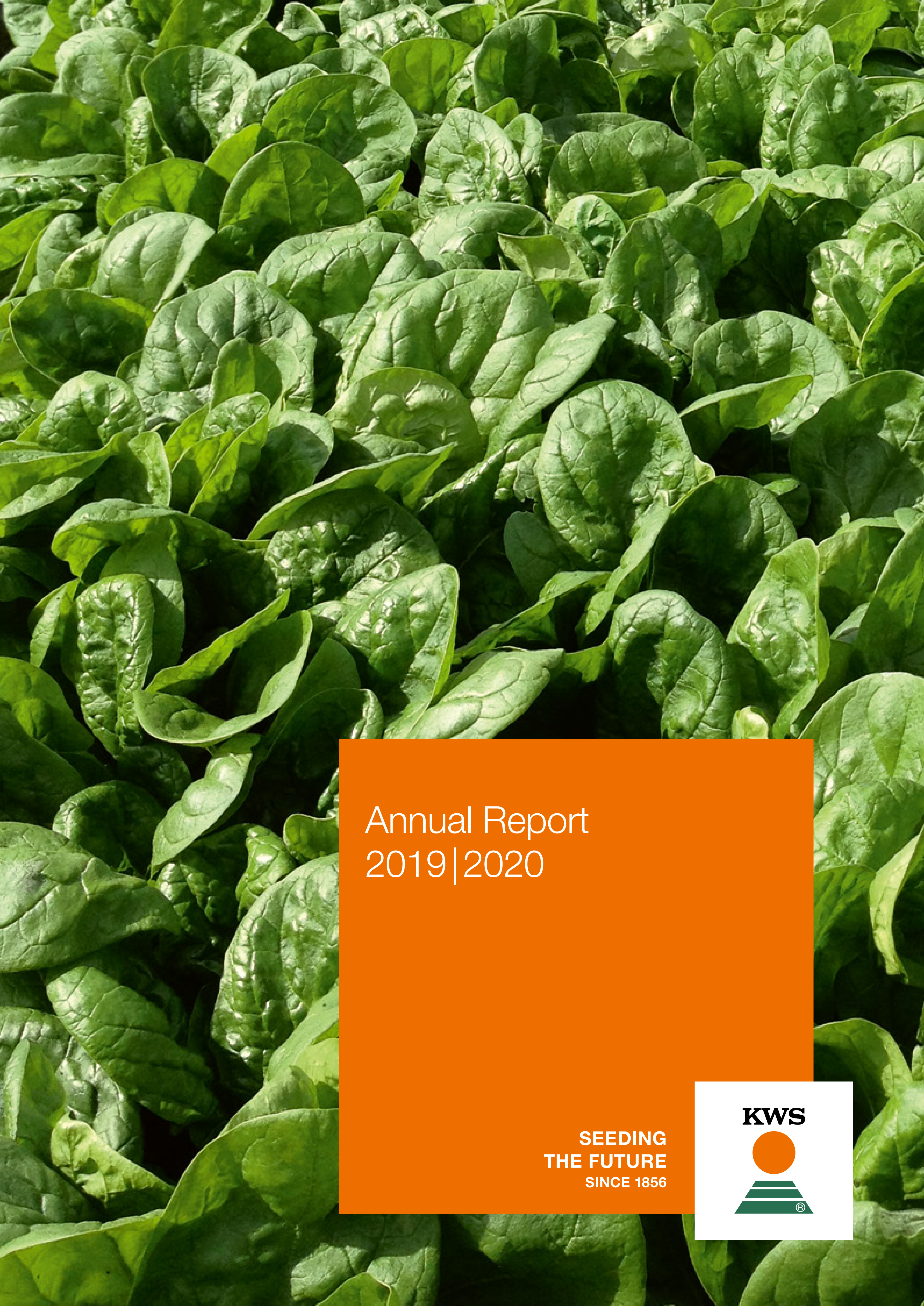


Annual Report 2019|2020

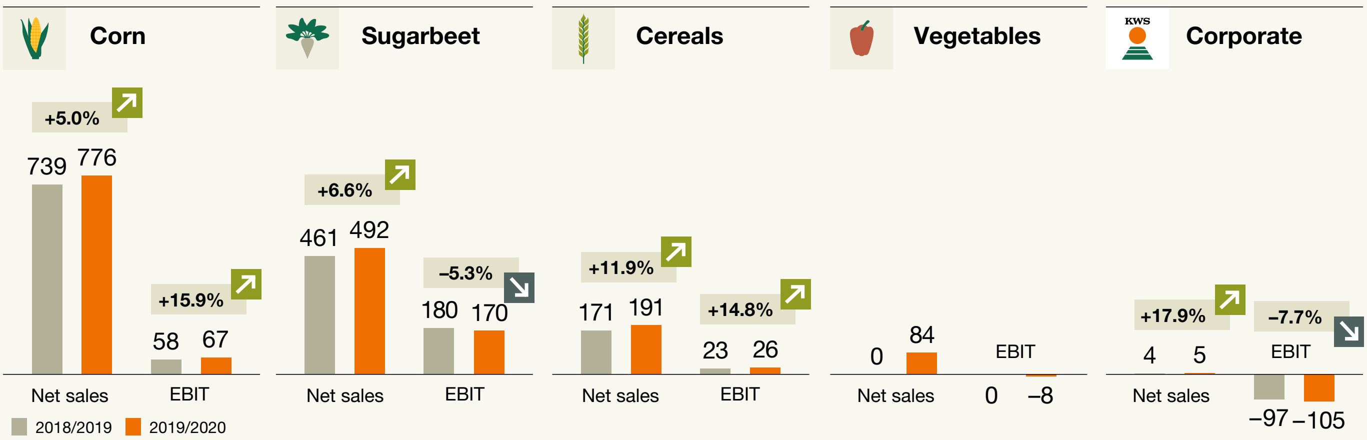
SEEDING
THE FUTURE
SINCE 1856

KWS

KWS in Figures

The KWS Group (in € millions)	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Net sales and income						
Net sales	1,282.6	1,113.3	1,068.0	1,075.2	1,036.8	986.0
EBITDA	225.5	199.7	182.7	181.0	161.0	159.3
EBIT	137.4	150.0	132.6	131.6	112.8	113.4
as a % of net sales (EBIT margin)	10.7 [1]	13.5	12.4	12.2	10.9	11.5
Net financial income/expenses	–7.8	–5.5	5.4	16.6	14.8	16.7
Net income for the year	95.2	104.0	99.7	97.7	85.3	84.0
Other figures on earnings						
R&D intensity in %	18.4	18.5	18.5	17.7	17.6	17.7
Key figures on the financial position and assets						
Capital expenditure	108.0	96.6	71.7	63.3	99.6	132.5
Depreciation and amortization	88.2	49.7	50.1	49.4	48.2	45.9
Equity	994.5	963.5	881.8	836.9	767.9	738.7
Equity ratio in %	44.5	45.5	58.1	56.0	53.5	55.2
Return on equity in %	10.1	12.1	12.3	13.1	11.9	13.6
Return on assets in %	5.3	7.6	7.1	7.3	7.0	7.8
Net debt [2]	495.7	497.9	37.4	48.5	87.9	105.9
Total assets	2,235.5	2,115.0	1,517.7	1,495.2	1,436.6	1,337.1
Capital employed (avg.) [3]	1,640.5	1,047.1	981.1	990.1	906.9	851.0
ROCE (avg.) in % [4]	8.4	14.3	13.8	13.3	12.4	13.3
Cash flow from operating activities	136.2	72.9	98.1	122.4	125.9	48.1
Free cash flow [5]	31.5	–5.6	30.0	57.6	33.7	–75.7
Employees						
Number of employees (avg.) [6]	4,414	4,126	3,852	3,705	3,693	3,663
Personnel expenses	310.1	280.7	253.9	247.0	232.2	216.9
Key figures for the share in €						
Earnings per share in € [7]	2.89	3.15	3.02	2.96	2.58	2.55
Dividend per share in € [7, 8]	0.70	0.67	0.64	0.64	0.60	0.60

Segments (in € millions)



Reconciliation (in € millions)	Segments	Reconciliation	KWS Group
Net sales	1,546.8	–264.3	1,282.6
EBIT	151.3	–14.0	137.4

1 13.3% excluding effects from acquisition of the Pop Vriend Seeds Group
2 Short-term + long-term borrowings – cash and cash equivalents – securities
3 Total capital employed at the end of the quarters ((intangible assets + property, plant and equipment + inventories + trade receivables – trade payables)/4)
4 EBIT/Capital Employed (avg.)
5 Adjusted for special effects from acquisition of the Pop Vriend Seeds Group
6 FTE: Full time equivalents
7 Earnings and dividend per share of previous periods adjusted due to share split
8 The dividend for 2019/2020 is subject to the consent of the 2020 Annual Shareholders' Meeting.

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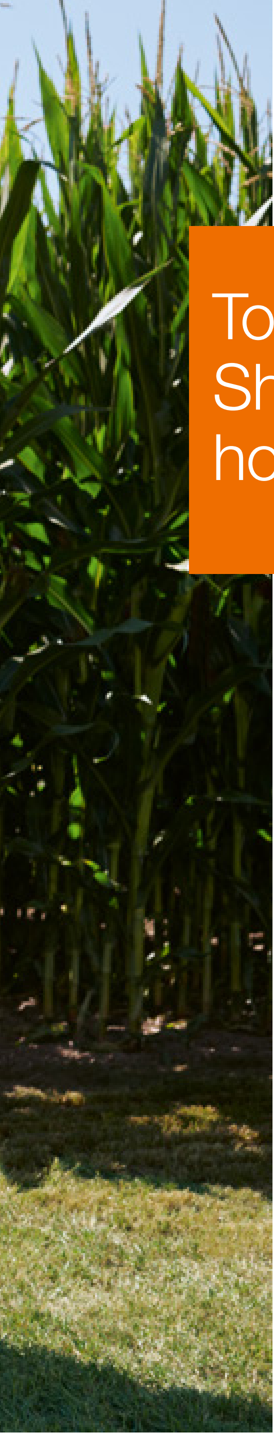
Spinach makes us strong

Our title photo shows a spinach field in Azmoos in the canton of St. Gallen, Switzerland, shortly before the harvest. By entering the vegetables business, KWS has become the world leader in spinach seed, which accounts for around 70% of net sales in the Vegetables Segment.

