Annual Report 2015|2016

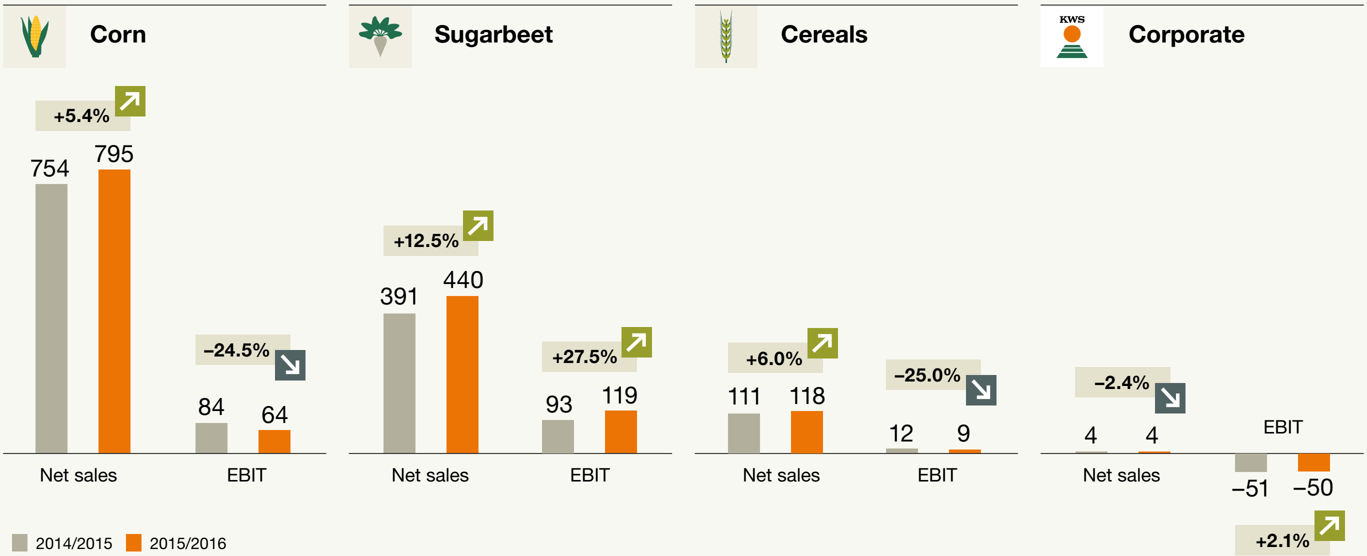
SEEDING
THE FUTURE
SINCE 1856

KWS

KWS in Figures

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

Segments (in € millions)



Reconciliation (in € millions)	Segments	Reconciliation	KWS Group
Net sales	1,356.8	–320.0	1,036.8
EBIT	141.1	–28.3	112.8

1 Short-term + long-term borrowings – cash and cash equivalents – securities
2 Total capital employed at the end of the quarters (intangible assets + property, plant and equipment + inventories + trade receivables – trade payables) / 4
3 EBIT / capital employed (avg.)
4 Average number of employees in the year under review

Contents

Hagen Duenbostel (CEO) Corn, Corporate Development & Communications, Compliance
Peter Hofmann Sugarbeet, Cereals, Marketing
Eva Kienle Finance, Controlling, Global Services, IT, Legal, Human Resources
Léon Broers Research & Breeding

To our Shareholders

Foreword of the Executive Board

Dear Shareholders and friends of KWS,

Seed is a matter of trust, and we continue to strengthen our customers' trust in the performance of our products – year after year. Systematic enhancement of our varieties' yields, the quality of the seed itself and expert support in cultivation through close personal contacts are what make KWS unique and successful over the long term. These qualities are all the more important in times when the agricultural industry faces major and lasting challenges. Low consumer prices, declining cultivation areas for important crops and negative exchange rate influences again shaped KWS' economic environment in international markets. Exceptional efforts were needed for us to achieve our mission of ensuring that KWS still grew profitably under these circumstances.

Thanks to our well-diversified product portfolio and our independence as a family-owned company, we have been able to continue to implement our long-term strategy. That included expanding our research and breeding programs in particular. We obtained around 400 new marketing approvals in fiscal 2015/2016 and again reaped the fruit of our many years of work.

The global seed market's potential fell in 2015 by around 8% to approximately €37 billion US dollars. Total cultivation area hardly declined at all. However, intensive competition, greater use of farm-saved seed for growing cereals and a switch to crops with lower seed prices, such as soybean or rapeseed, had a negative impact.

The pesticide and seed sector overall is still undergoing a process of consolidation and integration. Several large takeovers or mergers of agrochemical companies are currently on the agenda. With a business model that specializes in plant breeding, KWS is largely unaffected by these developments. We have more than doubled net sales and profits in the past ten years by our own efforts and remain one of the world's leading companies in the field of variety development.

Seed is at the start of the food supply chain. In more developed economic regions, food has become a question of individual lifestyle. People define themselves more and more by what they eat: flexitarian, vegetarian, vegan, food combining or low-carb – the range of diets is diverse. Some abstain from eating meat, while others avoid cereals or dairy products. Yet whatever diet is preferred, modern agriculture produces crops to meet that demand. With their knowledge, good ideas and cutting-edge technologies, farmers ensure that we consumers will continue to be offered high-quality food now and in the future. As part of that, they always work with an eye to using resources efficiently – out of economic and ecological considerations.

As a plant breeding company, KWS is part of this modern agriculture. Our focal objective is always to help farmers to be successful. The two-page photo spreads and Spotlight Topic in this Annual Report reflect what counts: closeness and trust.

We are optimistic about the future. We still expect to achieve net sales growth of more than 5% and at least a double-digit EBIT return in the medium to long term. In the short term, we do not anticipate any easing in the economic environment. In all likelihood, we will not quite achieve our medium-term target of at least 5% growth in net sales in fiscal 2016/2017. However, we expect to improve our profitability (EBIT margin). You can find more information on that on pages 56 to 57.

Research and development and closeness to our customers remain vital to KWS, even in its 160th year. That is why we will keep focusing our efforts on these fields in the future. Finally, I would like to thank our employees, shareholders, partners and customers for the business success we achieved last year. We look forward to a successful future together.

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

Yours

Dr. Hagen Duenbostel
Chief Executive Officer

Report of the Supervisory Board

In what was, all in all, a turbulent economic climate in the agricultural sector, numerous intended acquisitions in the pesticide and seed industry were the subject of public debate in fiscal 2015/2016. They are expected to result in changes in KWS' competitive environment. In this connection, KWS was neither a takeover target, nor do we currently aim to make any acquisitions of our own. Preserving our company's independence remains a key concern of the family shareholders. In particular, the long-term product development cycles in plant breeding require a stable base and strategic planning security. In this spirit, the Supervisory Board and Executive Board once again cooperated successfully in the past fiscal year.

The Supervisory Board discharged the duties incumbent on it in accordance with the law, the company's Articles of Association and the bylaws, regularly advised and monitored the Executive Board in its activities and satisfied itself that the company was run properly and in compliance with the law and that it was organized efficiently and cost-effectively. The Supervisory Board decided on all significant business transactions requiring its consent and carefully accompanied the Executive Board in all fundamental decisions of importance to the company. The Supervisory Board discussed the information and assessments that influenced its decisions together with the Executive Board. Both boards continued their constructive and trusted cooperation as in the past. Among other things, this was demonstrated by the fact that, as is customary, the Supervisory Board was involved in all decisions of vital importance to the company at an early stage. The Supervisory Board was provided with the necessary information in written and oral form regularly, promptly and comprehensively. This included all key information on relevant questions of strategy, planning, the business performance and the situation of the company and the KWS Group, including the risk situation, risk management and compliance. Business transactions requiring consent were submitted to, and discussed and approved by, the Supervisory Board in compliance with the bylaws for the Executive Board. The company's business policy, corporate and financial planning, profitability and situation, the general development of the various businesses, market trends and the competitive environment, research and breeding and, along with important individual projects, risk management at the KWS Group were the subject of detailed discussions. The Chairman of the Supervisory Board continued the bilateral discussions with the Chief Executive Officer and individual members of the Executive Board in regular talks outside the meetings of the Supervisory Board. In addition, there were monthly meetings between the Chairman of the Supervisory Board and the Executive Board as a whole, where the company's current business development and, in particular, its strategy, occurrences of special importance and individual aspects were dealt with. The Chairman of the Supervisory Board informed the Supervisory Board of the results of these meetings. The Supervisory Board did not make use of its right to conduct an examination granted by Section 111 (2) AktG (German Stock Corporation Act) since the reporting by the Executive Board meant there was no reason to do so.

Focal areas of deliberations

The full Supervisory Board held six meetings in fiscal 2015/2016. All members participated in all of the meetings, with the exception of the meeting on June 22, 2016, where one member was excused and not in attendance. In a special meeting on September 22, 2015, the Supervisory Board dealt with the subject of licensing in genetically improved traits for corn. In order to strengthen the technology platforms of KWS and Vilmorin & Cie (a listed company of Limagrain), long-term agreements with a leading trait and seed producer were then concluded. KWS and Vilmorin have since been authorized to make worldwide commercial use of all current and future corn traits from its portfolio. Along with the existing trait agreements, this one enabled KWS to successfully complement and expand its trait portfolio in the future.

The meeting of the Supervisory Board to discuss the financial statements on October 14, 2015, was devoted to examining and approving the financial statements of KWS SAAT SE and the consolidated financial statements of the KWS Group as of June 30, 2015. The Supervisory Board also discussed any impacts of the intended acquisitions in the industry on KWS.

The meetings on December 16 and 17, 2015, focused on strategic planning covering a ten-year time frame, as well as the regulatory framework in Europe, in particular for new plant breeding technologies. The Supervisory Board also approved acquisition of the remaining stake in the Brazilian corn company RIBER KWS. The meeting additionally adopted a resolution to sell the seed potato operations to the Dutch company Stet Holland B.V. In its meeting on March 16, 2016, the Supervisory Board heard detailed reports on the progress of product development. In addition, a resolution was adopted to conduct a public tendering process as part of appointment of an independent auditor.

On June 22, 2016, the agenda as usual included adoption of the corporate planning for fiscal 2016/2017, including medium-term planning up to 2019/2020. At the meeting, the Supervisory Board also discussed the results of its efficiency review and conducted the survey of the Supervisory Board with the aim of avoiding and identifying fraud. The Supervisory Board is not aware of any relevant acts.

Annual and consolidated financial statements and auditing

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the independent auditor chosen at the Annual Shareholders' Meeting on December 17, 2015, and commissioned by the Audit Committee, has audited the financial statements of KWS SAAT SE that were presented by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB) for fiscal 2015/2016 and the financial statements of the KWS Group (IFRS consolidated financial statements), as well as the Combined Management Report of KWS SAAT SE and the KWS Group Management Report, including the accounting reports, and awarded them its unqualified audit certificate. In addition, the auditor concluded that the audit of the financial statements did not reveal any facts that might indicate a misstatement in the declaration of compliance issued by the Executive Board and the Supervisory Board in accordance with Section 161 AktG (German Stock Corporation Act) with respect to the "German Commission for the Corporate Governance Code" (cf. Clause 7.2.3 (2) of the German Corporate Governance Code).

The Supervisory Board received and discussed the financial statements of KWS SAAT SE and the consolidated financial statements and Combined Management Report of KWS SAAT SE and the KWS Group, along with the report by the independent auditor of KWS SAAT SE and the KWS Group and the proposal on utilization of the net profit for the year made by KWS SAAT SE, in due time. Comprehensive documents and drafts were submitted to the members of the Supervisory Board as preparation. For example, all of them were provided with the annual financial statements, Combined Management Report, audit reports by the independent auditors, corporate governance report, compensation report and the proposal by the Executive Board on the appropriation of the profits. The Supervisory Board also held detailed discussions of questions on the agenda at its meeting to discuss the financial statements on October 24, 2016. The auditor took part in the meeting. It reported on the main results of the audit and was also available to answer additional questions and provide further information for the Supervisory Board. According to the report of the independent auditor, there were no material weaknesses in the internal control and risk management system in relation to the accounting process. There were also no circumstances that might indicate a lack of impartiality on the part of the independent auditor. The small extent of services additionally provided by the independent auditor can be seen from the Notes.

In accordance with the final results of its own examination, the Supervisory Board endorsed the results of the audit, among other things as a result of the preliminary examination by the Audit Committee, and did not raise any objections. The Supervisory Board gave its consent to the annual financial statements of KWS SAAT SE, which were prepared by the Executive Board, and to the consolidated financial statements of the KWS Group, along with the Combined Management Report of KWS SAAT SE and the KWS Group. The financial statements are thereby approved. The Supervisory Board also endorses the proposal by the Executive Board to the Annual Shareholders' Meeting on the appropriation of the net retained profit of KWS SAAT SE after having examined it.

Corporate Governance

The Supervisory Board conducted its efficiency review in accordance with Clause 5.6 of the German Corporate Governance Code for fiscal 2014/2015 and 2015/2016, accompanied and supported by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. According to the final report by Ernst & Young, the results of the evaluation of the Supervisory Board of KWS SAAT SE meet the benchmark; no fundamental weaknesses were identified by the persons questioned.

The Supervisory Board discussed compliance with the recommendations of the "German Commission for the Corporate Governance Code." As regards setting a limit on the length of time members can serve on the Supervisory Board of KWS SAAT SE in accordance with Clause 5.4.1 of the German Corporate Governance Code, the Supervisory Board stuck by its decision to continue not to comply with these recommendations by the German Corporate Governance Code, since they would significantly restrict the rights of a business with a tradition of family ownership like KWS, whose family shareholders hold a majority stake.

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

Supervisory Board Committees

The **Audit Committee** convened for three joint meetings in fiscal 2015/2016. It also held three telephone conferences – on all occasions with all its members in attendance, with the exception of the telephone conference on November 19, 2015, where one member was excused and not in attendance. In its meeting on September 28, 2015, the Audit Committee discussed the annual financial statements and accounting of KWS SAAT SE and consolidated financial statements of the KWS Group for the fiscal year 2014/2015. The annual compliance report, risk management and the results of the auditing projects were on the agenda at its meeting on March 16, 2016. The audit plan for fiscal 2016/2017 was also discussed and adopted. The subjects discussed at the meeting on June 22, 2016, included the new quarterly reporting standards and the results of the Supervisory Board's efficiency review. The quarterly reports and the semiannual report for fiscal 2015/2016 were discussed in detail in three telephone conferences and their publication was approved.

Supervisory Board Committees

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

The Audit Committee convened on September 22, 2016, to discuss the current annual financial statements of KWS SAAT SE and KWS' consolidated financial statements and accounting. The independent auditor explained the results of its audit of the 2015/2016 financial statements and pointed out that – in its opinion – there were no circumstances that could have led to a lack of impartiality on its part. The Audit Committee also dealt with the proposal by the Executive Board on the appropriation of the net retained profit of KWS SAAT SE and recommended that the Supervisory Board approve it. It additionally dealt with the results of the examination of the 2014/2015 financial statements by the German Financial Reporting Enforcement Panel (FREP), which was based on spot checks and produced no objections.

In addition, the Audit Committee obtained the statement of independence from the auditor in accordance with Clause 7.2.1 of the German Corporate Governance Code, ascertained and monitored the auditor's independence, examined its qualifications and defined the focal areas of the audit. The Audit Committee also satisfied itself that the regulations on internal rotation were observed by the independent auditor and dealt with the services rendered additionally by the independent auditor.

In addition, the Audit Committee dealt in its meetings with preparing the resolution on the appointment of the independent auditor for fiscal year 2016/2017 to be proposed to the Annual Shareholders' Meeting on December 15, 2016. In order to select the independent auditor to be proposed to the Annual Shareholders' Meeting, the Audit Committee conducted a tendering process in the period from March 31, 2016, to September 22, 2016, in accordance with the provisions of the new EU Regulation on independent auditors that has been in force since June 17, 2016. After the documents submitted by a total of nine auditing firms were intensively discussed and assessed, the Audit Committee recommended to the Supervisory Board that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, be proposed to the Annual Shareholders' Meeting for appointment as the independent auditor. At its meeting of October 24, 2016, this recommendation – following consideration of an alternative candidate also named by the Audit Committee – was confirmed and resolved by the Supervisory Board.

The **Committee for Executive Board Affairs** reviewed the compensation paid to members of the Executive Board in the year under review. As part of that, it proposed increasing the fixed compensation of Dr. Peter Hofmann to the level of the other Executive Board members. Peter Hofmann has served on the Executive Board of KWS SAAT SE since October 1, 2014, but has been responsible since 2005 for the Sugarbeet Segment, which has recently held its own very well in a tough market environment. In view of that and his many years of successful work for the company, the committee proposed converting the contract of Peter Hofmann – before the end of its existing term and with effect January 1, 2016 – into a five-year contract with the same terms and conditions for variable compensation as for the other ordinary members of the Executive Board. The Supervisory Board endorsed the committee's proposals.

In October 2015, Dr. Arend Oetker informed KWS that he had transferred his shares in KWS to the next generation of his family as part of an anticipated inheritance. At the same time, he transferred entrepreneurial responsibility for the stake in KWS held by the Oetker family to his daughter Dr. Marie Theres Schnell, Munich. In addition, the Deputy Chairman of the Supervisory Board considered resigning his seat on the Supervisory Board of KWS SAAT SE at the end of 2016. The **Nominating Committee** convened on May 28, 2016, and discussed filling the post that was likely to become vacant. The shareholder families Büchting/Oetker had proposed Marie Theres Schnell as the representative of the family of Arend Oetker.

After completing secondary school, Marie Theres Schnell (born in 1976) studied communications in Salzburg and Gothenburg and completed her university education by gaining a doctorate in Zurich in 2007. She gained professional experience as assistant to the board of management at a large digital publishing house and as part of a trainee program in the food industry in Spain. She then worked as a freelance media consultant. In addition to this inter-

Andreas J. Büchting, Chairman of the Supervisory Board

national activity, she was able to gain diverse experience at the companies of the Arend Oetker Group, not only in the fields of agriculture, retailing and food, but also in her work on various shareholder bodies. Coming from a family with a long tradition of entrepreneurship, she contributes experience, a sense of responsibility, vision and sound judgment.

The Nominating Committee examined her candidacy, taking into account the relevant regulations of the German Corporate Governance Code. Accordingly, the committee satisfied itself that Ms. Schnell also had the time expected for her to discharge her duties on the board. In addition, the Supervisory Board aims to ensure that half of its shareholder representatives are independent within the meaning of the German Corporate Governance Code. The departure of Arend Oetker and election of Marie Theres Schnell in his place would mean that the situation on the board would remain the same in this respect. The Board would thus still meet the target it has set itself. The aspect of diversity should be taken into account in filling posts on the Supervisory Board. In this context, the Supervisory Board decided in accordance with Section 111 (5) AktG (German Stock Corporation Act) that the ratio of female members on the Supervisory Board of KWS SAAT SE should not be less than 16.6% by June 20, 2017. That figure would increase to 33.3% overall and 50% in terms of shareholder representatives with the appointment of Marie Theres Schnell. The Nominating Committee arrived at the conclusion that Marie Theres Schnell was qualified to hold a position on the Supervisory Board and would be an excellent enrichment for it. On September 20, 2016, Dr. Arend Oetker informed the Chairman of the Supervisory Board that he would resign as a member of the Supervisory Board of KWS SAAT SE effective the end of the Annual Shareholders' Meeting on December 15, 2016. The Nominating Committee then recommended in accordance with Clause 5.3.3 of the German Corporate Governance Code that Dr. Marie Theres Schnell be proposed as a candidate for election of his successor to the Annual Shareholders' Meeting on December 15, 2016.

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

Einbeck, October 24, 2016

Andreas J. Büchting

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

Companions

Personal Consulting

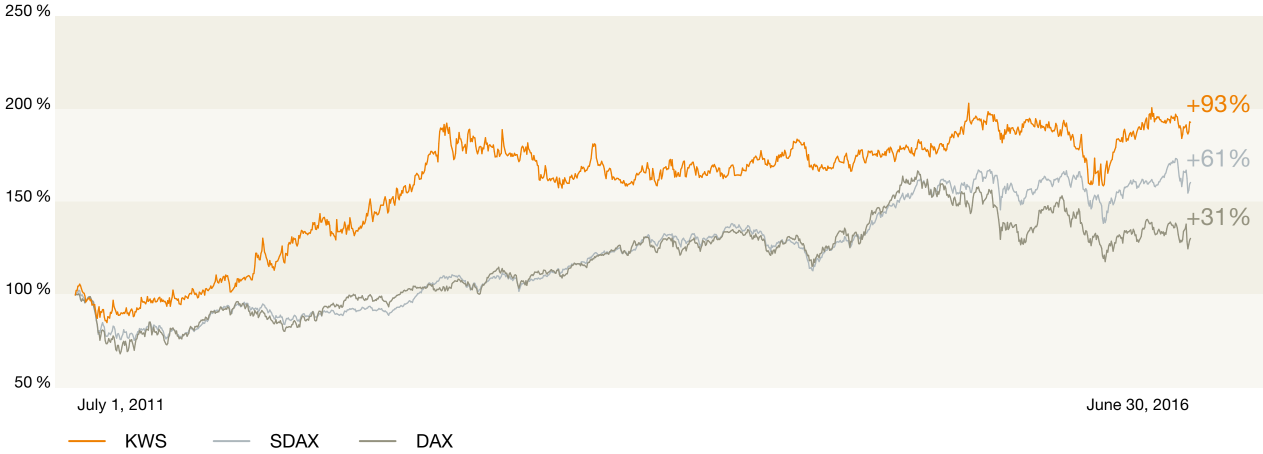
Seed is a matter of trust. That is why personal consulting and close contact between our seed experts and farmers in their region is very near to our heart. Choosing the variety adapted to the location in question lays the foundation for successful cultivation. However, our consultants' work is by no means done once a variety is selected – on the contrary. Throughout the entire vegetation period, they are a reliable partner, maintaining close contact with their farmers and discussing agricultural matters with them: from tilling methods, the right time for sowing, the use of pesticides and fertilizers to the ideal time to harvest crops and suitable storage conditions. As a result, we live up to our responsibility at the beginning of the value chain even after selling our seed.

The KWS Share

Performance: Greater volatility – share performs strongly long-term

While KWS was able to expand its business activity in the year under review, the agricultural sector is again confronted by a surplus supply of agricultural raw materials, low commodity prices and regional adjustments in the cultivation area, as well as political and economic uncertainties. The nervousness of capital market players is reflected in the volatility of KWS' share price. It rose sharply year on year, although the average daily fluctuation between the highest and lowest price (on a small trading volume) was €5.62 (4.33)[1] – despite KWS' solid business performance. The share reached an all-time high at €313.55 in July 2015. The general stock market slump in January 2016 meant its price fell to a low of €235.10 for the year. KWS' share recovered strongly after that to close at almost the same level of the previous year at the end of the fiscal year (€297.80; –0.6%). That is a very good performance for the industry. Almost all listed competitors fared worse in the same period – despite major consolidation projects with prices well above the stock market values for the affected companies. The DAX fell by around 14% and the EURO STOXX 50 index by even approximately 18% in this period, although there were slight gains for the MDAX (around 2%) and SDAX (around 1%). Looking at the share's performance over the past five years (July 1, 2011, to June 30, 2016), the KWS share price increased by 93%. The SDAX rose by 61% and the DAX by around 31% in the same period.

The KWS share's performance
over 5 years



Listing: KWS still in a mid-range position in the SDAX

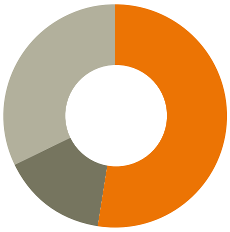
The share still occupies a mid-range position in the SDAX, Germany's index for small caps. Measured in terms of free float market capitalization at the relevant key date of June 30, 2016, the KWS share ranked 18th (18th) in the index, which comprises 50 companies, and 39th (35th) in terms of trading volume over the period under review. KWS SAAT SE's market capitalization was €1,964 (1,970) million or, solely on the basis of the proportion of free float, €565 (569) million.

Stock program: KWS employees take the opportunity to participate in their company

For more than 40 years KWS has offered its employees the chance to become a shareholder in the company and thus share in its success and identify more strongly with it. The content of our Employee Share Program remained unchanged in the year under review. Our employees were able to buy up to 500 KWS shares at a price of €217.60 (214.40), including a 20% discount, which the individual employees must pay tax on. A total of 395 (401) employees in ten

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

Shareholder structure at September 27, 2016



(nine) European countries took up this offer and purchased a total of 7,541 (9,878) shares, corresponding to an average stake per employee of 19 (25) shares. The acquired shares are subject to a lock-up period of four years. They cannot be sold, transferred or pledged during this period. As in previous years, the shares used for the Employee Share Program were acquired in accordance with Section 71 (1) No. 2 of the German Stock Corporation Act (AktG). A total of €1.9 (2.7) million was used to buy back the company's own shares, giving an average purchase price per share of €258.85 (271.73).

Planned appropriation of profits: Proposed dividend stable at €3.00

The KWS Group increased its net sales last fiscal year by 5.2% to €1,036.8 (986.0) million. In what was, all in all, a turbulent economic environment in the agricultural sector, among other things with declining cultivation areas and higher costs of sales as well as non-recurring costs, EBIT was €112.8 (113.4) million, almost at the level of the previous year, although it was impacted by positive exchange rate effects. Net financial income/expenses fell; that and a lower tax rate meant that net income for the year was €85.3 (84.0) million. The return on sales after tax fell to 8.2% (8.5%), although it would have been lower had it not been for the positive exchange rate effects.

The Executive Board and Supervisory Board will therefore propose payment of an unchanged dividend of €3.00 (3.00) for fiscal year 2015/2016 to the Annual Shareholders' Meeting on December 15, 2016. Some €19.8 (19.8) million would thus again be distributed to KWS SAAT SE's shareholders. With a dividend payout ratio of 23.2% (23.6%) of the KWS Group's net income for the year, the company would stick to its earnings-oriented dividend policy of a payout in the long-term target range of 20% to 25%.

Key figures for the KWS share	
ISIN	DE0007074007
Number of shares	6,600,000
Closing price	**in €**
June 30, 2016	297.80
June 30, 2015	298.50
Trading volume (avg.)	**in shares/day**
2015/2016	2,068
2014/2015	2,211
Market capitalization	**in € millions**
June 30, 2016	1,965
June 30, 2015	1,970

Generations trust in a brand – that is the result of continuous breeding progress and personal customer care and support.

Corporate Sustainability

Corporate sustainability means orientation to the future in what we do, i.e., striving to create lasting value and economic success – true to our 160-year tradition as a family business.

The prime goal of our corporate strategy is to ensure KWS' independence, which is why it is geared toward profitable growth. Proactive planning and action is vital to achieve that strategy and is thus a core principle of our corporate governance. Plant breeding is a costly and time-consuming business: It takes up to ten years for each new variety to be developed. That means we have to carefully address the economic, ecological and social challenges of today and tomorrow so as to identify and anticipate the resultant opportunities and risks. We align our company strategically and operationally on that basis.

Dialogue with stakeholders

We intend to keep on systematizing the process for determining the key issues relating to our long-term corporate development. To enable that, we plan to expand our dialogue with stakeholders, which has been conducted to date at our headquarters in Einbeck, and make it more international in the coming years. In this way, we obtain feedback from the various markets and can also discuss critical issues with the relevant local stakeholders and gain knowledge to enable our company's further development.

Sustainability reporting

The latest sustainability report for fiscal year 2015/2016 is based on the international reporting specifications of the Global Reporting Initiative (GRI G4) and is available on the company's Internet site at www.kws.com/ir. We are currently working to internationalize our sustainability reporting, with the objective of expanding it so that it covers the main aspects of sustainability for the entire KWS Group and integrating it fully in the Annual Report in the medium term.

