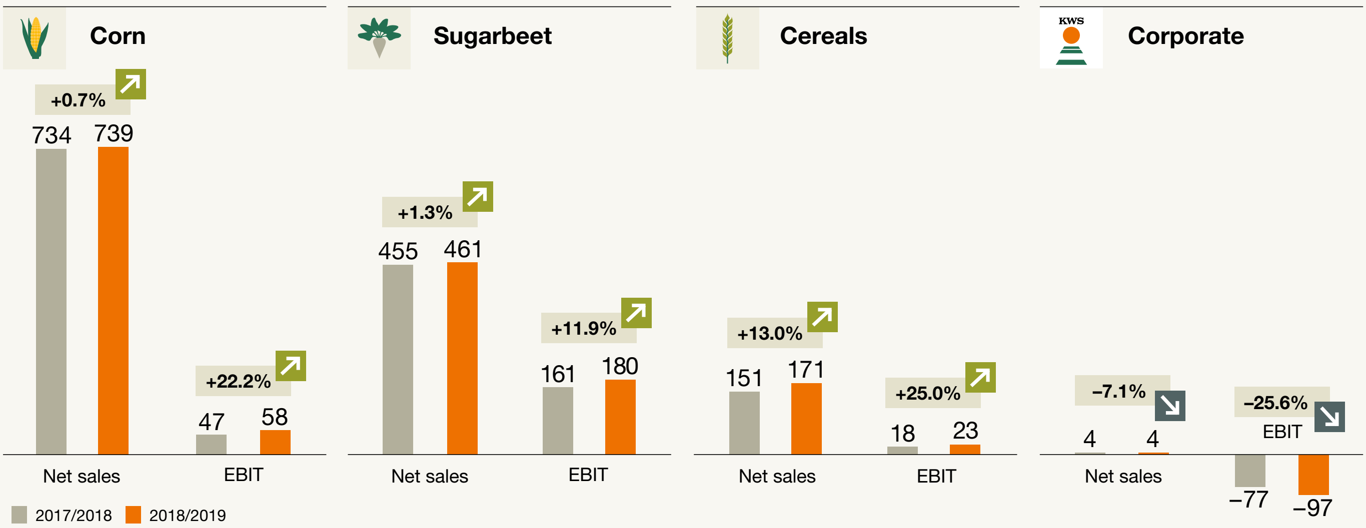
Annual Report 2018|2019

SEEDING
THE FUTURE
SINCE 1856

KWS in Figures

The KWS Group (in € millions)	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Net sales and income					
Net sales	1,113.3	1,068.0	1,075.2	1,036.8	986.0
R&D intensity in %	18.5	18.5	17.7	17.6	17.7
EBIT	150.0	132.6	131.6	112.8	113.4
as a % of net sales (EBIT margin)	13.5	12.4	12.2	10.9	11.5
Net financial income/expenses	–5.5	5.4	16.6	14.8	16.7
Net income for the year	104.0	99.7	97.7	85.3	84.0
Key figures on the financial position and assets					
Capital expenditure	96.6	71.7	63.3	99.6	132.5
Depreciation and amortization	49.7	50.1	49.4	48.2	45.9
Equity	963.5	881.8	836.9	767.9	738.7
Equity ratio in %	45.5	58.1	56.0	53.5	55.2
Return on equity in %	13.9	13.3	13.1	11.9	13.6
Return on assets in %	7.8	7.1	7.3	6.5	7.8
Net debt[1]	497.9	37.4	48.5	87.9	105.9
Total assets	2,115.0	1,517.7	1,495.2	1,436.6	1,337.1
Capital employed (avg.)[2]	1,047.1	981.1	990.1	906.9	851.0
ROCE (avg.) in %[3]	14.3	13.8	13.3	12.4	13.3
Cash flow from operating activities	72.9	98.1	122.4	125.9	48.1
Free cash flow	–22.4	30.0	57.6	33.7	–75.7
Employees					
Number of employees (avg.)[4]	4,126	3,852	3,705	3,693	3,663
Personnel expenses	280.7	253.9	247.0	232.2	216.9
Key figures for the share					
Earnings per share in €[5]	3.15	3.02	2.96	2.58	2.55
Dividend per share in €[5, 6]	0.67	0.64	0.64	0.60	0.60

Segments (in € millions)



Reconciliation (in € millions)	Segments	Reconciliation	KWS Group
Net sales	1,375.0	–261.7	1,113.3
EBIT	163.4	–13.4	150.0

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 FTE: Full time equivalents.
5 Earnings and dividend per share of previous periods adjusted due to share split.
6 The dividend for 2018/2019 is subject to the consent of the 2019 Annual Shareholders´ Meeting.

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Léon Broers Research and Breeding, Vegetables
Felix Büchting Cereals, Oilseed Rape/Special Crops & Organic Seed, Human Resources, Farming
Peter Hofmann Sugarbeet, Corn Europe, Marketing & Communications
Hagen Duenbostel (CEO) Corn North and South America, Corn China/Asia, Strategy, Compliance, and Governance & Risk Management
Eva Kienle Finance & Purchasing, Controlling, Global Services, IT, Legal

To Our Share-holders

Foreword of the Executive Board

Dear Shareholders and friends of KWS,

Global conditions and events, some of them with a serious impact, exerted huge pressure on the agricultural industry in the past fiscal year. Given that context, I'm all the more delighted to report that KWS had a strong year.

We can see further concentration among the competition, and how some countries are becoming increasingly isolationist and even not shying away from international trade conflicts. We're facing rulings by the European Court of Justice that derail new precision breeding methods which would deliver economic as well as ecological benefits. And last but not least – as we can observe literally on our own door-step – farmers are battling with the second successive summer of drought in Europe, while there is flooding in the Midwest of the U.S. and we are suffering weather extremes worldwide at an increasing rate.

Times are truly not easy – but KWS' long-term strategy is paying off yet again. Yet I'd not only say it's strategy – it's also our company DNA which enables us not just to stand firm, but also to keep on developing further and adapt to circumstances. Thinking in terms of generations has always defined our day-to-day activities. Staying true to our values, even in challenging times, and giving farmers the assurance of having a reliable, independent partner behind them – that's what makes KWS what it is.

We're one of the major innovation drivers in the seed industry. And we advance research and breeding – after all, investments in research are investments in the future. I'd like to mention our second Biotechnology Center in Einbeck as an example. Over 170 experts will start work there in early 2020 and establish a further pillar that will drive our long-term innovativeness.

We made a further crucial and seminal step this summer by entering the growth market of vegetable seed. Continual changes in consumer behavior, as well as the world's growing population, mean we can expect to see increasing demand for vegetables. This market is already growing by 5% a year and has a volume of around €5 billion and is rising (let me take this opportunity to refer you to the Spotlight Topic in this Annual Report, where you can find further insightful facts and figures on the subject). In view of these promising prospects, we've laid a stable foundation for our new business segment by acquiring the Dutch company Pop Vriend Seeds, the world market leader in spinach seed. Apart from further suitable acquisitions in this field, we remain committed in particular to boosting our own strength in research and our innovativeness. The focus here is on establishing our own vegetable breeding programs – and once more we're benefiting from far-sighted investments in our research departments. This new segment will help us press ahead with diversifying KWS sensibly, and I feel sure that we'll gradually capture a strong position in the vegetable seed market.

Thinking long term and acting sustainably. Our commitment to tradition and innovation, the way we work with farmers as equal partners, and how we act with responsibility toward the ecology – that's the solid platform for our success. It always has been and it will always stay that way.

I wish to thank all of you – our partners and shareholders – for your trust. You are a key part of KWS. My special thanks likewise go to all our employees. Because behind the many positive developments we have the honor of presenting in this Annual Report is the passion and creativity of more than 5,500 dedicated people worldwide. Backed by this invaluable asset, I believe we can look to KWS' future full of optimism and motivation.

I hope this Annual Report proves an informative and enjoyable read. 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 fiscal 2018/2019, KWS laid the foundations for continuing its growth strategy, while preserving our identity as an independent family business. By acquiring the Dutch family-owned company Pop Vriend Seeds, we are pursuing the strategic objective of positioning KWS long term in the growth market for vegetable seed. To enable that, the company will gradually make additional investments in the coming years and establish its own breeding programs.

The change in legal form to KWS SAAT SE & Co. KGaA, which was adopted by the Annual Shareholders' Meeting on December 14, 2018, was completed upon its registration in the commercial register on July 2, 2019. As a partnership limited by shares (KGaA), KWS will be able to leverage future growth opportunities with greater agility and flexibility and raise the equity required for that, without losing the company's character as a listed family business. In addition, the resolution adopted by the Annual Shareholders' Meeting to carry out a stock split at a ratio of 1:5 by increasing the capital stock to €99,000,000 using company funds was implemented on March 22, 2019. Shareholders thus received an additional four new shares for each existing one.

The company still had the legal form of an SE (Societas Europaea or European Company) at the end of the period under review, fiscal year 2018/2019. Where periods of time after July 2, 2019, are discussed in this report, the report refers to the new legal form of a partnership limited by shares.

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. In the year under review, the Supervisory Board discussed the information and assessments that influenced its decisions together with the Executive Board. Both boards continued their constructive and trusted cooperation as in the past. Among other things, this was demonstrated by the fact that, as is customary, the Supervisory Board was involved in all decisions of vital importance to the company at an early stage. The Supervisory Board was provided with the necessary information in written and oral form regularly, promptly and comprehensively. This included all key information on relevant questions of strategy, planning, the business performance and the situation of the company and the KWS Group, including the risk situation, risk management and compliance. Business transactions requiring consent were submitted to, and discussed and approved by, the Supervisory Board in compliance with the bylaws for the Executive Board.

The company's business policy, corporate and financial planning, profitability and situation, the course of business, market trends and the competitive environment, research & breeding and, along with important individual projects, risk management at the KWS Group were the subject of detailed discussions in the year under review.

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 the year under review.

The Supervisory Board and the Management Board continued their constructive and trusting cooperation in the year under review.

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 of KWS SAAT SE held six regular meetings in fiscal 2018/2019, each of which was attended by all its members. The Supervisory Board also held one telephone conference. After the fiscal year had ended, the Supervisory Board – now of KWS SAAT SE & Co. KGaA – convened its meeting to discuss the financial statements on October 22, 2019.

Following intensive discussion in the telephone conference on September 3, 2018, the Supervisory Board resolved to take all the measures necessary for the change in legal form to that of a partnership limited by shares. It also decided, as part of the change in legal form, that a stock split at a ratio of 1:5 by increasing the capital stock to €99,000,000 from company funds was to be prepared and that there was to be an international merger of KWS Services West S.L.U., Barcelona, with KWS SAAT SE & Co. KGaA.

At the meeting to discuss the financial statements on October 23, 2018, the Supervisory Board examined and approved the financial statements of KWS SAAT SE and approved the consolidated financial statements of the KWS Group as of June 30, 2018. The Supervisory Board also resolved to propose conversion of KWS SAAT SE to KWS SAAT SE & Co. KGaA and a stock split to the Annual Shareholders' Meeting on December 14, 2018. In preparation for the change in legal form, the Supervisory Board also adopted the nominations for the shareholder representatives to be elected to the Supervisory Board of KWS SAAT SE & Co. KGaA by the Annual Shareholders' Meeting on December 14, 2018, and the further resolutions it wished to propose there. The Supervisory Board discussed prospects in the Chinese corn market as well.

On December 13 and 14, 2018, the Supervisory Board also heard reports on the company's strategic planning up to 2028/2029, the IT strategy and the progress of the research projects. In its meeting on March 26, 2019, the Supervisory Board discussed the current status of the breeding programs and, assisted by an external expert, sounded out options for entering the vegetable seed business. At an extraordinary meeting on June 13, 2019, the Supervisory Board then approved the acquisition of the Dutch vegetable breeding company Pop Vriend Seeds, pursuant to which the relevant agreements were able to be concluded on June 19, 2019. As usual, the Supervisory Board adopted the annual planning for fiscal 2019/2020 and the medium-term planning on June 25, 2019. This planning will be retained after the completion of the change in legal form on July 2, 2019.

Registration of the change in legal form meant that the term of office of the existing members of the Supervisory Board of KWS SAAT SE expired shortly after the end of fiscal year 2018/2019. The at December 14, 2018 newly elected Supervisory Board of KWS SAAT SE & Co. KGaA had already held its constitutive meeting on March 26, 2019. The resolutions adopted there were ratified in the meeting on October 22, 2019.

Annual and consolidated financial statements and auditing

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the independent auditor who was chosen at the Annual Shareholders' Meeting on December 14, 2018, and commissioned by the Audit Committee and whose appointment – pursuant to the declaration by the personally liable partner of KWS SAAT SE & Co. KGaA – remains in force for the time after the change in legal form takes effect, has audited the financial statements of KWS SAAT SE & Co. KGaA (at the time KWS SAAT SE) that were presented by the personally liable partner, KWS SE, and prepared in accordance with the provisions of the German Commercial Code (HGB) for fiscal 2018/2019 and the financial statements of the KWS Group (IFRS consolidated financial statements), as well as the Combined Management Report of KWS SAAT SE & Co. KGaA (at the time 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 personally liable partner and the Supervisory Board in accordance with Section 161 AktG (German Stock Corporation Act) with respect to the recommendations of the "German Commission for the Corporate Governance Code."

The Supervisory Board received and discussed the financial statements of KWS SAAT SE & Co. KGaA (at the time KWS SAAT SE) and the consolidated financial statements and Combined Management Report of KWS SAAT SE & Co. KGaA (at the time KWS SAAT SE) and the KWS Group, along with the report by the independent auditor of KWS SAAT SE & Co. KGaA (at the time KWS SAAT SE) and the KWS Group and the proposal on appropriation of the net retained profit for the year made by KWS SAAT SE & Co. KGaA, 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, and the proposal by the personally liable partner on the appropriation of the profits. In addition, the Supervisory Board examined the separate non-financial report (Section 289b HGB (German Commercial Code)) and the separate non-financial group report (Section 315b HGB) with the audit report by the independent auditor (Section 111 (2) Sentence 4 AktG (German Stock Corporation Act)). The Supervisory Board also held detailed discussions of questions on the agenda at its meeting to discuss the financial statements on October 22, 2019. 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.

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 and management reports submitted by the personally liable partner, and to the consolidated financial statements of the KWS Group, along with the Combined Management Report of KWS SAAT SE & Co. KGaA (at the time KWS SAAT SE) and the KWS Group and recommended that the Annual Shareholders' Meeting on December 17, 2019, approve the annual financial statements of KWS SAAT SE & Co. KGaA (at the time KWS SAAT SE) prepared by the personally liable partner. The Supervisory Board also endorsed the proposal by the personally liable partner to the Annual Shareholders' Meeting on the appropriation of the net retained profit of KWS SAAT SE & Co. KGaA after having examined it.

Corporate Governance

The Supervisory Board discussed compliance with the recommendations of the "German Commission for the Corporate Governance Code" and – after the last compliance declaration in October 2018 – issued a new declaration of compliance with the German Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Act) together with the personally liable partner in October 2019. It can be obtained on the company's website at www.kws.com/corporate-governance.

The Supervisory Board regularly addressed the question of any conflicts of interest on the part of its members and those of the Executive Board in the year under review. 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.

The Supervisory Board also conducted its regular efficiency review in the year under review. Whereas the efficiency review two years ago was conducted in the form of a questionnaire, the members of the Executive Board and Supervisory Board held extensive discussions with the accounting firm Deloitte GmbH this time. After inspecting the preparatory and follow-up documents of the Supervisory Board, and on the basis of the discussions, Deloitte came to the conclusion that the Supervisory Board performs its work on the basis of sound, in-depth information and nurtures a culture of open discussion. All the recommendations issued by Deloitte – in particular that to establish an online portal for all the necessary documents – have been implemented in the meantime.

Andreas J. Büchting, Chairman of the Supervisory Board

Supervisory Board committees
The Supervisory Board of KWS SAAT SE had formed three committees in fiscal 2018/2019: The Audit Committee, the Nominating Committee and the Committee for Executive Board Affairs.

The **Audit Committee** convened for four joint meetings in fiscal 2018/2019. It also held three telephone conferences – on all occasions with all its members in attendance. In its meeting on September 25, 2018, 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 2017/2018, along with the Combined Management Report and the proposal by the Executive Board on the appropriation of the profits. The meeting of the Audit Committee on March 26, 2019, discussed and defined the focus of the audit for fiscal year 2018/2019 in the presence of the appointed independent auditor. In addition, the report by Internal Auditing for fiscal 2018/2019 was discussed and the audit plan for fiscal 2018/2019 was defined and adopted. The Annual Compliance Report was also presented and discussed. The quarterly reports and the semiannual report for fiscal 2018/2019 were the main subject of and were discussed in detail in three telephone conferences.

The Audit Committee convened on September 24, 2019, to discuss the current annual financial statements of KWS SAAT SE & Co. KGaA (at the time KWS SAAT SE) and KWS' consolidated financial statements and accounting, along with the Combined Management Report. The independent auditor for fiscal 2018/2019 explained the results of its audit of the 2018/2019 financial statements and pointed out that there were no grounds for assuming a lack of impartiality on the part of the independent auditor in its audit. The Audit Committee also dealt with the proposal by the personally liable partner on the appropriation of the net retained profit of KWS SAAT SE & Co. KGaA (at the time KWS SAAT SE) and recommended that the Supervisory Board approve it.

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

Since the offices of all existing Supervisory Board members of KWS SAAT SE ended by operation of law when the change in legal form took effect, the **Nominating Committee** had to draw up a list of new candidates to be nominated by the Supervisory Board for election as shareholder representatives at the Annual Shareholders' Meeting. In view of the fact that all shareholder representatives had just recently been elected by the 2017 Annual Shareholders' Meeting, the Nominating Committee proposed that the Supervisory Board be put forward for election without any changes; however, it would only be elected for a period of time up to the end of the Annual Shareholders' Meeting that ratifies its acts for fiscal year 2021/2022. The Supervisory Board endorsed the proposal and submitted it for approval to the Annual Shareholders' Meeting on December 14, 2018. In preparation for when the change in legal form took effect, the Annual Shareholders' Meeting then elected the existing shareholder representatives on the Supervisory Board of KWS SAAT SE to the Supervisory Board of KWS SAAT SE & Co. KGaA. As a result, the latter has the same members as the previous Supervisory Board of KWS SAAT SE. At the constitutive meeting of the Supervisory Board of KWS SAAT SE & Co. KGaA on March 26, 2019 Dr. Drs. h.c. Andreas J. Büchting was again elected as Chairman of the Supervisory Board, Dr. Marie Th. Schnell as Deputy Chairwoman of the Supervisory Board and Victor W. Balli as Chairman of the Audit Committee. After the change in legal form had been registered in the commercial register, these elections were ratified by the resolution adopted on October 22, 2019. Dr. Arend Oetker remains an honorary member of the Supervisory Board.

Supervisory Board Committees

Committee	Chairman/Chairwoman	Members
Audit Committee	Victor W. Balli	Andreas J. Büchting Jürgen Bolduan
Committee for Executive Board Affairs	Andreas J. Büchting	Marie Th. Schnell Cathrina Claas-Mühlhäuser
Nominating Committee	Marie Th. Schnell	Andreas J. Büchting Cathrina Claas-Mühlhäuser

In accordance with the provisions of the German Act on Employee Co-Determination in Cross-Border Mergers (MgVG), the Supervisory Board of KWS SAAT SE & Co. KGaA still consists of four shareholder representatives and two employee representatives. The existing employee representatives Jürgen Bolduan (Chairman of the Central Works Council of KWS SAAT SE & Co. KGaA) and Christine Coenen (Chairwoman of the European Employees' Committee) on the Supervisory Board of KWS SAAT SE were confirmed as employee representatives on the Supervisory Board of KWS SAAT SE & Co. KGaA by a "Special Negotiating Body" of KWS' European (EU) workforce on January 30, 2019.

At the proposal of the **Committee for Executive Board Affairs**, Dr. Felix Büchting was appointed by the Supervisory Board as a full member of the Executive Board of KWS SAAT SE effective January 1, 2019. He was given a five-year contract and assumed responsibility for Cereals, Human Resources and Agriculture. Felix Büchting previously worked for the company from 2005 to 2007 before gaining further professional experience outside KWS. Felix Büchting, who holds a doctorate in agrobiology, returned to KWS in 2016, where he was previously head of the successfully growing Cereals Segment. On June 25, 2019, the Supervisory Board appointed Dr. Hagen Duenbostel as a member of the Executive Board and its CEO for a further five years effective from January 1, 2020. Duenbostel holds a doctorate in business management and has been a member of KWS' Executive Board since 2003. He is responsible for Corn North and South America, Corn China/ Asia, Strategy, Compliance, and Governance & Risk Management.

The Committee for Executive Board Affairs also dealt in depth with revision of the compensation system for the Executive Board of KWS SE, which it implemented effective July 1, 2019, pursuant to the resolution dated June 25, 2019. The resolution on the new compensation system was adopted by the Supervisory Board of the then KWS SAAT SE in view of the fact that the change in legal form had not yet been registered on June 25, 2019, and was thus not yet effective, but it was necessary to ensure that the compensation system would also apply to KWS SAAT SE as from July 1, 2019, to when the change in legal form took effect. The contents of the resolution were the same as that adopted by the Supervisory Board of KWS SE on the compensation system for the Executive Board of KWS SE. KWS SE has conducted the business of KWS SAAT SE & Co. KGaA since the change in legal form took effect. The Supervisory Board of KWS SAAT SE & Co. KGaA no longer has a Committee for Executive Board Affairs at present, since the Supervisory Board of KWS SAAT SE & Co. KGaA no longer holds personnel responsibility as regards management and, accordingly, authority for issues relating to the compensation of the Executive Board has therefore been in the hands of KWS SE's Supervisory Board since the change in legal form.

Under Section 7 (4) of the Articles of Association of KWS SAAT SE & Co. KGaA, the personally liable partner shall be compensated for all expenses it incurs in connection with management of KWS SAAT SE & Co. KGaA's business, including the compensation for the members of its management and supervisory bodies. In order to preserve transparency, the new compensation system for the Executive Board of KWS SE will be submitted for approval to the Annual Shareholders' Meeting of KWS SAAT SE & Co. KGaA on December 17, 2019.

The mandates of the members of the Executive Board of KWS SAAT SE also ended as a result of the change in legal form. The business of KWS SAAT SE & Co. KGaA is managed by its personally liable partner, KWS SE. The latter is in turn represented by its Executive Board, which has the same members as the previous Executive Board of KWS SAAT SE.

The Supervisory Board expresses its thanks to the Executive Board and to all employees of the KWS≈Group for their commitment and contribution to the successful performance and further development of KWS in fiscal 2018/2019.

Einbeck, October 22, 2019

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

A plant shows its strength when there is little rain.

Can you teach plants to be less thirsty? Definitely. The objective of the research of our breeding department is to keep on creating new varieties that also withstand extensive periods of drought and help you conserve water resources.

KWS on the Capital Market

Performance

The global economy was again impacted by geopolitical conflicts and economic uncertainties in fiscal year 2018/2019 (July 1 to June 30). Interest rates were still comparatively low and so shares remained an attractive investment.

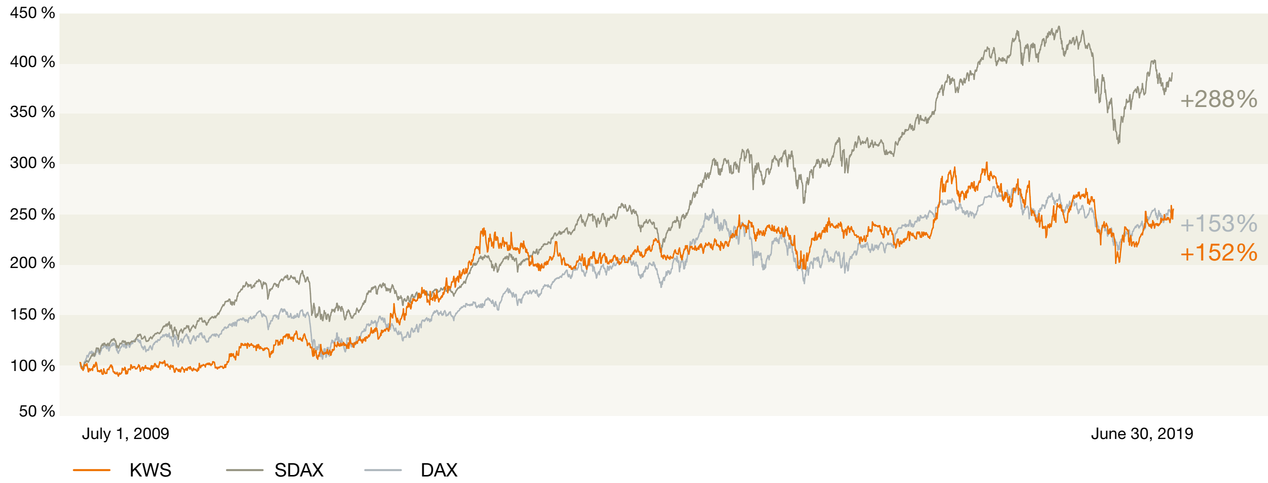
The DAX peaked at 12,860 points in July 2018, but then fell sharply up to the end of the year, among other things due to continuing geopolitical tensions, and ended the year at just over 10,500 points. Germany's benchmark index recovered in the first half of 2019 to close at 12,399 points on June 30, 2019, and so roughly at the same level as the year before. The SDAX fell by around 4% over the same period. KWS' share price fell up to the end of 2018, but then bounced back sharply in the first half of 2019. It closed on June 30 at €64.20 (60.80)[1] or around 6% up year on year. The stock price of our larger competitors declined – sharply in some cases – in the same period of time. The sector's performance thus reflects the fact that the environment for agriculture remains strained, as well as the risks from legal disputes in pesticide business.

Looking at the past ten years, the price of KWS' share has increased by 152% and so more than doubled.

Stock split

In order to increase the volume of trading in the share, the Annual Shareholders' Meeting on December 14, 2018, adopted a stock split at a ratio of 1:5, and bonus shares were issued on March 22, 2019. As a result, each shareholder now holds five shares instead of one, namely one old share and four new ones. KWS' share price was accordingly adjusted to one-fifth on March 22, 2019. The percentage stake held by a shareholder in KWS' capital and the pricing ratios of KWS' share did not change as a result. So that the bonus shares could be issued, the capital stock had to be increased from €19.8 million to €99.0 million by way of a capital increase from company funds. The capital increase was carried out by issuing 26,400,000 new bearer shares. Issue of the bonus shares increased the total number of KWS shares from 6,600,000 to 33,000,000. The new shares are entitled to a share in profits for the past fiscal year 2018/2019.

The KWS share's performance over 10 years



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

Shareholder structure at June 30, 2019

Employee Stock Purchase Plan

For more than 30 years KWS has offered its employees the chance to become a shareholder in the company and thus share in its success and identify more strongly with it. The content of our Employee Stock Purchase Plan remained unchanged in the year under review. After adjustment for the stock split, our employees were able to buy up to 2,500 KWS shares at a price of €44.16 (54.72), including a 20% discount, which the individual employees must pay tax on. 442 (407) employees in seven (eight) European countries took up this offer and purchased a total of 54,095 (49,160) shares, corresponding to an average stake per employee of 120 (120) shares. The acquired shares are subject to a lock-up period of four years. They cannot be sold, transferred or pledged during this period. As in previous years, the shares used for the Employee Stock Purchase Plan were acquired in accordance with Section 71 (1) No. 2 of the German Stock Corporation Act (AktG). A total of €3.1 (3.4) million was used to buy back the company's own shares, giving an average purchase price per share (including fees) of €57.33 (68.93). More details have been published in information released for the capital market and can be viewed on our website at www.kws.com/ir.

Planned appropriation of profits

Continuing to grow profitably is one of KWS' core corporate goals. We were able to surpass the net sales and good after-tax profitability of the previous year in the year under review. Operating income rose to €150.0 (132.6) million, although that figure included a non-recurring effect of €11.0 million from the sale of shares in KWS Potato B.V. Excluding that, EBIT would have increased by 4.8%. The KWS Group's net income was €104.0 million following €97.7 million the year before, or an increase of 4.3%. The Executive and Supervisory Boards will therefore propose a dividend of €0.67 (0.64) for fiscal year 2018/2019 to the Annual Shareholders' Meeting on December 17, 2019, which is in line with the development in earnings. €22.1 (21.1) million would thus be distributed to KWS SAAT SE & Co. KGaA's shareholders. That would correspond to a dividend payout ratio of 21.3% (21.2%), once again in line with the KWS Group's earnings-oriented policy of paying a dividend of 20% to 25% of its net income.

Key figures for the KWS share (Xetra®)	
ISIN	DE0007074007
Share class	Non-par
Number of shares	33,000,000
Closing price	**in €**
June 30, 2019	64.20
June 30, 2018	60.80
High and low	**in €**
High (December 11, 2018)	69.40
Low (September 4, 2018)	50.50
Trading volume	**in shares/day**
2018/2019	8,189
2017/2018	10,430
Market capitalization	**in € million**
June 30, 2019	2,119
June 30, 2018	2,006
Earnings per share	**in €**
June 30, 2019	3.15
June 30, 2018	3.02

Spotlight Topic

Big Appetite for Vegetables

By establishing a new business segment for vegetable seed, KWS is positioning itself in a market that is attractive long term and is in line with the trend toward a healthy and sustainable diet. As a result, the company is complementing its existing portfolio and laying the foundation for further growth.

Vegetables – a versatile food

Vegetables are regarded as a true all-rounder among foods: They supply many vital vitamins, trace elements, minerals and dietary fibers and are usually low in calories. They also have a relatively large volume and so have a satiating effect when eaten. A diet that is rich in vegetables can prevent overweight and reduce the risk of high blood pressure, strokes or coronary artery disease, for example. All in all, eating enough vegetables is important as part of a healthy diet and to prevent malnutrition, both in emerging and developing countries, where there is a narrower range of food available, and in affluent industrialized countries where overweight and obesity are growing problems. The World Health Organization (WHO) recommends eating at least 400 grams of fruit and vegetables a day, for instance.

Global consumption of vegetables is on the rise

The health benefits of this nutrient-rich food have been known for a long time, but now there is increasing awareness of how important a balanced diet is. Plant-based forms of nutrition, such as a vegetarian, vegan, raw food or paleo diet, are gaining in importance. The food that one consumes is becoming an expression of a health-conscious lifestyle. The world's growing population and rising incomes mean there is also in general greater demand for vegetables. Moreover, storage and transportation conditions have improved further and so consumers have a broad range of high-quality products to choose from.

Vegetable seed is a growth market. Market revenue is currently around €5 billion, following the crops corn (€15 billion) and soybean (€8 billion). Experts anticipate the market to grow long term by some 5% per annum.

Vegetables are in vogue

Vegetable seed is the **THIRD-LARGEST** segment in the global seed market.

1 2 3

The clear favorite among vegetable crops:

THE TOMATO

AROUND

1 BILLION TONS

of vegetables are harvested every year.

THE VEGETABLE MARKET IS BOOMING:

5%

annual growth rate

MORE THAN

10,000

varieties are offered commercially.

One pepper supplies

> 100%

of our daily vitamin C needs.

KWS' GOAL is to build a significant position in the vegetable seed market long term.

It takes at least

7 YEARS

to develop a new variety.

The five most important crops – tomatoes, peppers, cucumbers, watermelons and melons – account for approximately half of the global vegetable market. There is strong segmentation in vegetable farming, which is attributable to the broad diversity of types of vegetable, product requirements specific to regions and usage, and different methods of cultivation. This broad diversification and the high potential for further breeding progress offer KWS good prospects for being successful in this market.

A further attractive crop at KWS

KWS has taken a major strategic step by entering the vegetable seed business. The newly founded business segment expands the existing portfolio of corn, sugarbeet, cereal, rapeseed and sunflower seed and positions the company in a market that is growing sustainably and is also highly profitable.

What is important in vegetable breeding

A key objective in breeding vegetables is to equip plants with high tolerance to abiotic stress and minimize the use of resources such as water and chemicals in growing them. Breeding resistant varieties is a vital task, since new diseases keep on emerging in vegetable cultivation and often spread at a fast rate.

Unlike with crops such as cereals, there is greater emphasis on quality over yield in vegetable breeding. Most of the vegetable harvest is supplied to the retail sector as raw goods via a small number of stages in the distribution channel. The consumer then expects to be able to buy goods that are impeccable in terms of taste, freshness and appearance. That is why transportability and storability are also a firm focus in vegetable breeding. New trends in consumer behavior are also influencing the work of breeders: Higher demand for convenience products is spurring production of salads that can be plucked into leaves of a uniform size, for example.

KWS' strategy in building the business segment is based on a three-pronged approach: organic growth, selective acquisitions, and the sale of licensed commercial varieties. It aims to establish its own breeding programs with stations in the world's most important vegetable cultivation regions in Southern Europe, Asia and Latin America. To create the infrastructure for that, a team of highly qualified experts is first being assembled and the business segment's future headquarters is being set up in Wageningen in the Netherlands. The location boasts close ties with prestigious universities and research institutes and offers access to skilled workers, experts and potential cooperation partners in the field of vegetable breeding.

Acquisition of Pop Vriend Seeds, the market leader in spinach

As with its other crops, KWS is thinking long term when it comes to development of the new business segment: It takes an average of seven years from the start of a breeding program for a new variety to be launched. The vegetable seed producer Pop Vriend Seeds, which was acquired by KWS on July 1, 2019, has already embarked on this path very successfully.