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



To Our Shareholders

Foreword of the Executive Board

Dear shareholders, partners and friends of KWS,

It is an honor and pleasure to present you today with KWS' latest Annual Report. Our guiding principle of "thinking long term and acting sustainably" is proving to be precisely the right recipe for success.

I am able to report a strong fiscal year in every respect, one in which all product segments grew – in some cases sharply – despite the Covid-19 pandemic. We took swift and farsighted action together with our partners in the agricultural industry. We supplied farmers with seed in good time for the spring sowing season. The food supply is vital to our economy and we live up to this responsibility – and that has never been truer than now. Short-time work or even layoffs were not an issue at KWS, not least thanks to our strong economic situation and independence. With our current positioning and setup, we can also tackle the challenges ahead of us with confidence and resolve.

Our responsibility also includes investing in the future of the global food supply. Even though ground-breaking breeding methods like genome editing are obstructed by current legislation, it is essential for us to remain fully committed to them and to fair access to state-of-the-art technologies and products.

We are one of the leading drivers of innovation in the industry, and digitization is therefore a key element at our company, too. Whether in the shape of innovative tools for agriculture or expansion of our own digital infrastructure – our know-how in the field of forward-looking technologies is a big benefit for us, especially in these times. I'd like to refer you in this regard to the Spotlight Topic on digital solutions for sustainable agriculture at KWS on page 14 of this Annual Report.

The issue of combating climate change seems to have slipped under the radar a little due to events in the first half of 2020. And yet it remains one of our core missions. KWS has not slackened in its efforts to find cutting-edge solutions and approaches in the past months.

The European Union's Green Deal and its Farm to Fork Strategy mean we now have a roadmap, and implementing it is a key challenge facing the whole industry. Given that plant breeding stands at the very beginning of the food value chain, it bears a major responsibility in this context. The EU has now defined concrete figures and targets for reducing the use of pesticide and fertilizer, cutting greenhouse gas emissions and promoting organic farming and biodiversity. KWS will continue to make a crucial contribution to attaining those goals. And it's a mission we did not just adopt overnight. Vital aspects of sustainability and environmental protection have been a focus of our work for years.

We think and act in terms of generations. At the same time, we need to be responsive. We have successfully demonstrated our adaptivity, in particular this year. We will also continue to address our structural costs in a measured manner and drive projects forward prudently, but purposefully.

I wish to express my sincere thanks to our more than 5,700 employees worldwide. Your efforts and dedication are magnificent! You and your commitment are crucial to KWS' strength.

I also thank you, our customers and partners, for your trust and successful working relationship. I hope you find this Annual Report both informative and interesting.

Yours Hagen

Dr. Hagen Duenbostel
Chief Executive Officer

Report of the Supervisory Board

Fiscal 2019/2020 was defined by the major challenges resulting from the outbreak of the Covid-19 pandemic immediately before the start of the spring sowing season, a time of the year that is important for KWS' business. Thanks to their great efforts, our employees managed to ensure that farmers in all international markets were supplied with seed in time. That is a key reason for our successful performance in fiscal 2019/2020, in which we grew in all product segments and achieved our main operational objectives. The Supervisory Board wishes to express its particular thanks and recognition to all employees for that feat.

In fiscal 2019/2020, the period under review, the change of legal form to KWS SAAT SE & Co. KGaA was completed upon its registration in the commercial register on July 2, 2019. The company therefore existed as a partnership limited by shares (KGaA) for a large part of the year under review. The change in legal form means that KWS SAAT SE & Co. KGaA and the personally liable partner, KWS SE, both have a separate Supervisory Board, each with the same shareholder representatives serving on them. In principle, all decisions on business operations and on all significant business transactions are made by the personally liable partner at a partnership limited by shares. The Supervisory Board of a partnership limited by shares, which at KWS has two employee representatives in addition to the shareholder representatives, must be informed about such business transactions. The reporting requirements are defined by the German Stock Corporation Act (AktG) and largely correspond to those under the Council Regulation on the Statute for a European Company. The cooperation between the shareholder and employee representatives on the Supervisory Board of the former KWS SAAT SE was always constructive and characterized by a high degree of mutual trust, with the result that the bodies also decided to mainly hold joint meetings as far as was legally permitted under the new legal form. The advantage of that is that the employee representatives can discuss upcoming decisions in advance with the shareholder representatives and be integrated in the process early on.

The Supervisory Board of KWS SAAT SE & Co. KGaA 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 personally liable partner, represented by its 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 extensively discussed all significant business transactions and carefully accompanied the Executive Board in all fundamental decisions of importance to the company. The good working relationship with the Executive Board was continued. 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, in particular relating to strategy, planning, the business performance and the situation of the company and the KWS Group, including the risk situation, risk management and compliance. In the period under review, there were no transactions with related parties, which require the Supervisory Board's approval in accordance with Section 111b of the German Stock Corporation Act (AktG) in the version of the German Act Implementing the Second Shareholder Rights Directive (ARUG II) (Official Federal Gazette I 2019, page 2637).

The company's business policy, corporate and financial planning, profitability and situation, market trends and the competitive environment, research and breeding and, along with important individual projects, risk management at the KWS Group, in particular in relation to preventive healthcare in the wake of the Covid-19 pandemic, were the subject of detailed discussions in the year under review.

The Chairman of the Supervisory Board continued the direct discussions with the Chief Executive Officer of KWS SE and individual members of the

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

Executive Board in regular talks outside the meetings of the Supervisory Board 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) of the German Stock Corporation Act (AktG) 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 & Co. KGaA held five regular meetings and one extraordinary meeting in fiscal 2019/2020, each of which was attended by all its members either in person or, due to the pandemic, via online media. At the beginning of the year under review, the Supervisory Board – now of KWS SAAT SE & Co. KGaA – convened its meeting to discuss the financial statements on October 22, 2019. At this meeting, which was also attended by the independent auditor for fiscal 2018/2019, the Supervisory Board examined and pproved the financial statements of KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE) and approved the consolidated financial statements of the KWS Group as of June 30, 2019. It also addressed expansion of the vegetables business and discussed further potential acquisitions. The Supervisory Board held an extraordinary meeting on December 3, 2019, at which it discussed the Corn Segment's strategic orientation, and continued those deliberations on December 16 and 17, 2019. The Supervisory Board likewise heard reports on the status of the research projects at KWS on December 16, 2019. The results of the breeding programs were then on the agenda on March 16, 2020. In addition, the potential impacts of the coronavirus crisis on the current fiscal year were outlined, the biggest challenge at the time being restrictions on cross-border trade. On June 25, 2020, the Executive Board then submitted a conservative budget and medium-term planning to the Supervisory Board. As part of them, many new projects and hires were deferred until the macroeconomic trends, the level of economic activity in the agricultural sector, and their impact on seed business were more calculable.

Corporate Governance

The Supervisory Board discussed compliance with the recommendations of the "German Commission for the Corporate Governance Code," in particular the new aspects pursuant to the new version of the German Corporate Governance Code dated December 16, 2019, and – after the last Declaration of Compliance in October 2019 – it and the personally liable partner issued a new Declaration of Compliance with the German Corporate Governance Code in the version dated December 16, 2019, or – for the period of time until this new version took effect on March 20, 2020 – in the version of the German Corporate Governance Code dated

February 7, 2017, in accordance with Section 161 of the German Stock Corporation Act (AktG). The Declaration of Compliance can be obtained on the company's website at www.kws.com/corp/en/company/investor-relations/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 members of the Supervisory Board undertook the education and further training measures necessary for them to discharge their tasks. Events and measures as part of the induction of new Supervisory Board members (onboarding) were not necessary in the year under review since there were no changes to the persons serving on it.

The Supervisory Board also conducted its regular efficiency review in the year under review. The review covered the fiscal years 2018/2019 and 2019/2020. It was accompanied by the accounting firm Deloitte GmbH, which created a company-specific questionnaire after inspecting the minutes of the Supervisory Board and Audit Committee meetings. After evaluating the responses from the members of the Supervisory Board and Executive Board, 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.

Supervisory Board committees

In the year under review, the Supervisory Board of KWS SAAT SE & Co. KGaA had two committees: the Audit Committee and the Nominating Committee.

The **Audit Committee** convened for four joint meetings in fiscal 2019/2020 and also held one telephone conference – on all occasions with all its members in attendance. In its meeting on September 24, 2019, the Audit Committee discussed the annual financial statements and accounting of KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE) and the consolidated financial statements of the KWS Group for the fiscal year 2018/2019, along with the Combined Management Report and the proposal by the Executive Board on the appropriation of the profits. The Quarterly Report Q1 for 2019/2020 was mainly discussed during the telephone conference on November 20, 2019. In particular, the KWS Group's tax situation and risk management system were discussed in detail at the meeting on December 16, 2019. The meeting on February 19, 2020, discussed and defined the focus of the audit for fiscal year 2019/2020 in the presence of the appointed independent auditor. It also discussed the situation as regards the KWS Group's financing and the Semiannual Report 2019/2020 in detail. In addition, the report by Internal Auditing for fiscal 2019/2020 was discussed and the audit plan for fiscal 2020/2021 was defined and adopted at the meeting on May 13, 2020. The risk situation – in particular against the backdrop of the Covid-19 pandemic – and the 9M Quarterly Report for 2019/2020 were also discussed.

In addition, the Audit Committee obtained the statement of independence from the auditor, 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.