Core sustainability issues

Economy and products

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

Governance

- **Employment, social and environmental standards:** As a responsible, internationally growing company we have to establish values, rules, guidelines and standards in the fields of employment, protection of the environment and social welfare, and ensure they are put into practice at all subsidiaries. We must also define them for our business partners in the supply chain and prevent violations of them.
- **Compliance:** We support observance of the law and company requirements by means of effective compliance management.

Employees

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

Work safety and protection of the environment

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

Social commitment

We are particularly committed to strengthening the regional and local attractiveness of our locations on the cultural and social planes. We support both young academicians (through Deutschlandstipendien and interships) and top-flight researchers. We encourage our people to get involved in their own social areas. Many KWS employees have become actively involved in aid for refugees, for example.

Ground personnel

Field Days

The 2016 Field Days held by the German Agricultural Society (DLG) in the town of Hassfurt, in Lower Franconia, attracted 21,632 visitors over its three days. After ten months of preparation for this event, KWS showcased its entire portfolio there. Sugarbeet, corn, cereals, rapeseed, catch crops, organic seed – almost 60 varieties were exhibited on the demonstration plots, offering farmers, consultants and other interested persons a good opportunity to learn more about KWS’ broad range of services and varieties directly at the plants’ location. Many took this chance to discuss the latest trends and developments in plant breeding and modern agriculture with KWS’ experts on the spot. In the evening, we welcomed more than 1,000 guests to our CultiVent party.

Spotlight Topic

To harvest or to wait?

KWS' consulting is based on knowledge transfer and trust

Leonard Dempfle has a problem. The farmer from the German Allgäu region planted corn as feed for his 70 cows on an area of about 20 hectares, and now it is fully mature – in mid-September, almost two weeks before the normal time for harvesting. The long dry spell this summer sped up the maturing process. Should he harvest it now or wait a while? To help him decide, Dempfle picks a few corn plants by hand from different spots and takes these samples to his regional KWS consultant in the village of Burtenbach, 25 kilometers away. He wants to have the consultant determine the current dry matter content of his corn plants. Ernst-Arthur Bommer, head of KWS' consulting office for Bavaria and Württemberg, has his hands full. In his area of responsibility alone, he and his team analyze some 1,000 corn samples a week before the harvest between mid-August and the beginning of October. "Dry matter monitoring enables us to determine the corn's maturity precisely and recommend an ideal time to harvest it," explains Bommer. If the dry matter content is between 32% and 35%, it is time to bring in the corn.

Bommer relies on close dry matter monitoring at many locations for his region, which has very different soil and climatic conditions and thus large differences in ripening times. KWS not only offers this service in southern Germany, but also at more than 250 locations nationwide for the most important corn varieties. All farmers who are registered with CultiVent, KWS' digital consulting platform, regularly receive the results of dry matter monitoring and harvesting recommendations tailored precisely to their cultivation area by e-mail.

In the case of silage corn for dairy cattle, which Dempfle grows, it is especially important to harvest it at the ideal time. "Tastiness and starch content are vital. If the corn is too old, lower fresh weight yield from the field means that the basic feed intake of the cattle is reduced and farmers have to use more of the expensive concentrate feed. That can mean losses of up to €500 a hectare," says Bommer in describing the economic consequences of late harvesting, which may even threaten a farmer's livelihood. Just a few minutes later, Leonard Dempfle has the results for his samples in his hands and now knows that he will begin chopping his corn the next day.

Dry matter monitoring is just one example of the wide range of consulting and services KWS offers. Personal contact with the farmer and customized advice are also of great importance in consulting on varieties and cultivation of all other crops from KWS' product portfolio, such as sugarbeet, cereals or rapeseed. Trust

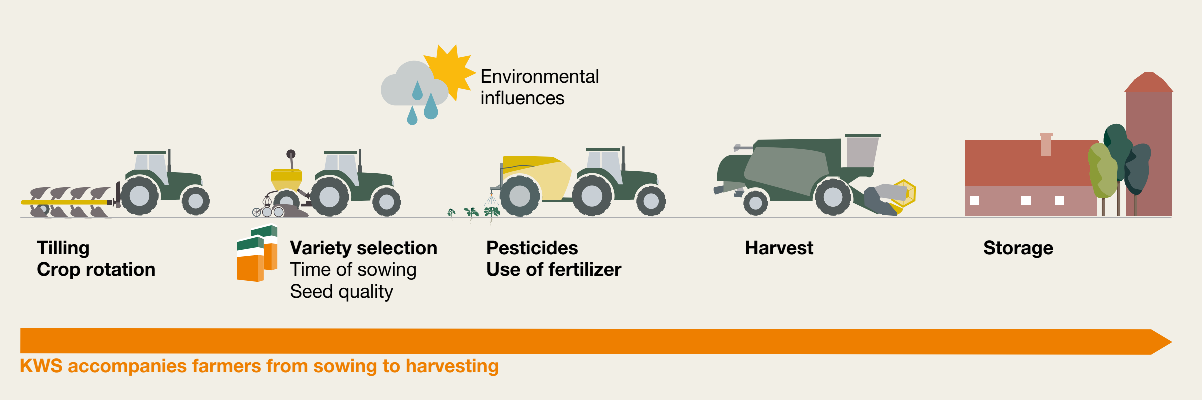
A mature performance – the KWS consultant and farmer together determine the best time to pick corn so that all the farmer's efforts are rewarded with a good yield.

is a vital component of the relationship between the seed producer, dealers and farmers.

The foundations for creating extensive value added are laid by consulting with farmers on choosing the right variety for different regional and climatic demands. With its above-average expenditure on continuously developing new varieties, KWS strives to live up to its special responsibility of providing farmers with the best-possible seed for the crops in its portfolio. Breeding progress in practice is enabled by delivering varieties that produce higher and higher yields and are adapted to very different climatic and soil conditions.

> The vitality of a particular era does not so much depend on the harvest, but more on the seed it sows.
>
> Ludwig Börne (1786–1837), journalist and literary critic

What factors impact a harvest?



As the example of dry matter monitoring shows, KWS does much more than advise farmers on choosing the right varieties for their individual needs. Just over a quarter of our approximately 4,800 employees worldwide take care of the needs and worries of our customers in their sales work. A closely knit regional network of KWS consultants also provides farmers with support in agricultural matters – from tilling, sowing, pesticide and harvesting, through to storage. Only in that way can the yield potential inherent in the seed's genetic makeup be leveraged as much as possible. That means we work hand in hand with farmers to reliably ensure increases in yield and quality.

In addition to personal one-on-one contact, we continuously gather the latest pioneering findings on key questions of modern agriculture for our customers. We share our knowledge at diverse information and educational events, some of which are seen on the two-page photo spreads in this report. They include Agricultural Forums that KWS regularly holds nationwide and the biennial Field Days held by the German Agricultural Society (DLG).

The sharing of diverse knowledge and experience in a spirit of trust between KWS' consultants and farmers not only creates the basis for reliable yields that safeguard the farmer's livelihood. This initial interface in the value chain of modern agriculture and nutrition is also the foundation for the high quality of the food we love to eat at the end of that chain.

Cooking and eating are no longer just about nourishment, but have long since become an expression of our personal lifestyle. Modern agriculture, with its diverse products, ensures that everyone can eat to suit their taste. But how exactly does it do that? A new website www.moderne-landwirtschaft.de provides a vivid and entertaining look at this subject – and at who does what (German only).

Combined Management Report

Combined Management Report

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

Fundamentals of the KWS Group

Group Structure and Business Activity

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

Organization and segments of the KWS Group

KWS SAAT SE is the parent company and holding company of the KWS Group. It is responsible for strategic management and, among other things, multiplies and distributes sugarbeet and corn seed. It finances basic research and breeding of the main range of varieties at the KWS Group and provides its subsidiaries with new varieties every year for the purpose of multiplication and distribution. An overview of the subsidiaries and associated companies included in the consolidated financial statements of the KWS Group is provided in the Notes on pages 86 to 87.

The KWS Group's operational business is conducted in the three product segments corn, sugarbeet and cereals:

The **Corn Segment** is the KWS Group's largest division in terms of net sales. It covers production and distribution of corn seed, as well as rapeseed, soybean, sunflower and sorghum. Its operating performance depends significantly on the spring sowing season in the northern hemisphere. That means most of the segment's net sales are generated in the second half of the fiscal year (January to June). The segment generates a lower share of its revenue in the first two quarters, mainly from winter rapeseed in Europe and corn varieties in South America.

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

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

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

Information on the net sales and income contributed by the segments, including our joint ventures, can be found in our segment reports starting on page 41.

Locations and sales markets
KWS SAAT SE's headquarters are located in Einbeck, Lower Saxony. We have 62 subsidiaries and associated companies at present, operating in more than 70 countries, largely in the moderate climatic zone. You can find a detailed breakdown of net sales by region on page 37.

KWS employees are not stuck indoors all the time. They get to know our products personally.

Products and consulting on varieties
We offer our customers – farmers – a broad range of agricultural crops that have been adapted by breeding to the conditions of their specific location. These crops include corn, sugarbeet, the cereals rye, wheat and barley, oil plants such as sunflower, soybean and rapeseed as well as catch crops. The varieties are mainly adapted to the moderate climatic zones. Since we entered the Brazilian market in 2012, varieties for subtropical regions have also been part of our portfolio. In addition to selling seed, our field staff is also on hand to offer farmers free consulting on choosing and cultivating varieties.

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

External factors that impact our business
Our breeding and seed multiplication activities are subject to weather influences that cannot always be quickly compensated for with countermeasures. Economic policy decisions in the agricultural industry, which is strongly regulated worldwide, may also impact our business. You can find more details on these external factors in our opportunity and risk report on pages 49 to 55.

Significant changes in the KWS Group's composition

We sold our conventional seed potato business to Stet Holland B.V. in the year under review. An agreement to this effect was signed on April 11, 2016. The business generated net sales of around €28 million and was run in the Sugarbeet Segment.

In line with the planned expansion of our business activities, we took over all the remaining shares in our Brazilian subsidiary RIBER KWS SEMENTES at the end of the calendar year 2015. It had already been fully consolidated in the Corn Segment before the purchase option was exercised.

As announced in the last Annual Report, KWS MAIS GMBH was merged with KWS SAAT SE effective July 1, 2015. The company's reintegration marked one of several planned steps in simplifying the Group's structure. The merger will also enable us to make internal processes more efficient and reduce our administrative overhead. The structure and controlling of our segments will not be affected by this measure.

Objectives and Strategies

Our strategic planning is the foundation of the KWS Group's further development. It defines strategic objectives, initiatives and core measures for existing activities and for potential new fields of business. The planning is based on a long-term horizon (ten years) and includes an analysis and assessment of market trends, competitors and the KWS Group's position. Strategic planning is carried out every three years on a rolling basis. We believe that strategic success factors are, in particular, our intensive research, breeding of new, high-yielding varieties and continuous expansion of our global footprint so that we are on the ground in regional markets with their special climatic conditions.

Corporate objectives of the KWS Group

Due to the fact that the equity method (IFRS 11) was applied to our joint ventures for the first time last year, we have adjusted our key indicator "R&D intensity," which is measured relative to net sales. This change was necessary because the earnings contributed by the equity-accounted joint ventures are now only allowed to be included in net financial income/expenses at the Group level. We have retained the other objectives without any changes.

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

Objectives	
Profitable growth	■ Increase in consolidated net sales by an average of 5% to 10% p.a. ■ EBIT margin ≥10%
Research and development	■ R&D intensity of around 17% of consolidated net sales ■ 1% to 2% progress in yields p.a. for our customers and development of tolerances and resistances
Internationalization	■ Expansion of the portfolios of varieties for subtropical markets
Sustainability	■ Integration of international subsidiaries in KWS' sustainability reporting
Dividend	■ A dividend payout ratio of 20% to 25% of the KWS Group's net income for the year

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

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

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

KWS' business model is geared toward sustainable success. We are currently working to internationalize our **sustainability reporting**, with the objective of expanding it so that it covers the entire KWS Group by fiscal 2017/2018. You can find more information on the current reporting on pages 14 to 15.

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

Developments in 2015/2016

In the past fiscal year, our business performance was in line with the above-mentioned medium- to long-term objectives. Our net sales growth was in the desired range, as was the EBIT margin and R&D intensity. We continued to increase our foreign sales, including in our subtropical market Brazil. We plan to expand our sustainability reporting to all significant international subsidiaries and associated companies by fiscal 2017/2018. Preparations for that were commenced in the year under review. The dividend ratio of the payout in December 2015 was 23.6% and thus within our target range.

Control System

Detailed annual and medium-term operational plans, which also include our joint ventures proportionately, are used to control the Group and the three segments corn, sugarbeet and cereals. The medium-term plan covers the time frame of the annual plan plus the three subsequent fiscal years. In turn, the medium-term plan is derived from our strategic corporate planning, which covers a timescale of ten years.

The targets set in the annual and medium-term planning are arrived at on the basis of the strategic planning, regional economic and legal situation, anticipated market trends and assessments of the company's position in the market and the potential product performance. In a subsequent bottom-up process, which also includes the development of our joint ventures, we use these premises to define figures for sales volumes and net sales, production capacities and quantities, the allocation of resources (including capital spending and personnel), the level

Just how does that work? Around 100 participants in the “KWS Showcase on Modern Sugarbeet Breeding” learned more about successful breeding methods directly in the field.

of material costs and internal charge allocation and the resultant balance sheet data, along with the financial budget. In principle, part of the planning documentation is also an opportunity/risk assessment that every manager must conduct for his or her unit.

The planning is compared every quarter with the company’s actual business performance and the updated estimates of the underlying general conditions. If necessary, we initiate suitable countermeasures and make adjustments. We update the forecast for the current fiscal year at the end of each quarter. At the end of each fiscal year, all the units conduct a detailed variance analysis of the budgeted and actual results. That serves to optimize our internal planning processes.

Controlling is responsible for coordinating and documenting all planning processes and our current expectations. It monitors compliance with adopted budgets and analyzes the efficiency and cost-effectiveness of business processes and measures. The Controlling team also advises decision-makers on economic optimization measures. In particular the heads of the three product segments, the regional directors and the heads of research and development activities and the central functions are responsible for the content of the planning and current forecasts.

The Executive Board uses various indicators for planning, controlling and monitoring the business performance of the KWS Group and its operating units. The main indicators for the KWS Group are net sales, operating profitability (EBIT margin) and R&D intensity. KWS’ product segments, which are divided into Business Units, are in turn geared toward the main indicators of net sales and EBIT margin.

Management and control

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

Guidelines for the companies’ day-to-day work

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

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

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

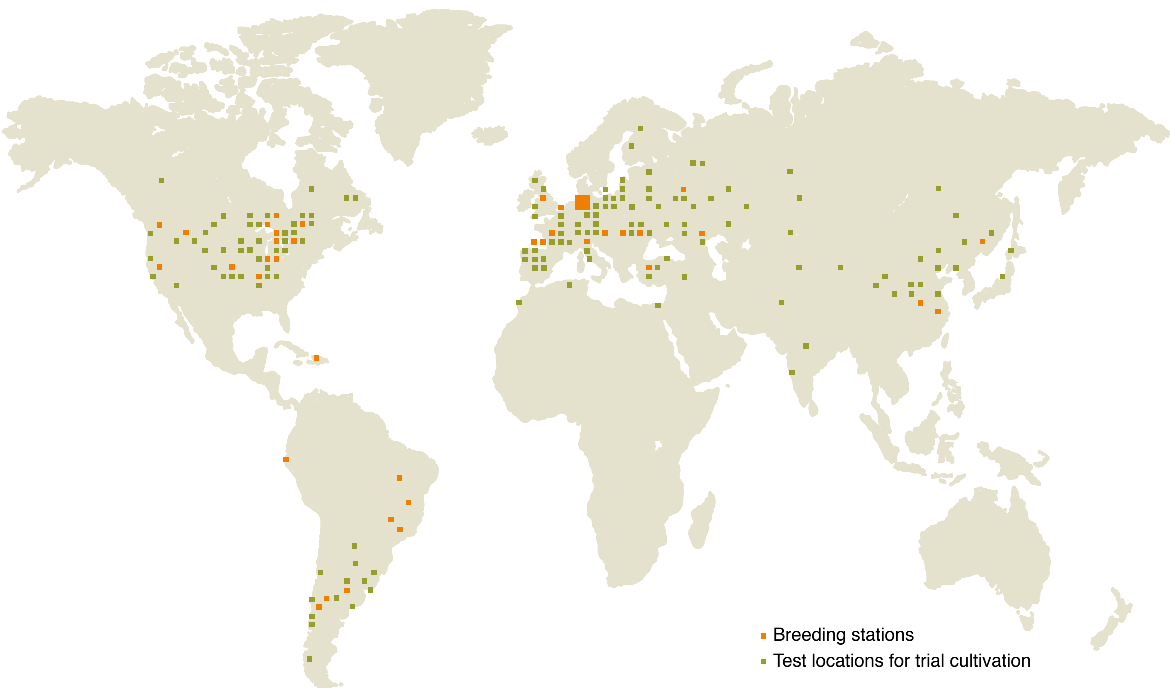
Research and Development

The objective of our research and development work is to create high-performance varieties that meet various environmental and application requirements and ensure a continuous increase in yield. To enable that, we continue to invest in expanding our research and breeding capacities. In fiscal 2015/2016 alone, our R&D expenditure totaled €182.4 million. The result was that new KWS varieties were awarded around 400 marketing approvals.

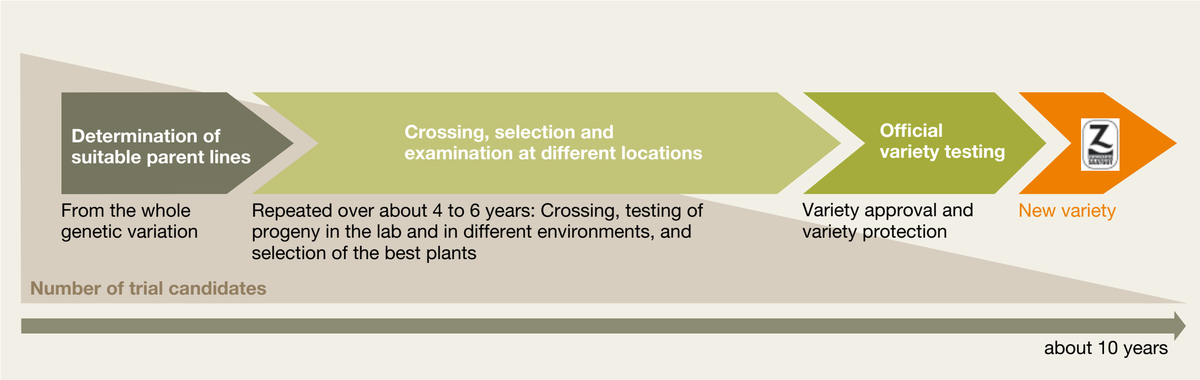
Plant breeding is a very research-intensive and long-term business. Promising parent lines have to be crossed for each new variety and their progeny examined and selected with regard to the desired traits over a period of several years. At the end of the development process come variety tests in which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

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

Breeding and distribution activities in over 70 countries



The long road to a new variety



As part of our own research activities, scientists at KWS continuously work on new molecular biology, IT or technical approaches that enable us to develop new, improved product traits and further optimize our breeding methods. So that the latest scientific findings and methods can be integrated faster in our breeding work, we also complement our research activities with partnerships with public research institutes and private enterprises.

Activities in the past fiscal year

Nagoya Protocol: Implementation of national requirements at KWS

The new statutory regulations under the Nagoya Protocol came into effect last fall. KWS supports the Nagoya Protocol, whose goals are the sustainable use and fair sharing of the benefits from plant genetic resources. We have undertaken great efforts to implement the complex provisions of the Nagoya Protocol. To enable that, we have implemented a system that provides us with efficient access to plant genetic resources in compliance with guidelines and enables our scientists worldwide to document the origin of all genetic material for their product development work. However, we are also committed to expanding and strengthening the proven "International Treaty on Plant Genetic Resources for Food and Agriculture". It is an efficient and pragmatic instrument governing the use of plant genetic resources.

New licensing agreement for corn breeding

KWS carries out breeding work in countries where genetically modified traits are vital to the successful market launch of commercial varieties. A long-term licensing agreement now ensures that KWS has worldwide access to the portfolio of such traits from a leading provider for its corn breeding work.

By integrating these traits in our own breeding material, we hope to obtain new, competitive varieties for the North and South American markets in the medium term. We have made very good progress in Argentina, where we already have commercial varieties under an earlier agreement.

Progress in developing products to combat weeds

The herbicide-tolerant CONVISO® SMART sugarbeet we developed for conventional cultivation in cooperation with Bayer CropScience has achieved an important milestone on the path to market launch. Various varieties were registered for the official performance tests in the markets of relevance to us, such as the European Union, Eastern Europe or Turkey, in 2016. The chosen varieties are adapted to the specific conditions of the countries and bring together not only the new technology for herbicide tolerance, but also various resistances to plant diseases and pests, such as rhizomania, rhizoctonia, cercospora and nematodes. As a result, we are ideally prepared to enter the market when the first CONVISO® SMART varieties obtain approval.

In the U.S. sugarbeet market, there is increasing demand for genetically modified varieties that have multiple tolerance to herbicides. To address this trend and maintain our excellent market position, we are developing a successor product to the successful ROUNDUP READY® sugarbeet. The second generation of herbicide-tolerant sugarbeets will have threefold tolerance to the active substances glyphosate, glufosinate and dicamba, and will be ready for the market in the middle of the next decade.

New breeding technologies at KWS

KWS always strives to apply innovative approaches and technologies in order to improve breeding methods and the quality of its varieties. The past years have seen the development of several precise, molecular biology methods that open up new prospects for plant breeding and are growing in importance for us. Some of these methods can be used to develop plant varieties with desired traits very precisely and in a far shorter time. The results are nature-identical and the plants do not differ from conventionally bred ones in terms of their genetic makeup or traits.

We have therefore identified "new breeding technologies" and, in particular, genome editing methods as a field of research that is important to us and are investing in their application and further development.

In order to drive development of technology and secure access to important technology components, we also launched a cooperation in the year under review with a research group that is a world leader in the field of genome editing at the Chinese Academy of Sciences in Beijing.

Rye breeding program established for Russia

Rye is grown on 5 million hectares throughout the world. Some 1.5 million hectares of that figure are in Russia. Hybrid varieties adapted specifically to the region's severe winters and short vegetation periods are required in most of the country.

So as to develop hybrid varieties for this challenging region, we began establishing a breeding program at KWS' station in Doktorovo near Lipetsk in 2008. In the meantime, the testing network has been expanded to include several more locations and the selection capacities have thus been significantly improved. The test infrastructure is also supplemented by a selection system for tolerance to frost and snow mold under controlled conditions at our German breeding station in Petkus.

While establishing the infrastructure, we were able to set up a product development program that enables faster development of varieties. The first winter-hardy KWS candidates are already undergoing assessment and in the first year exhibited a higher yield compared to local standards varieties. We expect to market initial varieties with superior winter hardiness in fiscal year 2019/2020.

Key figures for research & development

		2015/2016	2014/2015	+/–
R&D employees[1]		1,830	1,777	+3.0%
Ratio of R&D employees	in %	38.0	38.0	
R&D expenditure	in € millions	182.4	174.6	+4.5%
R&D intensity[2]	in %	17.6	17.7	
Marketing approvals for new varieties		397	429	–7.5%

1 Average number of employees
2 In % of net sales


Winterweizen
KWS MONTANA
E-Qualität
KWS

Field patrol

AgroService

Advice on varieties tailored to the farmer's individual needs is effective only if our consultants know what varieties produce the best performance under what local conditions. For the past 25 years, our AgroService has worked to find the answer to that and pass along its knowledge. It is the link between sales, science and breeding, and creates on the basis of scientific findings and its own trials the foundation for professionally sound advising. The AgroService Corn visits the trial locations throughout Germany several times a year, for example. That means our employees travel in pairs to more than 35,000 plots a year. All the information they obtain helps further increase value added for farmers.

Employees

For 160 years, KWS' employees have been renowned for their innovative thinking and pioneering ideas. They keep on setting higher standards in all our markets and developing sustainable solutions to the challenges of today and tomorrow.

KWS' work culture of respect is key to that achievement. The strong roots of our family business provide secure support. They also give every employee the opportunity and latitude to unfold their individual potential and enjoy entrepreneurial freedom. At the same time, we demand a high degree of personal initiative from every employee. Flat hierarchies, open doors and quick, direct communication ensure that we achieve our goal together: Seeding the Future.

Seeding the Future in a pioneering spirit: Integrated employee development

Global growth and regional markets mean that a high degree of adaptivity is always required. In order to help employees purposefully tackle the diverse requirements in this market environment, KWS has established an integrated development environment. Challenging tasks enable our employees to develop the personal and professional skills they need and to unfold their individual potential to the full.

Throughout the group, we offer our employees the chance to take part in an extensive range of further training at the local level, above all to help them enhance their professional expertise. Consistent parameters for the performance and career development review ensure continuous dialogue between employee and manager throughout the company.

The "Sparring Circles" and "KWS on Board" are proven development programs for all executives at the KWS Group. Sparring Circles enable a profitable sharing of ideas, while KWS on Board provides an extensive insight into our corporate strategy, culture and values, and shows what we expect from an executive at KWS.

The current focus of our activities is on successor and talent management at KWS. The Group-wide process has been expanded significantly on the basis of our strategic alignment and shared values. Thanks to the intensive commitment of executives from all areas of the company, potential experts and managers can now be identified early on across all locations, segments and functions and pinpointed development measures can be initiated for them.

Our Orientation Center is a development program that enables us to verify individual potential and offer effective development plans. For its part, the International Development Program offers experts and executives an additional opportunity to enhance their

Our employees are the key to our success. Creative and committed people keep coming up with innovations to generate new growth.

Employees by region[1]

	2015/2016	2014/2015	+/–
Germany	1,908	1,868	2.1%
Europe (excluding Germany)	1,449	1,401	3.4%
Americas	1,280	1,234	3.7%
Rest of world	206	188	9.6%
Total	**4,843**	**4,691**	**3.2%**

1 Average number of employees.

personal and professional strengths in the international environment.

Seeding the Future in a motivating spirit: Targeted development of junior employees

Good training for our employees is a basic necessity so that KWS can remain successful in the future. In fiscal 2015/2016, KWS employed 97 young people in six business administration, agricultural technological science and industrial vocations in Germany. Nine instructors and around 120 training officers ensure a high quality of training. We offer university graduates two introductory programs: There is very great demand for our tried-and-tested internal Trainee Program and for the “Breeders Academy,” which is tailored specifically to plant breeding.

We give all career starters at KWS extensive insight into our globalized, highly networked business processes. We also attach particular importance to developing professional qualifications as well as personal skills.

Seeding the Future in a sustainable spirit: An attractive employer for everyone – externally and internally

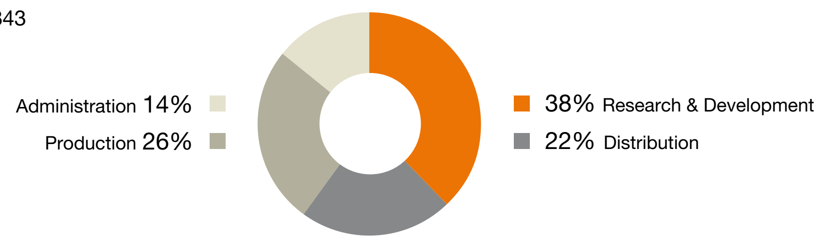
We have an international presence on the labor market with our employer brand. Our clear positioning and the authentic way we address our target groups make us an attractive employer in the eyes of potential employees. We nurture intensive contacts with professional groups of importance to us and have an extensive network.