The company, which is headquartered in Andijk in the Netherlands, produces seeds for spinach, beans, Swiss chard and red beet. Pop Vriend Seeds is the world's market leader in spinach seed. In fiscal 2017/2018, its 80 employees generated revenue of around €75 million and above-average earnings. Like KWS, Pop Vriend Seeds is a family-run company that operates internationally. It supplies customers in more than 100 countries, including China, the U.S. and Russia.

The acquisition of Pop Vriend Seeds gives KWS broad access to genetic material, an international infrastructure and expert staff and is already making a positive contribution to net sales and income targets. The company is thus a key foundation for developing the new business segment and establishing breeding programs for further vegetable crops and regions.

2. Combined Management Report

Healthy growth is important for us. That’s why we’re setting store by vegetables.

We not only aspire to diversity in traditional crops. Our overriding goal – to make a sensible contribution to feeding a growing world population – means ensuring not only a supply of food, but also of vitamins. We are taking an important step in the right direction by establishing our business segment for vegetable seed.

2. Combined Management Report

The Combined Management Report also comprises aspects of sustainability reporting in addition to content related to financial reporting. Our objective is to illustrate the relationship between ecological, social and financial factors and highlight their impact on our long-term commercial success. We refer to the report aspects required under Sections 289b et seq. and Sections 315b et seq. of the German Commercial Code (HGB) in our "Non-Financial Declaration" on page 84. The contents of the Non-Financial Declaration were not audited as part of the audit of the annual and consolidated financial statements, but underwent a voluntary external audit. They are indicated by the acronym NFD. The Combined Management Report also includes voluntary components that are not audited separately. These are indicated by footnotes.

2.1 Fundamentals of the KWS Group

2.1.1 Business Model

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

Organization and segments of the KWS Group

In fiscal 2018/2019, the KWS Group's operational business consisted of four Business Units, which were grouped in the three product segments Corn, Sugarbeet and Cereals. The Business Units Sugarbeet and Cereals are identical to the segments of the same name. There are the Business Units Corn Europe/Asia and the Business Unit Corn Americas in the Corn Segment. The newly founded Vegetables Segment has also been part of the Group's operational business since July 1, 2019. The annual market volume for vegetable seed worldwide is put at around €5 billion and growing. KWS' strategic objective is to establish a significant and lasting position in vegetable seed. We intend to position ourselves in a market that is attractive and is in line with the trend toward a healthy and sustainable diet. The acquisition of Pop Vriend Seeds, which is based in Andijk, the Netherlands, and is the market leader in spinach seed as well as a vendor of seed for other vegetable crops, means we have taken a major step as part of our strategic orientation and are strengthening our commercial independence long term. You can find more information on this subject on page 149.

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

The **Sugarbeet Segment** comprises sugarbeet seed production and distribution, as well as the development of diploid hybrid potatoes. Our high-quality sugarbeet varieties are consistently some of the highest-yielding in the industry. That, and the top-quality seed we deliver, makes us the clear leader in the sugarbeet seed market. Our main sales markets are the EU, Eastern Europe, North America and Turkey, where our breeding work with locally adapted, multiple-resistant varieties allows us to provide farmers with efficient solutions for growing sugarbeet. With CONVISO® SMART, our innovative system for controlling weeds, we are the innovation

Apart from delivering high-quality seed, a focus of KWS is on proximity to farmers and also offering extensive consulting on the ground and value-added services – whether in North and South America, Asia or Europe.

leader in sugarbeet cultivation in many markets. Sugarbeet is sown in the spring, which means that net sales in this segment are largely generated in the second half of our fiscal year (January to June).

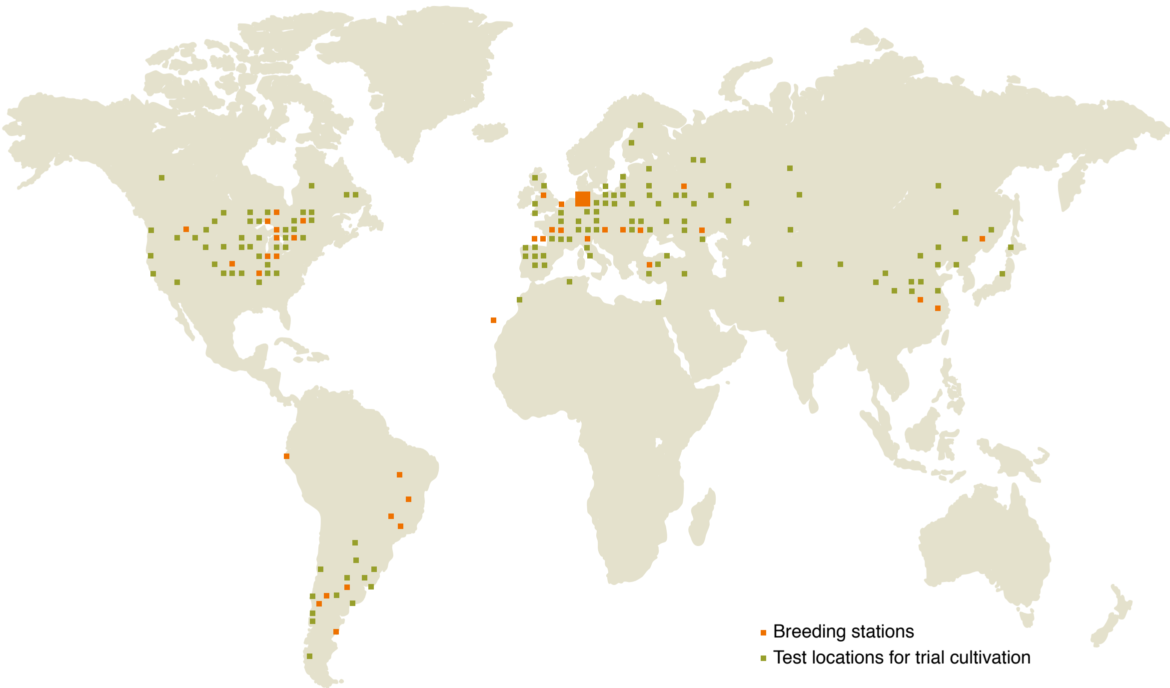
The **Cereals Segment** includes production and distribution of seed for rye, wheat, barley and rapeseed. Rye accounts for the largest share of revenue from cereals (around 39%), followed by rapeseed, wheat and barley (a combined total of around 55%). We generate the remainder from other crops such as sorghum, peas, catch crops (e.g. mustard), oats and triticales. In our core markets for cereals seed (Germany, Poland, the UK, France and Scandinavia), farmers predominantly sow the crops in the fall. Consequently, we generate most of our revenue in this segment in the first half of our fiscal year (July to December).

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

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

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

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



Products, markets and external factors
We offer our customers – farmers – a broad range of varieties of agricultural crops that have been adapted by breeding to the conditions of their specific location. These crops include corn, sugarbeet, the cereals rye, wheat and barley, oil plants such as sunflower, soybeans and rapeseed, and catch crops. Spinach seed and other vegetable crops have also been part of our portfolio since July 1, 2019. In addition to selling seed, our field staff is also on hand to offer farmers consulting on choosing and cultivating varieties. We also offer consulting via our digital services as well as on our website.

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 74 to 79.

Changes to the composition and organization of the KWS Group
There were no significant changes in the KWS Group's composition and organization in fiscal 2018/2019. You can find more information in the explanations on the companies consolidated in the KWS Group in the Notes to the consolidated financial statements starting on page 108.

We are gradually gearing our global administrative organization more strongly toward functional responsibility, as well as harmonizing and standardizing processes, to underpin our profitable and sustainable growth with efficient administration. The new model will replace our previously region-based organization. The core objective is to bundle administrative services and control business processes for 70 countries more efficiently. The project, which was launched in 2016, is going according to plan: Implementation was begun following successful creation of the concept for a cross-function target structure and conclusion of the negotiations on an accommodation of interests in Germany. We moved into our location for shared services in Berlin in the year under review. Around 200 people now work there. The goals include expanding the location in Berlin, establishing Expert Hub structures throughout the Group and providing a global business partner organization in the coming years. Our objective is not to make any job cuts as part of the reorganization.

2.1.2 Branches

KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE) is the parent company of the KWS Group. Strategic management of all of KWS' global activities is pooled under its roof. It is headquartered in Einbeck, Germany, and controls breeding of the KWS Group's range of varieties. It conducts basic research, produces and distributes sugarbeet and corn seed, and is home to a number of central functions. There are also currently 74 subsidiaries and associated companies in 33 countries. You can find a detailed breakdown of net sales by region on page 38. An overview of our subsidiaries and associated companies can be found in the Notes on pages 110 to 112.

2.1.3 Objectives and Strategy

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

Corporate objectives of the KWS Group

Our corporate objectives are divided into the four core topics of profitable growth, innovation, sustainability and independence:

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

Objectives		Objective achieved?	Explanation of the course of the year
Profitable growth	■ Increase in consolidated net sales by an average of at least 5% p. a.	No	Page 37
	■ EBIT margin ≥10%	Yes	Page 37
	■ Expansion of the portfolio of varieties for new markets	Yes	Page 32
	■ A dividend payout ratio of 20% to 25% of the KWS Group's net income for the year	Yes	Page 148 (Notes)
Innovation	■ 1% to 2% progress in yields p. a. for our customers and development of tolerances and resistances	Yes	Pages 29 to 34
	■ R&D intensity of around 17% of consolidated net sales	Yes	Page 32
Independence	■ Retention of a control structure shaped by the family owners	Yes	Page 70
Sustainability	■ Integration of international subsidiaries in KWS' sustainability reporting	Yes	Page 84 (NFD)

Profitable growth
is vital for our future development. Long-term profitable growth ensures we can retain our commercial independence. Key components are the good performance of our seed and a relationship of trust with farmers. We aim to increase net sales, in particular in our growth regions, both in moderate and in tropical or subtropical climatic zones.

Innovation
drives our business model. The need for innovative technology in plant breeding continues to increase. Climate change, significant population growth and changes in eating habits pose challenges for us. We invested more than €200 million in Research & Development, and thus once again a significant share of our net sales, in the year under review. That is an investment in our future growth.

Sustainability
means long-term economic success for us. When KWS' founders established the company in 1856, they created the basis for its sustainable development that has now lasted more than 160 years. Our success factors include principles of business ethics, a compliance management system, internal Rules, Guidelines & Procedures to ensure operational excellence in our processes, extensive financial and non-financial risk management, responsible supply chain management, open communication with our stakeholders, and transparent sustainability reporting in accordance with the Global Reporting Initiative (GRI) and other relevant standards.

Artificial intelligence in plant breeding: A robot collects data on the development of ears of wheat on a trial field in the U.S. state of Illinois and transfers it to self-learning software. The latter is continuously trained by breeders and helps them make decisions on selection.

Independence
has always been a key corporate objective for KWS, but it is gaining greater strategic relevance in view of the process of consolidation in our industry. It is part of the joint value system with our customers, suppliers and employees. Our independence and long-term orientation enable us in particular to invest in research & breeding projects with an eye to the future.

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

2.1.4 Control System

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

The targets set in the annual and medium-term planning are arrived at on the basis of the strategic planning, regional economic and legal situation, anticipated market trends and assessments of the company's position in the market and the potential product performance. In a subsequent bottom-up process, which also includes the development of our joint ventures, we use these premises to define figures for sales volumes and net sales, breeding activities, production capacities and quantities, the allocation of resources (including capital spending and personnel), the level of material costs and internal charge allocation and the resultant balance sheet data, along with the financial budget. In principle, part of the planning documentation is also an opportunity/risk assessment which every manager must conduct for his or her unit.

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

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

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

Management and control

Our company (formerly KWS SAAT SE) has been a partnership limited by shares (KGaA) since its change in legal form became effective on July 2, 2019. The personally liable partner is responsible for the tasks of running the business of a partnership limited by shares. The company's sole personally liable partner is KWS SE, whose Executive Board is therefore responsible for management of the company's business.

The rights and obligations of the Supervisory Board at a partnership limited by shares are limited compared to those at a stock corporation or European Company (Societas Europaea or SE). In particular, the Supervisory Board at a partnership limited by shares does not have personnel-related powers as regards management, i. e. does not have the authority to appoint personally liable partners and define the contractual terms and conditions for them, enact bylaws for management, or define business transactions requiring its consent.

The Annual Shareholders' Meeting of a partnership limited by shares basically has the same rights as the Annual Shareholders' Meeting of a stock corporation or SE. It also adopts resolutions on whether to approve the company's annual financial statements and ratify the acts of the personally liable partner. Certain resolutions adopted by the Annual Shareholders' Meeting of a partnership limited by shares also require the approval of the personally liable partner. The declaration on corporate governance in accordance with Section 289f of the German Commercial Code (HGB) contains detailed information on the extensive and close cooperation between the Executive Board and the Supervisory Board and has been published at www.kws.com.

2.1.5 Responsible Business Activity

Mission and principles

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

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

Our guiding principles define the framework for our everyday work, so that we are able to create sustainable and profitable growth for our customers, employees and investors. Our strategic decisions and day-to-day actions in operational business are guided by the following company principles:

Essence

- Make yourself grow

Vision

- To be a trusted seed specialist – for generations of farmers

Mission

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

We also have a central policy framework (Group Standards) with which we create a common understanding of the freedoms and decision-making processes within the KWS Group. The Group Standards are continuously improved by means of constant monitoring and feedback. They complement our existing guiding principles, with the objective of preserving KWS' unmistakable profile, also against the backdrop of the Group's increasing internationalization.

Stakeholder management

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

We learn of our stakeholders' requirements through various channels – from daily business, in our work for associations or through dialogue with stakeholders on specific subjects. All information and insights from our dialogue with stakeholders are gathered and evaluated in a structured process.

2.1.6 Fundamentals of Research & Development

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

Plant breeding is a very research-intensive and long-term business. The average time to develop a new, high-performance variety for our international markets is up to ten years. As part of that, our varieties are adapted to the specific environmental conditions of their target markets. Breeders are assisted in that by a global network of various breeding and trial stations. That means candidate varieties can be tested under the location-specific conditions of their target markets over several years.

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

The only thing that should be hidden in your soil: potential.

As a family company, we've always stayed grounded. And that's maybe why we have such a good understanding of how to keep soil healthy for coming generations: Backed by all our diversity and experience, we help farmers choose the ideal crop rotation.

2.2 Research & Development Report

Key figures for Research & Development

		2018/2019	2017/2018	+/–
R&D employees[1]		2,053	1,920	6.9%
Ratio of R&D employees	in %	37.0	37.3	–
R&D expenditure	in € millions	205.6	197.7	4.0%
R&D intensity[2]	in %	18.5	18.5	–
Marketing approvals for new varieties		464	402	15.4%

1 Average number of employees
2 In % of net sales

In fiscal 2018/2019, our R&D expenditure totaled €205.6 (197.7) million. New KWS varieties were awarded 464 (402) marketing approvals worldwide.

Progress in corn breeding

We significantly increased the competitiveness of our corn seed in the year under review. For the first time, three dent x dent hybrids were among the ten most-produced KWS varieties. Whereas our professional breeding expertise and significant market share with dent x flint corn is long-established, we had to build the competency for dent x dent hybrids first. We began establishing our own European dent x dent breeding program back in the mid-1990s and have succeeded in making it competitive in many years of intensive work. We achieved multiple major milestones in the year under review. First, we sharply increased the genetic diversity of our basic material and so attained a level of diversity matching that of the market leaders. Second, we now have nine successful breeding programs covering all the maturity regions of relevance to us in Europe. Last, but not least, that success is reflected in excellent products: KWS has competitive varieties in this market for the first time, and the results of the new hybrids it has submitted for approval are highly promising. We aim to capture a significant market position in the dent x dent regions of Europe, the Americas and China.

Successful launch of the first CONVISO® SMART sugarbeet

The first KWS CONVISO® SMART sugarbeet have been awarded market approval or have been submitted for approval in all countries where the herbicide will be available.

CONVISO® SMART offers an efficient and sustainable means of controlling weeds in sugarbeet cultivation: conventionally bred sugarbeet varieties that are tolerant to a modern herbicide. The system has a broad spectrum of activity against weeds and helps slash the quantity of herbicides required compared to current standards.

The new generations of varieties combine all key traits: In addition to CONVISO® SMART herbicide resistance, they also boast resistance to pests and plant diseases, such as nematodes, Cercospora, rhizomania and Rhizoctonia. The performance of the CONVISO® SMART varieties has also been boosted. To enable that, we significantly sped up the breeding program by developing and using suitable molecular markers. This technology allows us to equip a large number of high-performance sugarbeet lines with the CONVISO® SMART trait quickly thanks to marker-assisted backcrossing. As a result, we have built up a product pipeline that addresses the specific requirements of the various markets.

Innovations in breeding resistance in sugarbeet

The ban on neonicotinoids in EU Member States imposed at the end of 2018 means that breeding resistance to viruses is growing in importance. Viral diseases transmitted by insects cause significant losses of yield in various crops. Neonicotinoids have been used to date on sugarbeet in order to combat aphids, which transmit various yellowing viruses and have helped curb the negative effect of these plant diseases. We responded to the ban immediately by developing virus-resistant sugarbeet varieties. We have already been able to submit initial varieties for approval in Germany, the UK and a number of other countries.

Highly promising results in development of winter-hardy rye hybrids

Rye is an exceptionally adaptable crop. That is why rye hybrids tested in Germany and Poland have been able to be marketed in various regions to date – from Spain to Sweden, from North America to Western Russia. Our strategy is to continue to tap our main markets – Germany, Poland and Denmark – as well as develop new regions with a large potential in terms of cultivation area, such as Russia and North America. These regions pose new requirements for us in our breeding work.

For Russia, we are devoting greater attention to the topic of winter hardiness, coupled with frost tolerance and resistance to snow mold, as well as adaptation to shorter summers and longer winters. We commenced initial activities to develop winter-hardy rye hybrids for Russia in 2013. We have since made large advances. We have successfully established a program that helps us develop varieties faster, meaning that initial competitive hybrids will be available in the new fiscal year and that we can launch the exclusive variety KWS PROMMO for the country's moderately cold regions. We have the variety KWS AVIATOR in our portfolio for regions where winter hardiness is required. Both products exhibited very good yields in the assessments and also boast excellent winter hardiness. We expect that our breeding program for developing winter-hardy rye hybrids will likewise produce suitable varieties for regions in North America in the medium term.

Under the slogan #RYEVOLUTION, we are committed to cultivation of hybrid rye and are working intensively to develop new varieties. This crop is not only very adaptable and rugged, but also delivers valuable, long-lasting energy as a food.

Sights firmly set on progress: More than one-third of our employees work in R&D and directly in developing new, high-performance varieties.

Digitization of R&D work – rollout of KWS' geodata management platform

Digitization is penetrating the various breeding processes at KWS and making development of new varieties easier and more efficient. In order to tap its diverse potentials, we work constantly to digitize various research & breeding processes. Over the past years, for example, we have developed and now successfully launched a cross-crop platform for geodata management. Based on geoinformation and navigation satellite systems, it is the foundation for fully digitized field planning. The platform can be used to create and document field plans for commercial seed production and planning of field trials with the aid of software we have developed in-house. Moreover, details of the arrangement of the trial plots and rows can be transferred to systems on the tractors to enable their satellite-controlled, automated guidance during sowing. The digital field plans also serve as the basis for automatic methods of trait identification, such as analysis of images captured by drones.

KWS' geodata management platform is conceived as a growing system and is to be gradually expanded with additional applications. The long-term goal is to fully link all relevant data with the trial fields and plots.

Yield forecasts – predictive breeding at KWS

Progress in the field of breeding methods has been sped up in the past years, in particular thanks to genomic analyses. Genomic data is now used by KWS to determine a plant's potential for further breeding on the basis of statistical calculations. With the aid of genomic selection, the genomes of entire plant populations are analyzed with molecular markers and, using specially developed computer models, correlated with field data collected at the same time. That correlation ultimately enables predictions on the yield of possible progeny without the need to assess them in the field. We will be able to increase the accuracy of these forecasts significantly in the future by integrating further data, such as on the plants' metabolism or protein profile.

Genomic selection is now an established method for just about all of KWS' crops and is used successfully for developing new varieties. The genetic makeup of the breeding material and efficiency in breeding have been able to be improved significantly as a result. In particular, the development of corn varieties that are tolerant to drought stress has been complemented by the use of predictive breeding methods and has helped KWS produce tolerant hybrids under our label "ClimaControl[3]."

2.3 Economic Report

2.3.1 Business Performance

General developments and business performance of the KWS Group

KWS faced an economic environment similar to that of the previous year. The global economy grew only at a slow rate. Whereas the U.S. economy picked up steam, also thanks to fiscal stimuli, the pace of expansion in the eurozone, Japan and China declined. Parts of South America and Turkey were in recession. There were again new barriers and sanctions in international trade in the year under review, and they affected our business in part. The weakness of a number of local currencies in regions where KWS operates, such as South America and Turkey, also had a negative impact.

The agricultural sector again had to contend with challenging general conditions. High inventories due to good harvests in most cultivation regions, regulatory intervention and increasing weather anomalies are concerns for many farmers. The slight price increases in the year under review were not sufficient to cause a turnaround in the conditions for growing agricultural crops – in some cases, arable farming remained a loss-making business as a result of relatively low prices for agricultural raw materials. While there was a slight increase in global cultivation area for wheat, there was a slight decline in the amount of soybean and corn sown, in particular due to extremely damp weather conditions in the U.S. Sugarbeet cultivation area remained largely constant as a whole, despite the continuing low level of sugar prices. However, there were sharp differences among the individual regions: While regulatory changes relating to the use of insecticides meant that cultivation conditions in the EU grew more difficult, more sugarbeet was grown in the U.S. in the fiscal year.

On June 19, 2019, KWS announced that it has signed a binding agreement to acquire Pop Vriend Seeds, a company headquartered in Andijk in the Netherlands, and aims to position itself long term in the growth market of vegetable seed. Pop Vriend Seeds is the market leader for spinach seed and has a highly promising portfolio of other vegetable crops. The company, which was founded in 1956 and is showing strong growth, generated revenue of around €75 million and above-average earnings in fiscal 2017/2018. The acquisition will bolster KWS' future sales and earnings growth and help it achieve its strategic corporate objectives. The transaction was completed on July 1, 2019.

Guidance versus actual business performance of the KWS Group

Despite the above-mentioned industry-specific and geopolitical challenges, the KWS Group was able to increase EBIT significantly and fulfill or surpass its forecasts.

In the course of the year, there were hardly any changes to our assessment for the year as a whole. The only correction was in the 9M Quarterly Report for 2018/2019, when we put a more precise figure on our earnings guidance by stating that we expected an EBIT margin at the upper end of the forecast range of 10.0% to 12.0%.

While our sales and R&D intensity fully matched our most recently published expectations, the EBIT margin was 13.5% and thus even above the predicted range. Apart from our positive operating performance, earnings were also increased by €11 million as a result of a non-recurring effect from the sale of shares in KWS Potato B.V.

Summary of the segments' course of business and comparison with the guidance[1]

Most of the net sales in the **Corn Segment** is generated in the second half of our fiscal year (January to June) during the spring sowing season in the northern hemisphere. A lesser share of revenue is earned in South America in the first two quarters. Our business performance in South America was very positive, while our business in the U.S. suffered significant declines due to weather-related factors. In Europe and China, our business was stable as a whole in the year under review.

Net sales and the EBIT margin in the Corn Segment were, as expected, up slightly over the previous year.

The main sales season for the **Sugarbeet Segment** is in the second half of our fiscal year (January to June). The strong performance of our sugarbeet varieties was again a mainstay in the segment's success in the year under review. The segment also benefited in particular from the successful launch of our CONVISO® SMART portfolio of varieties. Cultivation area as a whole remained at the high level of the previous year. The measures to cut capacities announced by the European sugar industry had only little impact on the segment's performance in the fiscal year. We posted an increase in net sales in particular in Eastern Europe and North America.

The segment's net sales were better than expected and were slightly above the figure for the previous year. The EBIT margin in the Sugarbeet Segment improved sharply year over year thanks to non-recurring income from sale of 50% of the shares in KWS Potato B.V. That was the main reason why we raised our guidance during the year.

Every year, the fall sowing season determines the main business trends of the **Cereals Segment**. The key crop in that is hybrid rye, which accounts for a very significant share of the segment's net sales and earnings. As expected, net sales rose sharply in the year under review, mainly as a result of the strong growth in hybrid rye seed. The EBIT margin was 13.5%, better than originally anticipated and above the figure for the previous year.

Net sales at the **Corporate Segment** were as expected. We lowered our EBIT guidance during the year due to extra expenditures as part of our change in legal form, M&A activities, reorganization of administration (ONEGLOBE), and on information technology. The segment's EBIT was €–97.1 million and so in line with the guidance revised in the course of the year.

Guidance versus actual business performance of the KWS Group

	Results 2017/2018	Guidance for 2018/2019	Adjustments to the guidance during the year			Results 2018/2019
		2017/2018 Annual Report	Q1 Report	Semiannual Report	9M Report	
Net sales	€1,068 million	Slight increase in net sales	–	–	–	€1,113 million; 4.2%
R&D intensity	18.5%	Around 19.0%	–	–	–	18.5%
EBIT margin	12.4%	10.0–12.0%	–	–	At the upper end of the guidance	13.5%

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

2.3.2 Earnings, Financial Position and Assets

Earnings

Condensed income statement

in € millions		2018/2019	2017/2018	+/–
Net sales		1,113.3	1,068.0	4.2%
Operating income		150.0	132.6	13.1%
Net financial income/expenses		–5.5	5.4	–
Result of ordinary activities		144.5	138.0	4.7%
Income taxes		40.4	38.3	5.5%
Net income for the year		104.0	99.7	4.3%
Earnings per share	in €	3.15	3.02	4.3%
EBIT margin	in %	13.5	12.4	–

Net sales increase despite strained general conditions

Net sales in the year under review were again impacted by significant exchange rate effects and a difficult market environment characterized by low producer prices, regulatory intervention and extreme weather events. Nevertheless, the KWS Group was able to grow its net sales slightly to €1,113.3 million compared to €1,068.0 million in the previous fiscal year, an increase of 4.2%. In the Corn Segment, expanding seed business in South America had a particularly positive impact on net sales. The Sugarbeet Segment posted a slight increase in net sales; there were appreciable gains in Eastern Europe in particular. Net sales in the Cereals Segment rose sharply due to higher sales of rye and barley seed in Europe. The Corn and Sugarbeet Segments each accounted for a major share of total net sales, namely 42.9% and 41.4% respectively. The Cereals Segment increased its share to 15.3% (previous year: 14.0%) on the back of strong growth. The region where we generated most of our business was Europe, which accounted for 66.6% of net sales (Germany: 21.2%), while net sales from North and South America contributed 27.5% of the total. Revenues from our North American and Chinese equity-accounted companies are only included at the segment level (see our segment reporting starting on page 41).

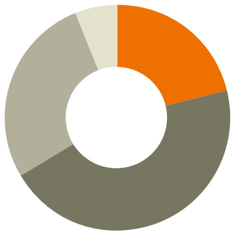
EBIT improves again

The KWS Group's operating income (EBIT) improved in fiscal 2018/2019 by 13.1% to €150.0 (132.6) million, despite the challenges described above. Apart from the growth in net sales, earnings were also increased by €11.0 million as a result of a non-recurring effect from the sale of shares in KWS Potato B.V. The EBIT margin was 13.5% following 12.4% in the previous year.

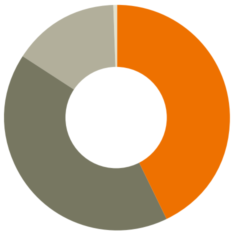
The KWS Group's cost of sales rose in the year under review by 2.8% to €458.5 (446.1) million, giving a cost of sales ratio of 41.2% (41.8%). The year-on-year improvement in that ratio is partly attributable to lower royalty payments to third parties. In particular, the successful launch of new hybrid corn varieties in Brazil with KWS' genetics had an impact here.

As planned, we again increased our research & development expenditure, which we see as an investment in the future, to €205.6 (197.7) million; as in the previous year, the R&D intensity was 18.5%. Administrative expenses increased to €115.4 (95.8) million due to work as part of the reorganization project ONEGLOBE, costs for the change in our legal form, and higher IT expenses. The balance of other operating income and other operating expenses increased to €38.0 (5.6) million, among other things due to the non-recurring effect from the sale of shares in KWS Potato B.V. and income from reversal of allowances on receivables. The related individual items are explained in detail in the Notes on pages 141 to 142.

Net sales by region
Total net sales €1,113.3 million[1]



Net sales by segment
Total net sales €1,113.3 million[1]



1 Without net sales of our equity consolidated companies.

Net financial income/expenses negative – Net income improves

Our net financial income/expenses is made up of the net income from equity investments and the interest result. One component of income from equity investments is the income from equity-accounted financial assets, which fell to €9.4 (13.4) million due to the drop in earnings (see page 42) from our joint ventures in North America and was not able to be fully offset by the improvement in profitability at our Chinese joint venture. The interest result fell to €–15.0 (–8.0) million, in particular due to additional long-term borrowing in South America. Net financial income/expenses was thus €–5.5 (5.4) million. Earnings before taxes (EBT) rose by 4.7% to €144.5 (138.0) million. Income taxes consequently increased to €40.4 (38.3) million, giving a tax rate of 28.0% (27.8%). Overall, the KWS Group generated net income of €104.0 (99.7) million in the year under review, an increase of 4.3%. Given that the number of shares is now 33,000,000 (following the stock split at a ratio of 1:5 on March 22, 2019), earnings per share were €3.15 (3.02).

Financial situation

Selected key figures on the financial position

in € millions	2018/2019	2017/2018	+/–
Cash and cash equivalents	159.8	192.6	–17.0%
Net cash from operating activities	72.9	98.1	–25.7%
Net cash from investing activities	–95.2	–68.1	39.8%
Free cash flow	**–22.4**	**30.0**	**–**
Net cash from financing activities	404.5	–25.3	–

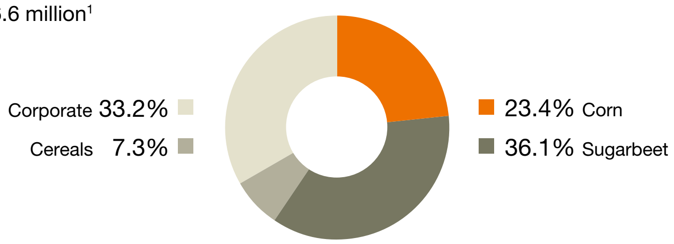
Securing the KWS Group's financial flexibility, enabling its profitable growth and preserving its independence are the core tasks of our financial management. Among other things, we ensure that by extensive liquidity planning, monitoring of cash flows, and hedging the risk of interest rate changes and currency risks. The main financial instruments used by the Group in the fiscal year, apart from a syndicated credit line, were borrower's notes and bilateral loan agreements (commercial papers) with different loan periods and terms. The maturity profile of the Group's borrowings has a broad spread, with a high proportion of medium- and long-term financing.

As part of the acquisition of the vegetable seed producer Pop Vriend Seeds, KWS temporarily utilized bridge funding from various banks in June 2019. It was already replaced at the end of August 2019 by the issue of medium- and long-term borrower's notes with a total volume of €400 million at very favorable conditions. In order to secure KWS' growth, we also consider the option of a capital increase in exceptional cases, for example to fund a further large acquisition.

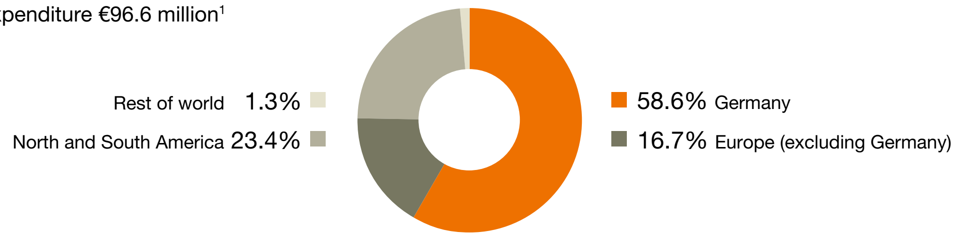
Higher net income year on year, before allowing for non-cash expenses and income, coupled with higher income taxes and an increase in trade receivables, resulted in a decline in net cash from operating activities to €72.9 (98.1) million.

The net cash from investing activities totaled €–95.2 (–68.1) million in fiscal 2018/2019. Our capital spending in the year under review was consistent with our long-term growth plans and focused on erecting and expanding production and research & development capacities. Expansion of sugarbeet seed production in Einbeck was continued as planned. The project, which has a total investment volume of around €40 million, is expected to be completed by the end of 2020. The focus of our capital spending in the Corn Segment was on expanding production and processing plants in Brazil and Argentina, whereas in the Cereals Segment it was mainly centered on expanding and modernizing breeding stations and production plants at Wohlde and in Eastern Europe. Total capital spending in fiscal 2018/2019 was €96.6 (71.7) million. This rise was mainly attributable to the fact that some investments planned for the previous year were not carried out until the year under review. Depreciation and amortization remained virtually constant at €49.7 (50.1) million.

Capital expenditure by segments
Total capital expenditure €96.6 million[1]



Capital expenditure by region
Total capital expenditure €96.6 million[1]



1 Without capital expenditures of our equity consolidated companies.

The net cash from financing activities was €404.5 (–25.3) million, essentially due to the capital raised for the takeover of Pop Vriend Seeds.

The KWS Group's cash and cash equivalents at the end of fiscal 2018/2019 fell to €159.8 (192.6) million.