In view of the fact that all shareholder representatives had just recently been elected by the Annual Shareholders' Meeting on December 14, 2018, for a period of time up to the end of the Annual Shareholders' Meeting that ratifies its acts for fiscal year 2021/2022, the **Nominating Committee** did not need to convene in the year under review.

The Supervisory Board of KWS SAAT SE & Co. KGaA no longer has a Committee for Executive Board Affairs since the change in legal form took effect, because the Supervisory Board of KWS SAAT SE & Co. KGaA does not hold personnel responsibility as regards management; authority for issues relating to the compensation of the Executive Board has been in the hands of KWS SE's Supervisory Board since the change in legal form. It should be noted in this connection that the **Supervisory Board of KWS SE** endorsed the recommendation of its **Committee for Executive Board Affairs** and appointed

Dr. Peter Hofmann as a member of the Executive Board of KWS SE for a further three-and-a-half years until June 30, 2024, with effect from January 1, 2021. In addition, the Committee for Executive Board Affairs of KWS SE dealt with the new requirements of the German Act Implementing the Second Shareholder Rights Directive (ARUG II), which came into force on January 1, 2020, as well as the principles defined in the latest version of the German Corporate Governance Code relating to compensation for the Executive Board and the Supervisory Board. The personally liable partner will submit a proposed resolution on a compensation system for the Executive Board adapted to the requirements of ARUG II at the Annual Shareholders' Meeting of KWS SAAT SE & Co. KGaA to be held in December 2021. If it is approved, it will then apply to new contracts. Until that time, a best practice for implementing the provisions of the new ARUG II and the new version of the German Corporate Governance Code will have been established. The current compensation system for Executive Board members was last submitted for approval to the Annual Shareholders' Meeting of KWS SAAT SE & Co. KGaA on December 17, 2019, and was ratified with a vote of 99.94% in its favor.

Annual and consolidated financial statements and auditing

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the independent auditor chosen at the Annual Shareholders' Meeting on December 17, 2019, and commissioned by the Audit Committee, has audited the financial statements of KWS SAAT SE & Co. KGaA 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 2019/2020 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 and the KWS Group (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 of the German Stock Corporation Act (AktG) with respect to the recommendations of the "German Commission for the Corporate Governance Code." The Non-Financial Declaration (Section 289b and Section 315b of the German Commercial Code (HGB)) in the Combined Management Report were likewise audited by the independent auditor.

The Supervisory Board received and discussed the financial statements of KWS SAAT SE & Co. KGaA and the consolidated financial statements and Combined Management Report of KWS SAAT SE & Co. KGaA and the KWS Group, along with the report by the independent auditor of KWS SAAT SE & Co. KGaA 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, consolidated financial statements, Combined Management Report, audit reports by the independent auditor, and the proposal by the personally liable partner on the appropriation of the profits. The Supervisory Board likewise received and discussed the Non-Financial Declaration (Section 289b and Section 315b of the German Commercial Code (HGB)), which is part of the Combined Management Report and contains disclosures on the KWS Group and the parent company KWS SAAT SE & Co. KGaA, as well as the related audit report by the independent auditor (Section 111 (2) Sentence 4 of the German Stock Corporation Act (AktG)) as part of a limited assurance engagement.

The Audit Committee convened on September 23, 2020, to discuss the annual financial statements of KWS SAAT SE & Co. KGaA and the KWS Group's consolidated financial statements for the 2019/2020 fiscal year and accounting, along with the Combined Management Report. The independent auditor for fiscal 2019/2020 explained the results of its audit of the annual financial statements and consolidated financial statements. It 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 dealt with the proposal by the personally liable partner on the appropriation of the net retained profit of KWS SAAT SE & Co. KGaA and recommended that the Supervisory Board approve it.

Andreas J. Büchting, Chairman of the Supervisory Board

The Supervisory Board also held detailed discussions of questions on the agenda at its meeting to discuss the financial statements on October 22, 2020. 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 raise concerns about a lack of impartiality on the part of the independent auditor. As can be seen from the Notes, the independent auditor did not provide any additional services.

In accordance with the final results of its own examination, the Supervisory Board endorsed the results of the audit and of the audit of the Non-Financial Declaration, among other things as a result of the preliminary examination by the Audit Committee, and did not raise any objections. The Supervisory Board gave its consent to the annual financial statements of KWS SAAT SE & Co. KGaA submitted by the personally liable partner, and to the consolidated financial statements of the KWS Group and the Combined Management Report of KWS SAAT SE & Co. KGaA and the KWS Group and recommended that the Annual Shareholders' Meeting on December 16, 2020, approve the annual financial statements of KWS SAAT SE & Co. KGaA 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.

As stated earlier, KWS SAAT SE & Co. KGaA does not have a Committee for Executive Board Affairs since the change in legal form took effect. In addition, there were no changes to the persons serving on the Executive Board of the personally liable partner KWS SE, the Supervisory Board of KWS SAAT SE & Co. KGaA and its committees in the year under review.

The Supervisory Board thanks the Executive Board and all employees of the KWS Group for their exceptional efforts in the face of the additional difficulties posed by the present pandemic. Thanks to their great sense of personal responsibility, coupled with their outstanding commitment, KWS has been able to maintain its business activities unscathed even in the time of the coronavirus, with the result that we can look back on yet another successful fiscal year.

Einbeck, October 22, 2020

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

Not everything in life stays on track all the time.

Proximity sometimes means a greater risk, as we have learned all too painfully from the coronavirus. But like our farmers, we give our all rather than give up.

KWS on the Capital Market

Performance

The stock markets were extremely turbulent in fiscal 2019/2020. The escalation in the trade conflict between the U.S. and China and uncertainty about the UK's withdrawal from the EU weighed on markets, while the Covid-19 pandemic gripped the global economy and capital markets from early 2020 on. Central banks' continuing expansionary monetary policy and support measures by governments, some of which were on a large scale, helped shore up the situation. Interest rates were still low and so shares remained an attractive investment.

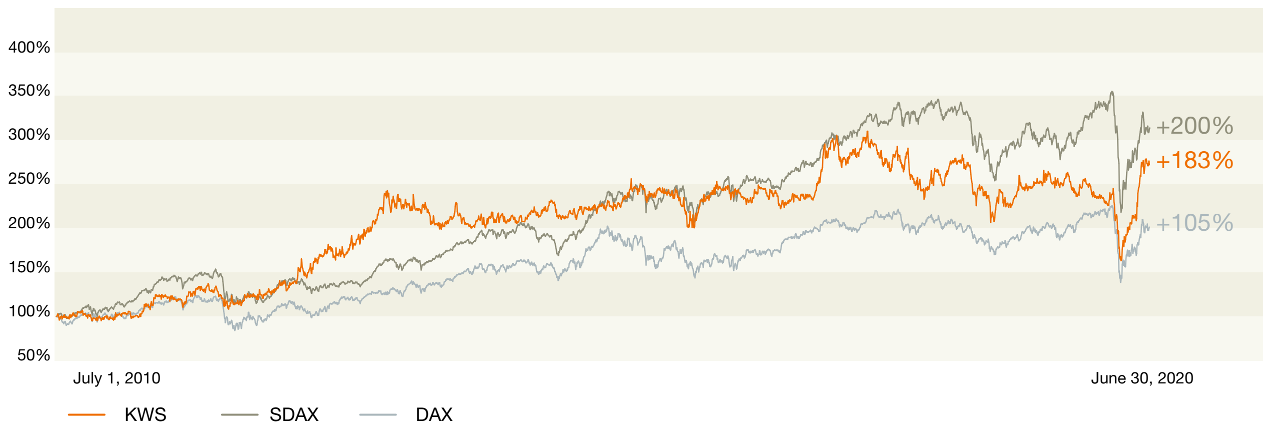
The DAX closed at 13,249 points at the end of 2019, but then plunged to a low of 8,441 in March 2020 as a result of the sell-off in the wake of the pandemic. Germany's benchmark index climbed back to 12,310 points, or roughly the same level as in the previous year, at the end of June 2020, in particular on the back of the extensive economic stimulus programs in many countries and expectations of a rapid recovery in the economy. The SDAX fared much the same and was likewise close to its level of the previous year at the balance sheet date.

KWS' share performed positively as a whole in fiscal 2019/2020 and had risen by almost 6% by its end. The average trading volume per day on XETRA rose sharply from around 8,000 shares to more than 14,000. Two major international banks – Commerzbank and Exane BNP Paribas – commenced coverage of the KWS share. There was also keen interest in the share during the market turbulence triggered by the Covid-19 pandemic: After hitting its low at €39.80 in mid-March, it recovered much faster than the market as a whole and was back at €66.70 at the end of June 2020. KWS' share price has increased by 183%, i.e. has almost tripled, over the past ten years.

Employee Stock Purchase Plan

For more than 30 years KWS has offered its employees the chance to become shareholders in the company and thus share in its success. The content of our Employee Stock Purchase Plan remained unchanged in the year under review. Our employees were able to buy up to 2,500 KWS shares at a price of €45.92 (44.16)[1], including a 20% discount, which the individual employees must pay tax on. 476 (442) employees in six (seven) European countries took up this offer and purchased a total of 52,315 (54,095) 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)

The KWS share's performance over 10 years



1 Unless otherwise specified, the figures in parentheses are those for the previous year.

Shareholder structure at June 30, 2020
(33,000,000 shares)

No. 2 of the German Stock Corporation Act (AktG). A total of €3.0 (3.1) million was used to buy back the company's own shares, giving an average purchase price per share (including fees) of €57.40 (57.33). 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. In the year under review, sales rose by 15.2%, with all product segments contributing to the growth. Earnings before interest, taxes, depreciation and amortization (EBITDA) also increased significantly by around 13%. Due to special effects from the acquisition of Pop Vriend Seeds and a positive one-off effect in the previous period, earnings before interest and taxes (EBIT) and net income declined.