We continue to pursue a rigorous policy of developing junior staffers at an early stage. School pupils and students can learn more about the various task areas and the company KWS in internships or on excursions, for example. We have intensified our commitment in the area of scholarships. Apart from various Deutschlandstipendien and the KWS UK scholarship, we started awarding the Ferdinand von Lochow scholarship at the agricultural departments of three German universities this fiscal year.

As an employer, KWS stands for qualities such as close and trusted cooperation, team spirit and personal responsibility, dependability and vision. Our employees can rely on these cornerstones of how we interact. Flextime models are family-friendly and a firm part of our working world. As part of our Employee Share Program, we help employees acquire shares in their own company.

Our employees know that we care about their well-being. We promote their health extensively with our “KWS Healthy Working World” initiative. There are activities tailored to the needs of the various locations,

Employees by function
Number of employees 4,843



Teamwork and creativity are needed – in the NEWCOMER project, KWS trainees have taken over joint responsibility for the KWS Art Lounge that was opened in 2015.

such as medical checkups, dietary advice, sports courses and support in stress management. In September 2015, KWS SAAT SE was presented with the Corporate Health Award, which is under the patronage of the German Ministry of Health, in the category "Excellence": Our company was cited as "exemplary in how it is committed to promoting the health, fitness and capabilities of its employees and in the proactive, sustainable HR policy it pursues."

We also support our employees in their involvement in non-profit organizations or work for social causes. Among other things, the projects aim to help refugees in Germany, the homeless or socially disadvantaged families in the U.S. and seriously ill children in Russia. We attach importance to our aid being geared to local needs.

Seeding the Future in a cosmopolitan manner: A colorful mix

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

Seeding the Future in a spirit of partnership: Constructive dialogue with the Works Committees

The working relationship with our Works Committees is close and trusted. In meetings with management, issues are discussed openly and common solutions are found constructively.

KWS has had a new employee representative body since this fiscal year: the European Employee Committee. It always becomes actively involved if matters affecting the relevant rights and obligations of employees from at least two EU counties are discussed. That reflects the greater internationalization of KWS and the legal form of our company.

Key figures for employees (in Germany)

		2015/2016	2014/2015	+/–
Number of employees in Germany[1]		1,908	1,868	2.1%
of which part-time employees		392	367	6.8%
Ratio of men	in %	50.9	50.9	
Ratio of women	in %	49.1	49.1	
Number of trainees		97	100	–3%
Trainee ratio	in %	5.1	5.3	
Average age (in years)		40.5	40.4	
Length of service (in years)		13.2	13.0	1.5%

1 Average number of employees.

Economic Report

Business Performance

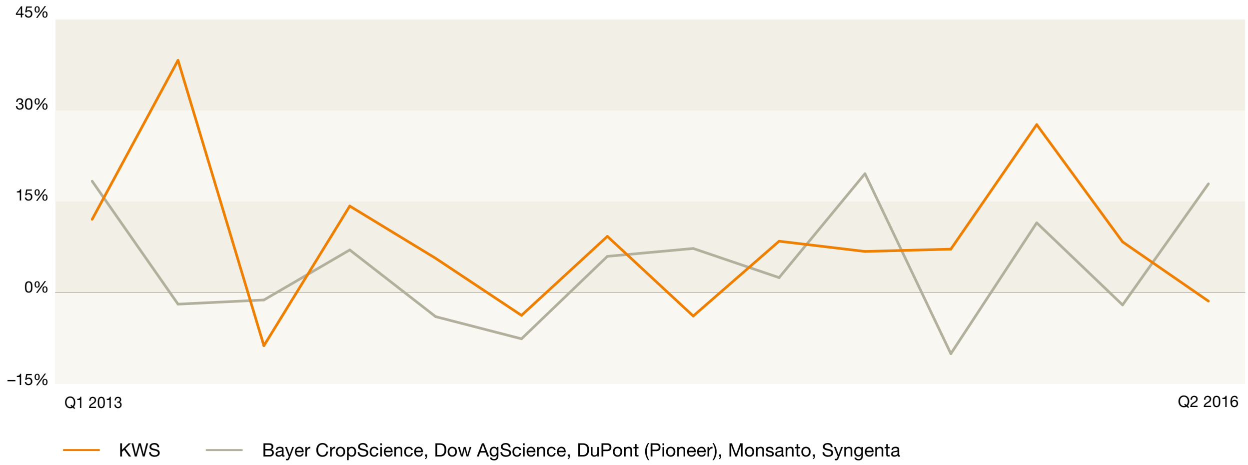
General developments and business performance of the KWS Group

In some cases, sharp declines in cultivation area in the regions, volatile exchange rates and prices for agricultural raw materials that remained at a low level defined the economic climate in fiscal 2015/2016. Nevertheless, KWS increased its net sales within the forecast range by 5.2% to €1,036.8 (986.0) million, mainly thanks to the success of the Sugarbeet Segment. All in all, the performance of the Brazilian real and the Russia ruble had a particularly negative impact on net sales. Research and development expenditure rose slightly and was thus in line with our forecast, with R&D intensity coming in as expected at 17.6% (17.7%). The KWS Group's earnings strength remained virtually constant with EBIT at the level of the previous year. We had assumed a much lower EBIT in the third quarterly report. The final result was mainly attributable to the very good performance of the Sugarbeet Segment, as well as positive effects from measurement of balance sheet items denominated in foreign currency on the reporting date, a factor that is difficult to anticipate. The EBIT margin was 10.9%. As a result, the KWS Group turned in a successful business performance for the year as a whole – and bucked the in part lower trend for net sales in the industry in the same period.

General developments and business performance of the segments

KWS regularly generates around 20% of its annual net sales in the first and second quarters (July to December). The fall sowing season for **cereals** mainly determines its business performance in this period. Demand for high-quality cereal varieties remained low throughout the industry in the year under review, which had a negative impact on the Cereal

Seeds industry – sales development
Growth rates per quarter (compared with previous-year's level, effective)



We invest over 17% of our net sales in research and development. That's where the foundations for our company's future are laid.

Segment's net sales and income. However, we had largely taken that into account in our guidance, so we did not have to make any significant changes to it during the year. We generate most of our annual net sales in the third and fourth quarters (January to June), mainly from our hybrid corn and sugarbeet crops. The net sales predominantly come from regions in the moderate climatic zone, such as North America, Europe and China. The biggest increases in net sales at the **Corn Segment** in the year under review were in North and South America. However, our performance in Europe was weaker than anticipated. Gains in market share only partially compensated for declining cultivation areas and low demand for corn. In addition, special effects that are difficult to foresee, such as negative exchange rate effects – including the devaluation of the Brazilian real – reduced the segment's growth in net sales. These developments during the course of the year were the main reasons why we reduced our guidance for the Corn Segment during the year. However, demand in the **Sugarbeet Segment** was higher than anticipated – and so our business performance in all regions significantly surpassed our expectations, leading us to raise our guidance for this segment during the year. We were helped by the positive performance of the US dollar and unexpected increases in cultivation area in the EU. We expanded our already high market shares in many countries. In the **Corporate Segment**, there were positive exchange rate effects on the reporting date and lower expenditures for individual central functions. EBIT was thus more positive than anticipated in May 2016.

Guidance versus actual business performance of the KWS Group

	Results for 2014/2015	Guidance for 2015/2016	Adjustments to the guidance during the year			Results for 2015/2016
		Annual Report (10/15/2015)	1st Quarterly Report (11/24/2015)	2nd Quarterly Report (02/25/2016)	3rd Quarterly Report (05/26/2016)	
Net sales	€986.0 million	+5 to 10%	–	–	–	€1,036.8 million; +5.2%
R&D intensity	17.7%	Around 17%	–	–	–	17.6%
EBIT margin	11.5%	≥10.5%	≥10.0%	–	–	10.9%

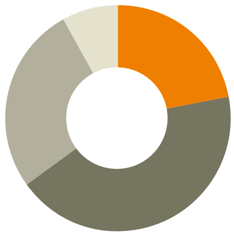
Earnings, Financial Position and Assets

Earnings

Increase in net sales

The KWS Group successfully expanded its business activity in the year under review. Although the market environment remained volatile and challenging and was characterized by exchange rate fluctuations and low prices for agricultural raw materials, net sales rose by €50.8 million to €1,036.8 (986.0) million, an increase of 5.2%. After adjustment for exchange rate effects, net sales would have been €1,070.7 million. All product segments, but mainly sugarbeet and corn seed business, contributed to this increase. The higher net sales from sugarbeet seed were mainly from our business activity in North America, Northern and Eastern Europe and the Middle East (Turkey). Significant factors in that were increased market share, expanded cultivation areas and the advantageous performance of the US dollar. The increase in net sales from corn seed was achieved in particular in Brazil. As expected, however, our revenue from cereals grew only slightly due to low cereal prices and the generally low demand for high-quality cereal seed. The fall in demand for hybrid rye seed also had a negative impact.

Net sales by region 2015/2016
Total net sales €1,036.8 million



Operating income at the level of the previous year

The cost of sales rose by 6.0% to €480.9 (453.5) million in the year under review. This figure includes higher material costs due to poor weather conditions for seed multiplication, as well as costs from amortization of the genetically modified traits we acquired. The gross margin in the year under review was thus 53.6% (54.0%). We increased our distribution activities in order to further expand and strengthen our business activity, in particular in growth regions. Consequently, our selling expenses in the past fiscal year increased by 4.1% to €196.8 million, giving a selling expense ratio of 19.0% (19.2%). Research and development expenditure rose by 4.5% to €182.4 (174.6) million. General and administrative expenses increased less than proportionately relative to net sales by 2.1% to €76.4 million. The balance of other operating income and other operating expenses was €12.5 (19.3) million. It thus fell 35.2% year on year as a result of low reversals of allowances on receivables and lower other operating income. The related individual items are explained in detail in the Notes on pages 114 to 115. All in all, the KWS Group posted EBIT of €112.8 (113.4) million, almost at the same level as the previous year. The EBIT margin was 10.9% (11.5%).

Joint ventures increase contributions to earnings – net income for the year slightly up from the previous year

Income from equity-accounted financial assets is part of the net income from equity investments. It increased to €26.5 (23.7) million in the year under review – due to the fact that our joint ventures in North America expanded their business activity and initial income was generated by our Chinese joint venture KENFENG – KWS SEEDS CO., LTD. – and was thus 11.5% above the level of the previous year. Other net income from equity investments fell, since SOCIETE DE MARTINVAL was acquired in full in September 2014 and thus a one time gain from revaluation of the existing shares was included in the previous fiscal year. A further component of net financial income/expenses is the interest result, which fell to €–11.7 (–10.8) million, among other things because a new borrower's note loan of €70 million was raised. Net financial income/expenses was thus €14.8 (16.7) million. Earnings before taxes were €127.6 (130.1) million and income taxes totaled €42.3 (46.1) million, meaning that the tax rate fell to 33.1% (35.4%). The KWS Group's net income for the year was €85.3 (84.0) million. Earnings per share consequently rose to €12.92 (12.53).

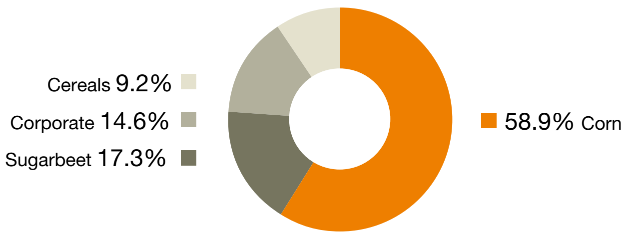
Abridged income statement

		2015/2016	2014/2015	+/–
Net sales	in € millions	1,036.8	986.0	5.2%
Operating income	in € millions	112.8	113.4	–0.5%
Net financial income/expenses	in € millions	14.8	16.7	–11.4%
Result of ordinary activities	in € millions	127.6	130.1	–1.9%
Income taxes	in € millions	42.3	46.1	–8.2%
Net income for the year	in € millions	85.3	84.0	1.5%
Earnings per share	in €	12.92	12.53	3.1%
EBIT margin	in %	10.9	11.5	

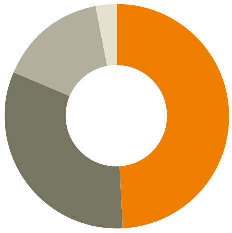
Financial Situation

The task of financial management at the KWS Group is to secure the company's financial assets long-term and ensure adequate earnings strength. Only then is KWS Group always able to operate with financial independence as well as flexibly shape its growth activities. Financial management at the KWS Group is run from headquarters in Einbeck. This central controlling increases transparency and helps minimize risks. The KWS Group uses financing, investment and hedging instruments as part of financial management. Derivatives are used primarily to hedge the risk of interest rate changes and currency risks.

Total capital expenditure by segment

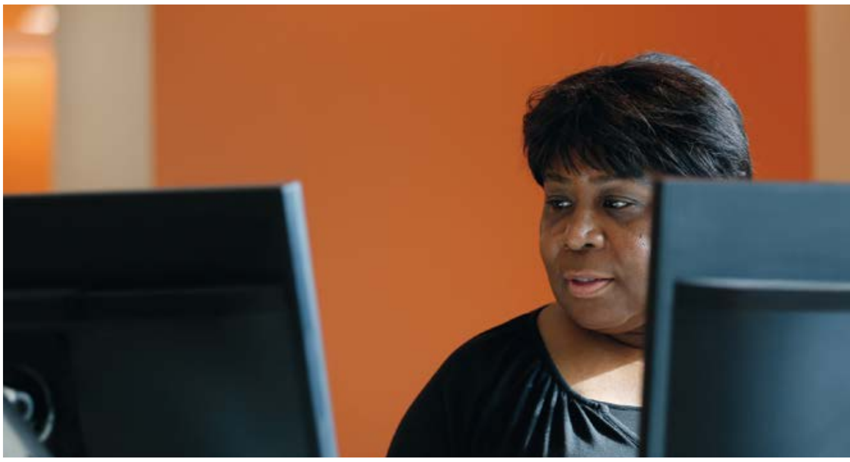


Total capital expenditure by region



Cash earnings were €107.3 (92.1) million and thus higher than in the previous year, due to the higher net income for the year before depreciation and amortization and lower other non-cash income. The far lower capital tie-up year on year as a result of a reduction in trade receivables was a major factor in the fact that net cash from operating activities rose to €125.9 (48.1) million. The net cash from investing activities totaled €–92.2 (–123.8) million. In September 2014, the acquisition of SOCIETE DE MARTINVAL resulted in higher payments. The figure for the previous year was consequently higher. We successfully issued a borrower's note loan of €70 million in December 2015. Due to lower borrowings overall, the net cash from financing activities fell slightly to €21.4 (48.4) million. The KWS Group's cash funds at June 30, 2016, rose sharply to €163.9 (108.2) million.

A syndicated loan with a total volume of €200 million and running until October 2020 still exists with KWS SAAT SE's principal bankers to finance operating resources during the year.



The KWS family is growing and becoming more and more international. Around 60% of our employees now work outside Germany.

Total capital spending fell by 24.9% year on year and was €99.6 (132.5) million in fiscal 2015/2016. The biggest single investments related to the already mentioned licensing agreement for corn trait technology and expansion of our production and breeding capacities. Our investments in Germany included a new breeding station and a new greenhouse complex. Depreciation and amortization were €48.2 (45.9) million.

Selected key figures on the financial situation

		2015/2016	2014/2015	+/–
Cash and cash equivalents	in € millions	163.9	108.2	51.5%
Net cash from operating activities	in € millions	125.9	48.1	>100.0%
Net cash from investing activities	in € millions	–92.2	–123.8	25.5%
Net cash from financing activities	in € millions	21.4	48.4	–55.8%

100% attention to their "plant children" by our employees is a mainstay of our commercial success.

Assets

The KWS Group's total assets increased by 7.4% in fiscal 2015/2016 to €1,436.6 (1,337.1) million. Non-current assets rose to €667.9 (633.0) million, mainly due to planned investments in new production plants and research and development capacities. Current assets at the balance sheet date were €768.7 (704.1) million. This increase was attributable, in particular, to much higher cash and cash equivalents, which were impacted by the reversal of securities positions and earlier receipts of payments. The earlier receipts of payment were also the reason for the decline in trade receivables. The increase in inventories was not as sharp as in the previous year thanks to intensive stock management. As a result, net borrowings at the end of the fiscal year fell to €87.9 (105.9) million, despite the additional borrower's note loan of €70 million.

On the other side of the balance sheet, equity rose by 4.0% to €767.9 (738.7) million, mainly due to the increase in retained earnings. As a result, noncurrent assets were fully covered by equity. Raising of the borrower's note loan in December 2015 meant that noncurrent liabilities rose to €393.6 (316.7) million. As a result, the KWS Group's equity ratio is 53.5% (55.2%). The balance sheet thus reflects a solid financing structure. We also do not plan to make any significant changes to our financial policy in the future.

Abridged balance sheet

		06/30/2016	06/30/2015	+/–
Assets				
Noncurrent assets	in € millions	667.9	633.0	5.5%
Current assets	in € millions	768.7	704.1	9.2%
Equity and liabilities				
Equity	in € millions	767.9	738.7	4.0%
Noncurrent liabilities	in € millions	393.6	316.7	24.3%
Current liabilities	in € millions	275.1	281.7	–2.3%
Total assets	in € millions	**1,436.6**	**1,337.1**	**7.4%**

Segment Reports

Reconciliation with the KWS Group

The KWS Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The segments are presented in the Management Report in line with our internal corporate controlling structure in accordance with GAS 20. The main difference is that we can no longer carry the revenues and costs of our joint ventures in the statement of comprehensive income (in accordance with IFRS 11), so the KWS Group's net sales and EBIT are lower than the total for the segments. The earnings contributed by the joint ventures are instead included under net financial income/expenses. In addition, their assets are included in the KWS Group's balance sheet as equity-accounted financial assets. So as to retain transparency on our operational development, the joint ventures are included in the segment reports. The difference from the KWS Group's statement of comprehensive income is summarized for a number of key indicators in the reconciliation table:

Reconciliation table

Disclosures		Segments	Reconciliation	KWS Group
Net sales	in € millions	1,356.8	–320.0	1,036.8
EBIT	in € millions	141.1	–28.3	112.8
Number of employees	avg.	5,472	–629	4,843
Capital expenditure	in € millions	159.7	–60.1	99.6
Total assets	in € millions	1,563.2	–126.6	1,436.6

The reconciliation between the KWS Group's statement of comprehensive income and the reporting by segments in fiscal 2015/2016 is impacted by our joint ventures in the North American and Chinese corn markets. That applies to all key figures in the above table, with the main influences coming from North America. Net sales and EBIT increased in North America, which also affected the reconciliation. The Chinese joint venture KENFENG – KWS SEEDS CO., LTD. was awarded its business license in the year under review, so it was able to generate net sales for the first time and was carried at equity in the KWS Group's annual financial statements.

Corn Segment

Key figures

		2015/2016	2014/2015	+/–
Net sales	in € millions	795.2	754.4	5.4%
EBIT	in € millions	63.6	84.2	–24.5%
EBIT margin	in %	8.0	11.2	
Capital expenditure	in € millions	119.1	44.5	>100.0%
Capital employed (avg.)	in € millions	654.4	585.4	11.8%
ROCE (avg.)	in %	9.7	14.4	

The segment's performance: Net sales grown – earnings impacted by the eco nomic climate

We grew the Corn Segment's operational business and increased its net sales by 5.4% to €795.2 (754.4) million. The growth in net sales in North and South America offset the slight decline in Europe. With the exception of the US dollar, most foreign currencies, such as the Russian ruble, Ukrainian hryvnia, Brazilian real and Argentinean peso, fell in value against the euro, which had a negative impact overall in view of the contributions these countries make to net sales. After adjustment for exchange rate effects, the segment's net sales would have risen by around 7.4% to €810.0 million.

We accomplished our main research and development projects as planned in the year under review. We also expanded our distribution activities further. The additional expenses for that totaled €9.5 million. The negative impact of the weather on seed production resulted in quality and volume-related problems and thus ultimately in higher cost of sales. In addition, amortization of the acquired trait technology reduced the segment's earnings. All in all, the segment's EBIT fell sharply by 24.5% to €63.6 (84.2) million. The EBIT margin was thus 8.0% (11.2%).

Economic environment: Agricultural markets remain turbulent

The economic climate did not change compared to the previous year and was still characterized by intense competition. Global stocks of agricultural raw materials were still at the high levels of the previous year. Consumer prices for corn therefore remained low and volatile. There were differing trends regarding corn cultivation areas: The area increased in North and South America, but declined in Europe and Asia, in some cases in important cultivation regions.

The regions: Net sales grow in North and South America – area in Europe declines

The corn cultivation area in the U.S. was roughly 38.1 million hectares, one of the highest-ever figures. Our 50:50 joint ventures there with the French company Vilmorin & Cie (a listed company of Limagrain) expanded their business activity in the year under review. As a result, pro-rata net sales from North America increased by 14.7% to €312.1 (272.1) million. The performance of the US dollar also had a positive impact on net sales.

In Brazil, we pressed ahead with changing the portfolio over to our own varieties. Revenue from corn seed rose despite the devaluation of the Brazilian real, and KWS' market share increased by almost 2%. We also increased our market share in Argentina by around 3%, despite the fact that cultivation area there fell.

Low commodity prices not only put pressure on the cultivation area for grain corn in Europe, but also resulted in restrictions to the area used for growing silage corn in some regions. These effects could not be offset everywhere by gains in market share and so there were slight declines in net sales.

The pace of growth in China was a little lower than last year, also due to a decline in cultivation area, especially in the northeast of the country. We expanded our local business structures. For the first

Corn

time, our joint venture KENFENG – KWS SEEDS CO., LTD. prepared complete annual financial statements, which were included proportionately in the segment's results.

Oil seed business in Europe increases net sales – capital expenditure increases due to licensing agreement

The oil and field seed business in the Corn Segment includes soybeans, winter rapeseed, sunflowers and sorghum. Revenue from this business rose by a total of 6.3% to €94.2 (88.6) million. Our European winter rapeseed business went very well, increasing by 18.2%. Other oil seed business – primarily North and South American soybean revenue – grew by 5%.

The segment's capital expenditure amounted to €119.1 (44.5) million. The biggest single investment related to the licensing agreement for new corn technology concluded in October 2015. Capital expenditure on property, plant and equipment mainly related to construction or expansion of production plants, such as in Ukraine and China. In North America, we also acquired the corn and sorghum business of Golden Acres together with Vilmorin & Cie.

Mighty corn – one hectare of silage corn supplies the basic feed needed for three to four cows per year and in its growth phase "recycles" the CO_2 emitted by a car driving 60,000 km.

Sugarbeet Segment

Key figures

		2015/2016	2014/2015	+/–
Net sales	in € millions	439.5	390.5	12.5%
EBIT	in € millions	118.6	93.0	27.5%
EBIT margin	in %	27.0	23.8	
Capital expenditure	in € millions	17.2	24.0	–28.3%
Capital employed (avg.)	in € millions	242.9	236.1	2.9%
ROCE (avg.)	in %	48.8	39.4	

The segment's performance: KWS expands its market leadership
KWS specializes in breeding regionally adapted sugarbeet varieties and for years has provided its customers with varieties that turn in first-class performance. New high-performance varieties and strengthening of our sales teams in the segment's growth regions were again the foundation for our successes in the year under review. We grew our net sales from sugarbeet seed in just about all regions, mainly on the back of gains in market share. The growth was particularly significant in North America, Northern and Eastern Europe and the Middle East (Turkey). As a result, we were able to increase the segment's net sales by 12.5% to €439.5 (390.5) million. Our good performance was underpinned by positive exchange rate effects, all in all, and greater cultivation areas in Europe and Asia. The negative exchange rate effects from Eastern Europe were more than compensated for, in particular by the performance of the US dollar. After adjustment for exchange rate effects, the segment's net sales were €437.6 million. Overall, the segment achieved a global share of 55% (53%) in the sugarbeet seed market in the year under review. That means KWS remains the world's clear market leader by far.

The segment's earnings rose, mainly as a result of expanded business and higher market share. We reduced our selling expense ratio by means of targeted cost management. Research and development activities increased in line with our medium-term planning, while administrative expenses again remained stable. Thanks to improved stock management, the expenses from writing down and destroying inventories were lower than in previous years. The segment ultimately posted a sharp increase in EBIT of 27.5% to €118.6 (93.0) million.

Economic environment: Demand for sugar outstrips supply
Due to constantly growing demand, the global sugar price climbed to more than 550 US dollars per ton of white sugar in June 2016 – its highest level since 2012. Cultivation areas in Europe and Asia increased slightly, following declines in the previous year. The exchange rate of currencies against the US dollar had a positive impact for the segments. The economic climate in Russia and Ukraine remained tough, in particular because of their volatile currencies. The Turkish lira also fell slightly in value. The sugar market regime in the EU will no longer apply as of October 2017. The sugar production from the 2016 sugarbeet harvest, which will be marketed in the 2016/2017 sugar year, will thus be the last to be produced under the existing market regime. Our expectations for the segment can be found in the forecast report on pages 56 to 57.

The regions: Increase in revenue in all main cultivation regions
Outside the EU 28, revenue from sugarbeet seed increased sharply again, in particular in North America, Eastern Europe and the Middle East. We improved our very good market position further thanks to good variety performance and expansion of distribution activities. On the back of stable market share, net sales in North America benefited especially from the performance of the US dollar. Cultivation area in the EU 28 rose by approximately 8%, which had a

Sugarbeet

positive impact on our business. We increased our net sales in the UK, the Netherlands, Sweden and Germany. There were also increases in cultivation area in Eastern Europe, a region with great growth potential for the segment. Here too, additional distribution activities and good variety performance helped us improve our market position.

Improvement in the quality of seed – focus on hybrid potato breeding

The segment's capital expenditure totaled €17.2 (24.0) million. It mainly went to renovating seed production plants. In North America, we completed modernization of our sugarbeet seed production plant in Tangent, Oregon, a project that took several years and in which we invested a total of more than €35 million. Apart from higher seed quality, we will also boost efficiency in the future. At the same time, the entire software landscape in North America was pooled and simplified. Other capital spending related to modernization of cold stores for breeding activities, construction of a greenhouse complex in the U.S. and development of a new technology for harvesting beet in trials. We will increase the capacity of the seed production and processing plants in Einbeck in the coming years, and also prepare them for being able to handle CONVISO® SMART sugarbeet.

In the potato business segment, we will focus in the future on developing hybrid potatoes. We sold our conventional seed potato business to Stet Holland B.V. during the fiscal year. Seed potato business contributed net sales of €27.9 (26.1) million and negative income to the segment in the year under review.

Sweet as sugar – one sugarbeet delivers an average of around 40 sugar cubes.

Cereals Segment

Key figures

		2015/2016	2014/2015	+/–
Net sales	in € millions	118.0	111.3	6.0%
EBIT	in € millions	9.0	12.0	–25.0%
EBIT margin	in %	7.6	10.8	
Capital expenditure	in € millions	9.2	44.4	–79.3%
Capital employed (avg.)	in € millions	120.7	109.0	10.7%
ROCE (avg.)	in %	7.5	11.0	

The segment's performance: Net sales grow as a result of acquisition

The segment's net sales increased year on year by 6.0% to €118.0 (111.3) million. This rise is attributable to the acquisition of the remaining shares in SOCIETE DE MARTINVAL (MOMONT) in France in September 2014. MOMONT's entire earnings were recognized in the segment for the first time in the year under review. Hybrid rye business, which is important for the Cereals Segment, declined as expected, in particular because the differences in selling prices between rye and wheat were higher than in previous years. Moreover, weather-related factors kept the advantages of hybrid rye from being fully realized. Royalties from licensing of winter wheat also declined. However, our net sales from barley varieties rose, among other things for malting barley. The segment's income was impacted in particular by pinpointed expenditure on research and development and distribution, which was increased by around €10.1 million. The decline in hybrid rye business entailed higher expenditure on inventories and far lower contributions to earnings overall. The segment's EBIT thus fell to €9.0 (12.0) million. The EBIT margin was 7.6% (10.8%).

