cathrina Claas-Mühlhäuser
Frankfurt/Main
Businesswoman
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)

Dr. Dietmar Stahl
Einbeck
Biochemist
Employee Representative

EXECUTIVE BOARD

Philip von dem Bussche
Einbeck
(CEO)
Corporate Affairs, Sugarbeet, Human Resources
Membership of legally mandated Supervisory Boards:
- Sisi Wasabi AG, Berlin (until July 6, 2009)

Dr. Christoph Amberger
Northeim
Corn, Cereals, Marketing

Dr. Léon Broers (Deputy)*
Einbeck, D / Heythuysen, NL
Research and Breeding, Energy Plants
* Full member of the Executive Board since January 1, 2009

Dr. Hagen Duenbostel
Einbeck
Finance, Controlling, Legal, Information Technology
Membership of legally mandated Supervisory Boards:
- Sievert AG, Osnabrück

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

(31) 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

- 100 % BETASEED INC. [2)] Shakopee, MN/USA
- 100 % KWS FRANCE S. A. R. L. Roye/France
- 100 % DELITZSCH PFLANZENZUCHT GMBH [10)] Einbeck
- 100 % O. O. O. KWS RUS [12)] Moscow/Russia
- 100 % KWS ITALIA S. P. A. Forli/Italy
- 100 % KWS POLSKA SP. Z O. O. Poznan/Poland
- 100 % KWS SCANDINAVIA A/S [10)] Guldborgsund/Denmark
- 100 % KWS SEMILLAS IBERICA S. L. [10)] Zaratán/Spain
- 100 % SEMILLAS KWS CHILE LTDA. Santiago de Chile/Chile
- 100 % KWS SEME YU D. O. O. New Belgrad/Serbia
- 100 % KWS SUISSE SA Basle/Switzerland
- 100 % ACH SEEDS INC. [4)] Eden Prairie, MN/USA
- 100 % BETASEED FRANCE S. A. R. L. [4)] Sarreguemines/France
- 100 % KWS UKRAINE T.O.W. [12)] Kiew/Ukraine
- 100 % KWS TÜRK TARIM TICARET A. S. [10)] Eskisehir/Turkey

Corn

- 100 % KWS MAIS GMBH Einbeck
- 100 % KWS BENELUX B. V. [5)] Amsterdam/Netherlands
- 100 % KWS SEMENA S. R. O. [5)] Zahorska Ves/Slovakia
- 100 % KWS MAIS FRANCE S. A. R. L. [5)] Sarreguemines/France
- 100 % KWS AUSTRIA SAAT GMBH [5)] Vienna/Austria
- 100 % KWS SEMINTE S. R. L. [5)] Bukarest/Romania
- 100 % DUNASEM S. R. L. [13)] Bukarest/Romania
- 100 % KWS SJEME D. O. O. [5)] Pozega/Croatia
- 100 % KWS OSIVA S. R. O. [5)] Velke Mezirici/Czechia
- 100 % KWS SEMENA BULGARIA E. O. O. D. [5)] Sofia/Bulgaria
- 100 % AGROMAIS GMBH [5)] Everswinkel
- 100 % KWS MAGYARORSZÁG KFT. [5)] Györ/Hungary
- 95 % KWS ARGENTINA S. A. [5)] Balcarce/Argentina
- 51 % RAZES HYBRIDES S. A. R. L. [3)] Alzonne/France
- 50 % AGRELIANT GENETICS LLC. [6)]* Westfield, IND/USA
- 50 % AGRELIANT GENETICS INC.* Chatham, Ontario/Canada

Cereals

- 81 % KWS LOCHOW GMBH Bergen
- 100 % KWS UK LTD. [7)] Thriplow/Great Britain
- 100 % KWS LOCHOW POLSKA SP.Z O.O. [7)] Kondratowice/Poland
- 49 % SOCIETE DE MARTINVAL S. A. [8)]* Mons-en-Pévèle/France
- 100 % SA MOMONT HENNETTE [14)] Mons-en-Pévèle/France
- 95 % SARL LABOGERM [14)] Mons-en-Pévèle/France
- 100 % SARL ADRIEN MOMONT [14)] Mons-en-Pévèle/France
- 100 % SCA HAMET [14)] Mons-en-Pévèle/France