Against the background of the positive operational business development, the Management Board and the Supervisory Board will propose to the Annual General Meeting on December 16, 2020 that a dividend of €0.70 (0.67) per share be distributed for the 2019/2020 financial year. This would distribute €23.1 (22.1) million to the shareholders of KWS SAAT SE & Co. KGaA. This would correspond to a payout ratio of 24.3 (21.3)%, with which KWS would continue to pay dividends of 20 to 25% of the KWS Group's net income within the scope of its dividend policy, which is geared towards the company's earnings power.

Key figures for the KWS share (Xetra®)	
ISIN	DE0007074007
Share class	Non-par
Number of shares	33,000,000
Closing price	**in €**
June 30, 2020	66.70
June 30, 2019	64.20
High and low	**in €**
High (June 18, 2020)	68.30
Low (March 19, 2020)	39.80
Trading volume	**in shares/day**
2019/2020	14,354
2018/2019	8,189
Market capitalization	**in € million**
June 30, 2020	2,201
June 30, 2019	2,119
Earnings per share	**in €**
June 30, 2020	2.89
June 30, 2019	3.12

Spotlight Topic

Satellites in space, robots in the field: What does digitization have to do with farming?

Farmers all over the world now face major challenges: In times of climate change, they need to ensure the productivity of available cultivation areas, yet also make an active contribution to climate protection, reduce operating resources and use them as efficiently as possible, and conserve natural resources. The spread of digitization to the farming industry opens up completely new possibilities to increase yields, resource efficiency and sustainability.

Tools such as computer-controlled dosing aids for fertilizer and pesticides, models to determine the best time for harvesting crops or to predict infestation by diseases or pests, and sensor-aided animal monitoring and data capture enable processes that are more ecological and animal-friendly. Drone and satellite technology, weather apps and algorithms help identify general conditions and their dynamic changes better. Autonomous machine control or documentation and analysis from anywhere make work processes simpler and more agile.

New approaches in communicating with farmers
What's more: Digitization creates new, personalized ways of interacting. Farmers all over the world are increasingly using digital channels to communicate and find information, for example.

> **Two-thirds of all farmers in Germany already use mobile apps for their work and 80% are online every day.[1] And that trend is gaining in relevance as a result of the coronavirus pandemic.**

Digital communication and distribution channels also make the value chain more transparent and bring producers and consumers closer together, for example through forms of direct online marketing or improved traceability of foods. To better leverage this potential, we also need to deliver answers for the issues of system and information security, infrastructure development and financing.

1 Kleffmann Group, now part of Kynetec, New Media Tracker 2019/2020

Satellite images

supply data to support farmers in making
decisions that affect yields

Digital communication

offers new approaches
for **immediate and customized dialogue**

QR codes

protect customers
against imitations and
offer direct access to
important information
on varieties

Precision

in plant protection
can be increased many
times over with the use
of autonomous robots

Big data

enables
agronomic
and economic
optimization of crop rotation, for example

Image recognition

helps farmers
identify diseases
and pests in
the field

myKWS

provides access
to all important applications
and sends real-time
information on
relevant events

A bird's-eye view: Drones supply extensive data and enable better controlling of the plant stand.

Digital solutions assist farmers in their day-to-day decisions

In order to address future requirements, KWS works constantly to further develop its portfolio of digital services. These services, which are bundled on the online platform myKWS, embody decades of agricultural knowledge obtained from breeding work and link that knowledge with external information, such as satellite images and weather and soil data.

On the customer's personal homepage, a map application and customized comments provide an overview of all appropriate information for each particular stage of the year. That includes stock market and commodity price data, market analyses, fertilizer recommendations tailored to the specific region, prompt notification about new satellite images or weather events, such as frost, or recommended agricultural events and ways to obtain advice. The offerings are tailored to the individual customer, the farm and its specific features, such as the regional situation, farm size, cultivation strategy and choice of crop and variety.

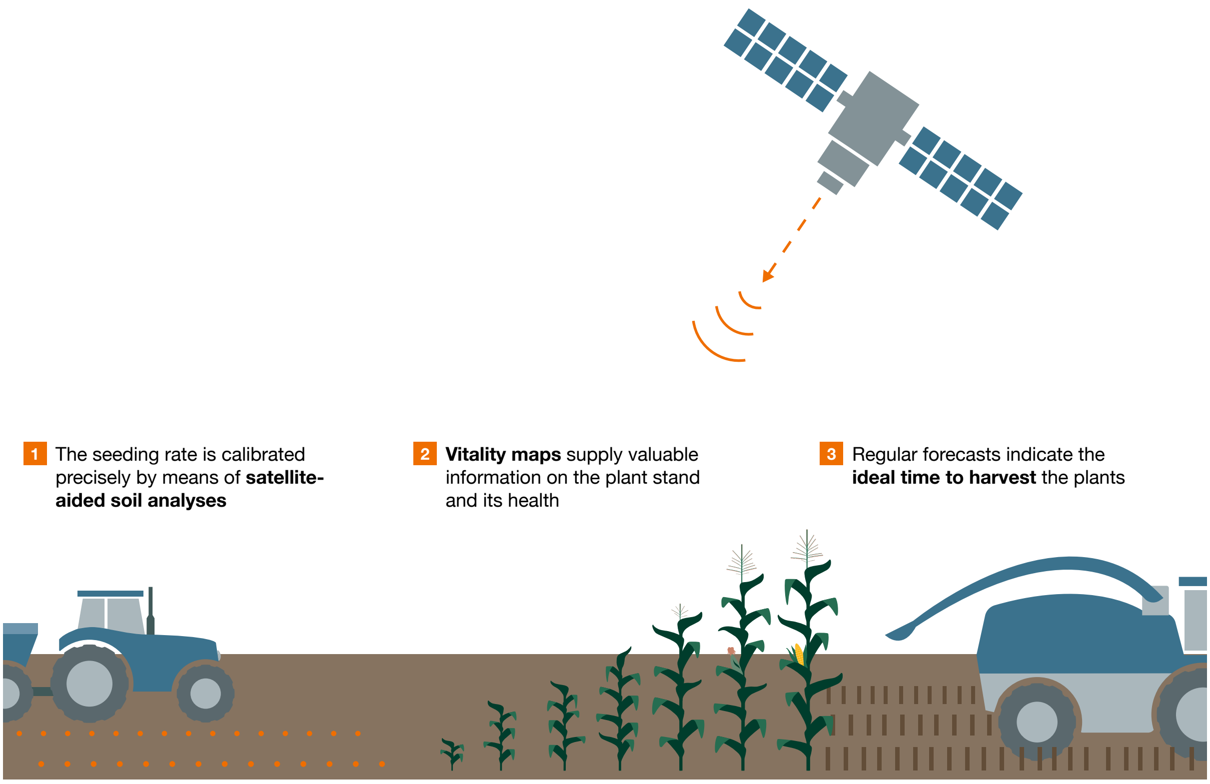
The individual applications are started from an overview map. **SAT TS-Monitoring**, for example, can be used to determine the maturity of silage corn plants and obtain a recommendation on the best time to harvest them, which is when their dry matter content is 30% to 35%. If the crops are harvested too early or too late, their yield may be reduced by up to 10% – meaning lost income for farmers. Satellites record the sunlight reflected by the corn plants – in high-definition images down to an accuracy of a few meters, with the result that differences in specific areas within a field can be shown. An algorithm determines the dry matter content for the fields mapped in myKWS on the basis of the images and the weather data, soil quality and variety information and also provides a forecast for the next six days.

Satellite images are not only used in harvesting. With the aid of apps such as **Vitality Check**, they supply information on the vitality of the plant stands throughout the growing season and identify irregularities – erosion, aridity or differences in soil, for example. That enables farmers to control their fields and deduce potential measures. The principle behind the solution: Plants have different reflectance properties, depending on the wavelength of the radiation. The healthier a plant, the more radiation in the near-infrared range it reflects. That is recorded by drones, aircraft or satellites and evaluated in the form of vegetation indices, thus enabling conclusions to be drawn about the plant's vitality, density of vegetation or photosynthesis activity, among other things.

The **Crop Manager** complements agricultural advice by delivering business management data and helping farmers optimize their crop rotation cycle. Multi-year economic and agronomic analyses can be carried out and various crop rotations compared in just a few steps. Cultivation of crops in a balanced rotation is gaining in importance as part of sustainable agriculture: In the face of increasingly stringent restrictions on fertilizer and pesticides, it helps combat diseases and pests, reduces the operating resources required, improves soil health and thus secures yields and reduces risks long term.

So far we have implemented myKWS in different variants in more than 35 countries, and more are to follow. The digital consulting solution has already won many accolades for its customer-centric design, simple user guidance and content concept, such as most recently the iF Award 2020 in the category “Service Design” and the RedDot Design Award 2020. In the next step, myKWS will also be available as an app with enhanced functions and can then be used anywhere: Then, for instance, the **Label Scanner** will enable the seed packaging to be read directly at the farm using a smartphone so that farmers obtain product-specific information, such as cultivation recommendations or relating to product authenticity.

The objective of digital services is not to take decisions on how to run their business out of farmers’ hands and supplant know-how that has been acquired over generations. Instead, they offer a means of quickly obtaining information on current events, better analyzing complex interconnections with more detailed sources of information and enabling data-driven decisions. It will be exciting to see what further potential can be tapped by digital applications to enhance processes in livestock farming and plant cultivation in a future-oriented way.



We know not just the newest generation of tech-nology – but also the oldest generation of farmers.

Proximity forges a strong team. And we didn't just start nurturing that proximity to our customers yesterday – we've done so for almost as long as fields have been plowed.

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2. Combined Management Report

The Combined Management Report 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 92. 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 examination by an auditor. 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 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 2019/2020, the KWS Group's operational business consisted of five Business Units, which were grouped in the four product segments Corn, Sugarbeet, Cereals and Vegetables. The Business Units Sugarbeet, Cereals and Vegetables are identical to the segments of the same name. There are the Business Unit Corn Europe/Asia and the Business Unit Corn Americas in the Corn Segment.