Assets

Condensed balance sheet

in € millions	06/30/2019	06/30/2018	+/–
Assets			
Noncurrent assets	760.5	691.3	10.0%
Current assets	1,346.8	826.4	63.0%
Assets held for sale	7.6	0.0	–
Equity and liabilities			
Equity	963.5	881.8	9.3%
Noncurrent liabilities	364.4	334.3	9.0%
Current liabilities	785.3	301.6	160.4%
Liabilities held for sale	1.8	0.0	–
Total assets	**2,115.0**	**1,517.7**	**39.4%**

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

Total assets at June 30, 2019, were €2,115.0 (1,517.7) million. Noncurrent assets rose to €760.5 (691.3) million, mainly due to planned investments in new production plants and the expansion of research & development capacities. Trade receivables rose sharply to €402.1 million from €310.1 million in the previous year, in particular as a result of business expansion in South America and Eastern Europe. However, inventories fell slightly to €177.3 (181.0) million. Current assets at the balance sheet date totaled €1,346.8 (826.4) million. The increase is mainly due to short-time borrowings as part of bridge funding for the acquisition of the Dutch vegetable seed producer Pop Vriend Seeds, which was completed on July 1, 2019. As a result, net debt rose sharply to €497.9 (37.4) million.

The company's capital stock increased from €19.8 million to €99.0 million by way of a capital increase from company funds (stock split). Higher net income and the allocation to the revenue reserves meant that equity rose to €963.5 (881.8) million. As a result, noncurrent assets were again fully covered by equity. Noncurrent liabilities rose to €364.4 (334.3) million, mainly due to the raising of multi-year loans in South America. On the other hand, borrower's note loans were repaid. All in all, the equity ratio fell sharply to 45.5% (58.1%). We aim to keep on our profitable growth trajectory by entering vegetable seed business and with the acquisition of Pop Vriend Seeds. For that reason, we are willing to accept a temporary decline in our equity ratio. Nevertheless, we continue to operate on the back of a solid balance sheet.

2.3.3 Segment Reports

Reconciliation with the KWS Group

The KWS Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The segments are presented in the Management Report in line with our internal corporate controlling structure in accordance with GAS 20. The main difference is that we do not carry the revenues and costs of our equity-accounted companies in the statement of comprehensive income (in accordance with IFRS 11). The KWS Group's net sales and EBIT are therefore lower than the total for the segments. The earnings contributed by the equity-accounted companies are instead included under net financial income/expenses. In addition, their assets are included separately in the KWS Group's balance sheet. Our equity-accounted companies are included proportionately in the segment reports in line with our internal corporate controlling structure.

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

We boosted our competitiveness in the corn seed arena in the year under review by successfully establishing and expanding our breeding program.

Reconciliation table

in € millions		Segments	Reconciliation	KWS Group
Net sales		1,375.0	–261.7	1,113.3
EBIT		163.4	–13.4	150.0
Number of employees	avg.	5,543	–745	4,798
Capital expenditure		101.1	–4.5	96.6
Total assets		2,276.3	–161.3	2,115.0

The reconciliation between the KWS Group's statement of comprehensive income and the reporting by segments in fiscal 2018/2019 is impacted by our equity-accounted companies in the North American and Chinese corn markets. That applies to all key figures in the table above, with the main influences coming from North America. Net sales from corn and EBIT were lower there in the year under review, which therefore had an impact on the reconciliation. The Chinese company KENFENG – KWS SEEDS CO., LTD. increased its contribution to net sales and income in the year under review, although that still had a minor effect on the reconciliation.

Corn Segment

Key figures

in € millions		2018/2019	2017/2018	+/–
Net sales		739.0	734.2	0.7%
EBIT		57.9	47.4	22.2%
EBIT margin	in %	7.8	6.5	–
Capital expenditure		27.2	64.1	–57.6%
Capital employed (avg.)		750.2	695.5	7.9%
ROCE (avg.)	in %	7.7	7.0	–

Economic environment: Stable general conditions in Europe – declines due to weather factors in North America

The general economic conditions for corn varied greatly in the year under review: While there were largely stable cultivation conditions and a slight increase in cultivation area in the EU 28, an important region for KWS, our business in the U.S. suffered significant declines due to weather-related factors. Long periods of rain during the sowing season, especially in the Midwest, the most important corn-growing region in the United States, meant that corn cultivation area fell sharply.

In China, the outbreak of swine fever, the trade war with the U.S. and government subsidies for extended crop rotation meant that soybean cultivation increased at the expense of corn. The business environment in South America was characterized by strong competitive pressure and devaluation of currencies (especially in Argentina).

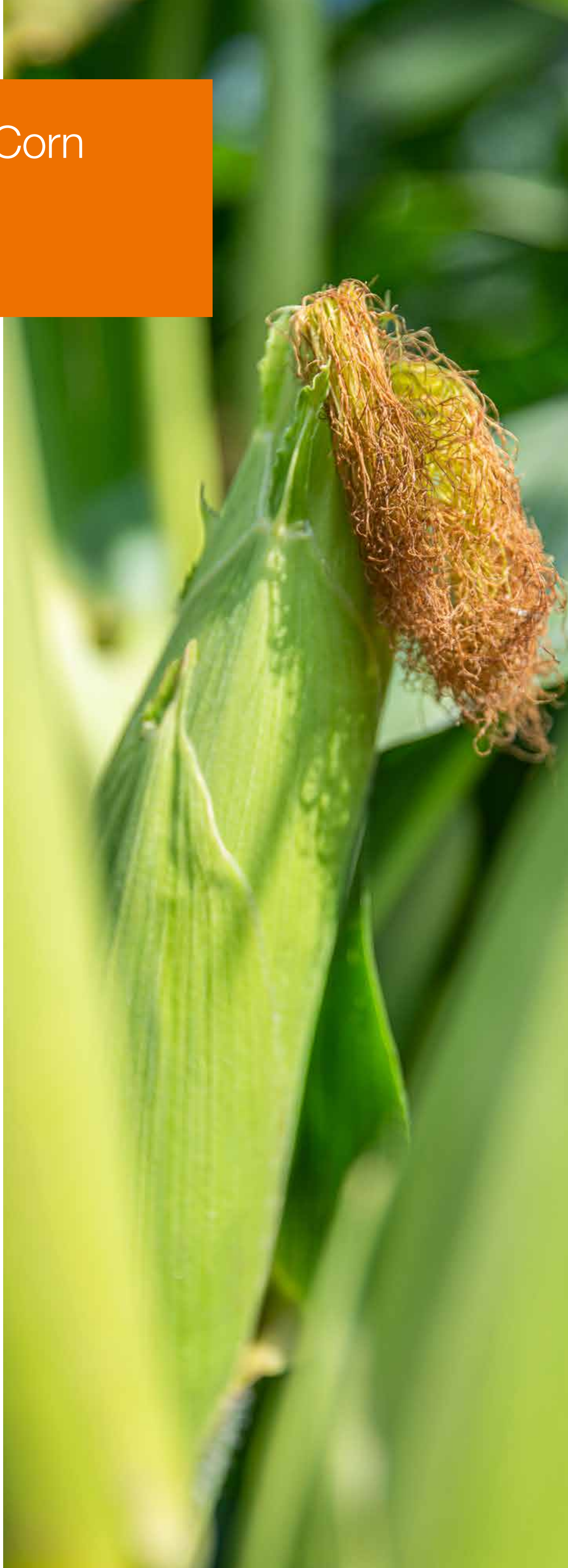
The segment's performance: Increase in net sales and earnings

The Corn Segment grew its net sales by 0.7% to €739.0 (734.2) million in the year under review. That increase is mainly attributable to positive business performance in South America. We significantly expanded our business volume and won market share in Brazil following successful launch of our high-performance hybrid corn varieties. We also grew our soybean seed sales. Volumes in Argentina increased in the high single-digit range. However, the continued devaluation of the Argentinean peso had a negative impact. Argentina was classified as a hyperinflationary economy in the year under review. We therefore applied IAS 29 "Financial Reporting in Hyperinflationary Economies" to KWS Argentina S.A. for the first time in order to compensate for the effects of inflation.

In North America – and in particular in the Midwest of the U.S. – damp weather conditions during the sowing season meant that corn cultivation area fell sharply and so resulted in significant declines in net sales at our 50:50 joint venture AgReliant. On the other hand, there were positive exchange rate effects from the increase in the US dollar's value against the euro. AgReliant completed the renewal of its brand strategy in the year under review and has now established three national brands. This new strategy is the basis for our planned growth in the coming years.

In Europe, our business was stable as a whole. Net sales were very pleasing in Eastern and Southeastern Europe, whereas we suffered slight drops in net sales in Western and Northern Europe due to intensified competition. We aim to keep on launching new hybrid varieties and so strengthen our market position in Europe. We see the greatest growth potential as being in Eastern and Southeastern Europe.

Corn



Our business in China was stable against the backdrop of a challenging environment. While net sales at our Chinese joint venture KENFENG rose, we posted a fall in revenue from licensing business.

In addition, sorghum and catch crop seed business was transferred to the Cereals Segment.

The segment's income rose by 22% to €57.9 (47.4) million. That was aided in particular by the sharp improvement in operating business in South America. Moreover, application of IAS 29 for Argentina contributed to the segment's positive earnings performance. Our earnings in Europe were stable in the year under review, whereas falling sales volumes resulted in a decline in North America. The EBIT margin rose from 6.5% to 7.8%.

Investments focus on South America

The segment's capital spending was €27.2 (64.1) million in the year under review. The focus was on expanding production and processing plants in Brazil and Argentina so as to establish sufficient capacities for the anticipated rise in demand for seed in these important markets. After the projects have been completed in the current fiscal year, we will have roughly doubled our processing capacities in the two countries.

Sugarbeet Segment

Key figures

in € millions		2018/2019	2017/2018	+/–
Net sales		461.2	455.1	1.3%
EBIT		179.6	160.5	11.9%
EBIT margin	in %	38.9	35.3	–
Capital expenditure		34.9	16.8	107.7%
Capital employed (avg.)		300.0	282.0	6.4%
ROCE (avg.)	in %	59.9	56.9	–

Economic environment: Tougher cultivation conditions along with still low sugar prices
The Sugarbeet Segment faced a tougher market environment in the year under review. Two years after the end of the Sugar Market Regime, European farmers and sugar companies were impacted by the continuing low level of sugar prices. As a consequence, individual sugar companies announced that they would review the profitability of their production sites and remove capacities from the market. Restrictions on the use of insecticides also made cultivation conditions in the EU more difficult. Sugarbeet cultivation area in this important region for us dropped overall by around 5%, although it rose slightly in North America by about 1%. There were further increases in cultivation area in China and Egypt.

The segment's performance: Slight increase in net sales, CONVISO® SMART very successful in Eastern Europe
We grew the Sugarbeet Segment's operating business slightly in the year under review, mainly thanks to the successful launch of our SMART portfolio of varieties and due to positive exchange rate effects. Net sales were €461.2 million following €455.1 million the year before. While net sales in the EU declined due to the difficult cultivation conditions, the fall in sugar prices and the removal of surplus capacities in the sugar industry, net sales grew sharply in Eastern Europe (Ukraine, Belarus and Moldava) thanks to the introduction of CONVISO® SMART. It has now been launched in 17 countries and has generated net sales in the double-digit million range. In North America we benefited from a slight increase in cultivation area and a stronger US dollar. Net sales in Turkey and the Middle East were likewise up over the previous year, despite the fact that the Turkish lira fell in value year on year.

Sugarbeet

The launch of the CONVISO® SMART system and related activities to establish it on the market contributed to the increase in selling expenses in the year under review. We expanded our research & development activities in line with our planning. In view of the further restrictions on pesticides in the EU, we believe in particular that the development of natural resistances will grow in importance in the medium to long term. Administrative expenses were at the level of the previous year. The segment increased its EBIT overall to €179.6 (160.5) million, mainly due to business with CONVISO® SMART, a stronger US dollar and a non-recurring effect (€11.0 million) from the sale of shares in its potato business.

Continued investment in seed production

We continued our multi-year capital spending projects as planned in the year under review. The PIA (Production Extension and Innovation Einbeck) project, with which we are expanding our seed production plant in Einbeck, is expected to be completed by the end of 2020. The first section of the new production plant (packaging/active substance application) came into operation recently. Further investments were made in expanding capacities in France and Italy, as well as in developing biologicals, useful microorganisms that improve seed's stress tolerance to pests and abiotic factors such as drought.

Cereals Segment

Key figures

in € millions		2018/2019	2017/2018	+/–
Net sales		170.8	151.1	13.0%
EBIT		23.0	18.4	25.0%
EBIT margin	in %	13.5	12.2	–
Capital expenditure		7.0	7.0	0.0%
Capital employed (avg.)		133.0	127.8	4.1%
ROCE (avg.)	in %	17.3	14.4	–

Economic environment: Cereal commodity prices remain stable at a low level

The economic situation for European cereal farmers remained strained in the year under review. Predominantly low cereal commodity prices and dry weather conditions in the sowing season posed big challenges for farmers in large parts of Europe. Increasing restrictions on the availability of seed treatment applications in the EU and drought during the sowing season resulted in a sharp drop in rapeseed cultivation area. In contrast, there was a strong increase in the amount of rye grown. The main reasons for that were better prices for rye than for wheat and rye's acknowledged high yield stability in dry years.

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

Net sales at the Cereals Segment rose by 13.0% to €170.8 (151.1) million. We increased our net sales from rye seed by 24% thanks to the rise in cultivation area and higher market share. Revenue from wheat seed and rapeseed remained stable in the year under review, while barley business increased sharply. The organizational restructuring of business with seed for sorghum and catch crops (which was transferred from the Corn Segment) likewise contributed to growth in the year under review. Hybrid rye seed was still the main sales driver in the Cereals Segment, contributing around 39%, followed by rapeseed, wheat and barley.

Our domestic net sales rose sharply by 23% in the year under review. Germany therefore remains the most important single market for our Cereals Segment – we generated around 31% of our net cereal sales there, mainly from rye, barley, wheat and rapeseed seed. The main driver here was rye seed business. We were able to increase our market share to approximately 68% and so consolidate our position as market leader in Germany thanks to the improved performance of our hybrid rye varieties.

We again turned in a positive business performance in our other key markets – the UK, France, Poland and Scandinavia – where we generated almost 43% of the segment's net sales. Net sales in our strategic growth markets (Russia, Ukraine, Belarus and North America) rose by around 32%. We posted sharp growth in particular in future markets for rye cultivation in North America. The strategic growth markets contributed 7.2% (6.1%) to total net sales in the year under review.

Cereals

The increase in net sales and an improved product mix resulted in a higher gross profit at the segment. Expenditure on distribution, Research & Development and administration was likewise higher due to expansion of our business activities. EBIT increased by 25% to €23.0 (18.4) million, giving an EBIT margin of 13.5% (12.2%).

Forward-looking investment continued

The segment's capital spending in the year under review was €7.0 (7.0) million. The main focus was on expanding and modernizing breeding stations and production plants. Investments to renew and replace plant and equipment help ensure that we live up to our high-quality standards in our breeding and production processes. Another goal is to ensure we provide sufficient capacities so that we can achieve our strategic objectives.

Corporate

Corporate Segment

Key figures

in € millions	2018/2019	2017/2018	+/–
Net sales	3.9	4.2	–7.1%
EBIT	–97.1	–77.3	25.6%
Capital expenditure	32.1	29.8	7.7%

Net sales in the Corporate Segment in the fiscal year just ended totaled €3.9 (4.2) million. They are mainly generated from our farms. Since all cross-segment costs for the KWS Group's central functions and basic research expenditure are charged to the Corporate Segment, its income is usually negative. The costs consolidated in this segment rose in the year under review, among other things due to the reorganization project ONEGLOBE, costs for the change in legal form, and higher IT expenditure. The segment's income was €–97.1 (–77.3) million.

2.4 Environmental Report

2.4.1 Product Innovations

KWS has developed new varieties for a wide range of agricultural crops for more than 160 years. Thanks to our portfolio of sugarbeet, corn, various cereals, sorghum, rapeseed, peas and catch crops, we can offer farmers a broad range of high-performance varieties, both conventional and organic.

We continuously work to further develop our varieties and thus enable greater yield with the same or fewer resources. Our strategic focus is to increase yield by 1% to 2% per annum; however, as presented in the chart below, our research and breeding activities also aim to improve usability, resource efficiency, and resistance to various diseases and extreme environmental influences. These crop-specific development objectives are agreed annually between Research, the respective breeding departments, Production and Sales and submitted for the Executive Board and Supervisory Board to decide on. The progress made over the past years is also examined and reported on regularly as part of that.

Focus of research apart from increasing yield

Improve usability	Biotic resilience	Resource efficiency	Abiotic resilience
■ Higher sugar content (sugarbeet) ■ Improved biogas production ■ Improved digestibility ■ Higher carbon dioxide fixation	■ Improved resistance and tolerance ■ Crop rotation ■ Increased biodiversity	■ Less pesticide usage ■ Less fertilizer usage ■ Less water usage	■ Enhanced resistance to extreme environmental conditions ■ Increased resource efficiency

One indicator of progress in breeding is marketing approvals for new varieties. For example, only varieties that have what is termed a “value for cultivation and use” can be marketed in the EU. They must therefore differ significantly from already approved varieties and offer a clear improvement in cultivation or further processing. We obtained 464 marketing approvals in the year under review.

One specific example is the approval of two high-yielding winter rapeseed varieties in France. They are equipped with completely new resistance to infection caused by Phoma and offer effective protection against new strains of this pathogenic fungus. We have also achieved further progress in the fields of biologicals and organic seed. An alternative or complement to chemical means of seed treatment, biologicals comprise microorganisms such as fungi and bacteria, but also various substances that can be obtained from plants or microorganisms. They have already been successfully incorporated in coatings for sugarbeet and rapeseed seed. We are planning to use them for corn and rye next season. KWS also continuously works to further develop its organic seed, focusing on protecting the environment and on the advantages of catch crops as part of its activities in this segment.

NFD

2.4.2 Use of Genetic Resources

KWS runs a broad network of stations and trial fields for seed breeding worldwide. We test our own or externally procured genetic material for the respective application areas there.

Where external genetic material is used, the rights of the indigenous peoples from whose regions the material originates must be respected. KWS is aware of its obligations in this regard and supports the various international frameworks. Of prime mention in this regard is the international Convention on Biological Diversity and the "International Treaty on Plant Genetic Resources for Food and Agriculture". The latter is particularly relevant to regulating transfer of genetic resources.

We have implemented a due diligence process to ensure compliance with these regulations. All employees who work with genetic material are required to digitally register all materials used, whereupon our Intellectual Property department instigates an examination of where the genetic material has come from. Colleagues from our Legal department also provide assistance in more complex cases. If an examination should find that the origin of the genetic material or the process by which it was obtained is unclear, we refrain from using it.

There was also such an instance in the year under review. A routine examination of registered materials uncovered that the origins of one set of organisms were not clear and that the necessary documentation was incomplete. Further investigations revealed that the costs of subsequently revising and updating the documentation were greater than the potential benefits of the organisms and so we decided to stop using them in our research. With the exception of this examination, which led to the genetic material being rejected, there were otherwise no further anomalies in the due diligence processes.

NFD

2.4.3 Plant and Process Safety

Running our locations and our operational processes have an impact on the environment. To minimize that impact at all locations, we are committed to using innovative processes and eco-friendly technologies.

Core objectives of our global EHS (environment, health and safety) management activities are to avoid negative environmental influences and ensure resource-conserving operation of our locations, health and occupational safety, and protection of business assets.

In general, a location at the individual KWS companies is run in compliance with the applicable local statutory requirements. We defined fundamental requirements relating to the three pillars of environmental protection, work safety, and emergency preparedness and risk prevention by introducing new group-wide EHS guidelines in July 2019.

Prime examples in relation to the subject area of environmental protection are stipulations on resource-conserving operation of our locations, the handling of environmentally harmful chemicals and waste, and the use of exhaust air filters.

The measures already implemented include the use of rainwater for sanitary facilities at selected German locations and optimization of the central cooling plant at our location in Einbeck in the year under review.

We also defined a new global EHS organizational structure for the KWS Group in the period under review. To enable that, unit managers named contact persons at management level to act as multipliers at their units, support local introduction and achievement of the EHS requirements, and establish and maintain appropriate EHS structures in all areas of the company.

Greenhouses and climatic chambers not only need heat, but cold too. The recently completed new central cooling plant in Einbeck ensures that energy is produced more efficiently and distributed better across the campus.

NFD

In the future, all relevant locations in the KWS Group are to undergo regular auditing so that the EHS management system and its stipulations can be continuously developed and improved.

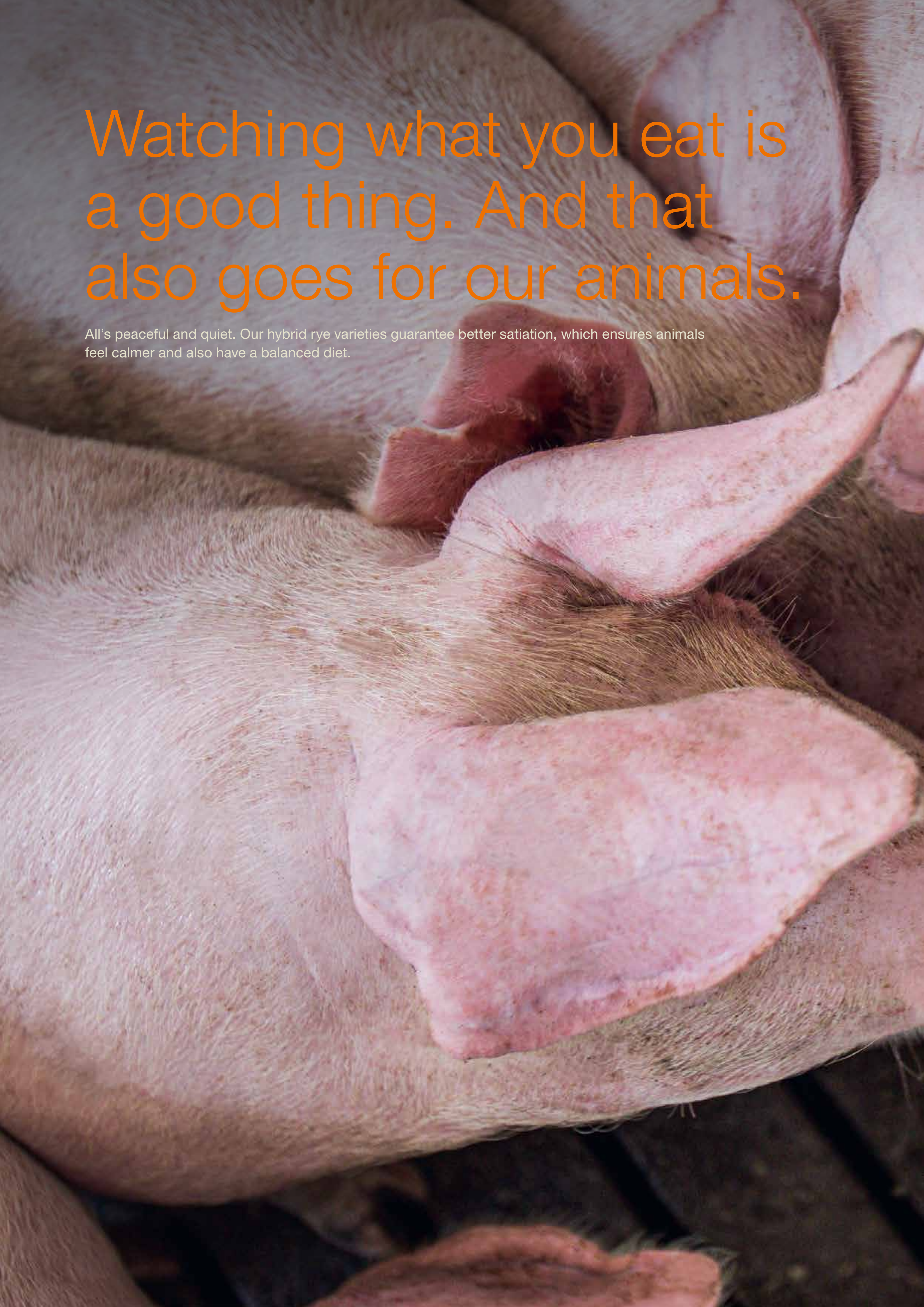
Alongside the global EHS management system, we are also focusing on the issue of environmental protection in relation to certification of treatment facilities in accordance with SeedGuard. Internal audits to review compliance with processes were successfully held at several certified locations in the year under review.

NFD

Further key aspects in plant and process safety are the responsible use of modern breeding methods and the safe use of genetically modified organisms in the production process. To document the fact that we use genetically modified organisms responsibly throughout the lifecycle of our products, our entire group is still certified in accordance with the industry standard “Excellence Through Stewardship” (ETS). All the audits held, records and measures are administered in a central database. The results are reported to the Executive Board as and when required.

Watching what you eat is a good thing. And that also goes for our animals.

All’s peaceful and quiet. Our hybrid rye varieties guarantee better satiation, which ensures animals feel calmer and also have a balanced diet.



2.5 Employee and Social Report

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

2.5.1 Employment Trends

We employed an average of 5,543 (5,147) people worldwide in the year under review, an increase of 7.7%. 2,141 (1,952), or around 39% (38%) of the workforce, were employed in Germany. While the headcount in Europe (excluding Germany) remained virtually unchanged, it rose noticeably in the North and South America regions and in the rest of the world. Once again, the area that accounted for the most employees was research and development: The number of employees here increased and made up 37.0% of the total workforce.

KWS' working environment is diverse. Our employees work in greenhouses, labs, in the field or in the office – in more than 70 countries around the world.

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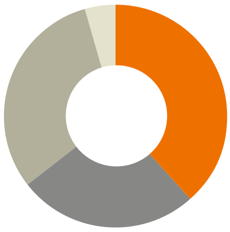
2.5.2 Recruitment & Qualification

Employer branding: Projecting our employee brand outside the company

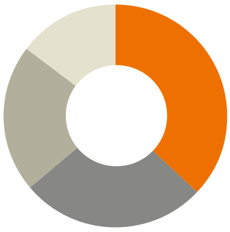
As an international company that continues to grow, the KWS Group endeavors to win and keep the employees best suited to it. Our quantitative growth and our work to enhance our quality are geared to the KWS Group's strategic objectives. The status of recruiting measures and filling of new posts is reviewed regularly in consultation with the Executive Board and the first management level.

Employees by region[1]
Number of employees 5,543



Rest of world 4.3%
North and South America 31.2%
38.6% Germany
25.9% Europe (excluding Germany)

Employees by function
Number of employees 5,543



Administration 14.6%
Distribution 21.4%
37.0% Research & Development
27.0% Production

1 Average number of employees

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We continue to use digital and traditional channels to reach out to potential applicants. That enables us to address each target group specifically, for example on social networks such as LinkedIn and Facebook.

To strengthen our position in science, we have created the post of Global Lead of Scientific Affairs at the Research & Development department so as to enable direct dialogue with universities, students and graduates as peers.

We continue to award scholarships at universities and offer talents without a university degree induction programs. As a result, we at the KWS Group again accompanied many young people successfully on their path to gaining vocational qualifications in the past fiscal year. Our 92 trainees in Germany were employed in vocational training at KWS or enrolled in dual courses of study. In recognition of our commitment in this area, we were presented with the “2019 Lower Saxony Award for Particularly Reliable Training” in the year under review.

NFD

All the measures presented by way of example ultimately help KWS enhance its attractiveness as an employer. In the annual independent rankings by the consulting firm Universum, KWS now comes in 47th in the area of sciences in the list of the 100 most popular employers in Germany among students.

Qualification, further training and development

KWS’ continuing commercial success is founded not only on its employees’ commitment, entrepreneurial freedom and satisfaction, but also on their personal skills and professional qualifications. We support our employees with tailored education and further training measures to help them build on their expertise and abilities.

In regular development meetings, which are part of the annual performance and career development reviews, our employees formulate perspectives for their further development together with their managers. They jointly define concrete continuing education and development measures aimed at enhancing their personal skills and professional competence.

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Our range of education and development offerings is diverse and supports various learning objectives. Language courses and intercultural training, as well as knowledge transfer in various subject areas and international development of (junior) executive staff, are gaining in importance.

We regularly hold "Orientation Centers" with participants from various countries in the KWS Group. Skills and development options are identified and a personal development plan is created as part of such an analysis for high potentials. In the International Development Program, we offer talents from all departments the chance, among other things, to gain experience in an international team in project work and to develop their management and leadership skills. Each participant is supported by an experienced internal mentor as part of that.

Since we are particularly committed to having all employees receive qualified leadership and support from their supervisors, we developed a competence model defining the core competencies of managers at KWS a number of years ago. In the second half of 2018, we also introduced "Leading Individuals," the first module of our newly designed management development program, in which more than 100 executives have taken part so far.

We intend to continue focusing on qualifying and developing our employees and managers in the future and will expand our training portfolio nationally and internationally.

2.5.3 Good Working Conditions*

As an international, innovation-oriented company, we need qualified employees. Good working conditions are a key foundation so that we continue to be seen as an attractive employer in the battle for the best employees.

Contracts and compensation

Every employee of the KWS Group has a written contract of employment that complies with labor and social insurance legislation. The overall compensation package for KWS employees takes into account their individual expertise and local market circumstances. It consists of a basic salary, social benefits, performance-related payments (if applicable) and, locally, Employee Stock Purchase Plans where staff can buy shares in the company. Equal pay for the same activities is a principle of our compensation policy.

Work-life balance

The lives our employees lead differ greatly and are highly individual – and so they also have different needs as regards work and the workplace. Our different working time models enable employees to strike a good life-work balance. Employees can also work from home, if that can be reconciled with their activity. We also offer part-time models. Employees in Germany also have the opportunity to take leave or reduce their working hours, with an adjustment to their salary, if they would like to look after dependents who need caring for.

Key figures for employees (in Germany)

		2018/2019	2017/2018	+/–
Number of employees[1]		2,141	1,952	9.7%
of which part-time employees		440	443	–0.7%
Ratio of men	in %	53.3	52.7	–
Ratio of women	in %	46.7	47.3	–
Number of apprentices		92	93	–1.1%
Apprentice ratio	in %	4.3	4.8	–
Average age (in years)		41.0	39.1	4.9%
Length of service (in years)		12.9	13.8	–6.5%

1 Average number of employees

* Not an audited part of the Combined Management Report

Equal opportunity and diversity

KWS is committed to equal opportunities and rights for its employees, regardless of gender, religion or belief, ethnic origin, age, handicap, skin color, language or sexual orientation. We have enshrined that in our Code of Business Ethics, which is binding on all employees. We believe that diversity of our employees, as displayed in their individual attitudes, knowledge, skills and ideas, is a key value and a competitive advantage. It encourages creativity and innovativeness and strengthens our understanding of markets and different cultures by fostering inter-cultural skills.

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

Employee representative bodies

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

2.5.4 Social Commitment*

As an international, strongly innovation-driven company, the issues of education and science are particularly dear to our heart. Our focus in the area of social commitment is therefore to promote young scientific and artistic talents, school and university projects, and educational institutions. We also support social and cultural initiatives at the regional level.

People who contribute their skills and knowledge, develop ideas and pursue them passionately are what make KWS successful.

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

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

In fiscal 2018/2019, we spent around €1.0 (1.1) million – or approximately 0.7% of our operating income (EBIT) – on social projects worldwide.

* Not an audited part of the Combined Management Report

The best way to keep an overview: a drone

Going beyond the field boundaries – with our digital analysis tools for Precision Farming: A drone and an app enable the system to pinpoint where crops are ready to be harvested. After all, ideal visibility means an ideal yield.

2.6 Corporate Governance

2.6.1 Corporate Governance Report and Declaration on Corporate Governance*

Responsible corporate governance has always been of great importance at KWS SAAT SE & Co. KGaA. Since it was founded more than 160 years ago, our company's successful development has been based on thinking in the long term and acting in terms of sustainability. The Executive Board (or, since the company's change in legal form after the end of the year under review, the personally liable partner KWS SE, whose Executive Board is since responsible for management of the company's business) and the Supervisory Board run and accompany KWS with the goal of ensuring it creates sustainable value added. They once again examined in the year under review whether the company complies with the stipulations of the German Corporate Governance Code and issue the following declaration of compliance 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 289f of the German Commercial Code (HGB)), which is available in full on our website at www.kws.com. You can find the Compensation Report starting on page 62 of this Annual Report.

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

The compliance declaration in accordance with section 161 AktG (German Stock Corporation Act) in its recent version can be found under www.kws.com/corp/en/company/investor-relations/declaration-of-compliance/.

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2.6.3 Business Ethics and Compliance

The basis of our compliance concept is the implementation of our corporate culture: KWS' values are practiced when the compliance rules are applied. Compliance with basic principles of business ethics is vital to our license to operate. Accordingly, the compliance rules apply to all employees in the KWS Group.

That is the foundation for KWS' compliance objectives, namely to gain and retain customers' trust through ethical conduct and to protect the company's employees, reputation and assets.

Information, training and continuous intensive consulting help integrate compliance in business processes and enable management to make business decisions rooted in our corporate culture.

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

Our Code of Business Ethics also covers the issue of international anti-corruption management as an integral part of our compliance management work. On the basis of the regulations in the code, there is a policy of zero tolerance toward any form of corruption at the KWS Group and that principle is stipulated as a group-wide standard in the Anti-Corruption Policy. This standard applies regardless of whether bribery is prohibited by law, tolerated or permitted in the country in question. The group-wide Anti-Corruption Policy defines the responsibilities, processes and regulations in relation to preventing corruption and bribery at the KWS Group.