Breeding & Services

- 100 % PLANTA ANGEWANDTE PFLANZENGENETIK UND BIOTECHNOLOGIE GMBH** Einbeck
- 100 % KWS INTERSAAT GMBH Einbeck
- 100 % KWS SEEDS INC. [9)] Shakopee, MN/USA
- 100 % GLH SEEDS, INC. [2)] Shakopee, MN/USA
- 100 % KWS SAATFINANZ GMBH Einbeck
- 100 % KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH Northeim-Wiebrechtshausen
- 100 % EURO HYBRID GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH Einbeck
- 100 % O. O. O. KWS R&D RUS [11)] Lipezk/Russia
- 100 % RAGIS KARTOFFELZUCHT- UND HANDELSGESELLSCHAFT MBH Klein Wanzleben
- 50 % VAN RIJN - KWS B.V. * Poeldijk/Netherlands
- 85 % VAN RIJN UK LTD. [15)] Donington/Great Britain
- 70 % VAN RIJN FRANCE S.A.R.L [15)] Bazemont/France
- 67 % VAN RIJN BALCAN S.R.L [15)] Vulcan/Romania
- 75 % DYNAGRI S.A.R.L. [15)] Casablanca/Morocco

* 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
14) Subsidiary of SOCIETE DE MARTINVAL S. A.
15) Subsidiary of VAN RIJN - KWS B.V.

June 30, 2009

(32) Proposal for the appropriation of net retained profits

Product development expenditure increased as planned, with the result that KWS SAAT AG posted operating income of € 11,268 thousand compared with € 24,530 thousand for the previous year, which was, however, bolstered by large non-recurring, tax-free profits from disposals. Allowing for net financial income/expenses of € 3,272 thousand and income taxes totaling € 3,090 thousand, net income was € 11,450 thousand (€ 24,100 thousand). Adding the net profit of € 860 thousand brought forward from the previous year, a net retained profit of € 12,310 thousand is available for distribution.

A proposal will be made to the Annual Shareholders' Meeting that an amount of € 11,880,000.00 of KWS SAAT AG's net retained profit should be distributed as a dividend of € 1.80 (1.70) for each of the 6,600,000 shares.

The balance of € 430,000.00 is to be carried forward to the new account.

Declaration by legal representatives

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

Einbeck, October 8, 2009
KWS SAAT AG
THE EXECUTIVE BOARD

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

Auditors' Report

We have audited the annual financial statements of the KWS Group – consisting of the Balance Sheet, the Income Statement, the Notes, the Cash Flow Statement, Segment reporting and the Statement of Changes in Equity – and the Group Management Report for the fiscal year from July 1, 2008, to June 30, 2009, 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 is to give, on the basis of the audit we have conducted, an opinion on the consolidated financial statements and the Group Management Report.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Certified Public Accountants). According to these standards, the audit must be planned and executed in such a way that misstatements and violations materially affecting the presentation of the view of the assets, financial position and earnings conveyed by the consolidated financial statements, taking into account the applicable regulations on orderly accounting, and by the Group Management Report are detected with reasonable certainty. Knowledge of the business activities and the economic and legal operating environment of the Group and evaluations of possible errors are taken into account. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are evaluated mainly on the basis of test samples within the framework of the audit. The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used and any significant estimates made by the Executive Board, as well as the evaluation of the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion. On the basis of our audit, we have no reservations to note.

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

Hanover, October 9, 2009

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Dr. F. Beine)	(Bukowski)
Auditor	Auditor

Agenda of the Annual Shareholders' Meeting on December 17, 2009

The Company's Executive Board hereby invites you to the

Annual Shareholders' Meeting on Thursday, December 17, 2009, 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, 2008, to June 30, 2009, 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 2009/2010

6. Resolution on adjustment to the compensation for members of the Supervisory Board

7. Resolution on amendments to the Articles of Association

Financial calendar	
November 26, 2009	Report on the 1st quarter of 2009/2010
December 17, 2009	Annual Shareholders' Meeting in Einbeck
February 25, 2010	Report on the 2nd quarter of 2009/2010
May 28, 2010	Report on the 3rd quarter of 2009/2010
October 28, 2010	Annual press conference in Hanover; Analyst conference in Frankfurt
December 16, 2010	Annual Shareholders' Meeting in Einbeck

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, 2009	€ 19,800,000
Share price high June 1, 2008 (Xetra)	€ 147.48
Share price low October 8, 2008 (Xetra)	€ 70.00
Average number of shares traded	
– in Xetra	6,432
– in floor trading in Frankfurt	608

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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