The **Corn Segment** is the KWS Group's largest segment in terms of net sales. It covers breeding, 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 seed in South America. KWS is the market leader for silage corn in Europe.

The **Sugarbeet Segment** comprises sugarbeet seed breeding, 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. KWS is the world market leader in sugarbeet seed, not least thanks to many innovations, such as CONVISO® SMART, an innovative system for controlling weeds. Our main sales markets are the EU, Eastern Europe, North America and Turkey, where we offer farmers efficient solutions for growing sugarbeet in the shape of locally adapted, multiple-resistant varieties. Sugarbeet is sown in the spring, which means that net sales in this segment are largely generated in the second half of our fiscal year (January to June).

The **Cereals Segment** includes breeding, production and distribution of seed for rye, wheat, barley and rapeseed. Rye accounts for the largest share of revenue from cereals (more than 40%), followed by rapeseed, wheat and barley (a combined total of around 45%). We generate the remainder from other crops such as sorghum, peas, catch crops (e.g. mustard), and oats. 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 the fiscal year (July to December).

The **Vegetables Segment** comprises vegetable seed breeding, production and distribution. Since taking over Pop Vriend Seeds, we have occupied a leading position in the global market for spinach seed, which accounts for around 70% of the segment's net sales. Our portfolio also includes seed for beans, Swiss chard, red beet and carrots. We generate about half of our revenue in the U.S. KWS' strategic objective is to establish a significant and lasting position in vegetable seed. Our focus apart from spinach is on the world's five most important crops in this segment: tomatoes, peppers, cucumbers, watermelons and melons.

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, France and Poland. 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 43.

KWS is a research-intensive company. We spend more than €200 million a year to develop high-performance, resistant varieties.

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 a broad portfolio of high-performance varieties. It takes an average of 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. Only then can the varieties be marketed via the various distribution channels.

Products, markets and external factors

We offer our customers – farmers – a broad range of varieties of agricultural crops that have been adapted by breeding to the conditions of their specific location. These crops include corn, sugarbeet, the cereals rye, wheat and barley, oil plants such as sunflower, soybeans and rapeseed, and catch crops. Spinach seed and other vegetable crops have also been part of our portfolio since the beginning of the year under review. In addition to selling seed, our consultants are also on hand to offer farmers advice on choosing and cultivating varieties. We also offer consulting with our digital services and 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 78 to 87.

Changes to the composition and organization of the KWS Group

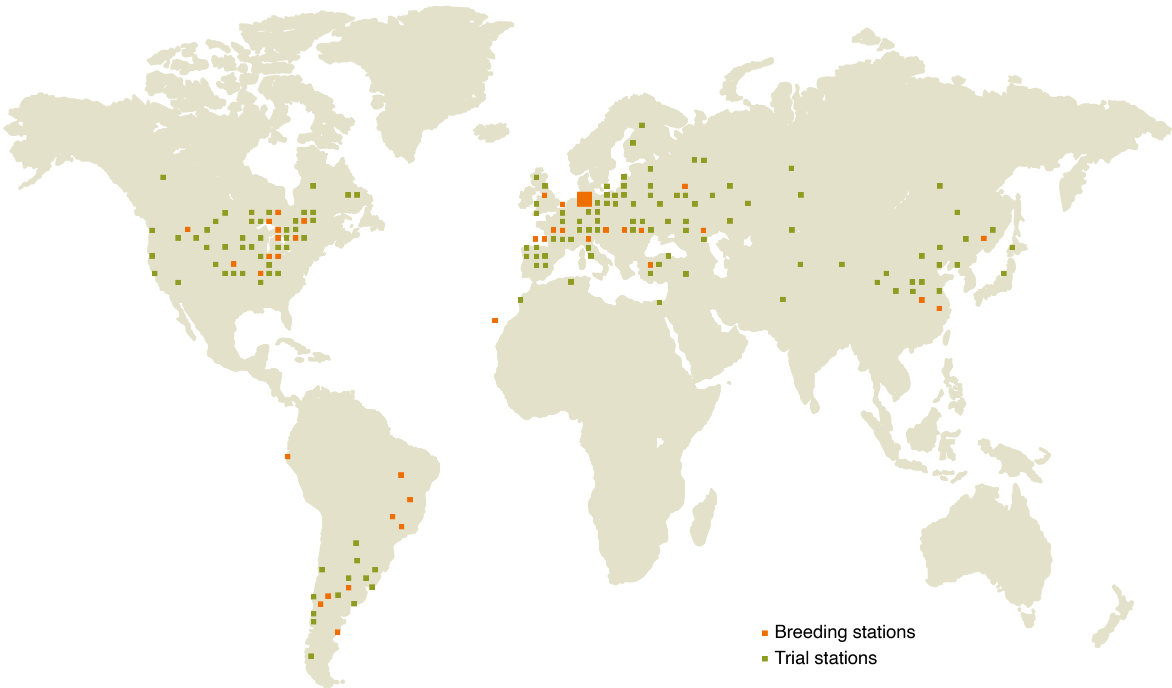
The KWS Group acquired the Pop Vriend Seeds Group, Andijk, the Netherlands, effective July 1, 2019. The number of companies consolidated in the KWS Group has thus been enlarged by the holding company Birika B.V., Amsterdam, the Netherlands, and 11 subsidiaries in the Netherlands and Turkey. KWS acquired the group by taking over all of the shares in Birika B.V.

Pop Vriend Seeds is a leading company in the breeding, production and distribution of vegetable seed. The company primarily specializes in seed for spinach, beans, Swiss chard and other vegetable crops and supplies customers in more than 100 countries. Pop Vriend Seeds is part of the new Vegetables Segment.

Apart from that, there were no significant changes in the KWS Group's composition and organization in fiscal 2019/2020. 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 114.

KWS is reorganizing its global administrative organization to underpin its profitable and sustainable growth with efficient administration. It will be geared more strongly toward functions, while processes are to be harmonized and standardized worldwide. To enable that, we intend to replace our regionally

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



pooled administrative structures with a global organization. A change project launched in 2016 will gradually merge administrative services and business processes for 70 countries by 2022. 31 of the 58 envisaged parts of the company and subsidiaries, including all of KWS' activities in Germany, have now adopted the new structures. At the same time, more than 80% of the planned jobs in the new organization, mainly at Einbeck and Berlin, have been filled. In the year under review, the new Global Transaction Center and the Global Functions HR and Finance & Procurement moved into their permanent location in Berlin. 275 employees now work at KWS Berlin GmbH (Berlin).

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 87 subsidiaries and associated companies in 33 countries. You can find a detailed breakdown of net sales by region on page 39. An overview of our subsidiaries and associated companies can be found in the Notes on pages 151 to 153.

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, independence and sustainability:

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 devoted more than €200 million to research and 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.

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

Main strategic subject areas		Objective achieved?	Explanation of the course of the year
Profitable growth	■ An average increase in consolidated net sales of at least 5% p. a.	Yes	Page 35 et seqq.
	■ EBIT margin ≥10%	Yes	Page 35 et seqq.
	■ Expansion of the portfolio of varieties for new markets	Yes	Page 32 et seqq.
	■ A dividend payout ratio of 20% to 25% of the KWS Group's net income for the year	Yes	Page 149 (Notes)
Innovation	■ 1% to 2% progress in yields p.a. for our customers and development of tolerances and resistances	Yes	Page 35 et seqq.
	■ R&D intensity of around 17% of consolidated net sales	Yes	Page 35 et seqq.
Independence	■ Retention of a control structure shaped by the family owners	Yes	Page 26 et seqq.
Sustainability	■ Integration of international subsidiaries in KWS' sustainability reporting	Yes	Page 92 et seq.

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

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. Principles of business ethics, a compliance management system, internal rules, guidelines and 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) are now the foundation for KWS' sustainable development.

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 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 plan 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 and 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.

As a plant breeder, we act with vision. The decisions we make today must meet tomorrow's challenges in agriculture.

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 (KGaA) differ greatly from those at a stock corporation (AG) or a European Company (Societas Europaea or SE). In particular, the Supervisory Board at a partnership limited by shares does not hold personnel responsibility as regards management; moreover, it cannot appoint any further personally liable partners and define the contractual terms and conditions for them, enact bylaws for the Executive Board, 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/corporate governance.

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 an independent family business that is growing profitably, we are able to operate largely without being swayed by short-term interests.

*Not an audited part of the Combined Management Report

Guidelines

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:

- We leverage 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 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

KWS' key stakeholder groups include our employees, our shareholders and farmers, as well as 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 address our stakeholders' requirements not only in daily business, but also through our work in associations or dialog with stakeholders on specific subjects.

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 and 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 crops. That is why KWS has supported various gene banks in different projects for years. By continuously improving yield and delivering new plant traits, we make a contribution to resource-conserving, sustainable agriculture.

Working with us not only means you achieve your yield targets.

Proximity forges strong partnerships. That means for us that we are not only on site to help our farmers, but can be reached at all times by app, e-mail, phone or a video chat.

2.2 Research & Development Report

Key research & development figures

		2019/2020	2018/2019	+/–
R&D employees [1]	avg.	2,073	2,053	1.0%
Share of R&D employees relative to the total workforce	in %	36.3	37.0	–
R&D expenditure		236.1	205.6	14.8%
R&D intensity [2]	in %	18.4	18.5	–
Variety approvals		484	464	4.3%

1 Average headcount
2 As a % of net sales

In fiscal 2019/2020, our R&D expenditure totaled €236.1 (205.6) million. The number of variety approvals worldwide rose to 484 (464) – compelling proof of KWS' innovativeness. The new Vegetables Segment was awarded 18 variety approvals in the year under review.