Economic environment: Prices for agricultural raw materials remain low

Multiple factors had a negative impact on our cereal operations in the year under review. The consistently good weather and cultivation conditions ensured that there was still a strong supply of agricultural raw materials. In conjunction with influences that restrained demand, such as barriers to trade in Eastern Europe, this resulted in low consumer prices for milk, meat and cereals. Farmers therefore suffered perceptible reductions in their liquidity. Against this backdrop, demand for high-quality cereal seed also fell in the segment's core regions. Farmers tended to use farm-saved seed from the harvests of previous years. Low meat prices also led to a reduction in livestock, which had a negative impact on demand for cereals for fodder. In seed production, the good weather conditions and other factors resulted in high inventories on a scale not planned.

The regions: KWS still has good market positions

Germany is the most important single market for our Cereals Segment. We generate around 40% of net cereal sales there, mainly from hybrid rye, wheat and barley. Domestic net sales declined slightly in the year under review, in particular due to the difficult hybrid rye business. Nevertheless, KWS remained the clear market leader there, with a share of some 60%. In addition, our product pipeline contains high-performance hybrid rye varieties that we expect to be awarded market approval soon.

We were able to grow net sales in our Northern Europe region, in particular in the Benelux countries, Scandinavia and the UK. It accounted for around 30% of the segment's net sales. The declines in wheat licensing business were more than compensated for by very good barley business.

In France, we successfully completed integration of the MOMONT Group. The acquisition had a positive impact on net sales in the region. However,

Cereals

the increase was lower than expected. The main reasons for that were lower demand industry-wide for high-quality cereal seed and greater use of farm-saved seed by farmers. In this climate, we were able to maintain our market position in the crops that are important in France, namely wheat, barley and rapeseed. Net sales in the region were almost 10% of the segment's net sales.

Capital expenditure continued – strong variety pipeline for the near future

The segment's capital expenditure totaled €9.2 (44.4) million. We invested primarily in expanding and modernizing breeding stations and production plants in the year under review. These activities are in line with our long-term corporate planning and are intended to maintain or further improve the quality of our seed and varieties. Capital expenditure was higher in the previous year due to the acquisition of the remaining shares in MOMONT.

Apart from the development of new varieties, our breeding activities include long-term research and development projects, such as establishment of hybrid breeding for barley and wheat. Another objective is to develop hybrid rye varieties that are adapted to growth conditions in Eastern Europe and North America. We are also working on alternative uses of rye for fodder, for example. These activities are intended to help us tap additional market potential in the medium term. In the short term, we expect to improve our competitive position with new high-performance varieties, in particular in the field of hybrid rye.

Ear, ear – roughly 10,000 loaves of bread can be baked from the harvest of one hectare of wheat.

Corporate

A real eye-catcher – the new company logo with claim on the KWS campus in Einbeck.

Corporate Segment

Key figures

		2015/2016	2014/2015	+/–
Net sales	in € millions	4.1	4.2	–2.4%
EBIT	in € millions	–50.1	–51.2	2.1%
Capital expenditure	in € millions	14.3	20.1	–28.9%

The Corporate Segment's net sales are generated from our farms in Germany. In the past fiscal year they were €4.1 (4.2) million. All cross-segment costs are also allocated to the segment. They include expenses for all central functions of the KWS Group and for long-term research projects. The segment's net sales cannot cover these expenses. As a result, the segment's income (EBIT) is always clearly negative. It was positively impacted by exchange rate effects on the reporting date and was € –50.1 (–51.2) million in the year under review.

Report on Events after the Balance Sheet Date

There were no events after June 30, 2016, that can be expected to have a significant impact on the KWS Group's earnings, assets and financial position.

Opportunity and Risk Report

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

Opportunities

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

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

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

Market opportunities also result from our intensified activities in subtropical regions. Our corn activities in Brazil and China will enable us to tap additional sales potential for the KWS Group in the medium to long term, including in other subtropical markets, by developing varieties tailored precisely to their climatic conditions. In particular in China, there is a good opportunity to participate in the government's declared increase in performance in the corn market.

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

Risks

We define a risk as a potential future event that might have a negative impact on our business.

Objectives and strategies in risk management

A vital aspect of risk management at KWS is to include all employees, who assess and are responsible for risks on the ground. This enables risks to be identified, assessed, controlled and reported on promptly. The risk management system supports and monitors this process. With proactive strategies, we reduce or avoid negative impacts on our business so that we can survive and thrive on the world market.

Structure of the risk management system

The Executive Board is responsible for risk management. The Group functions Corporate Finance, Corporate Compliance Office, Corporate Development & Communications and Corporate Controlling share the tasks (see the table). In addition, the Corporate Management Circle (first and second management levels) form the Risk Committee of KWS.

Our risk management system is based on the internationally recognized COSO II model (Committee of Sponsoring Organizations of the Treadway Commission). The principles of risk management are enshrined in our group-wide "Rules, Guidelines & Procedures." Core contents of it define the scope of application, responsibilities and reporting lines.

Structure of risk management at the KWS Group

	Tasks
Corporate Finance	■ Early detection of risks ■ Risk management ■ Interest and currency management ■ Insurance ■ Loan management ■ Damage prevention ■ Auditing
Corporate Controlling	■ Planning/budget ■ Current expectation
Corporate Development & Communications	■ Integrated Management System ■ Rules, Guidelines & Procedures (RGPs) ■ Internal audits ■ Excellence Through Stewardship (ETS)
Corporate Compliance Office	■ Compliance Management System ■ Compliance Risk Assessment ■ Compliance training ■ External audits ■ Examinations

As part of its audit of the annual financial statements for fiscal year 2015/2016, Deloitte GmbH Wirtschaftsprüfungsgesellschaft confirmed that our system for early detection of risks complies with the requirements under the German Stock Corporation Act. It also enables early identification of risks that jeopardize the company's existence. Identified weaknesses are reported to the Executive Board and the Supervisory Board and rectified in the continuous improvement process.

Risk management process

The risk management process at KWS consists of the phases of identification, assessment, control and monitoring of risks and risk reporting. By risk identification, we mean that the persons responsible for a risk process and area record the potential risks in an electronic platform for sharing information. The identified risks are plausibilized and summarized in a risk control matrix. Our risk inventory currently contains around 100 risks and almost as many control activities.

As part of risk assessment, the risks are first analyzed. They are measured after the countermeasures have been concluded. The risks are classified by their likelihood of occurrence and extent of damage and prioritized according to a traffic light system. The "expected damage rating" resulting from the likelihood of occurrence and extent of damage is relevant for assessing a risk's materiality.

Risk controlling comprises instruments with which we aim to reduce risks. It comprises measures to reduce risks, constant monitoring of risks and risk transfer. Systematic reviews are conducted to determine whether controlling is effective; they are documented with the internal control system (ICS). The persons in charge of the processes examine the controls at least once a year to determine that they are effective. In addition, experienced independent auditors examine compliance with the controls using a risk-based approach. A report on the ICS' effectiveness is given to the Audit Committee of the Supervisory Board every year.

Corporate Finance reports to the Risk Committee on the current risk situation at the KWS Group and the business segments every quarter. The Risk Committee then uses this report as the basis for discussing how risks will develop in the future.

Risk management and the internal control system in the accounting process

The risk management and internal control system comprises structures and processes designed to make sure that business transactions are included in accounting promptly, consistently and correctly. The following are examined regularly: the completeness of financial reporting, the Group's uniform accounting, measurement and account allocation stipulations, and the authorization and access regulations for IT systems used in accounting. Intra-Group transactions are consolidated appropriately and in full.

The Group functions Corporate Finance, Group Accounting and Corporate Controlling are responsible for consolidated accounting at KWS. The Group's own service centers help the subsidiaries in preparing their annual financial statements. A uniform system tool subject to the Group's regulations on accounting makes it easier to ensure that the consolidated financial statements comply with the rules.

We talk to each other – open communication is vital to identifying risks at an early stage.

Risk categories

We divide our risks into nine categories, which have been expanded compared with the previous year. For example, we have created a new category: "Product risks." The overview and subsequent explanation give a more detailed description of the categories whose expected damage rating is at least "significant."

Assessment of the risk categories

Risk category	Likelihood of occurrence[1]	Extent of damage[2]	Expected damage rating[3]
Market risks ■ Political instability ■ Fall in sales volumes and/or prices ■ Barriers to market access ■ Currency depreciation ■ Change in interest rates ■ Consolidation in the industry	Possible	Substantial	Significant
Production risks ■ Influence of the weather on multiplication in the field ■ Outage of production systems ■ Product liability	Possible	Substantial	Significant
Procurement risks	Possible	Low	Moderate
Product risks ■ Adverse effects in connection with genetic engineering ■ Lack of access to technologies ■ Lack of patent protection for traits	Unlikely	Existential	Significant
Environmental risks	Unlikely	Low	Moderate
Liquidity risks	Unlikely	Moderate	Moderate
Legal risks ■ Breaches of contract ■ Antitrust proceedings ■ Corruption ■ Violation of data protection ■ Violation of the law ■ Changes to the law ■ Infringement of intellectual property rights	Likely	Moderate	Significant
Personnel risks	Unlikely	Low	Moderate
IT risks ■ Non-availability of IT systems ■ Hacking ■ Data theft ■ Authorization conflicts	Possible	Substantial	Significant

1 Rarely: 1–5%; unlikely: 5–15%; possible: 15–30%; likely: 30–60%; almost certainly: 60–99%
2 Immaterial: <€250,000; low: €250,000 to €500,000; moderate: €0.5 to €4.5 million; substantial: €4.5 to €15 million; critical: ≥€15 million
3 Moderate: <€1 million; significant: €1 to €4.5 million; existential: ≥€4.5 million

Drawing from natural resources to the fullest – but always responsibly.

Market risks

KWS faces political risks in the strongly regulated international agricultural industry. For example, uncertainty continues in Ukraine and the sanctions against Russia are still in place. Both of these factors have the potential to negatively impact our business activities there. We generated net sales totaling €59.9 (59.5) million in the two countries in fiscal 2015/2016. Other growth countries of importance for us, such as Brazil and China, are currently grappling with economic and political difficulties. The economic impact of the United Kingdom's decision to leave the EU (Brexit) in the recent referendum is not significant for our business as far as can be seen at present.

Our business success depends, among other things, on the type of market access, our own variety performance and the competitive environment. However, the global economy has an indirect influence on our net sales and income. We address these challenges with systematic analyses of the market and the competition and by developing high-quality seed all over the world.

Currency risks arise from fluctuations in exchange rates, in particular for receivables and liabilities denominated in foreign currency. There are interest rate risks as a result of potential changes to market interest rates. The interest payable on financial obligations with a variable rate of interest may increase. We address currency risks and the risk of interest rate changes to a reasonable extent through the usual hedging instruments, such as derivatives and forward exchange deals, to reduce the influence on the KWS Group's earnings and assets situation. In fiscal 2015/2016, we hedged our research and development expenditure and inter-company loans almost completely in order to avoid exchange rate risks.

Experts in dialog – quality is a hallmark of our seed, but also of our consulting.

The outcome of the current process of consolidation in the agricultural industry is still open at present. We do not expect any negative impact on our business in the short term. There are opportunities and risks from market consolidation in the medium to long term. For example, market opportunities may arise for KWS as a result of carve-outs and divestments by the new groups for antitrust reasons.

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

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

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

Product risks
Our quality controls include an examination of conventional seed, among other things to determine that it is free of GMOs. Strict requirements must be met regarding handling of genetically modified products, in particular, to prevent GMOs becoming mixed with conventional seed. In the absence of a standardized legal threshold value, a number of European countries practice a policy of zero tolerance. KWS is a member of the “Excellence Through Stewardship” (ETS) initiative. This is an internationally standardized quality management program relating to the use of genetically modified plant material throughout the product life cycle. By becoming a member, we signal our clear commitment to the responsible use of transgenic plant material.

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

Legal risks
KWS faces risks from official proceedings and legal disputes. Legal disputes are possible, in particular, with suppliers, customers, employees, lenders and investors, and may result in payments or other obligations. There were no significant legal proceedings in fiscal 2015/2016.

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

IT risks

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

On the basis of our IT security policies, our IT security organization monitors and controls access to sensitive company data. Firewall and antivirus and software programs are kept up to date and are designed to avoid losses and damage as a result of hacking and malware. There is also an extensive authorization concept. External IT service providers constantly examine our IT security and system authorizations in order to perform an objective risk assessment and provide recommendations for optimization measures.

Overall statement on the risk situation by the Executive Board

Our risk situation increased slightly in fiscal 2015/2016. The most important risks are still related to products and the market. The increasing share of our business in emerging countries and in foreign currency harbors additional political and currency risks. However, they do not jeopardize the existence of the KWS Group, neither individually nor in their entirety.

We feel sure that, thanks to our global footprint, innovative strength and the quality of our products, we can seize opportunities and successfully counter risks as they arise. However, we cannot rule out the possibility that further factors that are currently unknown or which are not assessed as significant may jeopardize the continued existence of the KWS Group in the future.

Contraception by paper bag prevents uncontrolled pollination. Breeding progress requires maximum care in every work step.

Research and development is a must, since the future belongs to innovative varieties that are resistant to pests and offer high yields.

Forecast Report

The expectations of management outlined here are based on our corporate planning and the information it takes into account, including market expectations, strategic decisions, regulatory measures or exchange rate trends. They are subject to the same premises as the consolidated financial statements and forecast our business performance up to June 30, 2017. In our forecast for the KWS Group's statement of comprehensive income, we specify the anticipated net sales, EBIT and R&D intensity excluding the contribution our joint ventures make to net sales and income (in accordance with IFRS 11). You can find the net sales and EBIT expectations in the forecast for the segments. In line with our internal corporate controlling structure, the contributions made by our joint ventures are included proportionately in the segment reports.

Forecast for the KWS Group's statement of comprehensive income

The high stocks of agricultural raw materials worldwide suggest that no recovery in the agricultural industry's economic situation can be expected in the coming fiscal year. Moreover, it looks like there will be a record corn harvest in North America, which will put even more pressure on prices for agricultural raw materials. We therefore anticipate that the economic environment will remain difficult. There is only limited potential for shifts in cultivation area in favor of KWS' important crops, such as corn or sugarbeet, and competition remains very intense. We specifically expect lower net sales in our sugarbeet seed business in North America. Despite the fact that there will no longer be any net sales in Europe from our operational potato business as a result of its sale, we expect net sales in Europe to remain stable or increase slightly. All in all, we expect the KWS Group's net sales to be below our medium- to long-term growth target of at least 5%. At the same time, we expect the EBIT margin to increase slightly compared to the previous year (10.9%), despite the fact that profit contributions from the sugarbeet seed business in North America will probably be lower. We will increase expenditure on ensuring our future growth, maintaining an R&D intensity of around 17%. Our capital spending on property, plant and equipment in the coming fiscal year will relate mainly to the construction of new or expansion of existing production plants, such as increasing the capacity of sugarbeet seed production in Einbeck.

Forecast for the segments

The **Corn Segment** is expected to grow its net sales by between 5% and 10% in the coming year. As far as can be seen at present, all regions will contribute to that. We will successfully expand our business in Europe, assuming that there are no further declines in the corn cultivation area. Net sales in North America will only increase slightly and the high yields from the 2016 harvest mean that expansion of the cultivation area is unlikely. In Argentina, we expect a sharp increase in the corn cultivation area under the new agricultural policy, and we expect to benefit from that. In Brazil, we will further increase the share of our own corn varieties and grow net sales as a whole – albeit not as strongly as in previous years. Despite further expansion of research and distribution, the segment's income will improve as far as can be seen at present. We expect the segment to generate an EBIT margin of around 10%.

We will probably not be able to repeat the exceptional success of the **Sugarbeet Segment** in 2015/2016 in the coming fiscal year. The sale of our operational potato business means that KWS will focus on developing hybrid potatoes in the future. As a result, there will no longer be any revenue from the sale of seed potatoes. We generated net sales of around €28 million in this field in the year under review. In view of our already very large share of the market, we do not see any possibility for further growth in North America. We anticipate a slight decline in net sales there. The EU's Sugar Market Regime will expire in September 2017, which means a new situation for the 2017 spring sowing season. Due to declining sugar stocks, we currently expect cultivation area in the EU to increase slightly. All in all, the segment's net sales are expected to fall by 5% to 10%. The segment's income will probably be lower and the EBIT margin slightly below that of the previous year.

For the fall sowing season in the second half of 2016, the current level of consumer prices for cereals continues to mean low earnings prospects for farmers. In such an environment, demand for high-quality cereal seed will also tend to be lower than in times of high cereal prices. The **Cereals Segment** is therefore expected to post net sales on a par with the previous year. The segment's income will improve, among other things due to lower expenditure on inventory management. We currently anticipate an EBIT margin of just over 10%.

Revenue from our farms in Germany is grouped in the **Corporate Segment**. It should again be around €4 million. All cross-segment costs of the KWS Group are allocated to this segment, which regularly means that its EBIT is negative. It will likely be between €–55 and €–60 million.

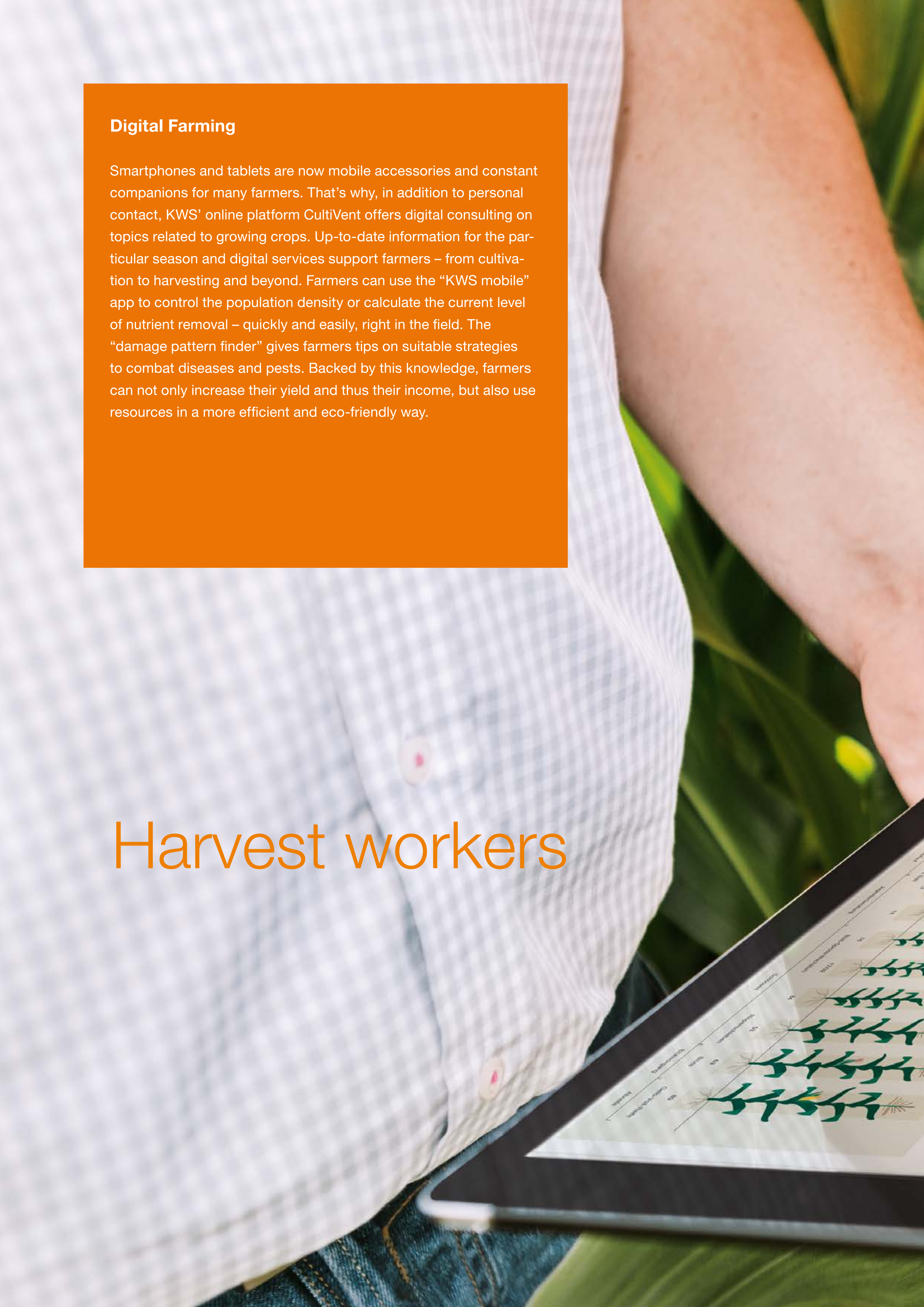
Forecast for the 2016/2017 fiscal year

	Net sales growth	EBIT margin	R&D intensity
Statement of comprehensive income of the KWS Group	< 5%	≥ 11%	Around 17%

Digital Farming

Smartphones and tablets are now mobile accessories and constant companions for many farmers. That’s why, in addition to personal contact, KWS’ online platform CultiVent offers digital consulting on topics related to growing crops. Up-to-date information for the particular season and digital services support farmers – from cultivation to harvesting and beyond. Farmers can use the “KWS mobile” app to control the population density or calculate the current level of nutrient removal – quickly and easily, right in the field. The “damage pattern finder” gives farmers tips on suitable strategies to combat diseases and pests. Backed by this knowledge, farmers can not only increase their yield and thus their income, but also use resources in a more efficient and eco-friendly way.

Harvest workers




CULTI VENT
KWS
Schadbild-Finder Mais
Herzlich willkommen bei CultiVent

Corporate Governance

Corporate Governance Report and Declaration on Corporate Governance[1]

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

You can find detailed information on corporate governance, also with the contents in accordance with Clause 3.10 of the German Corporate Governance Code, in our corporate governance report (which is also the declaration on corporate governance in accordance with Section 289a of the German Commercial Code (HGB)), which is available in full on our website at www.kws.com/ir. You can find the compensation report on the next page.

Compliance Declaration in Accordance with Section 161 AktG (German Stock Corporation Act)[1]

The Executive Board and the Supervisory Board of KWS SAAT SE declare, in compliance with Section 161 AktG (German Stock Corporation Act), that the company has complied with the recommendations of the German Corporate Governance Code in the version dated May 5, 2015, since the last compliance declaration in October 2015, and does now comply, and will comply with them in the future, with the following exceptions:

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

In accordance with Clause 5.4.1 (2) Sentence 1 of the German Corporate Governance Code, the Supervisory Board is to set a limit on the length of time members can serve on the Supervisory Board. This recommendation is not complied with, since in a business with a tradition of family ownership like KWS it would significantly restrict the rights of the family shareholders, who hold a majority stake in the company.

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

Einbeck, October 2016

The Supervisory Board The Executive Board

1 Not part of the audited Combined Management Report

Compensation Report

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

Compensation for members of the Executive Board

The compensation of members of the Executive Board was set by the Supervisory Board and approved by the Annual Shareholders' Meeting. It is based on the size and activity of the company, its economic and financial situation and the level and structure of compensation for managing board members at comparable companies.

The total compensation of the Executive Board comprises the following components:

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

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

The **basic annual salary** in the year under review for all Executive Board members was €300 thousand. The Chief Executive Officer receives an extra "CEO bonus" of 25% on top of the basic annual salary. The basic compensation is paid as a monthly salary. The basic fixed annual salary of Dr. Peter Hofmann was adjusted to the level of the basic salary of the other Executive Board members (€300 thousand per fiscal year) effective July 1, 2015; the other components of Dr. Hofmann's compensation remain unchanged. Pursuant to the resolution adopted by the Supervisory Board on December 17, 2015, Dr. Peter Hofmann was reappointed for a term of five years effective January 1, 2016, before the end of his existing term. The other components of his compensation were adjusted to fully match that of the other Executive Board members at that time.

The all-important pellet. Every single seed embodies our knowledge and mission to deliver maximum performance and quality.

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

The **variable payment** for Executive Board members (performance-related bonus) depends on the company's performance over three years – the sustainable net income. It is calculated on the basis of a fixed percentage of the average net income of the KWS Group for the past three fiscal years. The object of that is for the compensation to reflect the company's performance, positive or negative. Additional payments for any duties performed in subsidiaries and associated companies are offset against the variable payment (performance-related bonus). This – including the fringe benefits – is limited to an amount of €500 thousand for each Executive Board member (€300 thousand for Dr. Peter Hofmann until December 31, 2015) per fiscal year. If sustainable net incomes of more than €100 million in each year are generated in two successive years, the upper limit for the bonus is increased to €600 thousand for each Executive Board member as of the following fiscal year.

Since fiscal year 2010/2011, there has also been a **stock-based bonus system** (the first reference point for which was in January 2012). It is intended to act as a long-term incentive and thus support the company's sustainable development. Every member of the Executive Board is obligated to invest a freely selectable amount ranging between at least 20% and at most 50% of the gross performance-related bonus payment in shares of KWS SAAT SE. The long-term incentive (LTI) is paid in the form of cash compensation after a holding period of five years. It will be paid for the first time at the beginning of 2017. This payment is calculated on the basis of the share's performance over the holding period and on the average return on sales (ROS, based on segment reporting), measured as the ratio of operating income to net sales. The LTI payment is limited to a maximum of one-and-a-half times (two times for Dr. Hagen Duenbostel) of the capital used to acquire the shares.

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

Pension obligations are granted in the form of a direct obligation to provide benefits, with the annual anticipated pensions ranging between €13 thousand and €130 thousand, and a defined contribution plan. In fiscal 2015/2016, €306 (279) thousand was paid to a provident fund backed by a guarantee for pension commitments to members of the Executive Board. A further €423 (143) thousand was allocated to the pension provisions in accordance with IAS 19 (of which €24 thousand was interest expenses and €399 thousand from revaluation effects). Pension provisions totaling €1,384 (960) thousand were thus formed for the members of the Executive Board of KWS SAAT SE.

Pension commitments

in €	06/30/2016	06/30/2015	Interest expenses	Revaluation effects
Dr. Hagen Duenbostel	1,015,005.00	682,379.00	17,059.00	315,567.00
Dr. Peter Hofmann	368,618.00	278,114.00	6,953.00	83,551.00
Total	**1,383,623.00**	**960,493.00**	**24,012.00**	**399,118.00**

The total compensation to be reported for the Executive Board in accordance with Section 314 (1) No. 6a of the German Commercial Code (HGB) in conjunction with German Accounting Standard No. 17 (GAS 17) was €3,531 (3,803) thousand in fiscal 2015/2016. 38.8% (35.6%) was accounted for by the basic annual salary, including fringe benefits, 45.4% (46.8%) by annual variable components and 15.8% (17.6%) by multi-year variable components. The tables below provide an overview of the total compensation granted in the fiscal year on an individualized basis (excluding pension costs).