* Not an audited part of the Combined Management Report

Clear structures create room for success: High standards of corporate governance, compliance and business ethics are firmly entrenched in KWS' corporate culture.

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The Compliance department is the central point of contact for questions on our Code of Business Ethics and other related issues. It advises all divisions of the KWS Group in complying with laws, regulations and internal rules of conduct and controlling their observance. The focus is on the subjects of antitrust law, anti-corruption, data protection and capital market law.

The Chief Compliance Officer regularly provides information about the compliance system and its principles, as well as about the latest issues and developments, in training courses, information events and workshops. Apart from this information, a broad range of aids is also available to our employees. Checklists, instructional leaflets and other guides provide practical tips on observing compliance rules in everyday work. All information and rules of conduct can be accessed by employees worldwide in the Compliance Portal on KWS' intranet. In addition, all supervisors are obliged to inform their employees about compliance issues.

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Implementation of individual compliance aspects is reviewed as part of audits. The Compliance department also conducts regular compliance risk analyses for all units and regions and derives measures for improvement from the results. No incidents of corruption were reported to headquarters in fiscal 2018/2019. No violations of antitrust and data protection legislation and thus no related fines were reported to headquarters, either.

If an examination or report reveals indications of suspected violations, the investigation is conducted in accordance with KWS' regulations "Procedures of Internal Compliance Notification." Our employees are obligated to report suspected violations; the open door principle applies to that. Employees can supply information on them to their supervisor, to the Chief Compliance Officer or to the external compliance hotline. The hotline can be contacted, including by e-mail, free of charge around the clock and in the language of the country in question. Reports of suspected violations are treated anonymously if requested. The reported cases are investigated by KWS. Whistleblowers do not suffer any disadvantages, unless they

NFD

have obviously abused their right to report violations. After the investigation has been completed, the whistleblowers are informed of the results, as long as there are no legal reasons or legitimate interests against doing so or other disadvantages are to be feared.

If suspected cases prove to be violations, the system of sanctions is applied. In general, it can be applied to all types of compliance violations and is also accessible to employees. The system of sanctions defines various criteria governing the measures to be taken, such as the gravity of the violations, the degree of the person's breach of duty, the functional level, behavior after the violation – help in investigating it or attempts to cover it up – as well as consequences of the violation, such as the threat of damage or actually incurred damage, among other things. The sanctions consequently range from cautions, warnings and reductions in bonuses to immediate dismissal and filing of charges.

The Executive Board and the Supervisory Board's Audit Committee are informed once a year about the current status and latest developments of the Compliance Management System.

In addition to our internal compliance regulations, we also want to involve our suppliers in ensuring they adopt and practice our business ethics. KWS also expects its suppliers, service providers, their employees and subcontractors (jointly termed "suppliers") to act ethically, responsibility and in a spirit of sustainability. The conduct expected of our suppliers is specified in our Code of Business Ethics for Suppliers; one particularly important criterion is that they respect human rights as fundamental and universal. The code specifies, for example, that our suppliers must not permit forced labor or child labor and must comply with the regulations on the minimum age for admission to employment defined in the latest version of ILO Convention No. 138. The code contains provisions on safety at work, product safety, protection of the environment and avoidance of corruption, as well as on the requirement to ensure fair competition and protection of personal data and third-party know-how.

2.6.4 Compensation Report

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

Compensation for members of the Executive Board

The compensation system for the Executive Board was set by the Supervisory Board in 2010 and approved by the Annual Shareholders' Meeting. The Executive Board's compensation is based on the size and activity of the company, its economic and financial situation and the level and structure of compensation for managing board members at comparable companies.

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

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

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

The **basic annual salary** in the year under review for the Executive Board members Dr. Hagen Duenbostel, Dr. Léon Broers, Dr. Peter Hofmann, and Eva Kienle was €300 thousand. Dr. Felix Büchting (since January 1, 2019) received a partial basic salary of €125 thousand in the year under review. The Chief Executive Officer receives an extra "CEO bonus" of 25% on top of the basic annual salary. The basic compensation is paid as a monthly salary.

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

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

Since fiscal year 2010/2011, there has also been a **stock-based bonus system** (the first reference point for which was in January 2012). It is intended to act as a long-term incentive and thus support the company's sustainable development. Every member of the Executive Board is obligated to invest a freely selectable amount ranging between at least 20% and at most 50% of the gross performance-related bonus payment in shares of KWS SAAT SE & Co. KGaA. In addition to the shares that are no longer locked in, the Executive Board receives the long-term incentive (LTI) in the form of cash compensation after a holding period of five years. This payment is calculated on the basis of the share's performance over the holding period and on the average return on sales (ROS, based on segment reporting), measured as the ratio of operating income to net sales.

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

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

Pension obligations are granted in the form of a direct obligation to provide benefits, with the annual anticipated pensions ranging between €13 thousand and €130 thousand, and a defined contribution plan. In fiscal 2018/2019, €342 (306) thousand was paid to a provident fund backed by a guarantee for pension commitments to members of the Executive Board. A further €275 (111) thousand was allocated to the pension provisions in accordance with IAS 19 (of which €21 thousand was interest expenses and €254 thousand from revaluation effects due to adjusted Heubeck mortality tables). There were thus pension provisions totaling €1,566 (1,291) thousand for the members of the Executive Board of KWS SAAT SE (in future: of KWS SAAT SE & Co. KGaA).

Pension commitments

in €	06/30/2019	06/30/2018	Interest expenses	Revaluation effects
Dr. Hagen Duenbostel	1,157,263.00	938,928.00	15,492.00	202,843.00
Dr. Peter Hofmann	408,776.00	352,134.00	5,810.00	50,832.00
Total	**1,566,039.00**	**1,291,062.00**	**21,302.00**	**253,675.00**

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 (DRS 17) was €4,316 (4,016) thousand in fiscal 2018/2019. 35.2% (34.3%) was accounted for by the basic annual salary, including fringe benefits, 47.1% (47.3%) by annual variable components and 15.7% (18.5%) 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 2018/2019

in €	Cash compensation				LTI FV[1]	Total	LTI
	Basic compensation	Fringe benefits	Performance-related bonus	Total	Grant		Cost
Dr. Hagen Duenbostel	375,000.00	23,303.72	476,696.28	875,000.00	226,736.74	1,101,736.74	250,522.81
Dr. Léon Broers	300,000.00	25,719.43	474,280.57	800,000.00	225,966.40	1,025,966.40	244,459.95
Dr. Felix Büchting (since 01/01/2019)	125,000.04	12,113.77	137,886.23	275,000.04	0.00	275,000.04	0.00
Dr. Peter Hofmann	300,000.00	25,804.65	474,195.35	800,000.00	158,176.48	958,176.48	82,668.83
Eva Kienle	300,000.00	31,234.81	468,765.19	800,000.00	155,608.68	955,608.68	100,860.20
Total	**1,400,000.04**	**118,176.38**	**2,031,823.62**	**3,550,000.04**	**766,488.30**	**4,316,488.34**	**678,511.79**

Total compensation for the Executive Board 2017/2018

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

1 Long-Term-Incentive Fair Value.

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,479 (1,575) thousand. Pension commitments in accordance with IAS 19 (2011) recognized for this group of persons amounted to €6,674 (7,315) thousand as of June 30, 2019. 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 following tables, we present the individual grants and receipts separately for each member of the Executive Board, as incurred in the year under review and in the previous year in accordance with the recommendations in Clause 4.2.5 (3) of the German Corporate Governance Code (DCGK) in the version dated February 7, 2017.

The target compensation, including the agreed lower and upper limits, is shown under “Grant.” The LTI grants are assessed at the present value at the time of acquisition of the last tranche of shares. The details on the receipts show the same figures as under “Grant” for the fixed compensation and fringe benefits. The receipt for fiscal years 2018/2019 and 2017/2018 (amounts paid) is stated for the one-year variable payment (performance-related bonus), as is the amount for the multi-year variable payments (LTI), whose planned term ends in the year under review. In turn, the benefit expense is presented in accordance with IAS 19 and does not constitute a receipt in the narrower sense, but serves to illustrate the overall compensation.

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

in €				Grant		Receipt
			2018/2019	2017/2018	2018/2019	2017/2018
		Min.	Max.			
Dr. Hagen Duenbostel (Chief Executive Officer)						
Fixed payment	375,000.00	375,000.00	375,000.00	375,000.00	375,000.00	375,000.00
Fringe benefits	23,303.72	23,303.72	23,303.72	21,686.48	23,303.72	21,686.48
Subtotal	**398,303.72**	**398,303.72**	**398,303.72**	**396,686.48**	**398,303.72**	**396,686.48**
Performance-related bonus	476,696.28	0.00	476,696.28	470,827.23	476,696.28	478,313.52
Total cash compensation	**875,000.00**	**398,303.72**	**875,000.00**	**867,513.71**	**875,000.00**	**875,000.00**
Multiyear variable payment						
LTI 2011/2012						297,479.52
LTI 2012/2013					240,018.58	
LTI 2016/2017				214,116.10		
LTI 2017/2018	226,736.74	0.00	477,806.31			
Subtotal	**1,101,736.74**	**398,303.72**	**1,352,806.31**	**1,081,629.81**	**1,115,018.58**	**1,172,479.52**
Pension costs[1]	105,492.00	105,492.00	105,492.00	106,190.00	105,492.00	106,190.00
Total compensation	**1,207,228.74**	**503,795.72**	**1,458,298.31**	**1,187,819.81**	**1,220,510.58**	**1,278,669.52**
Maximum compensation[2]			1,765,000.00			

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

in €				Grant		Receipt
			2018/2019	2017/2018	2018/2019	2017/2018
		Min.	Max.			
Dr. Léon Broers						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	25,719.43	25,719.43	25,719.43	23,724.44	25,719.43	23,724.44
Subtotal	**325,719.43**	**325,719.43**	**325,719.43**	**323,724.44**	**325,719.43**	**323,724.44**
Performance-related bonus	474,280.57	0.00	474,280.57	470,827.83	474,280.57	476,275.56
Total cash compensation	**800,000.00**	**325,719.43**	**800,000.00**	**794,552.27**	**800,000.00**	**800,000.00**
Multiyear variable payment						
LTI 2011/2012						229,805.09
LTI 2012/2013					238,837.67	
LTI 2016/2017				214,116.10		
LTI 2017/2018	225,966.40	0.00	357,137.22			
Subtotal	**1,025,966.40**	**325,719.43**	**1,157,137.22**	**1,008,668.37**	**1,038,837.67**	**1,029,805.09**
Pension costs[1]	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00
Total compensation	**1,097,966.40**	**397,719.43**	**1,229,137.22**	**1,080,668.37**	**1,110,837.67**	**1,101,805.09**
Maximum compensation[2]			1,547,000.00			

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

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

in €				Grant		Receipt
	2018/2019			2017/2018	2018/2019	2017/2018
		Min.	Max.			
Dr. Felix Büchting (since 01/01/2019)						
Fixed payment	125,000.04	125,000.04	125,000.04	0.00	125,000.04	0.00
Fringe benefits	12,113.77	12,113.77	12,113.77	0.00	12,113.77	0.00
Subtotal	**137,113.81**	**137,113.81**	**137,113.81**	**0.00**	**137,113.81**	**0.00**
Performance-related bonus	137,886.23	0.00	137,886.23	0.00	137,886.23	0.00
Total cash compensation	**275,000.04**	**137,113.81**	**275,000.04**	**0.00**	**275,000.04**	**0.00**
Multiyear variable payment						
LTI 2011/2012						0.00
LTI 2012/2013					0.00	
LTI 2016/2017				0.00		
LTI 2017/2018	0.00	0.00	0.00			
Subtotal	**275,000.04**	**137,113.81**	**275,000.04**	**0.00**	**275,000.04**	**0.00**
Pension costs[1]	36,000.00	36,000.00	36,000.00	0.00	36,000.00	0.00
Total compensation	**311,000.04**	**173,113.81**	**311,000.04**	**0.00**	**311,000.04**	**0.00**
Maximum compensation[2]			423,500.00			

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

in €				Grant		Receipt
	2018/2019			2017/2018	2018/2019	2017/2018
		Min.	Max.			
Dr. Peter Hofmann						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	25,804.65	25,804.65	25,804.65	23,792.93	25,804.65	23,792.93
Subtotal	**325,804.65**	**325,804.65**	**325,804.65**	**323,792.93**	**325,804.65**	**323,792.93**
Performance-related bonus	474,195.35	0.00	474,195.35	470,827.83	474,195.35	476,207.07
Total cash compensation	**800,000.00**	**325,804.65**	**800,000.00**	**794,620.76**	**800,000.00**	**800,000.00**
Multiyear variable payment						
LTI 2011/2012						0.00
LTI 2012/2013					0.00	
LTI 2016/2017				162,741.00		
LTI 2017/2018	158,176.48	0.00	249,996.05			
Subtotal	**958,176.48**	**325,804.65**	**1,049,996.05**	**957,361.76**	**800,000.00**	**800,000.00**
Pension costs[1]	77,810.00	77,810.00	77,810.00	78,224.00	77,810.00	78,224.00
Total compensation	**1,035,986.48**	**403,614.65**	**1,127,806.05**	**1,035,585.76**	**877,810.00**	**878,224.00**
Maximum compensation[2]			1,247,000.00			

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

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

in €				Grant		Receipt
			2018/2019	2017/2018	2018/2019	2017/2018
		Min.	Max.			
Eva Kienle						
Fixed payment	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits	31,234.81	31,234.81	31,234.81	31,282.37	31,234.81	31,282.37
Subtotal	**331,234.81**	**331,234.81**	**331,234.81**	**331,282.37**	**331,234.81**	**331,282.37**
Performance-related bonus	468,765.19	0.00	468,765.19	468,717.63	468,765.19	468,717.63
Total cash compensation	**800,000.00**	**331,234.81**	**800,000.00**	**800,000.00**	**800,000.00**	**800,000.00**
Multiyear variable payment						
LTI 2011/2012						0.00
LTI 2012/2013					0.00	
LTI 2016/2017				149,977.00		
LTI 2017/2018	155,608.68	0.00	245,937.68			
Subtotal	**955,608.68**	**331,234.81**	**1,045,937.68**	**949,977.00**	**800,000.00**	**800,000.00**
Pension costs[1]	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00
Total compensation	**1,027,608.68**	**403,234.81**	**1,117,937.68**	**1,021,977.00**	**872,000.00**	**872,000.00**
Maximum compensation[2]			1,247,000.00			

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

Total compensation for the Supervisory Board

in €	Fixed	Work on committees	Total 2018/2019	Total 2017/2018
Dr. Andreas J. Büchting[1]	180,000.00	0.00	180,000.00	180,000.00
Dr. Marie Theres Schnell[2]	90,000.00	20,000.00	110,000.00	85,000.00
Hubertus von Baumbach[3]	0.00	0.00	0.00	75,000.00
Victor W. Balli[4]	60,000.00	60,000.00	120,000.00	60,000.00
Jürgen Bolduan	60,000.00	20,000.00	80,000.00	80,000.00
Cathrina Claas-Mühlhäuser	60,000.00	10,000.00	70,000.00	70,000.00
Christine Coenen[5]	60,000.00	0.00	60,000.00	30,000.00
Dr. Berthold Niehoff[6]	0.00	0.00	0.00	30,000.00
	510,000.00	**110,000.00**	**620,000.00**	**610,000.00**

1 Chairman.
2 Deputy Chairmanwoman since 12/14/2017.
3 Deputy Chairman and Chairman of the Audit Committee until 12/14/2017.
4 Chairman of the Audit Committee since 12/14/2017.
5 Since 12/14/2017.
6 Until 12/14/2017.

Compensation for members of the Supervisory Board

The compensation is based on the size of the company and the duties and responsibilities of the members of the Supervisory Board. The company believes that the fixed compensation structure, which is therefore no longer linked to the company's business performance, means that the Supervisory Board can better exercise its control function. The compensation system for the Supervisory Board complies with the recommendations of the German Corporate Governance Code.

The members of the Supervisory Board receive a fixed annual payment of €60,000 for their work. The Chairperson receives three times and the Deputy Chairperson one-and-a-half times said amount. Members of the Supervisory Board receive separate payment for their work on committees; the Chairperson of the Supervisory Board does not receive additional compensation for his or her work on committees. Members of the Supervisory Board who are members of a committee receive an additional payment of €10,000 therefor. The Chairperson of a committee receives two times said amount. The additional compensation for members of the Audit Committee is € 20,000. The Chairperson of the Audit Committee receives three times said amount. Additional compensation is owed only for participation in one committee, namely at the amount that is the highest to which the member in question is entitled for his or her work on a committee. If a person is a member of the Supervisory Board or a committee or holds the office of Chairperson or Deputy Chairperson of the Supervisory Board or Chairperson of a committee for only part of the fiscal year or if a fiscal year is shorter than the calendar year, the payment is granted only on a pro rata temporis basis. Members of the Supervisory Board also receive reimbursement of their expenses incurred in connection with exercise of their office and the value-added tax due on their payment and on their expenses.

Total compensation was €620 (610) thousand exclusive of value-added tax.

2.6.5 Explanatory Report of the Personally Liable Partner (KWS SE) of KWS SAAT SE & Co. KGaA in Accordance with Section 176 (1) Sentence 1 AktG (German Stock Corporation Act) on the Disclosures in Accordance with Section 289a (1) and Section 315a (1) HGB (German Commercial Code)

The change in KWS SAAT SE's legal form to that of a partnership limited by shares (KWS SAAT SE & Co. KGaA) took effect upon its entry in the commercial register on July 2, 2019. The company therefore still had the legal form of a European Company (SE) and operated under the name KWS SAAT SE in fiscal 2018/2019. The personally liable partner of KWS SAAT SE & Co. KGaA provides the following explanation on the disclosures in accordance with Section 289a (1) and Section 315a (1) HGB (German Commercial Code):

Composition of the subscribed capital

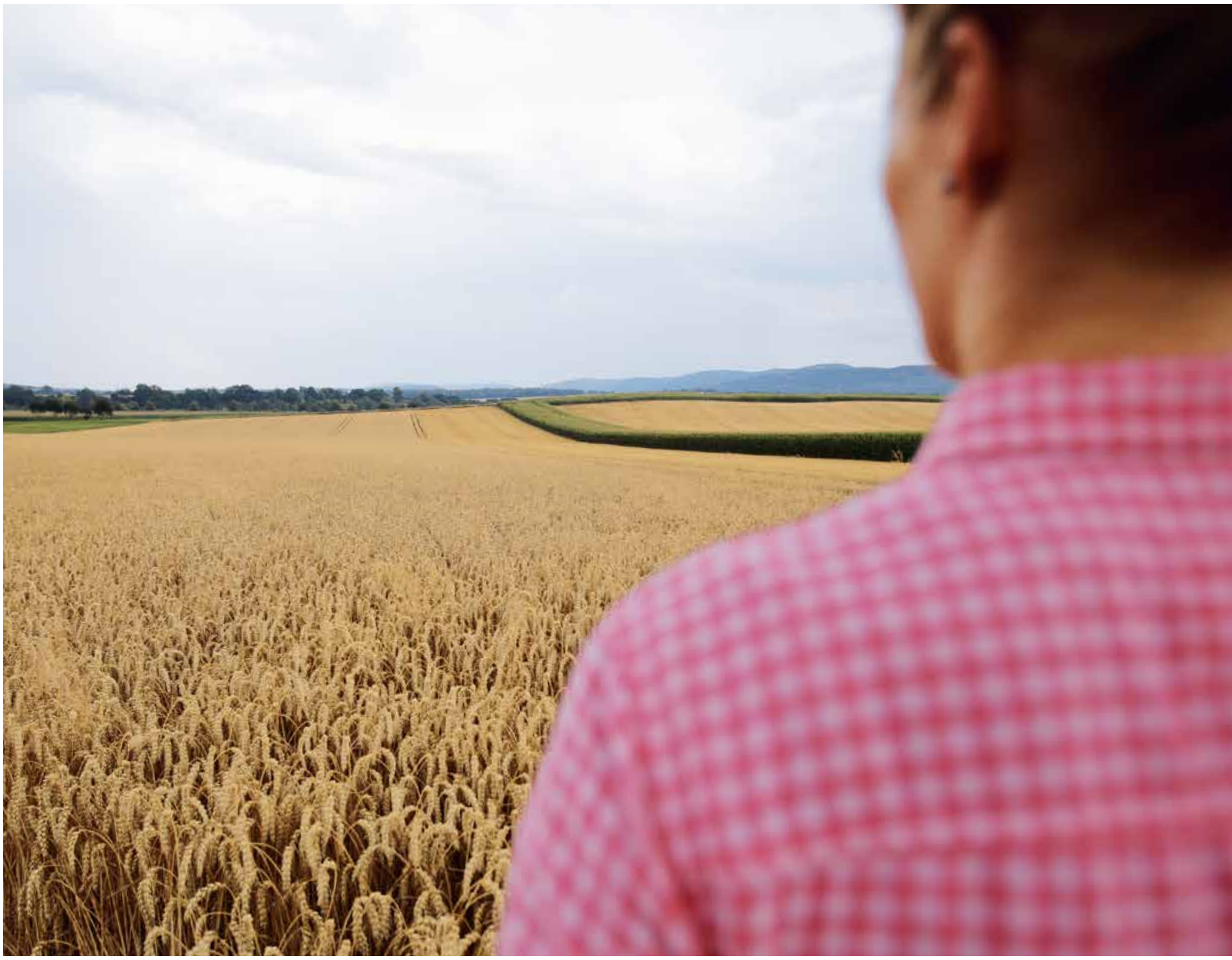
At the end of the fiscal year on June 30, 2019, the subscribed capital of KWS SAAT SE (as the company was then named) was €99,000,000.00 and was divided into 33,000,000 bearer shares. The change in the company's legal form to that of a partnership limited by shares (KWS SAAT SE & Co. KGaA) took effect upon its entry in the commercial register on July 2, 2019. Pursuant to the resolution adopted by the Annual Shareholders' Meeting of KWS SAAT SE, the shareholders received one share in KWS SAAT SE & Co. KGaA for each share they held in KWS SAAT SE. The company's capital stock remained unchanged, so the subscribed capital of KWS SAAT SE & Co. KGaA is still €99,000,000.00. It is divided into 33,000,000 bearer shares. Each share grants the holder the right to cast one vote at the Annual Shareholders' Meeting. The rights of shareholders are governed by the German Stock Corporation Act (AktG) and the Articles of Association.

Restrictions relating to voting rights or the transfer of shares

There may be restrictions relating to voting rights or the transfer of shares as a result of statutory or contractual provisions. For example, shareholders are barred from voting under certain conditions pursuant to Section 136 of the German Stock Corporation Act (AktG) or Section 44 of the German Securities Trading Act (WpHG); the bars on voting pursuant to Section 285 of the German Stock Corporation Act (AktG) must also be observed for personally liable partners at a partnership limited by shares (KGaA). In addition, no voting rights accrue to the company on the basis of the shares it holds (Section 71b AktG).

The personally liable partner 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 of the personally liable partner or executive employees of the company have acquired shares as part of the long-term incentive programs, these shares are subject to a lock-up period until the end of the fifth year after the end of the quarter in which they were acquired. The lock-up period for shares that employees have acquired as part of the Employee Stock Purchase Plans runs until the end of the fourth year as of when they are posted to the employee's securities account.

Thinking long term bears fruit: Our stable ownership structure gives us the freedom to act largely independently of short-term interests.



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 & Co. KGaA in excess of 10% of the voting rights in accordance with Section 33 and Section 34 of the German Securities Trading Act (WpHG) or elsewhere.

The voting shares, including mutual allocations, of the members and companies of the families Büchting and Arend Oetker listed below each exceed 10% and total 54.4%:

- 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
- Matthias Sohnemann, Germany
- Malte Sohnemann, Germany
- Arne Sohnemann, Germany
- AKB Stiftung, Hanover
- Büchting Beteiligungsgesellschaft mbH, Hanover
- Zukunftsstiftung Jugend, Umwelt und Kultur, Einbeck
- RETOKE Holding Vermögensverwaltungs-gesellschaft mbH & Co. KG, Bad Schwartau
- Dr. Marie Th. Schnell, Germany
- Johanna Sophie Oetker, Germany
- Leopold Heinrich Oetker, Germany
- Clara Christina Oetker, Germany
- Ludwig August Oetker, Germany

The voting shares, including mutual allocations, of the members, companies and foundations of the families Büchting and Arend Oetker listed above exceed 10% and total 55.3% 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 management
The personally liable partner, KWS SE, is responsible for managing the business of KWS SAAT SE & Co. KGaA under Section 7.2 of the Articles of Association of KWS SAAT SE & Co. KGaA. In accordance with Section 6 (3) of the Articles of Association of KWS SAAT SE & Co. KGaA, the personally liable partner shall leave the Company

- if the majority of shares in the personally liable partner can no longer be held directly and/or indirectly for a time longer than 30 calendar days by persons who hold a combined total of more than 15% of the Company's capital stock directly or indirectly through a company that is dependent in accordance with Section 17 (1) of the German Stock Corporation Act (AktG) or is controlled in accordance with Section 290 (2) of the German Commercial Code (HGB). This shall not apply if all shares in the personally liable partner are held by the Company; or

- if a person who is not a family shareholder (acquiring party) obtains control over the personally liable partner directly or indirectly (acquisition of control) and does not submit to the Company's limited partners a takeover or mandatory offer in accordance with this provision and otherwise in accordance with the provisions in the German Securities Acquisition and Takeover Act (WpÜG) within three months of acquisition of control.

Under Section 6.5 of the Articles of Association of KWS SAAT SE & Co. KGaA, the personally liable partner shall also leave the Company by means of termination. Notice of termination shall be given to all the limited partners at the Annual Shareholders' Meeting. Outside of the Annual Shareholders' Meeting, notice of termination shall be given to the Chairperson of the Supervisory Board or his or her deputy. The notice of termination shall be at least six months before the end of and effective the end of a fiscal year.

The other statutory grounds for the personally liable partner leaving the Company shall remain unaffected.

The members of the Executive Board of the personally liable partner, which is responsible for managing the company's business, are appointed and removed by the Supervisory Board of the personally liable partner, KWS SE. Pursuant to Section 6 of the Articles of Association of KWS SE, members of the Executive Board are appointed for a maximum period of six years. Members may be reappointed.

Amendments to the Articles of Association

Amendments to the company's Articles of Association are made in accordance with Section 278 (3) and Section 179 in conjunction with Section 133 of the German Stock Corporation Act (AktG) and in accordance with Section 18 of the Articles of Association of KWS SAAT SE & Co. KGaA. Section 285 (2) Sentence 1 of the German Stock Corporation Act (AktG) stipulates that amendments to the Articles of Association require the approval of the personally liable partner.

Section 18 of the Articles of Association of KWS SAAT SE & Co. KGaA stipulates that, unless obligatory statutory regulations or the Articles of Association otherwise compel, resolutions by the Annual Shareholders' Meeting must be adopted by a simple majority of the votes cast and, if the law also stipulates a majority of the capital in addition to the majority of votes (as in the case of amendment of the Articles of Association in accordance with Section 179 (2) of the German Stock Corporation Act (AktG)), with the simple majority of the capital stock represented in adoption of the resolution. The power to make amendments to the Articles of Association that only affect the wording (Section 179 (1) Sentence 2 AktG) has been conferred on the Supervisory Board in accordance with Section 22 of the Articles of Association of KWS SAAT SE & Co. KGaA.

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

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

We can’t make the world bigger. But we can increase yields.

Humankind is growing – and so is our creativity: KWS develops varieties that deliver the best-possible yield and meet the challenge of growing demand for food despite the limited amount of arable land.

2.7 Opportunity and Risk Report

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

2.7.1 Opportunities

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

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

We see diverse opportunities for the KWS Group to develop the company further in line with our strategy. To succeed in achieving sustainable, profitable growth in the future as well, our prime goal must be to retain and increase our innovativeness. The plants' yield potential can be increased, resource efficiency can be enhanced or their resistance to detrimental influences, of whatever type, can be improved.

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

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

2.7.2 Risks

We define a risk as a potential future event with a negative impact on our earnings, financial position and assets. Our definition of risks also includes potential negative impacts of our business activities, products and supply chain on the environment and society so that they can be addressed adequately in our management processes.

Adjustments to the risk management system

As part of the reorganization project ONEGLOBE, we made organizational adjustments in risk management in the year under review. The new distribution of tasks is listed in the table below. We have also begun developing new risk management standards for the KWS Group. They will be applied for the first time at the start of the new fiscal year 2019/2020.

Organizational structure of the risk management system

The KWS Group's Executive Board is responsible for group-wide risk management. The functions Group Governance, Group Compliance, Global Finance & Procurement and Global Controlling each assume specific operational tasks (see the table). The Global Leadership Team (GLT), consisting of the Executive Board and the first management tier below it, formed the Risk Committee of KWS in the year under review.

Main players and bodies in risk management within the KWS Group

	Tasks
Global Finance & Procurement	■ Interest and currency management ■ Insurance ■ Loan management ■ Risk prevention ■ Internal auditing
Global Controlling	■ Planning/budget ■ Current expectations (early detection of risks)
Group Governance & Risk Management	■ Central risk management with regular risk assessments ■ Early detection of risks ■ Risk reporting ■ Integrated Management System (including Group standards) ■ Excellence Through Stewardship ■ Sustainability management and Non-Financial Declaration
Group Compliance	■ Compliance Management System ■ Compliance Risk Assessment ■ Compliance training ■ Ad-hoc examinations
Global Leadership Team	■ Risk Committee

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

As part of its audit of the annual financial statements for fiscal year 2018/2019, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft confirmed the working order of our system for early detection of risks in accordance with Section 91 (2) of the German Stock Corporation Act (AktG).

Brief description of the risk management system

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

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

Risk management process

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

The individual risks are classified as below as part of assessment:

Scheme for assessing individual risks

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

1 Before measures.

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

Aggregated risk categories

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

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

Group Governance and Risk Management reports regularly to the Risk Committee on the current risk situation at the KWS Group. On that basis, the Risk Committee discusses how to deal with the risks and provides stimuli on how to control them.

Risk management and the internal control system in the accounting process

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

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

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

Market risks

KWS faces political risks in many countries in the strongly regulated international agricultural industry. There are growing restrictions on established operating resources and increasing regulation of important research technologies in the EU. Geopolitical insecurities in the Middle East and the still strained situation in Eastern Europe may also have a negative impact on our business activities. Important growth countries for KWS, such as China, also face trade disputes or economic and political difficulties. As regards the United Kingdom's decision to leave the EU, we expect at present that a hard Brexit would affect KWS' business, but only to an insignificant extent.

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

Currency risks arise in particular from receivables and liabilities denominated in foreign currency. There are interest rate risks as a result of potential changes to market interest rates. The interest payable on financial obligations with a variable rate of interest may increase. We address currency risks and the risk of interest rate changes to a reasonable extent through the usual hedging instruments, to reduce the influence on the KWS Group's earnings and assets situation. In fiscal 2018/2019, we hedged our research and development expenditure and intra-group loans almost completely in order to avoid exchange rate risks.

Production risks

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

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

We have established detailed checks and tests to determine the performance and quality of our seed. Quality controls, such as germination and sprouting strength tests, are conducted at all stages of production. The high quality of our seed should also reduce claims for damages under product liability law. We also have product liability insurance to defend against unjustified claims and to settle justified claims.

Product risks

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

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

Legal risks

KWS faces risks from official proceedings and legal disputes. Legal disputes are possible with suppliers, licensors, customers, employees, lenders and investors and may result in payments or other obligations. There were no significant legal proceedings in fiscal 2018/2019.

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

Personnel risks

Our HR strategy aims to recruit and keep qualified employees at KWS. KWS also faces the challenging task of competing for staff with companies from outside the industry as well. That may result in the risk of not being able to fill vacancies promptly or of losing employees. We counter this risk by continuously further developing our HR strategy. Among other things, we are committed to growing our brand as an attractive employer, fostering talents, and expanding the KWS Group to new locations near to where appropriate resources are available (science clusters such as St. Louis and urban centers like Berlin). However, short-term compensatory measures may be applied to counter personnel risks. KWS’ still high personnel requirements due to its growth resulted in a slight increase in personnel risks in the year under review due to delays in recruitment processes. We also countered that risk by using interim personnel and external service providers.