New research building in Einbeck

After around three years of planning and construction, we completed our new laboratory building at Einbeck in June 2020. Our plans to expand R&D activities mean that additional laboratory capacities are required, with the result that a new building was needed. The three-story laboratory and office building has 2,350 square meters of laboratory space and offers cutting-edge workplaces for around 200 employees. The volume of investment for the new building was around €20 million.

The building is particularly energy-efficient: It needs just 55% of the energy of a reference building and thus complies with the KFW 55 standard, which is far more stringent than the statutory requirements.

Strategic decision for our joint venture GENECTIVE

GENECTIVE is a joint venture between KWS and the French plant breeding company Limagrain. The company's mission is to develop its own genetically engineered traits for corn varieties. To boost efforts to achieve that goal, we and Limagrain decided to move the joint venture fully to the U.S. and strengthen it with its own research capacities. The company and its main management functions were previously located in Paris. GENECTIVE's activities have thus been bundled centrally at its new headquarters in Champaign, Illinois, since the year under review.

We also acquired the U.S. biotech company AgBiome as a partner. AgBiome is one of the world's leading developers of resistance traits and offers biological as well as genetically engineered solutions for crop protection. The aim of the strategic partnership is to pool the forces of both companies and to accelerate identification, development and commercialization of pest control solutions.

Next-generation sugarbeet varieties effective against Cercospora

Leaf health is a key factor in sugarbeet cultivation. Only a healthy foliage can convert all the sun's energy into a higher yield and sugar content. Cercospora is the most widespread leaf disease and can cause the highest yield losses. Cercospora has become a growing threat in recent years, even as the use of effective fungicides has been increasingly constrained.

Existing varieties with conventional Cercospora tolerance displayed adequate resistance to Cercospora, but their yield was often disappointing. KWS' breeders have discovered and tapped new sources of resistance to Cercospora and consequently succeeded for the first time in developing next-generation sugarbeet varieties that are highly resistant to Cercospora, yet also deliver better yields. Greater and more stable yields, higher sugar content and, in many cases, the potential to reduce the amount of fungicide used enable sustainable, eco-friendly and cost-effective sugarbeet production in regions affected by Cercospora. Two of the new sugarbeet varieties were cultivated in trials in Italy, the country with the highest Cercospora pressure in Europe, in the past season. They are now undergoing official tests in many other countries and are expected to be available there next season.

New corn breeding program in Argentina

With a cultivation area of some six million hectares, Argentina is one of the world's major corn-producing regions alongside North America, China, Brazil and Europe. However, the country's cultivation areas differ greatly as regards breeding requirements. The areas in northern Argentina's corn belt need to be sown much later and have far higher disease pressure than the more southeastern regions in Buenos Aires Province, for example. Up to two years ago, material development in KWS' breeding program focused solely on conditions in the market for early sowing. We now have a new breeding program in Argentina that not only addresses the specific requirements of the more northern regions, but also forges a bridge between our breeding programs for the tropical and moderate climatic zones. Under the program, the more disease-resistant breeding material for the tropical zone will be incorporated in our non-tropical breeding programs in the coming years. By doing that, we aim to strengthen the diversity of our global breeding material and thereby increase our competitiveness.

The breeding program for the second sowing season was launched two years ago with a test station in the province of Córdoba in central Argentina. Since then, we have selected several promising disease-resistant lines, and the first hybrids are undergoing performance tests. We expect the first competitive varieties for this important segment to be available starting from the 2021 sales season.

Cereal breeding in North America – A success story

We decided around ten years ago to expand our cereals activities to the North American market. Now we have our own breeding program in the U.S. for soft red winter wheat, which has comparatively low protein and is mainly used to make biscuits and cakes. We have focused our activities on the Midwest, despite the fact that it is the largest cultivation region for soybean and corn in the U.S. By offering wheat, we can provide farmers with an important crop in their rotation cycle. The first varieties are already on the market and we are working intensively to expand our product pipeline.

Plants must be adapted as well as possible to their specific environment. In our greenhouses we examine the development of the breeding material in different weather and climatic conditions – such as here at our location in Thriplow in the UK.

Our efforts in Canada are focused on rye breeding. The cultivation regions there demand particular winter hardiness, as well as adaptation to short summers. Our European seed has proven to be very adaptive to these conditions. We launched the first competitive hybrid varieties on the Canadian market in 2015 and now have a broad product pipeline. As part of our further steps, we are developing special hybrids that not only boast good adaptivity to the climatic conditions, but also effective resistance to ergot and Fusarium.

Launch of vegetable breeding at KWS

Following the acquisition of Pop Vriend Seeds effective July 1, 2019, initial collaboration projects between the two companies' breeding teams were initiated in fiscal 2019/2020. The focus is on crops from Pop Vriend Seeds' portfolio, such as spinach, red beet and Swiss chard. At the same time, we laid the groundwork in the year under review for establishing an international breeding program for the most important types of vegetable worldwide: tomatoes, peppers, cucumbers, melons and watermelons. That includes hiring initial research and development employees and commissioning a breeding station in the Spanish province of Almería, one of Europe's largest vegetable production regions. Further breeding stations in Spain, Mexico and Brazil are being planned.

We have begun testing licensed-in genetic material in Almeria. In order to expand our access to genetic material for breeding purposes, we joined the International Licensing Platform Vegetable (ILP), an association comprising companies from the field of vegetable breeding, in the year under review. The members of the ILP give each other access to genetic material and related patents at fair conditions and costs.

As a result, we have achieved important initial milestones in implementing our strategy in the first year since the new Business Unit Vegetables was established – and more are to follow.

2.3 Economic Report

2.3.1 Business Performance

General developments and business performance of the KWS Group

Up to the New Year, the general macroeconomic conditions for the KWS Group remained similar to those in the same period of the previous year. The global economy continued to grow only at a slow rate. There was hardly any change in the U.S. economy's buoyancy in the second half of 2019. The pace of expansion in the eurozone was dampened by, among other things, uncertainty about the UK's withdrawal from the EU. Economic growth also slowed in emerging countries, albeit to different degrees. While there was a pickup in Brazil, Russia and many Asian countries, the recession in Argentina and Turkey continued to deepen. KWS' net sales were negatively impacted by the weakness of the local currencies there.

The outbreak of the coronavirus pandemic gripped the global economy in the first half of 2020. Asia in particular was hit by it first of all. Overall economic activity in China fell sharply. From the end of February on, the coronavirus also spread throughout Europe and the U.S., as a result of which measures, in some cases drastic ones, were taken to contain the pandemic. Many countries closed their borders, preventing the free movement of persons, and suspended air travel. That significantly impeded economic activity. Policymakers subsequently launched economic stimulus programs to support the affected companies and sectors. Central banks responded with expansionary measures.

In spite of these general conditions, the KWS Group managed to supply farmers with seed in good time for the spring sowing season. KWS' top priority is to protect its employees' health. We therefore took prompt measures at all our global locations based on or even exceeding the recommendations and directives of the national and international health authorities. At the same time we maintained all key production and logistics processes so as to ensure that farmers were supplied with seed during this critical phase.

Even without the coronavirus pandemic, the agricultural sector again had to contend with challenging general conditions in fiscal 2019/2020. Many farmers faced the problems of continued high inventory levels, regulatory intervention and further weather anomalies. In some cases, arable farming remained a loss-making business as a result of relatively low prices for agricultural raw materials. While sugar prices rose moderately year over year, the prices for some crops, such as corn and wheat, were down from the previous year, in some cases sharply.

Guidance versus actual business performance of the KWS Group

In the course of the year, there were no significant changes to our assessment for the year as a whole. We only gave a more precise guidance in the Semi-annual Report 2019/2020 to the effect that the forecast EBIT margin of 11.0% to 13.0% did not include effects as part of the completed purchase price allocation for the acquisition of Pop Vriend Seeds. In the 9M Quarterly Report for 2019/2020, 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.

The KWS Group's consolidated net sales rose by around 15% to €1,282.6 million and were thus above the forecast range of 8% to 12%. The deviation from the guidance is mainly attributable to a better-than-expected course of business in the fourth quarter, in particular in the Sugarbeet Segment. The R&D intensity was 18.4%, within the forecast range of 17% to 19%.

Guidance versus actual business performance of the KWS Group

	Results in 2018/2019	Guidance for 2019/2020	Adjustments to the guidance during the year			Results in 2019/2020
		Annual Report 2018/2019	Q1 Report	Semiannual Report	9M Report	
Net sales	€1,113 million	8–12%	–	–	im oberen Bereich der Prognose	€1,283 million 15.2%
R&D intensity	18.5%	17–19%	–	–	–	18.4%
EBIT margin	13.5%	11–13%	–	More precise guidance (excluding the effects of the purchase price allocation for Pop Vriend Seeds)	At the upper end of the more precise guidance	13.3%

The EBIT margin (excluding the effects as part of the completed purchase price allocation for the acquisition of Pop Vriend Seeds) was 13.3%, at the top end of the more precise guidance given in the Semiannual Report 2019/2020 and 9M Quarterly Report for 2019/2020.

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.

Net sales and the EBIT margin in the Corn Segment were, as forecast, 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). Our high-quality sugarbeet varieties were again some of the highest-yielding in the industry. The segment also benefited in particular from the successful launch of our CONVISO® SMART portfolio of varieties. Cultivation area declined slightly as a whole. Nevertheless, we posted an increase in net sales in particular in Eastern Europe and North America. The segment performed positively with an increase in net sales of 6.6% in line with the guidance ("slight increase in net sales"). The EBIT margin in the Sugarbeet Segment was 34.6% and was as expected below the figure of the previous year, which was impacted by the positive special effect from the sale of our potato business.

Every year, the fall sowing season determines the main business trends of the **Cereals Segment.** The key crop there is hybrid rye, which accounts for a very substantial share of the segment's net sales and earnings. As forecast in the 9M Quarterly Report for 2019/2020, net sales rose sharply by 11.9% in the year under review, mainly as a result of the strong growth in hybrid rye seed. Slight growth in the segment's net sales was originally anticipated. The EBIT margin was 13.8%, a little better than originally anticipated and slightly above the figure for the previous year.