Total compensation for the Executive Board 2015/2016

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

Total compensation for the Executive Board 2014/2015

in €			Cash compensation		LTI FV[1]	Total	LTI
	Basic compensation	Fringe benefits	Performance-related bonus	Total	Grant		Cost
Dr. Hagen Duenbostel	337,500.00	20,350.50	433,588.53	791,439.03	240,839.40	1,032,278.43	229,067.52
Dr. Léon Broers	300,000.00	21,902.68	433,588.53	755,491.21	216,196.55	971,687.76	174,081.27
Dr. Peter Hofmann	187,499.97	15,905.68	195,114.84	398,520.49	0.00	398,520.49	0.00
Eva Kienle	300,000.00	26,995.92	433,588.53	760,584.45	54,366.70	814,951.15	5,449.04
Phillip von dem Bussche	135,000.00	9,131.94	282,868.06	427,000.00	159,035.30	586,035.30	232,368.96
Total	**1,259,999.97**	**94,286.72**	**1,778,748.49**	**3,133,035.18**	**670,437.95**	**3,803,473.13**	**640,966.79**

1 Long term incentive fair value

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,334 (1,693) thousand, of which €97 (97) thousand was payment under a consultancy agreement. Pension commitments in accordance with IAS 19 (2011) recognized for this group of persons amounted to €8,027 (7,131) thousand as of June 30, 2016. The pension commitments for three former members of the Executive Board are backed by a guarantee. No loans were granted to members of the Executive Board and the Supervisory Board in the year under review.

In the tables below, we present the individual awards and receipts separately for each member of the Executive Board, as incurred in the year under review and in the previous year in accordance with the recommendations in Clause 4.2.5 (3) of the German Corporate Governance Code (DCGK) in the version dated May 5, 2015.

The target compensation, including the agreed lower and upper limits, is shown under “Award.” The LTI awards are assessed at the present value at the time of acquisition of the last tranche of shares. The details on the receipts show the payments actually made to a member of the Executive Board in fiscal years 2014/2015 and 2015/2016.

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

in €			Grant			Receipt
			2015/2016	2014/2015	2015/2016	2014/2015
		min.	max.			
Dr. Hagen Duenbostel (Chief Executive Office)						
Fixed payment	375,000.00	375,000.00	375,000.00	337,500.00	375,000.00	337,500.00
Fringe benefits	21,522.58	21,522.58	21,522.58	20,350.50	21,522.58	20,350.50
Subtotal	**396,522.58**	**396,522.58**	**396,522.58**	**357,850.50**	**396,522.58**	**357,850.50**
Annual variable payment (performance-related bonus)	419,876.27	0.00	478,477.42	421,424.46	421,671.27	433,588.53
Total cash compensation	**816,398.85**	**396,522.58**	**875,000.00**	**779,274.96**	**818,193.85**	**791,439.03**
Multi-year variable payment						
LTI 2013/2014				240,839.40		
LTI 2014/2015	205,561.20	0.00	433,215.59			
Subtotal	**1,021,960.05**	**396,522.58**	**1,308,215.59**	**1,020,114.36**	**818,193.85**	**791,439.03**
Pension costs[1]	107,059.00	107,059.00	107,059.00	98,048.00	107,059.00	98,048.00
Total compensation	**1,129,019.05**	**503,581.58**	**1,415,274.59**	**1,118,162.36**	**925,252.85**	**889,487.03**
Maximum compensation[2]			1,765,000.00	1,765,000.00		
Dr. Léon Broers						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	23,126.34	23,126.34	23,126.34	21,902.68	23,126.34	21,902.68
Subtotal	**323,126.34**	**323,126.34**	**323,126.34**	**321,902.68**	**323,126.34**	**321,902.68**
Annual variable payment (performance-related bonus)	419,876.27	0.00	476,873.66	421,424.46	421,671.27	433,588.53
Total cash compensation	**743,002.61**	**323,126.34**	**800,000.00**	**743,327.14**	**744,797.61**	**755,491.21**
Multi-year variable payment						
LTI 2013/2014				216,196.55		
LTI 2014/2015	205,561.20	0.00	324,911.69			
Subtotal	**948,563.81**	**323,126.34**	**1,124,911.69**	**959,523.69**	**744,797.61**	**755,491.21**
Pension costs[1]	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00
Total compensation	**1,020,563.81**	**395,126.34**	**1,196,911.69**	**1,031,523.69**	**816,797.61**	**827,491.21**
Maximum compensation[2]			1,547,000.00	1,547,000.00		
Dr. Peter Hofmann						
Fixed payment	300,000.00	300,000.00	300,000.00	187,499.97	300,000.00	187,499.97
Fringe benefits	22,835.78	22,835.78	22,835.78	15,905.68	22,835.78	15,905.68
Subtotal	**322,835.78**	**322,835.78**	**322,835.78**	**203,405.65**	**322,835.78**	**203,405.65**
Annual variable payment (performance-related bonus)	335,901.02	0.00	377,164.22	189,641.01	337,337.02	195,114.84
Total cash compensation	**658,736.80**	**322,835.78**	**700,000.00**	**393,046.66**	**660,172.80**	**398,520.49**
Multi-year variable payment						
LTI 2013/2014				0.00		
LTI 2014/2015	64,567.30	0.00	102,055.60			
Subtotal	**723,304.10**	**322,835.78**	**802,055.60**	**393,046.66**	**660,172.80**	**398,520.49**
Pension costs[1]	78,953.00	78,953.00	78,953.00	60,663.00	78,953.00	60,663.00
Total compensation	**802,257.10**	**401,788.78**	**881,008.60**	**453,709.66**	**739,125.80**	**459,183.49**
Maximum compensation[2]			1,047,000.00	635,250.00		

1 In accordance with IAS 19R from commitments for pensions and other pension benefits; this relates to costs for the company, not the actual entitlement or payment
2 The total compensation is limited individually to a maximum overall amount per fiscal year

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

in €			Grant			Receipt
			2015/2016	2014/2015	2015/2016	2014/2015
		min.	max.			
Eva Kienle						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	27,966.54	27,966.54	27,966.54	26,995.92	27,966.54	26,995.92
Subtotal	**327,966.54**	**327,966.54**	**327,966.54**	**326,995.92**	**327,966.54**	**326,995.92**
Annual variable payment (performance-related bonus)	419,876.27	0.00	472,033.46	421,424.46	421,671.27	433,588.53
Total cash compensation	**747,842.81**	**327,966.54**	**800,000.00**	**748,420.38**	**749,637.81**	**760,584.45**
Multi-year variable payment						
LTI 2013/2014				54,366.70		
LTI 2014/2015	82,224.48	0.00	129,964.68			
Subtotal	**830,067.29**	**327,966.54**	**929,964.68**	**802,787.08**	**749,637.81**	**760,584.45**
Pension costs[1]	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00
Total compensation	**902,067.29**	**399,966.54**	**1,001,964.68**	**874,787.08**	**821,637.81**	**832,584.45**
Maximum compensation[2]			1,247,000.00	1,247,000.00		
Philip von dem Bussche (Chief Executive Officer until December 31, 2014)						
Fixed payment	-	-	-	135,000.00	-	135,000.00
Fringe benefits	-	-	-	9,131.94	-	9,131.94
Subtotal	-	-	-	**144,131.94**	-	**144,131.94**
Annual variable payment (performance-related bonus)	-		-	282,868.06	-	282,868.06
Total cash compensation	-	-	-	**427,000.00**	-	**427,000.00**
Multi-year variable payment						
LTI 2013/2014				159,035.30		
LTI 2014/2015	-	-	-			
Subtotal	-	-	-	**586,035.30**	-	**427,000.00**
Pension costs[1]	-	-	-	-	-	-
Total compensation	-	-	-	**586,035.30**	-	**427,000.00**
Maximum compensation[2]			-	-		

1 In accordance with IAS 19R from commitments for pensions and other pension benefits; this relates to costs for the company, not the actual entitlement or payment
2 The total compensation is limited individually to a maximum overall amount per fiscal year

Compensation for members of the Supervisory Board

The Supervisory Board's compensation was set by the Annual Shareholders' Meeting on December 17, 2009, and has remained unchanged since then. It is based on the size of the company, the duties and responsibilities of the members of the Supervisory Board and the company's economic situation. The remuneration includes not only a fixed payment of €28 thousand p.a. and a fixed payment for work on committees, but also a performance-related component. This component is geared toward the company's long-term development. In keeping with that, members of the Supervisory Board receive €400 for each full €0.10 by which the average consolidated annual earnings per share before minority interests for the past three fiscal years, starting with the fiscal year for which the compensation is granted, exceeds the amount of €4.00. The performance-related payment is limited to the amount of the fixed payment.

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

The compensation for the Supervisory Board in the year under review was unchanged over the previous year. Total compensation was €516 thousand exclusive of value added tax. In all, 46% (46%) or €238 (238) thousand of the total compensation is performance-related.

Total compensation for the Supervisory Board

in €	Fixed	Work on committees	Performance-related	Total 2015/2016	Total 2014/2015
Dr. Andreas J. Büchting[1]	84,000.00	0.00	84,000.00	168,000.00	168,000.00
Dr. Arend Oetker[2]	42,000.00	0.00	42,000.00	84,000.00	84,000.00
Hubertus von Baumbach[3]	28,000.00	25,000.00	28,000.00	81,000.00	81,000.00
Jürgen Bolduan	28,000.00	10,000.00	28,000.00	66,000.00	66,000.00
Cathrina Claas-Mühlhäuser	28,000.00	5,000.00	28,000.00	61,000.00	61,000.00
Dr. Berthold Niehoff	28,000.00	0.00	28,000.00	56,000.00	56,000.00
	238,000.00	**40,000.00**	**238,000.00**	**516,000.00**	**516,000.00**

1 Chairman
2 Deputy Chairman
3 Chairman of the Audit Committee

Disclosures in Accordance with Sections 289 (4) and 315 (4) of the German Commercial Code (HGB) and the Explanatory Report of the Executive Board

Composition of the subscribed capital

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

Restrictions relating to voting rights or the transfer of shares

There may be restrictions relating to voting rights or the transfer of shares as a result of statutory or contractual provisions. For example, shareholders are barred from voting under certain conditions pursuant to Section 136 of the German Stock Corporation Act (AktG) or Section 28 of the German Securities Trading Act (WpHG). In addition, no voting rights accrue to the company on the basis of the shares it holds (Section 71b AktG). The Executive Board is not aware of any contractual restrictions relating to voting rights or transfer of shares. If there are no restrictions to voting rights, all shareholders who register for the Annual Shareholders' Meeting in time and have submitted proof of their authorization to participate in the Annual Shareholders' Meeting and exercise their voting rights are authorized to exercise the voting rights conferred by all the shares they hold and have registered. If members of the Executive Board or executive employees have acquired shares as part of the long-term incentive programs, these shares are subject to a lock-up period until the end of the fifth year after the end of the quarter in which they were acquired. The lock-up period for shares that employees have acquired as part of the Employee Stock Programs runs until the end of the fourth year as of when they are posted to the employee's securities account.

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

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

The voting shares, including mutual allocations, of the members and companies of the families Büchting und Arend Oetker listed below each exceed 10% and total approximately 52.5%:

- Dr. Drs. h.c. Andreas J. Büchting, Germany
- Christiane Stratmann, Germany
- Dorothea Schuppert, Germany
- Michael C.-E. Büchting, Germany
- Annette Büchting, Germany
- Stephan O. Büchting, Germany
- Christa Nagel, Germany
- Bodo Sohnemann, Germany
- Matthias Sohnemann, Germany
- Malte Sohnemann, Germany
- Arne Sohnemann, Germany
- AKB Stiftung, Hanover
- Büchting Beteiligungsgesellschaft mbH, Hanover
- Zukunftsstiftung Jugend, Umwelt und Kultur, Einbeck
- Kommanditgesellschaft Dr. Arend Oetker Vermögensverwaltungsgesellschaft mbH & Co., Berlin
- Dr. Marie Theres Schnell, Germany
- Johanna Sophie Oetker, Germany
- Leopold Heinrich Oetker, Germany
- Clara Christina Oetker, Germany
- Ludwig August Oetker, Germany

The voting shares, including mutual allocations, of the members and companies of the families Büchting and Arend Oetker listed above each exceed 10% and total approximately 53.1% for

- Dr. Arend Oetker, Germany

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

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

Shares with special rights and voting control

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

Appointment and removal of members of the Executive Board

Members of the Executive Board of KWS SAAT SE are appointed and removed in accordance with Article 9 (1) and Article 39 (2) of the Council Regulation on the Statute for a European Company (SE Regulation), Article 46 of the Council Regulation on the Statute for a European Company (SE Regulation) and Sections 84 and 85 AktG (German Stock Corporation Act). Section 6 of KWS SAAT SE's Articles of Association also contains provisions that relate to the appointment of members of the Executive Board by the Supervisory Board and that correspond to the statutory regulations.

Amendments to the Articles of Association

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

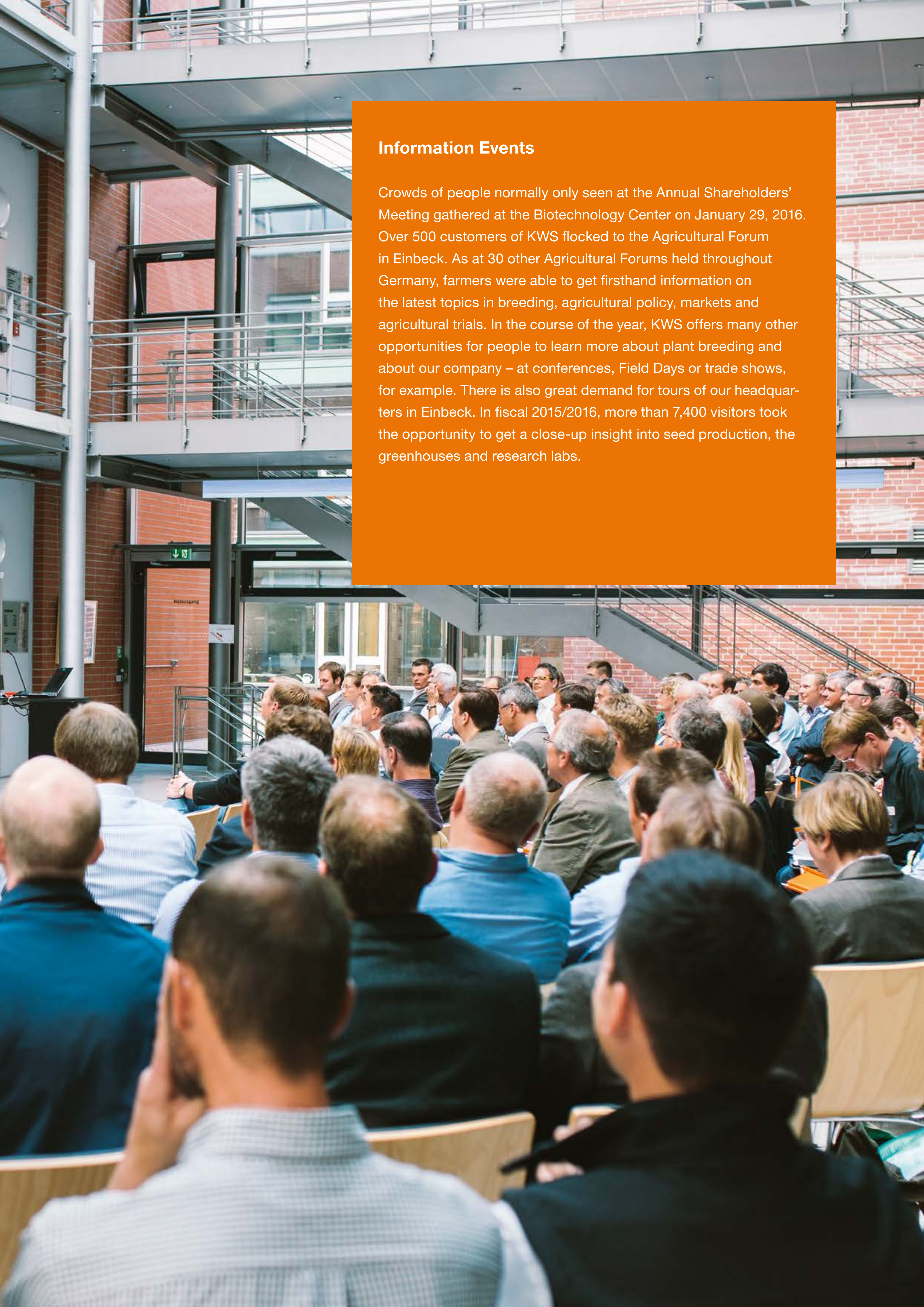
Powers of the Executive Board, in particular in relation to issuing or buying back shares

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

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

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

Crowd-puller



Information Events

Crowds of people normally only seen at the Annual Shareholders' Meeting gathered at the Biotechnology Center on January 29, 2016. Over 500 customers of KWS flocked to the Agricultural Forum in Einbeck. As at 30 other Agricultural Forums held throughout Germany, farmers were able to get firsthand information on the latest topics in breeding, agricultural policy, markets and agricultural trials. In the course of the year, KWS offers many other opportunities for people to learn more about plant breeding and about our company – at conferences, Field Days or trade shows, for example. There is also great demand for tours of our headquarters in Einbeck. In fiscal 2015/2016, more than 7,400 visitors took the opportunity to get a close-up insight into seed production, the greenhouses and research labs.

KWS SAAT SE (Explanations in Accordance to the HGB)

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

The Management Reports of KWS SAAT SE and the KWS Group are combined. The declaration on corporate governance in accordance with Section 289a of the German Commercial Code (HGB), which also contains the compliance declaration in accordance with Section 161 AktG (German Stock Corporation Act), has been published in the Internet at www.kws.com/ir. The following disclosures are identical to those of the KWS Group and are printed in this Annual Report:

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

Disclosures	Page(s)
On the Compensation Report, in accordance with Section 289 (4) of the German Commercial Code (HGB) and explanatory report of the Executive Board	61 to 67
On business activity, corporate strategy, corporate controlling and management, as well as explanations on business performance	22 to 48
On the dividend	13
On research and development	27 to 29
On the sustainability report	49

KWS SAAT SE is the parent company and holding company of the KWS Group. It is responsible for strategic management and, among other things, multiplies and distributes sugarbeet and corn seed. It finances basic research and breeding of the main range of varieties at the KWS Group and provides its subsidiaries with new varieties every year for the purpose of multiplication and distribution. KWS SAAT SE and KWS LOCHOW GMBH concluded a profit and loss transfer agreement on October 15, 2015, which will apply retroactively as of July 1, 2015. The Shareholders' Meeting of KWS LOCHOW on October 15, 2015, and the Annual Shareholders' Meeting of KWS SAAT SE on December 17, 2015, approved conclusion of the profit and loss transfer agreement; as a result, KWS LOCHOW paid a profit of €10.6 million to the company for the first time for fiscal year 2015/2016 on the basis of the agreement. As announced in the last annual report, KWS MAIS GMBH was merged with KWS SAAT SE effective July 1, 2015. The profit from the merger was €67.7 million and is recognized as extraordinary income. The reintegration of KWS MAIS GMBH marked one of several planned steps in simplifying the Group's structure in order to make internal processes more efficient and reduce our administrative overhead. The structure of our segments

Breeding new varieties and developing new technologies takes a long time – and calls for focus and perseverance.

was not affected by this measure. In order to permit better comparability, the figures from the previous year include the relevant contributions by KWS MAIS GMBH. More information is published in the annual financial statements of KWS SAAT SE at www.kws.de/ir (German only).

Earnings

KWS SAAT SE's net sales increased in fiscal 2015/2016 by 1.4% to €458.0 (451.8) million. This rise is mainly attributable to the increase in revenue from sugarbeet seed and the positive performance of winter rapeseed business. Research and development expenditure, which is pooled at KWS SAAT SE, was increased to €158.0 (155.1) million. Selling expenses fell slightly to €59.2 (61.3) million. Most of the administrative functions for the KWS Group are located in KWS SAAT SE. Administrative expenses were €57.0 (55.9) million. The balance of other operating income and other operating expenses rose by €0.9 million to €33.2 million. Overall, KWS SAAT SE's operating income was thus €18.1 (8.4) million. Net financial income/expenses is made up of the net income from equity investments from eight (seven) companies and the interest result. It fell to €18.0 (36.7) million, in particular due to expenses from operational potato business and a rise in interest expense. Taking into account tax expenditures, net income for the year was €100.7 (32.5) million.

Assets and financial situation

KWS SAAT SE's total assets increased in the year under review by 21.8% to €885.2 (727.0) million. Fixed assets at the balance sheet date were €485.4 (420.8) million or 54.8% (57.9%) of total assets. The increase in fixed assets is mainly due to a rise in intangible assets and financial assets. At the same time, current assets rose by 30.6% to €398.4 (305.1) million, mainly due to the increase in cash and cash equivalents to €105.1 (12.8) million. Inventories rose by 13.5% to €67.0 (59.0) million, while receivables and other assets fell to €206.4 (226.2) million. KWS SAAT SE's equity increased to €266.4 (253.0) million, giving an equity ratio of 30.1% (34.8%). There was an increase in the liabilities to banks to €225.1 (150.0) million, mainly due to the issue of a further borrower's note loan of €70.0 million. In addition, liabilities to affiliated companies rose to €237.3 (161.7) million, mainly due to financing activities. KWS SAAT SE's total liabilities were €493.0 (345.6) million.

Employees

An average of 1,424 (1,326) people were employed at KWS SAAT SE in the year under review, of whom 116 (124) were trainees and interns.

Risks and opportunities

The risks and opportunities at KWS SAAT SE are essentially the same as at the KWS Group. It shares the risks of its subsidiaries and associated companies in accordance with its respective stake in them. You can find a detailed description of the opportunities and risks and an explanation of the internal control and risk management system (Section 289 (5) of the German Commercial Code (HGB)) on pages 49 to 55.

Forecast report

KWS SAAT SE generates the main part of its net sales from sugarbeet and corn seed business and royalties from basic corn seed. The further development of sugarbeet seed business depends, to a major extent, on developments in our growth markets in Eastern Europe and cultivation areas in our key markets. We currently anticipate a slight increase in net sales from this business. Corn business will probably increase slightly as well, with the result that, all in all, we expect KWS SAAT SE to grow its net sales slightly year on year. KWS SAAT SE's operating income is mainly impacted by income from European sugarbeet and corn business, the costs of central Group functions and the KWS Group's cross-segment research and development activities. In view of the anticipated challenging market environment in the EU, we assume at present that income from corn and sugarbeet business will decline slightly. That, along with a slight increase in costs for the central Group functions, means that KWS SAAT SE's EBIT is expected to fall slightly.

Annual Financial Statements for the KWS Group 2015/2016

Statement of Comprehensive Income

July 1 to June 30

in € thousand	Note no.	2015/2016	2014/2015
I. Income statement			
Net sales	(19)	1,036,774	986,015
Cost of sales		480,864	453,498
Gross profit on sales		**555,910**	**532,517**
Selling expenses		196,818	188,991
Research & development expenses		182,360	174,627
General and administrative expenses		76,402	74,756
Other operating income	(20)	70,372	87,960
Other operating expenses	(21)	57,938	68,686
Operating income		**112,764**	**113,417**
Interest and similar income		2,662	1,621
Interest and similar expenses		14,347	12,401
Income from equity-accounted financial assets		26,466	23,747
Other net income from equity investments		3	3,722
Net financial income/expenses	(22)	**14,784**	**16,689**
Results of ordinary activities		**127,548**	**130,106**
Taxes	(23)	42,271	46,058
Net income for the year	(26)	**85,277**	**84,048**
II. Other comprehensive income	(11)		
Revaluation of available-for-sale financial assets		354	–172
Currency translation difference for economically independent foreign units		–18,743	24,606
Currency translation difference from equity-accounted financial assets		–469	21,223
Items that may have to be subsequently reclassified as profit or loss		–18,858	45,657
Revaluation of net liabilities/assets from defined benefit plans		–17,049	–8,956
Items not reclassified as profit or loss		–17,049	–8,956
Other comprehensive income after tax		**–35,907**	**36,701**
III. Comprehensive income (total of I. and II.)		**49,370**	**120,749**
Net income after shares of minority interests		85,261	82,712
Share of minority interests		16	1,336
Net income for the year		**85,277**	**84,048**
Comprehensive income after shares of minority interests		50,681	120,282
Share of minority interests		–1,311	467
Comprehensive income		**49,370**	**120,749**
Earnings per share (in €)		**12.92**	**12.53**

Balance Sheet

Assets

in € thousand	Note no.	06/30/2016	06/30/2015
Intangible assets	(2)	95,098	85,661
Property, plant and equipment	(3)	378,639	351,856
Equity-accounted financial assets	(4)	147,511	153,018
Financial assets	(5)	2,192	2,465
Noncurrent tax assets	(6)	3,382	3,976
Other noncurrent financial assets		96	26
Deferred tax assets	(23)	41,039	35,910
Noncurrent assets		**667,957**	**632,912**
Inventories	(7)	185,783	177,990
Biological assets	(7)	12,496	12,344
Trade receivables	(8)	293,881	309,665
Securities	(9)	30,679	66,973
Cash and cash equivalents	(10)	133,224	41,211
Current tax assets	(8)	55,451	57,549
Other current financial assets	(8)	45,070	26,732
Other current assets	(8)	12,090	11,756
Current assets		**768,674**	**704,220**
Total assets		**1,436,631**	**1,337,132**

Equity and liabilities

in € thousand	Note no.	06/30/2016	06/30/2015
Subscribed capital		19,800	19,800
Capital reserve		5,530	5,530
Retained earnings		740,197	705,720
Minority interest	(12)	2,432	7,668
Equity	(11)	**767,959**	**738,718**
Long-term provisions		136,515	110,641
Long-term borrowings		228,712	181,783
Trade payables		1,413	1,600
Deferred tax liabilities	(23)	9,447	9,686
Other noncurrent financial liabilities		681	539
Other noncurrent liabilities		16,885	12,482
Noncurrent liabilities	(13)	**393,653**	**316,731**
Short-term provisions		80,914	87,355
Short-term borrowings		23,078	32,283
Trade payables		75,014	59,658
Current tax liabilities		21,062	30,111
Other current financial liabilities		13,990	15,687
Other current liabilities		60,961	56,589
Current liabilities	(14)	**275,019**	**281,683**
Liabilities		**668,672**	**598,414**
Total equity and liabilities		**1,436,631**	**1,337,132**

Statement of Changes in Equity

July 1 to June 30

in € thousand	Parent company					
	Subscribed capital	Capital reserve	Accumulated Group equity from Earnings	Comprehensive other Group income		
				Adjustments from currency translation	Adjustments from currency translation of equity-accounted financial assets	Reserve for available-for-sale financial assets
07/01/2014	**19,800**	**5,530**	**662,031**	**–22,230**	**–11,293**	**69**
Dividends paid			–19,800			
Net income for the year			82,712			
Other comprehensive income after tax			0	25,463	21,223	–160
Total consolidated gains (losses)			82,712	25,463	21,223	–160
Change in shares of minority interests			0			
06/30/2015	**19,800**	**5,530**	**724,943**	**3,233**	**9,930**	**–91**
Dividends paid			–19,800			
Net income for the year			85,261			
Other comprehensive income after tax			0	–17,395	–469	333
Total consolidated gains (losses)			85,261	–17,395	–469	333
Change in shares of minority interests			3,596			
06/30/2016	**19,800**	**5,530**	**794,000**	**–14,162**	**9,461**	**242**

Parent company			Minority interest					Group equity
Comprehensive other Group income		**Total**	**Minority interest**	**Comprehensive other Group income**			**Total**	
Revaluation of defined benefit plans	Other trans-actions			Adjustments fromcurrency translation	Revaluation of defined benefit plans	Other trans-actions		
–24,795	**594**	**629,706**	**9,088**	**–1,021**	**0**	**–4**	**8,063**	**637,769**
		–19,800	0				0	–19,800
		82,712	1,336				1,336	84,048
–8,956	0	37,570		–857		–12	–869	36,701
–8,956	0	120,282	1,336	–857	0	–12	467	120,749
	862	862				–862	–862	0
–33,751	**1,456**	**731,050**	**10,424**	**–1,878**	**0**	**–878**	**7,668**	**738,718**
		–19,800	–329				–329	–20,129
		85,261	16				16	85,277
–17,049	0	–34,580		–1,348		21	–1,327	–35,907
–17,049	0	50,681	16	–1,348	0	21	–1,311	49,370
	0	3,596	–6,728	3,132		0	–3,596	0
–50,800	**1,456**	**765,527**	**3,383**	**–94**	**0**	**–857**	**2,432**	**767,959**

Cash Flow Statement

July 1 to June 30

in € thousand	Note no.	2015/2016	2014/2015
Net income for the year		85,277	84,048
Depreciation/reversal of impairment losses (–) on property, plant and equipment		48,187	45,911
Increase/decrease (–) in long-term provisions		1,184	–1,192
Other noncash expenses/income (–)		–27,351	–36,704
Cash earnings		**107,297**	**92,063**
Increase/decrease (–) in short-term provisions		–551	14,027
Net gain (–)/loss from the disposal of assets		849	–160
Increase (–)/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		–26,973	–72,809
Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities		19,560	2,841
Proceeds and payments (+) from/for equity-accounted companies		25,682	12,157
Net cash from operating activities	(1)	**125,864**	**48,119**
Proceeds from disposals of property, plant and equipment		1,101	1,741
Payments (–) for capital expenditure on property, plant and equipment		–67,745	–82,108
Proceeds from disposals of intangible assets		87	107
Payments (–) for capital expenditure on intangible assets		–29,699	–4,468
Proceeds from disposals of financial assets		348	229
Payments (–) for capital expenditure on financial assets		–266	–7,535
Receipts from the disposal of consolidated subsidiaries and other business units		4,000	0
Payments (–) for purchase of shares in consolidated subsidiaries and other business units		0	–31,727
Net cash from investing activities	(2)	**–92,174**	**–123,761**
Dividend payments (–) to owners and minority shareholders		–47,215	–19,800
Cash proceeds from long-term borrowings		144,758	103,678
Cash repayments of long-term borrowings		–71,066	–30,907
Changes from proceeds (+)/repayments (–) of short-term borrowings		–5,092	–4,573
Net cash from financing activities	(3)	**21,385**	**48,398**
Net cash changes in cash and cash equivalents		**55,075**	**–27,244**
Changes in cash and cash equivalents due to exchange rate, consolidated group and measurement changes		**644**	**13,164**
Cash and cash equivalents at beginning of year		108,184	122,264
Cash and cash equivalents at end of year	(4)	**163,903**	**108,184**

Notes for the KWS Group 2015/2016

The KWS Group is a consolidated group as defined by the relevant accounting regulations. The consolidated financial statements of the KWS Group as of June 30, 2016, have been prepared by KWS SAAT SE in accordance with 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 315 a (1) HGB (German Commercial Code).