IT risks

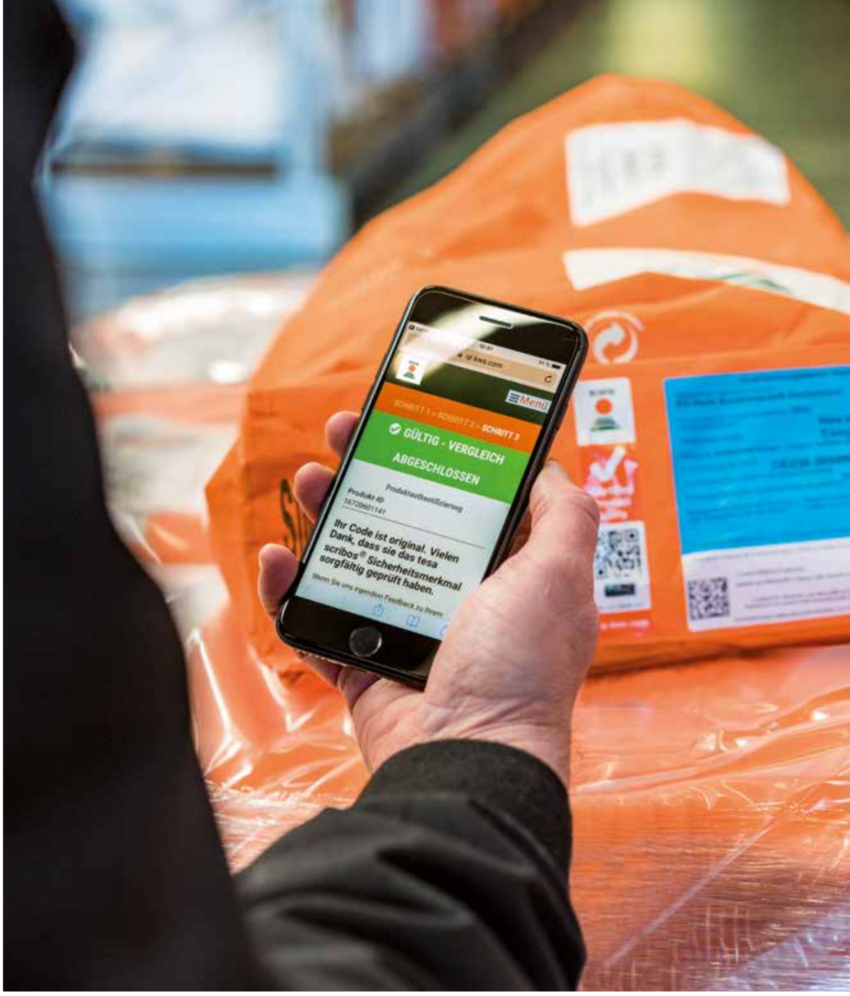
The KWS Group's business and production processes, as well as its internal and external communications, are run on globally networked IT systems. Any outages or attacks can sometimes result in significant interruptions to business operations. In addition, theft of sensitive data can entail a loss of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

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

Overall statement on the risk situation by the Executive Board

Personnel risks increased slightly in fiscal 2018/2019. KWS' planned growth meant it had high personnel requirements in the year under review. Since the situation on the labor market remained difficult, the result was delays in recruitment processes, although they were largely compensated for in the course of the year. On balance, there were no significant changes in the other risk categories.

Our business in emerging countries and in foreign currency continues to grow and harbors additional, yet calculable currency and political risks. The identified risks do not jeopardize the existence of the KWS Group, neither individually nor in their entirety.



Complete tracking of seed – from production to shipment – is our quality pledge and part of our risk management system.

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

2.8 Forecast Report

The expectations of management outlined here are based on our corporate planning and the information it takes into account, including market expectations, strategic decisions, regulatory measures or exchange rate trends. They are subject to the same premises as the consolidated financial statements and forecast our business performance up to the end of fiscal 2019/2020 on June 30, 2020. In our forecast for the KWS Group's statement of comprehensive income in accordance with IFRS, we deal with the KWS Group's anticipated net sales, EBIT and R&D intensity. Our forecast for the segments contains comments on our net sales and EBIT expectations, including the contributions made by our equity-accounted companies, which are included proportionately in the segment reports in line with our internal corporate controlling structure.

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

There have been changes in the KWS Group's composition that are of significance for the forecast for its business performance in fiscal 2019/2020 insofar as a new segment has to be included as a result of establishment of our vegetable seed business. Our forecast likewise contains comments on our related net sales and EBIT expectations.

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

Our forecast does not assume any fundamental changes to the economic environment and agricultural policy. We anticipate a slight reduction in sugarbeet cultivation area in the EU again and in Eastern Europe. We expect largely stable cultivation area for our corn and cereals seed business. Due to the continued high level of supply for cereals, corn and sugar, there will also probably be fierce competition and heavy pressure on prices for seed in most markets. In view of the current geopolitical situation, we expect the strongest exchange rate effects to come from the regions North and South America, Eastern Europe and Turkey.

We expect the KWS Group to grow its net sales sharply by 8% to 12%. Acquisition of the vegetable seed business of Pop Vriend Seeds and our corn seed business should make major contributions to that. As far as can be seen at present, the EBIT margin will be between 11% and 13%, while the R&D ratio is expected to be in the range of 17% to 19%. Our capital spending in fiscal 2019/2020 will again focus on expanding our processing, production and research capacities and is budgeted to be around €100 million. Due to the strongly seasonal nature of our business as a result of the great importance of the spring sowing season and external factors that are difficult to anticipate, such as the weather and fluctuations in cultivation area, more detailed statements on our net sales and earnings performance cannot yet be made with sufficient reliability.

2.8.3 Forecast for the Segments

We anticipate that net sales in the **Corn Segment** will increase slightly in fiscal 2019/2020. In most regions – in particular in South America but also in Europe – we will likely post higher sales volumes for seed. In North America, we expect an environment where competition remains fierce, but also anticipate that net sales will rise slightly. As far as can be seen at present, the EBIT margin will be slightly above the previous year's figure (7.8%), even though there will be a planned increase in our research and development and distribution expenditures.

In the **Sugarbeet Segment**, our high-yielding portfolio of varieties will probably mean another successful year for us. As far as can be seen at present, we anticipate a slight decline in global cultivation area for sugarbeet and expect the segment will post net sales at the level of the previous year (€461.2 million). As far as can be seen at present, the EBIT margin will be tangibly lower than in the year under review (38.9%), mainly because there will not be the positive non-recurring effect from the sale of shares in KWS Potato B.V. as there was in the year under review and because research and development and distribution expenditures are budgeted to be higher.

The success of our cereals seed business depends very greatly on the fall sowing season in the northern hemisphere, which commences in September of each year. We currently anticipate a slight increase in net sales in the **Cereals Segment** as a result of growth in rye sales. We expect that net sales for rapeseed will remain stable or rise slightly and that net sales for wheat and barley seed will remain stable or fall slightly. The segment's earnings will benefit from an increase in sales of rye seed; at the same time, however, we are planning to expand our research & development and distribution activities. The segment's EBIT margin will therefore probably be at the level of the previous year (13.5%).

The new **Vegetables Segment** comprises the net sales and earnings contributed by the vegetable seed business acquired from Pop Vriend Seeds, as well as costs for establishing the Business Unit Vegetables. They mainly include administrative and research and development expenditures. We expect & segment to generate net sales of about €80 million and an EBIT margin of around 25%.

Revenue from our farms in Germany is grouped in the **Corporate Segment**. It should be around €4 million and thus at the level of the previous year. Since all cross-segment costs for the KWS Group's central functions and basic research expenditure are charged to the Corporate Segment, its income is usually negative. In our corporate planning for fiscal 2019/2020, we anticipate an EBIT on a par with the previous year (€–97.1 million).

Forecast for the 2019/2020 fiscal year

	Net sales growth	EBIT margin	R&D intensity
Statement of comprehensive income of the KWS Group	8–12%	11–13%	17–19%

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

2.9.1 KWS SAAT SE & Co. KGaA

References to KWS SAAT SE & Co. KGaA in the KWS Group's Annual Report

The Management Reports of KWS SAAT SE & Co. KGaA and the KWS Group are combined. The declaration on corporate governance in accordance with Section 289f of the German Commercial Code (HGB), which also contains the compliance declaration in accordance with Section 161 AktG (German Stock Corporation Act), has been published 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 & Co. KGaA in the KWS Group's Annual Report

Disclosures	Page(s)
On the Compensation Report, in accordance with Section 289 of the German Commercial Code (HGB) and explanatory report of the Executive Board	62 to 71
On business activity, corporate strategy, corporate controlling and management, as well as explanations on business performance	22 to 48
On the dividend	148 (Notes)
On Research & Development	29 to 34
On the Supplementary Report	149 (Notes)

KWS SAAT SE was the parent company of the KWS Group in the year under review. It was responsible for strategic management and, among other things, multiplied and distributed sugarbeet and corn seed. It financed basic research and breeding of the main range of varieties at the KWS Group and provided its subsidiaries with new varieties every year for the purpose of multiplication and distribution. KWS SAAT SE & Co. KGaA has been the parent company of the KWS Group since July 2, 2019.

Earnings

Net sales at KWS SAAT SE & Co. KGaA in fiscal 2018/2019 remained virtually constant at €529.2 (532.0) million. Research and development expenditure, which is pooled at KWS SAAT SE & Co. KGaA, was increased as planned to €180.9 (173.8) million. Selling expenses rose to €72.9 (65.0) million. Most of the administrative expenses at the KWS Group are incurred at KWS SAAT SE & Co. KGaA – general and administrative expenses in the year under review totaled €91.3 (69.6) million. One reason for the increase is higher consulting and personnel costs for M&A activities and as part of the process of optimizing the organizational structure. The balance of other operating income and other operating expenses was €13.2 (–2.3) million. Overall, KWS SAAT SE & Co. KGaA's operating income was thus €–33.1 (–12.1) million. Net financial income/expenses is made up of the net income from equity investments and the interest result. Net income from equity investments rose by €26.4 million to €65.6 (39.2) million. The interest result was €–6.1 (–4.2) million, slightly up over the previous year. Taking into account tax expenditures, net income for the year was €21.9 (22.1) million.

The parent company KWS SAAT SE & Co. KGaA funds the key basic research and breeding work and provides the subsidiaries with new varieties.

Financial position and assets

KWS SAAT SE & Co. KGaA's total assets increased in fiscal 2018/2019 by €514.5 million to €1,450.4 (935.9) million. Fixed assets at the balance sheet date were €557.9 (525.8) million or 38.5% of total assets. The increase in fixed assets is mainly due to new buildings, additions of new agricultural machinery, and procurement of laboratory equipment. Current assets increased by €479.9 million. Inventories fell to €59.3 (68.5) million. Receivables and other assets were €752.9 (213.4) million. The sharp increase in other assets is due to deposit in a trust account of the purchase price for the acquisition of all the shares in Pop Vriend Seeds. Liabilities at the balance sheet date rose sharply to €1,011.9 (508.6) million as a result of the need to raise bridge funding for the acquisition. KWS SAAT SE & Co. KGaA's equity increased by €0.8 million to €283.1 (282.3) million, giving an equity ratio of 19.5% (30.1%).

Employees

An average of 1,586 (1,484) people were employed at KWS SAAT SE & Co. KGaA in the year under review, of whom 98 (109) were trainees and interns.

Risks and opportunities

The opportunities and risks at KWS SAAT SE & Co. KGaA 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 on pages 74 to 79.

Forecast Report

KWS SAAT SE & Co. KGaA generates the main part of its net sales from sugarbeet and corn seed business and royalties from basic corn seed. The further development of sugarbeet seed business depends, among other things, on the performance of our varieties, cultivation areas in our key markets and developments in our growth markets in Eastern Europe. We currently expect net sales at the level of the previous year here. KWS SAAT SE & Co. KGaA's net sales from corn in Europe are likewise expected to be at the level of the previous year due to the still challenging market environment. All in all, we therefore expect KWS SAAT SE & Co. KGaA to post constant net sales. KWS SAAT SE & Co. KGaA's operating income is mainly impacted by the costs of central functions of the KWS Group and cross-segment research and development activities. The planned increase in spending on research and development and on distribution activities and a decline in income from sugarbeet will probably reduce KWS SAAT SE & Co. KGaA's EBIT slightly.

NFD

2.9.2 Combined Non-Financial Declaration for the KWS Group

In accordance with Sections 289b et seq. and Sections 315b et seq. of the German Commercial Code (HGB), KWS is obliged to prepare a Non-Financial Declaration for the parent company KWS SAAT SE & Co. KGaA and the Group disclosing details of the business model and related material corporate social responsibility (CSR) aspects (environmental issues, social issues, employee issues, human rights, and prevention of corruption and

NFD

bribery), where these are necessary for an understanding of the course of business, business results, the situation of KWS SAAT SE & Co. KGaA and the KWS Group, and the effects on said aspects. The disclosures in the Combined Non-Financial Declaration relate to both KWS SAAT SE & Co. KGaA and the KWS Group, unless otherwise specified.

In order to identify issues that need to be reported in the Non-Financial Declaration, the relevant issues based on a GRI materiality analysis in the past fiscal year were systematically reassessed to determine their impact on the environment and society and on the position of the KWS Group. On the basis of this analysis, various individual issues were identified as material within the meaning of the statutory regulations. Although the individual issues have changed from the previous year as a result of the current analysis, they can still be grouped into the four issues used last year:

NFD

product innovations, plant and process safety, recruitment and qualification, and business ethics and compliance.

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

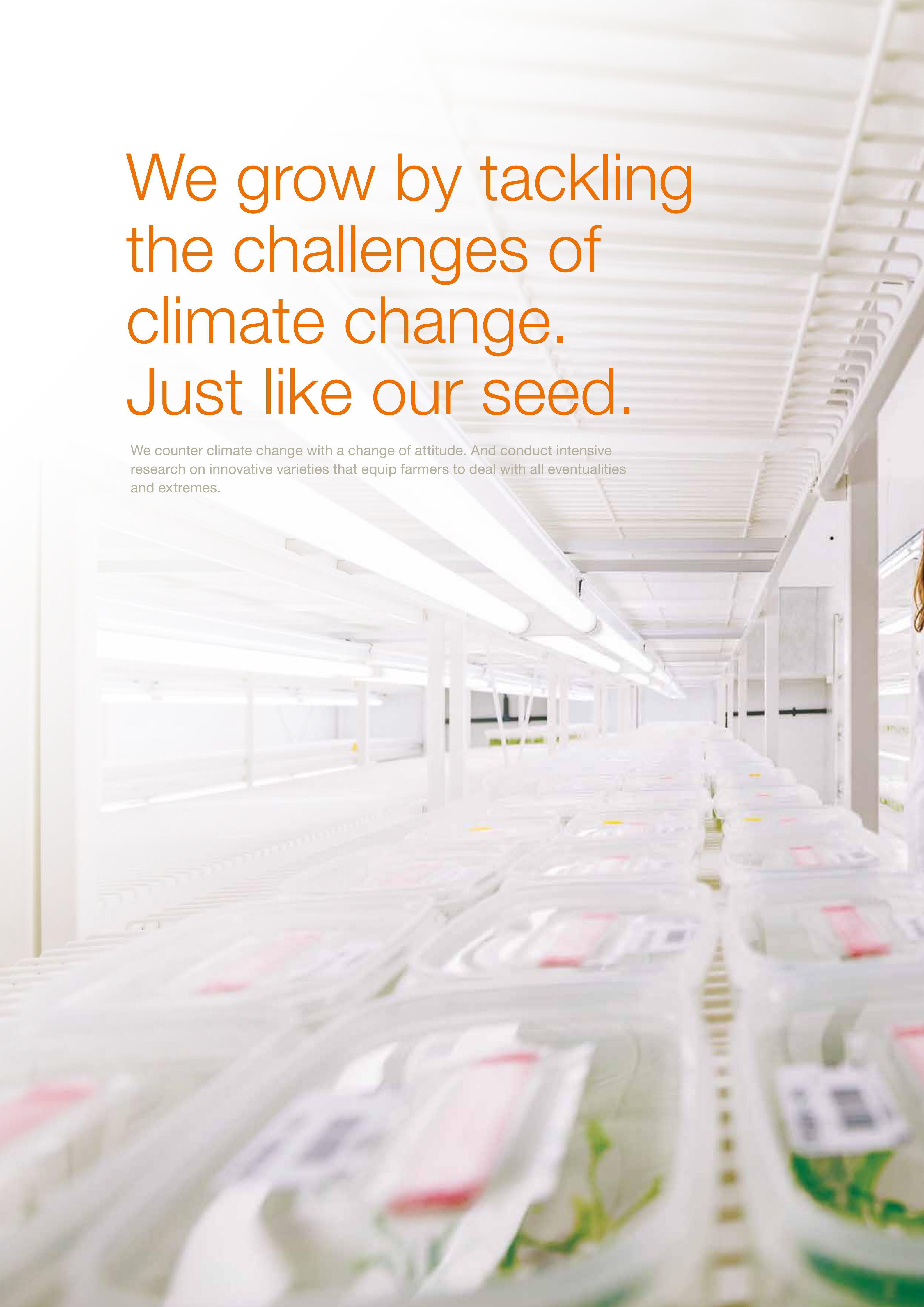
We were guided by the GRI standards in preparing the Non-Financial Declaration.

Index for the Non-Financial Declaration

Required HGB disclosures	Material issues for KWS	Reference to sections
Business model	–	2.1 Fundamentals of the KWS Group
Environmental issues	Product innovations	2.4.1 Product Innovations 2.4.2 Use of genetic resources
	Plant and process safety	2.4.3 Plant and Process Safety
Employee issues	Recruitment and qualification	2.5.2 Recruitment and Qualification
Corruption and bribery	Business ethics and compliance	2.6.3 Business Ethics and Compliance
Human rights	Business ethics and compliance	2.6.3 Business Ethics and Compliance
Social issues	After an internal analysis for fiscal 2018/2019, this issue was regarded as not being material, so no disclosures have to be made on it.	

We grow by tackling the challenges of climate change. Just like our seed.

We counter climate change with a change of attitude. And conduct intensive research on innovative varieties that equip farmers to deal with all eventualities and extremes.



3. Annual Financial Statements for the KWS Group 2018/2019

Statement of Comprehensive Income

July 1 to June 30

in € thousand	Note no.	2018/2019	2017/2018
I. Income statement			
Net sales	5.1	1,113,339	1,068,012
Cost of sales		458,534	446,063
Gross profit on sales		**654,805**	**621,949**
Selling expenses		221,915	201,537
Research & development expenses		205,557	197,696
General and administrative expenses		115,379	95,793
Other operating income	5.2	96,260	65,668
Other operating expenses	5.3	58,221	60,035
Operating income		**149,993**	**132,556**
Interest and similar income		4,074	4,046
Interest and similar expenses		19,055	12,026
Income from equity-accounted financial assets		9,447	13,414
Net financial income/expenses	5.4	**–5,534**	**5,434**
Results of ordinary activities		**144,459**	**137,990**
Taxes	5.5	40,439	38,333
Net income for the year	5.8	**104,020**	**99,657**
II. Other comprehensive income			
Revaluation of available-for-sale financial assets		0	261
Currency translation difference for economically independent foreign units		1,592	–28,913
Currency translation difference from equity-accounted financial assets		2,753	–2,650
Items that may have to be subsequently reclassified as profit or loss		4,345	–31,302
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		632	0
Remeasurement gain/(loss) in defined benefit plans		–7,948	–2,442
Items not reclassified as profit or loss		–7,316	–2,442
Other comprehensive income after tax	4.11	**–2,971**	**–33,744**
III. Comprehensive income (total of I. and II.)		**101,049**	**65,913**
Net income after shares of minority interests		104,134	99,521
Share of minority interests		–114	136
Net income for the year	5.8	**104,020**	**99,657**
Comprehensive income after shares of minority interests		101,160	65,776
Share of minority interests		–111	137
Comprehensive income		**101,049**	**65,913**
Earnings per share (in €)[1]		**3.15**	**3.02**

1 Earnings per share of previous periods adjusted after share split.

Balance Sheet

Assets

in € thousand	Note no.	06/30/2019	06/30/2018
Intangible assets	4.2	92,075	85,465
Property, plant and equipment	4.3	444,514	401,687
Equity-accounted financial assets	4.4	154,027	150,424
Financial assets	4.6	5,146	3,605
Noncurrent tax assets		1,357	822
Other noncurrent financial assets		0	1
Deferred tax assets	5.5	63,408	49,247
Noncurrent assets		**760,527**	**691,251**
Inventories	4.7	177,316	180,980
Biological assets	4.7	16,087	14,339
Trade receivables	4.8	402,129	310,141
Securities	4.9	19,944	18,282
Cash and cash equivalents	4.10	139,813	174,300
Current tax assets	4.8	81,010	56,772
Other current financial assets	4.8	487,121	52,922
Contract assets IFRS 15	4.8	2,733	0
Other current assets	4.8	20,671	18,694
Current assets		**1,346,824**	**826,430**
Assets held for sale	2.1	7,602	0
Total assets		**2,114,953**	**1,517,681**

Equity and liabilities

in € thousand	Note no.	06/30/2019	06/30/2018
Subscribed capital		99,000	19,800
Capital reserve		5,530	5,530
Retained earnings		856,315	853,640
Minority interest	4.12	2,702	2,813
Equity	4.11	**963,547**	**881,783**
Long-term provisions		145,446	127,833
Long-term borrowings		182,270	168,698
Trade payables		782	968
Deferred tax liabilities	5.5	16,416	19,342
Other noncurrent financial liabilities		258	288
Other noncurrent liabilities		19,206	17,194
Noncurrent liabilities	4.13	**364,378**	**334,323**
Short-term provisions		50,192	42,311
Short-term borrowings		475,425	61,287
Trade payables		88,495	75,721
Current tax liabilities		48,927	39,171
Other current financial liabilities		17,392	11,288
Contract liabilities IFRS 15		18,804	0
Other current liabilities		86,035	71,797
Current liabilities	4.14	**785,270**	**301,575**
Liabilities held for sale	2.1	1,758	0
Liabilities		**1,151,406**	**635,898**
Total equity and liabilities		**2,114,953**	**1,517,681**

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
07/01/2017	**19,800**	**5,530**	**871,749**	**–27,356**	**5,644**	**–20**
Dividends paid			–21,120			
Net income for the year			99,521			
Other comprehensive income after tax				–28,914	–2,650	261
Total consolidated gains (losses)	0	0	99,521	–28,914	–2,650	261
Change in shares of minority interests			0	0		
Other changes	0	0	–148	0	0	0
06/30/2018	**19,800**	**5,530**	**950,002**	**–56,270**	**2,994**	**241**
Adjustment due to introduction of IFRS 9 (after tax)			–4,755			–241
Adjustment due to IAS 29 (hyperinflation)			6,590			
07/01/2018 adjusted	**19,800**	**5,530**	951,837	**–56,270**	**2,994**	**0**
Dividends paid			–21,120			
Net income for the year			104,134			
Other comprehensive income after tax				1,589	2,753	0
Total consolidated gains (losses)	0	0	104,134	1,589	2,753	0
Change in shares of minority interests			0	0		
Capital increase from company funds	79,200	0	–79,200			
Other changes	0	0	0	0	0	0
06/30/2019	**99,000**	**5,530**	**955,651**	**–54,681**	**5,747**	**0**

				Parent company					**Minority interest**	**Group equity**
		Comprehensive other Group income		**Total**	**Minority interest**		**Comprehensive other Group income**		**Total**	
	Net gain/ (loss) on equity instruments designated at fair value through other comprehensive income	Revaluation of defined benefit plans	Other transactions			Adjustments from currency translation	Revaluation of defined benefit plans	Other transactions		
	0	**−42,341**	**1,456**	**834,462**	**3,485**	**−94**	**0**	**−857**	**2,534**	**836,996**
				−21,120	0				0	−21,120
				99,521	136				136	99,657
	0	−2,442	0	−33,745		1		0	1	−33,744
	0	−2,442	0	65,776	136	1	0	0	137	65,913
				0	142	0			142	142
	0	0	0	−148	0	0	0	0	0	−148
	0	**−44,783**	**1,456**	**878,970**	**3,763**	**−93**	**0**	**−857**	**2,813**	**881,783**
	241			−4,755					0	−4,755
				6,590					0	6,590
	241	**−44,783**	**1,456**	**880,805**	**3,763**	**−93**	**0**	**−857**	**2,813**	**883,618**
				−21,120	0				0	−21,120
				104,134	−114				−114	104,020
	632	−7,948	0	−2,974		3		0	3	−2,971
	632	−7,948	0	101,160	−114	3	0	0	−111	101,049
				0	0	0			0	0
				0						0
	0	0	0	0	0	0	0	0	0	0
	873	**−52,731**	**1,456**	**960,845**	**3,649**	**−90**	**0**	**−857**	**2,702**	**963,547**

Cash Flow Statement

July 1 to June 30

in € thousand	Note no.	2018/2019	2017/2018
Net income for the year		104,020	99,657
Depreciation/reversal of impairment losses (–) on property, plant and equipment		48,723	49,864
Increase/decrease (–) in long-term provisions		17,480	2,421
Other noncash expenses/income (–)		–43,232	–4,740
Increase/decrease (–) in short-term provisions		21,253	–44,290
Net gain (–)/loss from the disposal of assets		200	34
Income tax expense (+)/-income (–)		54,127	34,250
Income tax payments (–)/-refunds (+)		–63,074	–16,451
Increase (–)/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		–145,506	–55,500
Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities		70,293	20,708
Proceeds and payments (+) from/for equity-accounted companies		8,566	12,110
Net cash from operating activities	6.1	**72,850**	**98,062**
Proceeds from disposals of property, plant and equipment		2,733	1,592
Payments (–) for capital expenditure on property, plant and equipment		–86,728	–55,133
Proceeds from disposals of intangible assets		166	1
Payments (–) for capital expenditure on intangible assets		–9,735	–12,535
Proceeds from disposals of financial assets		168	227
Payments (–) for capital expenditure on financial assets		–711	–744
Receipts from the disposal of consolidated subsidiaries and other business units		–1,128	–1,479
Net cash from investing activities	6.2	**–95,235**	**–68,071**
Dividend payments (–) to owners and minority shareholders		–21,120	–21,120
Proceeds from long-term borrowings		405,763	4,431
Repayment of long-term borrowings		–27,000	–30,816
Changes from proceeds (+)/repayments (–) of short-term borrowings		46,859	22,221
Net cash from financing activities	6.3	**404,502**	**–25,284**
Net cash changes in cash and cash eqivalents and restricted cash		**382,117**	**4,707**
Changes in cash and cash equivalents and restricted cash due to exchange rate, consolidated group and measurement changes		**109**	**–3,494**
Cash and cash equivalents, including restricted cash, at beginning of year		192,582	191,369
Cash and cash equivalents, including restricted cash, at end of year		**574,808**	**192,582**
Reclassification of cash and cash equivalents due to IFRS 5		–379	0
Less cash deposited in a trust account for the acquisition of Pop Vriend Seeds Group		–414,672	0
Cash and cash equivalents at end of year	6.4	**159,757**	**192,582**
Thereof restricted cash and cash equivalents at end of year		125	65

Notes for the KWS Group 2018/2019

The consolidated financial statements of KWS SAAT SE & Co. KGaA (until July 2, 2019: KWS SAAT SE) and its subsidiaries were prepared on a going concern basis applying Section 315e of the German Commercial Code (HGB). They comply with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

KWS SAAT SE & Co. KGaA, the ultimate parent company of the KWS Group, is an international company based in Germany, has its headquarters at Grimsehlstraße 31, 37574 Einbeck, Germany, and is registered at Göttingen Local Court under the number HRB 205722. Since it was founded in 1856, KWS has specialized in developing, producing and distributing high-quality seed for agriculture. KWS covers the complete value chain of a modern seed producer – from breeding of new varieties, multiplication and processing, to marketing of the seed and consulting for farmers. KWS' core competence is in breeding new, high-performance varieties that are adapted to regional needs, such as climatic and soil conditions.

Change in KWS SAAT SE's legal form to that of a partnership limited by shares

The Annual Shareholders' Meeting of KWS SAAT SE on December 14, 2018, adopted a resolution to convert KWS SAAT SE into a partnership limited by shares (KGaA) of the firm KWS SAAT SE & Co. KGaA. The change in legal form became effective on July 2, 2019, when it was registered in the commercial register of Göttingen Local Court. This did not result in liquidation of the company or formation of a new legal entity. The company's legal and economic identity was retained.

The change in legal form enables the KWS Group to safeguard its independence and keep control of the company in the hands of the family owners. As part of the change in legal form, the newly founded KWS SE, a European Company (Societas Europaea), joined the company as the general partner. 80% of it is owned by associated companies of the shareholder families C.-E. Büchting and Arend Oetker. The shareholders received one share in KWS SAAT SE & Co. KGaA for each share they held in KWS SAAT SE. As a result, the stake of 55.3% held by the shareholder families C.-E. Büchting and Arend Oetker is preserved. There were no changes to the composition of the Executive Board of KWS SE and Supervisory Board of KWS SAAT SE& Co. KGaA.

Where appropriate, this report always refers to the company using the new name that has been in effect since the change in legal form on July 2, 2019, namely KWS SAAT SE & Co. KGaA.

Standards and interpretations applied for the first time

The following standards and interpretations had to be applied for the first time in fiscal year 2018/2019.

Standards and interpretations applied for the first time

Financial reporting standards and interpretations
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4 – Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts
Annual Improvements to the International Financial Reporting Standards (2014–2016 cycle)
Amendments to IAS 40 – Transfers of Investment Property
IFRIC 22 – Foreign Currency Transactions and Advance Consideration
IFRS 15 – Revenue from Contracts with Customers
IFRS 9 – Financial Instruments

The nature and effects of first-time application of the new standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" are presented in the following. The other standards and interpretations to be applied for the first time did not result in any significant impact on the consolidated financial statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 "Construction Contracts," IAS 18 "Revenue" and all related interpretations. The new standard provides a five-step model for recognizing revenues from contracts with customers. The standard requires that revenues are recognized at the amount of expected consideration from the customer for the assumed performance obligation (delivery of goods or provision of services) as soon as the company has transferred control over goods or services to a customer either over time or at a point in time. IFRS 15 also deals with the recognition of costs to obtain or fulfill a contract and expands the disclosure requirements in the Notes.

The KWS Group has adopted IFRS 15 using the modified retrospective method. Adoption of IFRS 15 merely resulted in changes in presentation within the current assets and current liabilities. In accordance with the modified retrospective method, the comparative information has not been adjusted and is still presented on the basis of the accounting regulations that applied in the previous year.

The KWS Group has applied IFRS 15 to all contracts that had not been fulfilled at July 1, 2018.

The new balance sheet items "Contract assets" and "Contract liabilities" have been introduced to reflect the changes in presentation as a result of the adoption of IFRS 15.

The changes resulting from first-time application of IFRS 15 relate to the following:

- **Claims and obligations from expected returns of products**
  In accordance with IFRS 15, a right of return to which customers are entitled represents a separate performance obligation under the sales contract and has to be assessed separately. In addition, the new standard requires presentation on a gross basis of the claims and obligations from rights of return to which customers are entitled. It results into a presentation of a contract asset from the legal claim to receipt of the returned goods and a contract liability from the obligation to take back the goods supplied to the customer. Due to the existing right of the customer to return goods, revenue is reduced, and the corresponding performance obligation is recognized as a contract liability. The expected returns mean that KWS has a claim to receipt of the goods, which is recognized as a contract asset at the production costs. The rights of return were previously accounted for on a net basis through recognition of a provision. There is thus a reclassification within the current liabilities and a balance sheet extension due to first-time recognition of the contract assets.

- **Obligations from loyalty programs**
  The KWS Group offers various loyalty programs its customers can participate in. They can exchange the points they collect for various incentives (goods). Under IFRS 15, such a loyalty program represents an option which is granted to customers to acquire additional goods and services and which must in general be measured as a separate performance obligation at a stand-alone selling price. The pro-rata transaction price must be separated from revenue and recognized if the points are redeemed by customers or forfeited. This allocated stand-alone selling price will be recognized as a contract liability. There was solely a reclassification within the current liabilities as part of first-time application of IFRS 15.

- **Obligations from granting of rebates**
  The KWS Group grants rebates (early order discount, volume discount, pickup discount, etc.) to its customers as part of various campaigns. They constitute a variable consideration under IFRS 15. Variable rebates are estimated at their probable level. The obligations from rebates are recognized as contract liabilities. First-time application of IFRS 15 resulted in a change in presentation of the obligations as contract liabilities.

The impact of first-time application of IFRS 15 on the individual balance sheet items is presented below.

Adjustments to the balance sheet values from adoption of IFRS 15

in € thousand	Carrying amount at 06/30/2019	Adjustment due to IFRS 15	Carrying amount without application of IFRS 15
Contract assets[1]	2,733	2,733	0
Contract liabilities	18,804	18,804	0
Short-term provisions	0	–15,125	15,125
Other current liabilities	0	–946	946

1 The carrying amount for the contract assets results from the obligations from rights of return carried previously in the short-term provisions on a gross basis.

IFRS 9: Financial Instruments
IFRS 9 “Financial Instruments” supersedes IAS 39 “Financial Instruments: Recognition and Measurement.” The standard includes new regulations on classifying and measuring financial assets and their impairment losses, and financial liabilities. The standard also amends the regulations on hedge accounting.

The KWS Group has introduced the standard on the basis of the modified retrospective method, meaning any effects from the change have been recognized cumulatively through adjustment of the retained earnings at July 1, 2018. The comparative amounts of the prior period were not adjusted.

Classification and measurement
Financial assets are classified in accordance with IFRS 9 on the basis of the Group’s business model for their managing and the characteristics of the related contractual cash flows from the financial assets. Under KWS’ business model, financial assets are generally held to maturity. Since the cash flows received usually constitute interest and repayment of the receivable, the assets are still measured at amortized cost in the vast majority of cases, especially for trade receivables and other financial assets.

The effects of the change in requirements for classifying financial assets at July 1, 2018, are presented below:

Reclassifications as a result of adoption of IFRS 9 at July 1, 2018

in € thousand				
		Measurement category in accordance with IFRS 9 at 07/01/2018		
	Carrying amounts at 06/30/2018	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss
Measurement categories in accordance with IAS 39				
Loans and receivables				
Trade receivables[1]	310,141	304,150		
Cash and cash equivalents[1]	174,300	174,115		
Other financial assets	47,618	47,618		
Financial assets held for trading				
Derivatives with a positive market value	5,304			5,304
Available-for-sale financial assets				
Financial assets	3,605		3,605	
Securities	18,282		18,282	
Financial liabilities measured at amortized cost				
Financial liabilities	239,164	239,164		
Trade payables	76,689	76,689		
Financial liabilities held for trading				
Derivatives with a negative market value	2,397			2,397

1 The change in the carrying amount is due to the inclusion of additional impairment losses in accordance with IFRS 9.

The classification and measurement of financial liabilities in the consolidated financial statements of KWS SAAT SE & Co. KGaA remain unchanged.