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

The **Vegetables Segment,** in which the activities of Pop Vriend Seeds, the vegetable seed producer we acquired effective July 1, 2019, are consolidated, is impacted by seasonal factors only to a small degree. Its business in the year under review benefited from large demand for spinach seed in North America. Moreover, sales of spinach and bean seed were increasingly buoyant in Europe. The segment's net sales were in line with expectations at €83.5 million. The segment's income (before acquisition-related effects) was €25.5 million, while the EBIT margin of 30.5% was within the more precise guidance given in the Semiannual Report 2019/2020. Including the effects as part of the purchase price allocation from the sale of inventories that were taken over and remeasured at fair value (€–11.1 million) and from amortization of intangible assets (€–21.9 million), the segment's income was €–7.5 million.

Net sales at the **Corporate Segment** were as expected. The segment's EBIT was €–104.6 million and was below the previous year's figure and the guidance for the segment ("at the level of the previous year") due to extra expenditure as part of our reorganization project ONEGLOBE, higher expenses for central R&D activities, and lower income from instruments for hedging foreign currency risks.

Balanced crop rotation is vital in arable farming: It improves yield, reduces disease pressure and has a positive impact on the nutrient ratio in the soil.

2.3.2 Earnings, Financial Position and Assets

Earnings

Sharp increase in net sales
The KWS Group's net sales rose sharply from €1,113.3 million in the previous fiscal year to €1,282.6 million in the year under review, an increase of 15.2%. Negative exchange rate effects, mainly due to the depreciation of the Brazilian real and the Argentinian peso against the euro, caused net sales to be 2.4% lower than they otherwise would have been.

In the Corn Segment, expanding seed business in South America and Europe had a particularly positive impact on net sales. The Sugarbeet Segment posted an increase in net sales, in particular as a result of growth in Eastern Europe. Net sales in the Cereals Segment rose sharply due to higher sales of rye seed. The Vegetables Segment generated net sales of €83.5 million, mainly from spinach and bean seed.

The Corn and Sugarbeet Segments accounted for a major share of total net sales, namely 39.9% and 38.3% respectively. The Cereals Segment was almost able to maintain its share, contributing 14.9% (previous year: 15.3%) on the back of strong growth. The new Vegetables Segment accounted for 6.5% of total net sales.

The region where we generated most of our business was Europe, which accounted for 63.4% of net sales (Germany: 18.7%), while net sales from North and South America contributed 29.5% 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 43).

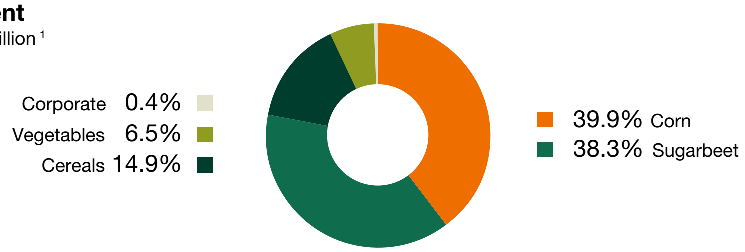
EBIT declines due to special effects, while EBITDA increases by around 13%
The KWS Group's operating income before depreciation and amortization (EBITDA) increased in fiscal 2019/2020 by 12.9% to €225.5 (199.7) million. Operating income (EBIT) declined to €137.4 (150.0) million, mainly due to special effects. In the previous year, there was a positive effect on income from the sale of shares in KWS Potato B.V. and from receivables management activities. At the same time, amortization of intangible assets as part of the purchase price allocation for the acquisition of Pop Vriend Seeds reduced EBIT by €21.9 million in the year under review.

Abridged income statement

in € millions		2019/2020	2018/2019	+/–
Net sales		1,282.6	1,113.3	15.2%
EBITDA		225.5	199.7	12.9%
EBIT		137.4	150.0	–8.4%
Net financial income/expenses		–7.8	–5.5	–
Result of ordinary activities		129.5	144.5	–10.4%
Income taxes		34.3	40.4	–15.1%
Net income for the year		95.2	104.0	–8.4%
Earnings per share	in €	2.89	3.15	–8.4%
EBIT margin	in %	10.7	13.5	–

Net sales by region
Total net sales €1,282.6 million [1]

Net sales by segment
Total net sales €1,282.6 million [1]



1 Without capital expenditures of our at equity accounted consolidated companies

The EBIT margin was 10.7% following 13.5% in the previous year. Excluding the effects as part of the purchase price allocation for the acquisition of Pop Vriend Seeds from the sale of inventories that were taken over and remeasured at fair value (€–11.1 million) and from amortization of intangible assets (€–21.9 million), the EBIT margin was 13.3%. The KWS Group's cost of sales rose in the year under review by around 20% to €549.9 (458.5) million, giving a cost of sales ratio of 42.9% (41.2%). The year-on-year increase in this ratio is mainly attributable to higher cost of sales ratios in the Vegetables Segment (including effects from the purchase price allocation for Pop Vriend Seeds) and in the Sugarbeet Segment. As planned, we again increased our research and development expenditure, which we see as an investment in the future, to €236.1 (205.6) million; as in the previous year, the R&D intensity was virtually unchanged at 18.4% (18.5%). Administrative expenses increased to €129.5 (115.4) million, mainly due to extra expenditure as part of our reorganization project ONEGLOBE and higher IT expenses (an increase in costs for cloud-based IT applications). The balance of other operating income and other operating expenses fell sharply to €19.1 (38.0) million, among other things due to positive non-recurring effects in the previous year (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 page 121.

Net financial income/expense on a par with the previous year – Lower net income for the year

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 rose slightly to €10.8 (9.4) million. The interest result fell to €–18.6 (–15.0) million, in particular due to a higher gearing ratio. Net financial income/expenses was thus €–7.8 (–5.5) million. Earnings before taxes (EBT) fell by around 10% to €129.5 (144.5) million. Income taxes consequently decreased to €34.3 (40.4) million, giving a tax rate of 26.5% (28.0%). Overall, the KWS Group generated net income of €95.2 (104.0) million in the year under review, a decrease of 8.4%. Given that the number of shares is 33,000,000, earnings per share were €2.89 (3.15).

Financial situation

Selected key figures on the financial position

in € millions	2019/2020	2018/2019[1]	+/–
Cash and cash equivalents	119.7	159.8	–25.1%
Net cash from operating activities	136.2	85.6	59.1%
Net cash from investing activities	–499.9	–91.3	447.5%
Free cash flow	**–363.7**	**–5.6**	**–**
Net cash from financing activities	–82.5	387.8	–

1 Previous year adjusted

Securing the KWS Group's financial strength, 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 fiscal 2019/2020, apart from a syndicated credit line, were borrower's notes and bilateral loan agreements (commercial papers) with different loan periods and terms.

On June 26, 2020, the European Investment Bank (EIB) gave KWS an undertaking to extend a loan of €200 million with a term of twelve years. KWS utilized €50 million of it with the same term on July 13, 2020. The funding from the EIB is specifically intended for research and development work by KWS in the EU. It ensures financing of research & development costs in the coming years and will further strengthen KWS' commitment to innovative and climate-smart agriculture. The maturity profile of the Group's borrowings has a broad spread, with a high proportion of medium- and long-term financing. In order to secure KWS' growth, we also consider the option of a capital increase in exceptional cases.

The net cash from operating activities rose to €136.2 (85.6) million, in particular due to the increase in earnings before depreciation and amortization and a much lower increase in trade receivables.

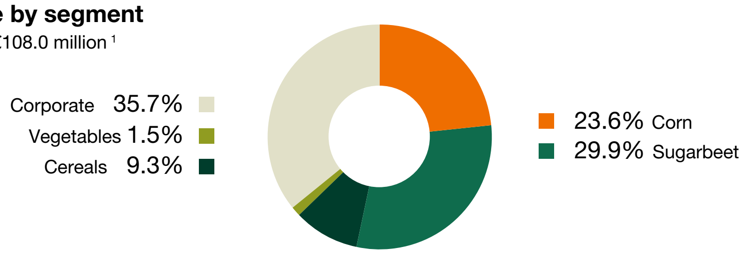
Due to adoption of IFRS 16 "Leases" and the KWS Group's increased financing activities over recent years, the presentation of the cash flow statement has changed in terms of interest income and interest expense. Interest income is reported under the net cash from investing activities and interest expense under net cash from financing activities. The disclosures for the previous year have been adjusted accordingly.

The net cash from investing activities totaled €–499.9 (–91.3) million in fiscal 2019/2020. This sharp increase over the previous year was mainly attributable (to an amount of almost €400 million) to the acquisition of Pop Vriend Seeds. Our capital spending in the year under review was again consistent with our long-term growth plans and focused on erecting and expanding production and research and 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, will be completed in the current fiscal year. The focus of our capital spending in the Corn Segment was on expanding production and processing plants in Brazil and Argentina, which we were able to complete in August 2019 with commissioning of the new plants. The main focus in the Cereals Segment remained on expanding and modernizing breeding stations and production plants. Our cross-segment investments included completion of the new research building in Einbeck and fitting out our new Berlin location. Total capital spending in fiscal 2019/2020 was €108.0 (96.6) million. Depreciation and amortization increased sharply in the year under review to €88.2 (49.7) million, mainly due to amortization as part of the purchase price allocation for the acquisition of Pop Vriend Seeds. In addition, adoption of IFRS 16 impacted the amount of depreciation and amortization.

The net cash from financing activities was €–82.5 million, well below the figure for the previous year (€387.8 million), and included the capital raised as bridge funding for the takeover of Pop Vriend Seeds. The KWS Group's cash and cash equivalents at the end of fiscal 2019/2020 fell to €119.7 (159.8) million.