KWS SAAT SE is an international company based in Germany and has its headquarters at Grimsehlstrasse 31, 37574 Einbeck, Germany.

The statements were prepared under the assumption that the operations of the company will be continued. The accounting and measurement methods have generally been retained without change, except for the recognition of deferred tax assets and deferred tax liabilities, which – as is customary internationally – are shown after being netted off against each other, provided the requirements defined in IAS 12 have been met. The previous year's figures have been adjusted to enable better comparison.

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

In addition, the following standards had to be applied for the first time in fiscal year 2015/2016: Amendments to IAS 19 (2011) – Employee Benefits: Employee Contributions; Annual Improvements to the International Financial Reporting Standards (2010–2012 cycle); Annual Improvements to the International Financial Reporting Standards (2011–2013 cycle). The new standards and interpretations to be applied did not result in any significant impact.

The following standards and interpretations, or revisions of standards or interpretations, were not applied in the year under review, as they have not yet been adopted by the EU or application of them for fiscal 2015/2016 was not yet mandatory:

To be applied in the future

Financial reporting standards and interpretations	Mandatory first-time application
Amendments to IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	Fiscal 2016/2017
Amendments to IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization	Fiscal 2016/2017
Amendments to IAS 16 and IAS 41 – Property, Plant and Equipment and Agriculture: Bearer Plants	Fiscal 2016/2017
Amendments to IAS 27 – Separate Financial Statements: Equity Method in Separate Financial Statements	Fiscal 2016/2017
Annual Improvements to the International Financial Reporting Standards (2012–2014 cycle)	Fiscal 2016/2017
Amendments to IAS 1 – Presentation of Financial Statements: Disclosure Initiative	Fiscal 2016/2017
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception	At the earliest in fiscal year 2016/2017
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	At the earliest in fiscal year 2017/2018
Amendments to IAS 7 – Statement of Cash Flows: Disclosure Initiative	At the earliest in fiscal year 2017/2018
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	At the earliest in fiscal year 2018/2019
IFRS 15 – Revenue from Contracts with Customers	At the earliest in fiscal year 2018/2019
IFRS 9 – Financial Instruments	At the earliest in fiscal year 2018/2019
IFRS 16 – Leases	At the earliest in fiscal year 2019/2020

The impact of the standards and interpretations on the consolidated financial statements of the KWS Group are currently being examined and determined. On the basis of the results of this examination to date, KWS does not expect any significant effects on the consolidated financial statements from application of new or amended standards, with the exception of application of IFRS 16 – Leases.

1. General Disclosures

Companies consolidated in the KWS Group

The consolidated financial statements of the KWS Group include the single-entity financial statements of KWS SAAT SE and its subsidiaries in Germany and other countries, as well as joint ventures and associated companies, which are carried using the equity method, and a joint operation. A company is a subsidiary if KWS SAAT SE has existing rights that give it the current ability to control its relevant activities. Relevant activities are the activities that significantly affect the company's returns. Control therefore only exists if KWS SAAT SE has the ability to use its power to affect the amount of the variable returns. Control can usually be derived from holding a majority of the voting rights directly or indirectly. Subsidiaries and joint ventures that are considered immaterial for the presentation and evaluation of the financial position and performance of the Group are not included. Details on the changes in the consolidated group are provided in Section 2. "Disclosures on the annual financial statements – Consolidated group and changes in the consolidated group."

Consolidation methods

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

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

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

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

Associated companies in which a stake between 20% and 50% is held are likewise measured using the equity method.

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

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

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

Currency translation

Under IAS 21, the financial statements of the consolidated foreign group companies that conduct their business as financially, economically and organizationally independent entities are translated into euros using the functional currency method and rounded in accordance with standard commercial practice as follows:

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

The following exchange rates were applied in the consolidated financial statements for the main foreign currencies relative to the euro:

Exchange rates for main currencies

		Rate on balance sheet date		Average rate	
1 EUR/		**06/30/2016**	**06/30/2015**	**2015/2016**	**2014/2015**
ARS	Argentina	16.67190	10.16290	13.58600	10.27994
BRL	Brazil	3.61730	3.49470	4.11588	3.20855
GBP	UK	0.82615	0.71153	0.75290	0.75716
RUB	Russia	71.21020	61.52060	74.54532	59.64182
UAH	Ukraine	27.56354	23.54140	26.60710	20.80004
USD	USA	1.11430	1.11840	1.10631	1.19175

The difference resulting from the application of annual average rates to the net profit for the period in the income statement is taken directly to equity. According to IAS 21, exchange differences resulting from loans to foreign subsidiaries are reported in Other comprehensive income and are not recognized in profit or loss.

Classification of the statement of comprehensive income

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

Accounting policies

Consistency of accounting policies

The accounting policies are unchanged from the previous year.

All estimates and assessments as part of accounting and measurement are continually reviewed; they are based on historical patterns and expectations about the future regarded as reasonable in the particular circumstances.

Recognition of income and expenses

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

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

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

Intangible assets
Purchased intangible assets are carried at cost less straight-line amortization and impairment losses. It is necessary to examine whether the useful life of intangible assets is finite or indefinite. Goodwill has an indefinite useful life. Goodwill and intangible assets with an indefinite useful life are not amortized, but tested for impairment at least once a year. The 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.

The service life of intangible assets is as follows:

Useful life of intangible assets

	Useful life
Breeding material, proprietary rights to varieties and trademarks	10 years
Other rights	5–10 years
Software	3–8 years
Distribution rights	5–20 years
Trait licensing agreements	15 years

Property, plant and equipment
Property, plant and equipment is measured at cost less straight-line depreciation and impairment losses. In addition to directly attributable costs, the cost of self-produced plant or equipment also includes a proportion of the overheads and depreciation/amortization.

Useful life of property, plant and equipment

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

Low-value assets are fully expensed in the year of purchase; they are reported as additions and disposals in the year of purchase in the statement of changes in fixed assets. Impairment losses on property, plant and equipment are recognized according to IAS 36 whenever the recoverable amount of the asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell or the value in use. If the reason for an earlier impairment loss on property, plant and equipment no longer applies, its value is increased to up to the amount that would have resulted if the impairment loss had not occurred, taking depreciation into account. In accordance with IAS 20, government grants are deducted from the costs of the asset. Any deferred income is not recognized.

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

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

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

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

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

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

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

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

- **Loans and receivables**
  This category mainly comprises trade receivables, other receivables, loans and cash, including fixed-income short-term securities. Loans are measured at cost. Loans that carry no interest or only low interest are measured at their present value. Discernible risks are taken into account by recognition of an impairment loss. After their initial recognition, the other financial assets in this category are measured at amortized cost using the effective interest method, minus impairments. Receivables that carry no interest or only low interest and with a term of more than twelve months are discounted. Necessary value impairments are based on the expected credit risk and are carried in separate impairment accounts. Receivables are derecognized if they are settled or uncollectible. Other financial assets are derecognized at the time they are disposed of or if they have no value.
- **Financial assets at fair value**
  Held-for-trading securities acquired with the intention of being sold in the short term are assigned to this category. Derivate financial instruments with a positive market value are also categorized as held for trading, unless they are designated hedging instruments in accordance with IAS 39. They are measured at fair value. Changes in value are recognized in income. Securities are derecognized after being sold on the settlement date.
- **Available-for-sale financial assets**
  This category covers all financial assets that have not been assigned to one of the above categories. In principle, securities are classed as available for sale, unless a different classification is required due to the fact that they have an explicit purpose. Equity instruments, such as shares in (unconsolidated) affiliated companies, which are measured at amortized cost, and shares held in listed companies, are also included in this category. In principle, financial instruments in this category are measured at their fair value in subsequent recognition. The changes to their fair value in subsequent recognition are recognized as unrealized gains and losses directly in equity in the reserve for available-for-sale financial assets. The realized gains or losses are not recognized as profit or loss until they are disposed of. If there is objective evidence of permanent impairment on the balance sheet date, the instruments are written down to the lower value. Any subsequent decreases in the impairment loss are recognized directly in equity.
- **Financial liabilities measured at amortized cost**
  All financial liabilities, with the exception of derivative financial instruments, are measured at amortized cost using the effective interest method. The liabilities are derecognized at the time they are settled or when the reason why they were formed no longer exists.
- **Financial liabilities at fair value**
  This category covers derivative financial instruments that have a negative market value and are categorized in principle as held for trading. They are measured at fair value. Changes in value are recognized in income. Derivatives that are designated hedging instruments in accordance with IAS 39 are excluded from this provision.

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

Derivatives

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

Inventories and biological assets

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

Deferred taxes

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

Provisions for income taxes

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

Provisions for pensions and other employee benefits

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

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

Other provisions

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

Provisions are measured at their expected amount or most likely amount, depending on whether they comprise a large number of items or constitute a single obligation. Provisions are reviewed regularly and adjusted to reflect new findings or changes in circumstances. Long-term provisions are discounted taking into account future cost increases and using capital market interest rates for matching maturities, insofar as the interest effect is material.

Contingent liabilities

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

Borrowing costs

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

Discretionary decisions and estimates

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

- Determination of the useful life of the depreciable asset
- Definition of measurement assumptions and future results in connection with impairment tests, above all for capitalized goodwill
- Determination of the net selling price for inventories
- Definition of the parameters required for measuring pension provisions
- Selection of parameters for the model-based measurement of derivatives

- Determination whether tax losses carried forward can be used
- Determination of the fair value of intangible assets, tangible assets and liabilities acquired as part of a business combination and determination of the service lives of the purchased intangible assets and tangible assets
- Measurement of other provisions

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

The Executive Board of KWS SAAT SE prepared the consolidated financial statements on September 27, 2016, and released them for distribution to the Supervisory Board. The Supervisory Board has the task of examining the consolidated financial statements and declaring whether it approves them.

2. Disclosures on the Annual Financial Statements

Number of companies including KWS SAAT SE

			06/30/2016			06/30/2015
	Domestic	Foreign	Total	Domestic	Foreign	Total
Fully consolidated	13	46	59	13	49	62
Equity method	0	3	3	0	4	4
Joint operation	0	1	1	0	0	0
Total	**13**	**50**	**63**	**13**	**53**	**66**

Consolidated group and changes in the consolidated group

KWS MAIS GMBH was merged with KWS SAAT SE effective July 1, 2015. In addition, KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. acquired the remaining shares in RIBER KWS SEMENTES S.A. in December 2015.

On January 25, 2016, SOCIETE DE MARTINVAL S.A.S., LABOGERM S.A.R.L. and MOMONT HENNETTE S.A. merged and the resultant company was renamed KWS MOMONT S.A.S. S.A.R.L. ADRIEN MOMONT ET FILS was also renamed KWS MOMONT RECHERCHE S.A.R.L. on the same date.

KANT-HARTWIG & VOGEL GMBH was included in the consolidated companies for the first time effective April 1, 2016. Our second sugarbeet company in the U.S. was merged with BETASEED INC. effective April 21, 2016.

Assets of KWS POTATO B.V. – mainly varieties, rights and the customer base – with a total carrying amount of €3,881 thousand were sold as part of an asset deal in June 2016. The breeding station and its land are still owned by the company, whose purpose is to provide breeding services. Its distribution activities have been discontinued.

A total of 59 (62) companies were fully consolidated in the consolidated financial statements at June 30, 2016. Three (four) joint ventures and associated companies were measured using the equity method. One (zero) joint operation has been included proportionately. This is GENECTIVE S.A.

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

Fully consolidated subsidiaries[1]

Sugarbeet

100% BETASEED INC.[2]
Bloomington, MN, U.S.
100% KWS FRANCE S.A.R.L.
Roye, France
100% DELITZSCH PFLANZENZUCHT GMBH[9]
Einbeck, Germany
100% O.O.O. KWS RUS[11]
Lipetsk, Russia
100% O.O.O. KWS R&D RUS[10]
Lipetsk, Russia
100% KWS ITALIA S.P.A.
Forli, Italy
100% KWS POLSKA SP.Z O.O.
Poznan, Poland
100% KWS SCANDINAVIA A/S[9]
Guldborgsund, Denmark
100% KWS SEMILLAS IBERICA S.L.[9]
Zaratán, Spain
100% SEMILLAS KWS CHILE LTDA.
Rancagua, Chile
100% KWS SRBIJA D.O.O.
New Belgrade, Serbia
100% KWS SUISSE SA
Basle, Switzerland
100% BETASEED FRANCE S.A.R.L.[17]
Bethune, France
100% KWS UKRAINE T.O.V.[11]
Kiev, Ukraine
100% KWS TÜRK TARIM TICARET A.S.[8]
Eskisehir, Turkey
100% BETASEED GMBH
Frankfurt, Germany
100% KWS POTATO B.V.[16]
Emmeloord, Netherlands
93% DYNAGRI S.A.R.L.[15]
Casablanca, Morocco
100% KWS Podillya T.O.V.[21]
Kiev, Ukraine

Corn

100% KWS BENELUX B.V.
Amsterdam, Netherlands
100% KWS SEMENA S.R.O.
Bratislava, Slovakia
100% KWS MAIS FRANCE S.A.R.L.
Champol, France
100% KWS AUSTRIA SAAT GMBH
Vienna, Austria
100% KWS SJEME D.O.O.
Pozega, Croatia
100% KWS OSIVA S.R.O.
Velke Mezirici, Czech Republic
100% KWS BULGARIA E.O.O.D.
Sofia, Bulgaria
Formerly: KWS Semena Bulgaria E.O.O.D.
100% AGROMAIS GMBH
Everswinkel, Germany
100% KWS MAGYARORSZÁG KFT.
Györ, Hungary
100% KWS SEMINTE S.R.L.[12]
Bucharest, Romania
99% KWS ARGENTINA S.A.
Balcarce, Argentina
51% RAZES HYBRIDES S.A.R.L.[3]
Alzonne, France
100% KWS MELHORAMENTO E SEMENTES LTDA.[19]
Curitiba, Brazil
100% RIBER KWS SEMENTES S.A.[20]
Patos de Minas, Brazil
100% KWS PERU S.A.C.[7]
Lima, Peru
100% KWS R&D China LTD.[14]
Hefei, China

Cereals

100% KWS LOCHOW GMBH
Bergen, Germany
100% KWS UK LTD.[6]
Thriplow, UK
100% KWS LOCHOW POLSKA SP.Z O.O.[6]
Kondratowice, Poland
100% KWS MOMONT S.A.S.[6]
Mons-en-Pévèle, France
100% KWS MOMONT RECHERCHE S.A.R.L.[13]
Mons-en-Pévèle, France

Corporate

100% KWS LANDWIRTSCHAFT GMBH*
Einbeck, Germany
100% KWS INTERSAAT GMBH
Einbeck, Germany
100% KWS SEEDS INC.[8]
Bloomington, MN, U.S.
100% GLH SEEDS INC.[2]
Bloomington, MN, U.S.
100% KWS SAATFINANZ GMBH
Einbeck, Germany
100% RAGIS KARTOFFELZUCHT- UND HANDELS-GESELLSCHAFT MBH
Einbeck, Germany
100% KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH
Northeim-Wiebrechtshausen, Germany
100% EURO-HYBRID GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH
Einbeck, Germany
100% KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA.[18]
São Paulo, Brazil
100% KWS GATEWAY RESEARCH CENTER LLC.[2]
St. Louis, MO, U.S.
100% KWS SERVICES DEUTSCHLAND GMBH
Einbeck, Germany
100% KWS SERVICES EAST GMBH
Vienna, Austria
100% KWS SERVICES WEST S.L.U.
Barcelona, Spain
100% KWS SERVICES NORTH AMERICA LLC.
Bloomington, MN, U.S.
100% BEIJING KWS AGRICULTURE TECHNOLOGY CO., LTD.[14]
Beijing, China
100% KWS CEREALS USA LLC.[2]
Champagne, IL, U.S.
100% KWS SERVICES NORTH B.V.
Rotterdam, Netherlands
100% KANT-HARTWIG & VOGEL GMBH
Einbeck, Germany

Equity-accounted joint ventures[1]

Corn

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

Equity-accounted associated companies[1]

Corn

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

Joint operation (proportionately consolidated)[1]

Corn

50% GENECTIVE S.A.
Chappes, France

Unconsolidated subsidiaries[1]

Sugarbeet		Corn		Cereals	
67%	VAN RIJN BALCAN S.R.L.[15] Vulcan, Romania	100%	KWS SEEDS THAILAND CO., LTD.[14] Chiang Mai, Thailand	74%	LOCHOW-PETKUS BELGIUM N.V.[6] Linter, Belgium
		100%	KWS R&D PRIVATE LIMITED[11] Hyderabad, India		
		100%	KWS PARAGUAY S.R.L.[22] Asuncion, Paraguay		
		50%	GENECTIVE CANADA INC.[4] Montreal, Canada		
		50%	GENECTIVE TAIWAN LTD.[4] Taipei City, Taiwan		
		50%	GENECTIVE USA CORP.[4] Weldon, U.S.		
		50%	GENECTIVE JAPAN K.K.[4] Chiba, Japan		
		50%	GENECTIVE KOREA[4] Sangdaewon-dong, Korea		

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

Status: June 30, 2016

3. Segment Reporting for the KWS Group

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

- Corn
- Sugarbeet
- Cereals
- Corporate

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

Description of segments

Corn

Following the merger with KWS MAIS GMBH, the production and distribution activities of this segment are managed by KWS SAAT SE. The activities relate to corn for grain and silage corn, and to oil and field seed, and are conducted by one (one) German company, 15 (15) foreign subsidiaries, two (three) joint ventures, one (one) associated company and one (zero) joint operation of the KWS Group.

Sugarbeet

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

Cereals

The lead company of this segment, which essentially concerns the production and distribution of hybrid rye, wheat and barley, as well as oil and field seed, is KWS LOCHOW GMBH with its four (six) foreign subsidiaries in France, the UK and Poland.

Corporate

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

It also includes all management services of KWS SAAT SE, such as the holding company and administrative functions, which are not directly charged to the product segments or indirectly allocated to them by means of an appropriate cost formula.

Segment information

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

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

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

Technology revenues from genetically modified properties ("tech fees") are paid as a per-unit royalty on the basis of the number of units sold, due to their growing competitive importance.

Sales per segment

in € thousand	Segment sales		Internal sales		External sales	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Corn	795,320	754,458	162	16	795,158	754,442
Sugarbeet	439,635	390,646	88	99	439,547	390,547
Cereals	119,046	113,207	1,095	1,939	117,951	111,268
Corporate	17,921	18,133	13,811	13,981	4,110	4,152
Segments acc. to management approach	**1,371,922**	**1,276,444**	**15,156**	**16,035**	**1,356,766**	**1,260,409**
Elimination of equity-accounted financial assets					–319,992	–274,394
Segments acc. to consolidated financial statements					**1,036,774**	**986,015**

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

The Corn Segment is the largest contributor of external sales, accounting for 58.6% (59.9%) of external sales, followed by Sugarbeet with 32.4% (31.0%) and Cereals with 8.7% (8.8%).

Earnings, depreciation and amortization and other noncash items per segment

in € thousand	Segment earnings		Depreciation and amortization		Other noncash items	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Corn	63,570	84,184	23,199	19,525	16,080	–4,517
Sugarbeet	118,571	92,998	14,193	14,974	11,002	15,199
Cereals	9,028	12,019	8,192	7,284	5,862	4,143
Corporate	–50,102	–51,186	10,343	9,840	1,555	22,150
Segments acc. to management approach	**141,067**	**138,015**	**55,927**	**51,623**	**34,499**	**36,975**
Elimination of equity-accounted financial assets	–28,303	–24,598	–7,740	–5,712	–21,328	8,680
Segments acc. to consolidated financial statements	**112,764**	**113,417**	**48,187**	**45,911**	**13,171**	**45,655**
Net financial income/expenses	14,784	16,689	0	0	0	0
Earnings before taxes	**127,548**	**130,106**	**0**	**0**	**0**	**0**

The income statements of the consolidated companies are assigned to the segments by means of profit center allocation. Operating income, the most important internal parameter and an indicator of the earnings strength in the KWS Group, is used as the segment result. The operating income of each segment is reported as the **segment result**. The segment results are presented on a consolidated basis and include all directly attributable income and expenses. Items that are not directly attributable are allocated to the segments on the basis of an appropriate formula.

Depreciation and amortization charges of €55,927 (51,623) thousand allocated to the segments relate exclusively to intangible assets and property, plant and equipment.

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

Operating assets and operating liabilities per segment

in € thousand	Operating assets		Operating liabilities	
	2015/2016	2014/2015	2015/2016	2014/2015
Corn	717,419	644,909	163,694	136,624
Sugarbeet	262,555	274,238	91,227	70,233
Cereals	118,283	120,291	25,772	23,490
Corporate	108,600	102,719	90,508	91,213
Segments acc. to management approach	**1,206,857**	**1,142,157**	**371,201**	**321,560**
Elimination of equity-accounted financial assets	–240,961	–204,640	–78,981	–63,698
Segments acc. to consolidated financial statements	**965,897**	**937,517**	**292,220**	**257,862**
Others	470,735	399,615	376,452	340,552
KWS Group acc. to consolidated financial statements	**1,436,631**	**1,337,132**	**668,672**	**598,414**

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

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

Capital expenditure on assets was increased year on year by 20.0% to €159,711 (133,073) thousand. Capital expenditure in the Corn Segment (€119,072 thousand; previous year: €44,528 thousand) related mainly to the trait licensing agreement and the production plant in Ukraine. The capital expenditure in the Sugarbeet Segment totaled €17,199 thousand following €24,026 thousand in the previous year, that of the Cereals Segment €9,174 thousand following €44,399 thousand in the previous year, and that of the Corporate Segment €14,266 thousand following €20,120 thousand in the previous year.

Investments in long-term assets by segment

in € thousand	2015/2016	2014/2015
Corn	119,072	44,528
Sugarbeet	17,199	24,026
Cereals	9,174	44,399
Corporate	14,266	20,120
Segments acc. to management approach	**159,711**	**133,073**
Elimination of equity-accounted financial assets	–60,426	–8,061
Segments acc. to consolidated financial statements	**99,285**	**125,012**

Disclosures by region

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

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

External sales by region

in € thousand	2015/2016	2014/2015
Germany	223,971	223,885
Europe (excluding Germany)	450,817	441,526
Thereof in France	(107,067)	(107,263)
North and South America	282,999	254,709
Thereof in Brazil	(78,557)	(66,316)
Thereof in the U.S.	(180,288)	(164,571)
Rest of world	78,986	65,895
KWS Group	**1,036,774**	**986,015**

A total of 65.1% (67.5%) of total sales are recorded in Europe (including Germany).

Investments in long-term assets by region

in € thousand	2015/2016	2014/2015
Germany	48,945	33,859
Europe (excluding Germany)	32,220	64,630
Thereof in France	(10,681)	(44,305)
North and South America	15,531	22,834
Thereof in Brazil	(2,441)	(2,871)
Thereof in the U.S.	(9,745)	(17,067)
Rest of world	2,589	3,689
KWS Group	**99,285**	**125,012**

A total of 49.3% (27.1%) of the capital spending was made in Germany. Of the further capital spending, 15.6% (18.2%) was made in North and South America, 32.5% (51.7%) in Europe (excluding Germany) and 2.6% (3.0%) in the rest of the world.