Impairment losses

The new regulations in IFRS 9 on recognizing of allowance for credit losses relating to financial assets, including trade receivables, are based on expected losses (expected loss model). Impairments were previously recognized only if losses had already been incurred (incurred loss model).

At July 1, 2018 the credit default rates amounting from 0.55% to 4.11% for not overdue trade receivables and amounting from 2.18% to 11.39% for trade receivables overdue up to 180 days were applied.

The adjustment for expected credit risks from trade receivables at the transition date amounted to €5,991 thousand. After recognition of deferred tax assets totaling €1,237 thousand, the net effect amounted to €4,754 thousand. The latter figure includes a small effect from measurement of other financial assets, mainly cash and cash equivalents at banks. That is due to the short times in which they are due (usually balances payable on demand) and the good ratings of investment grade banks.

The following table presents a reconciliation of the closing balance of the allowance for credit losses at June 30, 2018, to the opening balance at July 1, 2018.

Reconciliation of the final balance for impairment losses in accordance with IAS 39 to the opening balance of the impairment losses in accordance with IFRS 9

in € thousand	Cumulative impairment losses at 06/30/2018 (IAS 39)	Remeasurement (IFRS 9 impairment model)	Cumulative impairment losses at 07/01/2018 (IFRS 9)
Loans and receivables in accordance with IAS 39/financial assets measured at amortized cost in accordance with IFRS 9	31,996	5,991	37,987

Hedge accounting

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

Standards and interpretations to be applied in future

The following standards and interpretations, or revisions of standards or interpretations, were not applied in the reporting year, since their application for the fiscal year 2018/2019 was not yet mandatory or they have not yet been adopted by the EU:

Standards and Interpretations to be applied in future

Financial reporting standards and interpretations	Mandatory first-time application
IFRS 16 – "Leases"	Fiscal year 2019/20
IFRIC 23 – "Uncertainty over Income Tax Treatments"	Fiscal year 2019/20
Amendments to IFRS 9 – "Prepayment Features with Negative Compensation"	Fiscal year 2019/20
Amendments to IAS 19 – "Plan Amendment, Curtailment or Settlement"	Fiscal year 2019/20
Amendments to IAS 28 – "Long-term Interests in Associates and Joint Ventures"	Fiscal year 2019/20
Annual Improvements to the International Financial Reporting Standards (2015–2017 cycle)	Fiscal year 2019/20
Amendments to IFRS 3 – "Business Combinations"	Fiscal year 2020/21
Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	Fiscal year 2020/21
Conceptual Framework for Financial Reporting and Amendments to References to the Conceptual Framework in IFRS Standards	Fiscal year 2020/21
IFRS 17 – "Insurance Contracts"	Fiscal year 2021/22

In January 2016, the IASB published the standard **IFRS 16** “Leases”, which will replace the current standard IAS 17 “Leases” and the related interpretations. It was adopted into European law in October 2017.

IFRS 16 introduces a single lease accounting model, requiring lessees to recognize assets and liabilities for all leases. The previously required distinction between finance and operating leases no longer applies to the lessee. In the future, all rights and obligations from leases are to be recognized as right-of-use assets (right-of-use approach) and lease liabilities in the balance sheet. The only exceptions are for short-term leases of one year or less and for “small ticket leases.” KWS will exercise these exemptions permitted under IFRS 16. The approach to lessor accounting adopted in IFRS 16 is substantially unchanged from that in IAS 17, meaning the lessor still has to distinguish between finance and operating leases. Companies in the KWS Group mainly act as lessees.

KWS will apply IFRS 16 for the first time at July 1, 2019, using the modified retrospective method. Accordingly, the comparative amounts are not adjusted and the cumulative effects from the change are recognized directly in equity through adjustment of retained earnings.

All contracts that have been classified as an operating lease to date and are not covered by the exemptions permitted by IFRS 16, will be carried in the balance sheet by recognition of a right of use and a lease liability. The level of the lease obligation is ascertained using the present value of lease payments that have not yet been made. The relevant incremental borrowing rate is applied in discounting. The amount for the right of use will comprise in general the value of the corresponding lease liability after adjustment for the lease payments up to the time of adoption.

As part of first-time application of IFRS 16, KWS anticipates that recognition of the rights of use will result in an increase in fixed assets along with a corresponding increase in financial liabilities due to the fact that lease liabilities probably totaling around €40 million will be carried. That will result in a rise in net financial debt and a decline in the equity ratio by one percentage point.

The operating lease expenses, which have been carried under operating result up to now, will be carried in the future as depreciation of the rights of use and interest expenses from unwinding of discount from the lease liabilities. This shift within the statement of comprehensive income means there will be an anticipated improvement in operating income of €5 million in total over the remaining term of the lease obligations to be recognized at July 1, 2019. In the cash flow statement, adoption of IFRS 16 will decrease operating cash outflows, as a result of which the net cash from operating activities will improve. At the same time, payments of principal and interest will be included in the net cash flows from financing activities and so will reduce it.

In addition, IFRS 16 entails new obligations to disclose qualitative and quantitative information.

As far as can be ascertained at present, the other changes to the financial reporting standards and interpretations will not have a significant impact on the consolidated financial statements of the KWS Group.

1. General Disclosures

1.1 Companies consolidated in the KWS Group

The consolidated financial statements of the KWS Group include the single-entity financial statements of KWS SAAT SE & Co. KGaA and its subsidiaries in Germany and other countries, as well as joint ventures and associated companies, which are carried using the equity method, and joint operations. A company is a subsidiary, if KWS SAAT SE & Co. KGaA 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 & Co. KGaA has the ability to use its power to affect the amount of the variable returns. Control can usually be derived from holding a majority of the voting rights directly or indirectly. Details on the changes in the consolidated group are provided in the section Disclosures on the Consolidated Financial Statements – Consolidated group and changes in the consolidated group.

1.2 Consolidation methods

The single-entity financial statements of the individual subsidiaries included in the consolidated financial statements and the single-entity financial statements of the joint ventures and associated companies included using the equity method and of the proportionately consolidated joint operations were uniformly prepared on the basis of the accounting and measurement policies applied at KWS SAAT SE & Co. KGaA; they were audited by independent auditors. For company acquisitions, capital consolidation follows the purchase method by allocating the cost of acquisition to the Group's interest in the subsidiary's remeasured equity at the time of acquisition. Any excess of interest in equity over cost is recognized as an asset, up to the amount by which fair value exceeds the carrying amount. Any goodwill remaining after first-time consolidation is recognized under intangible assets.

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

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

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

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

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

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

1.3 Currency translation

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

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

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

Exchange rates for main currencies

		Rate on balance sheet date		Average rate	
1 EUR/		**06/30/2019**	**06/30/2018**	**2018/2019**	**2017/2018**
ARS[1]	Argentina	48.60240	32.66250	48.60240	23.91751
BRL	Brazil	4.34750	4.49640	4.41256	3.98728
GBP	UK	0.89720	0.88590	0.88235	0.88563
RUB	Russia	71.81790	72.99210	74.91476	70.25821
UAH	Ukraine	29.73024	30.56800	31.27778	31.85345
USD	USA	1.13830	1.16410	1.14186	1.19399

1 The average rate corresponds to the rate at balance sheet date due to application of IAS 29 for KWS ARGENTINA S.A.

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

Argentina was classified as a hyperinflationary economy for the first time this fiscal year, as a result of which IAS 29 "Financial Reporting in Hyperinflationary Economies" was applied to KWS ARGENTINA S.A. First-time application of the standard resulted in an adjustment to the carrying amounts for non-monetary assets and liabilities using the general consumer price index IPC (Índice de precios al consumidor). The effects from the first-time application of IAS 29 are recognized in equity. Gains and losses from current inflation of non-monetary assets and liabilities and of equity are recognized in the income statement.

The IPC was 144.81 points at July 1, 2018 and rose by 55.7% in the current fiscal year to 225.54 points at June 30, 2019.

1.4 Classification of the statement of comprehensive income

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

1.5 Accounting policies

1.5.1 Consistency of accounting policies

Consistent accounting policies are used in the annual financial statements of the companies included in the consolidated financial statements. They remained the same as in the previous year, with the exception of the IFRS 9 and IFRS 15 standards, which had to be adopted, and first-time application of IAS 29 for KWS ARGENTINA S.A.

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

1.5.2 Recognition of income and expenses

Revenue from contracts with customers is mainly generated from the sale of seed. It is recognized when KWS transfers control over products to the customer. That is usually the time when risk passes to the customer. The income is recognized at the amount of the consideration promised in the contract.

The KWS Group's contracts with customers do not usually have any significant separable performance obligations apart from the delivery of seed. Consequently, splitting of the transaction price is not required for most of the KWS Group's contracts with customers. Accordingly, the total purchase price must be recognized at a point in time.

If the contracts specify further performance obligations, such as granting of rebates, rights of return and bonus points, in addition to seed delivery, they must be measured separately. The KWS Group uses empirical country-specific and seasonal rates and information on already announced returns to estimate the anticipated returns.

The level of the promised consideration is not adjusted by the effects of a financing component because the period for payment is usually less than 12 months.

The incremental costs of obtaining a contract are recognized as a current expense in the period.

Income from service transactions is recognized over the period of time in which the service is provided and so carried on an output-oriented basis using the percentage of completion method. Other income, such as interest, royalties and dividends, is recognized in the period in which it accrues as soon as there is a contractual or legal entitlement to it.

Performance-based public grants are recognized as part of other operating income.

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

1.5.3 Intangible assets

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

Intangible assets acquired as part of business combinations are carried separately from goodwill if they are separable according to the definition in IAS 38 or result from a contractual or legal right.

The service life of intangible assets is as follows:

Useful life of intangible assets

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

1.5.4 Property, plant, and equipment

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

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

In addition to directly attributable costs, the cost of self-produced plant or equipment also includes a proportion of the overheads and depreciation/amortization.

Useful life of property, plant and equipment

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

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

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

1.5.5 Leases

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

If the KWS Group is the lessee in a finance lease, the lower of the asset's fair value and the present value of the minimum lease payments at the start of the lease is capitalized in the balance sheet and simultaneously recognized under the financial liabilities. The minimum lease payments are divided into a repayment component of the residual debt and financing costs, which are determined in accordance with the effective interest method. The leased asset is written down using the straight-line method of depreciation over its estimated useful life or the term of the contract, whichever is shorter. An operating lease is a lease that does not involve a finance lease. Lease payments under an operating lease are recognized as operating expense in the income statement on a straight-line basis over the lease's term.

1.5.6 Financial instruments

Classification and measurement

Apart from equity instruments, financial instruments are financial assets and financial liabilities.

When financial assets are recognized for the first time, they are assigned to one of the following three categories for the purpose of subsequent measurement: at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss.

Equity instruments are generally measured at fair value through profit or loss, unless an option to irrevocably classify them at the initial recognition as being measured at fair value through other comprehensive income is exercised. Such option is available if the equity instrument is neither held for trading nor contingent consideration recognized in a business combination. The debt instruments are classified taking into account KWS' business model for managing these financial assets and their contractual cash flow characteristics. A financial asset is measured at amortized cost if it is held with the objective of collecting contractual cash flows and the latter comprise solely payments of interest and principal. If the financial assets are held as part of the business model to collect contractual cash flows and sell the financial instruments, these are classified as being measured at fair value through other comprehensive income. All the other financial instruments are classified in the category "at fair value through profit or loss." There is also the option of designating the debt instrument at the initial recognition as being measured at fair value through other comprehensive income under certain conditions.

The financial assets consist of bank balances and cash on hand, trade receivables, loans, fund shares, securities, derivatives and other financial assets. Regular-way purchases and sales of financial assets are recognized or derecognized in general using the settlement date accounting. Fund shares and securities are measured at fair value through other comprehensive income. The changes to fair value in subsequent measurement are recognized as unrealized gains and losses directly in other comprehensive income.

The other financial assets are measured 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.

Impairment losses

The credit risk is the risk that a contractual partner does not fulfill its payment obligations as part of a financial instrument. The credit risks are monitored and controlled constantly and reflected by means of impairment losses. The KWS Group ascertains the need to recognize an impairment loss for all financial assets not classified in the category "at fair value through profit or loss." That is calculated on the basis of the expected losses. The expected losses are in general the present value resulting from the difference between the cash flows defined in the contract and the cash flows KWS expects to receive.

In general, a two-stage model must be applied in calculating the expected losses. If the credit risk on financial instruments has not increased significantly, the allowance is recognized only on the basis of losses resulting from default events within the next 12 months. In the case of financial instruments whose credit risk has increased significantly since initial recognition, the entire remaining lifetime is used to calculate the expected losses.

KWS uses a simplified approach under IFRS 9 to determine the expected losses because the financial assets mainly consist of short-term trade receivables. For initial and subsequent measurement of receivables, entire lifetime expected credit losses therefore, are taken into account.

The KWS Group determines the expected counterparty default on the basis of the probability of default and the loss rate in the event of default.

The probability of default is in general determined on the basis of customer-specific ratings. The probability of default relates to a year, which is usually the maximum lifetime of receivables at the KWS Group. Since specific ratings are not available for all customers, an average rating based on all rated customers is calculated for each country, regardless of the receivable balance per customer. This rating is then applied accordingly to the total amount of receivables in the country. If that information is not available for a country, the average rating of a country with a comparable risk is applied.

The loss rate is the percentage loss in the event of default and corresponds to the amount of the unpaid receivables less an expected recovery rate. KWS applies a uniform recovery rate determined regardless of customer group, due date and country over a long period of time and over a broad total number of company insolvencies.

Changes to the level of the risk provision must be carried in the income statement as a reversal of an impairment loss or as an impairment loss.

The financial liabilities mainly comprise trade payables, loans from banks, derivatives and other financial liabilities. At the initial recognition financial liabilities are classified as being measured at fair value through profit or loss or at amortized cost. They are measured initially at fair value. 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.

All financial liabilities at the KWS Group, 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, cancelled or expired.

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.

1.5.7 Derivatives

The KWS Group has not designated any existing derivatives as a hedging instrument.

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

The changes in their market value are recognized in the income statement. Derivatives are derecognized on their day of settlement.

1.5.8 Inventories and biological assets

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

1.5.9 Deferred taxes

Deferred taxes are calculated in accordance with IAS 12. 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 the future. Deferred tax liabilities must be set up for all taxable temporary differences. All deferred taxes must be assessed individually at each balance sheet date. Under IAS 12, deferred taxes are calculated on the basis of the applicable local income tax anticipated at the time of reversal. No discounting is carried out.

1.5.10 Provisions for income taxes

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

1.5.11 Provisions for pensions and other employee benefits

The provisions for pensions and other employee benefits are calculated using actuarial principles in accordance with the projected unit credit method. Actuarial gains and losses must be recognized directly in equity in Other comprehensive income. The service costs, including the past service costs, are recognized in operating income in accordance with the employees' assignment to the functions. If there are planned assets, they are netted off against the associated obligations.

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

1.5.12 Other provisions

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

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

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

1.5.13 Contingent liabilities

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

1.5.14 Borrowing costs

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

1.5.15 Discretionary decisions and estimates

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

- Determination of the useful life of the depreciable asset
- Definition of measurement assumptions and future results in connection with impairment tests, above all for capitalized goodwill
- Assessment whether write-down of inventories is required
- 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
- Calculation of the expected returns from customers at the balance sheet date

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

The Executive Board of KWS Group prepared the consolidated financial statements on September 24, 2019, 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 & Co. KGaA

	06/30/2019			06/30/2018		
	Germany	Abroad	Total	Germany	Abroad	Total
Fully consolidated	14	50	64	14	48	62
Equity method	0	3	3	0	3	3
Joint operation	0	8	8	0	6	6
Total	**14**	**61**	**75**	**14**	**57**	**71**

2.1 Consolidated group and changes in the consolidated group

The merger of KWS SERVICES WEST S.L.U., Barcelona, Spain, with the transferee KWS SAAT SE & Co. KGaA took effect when KWS SAAT SE changed its legal form to KWS SAAT SE & Co. KGaA and that change was registered in the commercial register. The related resolution was adopted by the Shareholders' Meeting of KWS SERVICES WEST S.L.U. on January 25, 2019. Thereafter, the requirements for a merger in accordance with the merger certificate dated March 14, 2019 were fulfilled. Accordingly, the merger was carried out retroactively effective July 1, 2018.

KWS INTERNATIONAL HOLDING B.V., Emmeloord, the Netherlands, was established in August 2018. The subsidiary was fully consolidated in the consolidated financial statements.

O.O.O. KWS KUBAN, Krasnodar, Russia, and O.O.O. KWS SEED PLANT, Lipetsk, Russia, were established in September 2018. The two subsidiaries were fully consolidated in the consolidated financial statements.

At January 31, 2019, the KWS Group sold 50% of its shares in KWS POTATO B.V. (in future AARDEVO B.V.), Nagele, Netherlands, which had previously been fully consolidated in the consolidated financial statements, to J.R. Simplot Company, U.S. The KWS Group has since held a 50% stake in the newly founded company Aardevo B.V., which constitutes a joint arrangement with J.R. Simplot Company and was included in the KWS Group's consolidated financial statements as a joint operation effective February 1, 2019. Consequently, the previously fully consolidated subsidiary KWS Potato B.V. was deconsolidated and the new joint operation Aardevo B.V. was consolidated proportionately. The two shareholders have since conducted research & development activities under joint management with the aim of creating extremely high-performing potato varieties by means of hybrid breeding. The development costs are born equally by the partners.

Intangible assets with a fair value of €5,932 thousand at the time of acquisition were identified as part of purchase price allocation. Allowing for deferred tax liabilities (€1,216 thousand) and other assets (€13 thousand), net assets totaled €4,729 thousand. The transferred consideration from the KWS Group's perspective is the fair value of the stake it surrendered in the joint arrangement (€5,284 thousand). That resulted in goodwill totaling €555 thousand, which relates to the additional economic benefit as a result of joint research & development.

AARDEVO NORTH AMERICA LLC, Boise, U.S., was established as a wholly-owned subsidiary of Aardevo B.V. in February 2019. The company is included as a joint operation in the KWS Group's consolidated financial statements proportionately at 50%.

KWS VEGETABLES B.V., Heythuysen, the Netherlands, was established in May 2019 and included as a fully consolidated subsidiary.

Disposal group

In mid-January 2019, the KWS Group decided to sell its 51% stake in RAZES HYBRIDES S.A.R.L., Alzonne, France. The sale to the second shareholder Agricole Arterris SCA was completed on July 3, 2019, i.e. after the balance sheet date.

All the assets of RAZES HYBRIDES S.A.R.L. were classified as held for sale. They were still measured at their carrying amount, since it is lower than the fair value of the equity share. The fair value was determined on the basis of the sales price less costs to sell.

The table below presents the main groups of assets and liabilities:

Assets and liabilities classified as held for sale

in € thousand	06/30/2019	06/30/2018
Intangible assets and property, plant, and equipment	6,496	6,692
Inventories and trade receivables	176	175
Cash and cash equivalents	379	848
Current tax assets and other assets	551	587
Assets held for sale	**7,602**	**8,302**
Long-term provisions and non-current financial liabilities	263	291
Deferred tax liabilities	175	271
Short-term provisions and current financial liabilities	244	287
Trade payables	740	941
Other current liabilities	336	395
Liabilities classified as held for sale	**1,758**	**2,185**

The accumulated loss recognized directly in the other comprehensive income at June 30, 2019, was €38 thousand.

List of shareholdings in accordance with Section 313 HGB (2) (German Commercial Code)

Fiscal year 2018/2019			
Name and Company's registered office	**Currency**	**Interest held**	**Footnote**
		Total in %	
Fully consolidated subsidiaries (direct)			
Germany			
KWS LOCHOW GMBH, Bergen	€	100.00	1
KWS INTERSAAT GMBH, Einbeck	€	100.00	
AGROMAIS GMBH, Everswinkel	€	100.00	1
KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH, Northeim-Wiebrechtshausen	€	100.00	
KWS LANDWIRTSCHAFT GMBH, Einbeck	€	100.00	1
RAGIS KARTOFFELZUCHT- UND HANDELSGESELLSCHAFT MBH, Einbeck	€	100.00	
KWS SAATFINANZ GMBH, Einbeck	€	100.00	
DELITZSCH Pflanzenzucht GmbH, Einbeck	€	100.00	1
EURO-HYBRID GMBH, Einbeck	€	100.00	
KWS SERVICES DEUTSCHLAND GMBH, Einbeck	€	100.00	1
BETASEED DEUTSCHLAND GMBH, Frankfurt	€	100.00	1
KANT-HARTWIG & VOGEL GMBH, Einbeck	€	100.00	1
KWS BERLIN GMBH, Berlin	€	100.00	1
Foreign			
KWS SRBIJA D.O.O., New Belgrade/Serbia	RSD	100.00	
KWS CHILE LTDA., Rancagua/Chile	CLP	100.00	
KWS MAGYARORSZÁG KFT., Győr/Hungary	HUF	100.00	
KWS FRANCE S.A.R.L., Roye/France	€	100.00	
KWS SEMENA S.R.O., Bratislava/Slovakia	€	100.00	
KWS SUISSE SA, Basel/Switzerland	CHF	100.00	
KWS ITALIA S.P.A., Forlì/Italy	€	100.00	
KWS POLSKA SP.Z O.O., Poznań/Poland	PLN	100.00	
KWS OSIVA SRO, Velké Mezirici/Czech Republic	CZK	100.00	
KWS SJEME D.O.O., Pozega/Croatia	HRK	100.00	
KWS BULGARIA E.O.O.D., Sofia/Bulgaria	BGN	100.00	
KWS BENELUX B.V., Amsterdam/Netherlands	€	100.00	
KWS ARGENTINA S.A., Balcarce/Argentina	ARS	100.00	
KWS AUSTRIA SAAT GMBH, Vienna/Austria	€	100.00	
KWS MAIS FRANCE S.A.R.L., Champol/France	€	100.00	
KWS SERVICES EAST GMBH, Vienna/Austria	€	100.00	
KWS R&D INVEST B.V., Emmeloord/Netherlands	€	100.00	

Fiscal year 2018/2019			
Name and Company's registered office	**Currency**	**Interest held**	**Footnote**
		Total in %	
Fully consolidated subsidiaries (indirect)			
Foreign			
BETASEED INC., Bloomington/U.S.	USD	100.00	6
BETASEED FRANCE S.A.R.L., Bethune/France	€	100.00	7
GLH SEEDS Inc., Bloomington/U.S.	USD	100.00	6
KWS CEREALS USA LLC., Champagne/U.S.	USD	100.00	6
KWS UK LTD., Thriplow/UK	GBP	100.00	8
KWS PERU S.A.C., Lima/Peru	PEN	100.00	9
KWS SEMINTE S.R.L., Bukarest/Romania	RON	100.00	3
KWS SCANDINAVIA A/S, Guldborgsund/Denmark	DKK	100.00	10
O.O.O. KWS RUS, Lipezk/Russia	RUB	100.00	11
O.O.O. KWS R&D RUS, Lipezk/Russia	RUB	100.00	12
KWS SEMILLAS IBÉRICA S.L., Zaratán/Spain	€	100.00	10
KWS SEEDS INC., Bloomington/U.S.	USD	100.00	4
KWS TÜRK TARIM TICARET A.S., Eskisehir/Turkey	TRY	100.00	4
KWS UKRAINE T.O.W., Kiew/Ukraine	UAH	100.00	11
KWS LOCHOW POLSKA SP.Z O.O., Kondratowice/Poland	PLN	100.00	8
RAZES HYBRIDES S.A.R.L., Alzonne/France	€	51.00	5
KWS GATEWAY RESEARCH CENTER LLC., St. Louis/U.S.	USD	100.00	6
KWS AGRICULTURE SCIENCE AND TECHNOLOGY RESEARCH AND DEVELOPMENT (Anhui) Co. Ltd., Hefei/China	CNY	100.00	13
KWS International Holding B.V., Emmeloord/Netherlands	€	100.00	10
KWS Vegetables B.V., Heythuysen/Netherlands	€	100.00	14
KLEIN WANZLEBENER SAATZUCHT MAROC S.A.R.L.A.U. Casablanca/Morocco	MAD	100.00	15
RIBER KWS SEMENTES LTDA., Curitiba/Brazil	BRL	100.00	16
KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA., São Paulo/Brazil	BRL	100.00	17
KWS SERVICES NORTH AMERICA LLC., Bloomington/U.S.	USD	100.00	6
KWS PODILLYA T.O.W., Kiew/Ukraine	UAH	100.00	18
BEIJING KWS AGRICULTURE TECHNOLOGY CO., LTD., Beijing/China	CNY	100.00	13
KWS MOMONT RECHERCHE S.A.R.L., Mons-en-Pévèle/France	€	100.00	19
KWS MOMONT S.A.S., Mons-en-Pévèle/France	€	100.00	8
KWS SEEDS THAILAND CO., Ltd., Chiang Mai/Thailand	THB	100.00	13
KWS PARAGUAY S.R.L., Asunción/Paraguay	PYG	100.00	20
IMPETUS AGRICULTURE INC., Lewes/U.S.	USD	70.00	21
O.O.O. KWS Kuban, Krasnodar/Russia	RUB	100.00	12
O.O.O. KWS Seed Plant, Lipetsk/Russla	RUB	100.00	12

Fiscal year 2018/2019			
Name and Company's registered office	**Currency**	**Interest held**	**Footnote**
		Total in %	
Equity-accounted joint ventures			
AGRELIANT GENETICS INC., Chatham/Canada	CAD	50.00	
AGRELIANT GENETICS LLC., Westfield/U.S.	USD	50.00	22
Equity-accounted associated companies			
KENFENG - KWS SEEDS CO., LTD., Beijing/China	CNY	49.00	
Joint operations (proportionately consolidated)			
GENECTIVE S.A., Chappes/France	€	50.00	
GENECTIVE CANADA INC., Montreal/Canada	CAD	50.00	
GENECTIVE TAIWAN LTD., Taipeh City/Taiwan	TWD	50.00	
GENECTIVE USA Corp., Weldon/U.S.	USD	50.00	
GENECTIVE Japan K.K., Chiba/Japan	JPY	50.00	
GENECTIVE KOREA, Sangdaewon-dong/Korea	KRW	50.00	
Aardevo B.V., Nagele/Netherlands	USD	50.00	23
Aardevo North America LLC, Boise/U.S.	USD	50.00	24
Unconsolidated subsidiaries			
KWS R&D PRIVATE LIMITED, Hyderabad/India	INR	100.00	2
VAN RIJN BALCAN S.R.L., Vulcan/Romania	RON	50.00	2

1 Profit and loss transfer agreement.
2 In Liquidation
3 Subsidiary of KWS SAAT and KWS SAATFINANZ GMBH
4 Subsidiary of KWS SAAT and KWS INTERSAAT GMBH
5 Subsidiary of KWS FRANCE S.A.R.L.
6 Subsidiary of KWS SEEDS INC.
7 Subsidiary of BETASEED GMBH
8 Subsidiary of KWS LOCHOW GMBH
9 Subsidiary of KWS CHILE LTDA. and KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA.
10 Subsidiary of KWS INTERSAAT GMBH
11 Subsidiary of EURO-HYBRID GMBH and KWS SAATFINANZ GMBH
12 Subsidiary of O.O.O. KWS RUS
13 Subsidiary of EURO-HYBRID GMBH
14 Subsidiary of KWS International Holding B.V.
15 Subsidiary of KWS Benelux B.V.
16 Subsidiary of KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. and KWS INTERSAAT GMBH
17 Subsidiary of KWS INTERSAAT GMBH and KWS SAATFINANZ GMBH
18 Subsidiary of KWS UKRAINE T.O.V.
19 Subsidiary of KWS MOMONT S.A.S.
20 Subsidiary of KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. and RIBER-KWS SEMENTES LTDA.
21 Subsidiary of KWS R&D Invest B.V.
22 Investee of GLH SEEDS INC.
23 Investee of RAGIS RAGIS KARTOFFELZUCHT- UND HANDELSGESELLSCHAFT MBH
24 Subsidiary of Aardevo B.V.
25 Subsidiary of KWS FRANCE S.A.R.L.

3. Segment Reporting for the KWS Group

In accordance with its internal reporting and controlling 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 & Co. KGaA in Einbeck. The breeding material, including the relevant information and expertise about how to use it, is owned by KWS SAAT SE & Co. KGaA 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.

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

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

Sales per segment

in € thousand	Segment sales		Internal sales		External sales	
	2018/2019	**2017/2018**	**2018/2019**	**2017/2018**	**2018/2019**	**2017/2018**
Corn	739,031	734,204	5	26	739,026	734,178
Sugarbeet	461,257	455,444	26	351	461,231	455,094
Cereals	170,990	151,410	197	300	170,794	151,109
Corporate	17,474	16,672	13,580	12,456	3,893	4,216
Segments acc. to management approach	**1,388,752**	**1,357,730**	**13,808**	**13,133**	**1,374,944**	**1,344,597**
Elimination of equity-accounted financial assets					–261,605	–276,585
Segments acc. to consolidated financial statements					**1,113,339**	**1,068,012**

Segment sales contain 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.

Earnings, depreciation and amortization and other noncash items per segment

in € thousand	Segment earnings		Depreciation and amortization		Other noncash items	
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018
Corn	57,916	47,374	28,703	29,239	–670	–10,936
Sugarbeet	179,599	160,473	12,762	12,480	–18,260	–21,072
Cereals	22,988	18,395	9,200	8,855	287	4,639
Corporate	–97,110	–77,277	11,868	11,629	–8,250	1,058
Segments acc. to management approach	**163,393**	**148,965**	**62,533**	**62,203**	**–26,893**	**–26,311**
Elimination of equity-accounted financial assets	–13,400	–16,409	330,088	–12,062	21,578	19,339
Segments acc. to consolidated financial statements	**149,993**	**132,556**	**392,621**	**50,141**	**–5,315**	**–6,972**
Net financial income/expenses	–5,534	5,434	0	0	0	0
Earnings before taxes	**144,459**	**137,990**	**0**	**0**	**0**	**0**

The income statements of the consolidated companies are assigned to the segments by means of profit center allocation. Operating income, an 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** allocated to the segments relate exclusively to intangible assets and property, plant, and equipment.

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

Operating assets and operating liabilities per segment

in € thousand	Operating assets		Operating liabilities	
	06/30/2019	**06/30/2018**	**06/30/2019**	**06/30/2018**
Corn	800,334	729,126	122,249	137,572
Sugarbeet	335,630	277,936	67,459	32,549
Cereals	122,159	120,731	30,260	28,383
Corporate	152,029	114,705	106,540	96,428
Segments acc. to management approach	**1,410,152**	**1,242,498**	**326,508**	**294,932**
Elimination of equity-accounted financial assets	–278,034	–251,774	–49,210	–49,808
Segments acc. to consolidated financial statements	**1,132,118**	**990,724**	**277,298**	**245,124**
Others	982,835	526,957	874,108	390,774
KWS Group acc. to consolidated financial statements	**2,114,953**	**1,517,681**	**1,151,406**	**635,898**

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

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

Capital expenditure on assets fell to €101,123 thousand (previous year: €117,696 thousand). Capital expenditure in the Corn Segment (€27,151 thousand; previous year: €64,147 thousand) relates mainly to drying and production capacities in South America. The Sugarbeet Segment's capital expenditure totaled €34,874 thousand following €16,741 thousand in the previous year and relates mainly to continued expansion of sugarbeet seed production in Einbeck. In addition, expansion of our laboratory capacities was also launched there.