Long-term assets by region

in € thousand	2015/2016	2014/2015
Germany	214,217	185,651
Europe (excluding Germany)	163,994	156,084
Thereof in France	(71,889)	(67,629)
North and South America	234,253	240,965
Thereof in Brazil	(37,603)	(48,073)
Thereof in the U.S.	(184,839)	(181,296)
Rest of world	10,976	10,300
KWS Group	**623,440**	**593,000**

4. Notes to the Balance Sheet

Statement of changes in fixed assets

in € thousand									Gross book values
		Currency translation	Change in consolidated companies	Additions	Additions of equity-accounted assets	Disposals	Disposals of equity accounted assets	Transfers	
	07/01/2015								06/30/2016
Patents, industrial property rights and software	110,543	–829	0	29,538	0	23,625	0	1,359	116,986
Goodwill	36,975	–7,712	0	0	0	5,451	0	4,888	28,700
Intangible assets	**147,518**	**–8,541**	**0**	**29,538**	**0**	**29,076**	**0**	**6,247**	**145,686**
Land and buildings	284,248	–5,331	0	11,507	0	1,896	0	6,495	295,023
Technical equipment and machinery	211,210	–3,319	0	16,558	0	6,631	0	12,277	230,095
Operating and office equipment	90,489	679	0	10,037	0	6,268	0	–792	94,145
Payments on account	24,483	–307	0	31,645	0	228	0	–17,295	38,298
Property, plant and equipment	**610,430**	**–8,278**	**0**	**69,747**	**0**	**15,023**	**0**	**685**	**657,561**
Equity-accounted financial assets	**161,411**	**–470**	**0**	**44**	**26,466**	**0**	**25,682**	**–5,865**	**155,904**
Financial assets	**2,835**	**–32**	**0**	**247**	**0**	**378**	**0**	**156**	**2,827**
Assets	**922,194**	**–17,321**	**0**	**99,576**	**26,466**	**44,477**	**25,682**	**1,223**	**961,979**
	07/01/2014								06/30/2015
Patents, industrial property rights and software	88,375	–2,819	21,511	4,460	0	585	0	–399	110,543
Goodwill	34,365	0	2,610	0	0	0	0	0	36,975
Intangible assets	**122,740**	**–2,819**	**24,121**	**4,460**	**0**	**585**	**0**	**–399**	**147,518**
Land and buildings	235,426	3,584	6,118	26,163	0	1,744	0	14,701	284,248
Technical equipment and machinery	173,546	1,193	6,017	23,741	0	2,582	0	9,295	211,210
Operating and office equipment	81,818	1,441	106	14,002	0	7,454	0	576	90,489
Payments on account	28,185	589	0	20,283	0	403	0	–24,171	24,483
Property, plant and equipment	**518,975**	**6,807**	**12,241**	**84,189**	**0**	**12,183**	**0**	**401**	**610,430**
Equity-accounted financial assets	**134,523**	**21,223**	**–13,278**	**7,353**	**23,747**	**0**	**12,157**	**0**	**161,411**
Financial assets	**3,048**	**–116**	**52**	**182**	**0**	**331**	**0**	**0**	**2,835**
Assets	**779,286**	**25,095**	**23,136**	**96,184**	**23,747**	**13,099**	**12,157**	**2**	**922,194**

							Amortization/depreciation	Net book values	
		Currency translation	Planned additions	Value impairments	Disposals	Transfers			
	07/01/2015						06/30/2016	06/30/2016	06/30/2015
	56,405	–23	11,434	2,181	19,538	129	50,588	66,398	54,138
	5,452	0	0	0	5,452	0	0	28,700	31,523
	61,857	**–23**	**11,434**	**2,181**	**24,990**	**129**	**50,588**	**95,098**	**85,661**
	80,407	–535	9,365	0	1,598	1,484	89,122	205,901	203,841
	120,161	–506	16,097	0	5,921	742	130,573	99,522	91,049
	58,004	–623	9,110	0	5,552	–1,714	59,225	34,920	32,485
	2	0	0	0	0	0	2	38,296	24,481
	258,574	**–1,664**	**34,572**	**0**	**13,071**	**512**	**278,922**	**378,639**	**351,856**
	8,393	**0**	**0**	**0**	**0**	**0**	**8,393**	**147,511**	**153,018**
	370	**296**	**0**	**0**	**31**	**0**	**635**	**2,192**	**2,465**
	329,194	**–1,391**	**46,006**	**2,181**	**38,092**	**641**	**338,539**	**623,440**	**593,000**
	07/01/2014						06/30/2015	06/30/2015	06/30/2014
	43,411	–973	10,561	3,905	478	–21	56,405	54,138	44,964
	5,452	0	0	0	0	0	5,452	31,523	28,913
	48,863	**–973**	**10,561**	**3,905**	**478**	**–21**	**61,857**	**85,661**	**73,877**
	72,244	1,130	8,729	0	1,640	–56	80,407	203,841	163,182
	108,178	298	13,563	0	1,962	84	120,161	91,049	65,368
	54,658	1,200	9,153	0	7,000	–7	58,004	32,485	27,160
	2	0	0	0	0	0	2	24,481	28,183
	235,082	**2,628**	**31,445**	**0**	**10,602**	**21**	**258,574**	**351,856**	**283,893**
	8,393	**0**	**0**	**0**	**0**	**0**	**8,393**	**153,018**	**126,130**
	348	**123**	**0**	**0**	**101**	**0**	**370**	**2,465**	**2,700**
	292,686	**1,778**	**42,006**	**3,905**	**11,181**	**0**	**329,194**	**593,000**	**486,600**

(1) Assets

The statement of changes in fixed assets contains a breakdown of assets summarized in the balance sheet and shows how they changed in 2015/2016. Capital expenditure on property, plant and equipment and intangible assets was €99,285 (125,011) thousand. The Combined Management Report describes the significant additions to assets. Depreciation and amortization and value impairments amounted to €48,187 (45,911) thousand.

(2) Intangible assets

This item includes purchased varieties, rights to varieties and distribution rights, software licenses for electronic data processing and goodwill. The current additions of €29,538 (4,460) thousand related to software licenses and patents as well as trait licensing agreements (€25,338 thousand). Amortization of intangible assets amounted to €13,615 (14,466) thousand, of which €2,181 (3,905) thousand were value impairments. Depending on the operational use of the intangible assets, these charges are included in the selling expenses to an amount of €1,737 thousand and in the research and development costs to an amount of €444 thousand.

One major intangible asset is the trait licensing agreement. Its carrying amount at the balance sheet date was €24,050 thousand. Its remaining useful life is 14 years.

The goodwill recognized as an asset relates mainly to the Brazilian companies RIBER KWS SEMENTES S.A. – €15,660 (21,686) thousand; KWS MELHORAMENTO E SEMENTES LTDA. – €2,722 (4,115) thousand; and the French breeding company GENECTIVE S.A. – €4,888 (4,888) thousand. In the Cereals Segment, the goodwill of KWS MOMONT S.A.S. is recognized to an amount of €2,600 (2,600) thousand and that of KWS UK LTD. to an amount of €1,399 (1,693) thousand.

In order to meet the requirements of IFRS 3 in combination with IAS 36 and to determine any impairment of goodwill, cash-generating units have been defined in line with internal reporting guidelines. At the KWS Group, these are generally the legal entities, with the exception of our potato unit, which as a whole represents the cash-generating unit. To test for impairment, the carrying amount of each entity is determined by allocating the assets and liabilities, including attributable goodwill and intangible assets. An impairment loss is recognized if the recoverable amount of an entity is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of a cash-generating unit. The impairment tests to be carried out for fiscal 2015/2016 determine the recoverable amount on the basis of the value in use of the respective cash-generating unit.

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

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

The discount rate at the KWS Group has been derived as the weighted average cost of capital (WACC) and for the cash-generating units is 4.48% (5.46%) after tax. A growth rate of 1.5% (1.5%) has been assumed here beyond the detailed planning horizon in order to allow for extrapolation in line with the expected inflation rate.

The impairment tests conducted at the end of fiscal year 2015/2016 confirmed that the existing goodwill is not impaired. Sensitivity analyses were also carried out for all cash-generating units to which goodwill is allocated. In our opinion, realistic changes in the basic assumptions would not result in the need to recognize an impairment loss at any cash-generating unit whose goodwill is significant relative to the total carrying amount of goodwill.

The impairment test for KWS POTATO B.V. in the previous year revealed the need for a write-down, which was reflected in a reduction in the value of the intangible assets by €3,905 thousand. A total of €2,237 thousand has been allocated to the research and development costs and €1,668 thousand to the selling expenses, since a number of varieties, customer relationships and industrial property rights were relinquished. This value impairment has been charged to the Sugarbeet Segment.

(3) Property, plant and equipment

Capital expenditure amounted to €69,747 (96,430) thousand and depreciation amounted to €34,572 (31,445) thousand. The Combined Management Report describes the significant capital expenditure. Property, plant and equipment – mainly assets under construction – to an amount of €3,111 thousand are held as security for liabilities.

(4) Equity-accounted financial assets

Equity-accounted joint ventures

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

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

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

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

in € thousand	06/30/2016	06/30/2015
Stake in the joint venture	50%	50%
Current assets	310,658	318,792
Thereof cash and cash equivalents[1]	(23,428)	(48,494)
Noncurrent assets	206,013	122,992
Current liabilities	253,654	174,974
Thereof current financial liabilities (excluding trade payables and other liabilities and provisions)	(74,624)	(17,158)
Noncurrent liabilities	3,674	2,352
Net assets (100%)	259,343	264,458
Group share of net assets (50%)	129,672	132,229
Goodwill	8,802	13,668
Carrying amount for the stake in the joint ventures	**138,474**	**145,897**
Net sales	637,976	570,236
Depreciation and amortization	15,478	10,820
Net income for the year	48,004	44,292
Other comprehensive income	0	0
Comprehensive income (100%)	48,004	44,292
Comprehensive income (50%)	24,002	22,146
Group share of comprehensive income	**24,002**	**22,146**
Dividend payment	**51,364**	**23,408**

1 Thereof AGRELIANT GENETICS LLC.: €5,878 (23,594) thousand

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

Disclosures on insignificant associated companies accounted for using the equity method

in € thousand	06/30/2016	06/30/2015
Carrying amount for the stake in insignificant associated companies (aggregated)	**9,059**	**7,120**
Net income for the year	5,029	20
Other comprehensive income	0	0
Comprehensive income (100%)	5,029	20

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

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

(5) Financial assets
Investments in unconsolidated subsidiaries totaling €439 (39) thousand and shares in cooperatives, GmbHs and other securities classified as noncurrent assets that are of minor significance are reported, in principle, at their amortized cost totaling €692 (1,871) thousand since the fair value cannot be reliably determined. Listed shares are carried at their fair value of €452 (89) thousand. This account also includes other interest-bearing loans totaling €230 (466) thousand. The other financial assets totaling €379 thousand are reported at their amortized cost, since the fair value cannot be reliably determined.

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

(7) Inventories and biological assets
Inventories and biological assets increased by €7,945 thousand, or 4.2%, a figure that includes cumulative impairment losses on the net realizable value totaling €49,947 (51,244) thousand. Inventories to an amount of €5,225 thousand are held as security for liabilities. Immature biological assets relate to living plants in the process of growing (before harvest). The field inventories of the previous year have been harvested in full and the fields have been newly tilled in the year under review. Public subsidies of €1,368 (1,443) thousand, for which all the requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,240 (4,246) ha and were recognized in income. Future public subsidies depend on the further development of European agricultural policy.

Inventories and biological assets

in € thousand	06/30/2016	06/30/2015
Raw materials and consumables	18,041	18,263
Work in progress	52,206	48,921
Immature biological assets	12,496	12,344
Finished goods	115,536	110,806
	198,279	**190,334**

(8) Current receivables

Current receivables

in € thousand	06/30/2016	06/30/2015
Trade receivables	293,881	309,665
Current tax assets	55,451	57,549
Other current financial assets	45,070	26,732
Other current assets	12,090	11,756
	406,492	**405,702**

Trade receivables were €293,881 thousand following €309,665 thousand in the previous year. This amount includes €1,386 (3,022) thousand in receivables from joint ventures and joint operations.

Development of current financial assets and trade receiveables by overdue

in € thousand	Carrying amount	Of which: neither written down nor overdue on the balance sheet date	Of which: not written down on the balance sheet date and overdue in the following time frames				Of which: written down and not overdue on the balance sheet date
			1–90 days	91–180 days	181–360 days	>360 days	
06/30/2016							
Trade receivables	293,881	268,656	15,656	2,748	1,257	0	4,521
Other current financial assets	45,070	34,559	0	0	0	0	0
	338,951	**303,215**	**15,656**	**2,748**	**1,257**	**0**	**4,521**
06/30/2015							
Trade receivables	309,665	254,682	45,630	3,442	2,285	0	1,402
Other current financial assets	26,732	21,996	5	1,108	1	134	0
	336,397	**276,678**	**45,635**	**4,550**	**2,286**	**134**	**1,402**

The already overdue trade receivables that have been partly written down amount to €1,043 (2,224) thousand. There are no indications on the balance sheet date that customers who owe trade receivables that have not been written down and are not overdue will not meet their payment obligations.

Receivables to an amount of €4,147 thousand are held as security for liabilities.

The following allowances have mainly been made for possible risks of nonpayment of trade receivables:

Change in allowances on receivables

in € thousand	07/01	Addition	Disposal	Reversal	06/30
2015/2016	22,627	9,466	1,317	4,040	26,736
2014/2015	27,393	7,305	1,219	10,852	22,627

The receivables include an amount of €450 (361) thousand due after more than one year.

(9) Securities

Securities amounting to €30,679 (66,973) thousand relate primarily to debt securities and fund shares.

(10) Cash and cash equivalents

Cash and cash equivalents of €133,224 (41,211) 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 SE is still €19,800 thousand. The no-par bearer shares are certificated by a global certificate for 6,600,000 shares. The company does not hold any shares of its own.

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

The revenue reserves essentially comprise the net income generated in the past by the companies included in the consolidated financial statements, minus dividends paid to shareholders. The differences from currency translation, the reserve for available-for-sale financial assets and the reserve for revaluation of net liabilities/assets from defined benefit plans, as well as the reserve for currency translation for equity-accounted financial assets, are also carried here.

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

The tax effects on other comprehensive income are as follows:

Other comprehensive income

in € thousand		2015/2016			2014/2015	
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Items that may have to be subsequently reclassified as profit or loss	–18,752	–106	–18,858	45,606	51	45,657
Revaluation of available-for-sale financial assets	460	–106	354	–223	51	–172
Currency translation difference for economically independent foreign units	–18,743	0	–18,743	24,606	0	24,606
Currency translation difference from equity-accounted financial assets	–469	0	–469	21,223	0	21,223
Items not reclassified as profit or loss	–24,652	7,603	–17,049	–12,945	3,989	–8,956
Revaluation of net liabilities/assets from defined benefit plans	–24,652	7,603	–17,049	–12,945	3,989	–8,956
Other comprehensive income	**–43,404**	**7,497**	**–35,907**	**32,661**	**4,040**	**36,701**

The objective of KWS' capital management activities is to pursue the interests of shareholders and employees in accordance with the corporate strategy and earn a reasonable return on investment. One main goal is to retain the trust of investors, lenders and the market, so as to strengthen the company's future business development. KWS' capital management activities intend to optimize the average cost of capital. Another goal is a balanced mix of equity and debt capital. Consolidated income (after taxes and minority interests) is €85,261 (82,712) thousand. However, there was a total dividend payout of €19,800 (19,800) thousand in December 2015. This ensures the adequate internal financing of further operating business expansion in the long term. Equity increased by €29,241 thousand to €767,959 (738,718) thousand. This figure includes a reduction of €19,212 thousand (previous year: increase of €45,829 thousand) in the reserve for currency translation for foreign subsidiaries and equity-accounted joint ventures and associated companies. Please refer to the statement of changes in equity for further effects not recognized in the income statement.

An important indicator in capital management is the equity ratio. It was 53.5% (55.2%) at June 30, 2016, and thus at a good and solid level. The capital structure is as follows:

Capital structure

in € thousand	06/30/2016	Share of total capital	06/30/2015	Share of total capital
Equity	767,959	53.5%	738,718	55.2%
Long-term financial borrowings	228,712		181,783	
Other noncurrent liabilities	164,941		134,948	
Short-term borrowings	23,078		32,283	
Other noncurrent liabilities	251,941		249,400	
Total capital	**1,436,631**		**1,337,132**	

The focus in selecting financial instruments is on financing with matching maturities, which is achieved by controlling the maturities. Long-term financial borrowings increased by €46,929 (68,029) thousand. This is mainly due to the increase in long-term financial loans from banks.

(12) Minority interest

The acquisition of the remaining shares in RIBER KWS SEMENTES S.A. means that the KWS Group does not have any minority interests that are assessed as being significant.

The accumulated interests in RIBER KWS SEMENTES S.A. in the previous year were €5,576 thousand and have been carried under minority interests. The voting rights on June 30, 2015, corresponded to 49.99%. The share of minority interests in this company's net income for the year was €1,263 thousand.

The disclosures on significant minority interests in accordance with IFRS 12.12 in conjunction with IFRS 12.B10 are as follows for the previous year:

Disclosures on subsidiaries with significant minority interests

in € thousand	RIBER KWS SEMENTES S.A., Patos de Minas, Brazil
	06/30/2015
Equity	11,152
Current assets	69,164
Noncurrent assets	16,259
Current liabilities	44,300
Noncurrent liabilities	29,971
Net sales	65,804
Profit/loss	2,525
Other income	–2,465
Comprehensive income	60
Net cash from operating activities	1,446
Net cash from investing activities	–2,237
Net cash from financing activities	2,868

In addition, DYNAGRI S.A.R.L., KWS ARGENTINA S.A. and RAZES HYBRIDES S.A.R.L. have minority interests, although these are assessed as being insignificant.

(13) Noncurrent liabilities

Noncurrent liabilities increased by €76,922 thousand. That is mainly attributable to the increase in long-term financial borrowings from banks totaling €76,178 thousand. At the same time, other noncurrent financial liabilities decreased by €29,249 thousand.

Noncurrent liabilities

in € thousand	06/30/2016	06/30/2015
Long-term provisions	136,515	110,641
Long-term borrowings	228,712	181,783
Trade payables	1,413	1,600
Deferred tax liabilities	9,447	9,686
Other noncurrent financial liabilities	681	539
Other noncurrent liabilities	16,885	12,482
	393,653	**316,731**

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

Long-term provisions

in € thousand	06/30/2015	Changes in the consolidated group, currency	Interest expenses from compounding	Addition	Consumption	Reversal	06/30/2016
Pension provisions	102,201	–186	2,538	26,356	4,478	0	126,431
Tax provisions	1,392	3	0	1,582	1,341	0	1,636
Other provisions	7,048	33	114	1,762	501	8	8,448
	110,641	**–150**	**2,652**	**29,700**	**6,320**	**8**	**136,515**

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

The pension provisions are based on defined benefit obligations, determined by years of service and pensionable compensation. They are measured using the projected unit credit method under IAS 19 (2011), on the basis of assumptions about future developments. The assumptions in detail are that wages and salaries in Germany will increase by 3.00% (3.00%) annually, in the U.S. by 3.75% (3.75%) annually and in the rest of the world by 2.00% (2.00%) annually. An annual increase in pensions of 2.00% (2.00%) is assumed in Germany. The discount rate in Germany was 1.30% compared with 2.50% the year before, 3.60% in the U.S. compared with 4.60% the year before, and between 1.05% and 3.00% in the rest of the world.

The following mortality tables were used at June 30, 2016:

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

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

Nature and scope of the pension benefits

In Germany

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

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

For benefit obligations backed by a guarantee by an insurance company toward three former members of the Executive Board, the planned assets of €10,217 (9,446) thousand correspond to the present value of the obligation. In accordance with IAS 19 (2011), the pension commitments are netted off against the corresponding assets (planned assets).

Abroad

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

The following benefits are granted from the pension plan:

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

The pension plans are mainly subject to the following risks:

Investment and return

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

Change in interest rates

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

Life expectancy

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

Salary and pension trends

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

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

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

Changes in accrued benefit entitlements

in € thousand	2015/2016			2014/2015		
	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on July 1	**106,837**	**18,408**	**125,245**	**95,942**	**13,865**	**109,807**
Service cost	787	917	1,704	691	698	1,389
Interest expense	2,608	761	3,369	2,713	671	3,384
Actuarial gains (–)/losses (+)	21,388	3,792	25,180	12,402	986	13,388
of which due to a change in financial assumptions used for calculation	21,229	3,389	24,618	12,010	747	12,757
of which due to experience adjustments	159	403	562	392	239	631
Pension payments made	–5,013	–541	–5,554	–4,911	–678	–5,589
Exchange rate changes		49	49		2,365	2,365
Other changes in value		–124	–124		501	501
Accrued benefit entitlements from retirement obligations on June 30	**126,607**	**23,262**	**149,869**	**106,837**	**18,408**	**125,245**

Change in planned assets

in € thousand	2015/2016			2014/2015		
	Germany	Abroad	Total	Germany	Abroad	Total
Fair value of the planned assets on July 1	**9,446**	**13,598**	**23,044**	**9,275**	**10,698**	**19,973**
Interest income	229	601	830	260	603	863
Income from planned assets excluding amounts already recognized as interest income	1,133	–605	528	491	–47	444
Pension payments made	–591	–485	–1,076	–580	–485	–1,065
Exchange rate changes		48	48		2,309	2,309
Other changes in value		64	64		520	520
Fair value of the planned assets on June 30	**10,217**	**13,221**	**23,438**	**9,446**	**13,598**	**23,044**

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

Reconciliation with the balance sheet values for pensions

in € thousand	2015/2016			2014/2015		
	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on June 30	126,607	23,262	149,869	106,837	18,408	125,245
Fair value of the planned assets on June 30	10,217	13,221	23,438	9,446	13,598	23,044
Balance sheet values on June 30	**116,390**	**10,041**	**126,431**	**97,391**	**4,810**	**102,201**

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

Effects on the statement of comprehensive income

in € thousand		2015/2016			2014/2015
	Germany	Abroad	Total	Germany	Abroad	Total
Service cost	787	917	1,704	691	698	1,389
Net interest expense (+)/income (–)	2,379	159	2,538	2,452	68	2,520
Amounts recognized in the income statement	**3,166**	**1,076**	**4,242**	**3,143**	**766**	**3,909**
Gains (–)/losses (+) from revaluation of the planned assets (excluding amounts already recognized as interest income)	–1,133	605	–528	–491	47	–444
Actuarial gains (–)/losses (+) due to a change in financial assumptions used for calculation	21,229	3,390	24,618	12,011	747	12,758
Actuarial gains (–)/losses (+) due to experience adjustments	159	403	562	392	239	631
Amounts recognized in other comprehensive income	**20,255**	**4,397**	**24,652**	**11,912**	**1,033**	**12,945**
Total (amounts recognized in the statement of comprehensive income)	**23,421**	**5,473**	**28,894**	**15,055**	**1,799**	**16,854**

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

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

Breakdown of the planned assets by investment category

in € thousand		2015/2016			2014/2015
	Germany	Abroad	Total	Germany	Abroad	Total
Corporate bonds		3,510	3,510		3,646	3,646
Equity funds		8,842	8,842		9,071	9,071
Consumer industry		1,935			2,010	
Finance		956			1,068	
Industry		656			698	
Technology		1,514			1,396	
Health care		986			1,337	
Other		2,795			2,562	
Cash and cash equivalents		869	869		881	881
Reinsurance policies	10,217		10,217	9,446		9,446
Planned assets on June 30	**10,217**	**13,221**	**23,438**	**9,446**	**13,598**	**23,044**

The planned assets abroad relate mainly to the U.S. There is no active market for the reinsurance policies in Germany. There is an active market for the other planned assets: the fair value can be derived from their stock market prices. A total of 82.3% (79.2%) of the corporate bonds have an AAA rating.

The following sensitivity analysis at June 30, 2016, shows how the present value of the obligation would change given a change in the actuarial assumptions. No correlations between the individual assumptions were taken into account in this, i.e., if an assumption varies, the other assumptions were kept constant. The projected unit credit method used to calculate the balance sheet values was also used in the sensitivity analysis.

Sensitivity analysis

in € thousand	Effect on obligation in 2015/2016			Effect on obligation in 2014/2015		
	Change in assumption	Decrease	Increase	Change in assumption	Decrease	Increase
Discount rate	+/– 100 basis points	28,975	–22,459	+/– 100 basis points	21,889	–17,286
Anticipated annual pay increases	+/– 50 basis points	–1,325	1,437	+/– 50 basis points	–915	991
Anticipated annual pension increase	+/– 25 basis points	–4,654	4,846	+/– 25 basis points	–3,848	3,991
Life expectancy	+/– 1 year	–5,471	5,592	+/– 1 year	–4,489	4,563

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

Anticipated payments for pensions

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

Anticipated payments for pensions

in € thousand	2014/2015		
	Germany	Abroad	Total
2015/2016	5,050	535	5,585
2016/2017	4,948	594	5,542
2017/2018	4,909	623	5,532
2018/2019	4,864	751	5,615
2019/2020	4,986	756	5,742
2020/2021 – 2024/2025	24,425	4,713	29,138

The weighted average time at which the pension obligations are due is 16.6 (15.2) years in Germany and 17.3 (16.0) years abroad.

Defined contribution plans

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

The total pension costs for fiscal 2015/2016 were as follows:

Pension costs

in € thousand	2015/2016			2014/2015		
	Germany	Abroad	Total	Germany	Abroad	Total
Cost for defined contribution plans	2,266	1,302	3,568	2,070	1,095	3,165
Service cost for the defined benefit obligations	787	917	1,704	691	698	1,389
Pension costs	**3,053**	**2,219**	**5,272**	**2,761**	**1,793**	**4,554**

In addition, contributions of €13,724 (12,947) thousand were paid to statutory pension insurance institutions.

The costs for defined contribution plans in Germany mainly related to the provident fund backed by a guarantee. The contributions to this pension plan were €2,016 (1,649) thousand. The return and income from the planned assets depend on the reinsurance policy, which yields guaranteed interest of between 1.25% and 2.25%. In addition, the benefit obligation from salary conversion was backed by a guarantee that exactly matches the present value of the obligation of €3,581 (4,048) thousand (defined contribution plan).

The long-term financial borrowings include loans from banks amounting to €228,712 (152,534) thousand. They have remaining maturities through 2025.

(14) Current liabilities

Current liabilities

in € thousand	06/30/2016	06/30/2015
Short-term provisions	**80,914**	**87,355**
Current liabilities to banks	22,684	31,857
Current financial liabilities to affiliates	65	308
Other current financial liabilities	329	118
Short-term borrowings	**23,078**	**32,283**
Trade payables to affiliates	0	1,108
Trade payables to joint ventures	45	0
Other trade payables	74,969	58,550
Trade payables	**75,014**	**59,658**
Tax liabilities	**21,062**	**30,111**
Other current financial liabilities	**13,990**	**15,687**
Other current liabilities	**60,961**	**56,589**
	275,019	**281,683**

Short-term provisions

in € thousand	06/30/2015	Changes in the consolidated group, currency	Addition	Consumption	Reversal	06/30/2016
Obligations from sales transactions	73,152	–1,249	61,121	67,463	2,677	62,884
Obligations from purchase transactions	5,395	–1,773	1,792	788	742	3,884
Other obligations	8,808	4,242	7,869	3,452	3,321	14,146
	87,355	**1,220**	**70,782**	**71,703**	**6,740**	**80,914**

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

The tax liabilities of €21,062 (30,111) thousand include amounts for the year under review and the period not yet concluded by the external tax audit.

(15) Derivative financial instruments

Hedging transactions

in € thousand	06/30/2016			06/30/2015		
	Nominal volume	Carrying amounts	Fair value	Nominal volume	Carrying amounts	Fair value
Currency hedges	143,735	2,027	2,027	95,003	1,182	1,182
Interest-rate hedges	34,000	–485	–485	34,000	–130	–130
Commodity hedges	162	9	9	148	0	0
	177,897	**1,551**	**1,551**	**129,151**	**1,052**	**1,052**

Of the currency hedges, hedges with a nominal volume of €140,625 (89,248) thousand have a remaining maturity of less than one year, and hedges with a nominal volume of €3,110 (5,755) thousand have a remaining maturity of between one and five years. In the previous year, hedges for interest-rate derivatives with a nominal volume of €19,000 thousand had a remaining maturity of less than one year. Of the interest-rate derivatives, hedges with a nominal volume of €29,000 (0) thousand will mature within one to five years, and hedges with a nominal value of €5,000 (15,000) thousand will mature in more than five years. The commodity hedges have remaining maturities of less than one (one) year.

(16) Financial instruments

In general, the fair values of financial assets and liabilities are calculated on the basis of the market data available on the balance sheet date and are assigned to one of the three hierarchy levels in accordance with IFRS 13. The principal market, i.e., the market with the largest volume of trading and the greatest business activity, is used to calculate the fair value. If this market does not exist for the asset or liabilities in question, the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs, is used. These are active and accessible markets for identical assets and liabilities, where the fair value results from quoted prices that are observable (level 1 input factors). At the KWS Group, this relates to securities in the category “Available-for-sale financial assets”, as well as fund shares at banks and other financial assets whose price is likewise quoted in active markets.