Investments in long-term assets by segment

in € thousand	2018/2019	2017/2018
Corn	27,151	64,147
Sugarbeet	34,874	16,741
Cereals	7,037	7,027
Corporate	32,061	29,781
Segments acc. to management approach	**101,123**	**117,696**
Elimination of equity-accounted financial assets	–4,552	–45,994
Segments acc. to consolidated financial statements	**96,571**	**71,702**

Disclosures by region

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

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

External sales by region

in € thousand	2018/2019	2017/2018
Germany	236,226	235,303
Europe (excluding Germany)	505,867	504,985
Thereof in France	(100,982)	(117,592)
North and South America	305,749	269,553
Thereof in Brazil	(97,989)	(82,168)
Thereof in the U.S.	(167,547)	(155,357)
Rest of world	65,497	58,171
KWS Group	**1,113,339**	**1,068,012**

Investments in long-term assets by region

in € thousand	2018/2019	2017/2018
Germany	56,609	39,478
Europe (excluding Germany)	16,146	18,026
Thereof in France	(5,058)	(5,297)
North and South America	22,581	13,269
Thereof in Brazil	(8,678)	(1,187)
Thereof in the U.S.	(8,712)	(5,528)
Rest of world	1,235	929
KWS Group	**96,571**	**71,702**

Long-term assets by region

in € thousand	2018/2019	2017/2018
Germany	267,309	235,994
Europe (excluding Germany)	169,579	166,600
Thereof in France	(55,706)	(66,430)
North and South America	252,477	230,125
Thereof in Brazil	(36,312)	(28,602)
Thereof in the U.S.	(192,042)	(185,842)
Rest of world	6,397	8,460
KWS Group	**695,762**	**641,179**

4. Notes to the Balance Sheet

Statement of changes in fixed assets

in € thousand	07/01/2018	First-time adjustment for inflation (IAS 29) at 07/01/2018	Currency translation	Adjustment for inflation (IAS 29)	Change in consolidated companies	Additions
Patents, industrial property rights and software	123,885	0	608	0	5,932	9,368
Goodwill	25,115	0	520	0	555	0
Intangible assets	**149,000**	**0**	**1,128**	**0**	**6,487**	**9,368**
Land and buildings	320,754	4,075	–275	824	0	13,933
Technical equipment and machinery	251,271	1,470	–487	510	0	10,296
Operating and office equipment	111,217	779	132	692	0	13,192
Payments on account	36,581	115	–13	601	0	49,073
Property, plant and equipment	**719,823**	**6,439**	**–643**	**2,627**	**0**	**86,494**
Equity-accounted financial assets	**158,817**	**0**	**2,752**	**0**	**0**	**0**
Financial assets	**4,220**	**0**	**94**	**0**	**0**	**709**
Assets	**1,031,860**	**6,439**	**3,331**	**2,627**	**6,487**	**96,571**

in € thousand	07/01/2018	First-time adjustment for inflation (IAS 29) at 07/01/2018	Currency translation	Adjustment for inflation (IAS 29)	Change in consolidated companies[1]	Planned additions
Patents, industrial property rights and software	63,535	0	534	0	0	9,720
Goodwill	0	0	0	0	0	0
Intangible assets	**63,535**	**0**	**534**	**0**	**0**	**9,720**
Land and buildings	96,170	698	49	220	0	9,768
Technical equipment and machinery	152,810	796	–102	281	0	18,030
Operating and office equipment	69,156	448	148	160	0	11,359
Payments on account	0	0	0	0	0	0
Property, plant and equipment	**318,136**	**1,942**	**95**	**661**	**0**	**39,157**
Equity-accounted financial assets	**8,393**	**0**	**0**	**0**	**0**	**0**
Financial assets	**615**	**0**	**6**	**0**	**0**	**32**
Assets	**390,679**	**1,942**	**635**	**661**	**0**	**48,909**

				Gross book values		
Additions of equity-accounted assets	Disposals	Disposals of equity-accounted assets	Transfers	Reclassification in hold for sale (IFRS 5)		
					06/30/2019	
0	566	0	67	–94	139,200	
0	0	0	0	0	26,190	
0	**566**	**0**	**67**	**–94**	**165,390**	
0	942	0	12,348	–7,659	343,058	
0	3,097	0	5,814	–11,836	253,941	
0	6,100	0	4,594	–174	124,332	
0	1,099	0	–22,822	–118	62,318	
0	**11,238**	**0**	**–66**	**–19,787**	**783,649**	
9,417	**0**	**8,566**	**0**	**0**	**162,420**	
0	**171**	**0**	**0**	**–1**	**4,851**	
9,417	**11,975**	**8,566**	**1**	**–19,882**	**1,116,310**	

				Amortization/depreciation		Net book values	
Value impairment	Adjustment not affecting profit and loss	Disposals	Transfers	Reclassification in hold for sale (IFRS 5)			
					06/30/2019	06/30/2019	06/30/2018
0	0	400	0	–74	73,315	65,885	60,350
0	0	0	0	0	0	26,190	25,115
0	**0**	**400**	**0**	**–74**	**73,315**	**92,075**	**85,465**
45	0	345	–11	–3,848	102,746	240,312	224,584
635	0	2,171	–4	–9,325	160,950	92,991	98,461
77	0	5,788	16	–137	75,439	48,893	42,061
0	0	0	0	0	0	62,318	36,581
757	**0**	**8,304**	**1**	**–13,310**	**339,135**	**444,514**	**401,687**
0	**0**	**0**	**0**	**0**	**8,393**	**154,027**	**150,424**
0	**938**	**10**	**0**	**0**	**–295**	**5,146**	**3,605**
757	**938**	**8,714**	**1**	**–13,384**	**420,548**	**695,762**	**641,181**

Statement of changes in fixed assets

in € thousand	07/01/2017	First-time adjustment for inflation (IAS 29) at 07/01/2018	Currency translation	Adjustment for inflation (IAS 29)	Change in consolidated companies	Additions
Patents, industrial property rights and software	114,883		–2,970		0	12,164
Goodwill	28,000		–2,898		0	13
Intangible assets	**142,883**		**–5,868**		**0**	**12,177**
Land and buildings	309,195		–4,161		0	9,842
Technical equipment and machinery	241,187		–4,340		0	11,226
Operating and office equipment	102,018		–1,797		2,052	12,230
Payments on account	31,893		–968		0	25,483
Property, plant and equipment	**684,293**		**–11,266**		**2,052**	**58,781**
Equity-accounted financial assets	**160,162**		**–2,649**		**0**	**0**
Financial assets	**3,941**		**–55**		**–10**	**745**
Assets	**991,279**		**–19,838**		**2,042**	**71,703**

in € thousand	07/01/2017	First-time adjustment for inflation (IAS 29) at 07/01/2018	Currency translation	Adjustment for inflation (IAS 29)	Change in consolidated companies[1]	Planned additions
Patents, industrial property rights and software	55,451		–2,519		0	11,019
Goodwill	0		0		0	0
Intangible assets	**55,451**		**–2,519**		**0**	**11,019**
Land and buildings	89,072		–741		0	9,533
Technical equipment and machinery	141,769		–2,311		0	18,303
Operating and office equipment	64,106		–994		323	11,286
Payments on account	1		0		0	0
Property, plant and equipment	**294,948**		**–4,046**		**323**	**39,122**
Equity-accounted financial assets	**8,393**		**0**		**0**	**0**
Financial assets	**873**		**–5**		**0**	**0**
Assets	**359,665**		**–6,570**		**323**	**50,141**

					Gross book values	
	Additions of equity-accounted assets	Disposals	Disposals of equity-accounted assets	Transfers	Reclassification in hold for sale (IFRS 5)	
						06/30/2018
	0	418	0	226		123,885
	0	0	0	0		25,115
	0	**418**	**0**	**226**		**149,000**
	0	2,044	0	7,922		320,754
	0	5,746	0	8,944		251,271
	0	5,964	0	2,678		111,217
	0	57	0	–19,770		36,581
	0	**13,811**	**0**	**–226**		**719,823**
	13,414	**0**	**12,110**	**0**		**158,817**
	0	**229**	**0**	**–172**		**4,220**
	13,414	**14,458**	**12,110**	**–172**		**1,031,860**

					Amortization/depreciation		Net book values	
	Value impairment	Adjustment not affecting profit and loss	Disposals	Transfers	Reclassification in hold for sale (IFRS 5)			
						06/30/2018	06/30/2018	06/30/2017
	0	0	416	0		63,535	60,350	59,432
	0	0	0	0		0	25,115	28,000
	0	**0**	**416**	**0**		**63,535**	**85,465**	**87,432**
	0	27	1,667	0		96,170	224,584	220,123
	0	0	4,995	44		152,810	98,461	99,418
	0	0	5,521	–44		69,156	42,061	37,912
	0	0	1	0		0	36,581	31,892
	0	**27**	**12,184**	**0**		**318,136**	**401,687**	**389,345**
	0	**0**	**0**	**0**		**8,393**	**150,424**	**151,769**
	0	**253**	**0**	**0**		**615**	**3,605**	**3,069**
	0	**280**	**12,600**	**0**		**390,679**	**641,181**	**631,615**

4.1 Assets

The statement of changes in fixed assets contains a breakdown of assets summarized in the balance sheet and shows how they changed in fiscal year 2018/2019.

4.2 Intangible assets

This item includes purchased varieties, rights to varieties and distribution rights, software licenses for electronic data processing, and goodwill. The current additions of €9,368 (12,177) thousand related to software licenses and patents. Amortization of intangible assets amounted to €9,720 (11,019) thousand.

One major intangible asset is the trait licensing agreement. Its carrying amount at the balance sheet date was €18,896 thousand. Its remaining useful life is 11 years.

In order to meet the requirements of IFRS 3 in combination with IAS 36 and to determine any impairment of goodwill, cash-generating units have been defined in line with internal budgeting and reporting processes. In the KWS Group, these are the Business Units. To test for impairment, the carrying amount of each Business Unit is determined by allocating the assets and liabilities, including attributable goodwill and intangible assets. An impairment loss is recognized if the recoverable amount of a Business Unit is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of a cash-generating unit. The impairment tests to be carried out for fiscal year 2018/2019 determine the recoverable amount on the basis of the value in use of the respective cash-generating unit.

The impairment test is based on the expected future cash flows on which the medium-term plans of the companies, which are grouped in segments, are based; these plans, which cover a period of 4 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). The WACC before taxes is calculated using the iterative procedure and was 6.23% (6.61%) for the cash-generating unit Sugarbeet, 6.54% (6.67%) for Corn Europe/Asia, 6.49% (6.74%) for Corn America and 6.91% (6.94%) for Cereals. 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 2018/2019 confirmed that the existing goodwill is not impaired. The Business Unit Corn America carries goodwill totaling €15,462 (14,903) thousand. The Business Unit Corn Europe/Asia carries goodwill totaling €6,308 (6,306) thousand. €3,889 (3,906) thousand of the goodwill is carried by the Business Unit Cereals. Sensitivity analyses were also carried out for all cash-generating units to which goodwill is allocated. As part of that, it was assumed that the future cash flows would fall by 10%, the weighted average cost of capital would increase by 10% and the long-term growth rate would fall by 1 percentage point. The sensitivity analyses did not reveal the need to recognize an impairment loss for any cash-generating unit.

4.3 Property, plant, and equipment

Capital expenditure amounted to €86,494 (58,781) thousand and depreciation amounted to €39,157 (39,122) thousand. There were also impairment losses of €757 (0) thousand in France. The main focus of our capital spending in the reporting year remained on erecting and expanding production and research & development capacities. Among other things, expansion of sugarbeet seed production and of our laboratory capacities was continued in Germany. The KWS Group invested in a new seed processing plant in France. Drying and production capacities for corn seed were increased further in Argentina and Brazil. Property, plant, and equipment to an amount of €1,216 (1,926) thousand are held as security for liabilities.

4.4 At-Equity accounted financial assets

At-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 reporting year, AGRELIANT GENETICS LLC. was classified as a significant joint venture. From the group perspective, AGRELIANT GENETICS INC. was classified as an insignificant joint venture.

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

The following disclosures on the joint ventures are only slightly influenced by the insignificant joint venture. If individual items of the information presented are materially influenced by the insignificant joint venture, this information is presented separately.

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

in € thousand	06/30/2019	06/30/2018
Stake in the joint venture	50%	50%
Current assets	367,892	302,250
Thereof cash and cash equivalents[1]	(31,696)	(26,144)
Noncurrent assets	243,626	254,586
Current liabilities	345,058	296,704
Thereof current financial liabilities (excluding trade payables and other liabilities and provisions)	(133,564)	(156,730)
Noncurrent liabilities	1,294	1,656
Net assets (100%)	265,166	258,476
Group share of net assets (50%)	132,583	129,238
Goodwill	8,802	8,802
Carrying amount for the stake in the joint ventures	**141,385**	**138,040**
Net sales	512,748	545,536
Depreciation and amortization	24,523	22,867
Net income for the year	12,886	21,696
Comprehensive income (100%)	12,886	21,696
Comprehensive income (50%)	6,443	10,848
Group share of comprehensive income	**6,443**	**10,848**
Dividend payment	**12,224**	**22,006**

1 Thereof AGRELIANT GENETICS LLC. 13,873 (9,256) T €.

At-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	06/30/2019	06/30/2018
Carrying amount for the stake in insignificant associated companies (aggregated)	**12,601**	**12,344**
Net income for the year	6,069	5,236
Other comprehensive income	0	0
Comprehensive income (100%)	6,069	5,236

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

4.5 Proportionately consolidated joint operations

Joint operations are based on joint arrangements that always exist when the KWS Group jointly conducts operations managed together with a third party pursuant to a contractual agreement. The operation is jointly managed only if decisions on significant activities require the unanimous consent of the parties involved. The assets and liabilities and revenue and expenses from the joint operations are included proportionately (at 50%) in the consolidated financial statements. The main activity of the proportionately consolidated GENECTIVE S.A. is development of its own traits for genetically improving crops. AARDEVO B.V. (formerly: KWS POTATO B.V.) has been consolidated proportionately as a joint operation since February 1, 2019.

4.6 Financial assets

This item mainly comprises the investments in the capital investment fund MLS Capital Fund II (project financing and access to biotechnological developments) totaling €4,209 thousand, which are measured at fair value through other comprehensive income due to long-term irrevocable investment. The remainder relates to a large number of financial investments that – taken individually – are insignificant, such as other interest-bearing loans, shares in cooperatives, and other securities.

4.7 Inventories and biological assets

Inventories and biological assets

in € thousand	06/30/2019	06/30/2018
Raw materials and consumables	26,642	20,524
Work in progress	62,528	58,979
Immature biological assets	16,087	14,339
Finished goods	88,146	101,477
	193,403	**195,319**

Inventories and biological assets decreased by €1,916 thousand, or 1.0%, a figure that includes cumulative write-down to the net realizable value totaling €63,091 (63,992) thousand. Immature biological assets relate to living plants in the process of growing (before harvest). The field inventories of the previous year have been harvested in full and the fields have been newly tilled in the reporting year. Government grants of €1,594 (€1,289) thousand, for which all the requirements were met at the balance sheet date, were granted for the total area under cultivation of 4,444 (4,387) ha. Future government grants depend on the further development of European agricultural policy.

4.8 Current receivables and other assets

Current receivables

in € thousand	06/30/2019	06/30/2018
Trade receivables	402,129	310,141
Current tax assets	81,010	56,772
Other current financial assets	487,121	52,922
Other current assets	20,671	18,694
Contractual assets	2,733	0
	993,664	**438,529**

The net carrying amount of the trade receivables was €402,129 thousand following €310,141 thousand in the previous year. This amount includes €7,318 (5,757) thousand in receivables from joint ventures and joint operations.

The exposure to the risk of default at June 30, 2019, was determined using the provision matrix on the basis of the expected losses. To enable that, the receivables are grouped by the length of time they are overdue. Expected default rates of 0.33% to 2.53% are applied to receivables that are not overdue (approx. 89% of the total gross amount) and default rates of 1.01% to 15.58% to receivables that are overdue by up to 180 days (approx. 7% of the total gross amount). Receivables that are overdue by more than 360 days have been classified as uncollectible and written off in full.

The maximum exposure to the risk of default from trade receivables corresponds to the reported carrying amount and at June 30, 2019 is as follows:

Credit risks

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	
06/30/2019							
Trade receivables	402,129	313,724	11,327	578	1,888	1	1,887
Other current financial assets	487,121	437,819	0	0	0	0	0
	889,250	**751,543**	**11,327**	**578**	**1,888**	**1**	**1,887**
06/30/2018							
Trade receivables	310,141	272,111	22,720	1,146	1,947	1	3,454
Other current financial assets	52,922	37,786	0	0	0	0	0
	363,063	**309,897**	**22,720**	**1,146**	**1,947**	**1**	**3,454**

The credit risks were reflected by the following allowances at June 30, 2019 and in the prior year:

Change in allowances on receivables

in € thousand	07/01	Change in consolida-tion scope	Addition	Disposal	Reversal	06/30
2018/2019 (IFRS 9)[1]	37,987	–1,608	6,856	68	10,258	32,909
2017/2018 (IAS 39)	26,543	0	11,165	206	5,506	31,996

1 The opening balance was changed due to first-time adoption of IFRS 9.

The clearly higher reversal of allowances in the current fiscal year is partly attributable to the change in customer-specific probabilities of default for the purpose of the calculation of expected losses (expected-loss-model).

The increase in other current financial assets is mainly due to deposit of the purchase price of €414.7 million for the acquisition of all the shares in the Pop Vriend Seeds Group in a trust account.

The receivables include an amount of €422 (606) thousand due after more than one year.

4.9 Securities

Securities amounting to €19,944 (18,282) thousand relate primarily to debt securities and fund shares. For details of how securities are measured, please refer to section 4.16 “Financial instruments” of the Notes starting on page 134.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, checks, and immediately available balances at banks.

Cash and cash equivalents of €139,813 (174,300) thousand consists of balances with banks and cash on hand. The cash flow statement explains the change in this item compared with the previous year, together with the change in securities.

4.11 Equity

Pursuant to the resolution adopted by the Annual Shareholders' Meeting on December 14, 2018, the then KWS SAAT SE carried out a stock split at a ratio of 1:5 by issuing bonus shares on March 22, 2019. As a result, the total number of shares increased from 6,600,000 to 33,000,000. To enable the stock split, the capital stock had to be increased from €19,800 thousand to €99,000 thousand using company funds. That was done by means of reclassification of the revenue reserves to an amount of €79,200 thousand. The earnings per share for the previous year were adjusted accordingly.

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

The other reserves and net retained profit essentially comprise the net income generated in the past by the companies included in the consolidated financial statements, minus dividends paid to shareholders, and the net retained profit. The differences from currency translation, the reserve for available-for-sale financial assets and the reserve for revaluation of net liabilities/assets from defined benefit plans, the reserve for currency translation for at-equity accounted financial assets, as well as, the reserve for remeasurement gain/loss on equity instruments (with value changes in other comprehensive income), are also presented here.

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

The tax effects on other comprehensive income are as follows:

Other comprehensive income

in € thousand	2018/2019			2017/2018		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Items that may have to be subsequently reclassified as profit or loss	4,345	0	4,345	–31,238	–64	–31,302
Revaluation of available-for-sale financial assets	0	0	0	325	–64	261
Currency translation difference for economically independent foreign units	1,592	0	1,592	–28,913	0	–28,913
Currency translation difference from equity-accounted financial assets	2,753	0	2,753	–2,650	0	–2,650
Items not reclassified as profit or loss	–11,319	4,003	–7,316	–3,712	1,270	–2,442
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income	787	–155	632	0	0	0
Revaluation of net liabilities/assets from defined benefit plans	–12,106	4,158	–7,948	–3,712	1,270	–2,442
Other comprehensive income	**–6,974**	**4,003**	**–2,971**	**–34,950**	**1,206**	**–33,744**

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 €104,134 (99,521) thousand. However, there was a total dividend payout of €21,120 (21,120) thousand in December 2018. This ensures the adequate financing of further operating business expansion in the long term. Equity increased by €81,764 thousand due to annual net profit to €963,547 (881,783) thousand. The increase in subscribed capital from company funds amounting to €79,200 thousand led to the issue of new shares as part of the stock split.

First-time application of IAS 29 at KWS ARGENTINA S.A. increased the opening balance by €6,590 thousand. Conversely, the revenue reserves at June 1, 2018, were adjusted by €4,755 thousand as a result of first-time application of IFRS 9. 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 45.5% (58.1%) at June 30, 2019, and thus at a good and solid level. The significant decrease in comparison to the prior year is due to taking a bridge loan for the acquisition of Pop Vriend Seeds. The capital structure is as follows:

Capital structure

in € thousand	06/30/2019	Share of total capital	06/30/2018	Share of total capital
Equity	963,547	45.5%	881,783	58.1%
Long-term financial borrowings	182,270		168,698	
Other noncurrent liabilities	182,108		165,625	
Short-term borrowings	475,425		61,287	
Other noncurrent liabilities	309,845		240,288	
Liabilities classified as hold for sale	1,758		0	
Total capital	**2,114,953**		**1,517,681**	

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 €13,572 thousand (previous year: decrease of €32,130 thousand). This is mainly due to the increase in long-term financial loans from banks. The significant increase of the current financial liabilities mainly results from taking a bridge loan for the acquisition of Pop Vriend Seeds.

4.12 Minority interest

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

4.13 Noncurrent liabilities

Non-current liabilities rose by €30,055 thousand (previous year: decrease of €24,562 thousand). This is due in particular to the increase in long-term financial loans from banks in Brazil. The long-term financial borrowings include loans from banks amounting to €182,270 (168,698) thousand. They have remaining maturities through 2028.

The liabilities from the borrower's note loan agreement at June 30, 2019, were €140,451 thousand (thereof, €36,500 thousand with remaining maturity of less than one year).

Noncurrent liabilities

in € thousand	06/30/2019	06/30/2018
Long-term provisions	145,446	127,833
Long-term borrowings	182,270	168,698
Trade payables	782	968
Deferred tax liabilities	16,416	19,342
Other noncurrent financial liabilities	258	288
Other noncurrent liabilities	19,206	17,194
	364,378	**334,323**

Long-term provisions

in € thousand	06/30/2018	Changes in the consolidated group, currency	Interest expenses from compounding	Addition	Adjustment not affecting profit or loss	Consumption	Reversal	Reclassification in liabilities hold for sale	06/30/2019
Pension provisions	114,121	–1,032	2,805	2,306	13,757	6,050	0	–159	125,748
Tax provisions	1,545	17	0	7,590	0	1,536	0	0	7,616
Other provisions	12,167	–607	82	1,823	0	1,383	0	0	12,082
	127,833	**–1,622**	**2,887**	**11,719**	**13,757**	**8,969**	**0**	**–159**	**145,446**

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

The pension provisions are based on defined benefit obligations, determined by years of service and pensionable compensation. They are measured using the projected unit credit method under IAS 19 (2011), on the basis of assumptions about future developments. The assumptions in detail are that wages and salaries in Germany will increase by 3.00% (3.00%) annually, in the U.S. by 3.75% (3.75%) annually and in the rest of the world by 1.80% to 2.63% (2.00% to 3.00%) annually. An annual increase in pensions of 2.00% (2.00%) is assumed in Germany. The discount rate in Germany was 0.95% compared with 1.65% the year before, 3.65% in the U.S. compared with 4.15% the year before, and between 0.35% and 2.35% (1.45% and 3.15%) in the rest of the world.

The following mortality tables were used at June 30, 2019:

- In Germany: The 2018 G mortality table of Klaus Heubeck
- Abroad: Mainly RP-2014 Mortality Table Projection Scale MP-2018 and INSEE TD/TV 14-16

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

Nature and scope of the pension benefits

In Germany

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

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

For benefit obligations backed by a guarantee by an insurance company toward three former members of the Executive Board, the planned assets of €10,061 (9,428) thousand correspond to the present value of the obligation. In accordance with IAS 19 (2011), the pension commitments are netted off against the corresponding assets (planned assets).

Abroad

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

The following benefits are granted from the pension plan:

- An old-age pension at the age of 65
- An early retirement pension before the age of 65 – to be eligible, the employee must be at least 55 and the minimum vesting period is 5 years
- A pro-rata pension if the employee reaches the minimum vesting period of 5 years, but is below 55

The pension plans are mainly subject to the following risks:

Investment and return

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

Change in interest rates

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

Life expectancy

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

Salary and pension trends

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

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

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

Changes in accrued benefit entitlements

in € thousand			2018/2019			2017/2018
	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on July 1	**117,928**	**23,642**	**141,570**	**113,345**	**23,680**	**137,025**
Service cost	784	1,283	2,067	809	1,359	2,168
Interest expense	1,900	905	2,805	2,105	800	2,905
Actuarial gains (–)/losses (+)	11,674	1,541	13,215	6,656	–1,180	5,476
of which due to a change in financial assumptions used for calculation	12,947	2,296	15,243	6,116	–1,201	4,915
of which due to experience adjustments	–1,273	–755	–2,028	540	21	561
Pension payments made	–4,885	–690	–5,575	–4,987	–589	–5,576
Exchange rate changes		465	465	0	–428	–428
Other changes in value		–63	–63	0	0	0
Reclassification in liabilities hold for sale	0	–159	–159	0	0	0
Accrued benefit entitlements from retirement obligations on June 30	**127,401**	**26,924**	**154,325**	**117,928**	**23,642**	**141,570**

Change in planned assets

in € thousand			2018/2019			2017/2018
	Germany	Abroad	Total	Germany	Abroad	Total
Fair value of the planned assets on July 1	**10,061**	**17,388**	**27,449**	**9,428**	**15,700**	**25,128**
Interest income	161	703	864	173	552	725
Income from planned assets excluding amounts already recognized as interest income	614	494	1,108	1,086	678	1,764
Pension payments made	–645	–561	–1,205	–626	–511	–1,137
Exchange rate changes		–16	–16		–305	–305
Other changes in value		377	377		1,274	1,274
Fair value of the planned assets on June 30	**10,191**	**18,386**	**28,577**	**10,061**	**17,388**	**27,449**

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			2018/2019			2017/2018
	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on June 30	127,401	26,924	154,325	117,928	23,642	141,570
Fair value of the planned assets on June 30	10,191	18,386	28,577	10,061	17,388	27,449
Balance sheet values on June 30	**117,210**	**8,538**	**125,748**	**107,867**	**6,254**	**114,121**

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

Effects on the statement of comprehensive income

in € thousand			2018/2019			2017/2018
	Germany	Abroad	Total	Germany	Abroad	Total
Service cost	784	1,283	2,067	809	1,359	2,168
Net interest expense (+)/income (–)	1,739	202	1,941	2,105	800	2,905
Amounts recognized in the income statement	**2,523**	**1,485**	**4,008**	**2,914**	**2,159**	**5,073**
Gains (–)/losses (+) from revaluation of the planned assets (excluding amounts already recognized as interest income)	–614	–494	–1,108	–1,086	–678	–1,764
Actuarial gains (–)/losses (+) due to a change in financial assumptions used for calculation	12,947	2,296	15,243	6,116	–1,201	4,915
Actuarial gains (–)/losses (+) due to experience adjustments	–1,273	–755	–2,028	540	21	561
Amounts recognized in other comprehensive income	**11,060**	**1,047**	**12,107**	**5,570**	**–1,858**	**3,712**
Total (amounts recognized in the statement of comprehensive income)	**13,583**	**2,532**	**16,115**	**8,484**	**301**	**8,785**

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			2018/2019			2017/2018
	Germany	Abroad	Total	Germany	Abroad	Total
Corporate bonds		4,655	4,655		4,755	4,755
Equity funds		12,906	12,906		11,456	11,456
Consumer industry		2,356			1,964	
Finance		1,731			1,475	
Industry		1,681			1,393	
Technology		2,531			2,346	
Health care		1,458			1,297	
Other		3,149			2,981	
Cash and cash equivalents		825	825		1,177	1,177
Reinsurance policies	10,191		10,191	10,061		10,061
Planned assets on June 30	**10,191**	**18,386**	**28,577**	**10,061**	**17,388**	**27,449**

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. 78.2% (previous year: 83.8%) of the corporate bonds have an AAA rating.

The following sensitivity analysis at June 30, 2019, 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 2018/2019			Effect on obligation in 2017/2018		
	Change in assumption	Decrease	Increase	Change in assumption	Decrease	Increase
Discount rate	+/–100 basis points	28,064	–22,111	+/–100 basis points	26,184	–20,535
Anticipated annual pay increases	+/–50 basis points	–1,236	1,407	+/–50 basis points	–1,229	1,327
Anticipated annual pension increase	+/–25 basis points	–3,734	3,914	+/–25 basis points	–4,264	4,434
Life expectancy	+/–1 year	–5,665	5,808	+/–1 year	–5,945	6,049

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

Anticipated payments for pensions

in € thousand	2018/2019		
	Germany	Abroad	Total
2019/2020	5,106	1,020	6,126
2020/2021	4,996	822	5,818
2021/2022	4,942	925	5,867
2022/2023	4,956	1,124	6,080
2023/2024	4,994	1,088	6,082
2024/2025–2028/2029	24,581	6,362	30,943

Anticipated payments for pensions

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

The weighted average time at which the pension obligations are due is 16.2 (15.5) years in Germany and abroad 18.7 (17.3) years.

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 year 2018/2019 were as follows:

Pension costs

in € thousand	2018/2019			2017/2018		
	Germany	Abroad	Total	Germany	Abroad	Total
Cost for defined contribution plans	3,618	891	4,509	3,189	1,870	5,059
Service cost for the defined benefit obligations	784	1,283	2,067	809	1,359	2,168
Pension costs	**4,402**	**2,174**	**6,576**	**3,998**	**3,229**	**7,227**

In addition, contributions of €14,786 (14,417) 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 €2,249 (2,201) thousand. The return and income from the planned assets depend on the reinsurance policy, which yields guaranteed interest of between 0.9% and 2.25%. In addition, the benefit obligation from salary conversion was backed by a guarantee that exactly matches the present value of the obligation of €4,462 (4,322) thousand.

4.14 Current liabilities

Current liabilities

in € thousand	06/30/2019	06/30/2018
Short-term provisions	**50,192**	**42,311**
Current liabilities to banks	473,789	60,536
Current financial liabilities to affiliates	66	65
Other current financial liabilities	1,570	686
Short-term borrowings	**475,425**	**61,287**
Trade payables to affiliates	2,248	2,903
Trade payables to joint ventures	0	56
Trade payables	86,247	72,762
Trade payables	**88,495**	**75,721**
Tax liabilities	**48,927**	**39,171**
Other current financial liabilities	**17,392**	**11,288**
Other current liabilities	**86,035**	**71,797**
Contract liabilities according to IFRS 15	**18,804**	**0**
	785,270	**301,575**

In June 2019, the KWS Group replaced its undrawn syndicated credit line of €200 million, which originally ran until October 2021. Ahead of the acquisition of the vegetable seed company Pop Vriend Seeds, it utilized bridge funding totaling €400 million from various banks for a short period of time.

The tax liabilities of €48,927 (39,171) thousand include amounts for the reporting year and the period for which the external tax audit has not yet been concluded.

The contract liabilities amounting to €18,804 thousand are carried for the first time in fiscal year 2018/2019 as a result of adoption of IFRS 15. This balance sheet item mainly comprises liabilities for expected returns and discounts.

Short-term provisions

in € thousand	06/30/2018	Changes in the consolidated group, currency	Addition	Consumption	Reversal	06/30/2019
Obligations from sales transactions	33,826	244	24,800	20,555	4,110	34,205
Obligations from purchase transactions	1,007	–1	2,870	926	1	2,949
Other obligations	7,478	–84	9,470	3,229	597	13,038
	42,311	**159**	**37,140**	**24,710**	**4,708**	**50,192**

The obligations from sales transactions essentially relate to provisions for licenses. 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.

4.15 Derivative financial instruments

Hedging transactions

in € thousand	06/30/2019			06/30/2018		
	Nominal volume	Carrying amounts	Fair value	Nominal volume	Carrying amounts	Fair value
Currency hedges	156,172	–621	–621	199,505	3,129	3,129
Interest-rate hedges	34,000	–73	–73	34,000	–223	–223
	190,172	**–694**	**–694**	**233,505**	**2,906**	**2,906**

As in the previous year, all currency hedges have a remaining maturity of less than one year. Of the interest-rate derivatives, hedges with a nominal volume of €19,000 (0) thousand have a remaining maturity of less than one year and hedges with a nominal volume of €15,000 (34,000) thousand have a remaining maturity of between one and 5 years.

4.16 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 measured at fair value through other comprehensive income, 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 IFRS 9 (2018/2019) and IAS 39 (2017/2018), are as follows:

06/30/2019

in € thousand					Financial assets
	Fair values				Carrying amounts
		At amortized cost	At fair value through other comprehensive income	At fair value through profit and loss	Total carrying amount
Financial assets					
Financial assets	5,146	0	5,146	0	5,146
Other noncurrent financial assets	0	0	0	0	0
of which derivative financial instruments	(0)	(0)	(0)	(0)	(0)
Trade receivables	402,129	402,129	0	0	402,129
Securities	19,944	0	19,944	0	19,944
Cash and cash equivalents	139,813	139,813	0	0	139,813
Other current financial assets	487,121	486,483	0	638	487,121
of which derivative financial instruments	(638)	(0)	(0)	(638)	(638)
Total	**1,054,153**	**1,028,425**	**25,090**	**638**	**1,054,153**

06/30/2018

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

It is assumed that the carrying amounts are the same as the fair values. The fair value of the long-term fund shares and short-term securities contained in the financial assets is measured on the basis of the price for them quoted in their respective main 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 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 IFRS 9 (2018/2019) and IAS 39 (2017/2018), are as follows:

06/30/2019

in € thousand	Financial liabilities			
	Fair values	Carrying amounts		
		At amortized cost	At fair value through other comprehensive income	Total carrying amount
Financial liabilities				
Long-term borrowings	182,270	182,270	0	182,270
Long-term trade payables	782	782	0	782
Other noncurrent financial liabilities	258	258	0	258
Of which derivative financial instruments	(0)	(0)	(0)	(0)
Short-term borrowings	475,425	475,425	0	475,425
Short-term trade payables	88,495	88,495	0	88,495
Other current financial liabilities	17,392	16,059	1,333	17,392
Of which derivative financial instruments	(1,333)	(0)	(1,333)	(1,333)
Total	**764,622**	**763,289**	**1,333**	**764,622**

06/30/2018

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

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

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

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

Assets and liabilities measured at fair value

in € thousand	06/30/2019				06/30/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative financial instruments not part of a hedge under IFRS 9 (prior year IAS 39)	0	638	0	638	0	5,304	0	5,304
Securities and other financial assets	25,090	0	0	25,090	21,863	0	0	21,863
Financial assets	**25,090**	**638**	**0**	**25,728**	**21,863**	**5,304**	**0**	**27,167**
Derivative financial instruments not part of a hedge under IFRS 9 (prior year IAS 39)	0	1,333	0	1,333	0	2,397	0	2,397
Financial liabilities	**0**	**1,333**	**0**	**1,333**	**0**	**2,397**	**0**	**2,397**

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	2018/2019
Financial assets measured at fair value through other comprehensive income	68
Financial assets measured at fair value through profit or loss	–4,665
Financial assets measured at amortized cost	8,438
Financial liabilities measured at amortized cost	–18,425
Financial liabilities measured at fair value through profit or loss	1,065

Net gain/losses of financial instruments

in € thousand	2017/2018
Available-for-sale financial assets	103
Financial assets held for trading	3,532
Loans and receivables	–2,829
Financial liabilities measured at amortized cost	–11,763
Financial liabilities held for trading	1,355

The net gains from assets measured at fair value through other comprehensive income include income from an investment fund and securities.

The net losses from financial assets and net gains in financial liabilities measured at fair value through profit or loss solely comprise changes in the market value of derivative financial instruments.

The net gains from financial assets measured at cost mainly include 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 through profit or loss was €68 (3,852) thousand. Interest expenses for financial borrowings were €18,425 (11,763) 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 euro zone 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.

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

Fiscal year 2018/2019

in € thousand	Book value	Cash flows			
Liquidity analysis of financial liabilities	**06/30/2019**	**06/30/2019 Total**	**Due in <1 year**	**Due in >1 year and <5 years**	**Due in >5 years**
Financial liabilities	657,695	657,695	475,425	180,820	1,450
Trade payables	89,277	89,277	88,495	782	0
Other financial liabilities	17,650	17,650	17,392	258	0
Nonderivative financial liabilities	**764,622**	**764,622**	**581,312**	**181,860**	**1,450**
Payment claim		91,981	91,981	0	0
Payment obligation		93,189	93,189	0	0
Derivative financial liabilities	**1,333**	**1,208**	**1,208**	**0**	**0**

Fiscal year 2017/2018

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

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 analysis shows 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 1.14 (1.19) USD/EUR. If the US dollar depreciated by 10%, the additional expense would be €10,482 (8,695) thousand. If the US dollar appreciated by 10%, the additional income would be €10,482 (8,695) thousand. The net income for the year and equity would change accordingly.

Interest rate sensitivity is a measure for showing the interest rate risk. The variable-interest components of the KWS Group's interest expenses and interest income were determined to calculate it. An average rate of interest per group company for the past fiscal year was then formed for all relevant investments and loans. This average rate of interest was then used in a scenario analysis to calculate the effects on the interest result and equity if the interest rate increased by one percentage point (100 base points) or decreased by the same amount. That yielded the following results in the past fiscal year. An increase in the rate of interest of 1 percentage point would result in additional interest expense of €3.0 million (previous year: expense of €0.2 million); equity would fall by €2.0 million (previous year: a fall of €0.1 million) in the event of such a change in the rate of interest. A reduction in the rate of interest of 1 percentage point would add a further €3.0 (0.2) million in income. Equity would increase by €2.0 million (previous year: an increase of €0.1 million) in the event of such a change in the rate of interest.

4.17 Contingent liabilities

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

4.18 Other financial obligations

The obligations from uncompleted capital expenditure projects, mainly relating to property, plant, and equipment, and other capital commitments amount to €20,636 (45,296) thousand.

Obligations under rental agreements and leases

in € thousand	06/30/2019	06/30/2018
Due within one year	13,411	14,071
Due between 1 and 5 years	17,696	16,516
Due after 5 years	14,474	9,007
	45,581	**39,594**

The KWS Group's leases relate mainly to agreements for fleet vehicles and rental contracts for office space. The main leasehold obligations relate to land under cultivation.

Other guarantees with respect to third parties amount to €111,956 (48,808) thousand. The likelihood that these guarantees will be utilized is seen as slight, based on the experience of previous years. No claims have yet been made.

5. Notes to the Income Statement

5.1 Net sales and function costs

Net sales were mainly generated from the sale of certified seed. A breakdown by segments and regions is provided in the segment reporting in section 3 of the Notes starting on page 113 et seq.

The **cost of sales** increased by 2.8% to €458,534 (446,063) thousand, or 41.2% (41.8%) of sales. The key factors in this development were lower license payments and higher net sales shares from products with a relatively low cost of sales. The total material costs were €294,401 (275,388) thousand.

The write-down of inventories and the reversal of write-down, which are recognized as a reduction in the cost of materials in the period, are as follows:

July 1 to June 30

in € thousand	2018/2019	2017/2018
Impairment losses	9,543	14,268
Decreases in impairment loss	3,889	2,907

The write-downs relate mainly to unsold seed. They are based on, among other things, historical information and expectations as to their substitution by new varieties.

Selling expenses increased by €20,378 thousand to €221,915 (201,537) thousand, or 19.9% (18.9%) of sales.

Research & development is recognized as an expense in the year it is incurred; in the reporting year, this amounted to €205,557 (197,696) 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 €19,586 thousand to €115,379 thousand, representing 10.4% of sales, after 9.0% the year before. They rose in particular due to optimization of our organizational structure and our entry into vegetable seed business.

5.2 Other operating income

July 1 to June 30

in € thousand	2018/2019	2017/2018
Income from sales of fixed assets	201	52
Income from the reversal of provisions	4,238	1,915
Exchange rate gains and gains from currency and interest rate hedges	30,753	31,418
Income from reversal of valuation allowance for trade receivables and recovery of written off receivables	11,317	6,007
Performance-based public grants	6,797	7,121
Income relating to previous periods	3,240	2,602
Income from loss compensation received	493	1,329
Income from deconsolidation of KWS Potato B.V.	15,958	0
Miscellaneous other operating income	23,263	15,224
	96,260	**65,668**

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

The other operating income also includes the deconsolidation gains of €15,958 thousand from disposal of the shares in the subsidiary KWS POTATO B.V (now AARDEVO B.V.), which was fully consolidated up to January 31 (see section 2.1 in the Notes).

The gain from the net monetary position from current application of IAS 29 at KWS ARGENTINA S.A. is €1,400 thousand.

5.3 Other operating expenses

July 1 to June 30

in € thousand	2018/2019	2017/2018
Expenses for change of the legal form	1,383	1,090
Allowances on receivables	6,662	13,811
Exchange rate losses and losses on currency and interest rate hedges	30,266	35,144
Expenses relating to previous periods	1,106	2,797
Other expenses	18,804	7,193
	58,221	**60,035**

The other operating expenses mainly comprises foreign exchange losses and expenses from exchange rate hedges, as well as allowances on receivables. In the reporting year, allowances for receivables and counterparty defaults of €6,662 (13,811) thousand were recognized as an expense.

The other expenses comprise in particular the setup of provisions, including a provision of €5,000 thousand in connection with the development of diploid hybrid potatoes in the Sugarbeet Segment.

5.4 Net financial income/expenses

July 1 to June 30

in € thousand	2018/2019	2017/2018
Interest income	4,006	3,943
Interest expenses	17,016	9,749
Income from other financial assets	68	103
Interest effects from pension provisions	1,956	2,154
Interest expense for other long-term provisions	82	122
Financial lease interest expense	1	1
Interest result	**–14,981**	**–7,980**
Result from equity-accounted financial assets	9,447	13,414
Net income from equity investments	**9,447**	**13,414**
Net financial income/expenses	**–5,534**	**5,434**

Net income from equity investments decreased in comparison to prior year by €3,967 thousand. Income from at-equity accounted financial assets decreased from €13,414 thousand to €9,447 thousand. Together with an **interest result** of €–14,981 (–7,980) thousand, **net financial income/expenses** decreased by €10,968 thousand to €–5,534 (5,434) thousand. Apart from much lower earnings from the at-equity accounted joint venture AGRELIANT GENETICS LLC., net financial income/expenses was negatively impacted in particular by higher interest expenses at the companies RIBER-KWS SEMENTES LTDA. and KWS ARGENTINA S.A. The interest effects from pension provisions comprise interest expenses (compounding) and the planned income.

5.5 Taxes

Income tax expense is computed as follows:

Income tax expenses

in € thousand	2018/2019	2017/2018
Actual income taxes	**54,196**	**34,248**
In Germany	5,182	1,178
Abroad	49,014	33,070
Thereof from previous years	7,545	–4,275
Deferred taxes	**–13,757**	**4,085**
In Germany	–5,855	5,677
Abroad	–7,902	–1,592
Income taxes	**40,439**	**38,333**

KWS pays tax in Germany at a rate of 29.8% (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 tax rate of 14.0% (13.3%), resulting in a total tax rate of 29.8% (29.1%).

The profits generated by group companies outside Germany are taxed at the rates applicable in the country in which they are based. The tax rates in foreign countries vary between 9.0% (9.0%) and 35.0% (35.0%). The allocation to interest on tax liabilities is carried in the interest expense for the first time this fiscal year.

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	
	2018/2019	2017/2018	2018/2019	2017/2018
Intangible assets	0	480	2,876	2,476
Property, plant and equipment	740	366	18,683	16,756
Biological assets	0	0	4	4
Financial assets	1,350	1,383	1,180	6,549
Inventories	25,920	15,971	2,003	1,088
Current assets	8,214	1,785	2,016	10,326
Noncurrent liabilities	23,941	20,344	9	271
Of which pension provisions	(23,156)	(19,035)	(0)	(92)
Current liabilities	10,289	19,308	3,903	658
Deferred taxes recognized (gross)	70,454	59,637	30,675	38,128
Tax loss carryforward	7,213	8,397	0	0
Setting off	–14,259	–18,787	–14,259	–18,787
Deferred taxes recognized (net)	63,408	49,247	16,416	19,341

Due to the use of tax loss carryforwards and temporary differences on which no deferred taxes were recognized in the past, the actual tax expense fell by €809 (13) thousand.

There is a deferred tax expense of €802 (684) thousand from the allowance for deferred taxes on tax loss carryforwards and temporary differences in the year under review. The first-time recognition of deferred taxes and use of deferred taxes on loss carryforwards that had not previously been recognized result in deferred tax income of €584 (320) thousand.

No deferred taxes were formed for tax loss carryforwards totaling €13,893 (17,704) thousand that have not yet been utilized. Of these, €0 (4,053) thousand must be utilized within a period of 5 years. Loss carryforwards totaling €13,893 (13,650) thousand can be utilized without any time limit.

Deferred taxes were formed for all deductible differences.

No deferred taxes were recognized for temporary differences amounting to €37.654 (35,633) thousand related to shares in subsidiaries in keeping with IAS 12.39.

In the year under review, there were surpluses of deferred tax assets from temporary differences and loss carryforwards totaling €21.088 (20,913) thousand at group companies that made losses in the past period or the previous period. These were considered recoverable, since it is assumed that the companies in question will post taxable profits in the future. The fact is taken into account here that the KWS Group may realize income with a delay due to the long-term nature of research & development spending.

The reconciliation of the expected income tax expense to the reported income tax expense is derived on the basis of the consolidated income before taxes and the nominal tax rate for the Group of 29.8% (29.1%), taking into account the following effects.

Reconciliation of income taxes

in € thousand	2018/2019	2017/2018
Earnings before income taxes	144,459	137,990
Expected income tax expense[1]	**43,092**	**40,190**
Reconciliation with the reported income tax expense		
Differences from the Group's tax rate	–7,246	460
Effects of changes in the tax rate	797	–4,183
Tax effects from:		
Expenses not deductible for tax purposes and other additions	4,238	6,100
Tax-free income	–12,719	–7,895
Other permanent deviations	497	365
Reassessment of the recognition and measurement of deferred tax assets	–283	7,938
Tax credits	–535	–374
Taxes relating to previous years	12,500	–4,275
Other effects	99	7
Reported income tax expense	40,439	38,333
Effective tax rate	28.0 %	27.8 %

1 Tax rate in Germany: 29.8 % (29.1 %).

The increase in tax-free income is mainly due to realization of income from sale of the shares in KWS POTATO B.V.

Income taxes relating to other periods include in particular effects from field tax audits that have been completed worldwide and future field tax audits.

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

5.6 Personnel costs/employees

July 1 to June 30

in € thousand	2018/2019	2017/2018
Wages and salaries	223,298	202,912
Social security contributions, expenses for pension plans and benefits	57,358	51,017
	280,656	**253,929**

Personnel costs went up by €26,727 thousand to €280,656 thousand, an increase of 10.5%. The number of employees increased from 3,852 to 4,126, or by 7.1%. Of the 4,126 (3,852) employees, 3,791 (3,533) are permanent employees, 236 (213) are temporary employees and 98 (105) are trainees.

Compensation increased by 10.0% from €202,912 thousand in the previous year to €223,298 thousand. **Social security contributions, expenses for pension plans and benefits** were €6,341 thousand higher than in the previous year.

Employees by region[1]

	2018/2019	2017/2018
Germany	1,800	1,624
Europe (excluding Germany)	1,315	1,291
North and South America	832	773
Rest of world	179	164
Total	**4,126**	**3,852**

1 At the beginning of the 2018/2019 financial year, the KWS Group changed to FTE according to its internal reporting and adjusted the previous year's figures.

With our joint ventures and associated company consolidated proportionately, the number of employees was 4,592 (4,328). The reported number of employees is greatly influenced by seasonal labor.

5.7 Share-based payment

Employee Stock Purchase Plan

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

After the stock split each employee can acquire up to 2,500 shares. A bonus of 20% is deducted from the purchase price, which depends on the price applicable on the key date. The shares are subject to a lock-up period of 4 years beginning when they are posted to the employee's securities account. The right to a dividend, if KWS SAAT SE & Co. KGaA 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.

54,094 (49,160) shares were repurchased for the Employee Stock Purchase Plan at a total price of €3,101 (3,388) thousand in the reporting year. The total cost for issuing shares at a reduced price was €715 thousand in the past fiscal year (previous year: €699 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 & Co. KGaA every year in a freely selectable amount ranging between 20% and 50% of the gross performance-related bonus. Along with that, members of the first management level below the Executive Board likewise take part in an

LTI program. As part of this program, they are obligated to invest in shares in KWS SAAT SE & Co. KGaA every year in a freely selectable amount ranging between 10% and 40% of the gross performance-related bonus. The shares acquired within the LTI-Program may be sold at the earliest after a regular holding period of 5 years beginning at the time they are acquired (end of the quarter in which the shares were acquired). In addition to the unblocking of the share package 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 & Co. KGaA'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 first management level below the Executive Board a maximum of two times their own investment (LTI cap). The costs of this compensation are recognized in the income statement over the period and, taking the cash compensation in January 2019 into account, were €1,037 (1,038) thousand in the period under review. The provision for it at June 30, 2019, was €2,490 (2,440) thousand. The LTI fair values are calculated by an external expert.

5.8 Net income for the year

The KWS Group's net income for the year was €104,020 (99,657) thousand on operating result of €149,993 (132,556) thousand and negative (in prior year – positive) net financial result of €5,534 (5,434) thousand. The return on sales was thus 9.3% and so virtually at the same level as the previous year (9.3%). Net income for the year after minority interest was €104,134 (99,521) thousand. Earnings per share in the year under review were €3.15 (after adjustment to reflect the stock split: €3.02).

6. Notes to the Cash Flow Statement

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

6.1 Net cash from operating activities

The net cash from operating activities was €72,850 (98,062) thousand, a year-on-year reduction of 25.7%.

The cash proceeds from operating activities also include interest income of €3,964 (3,943) thousand and interest expense of €15,686 (8,418) thousand. Income tax payments amounted to €63,074 (16,451) thousand. The dividends received from the joint ventures are also carried here and total €8,566 (12,110) thousand.

6.2 Net cash from investing activities

A net total of €95,235 (68,071) thousand was required to finance investing activities.

6.3 Net cash from financing activities

Financing activities resulted in cash proceeds of €404.502 (–25,284) thousand.

6.4 Supplementary information on the cash flow statement

Of the changes in cash and cash equivalents caused by exchange rate, consolidation scope and measurement changes, a total of €109 (–3,494) thousand results from exchange rate-related adjustments.

The €415 million deposited in a trust account for acquisition of the Pop Vriend Seeds Group are deducted from the cash and cash equivalents and carried under the other financial assets.

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

7. Other Notes

7.1 Proposal for the appropriation of net retained profits

A proposal will be made to the Annual Shareholders' Meeting that, of KWS SAAT SE & Co. KGaA's net retained profit of €22,912 (22,172) thousand, an amount of €22,110 (21,120) thousand should be distributed as a dividend of €0.67 (3.20 before the stock split) for each of the 33,000,000 shares.

The balance of €802 (1,052) thousand is to be carried forward to the new account.

7.2 Total remuneration of the Supervisory Board and the Executive Board and of former members of the Supervisory Board and the Executive Board of KWS SAAT SE & Co. KGaA

The compensation of the members of the Supervisory Board was converted to a purely fixed compensation pursuant to the resolution adopted by the Annual Shareholders' Meeting in December 2017. Members of the Supervisory Board who are members of a committee – with the exception of the Chairman of the Supervisory Board – receive an additional fixed payment therefor. The total compensation for members of the Supervisory Board amounts to €620 (610) thousand, excluding value-added tax.

In fiscal year 2018/2019, total Executive Board compensation amounted to €4,316 (4,016) 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 €2,032 (1,899) thousand; there are contributions from the long-term incentive tranche for 2018/2019 totaling €766 thousand (tranche for 2017/2018: €741 thousand). Pension provisions totaling €1,566 (1,291) thousand were formed for two members of the Executive Board at KWS SAAT SE & Co. KGaA.

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,479 (1,575) thousand. Pension provisions recognized for this group of persons amounted to €6,674 (7,315) thousand as of June 30, 2019, before being netted off with the relevant planned assets.

7.3 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 2018/2019. As part of its operations, KWS procures goods and services worldwide from a large number of business partners. They also include companies in which KWS has an interest and on which representatives of KWS' Supervisory Board exert a significant influence. Business dealings with these companies are always conducted on an arm's length basis and are not material in terms of volume. As part of Group financing, short- and medium-term term loans are taken out from and granted to subsidiaries at market interest rates. The compensation of members of the Executive Board comprises short-term employee benefits, share-based payment benefits and post-employment benefits.

Individualized disclosures on the compensation of members of the Executive Board and the Supervisory Board are presented in the Compensation Report, which is part of the audited Combined Management Report.

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

Related parties

in € thousand	Deliveries and services provided		Received deliveries and services		Receivables		Payables	
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018
Unconsolidated subsidiaries	0	0	0	0	0	0	0	0
Equity-accounted joint ventures	1,991	1,664	11,640	14,736	22,579	11,364	0	0
Joint operation	0	0	4,920	7,461	695	487	23	223
Other related parties	0	0	111	111	0	0	0	0

7.4 Disclosure

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

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

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

7.5 Audit of the annual financial statements

On December 14, 2018, the Annual Shareholders' Meeting of KWS SAAT SE & Co. KGaA elected the accounting firm Ernst & Young GmbH, Hanover, to be the Group's auditors for fiscal year 2018/2019.

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

in € thousand	2018/2019	2017/2018
a) Audit of the consolidated financial statements	1,488	669
b) Other certification services	69	63
c) Tax consulting	0	0
d) Other services	0	0
Total fee paid	**1,557**	**732**

The non-audit services in the fiscal year comprised the voluntary audit of the Non-Financial Declaration and the company formation audit of KWS SAAT SE & Co. KGaA.

7.6 Report on events after the balance sheet date

The KWS Group completed acquisition of the shares in the Pop Vriend Seeds Group on July 1, 2019, taking over all of the shares of Birika B.V, Andijk, the Netherlands, the parent company of the POP VRIEND SEEDS Group. Pop Vriend Seeds is a leading company in the production and distribution of vegetable seed and supplies customers in more than 100 countries, including the U.S., China and Russia. Pop Vriend Seeds is the world market leader in spinach seed as well as a leading vendor of seed for various other vegetable crops. The purchase price for all the shares was €414.7 million. The €400 million in bridge funding utilized in June was replaced at the end of August by the issue of medium- and long-term borrower's notes with a total volume of €400 million. With the acquisition of Pop Vriend Seeds, the KWS Group has entered the new business segment of vegetable seed.

The Pop Vriend Seeds Group was not acquired until after the period under review and its recognition on the balance sheet was not completed by the time the consolidated financial statements were published. Persuant to IFRS 3.B66, the disclosures in accordance with IFRS 3.B64 €, (g) to (l) and (q) are omitted for the acquisition of Pop Vriend Seeds.

7.7 Declaration of compliance with the German Corporate Governance Code

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

7.8 Supervisory and Executive Boards of KWS SAAT SE & Co. KGaA in fiscal 2018/2019

Supervisory Board

Members	Other seats
Dr. Drs. h. c. Andreas J. Büchting Einbeck Agricultural Biologist Chairman of the Supervisory Board of KWS SAAT SE & Co. KGaA	
Dr. Marie Theres Schnell Munich Graduate in Communications Deputy Chairman of the Supervisory Board of KWS SAAT SE & Co. KGaA	*Membership of comparable German and foreign oversight boards:* ■ DR. SCHNELL Chemie GmbH, Munich (member of the Advisory Board)
Victor W. Balli Zurich (Switzerland) Chemical Engineer Chairman of the Audit Committee of KWS SAAT SE & Co. KGaA	*Membership of comparable German and foreign oversight boards:* ■ Givaudan SA (member of the Board of Directors, the Audit Committee and the Compensation Committee) ■ CEVA Logistics AG, Baar, Switzerland (member of the Executive Board and Chairman of the Audit Committee – until April 2019) ■ Medacta International SA, Switzerland (member of the Board of Directors and Chairman of the Audit Committee – since April 2019) ■ Hemro AG, Switzerland (member of the Management Board) ■ Sika AG, Switzerland (member of the Board of Directors and Chairman of the Audit Committee – since March 2019) ■ Louis Dreyfus Holding B.V., Amsterdam (member of the Supervisory Board and Audit Committee) ■ Swiss Federal Audit Supervision Authority, Switzerland (member of the Board of Directors)
Jürgen Bolduan Einbeck Seed Breeding Employee Chairman of the Central Works Council of KWS SAAT SE & Co. KGaA	
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)
Christine Coenen Einbeck Interpreter Chairwoman of the European Employees' Committee (EEC) of KWS SAAT SE & Co. KGaA	
Dr. Arend Oetker Berlin Honorary member of the Supervisory Board of KWS SAAT SE & Co. KGaA	

Supervisory Board Committees

Committee	Chairman/Chairwoman	Members
Audit Committee	Victor W. Balli	Andreas J. Büchting Jürgen Bolduan
Committee for Executive Board Affairs	Andreas J. Büchting	Marie Theres Schnell Cathrina Claas-Mühlhäuser
Nominating Committee	Marie Theres Schnell	Andreas J. Büchting Cathrina Claas-Mühlhäuser

Executive Board

Members	Other seats
Dr. Hagen Duenbostel Einbeck Chief Executive Officer Corn, Strategy, Compliance Governance & Risk Management	*Membership of comparable German and foreign oversight boards:* ▪ Hero AG, Lenzburg (Switzerland) (member of the Board of Administration)
Dr. Léon Broers Einbeck Research and Breeding	
Dr. Peter Hofmann Einbeck Sugarbeet, Corn, Cereals (until December 31, 2018), Marketing	
Eva Kienle Göttingen Finance, Controlling, Global Services, IT, Legal, Human Resources (until December 31, 2018)	
Dr. Felix Büchting Einbeck Cereals, Oilseed Rape/Special Crops & Organic Seed, Human Resources, Farming (since January 1, 2019)	

Independent auditor's report

To KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE)

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

Opinions

We have audited the consolidated financial statements of KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE), Einbeck, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 July 2018 to 30 June 2019, and the consolidated statement of financial position as at 30 June 2019, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 July 2018 to 30 June 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE), which was combined with the management report of the Company, for the fiscal year from 1 July 2018 to 30 June 2019. In accordance with the German legal requirements, we have not audited the content of the parts of the group management report listed in the appendix to the auditor's report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 30 June 2019 and of its financial performance for the fiscal year from 1 July 2018 to 30 June 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the parts of the group management report listed in the appendix to the auditor's report.

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

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 July 2018 to 30 June 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

(1) Revenue recognition from the sale of seeds

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

In the consolidated financial statements of KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE), revenue from the sale of seeds is recognized when risk passes, taking contractually agreed return deliveries into consideration. In light of the large number of different contractual agreements and the resulting judgment exercised in assessing expected return deliveries, we consider revenue recognition to be complex and therefore to pose an elevated risk of incorrect recognition.

Auditor's response

During our audit, we considered, based on the criteria defined in IFRS 15, the accounting policies applied in accordance with the internal accounting instructions in the consolidated financial statements of KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE) for the recognition of revenue. Our response included an examination of whether control passed to the buyers upon the sale of the seeds. We analyzed the process implemented by the management board of KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE) and the accounting and valuation requirements for the recognition of seed sales, in particular taking into account the findings from actual return deliveries. Based on analytical procedures defined group-wide, we examined whether the significant revenue items for fiscal year 2018/2019 correlate with the corresponding trade receivables to identify any irregularities in the development of revenue. With a view to the recognition of revenue on an accrual basis, we also obtained balance confirmations from customers and performed data analyses to identify any irregularities in comparison with the prior year. We analyzed the recognition of revenue based on the contractual arrangements on a sample basis with regard to the requirements of IFRS 15. Based on analytical procedures carried out on historical data and the analysis of the underlying contracts, we examined the calculation of expected return deliveries of seeds and their deduction from revenue. Overall, our procedures relating to the recognition of revenue from the sale of seeds did not lead to any reservations.

Reference to related disclosures

With regard to the recognition and measurement policies applied for the recognition of revenue from the sale of seeds, refer to the disclosure on the recording of income and expenses in section 1.5 "Accounting policies" in the notes to the consolidated financial statements.

(2) Impairment testing of goodwill

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

Pursuant to IAS 36, the internal management and reporting structure serves as the basis for designating cash-generating units to which the respective items of goodwill are allocated.

At KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE), goodwill is monitored and managed at divisional level.

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

In light of the definition of the cash-generating units, the complexity of the valuation and the judgment exercised during valuation, the goodwill impairment test was a key audit matter.

Auditor's response

During our audit, among other things, we obtained an understanding of the methods used to carry out the impairment tests including an examination of the suitability of the procedure for performing an impairment test in accordance with IAS 36. In doing so, we analyzed the planning process and the operating effectiveness of the controls implemented therein. We discussed the significant planning assumptions with the Executive Directors and compared these with the results and cash inflows realized in the past. Our assessment of the results of the impairment tests as of 30 June was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. Based on our understanding that even relatively small changes in the discount rates used can at times have significant effects on the amount of the business value calculated, we analyzed the inputs used to determine the discount rates and reperformed the calculation with regard to the relevant requirements of IAS 36. In addition, we analyzed the sensitivity analyses performed by the Executive Directors of KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE) in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

We obtained evidence that the divisions represent the lowest level within the Group at which independent cash inflows are generated and goodwill is monitored for internal management purposes.

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

Reference to related disclosures
With regard to the recognition and measurement policies applied for goodwill, refer to the disclosure on intangible assets in section 1.5 “Accounting policies” in the notes to the consolidated financial statements. For the related disclosures on judgments by the Executive Directors and sources of estimation uncertainty as well as the disclosures on goodwill, refer to note 2 “Intangible assets” in section 4 “Notes to the statement of financial position” in the notes to the consolidated financial statements.

Other information

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

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

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

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

Responsibilities of the Executive Directors and the Supervisory Board for the consolidated financial statements and the group management report

The Executive Directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Executive Directors and the reasonableness of estimates made by the Executive Directors and related disclosures.
- Conclude on the appropriateness of the Executive Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Executive Directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

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

We were elected as group auditor by the annual general meeting on 14 December 2018. We were engaged by the Supervisory Board on 14 July 2019. We have been the group auditor of KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE) without interruption since fiscal year 2016/2017.

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

German Public Auditor responsible for the engagement

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

Appendix to the auditor's report:
Parts of the group management report whose content is unaudited

We have not audited the content of the following parts of the group management report:

- The combined non-financial statement for KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE) and the KWS Group contained in section 2.9.2 "Combined non-financial statement for the KWS Group" of the group management report, including any information in other sections referred to in this statement. The respective sections are marked "NFD" in the margin.
- The information in section 2.6.1 "Corporate governance report and statement on corporate governance."
- The information in section 2.6.2 "Declaration of conformity in accordance with Sec. 161 AktG."

Neither have we audited the content of the following information that is not typical or required for a group management report. This relates to any information whose disclosure in the group management report is not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB.

- Section 2.5.3 "Good working conditions" and
- Section 2.5.4 "Social commitment."

Hanover, 24 September 2019

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

Ludwig	Dr. Janze
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Independent Auditor’s Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the combined non-financial statement 2018/2019 of KWS SAAT SE & Co. KGaA. The following text is a translation of the original German Independent Assurance Report.

To KWS SAAT SE & Co. KGaA, Einbeck

We have performed a limited assurance engagement on the group non-financial statement of KWS SAAT SE & Co. KGaA according to § 315b HGB (“Handelsgesetzbuch”: German Commercial Code), which is combined with the non-financial statement of the parent company according to § 289b HGB, consisting of the chapter “2.9.2 Combined Non-Financial Declaration for the KWS Group” in the combined management report and the chapters “2.1 Fundamentals of the KWS Group”, “2.4.1 Product Innovations”, “2.4.2 Management of Genetic Resources”, “2.4.3 Plant and Process Safety”, “2.5.2 Recruitment and Qualification” and “2.6.3 Business Ethics and Compliance” in the combined management report being incorporated by reference (hereafter combined non-financial statement), for the reporting period from 1 July 2018 to 30 June 2019.

Management’s responsibility

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

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

Auditor’s declaration relating to independence and quality control

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

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

Auditor’s responsibility

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

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

Within the scope of our assurance engagement, which has been conducted between July and September 2019, we performed amongst others the following assurance and other procedures:

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

Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of KWS SAAT SE & Co. KGaA for the period from 1 July 2018 to 30 June 2019 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended use of the assurance report

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

Engagement terms and liability

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

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

Munich, 24 September 2019

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

N. Richter

A. Johne

Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)

Annette Johne
Wirtschaftsprüferin
(German Public Auditor)

Declaration by Legal Representatives

We declare to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, financial position and earnings of the Group in compliance with the applicable group accounting principles, 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 & Co. KGaA, and that it describes the main opportunities and risks of the Group's anticipated development.

Einbeck, September 24, 2019
KWS SAAT SE & Co. KGaA
THE EXECUTIVE BOARD

Hagen Duenbostel

Felix Büchting

Léon Broers

Eva Kienle

Peter Hofmann

Additional Information

Financial calendar

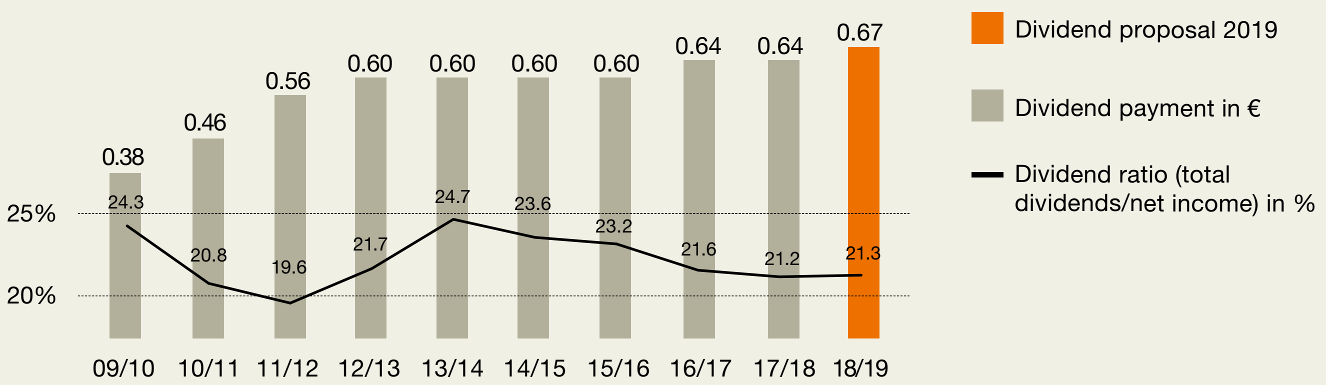
Date	
November 26, 2019	Quarterly Report Q1 2019/2020
December 17, 2019	Annual Shareholders’ Meeting in Einbeck
February 25, 2020	Semiannual Report 2019/2020
May 19, 2020	Quarterly Report 9M 2019/2020
October 22, 2020	Publication of 2019/2020 financial statements, annual press and analyst conference in Frankfurt
November 24, 2020	Quarterly Report Q1 2019/2020
December 16, 2020	Annual Shareholders’ Meeting in Einbeck

KWS share

Key data of KWS SAAT SE & Co. KGaA	
Securities identification number	707400
ISIN	DE0007074007
Stock exchange identifier	KWS
Transparency level	Prime Standard
Index	SDAX
Share class	Individual share certificates
Number of shares	33,000,000

Dividend

Dividend payment and dividend ratios of the past 10 years



About this report

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

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Safe harbor statement

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

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

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

Photos/illustrations

Jens Anders ■ Florian Gahre ■ Christian Bruch ■ Marcelo Coelho ■ Jan Eric Euler ■ Frank Stefan Kimmel ■ Julia Lormis ■ Pat Nabong ■ Roman Pawlowski ■ Thorsten Schmidtkord ■ Jens Scholz ■ Spieker & Woschek ■ Alex Telfer ■ Roman Thomas ■ Karsten Türnau ■ Frank Tusch ■ Sascha Voges ■ Sebastian Vollmert ■ Fotos by Pop Vriend

Date of publication: October 23, 2019

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

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