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

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

06/30/2016

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

06/30/2015

in € thousand	Financial instruments				
	Fair values	Carrying amounts			
		Loans and receivables	Financial assets held for trading	Available-for-sale financial assets	Total carrying amount
Financial assets					
Financial assets	2,465	0	0	2,465	2,465
Other noncurrent financial assets	26	0	26	0	26
of which derivative financial instruments	(26)	(0)	(26)	(0)	(26)
Trade receivables	309,665	309,665	0	0	309,665
Securities	66,973	0	0	66,973	66,973
Cash and cash equivalents	41,211	41,211	0	0	41,211
Other current financial assets	26,732	23,756	2,976	0	26,732
of which derivative financial instruments	(2,976)	(0)	(2,976)	(0)	(2,976)
Total	**447,072**	**374,632**	**3,002**	**69,438**	**447,072**

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

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

The fair values of securities classified as current assets are based on the price for them quoted on active markets (level 1).

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

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

06/30/2016

in € thousand	Financial instruments				
	Fair values	Carrying amounts			
		Financial liabilities measured at amortized cost	Financial liabilities held for trading	Disclosure in acc. with IFRS 7	Total carrying amount
Financial liabilities					
Long-term borrowings	233,558	228,712	0	0	228,712
of which outstanding purchase price obligations for consolidated subsidiaries	(0)	(0)	(0)	(0)	(0)
Long-term trade payables	1,413	1,413	0	0	1,413
Other noncurrent financial liabilities	681	148	533	0	681
of which derivative financial instruments	(533)	(0)	(533)	(0)	(533)
Short-term borrowings	23,078	23,078	0	0	23,078
Short-term trade payables	75,014	75,014	0	0	75,014
Other current financial liabilities	13,990	13,026	964	0	13,990
of which derivative financial instruments	(964)	(0)	(964)	(0)	(964)
Total	**347,734**	**341,391**	**1,497**	**0**	**342,888**

06/30/2015

in € thousand	Financial instruments				
	Fair values	Carrying amounts			
		Financial liabilities measured at amortized cost	Financial liabilities held for trading	Disclo-sure in acc. with IFRS 7	Total carrying amount
Financial liabilities					
Long-term borrowings	183,428	152,534	0	29,249	181,783
of which outstanding purchase price obligations for consolidated subsidiaries	(29,249)	(0)	(0)	(29,249)	(29,249)
Long-term trade payables	1,600	1,600	0	0	1,600
Other noncurrent financial liabilities	539	274	265	0	539
of which derivative financial instruments	(265)	(0)	(215)	(0)	(215)
Short-term borrowings	32,283	32,283	0	0	32,283
Short-term trade payables	59,658	59,658	0	0	59,658
Other current financial liabilities	15,687	14,003	1,684	0	15,687
of which derivative financial instruments	(1,684)	(0)	(1,684)	(0)	(1,684)
Total	**293,195**	**260,352**	**1,949**	**29,249**	**291,550**

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

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

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

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

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

Assets and liabilities measured at fair value

in € thousand	06/30/2016				06/30/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative financial instruments not part of a hedge under IAS 39	0	3,046	0	3,046	0	3,002	0	3,002
Available-for-sale financial assets	32,421	0	0	32,421	69,104	0	0	69,104
Financial assets	**32,421**	**3,046**	**0**	**35,467**	**69,104**	**3,002**	**0**	**72,106**
Derivative financial instruments not part of a hedge under IAS 39	0	1,497	0	1,497	0	1,949	0	1,949
Financial liabilities	**0**	**1,497**	**0**	**1,497**	**0**	**1,949**	**0**	**1,949**

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

Net gain/losses of financial instruments

in € thousand	06/30/2016	06/30/2015
Available-for-sale financial assets	47	141
Financial assets held for trading	–262	2,141
Loans and receivables	–1,349	3,854
Financial liabilities measured at amortized cost	–12,228	–10,644
Financial liabilities held for trading	1,158	–1,471

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

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

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

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

Interest income from financial assets that are not measured at fair value and recognized in the income statement was €2,278 (1,480) thousand. Interest expenses for financial borrowings were €12,228 (10,644) thousand.

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

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

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

There are unutilized credit lines totaling €271 million. The syndicated loan of €200 million runs until October 2019, with the option of extending it up to October 2021. This loan only contains one financial covenant. In the case of financial covenants, the dynamic gearing ratio is used as a financial indicator. Compliance with the covenants is regularly reviewed by KWS SAAT SE's Treasury unit and reported to the banks every quarter in connection with the quarterly and annual financial statements.

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

Fiscal year 2015/2016

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

Fiscal year 2014/2015

in € thousand	Book value	Cash flows			
Liquidity analysis of financial liabilities	**06/30/2015**	**06/30/2015 Total**	**Due in <1 year**	**Due in >1 year and <5 years**	**Due in >5 years**
Financial liabilities	214,066	237,027	42,285	138,416	56,326
Trade payables	61,258	61,258	59,658	1,189	411
Other financial liabilities	14,542	14,542	14,268	274	
Nonderivative financial liabilities	**289,866**	**312,827**	**116,211**	**139,879**	**56,737**
Payment claim		40,134	39,868	266	
Payment obligation		43,812	43,168	644	
Derivative financial liabilities	**1,949**	**3,678**	**3,300**	**378**	

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

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

In order to assess the risk of exchange rate changes, the sensitivity of a currency to fluctuations was determined. After the euro, the US dollar is the most important currency in the KWS Group. All other currencies are of minor importance. The average exchange rate in the fiscal year was 1.11 (1.19) USD/EUR. If the US dollar depreciated by 10%, the financial instruments would be worth €199 (233) thousand. If the US dollar appreciated by 10%, the financial instruments would have a value of €244 (285) thousand. The net income for the year and equity would change accordingly.

Due to seasonally related fluctuations in borrowing requirements, the impact of changes in market interest rates is calculated across the board on the basis of the current interest result.

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 negative. An increase in the rate of interest of one percentage point would result in additional interest expense and higher interest income canceling each other out (previous year: additional income of €0.1 million); equity would therefore not be impacted (previous year: an improvement of €0.1 million). A reduction in the rate of interest to zero percentage points would add a further €0.6 (1.1) million in income to the interest result. Equity would increase by €0.4 (0.7) million in the event of such a change in the rate of interest.

The Management Report addresses possible risks resulting from agreements regarding financial dependencies.

(17) Contingent liabilities

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

(18) Other financial obligations

There was a €13,211 (11,875) thousand obligation from uncompleted capital expenditure projects, mainly relating to property, plant and equipment. The largest item is the obligations from investments of €2.0 million in expanding the greenhouse complex and of €1.9 million in expanding the Forum at Einbeck.

Obligations under rental agreements and leases

in € thousand	06/30/2016	06/30/2015
Due within one year	16,520	15,063
Due between 1 and 5 years	21,353	20,788
Due after 5 years	6,002	7,530
	43,875	**43,381**

The leases relate primarily to full-service agreements for IT equipment and fleet vehicles, which also include services for which a total of €5,556 (4,544) thousand was paid in the year under review. The main leasehold obligations relate to land under cultivation.

5. Notes to the Income Statement

Income statement

	2015/2016		2014/2015	
	in € millions	% of sales	in € millions	% of sales
Net sales	1,036.8	100.0	986.0	100.0
Cost of sales	480.9	46.4	453.5	46.0
Gross profit on sales	**555.9**	**53.6**	**532.5**	**54.0**
Selling expenses	196.8	19.0	189.0	19.2
Research & development expenses	182.4	17.6	174.6	17.7
General and administrative expenses	76.4	7.4	74.8	7.6
Other operating income	70.4	6.8	88.0	8.9
Other operating expenses	57.9	5.6	68.7	7.0
Operating income	**112.8**	**10.9**	**113.4**	**11.5**
Net financial income/expenses	**14.8**	**1.4**	**16.7**	**1.7**
Result of ordinary activities	**127.6**	**12.3**	**130.1**	**13.2**
Taxes	42.3	4.1	46.1	4.7
Net income for the year	**85.3**	**8.2**	**84.0**	**8.5**
Share of minority interest	0.0	0.0	1.3	0.1
Net income after minority interest	**85.3**	**8.2**	**82.7**	**8.4**

(19) Net sales and function costs

By product category

in € thousand	2015/2016	2014/2015
Certified seed sales	918,471	877,494
Royalties income	73,006	72,626
Basic seed sales	19,411	14,318
Services fee income	3,513	780
Other sales	22,373	20,797
	1,036,774	**986,015**

By region

in € thousand	2015/2016	2014/2015
Germany	223,972	223,885
Europe (excluding Germany)	450,817	441,526
North and South America	282,999	254,709
Rest of world	78,986	65,895
	1,036,774	**986,015**

For further details of sales, see segment reporting. Sales are recognized when the agreed goods or services have been supplied and the risk and title pass to the buyer. Any rebates or discounts are taken into account.

The **cost of sales** increased by 6.0% to €480,864 (453,498) thousand, or 46.4% (46.0%) of sales. The total cost of goods sold was €290,480 (272,836) thousand.

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

July 1 to June 30

in € thousand	Total
Impairment losses	9,350
Decreases in impairment loss	6,777

The €7,827 thousand increase in **selling expenses** to €196,818 (188,991) thousand is attributable to the creation and expansion of distribution structures. This is 19.0% of net sales, down from 19.2% 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 €182,360 (174.627) thousand. Development costs for new varieties are not recognized as an asset because evidence of future economic benefit can only be provided after the variety has been officially certified.

General and administrative expenses increased by €1,646 thousand to €76,402 thousand, representing 7.4% of sales, after 7.6% the year before.

(20) Other operating income

July 1 to June 30

in € thousand	2015/2016	2014/2015
Income from sales of fixed assets	445	877
Income from the reversal of provisions	6,748	6,427
Exchange rate gains and gains from currency and interest rate hedges	28,050	36,640
Income from reversal of allowances on receivables	4,636	10,852
Performance-based public grants	5,924	4,845
Income relating to previous periods	8,925	8,227
Income from loss compensation received	132	862
Miscellaneous other operating income	15,512	19,230
	70,372	**87,960**

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

(21) Other operating expenses

July 1 to June 30

in € thousand	2015/2016	2014/2015
Legal form expenses	944	1,712
Allowances on receivables	8,263	8,478
Counterparty default	3,293	8
Exchange rate losses and losses on currency and interest rate hedges	28,986	44,304
Losses from sales of fixed assets	1,294	717
Expenses relating to previous periods	1,741	1,199
Expense from remeasurement of intangible assets	239	238
Other expenses	13,178	12,030
	57,938	**68,686**

In the year under review, allowances for receivables and counterparty defaults of €4,132 (5,644) thousand were recognized as an expense at the Corn Segment, €7,244 (2,591) thousand at the Sugarbeet Segment and €180 (251) thousand at the Cereals Segment.

(22) Net financial income/expenses

July 1 to June 30

in € thousand	2015/2016	2014/2015
Interest income	2,618	1,480
Interest expenses	11,679	9,709
Income from other financial assets	44	141
Write-down on securities	0	9
Interest effects from pension provisions	2,547	2,518
Interest expense for other long-term provisions	114	158
Financial lease interest expense	7	7
Interest result	**–11,685**	**–10,780**
Result from equity-accounted financial assets	26,466	23,747
Income from equity investments	3	0
Gain from revaluation of the existing shares in SOCIETE DE MARTINVAL S.A.	0	3,722
Net income from equity investments	**26,469**	**27,469**
Net financial income/expenses	**14,784**	**16,689**

Net income from equity investments fell year on year by €1,000 thousand. Income from equity-accounted financial assets rose from €23,747 thousand to €26,466 thousand, but was not able to fully compensate for the non-recurring effect from remeasurement of the existing shares in SOCIETE DE MARTINVAL S.A. Together with an **interest result** of €–11,685 (–10,780) thousand, **net financial income/expenses** fell by €1,905 thousand to €14,784 (16,689) thousand. The interest effects from pension provisions comprise interest expenses (compounding) and the planned income.

(23) Taxes

Income tax expense is computed as follows:

Income tax expenses

in € thousand	2015/2016	2014/2015
Actual income taxes	**40,803**	**51,954**
In Germany	4,666	15,723
Abroad	36,137	36,231
Thereof from previous years	–267	294
Deferred taxes	**1,468**	**–5,896**
In Germany	2,831	–634
Abroad	–1,363	–5,262
Income taxes	**42,271**	**46,058**

KWS pays tax in Germany at a rate of 29.1%. Corporate income tax of 15.0% (15.0%) and solidarity tax of 5.5% (5.5%) are applied uniformly to distributed and retained profits. In addition, trade tax is payable on profits generated in Germany. Trade income tax is applied at a weighted average rate of 13.3% (13.3%), 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 €2,470 (3,706) thousand at June 30, 2016. A total of €1,236 (1,235) thousand was recovered in the year under review and recognized directly in equity.

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

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

Deferred taxes

in € thousand	Deferred tax assets		Deferred tax liabilities	
	2015/2016	**2014/2015**	**2015/2016**	**2014/2015**
Intangible assets	786	273	5,957	8,118
Property, plant and equipment	612	515	17,703	15,375
Financial assets	1,738	1,655	0	1
Inventories	8,122	9,645	1,013	187
Current assets	1,618	4,760	4,026	3,363
Noncurrent liabilities	27,549	18,145	1,420	954
of which pension provisions	(22,734)	(15,754)	(11)	(92)
Current liabilities	14,463	11,547	3	87
Deferred taxes recognized (gross)	54,888	46,540	30,122	28,085
Tax loss carryforward	5,588	6,660	0	0
Consolidations	1,249	1,119	11	10
Setting off	–20,686	–18,409	–20,686	–18,409
Deferred taxes recognized (net)	41,039	35,910	9,447	9,686

There is a deferred tax expense of €1,616 (1,308) thousand from the allowance for deferred taxes on tax loss carryforwards and temporary differences in the year under review. The write-up of deferred taxes results in deferred tax income of €95 (0) thousand.

No deferred taxes were formed for tax loss carryforwards totaling €24,987 (13,595) thousand that have not yet been utilized. Of these, €4,627 (5,266) thousand must be utilized within a period of 5 years and €5,715 (0) thousand within a period of nine years. Low carryforwards totaling €14,645 (8,330) thousand can be utilized without any time limit.

No deferred taxes were formed for deductible temporary differences totaling €543 (1,540) thousand.

Temporary differences of €120,336 thousand are connected to shares in subsidiaries for which no deferred tax liabilities are formed pursuant to IAS 12.39.

In the year under review, there were surpluses of deferred tax assets from temporary differences and loss carryforwards totaling €30,677 (13,864) thousand at Group companies that made losses in the past period or the previous period. These were considered recoverable, since it is assumed that the companies in question will post taxable profits in the future. The fact is taken into account here that the KWS Group may realize income with a delay due to the long-term nature of research and development spending.

The reconciliation of the expected income tax expense to the reported income tax expense is derived on the basis of the consolidated income before taxes and the nominal tax rate for the Group of 29.1% (29.1%), taking into account the following effects. In order to improve clarity, the presentation in the tax reconciliation has been changed and the previous year's figures have been adjusted accordingly.

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

Reconciliation of income taxes

in € thousand	2015/2016	2014/2015
Earnings before income taxes	127,548	130,106
Expected income tax expense[1]	**37,148**	**37,861**
Reconciliation with the reported income tax expense		
Differences from the Group`s tax rate	11,709	4,228
Effects of changes in the tax rate	–393	0
Tax effects from:		
Expenses not deductible for tax purposes and other additions	4,255	6,654
tax-free income	–13,155	–5,573
other permanent deviations	–330	–778
Reassessment of the recognition and measurement of deferred tax assets	3,567	3,646
Tax credits	–245	–313
Taxes relating to previous years	–2,385	–79
Other effects	2,100	412
Reported income tax expense	42,271	46,058
Effective tax rate	33.1%	35.4%

1 Tax rate in Germany: 29.1%

(24) Personnel costs/employees

July 1 to June 30

in € thousand	2015/2016	2014/2015
Wages and salaries	188,170	176,088
Social security contributions, expenses for pension plans and benefits	44,013	40,785
	232,183	**216,873**

Personnel costs went up by €15,310 thousand to €232,183 thousand, an increase of 7.1%. The number of employees increased by 152 to 4,843, or by 3.2%.

Compensation increased by 6.9% from €176,088 thousand in the previous year to €188,170 thousand. **Social security contributions, expenses for pension plans and benefits** were €3,228 thousand higher than in the previous year.

Employees[1]

	2015/2016	2014/2015
Germany	1,908	1,868
Europe (excluding Germany)	1,449	1,401
North and South America	1,280	1,234
Rest of world	206	188
Total	**4,843**	**4,691**

1 Annual average

With our joint ventures, associated company and joint operation consolidated proportionately, the number of employees was 5,472 (5,322). The reported number of employees is greatly influenced by seasonal labor.

(25) Share-based payment

Employee Share Program

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

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

A total of 7,541 (9,878) shares were repurchased for the Employee Share Program at a total price of €1,952 (2,684) thousand in the year under review. The total cost for issuing shares at a reduced price was €311 thousand in the past fiscal year (previous year: €566 thousand).

Long-term incentive (LTI)

The stock-based compensation plans awarded at the KWS Group are recognized in accordance with IFRS 2 "Share-based Payment." The incentive program, which was launched in fiscal 2009/2010, involves stock-based payment transactions with cash compensation, which are measured at fair value at every balance sheet date. Members of the Executive Board are obligated to acquire shares in KWS SAAT SE every year in a freely selectable amount ranging between 20% and 50% of the gross performance-related bonus. Along with that, all members of the second management level can likewise take part in an LTI program. As part of this program, they are obligated to invest in shares in KWS SAAT SE every year in a freely selectable amount ranging between 10% and 40% of the gross performance-related bonus. The members of the Executive Board and the second management level may sell these shares at the earliest after a regular holding period of five years beginning at the time they are acquired (end of the quarter in which the shares were acquired). The entitled persons are paid a long-term incentive (LTI) in the form of cash compensation after the holding period for the tranche in question. Its level is calculated on the basis of KWS SAAT SE's share performance and on the KWS Group's return on sales (ROS), measured as the ratio of operating income to net sales, over the holding period. For persons with contracts as of July 1, 2014, the cash compensation for members of the Executive Board is a maximum of one-and-half times (for the Chief Executive Officer two times), and for members of the second management level a maximum of two times their own investment (LTI cap). The costs of this compensation are recognized in the income statement over the period and were €510 (1,044) thousand in the period under review. The provision for it at June 30, 2016, was €2,680 (2,170) thousand. The LTI fair values are calculated by an external expert.

(26) Net income for the year

The KWS Group's net income for the year was €85,277 (84,048) thousand on operating income of €112,764 (113,417) thousand and net financial income/expenses of €14,784 (16,689) thousand. The return on sales fell slightly to 8.2% (8.5%). Net income for the year after minority interest was €85,261 (82,712) thousand. Earnings per share in the year under review were €12.92 (12.53).

6. Notes to the Cash Flow Statement

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

(1) Net cash from operating activities

The cash proceeds from operating activities are substantially determined by cash earnings. In the year under review they were €107,297 (92,063) thousand. The proportion of cash earnings included in sales was 10.3% (9.3%). Lower working capital tie-up and higher liabilities meant that there were net cash proceeds of €26,973 thousand. The cash proceeds from operating activities also include interest income of €2,609 (1,479) thousand and interest expense of €7,871 (6,843) thousand. Income tax payments amounted to €46,916 (69,967) thousand. The dividends received from the joint ventures are also carried here and total €25,682 (12,157) thousand.

(2) Net cash from investing activities

A net total of €92,174 (123,761) thousand was required to finance investing activities. An amount of €97,444 (86,576) thousand was paid for intangible and tangible assets and an amount of €266 (7,535) thousand for financial assets. Some €25,262 thousand was paid out to obtain the trait licensing agreements. There were total cash receipts of €1,536 (2,077) thousand for disposals of assets. There were cash receipts of €4,000 thousand from the disposal of business units. A total of €31,727 thousand was paid to acquire shares in consolidated companies and other business units in the previous year.

(3) Net cash from financing activities

Financing activities resulted in cash proceeds of €21,385 thousand (previous year: cash proceeds of €48,398 thousand). The dividend payments to parent shareholders and other shareholders comprise the dividends of €19,800 (19,800) thousand paid to the shareholders of KWS SAAT SE, as well as acquisition of the minority interest in Brazil of €27,086 thousand. In addition, net borrowings totaling €68,600 (68,198) thousand were raised.

(4) Supplementary information on the cash flow statement

Of the changes in cash and cash equivalents caused by exchange rate, consolidated group and measurement changes, a total of €–1,161 (6,879) thousand results from exchange rate-related adjustments.

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

7. Other Notes

Proposal for the appropriation of net retained profits

KWS SAAT SE posted operating income of €18,149 thousand compared with €–23,242 thousand for the previous year. Allowing for net financial income/expenses of €17,991 (45,017) thousand and an extraordinary income of €67,617 (0) thousand resulting from the merger with KWS MAIS GMBH as well as income taxes totaling €3,032 (2,108) thousand, net income in accordance with the German commercial law regulations was €100,725 (19,667) thousand. Adding the net profit of €66 (199) thousand brought forward from the previous year, a net retained profit of €100,791 thousand is available for distribution.

A proposal will be made to the Annual Shareholders' Meeting that, of KWS SAAT SE's net retained profit, an amount of €80,950 thousand should be allocated to the revenue reserves and €19,800 thousand should be distributed as a dividend of €3.00 (3.00) for each of the 6,600,000 shares.

The balance of €41 (66) thousand is to be carried forward to the new account.

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

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

In fiscal year 2015/2016, total Executive Board compensation amounted to €3,531 (3,803) thousand. The variable compensation, which is calculated on the basis of the net profit for the period of the KWS Group, is made up of a bonus and a long-term incentive. The bonus totals €1,602 (1,779) thousand; there are contributions from the long-term incentive tranche for 2014/2015 totaling €558 thousand (tranche for 2013/2014: €670 thousand).

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,334 (1,693) thousand. Pension provisions recognized for this group of persons amounted to €8,027 (7,131) thousand as of June 30, 2016, before being netted off with the relevant planned assets.

Shareholdings of members of the Supervisory Board and the Executive Board (as of September 27, 2016)

Dr. Arend Oetker indirectly holds a total of 1,694,587 (1,650,010) shares and Dr. Andreas J. Büchting 108,030 (108,030) shares in KWS SAAT SE. The members of the Supervisory Board hold a total of 1,803,317 (1,758,735) shares in KWS SAAT SE.

All together, the members of the Executive Board hold 16,107 (14,445) shares in KWS SAAT SE.

Related party disclosures

Transactions with related parties in accordance with IAS 24 are all business dealings that are conducted with the reporting entity by entities or natural persons or their close family members, if the party or person in question controls the reporting entity or is a member of its key management personnel, for example. There were no business transactions or legal transactions that required reporting for this group of persons in fiscal 2015/2016. As part of its operations, KWS procures goods and services worldwide from a large number of business partners. They also include companies in which KWS has an interest and on which representatives of KWS' Supervisory Board exert a significant influence. Business dealings with these companies are always conducted on an arm's-length basis and are not material in terms of volume. As part of Group financing, short- and medium-term term loans are taken out from, and granted to, subsidiaries at market interest rates. The compensation that has to be disclosed in accordance with IAS 24 for management in key positions at the Group comprises remuneration for the active Executive Board and the Supervisory Board. It is presented in the Group Management Report. No other related parties have been identified for whom there is a special reporting requirement under IAS 24.

Disclosure

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

- KWS LOCHOW GmbH, Bergen
- KWS Landwirtschaft GmbH, Einbeck

Related parties

in € thousand	Deliveries and services provided		Received deliveries and services		Receivables		Payables	
	2015/2016	2014/2015	2015/2016	2014/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Unconsolidated subsidiaries	0	0	0	0	330	0	0	0
Equity-accounted joint ventures	4,891	6,196	16,319	15,205	17,323	6,394	0	22
Joint operation	1,862	1,691	6,925	6,812	439	0	0	1,086
Other related parties	0	0	132	132	0	0	0	0

Audit of the annual financial statements

On December 17, 2015, the Annual Shareholders' Meeting of KWS SAAT SE elected the accounting firm Deloitte GmbH, Hanover, to be the Group's auditors for fiscal year 2015/2016.

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

in € thousand	2015/2016	2014/2015
a) Audit of the consolidated financial statements	674	741
b) Other certification services	0	2
c) Tax consulting	0	0
d) Other services	109	52
Total fee paid	**783**	**795**

For fiscal year 2016/2017, fees for consulting services (excluding auditing) of up to €75 thousand are expected.

Declaration of compliance with the German Corporate Governance Code

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

Boards of the Company

Supervisory Board

Members	Mandates
Dr. Drs. h.c. Andreas J. Büchting Einbeck Agricultural Biologist Chairman of the Supervisory Board of KWS SAAT SE	*Membership of comparable German and foreign oversight boards:* ■ Member of the Board of Directors of Ball Horticultural Company, West Chicago, Illinois (U.S.)
Dr. Arend Oetker Berlin Businessman Managing Partner of Kommanditgesellschaft Dr. Arend Oetker Vermögensverwaltungsgesellschaft mbH & Co., Berlin Deputy Chairman of the Supervisory Board of KWS SAAT SE	*Membership of other legally mandated Supervisory Boards:* ■ Schwartauer Werke GmbH & Co. KGaA, Bad Schwartau (Chairman) ■ Cognos AG, Hamburg (Chairman) *Membership of comparable German and foreign oversight boards:* ■ Leipziger Messe GmbH, Leipzig
Hubertus von Baumbach Ingelheim am Rhein Businessman Chairman of the Board of Managing Directors of C. H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein	
Jürgen Bolduan Einbeck Seed Breeding Employee Chairman of the Central Works Council of KWS SAAT SE	
Cathrina Claas-Mühlhäuser Frankfurt am Main Businesswoman Chairwoman of the Supervisory Board of CLAAS KGaA mbH, Harsewinkel	*Membership of other legally mandated Supervisory Boards:* ■ CLAAS KGaA mbH, Harsewinkel (Chairwoman) *Membership of comparable German and foreign oversight boards:* ■ CLAAS KGaA mbH, Harsewinkel (Deputy Chairwoman of the Shareholders' Committee)
Dr. Berthold Niehoff Einbeck Agricultural Scientist Employee Representative	

Supervisory Board Committees

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

Executive Board

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

8. Declaration by Legal Representatives

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

Einbeck, September 27, 2016
KWS SAAT SE
THE EXECUTIVE BOARD

H. Duenbostel　　L. Broers

E. Kienle　　P. Hofmann

Auditors’ Report

We have audited the annual financial statements of the KWS Group – consisting of the balance sheet, the statement of comprehensive income, the notes, the cash flow statement, segment reporting and the statement of changes in equity – and the Combined Group Management Report for the fiscal year from July 1, 2015, to June 30, 2016, all of which were prepared by KWS SAAT SE, Einbeck. The preparation of the consolidated financial statements and the Group Management Report according to the International Financial Reporting Standards (IFRS) as applicable in the EU, and in addition according to the commercial law regulations to be applied pursuant to Section 315a (1) 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 Institut der Wirtschaftsprüfer (the 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 SE, 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) HGB, 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, September 27, 2016

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Kompenhans)
Auditor

(Römgens)
Auditor

Financial calendar

Date	
November 24, 2016	Report on the 1st quarter of 2016/2017
December 15, 2016	Annual Shareholders' Meeting in Einbeck
March 7, 2017	Report on the 2nd quarter of 2016/2017
May 23, 2017	Report on the 3rd quarter of 2016/2017
October 26, 2017	Publication of 2016/2017 financial statements, annual press and analyst conference in Frankfurt
November 23, 2017	Report on the 1st quarter of 2017/2018
December 14, 2017	Annual Shareholders' Meeting

KWS share

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

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

Photos/illustrations:
Uwe Aufderheide ■ Hollis Bennett ■ Dirk-Andre Betz ■ Eberhard Franke ■ Frank Stefan Kimmel ■ Landpixel ■ Julia Lormis ■ Dominik Obertreis ■ Spieker Fotografie ■ KWS Group archive

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