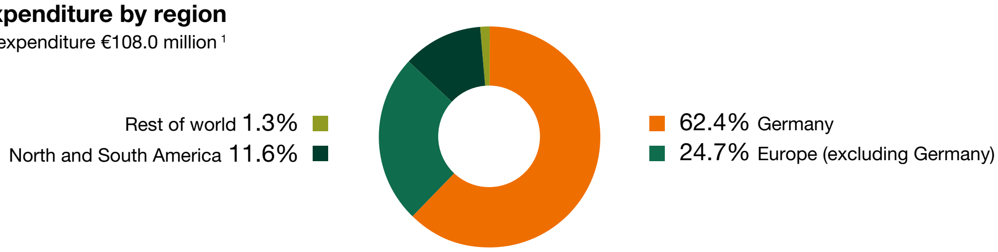
Capital expenditure by segment

Total capital expenditure €108.0 million [1]



Capital expenditure by region

Total capital expenditure €108.0 million [1]



1 Without capital expenditures of our at equity accounted consolidated companies

Assets

Abridged balance sheet

in € millions	6/30/2020	6/30/2019	+/–
Assets			
Noncurrent assets	1,273.7	760.5	67.5%
Current assets	961.3	1,346.8	–28.6%
Assets held for sale	0.4	7.6	–
Equity and liabilities			
Equity	994.5	963.5	3.2%
Noncurrent liabilities	795.5	364.4	118.3%
Current liabilities	445.5	785.3	–43.3%
Liabilities held for sale	0.0	1.8	–
Total assets	**2,235.5**	**2,115.0**	**5.7%**

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 €2,235.5 (2,115.0) million. Noncurrent assets rose to €1,273.7 (760.5) million, mainly due to the acquisition of the Dutch vegetable seed producer Pop Vriend Seeds, planned investments in new production plants and the expansion of research and development capacities. Trade receivables rose sharply to €432.6 million from €402.1 in the previous year, in particular as a result of acquisition-related effects and due to business expansion in South America and Eastern Europe. Inventories likewise increased sharply to €214.0 (177.3) million, mainly due to the acquisition and a large harvest as part of seed multiplication. Current assets at the balance sheet date totaled €961.3 (1,346.8) million. Last year's figure included current liabilities relating to the bridge funding for the acquisition of Pop Vriend Seeds. Net debt was €495.5 million, on a par with the previous year's figure of €497.9 million.

Equity increased to €994.5 (963.5) million, mainly due to the net income for the year. Noncurrent liabilities rose to €795.5 (364.4) million due to the issue of borrower's notes to finance the acquisition of Pop Vriend Seeds. The equity ratio was virtually unchanged at 44.5% (45.5%).

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. 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:

Reconciliation table

in € millions		Segments	Reconciliation	KWS Group
Net sales		1,546.8	–264.3	1,282.6
EBIT		151.3	–14.0	137.4
Number of employees	avg.	6,179	–470	5,709
Capital expenditure		113.4	–5.4	108.0
Total assets		2,348.9	–113.4	2,235.5

The reconciliation between the KWS Group's statement of comprehensive income and the reporting by segments in fiscal 2019/2020 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.

Corn Segment

Key figures

in € millions		2019/2020	2018/2019	+/–
Net sales		775.7	739.0	5.0%
EBIT		67.1	57.9	15.9%
EBIT margin	in %	8.6	7.8	–
Capital expenditure		30.9	27.2	13.6%
Capital employed (avg.)		744.2	750.2	–0.8%
ROCE (avg.)	in %	9.0	7.7	–

General industry-specific conditions: Stable cultivation conditions in Europe, pressure on corn prices in the U.S., high demand in Brazil
The general economic conditions in the Corn Segment varied greatly in the main cultivation regions. While there were largely stable cultivation conditions in KWS' important regions of Europe and the Middle East/Africa, the U.S. market was hit by the negative impacts of the Covid-19 pandemic. The sharp fall in oil prices and lower fuel consumption reduced in particular the economic attractiveness of growing corn for the production of the biofuel ethanol. In this context, the price for U.S. corn fell to a multi-year low.

In Brazil, rising domestic demand for feed and high sales prices for corn offered advantageous market conditions. Government incentives to invest in agriculture also helped create a positive business climate. In Argentina, however, higher export taxes and stringent restrictions to combat the Covid-19 pandemic weighed on the market environment.

In China, an extensive lockdown in response to the pandemic at the beginning of 2020 led to significant temporary constraints on economic activity. However, gradual easing of the measures in March 2020 meant that our joint venture KENFENG/KWS was able to resume business operations in Heilongjiang province in time for the start of the season.

The segment's performance: Increase in net sales and earnings
The Corn Segment grew its net sales by 5.0% to €775.7 (739.0) million in the year under review. That increase is mainly attributable to positive business performance in Europe and South America. In Europe, we posted a sharp increase in net sales. Our net sales performance in France and Eastern, Southeastern and Southern Europe was positive, while we posted lower net sales in Germany and a number of Northern European markets due to intensified competition. We aim to keep on launching new hybrid varieties and thereby strengthen our market position in Europe. We see the greatest growth potential as being in Eastern and Southeastern Europe.

We significantly expanded our business volume and won market share in Brazil following the successful launch of our high-performance hybrid corn varieties. We also grew our soybean seed sales sharply. However, the continuing depreciation of the Brazilian real against the euro reduced net sales growth. In Argentina we recorded sharp growth in volume, which partly compensated for the depreciation of the Argentinean peso against the euro. Argentina was once more classified as a hyperinflationary economy in the year under review and we therefore applied IAS 29 "Financial Reporting in Hyperinflationary Economies" again in order to compensate for the effects of inflation.

Corn

In North America, net sales at our 50 : 50 joint venture AgReliant were on a par with the previous year, while corn and soybean seed business declined slightly as a result of turbulence on the commodity markets due to the pandemic. On the other hand, there were positive exchange rate effects from the increase in the US dollar's value against the euro.

Our business in China performed positively against the backdrop of a challenging environment. While net sales at our Chinese joint venture KENFENG/KWS rose sharply, we posted a fall in revenue from licensing business with third parties.

The segment's income rose by 15.9% to €67.1 (57.9) million. That was aided in particular by the sharp improvement in operations in South America. Our earnings situation in North America and Europe remained stable. The segment's EBIT margin rose from 7.8% to 8.6%.

Important capital spending projects completed in South America

The segment's capital spending was €30.9 (27.2) 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. Completion of these plants means we have roughly doubled processing capacities in the two countries.

Sugarbeet Segment

Key figures

in € millions		2019/2020	2018/2019	+/–
Net sales		491.8	461.2	6.6%
EBIT		170.1	179.6	–5.3%
EBIT margin	in %	34.6	38.9	–
Capital expenditure		32.3	34.9	–7.4%
Capital employed (avg.)		349.5	300.0	16.5%
ROCE (avg.)	in %	48.7	59.9	–

General industry-specific conditions: Slight decline in cultivation area, volatile sugar prices
Whereas sugarbeet cultivation area in the U.S. grew again slightly, they declined a bit in Europe, in particular due to a reduction in sugar production capacities and restrictions on the use of insecticides. Total global cultivation area fell by around 5% year on year. Prices for raw and white sugar were volatile in the course of the fiscal year. After a sharp increase at the beginning of 2020, sugar prices fell back to the level of the previous year by the balance sheet date, mainly due to the coronavirus crisis.

The Covid-19 pandemic impacted the industry in diverse ways. On the one hand, there was a noticeable increase in demand for sugar to manufacture ready-made products, such as frozen pizzas. On the other hand, sugar consumption in the catering sector fell. In addition, the drop in oil prices resulted in far lower demand for ethanol, which is also obtained from sugar cane in Brazil, for example. That had the implicit effect of dampening sugar prices.

The segment's performance: Increase in net sales, no losses due to the coronavirus crisis
The above-described effects in the wake of the global Covid-19 pandemic did not have an appreciable impact on the Sugarbeet Segment's operational business in fiscal 2019/2020. Net sales rose by 6.6% to €491.8 (461.2) million. The successful launch of CONVISO® SMART, an innovative system for controlling weeds that is now available in 24 countries, and exchange rate effects related to translation to the US dollar had a positive impact in the period under review. On the other hand, there was a negative impact from the reduction in sugarbeet cultivation area in the EU 27 and in Eastern Europe. Net sales in Turkey and the Middle East were again up over the previous year.

The segment's income was €170.1 million, slightly down from the high level of the previous year (€179.6 million), in which there was the positive non-recurring effect from the sale of shares in our potato business. While our net sales performance

Sugarbeet

was positive, there was an increase in the cost of sales, in particular due to changes in the regulatory framework. While selling expenses declined slightly due to the pandemic, our research & development expenditure was higher as planned. In view of the further restrictions on pesticides in the EU, we believe that the development of natural resistances will continue to grow in importance. The EBIT margin was 34.6%, as expected well down from the previous year's figure, mainly due to the non-recurring effect last fiscal year.

Continued investment in seed production

We continued our multi-year capital spending projects as planned in fiscal 2019/2020. The PIA (Production Extension and Innovation Einbeck) project, which is our most important one at present and with which we are expanding our seed production plant in Einbeck, continues to make good progress. A large section of the new production plant (packaging) started operating in 2019. The plants for pelleting seed will be completed in the current fiscal year. Further investments were made in a new seed treatment plant in France, in establishment of a new seed treatment plant in Russia, and 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		2019/2020	2018/2019	+/–
Net sales		191.2	170.8	11.9%
EBIT		26.4	23.0	14.8%
EBIT margin	in %	13.8	13.5	–
Capital expenditure		10.1	7.0	44.3%
Capital employed (avg.)		145.6	133.0	9.5%
ROCE (avg.)	in %	18.1	17.3	–

General industry-specific conditions: Situation for European cereal farmers remains strained
The continuing low level of cereal commodity prices again posed major challenges for farmers in Europe. The situation has not improved due to the restrictions on logistics and personnel in the wake of the Covid-19 pandemic that has prevailed since the spring of 2020, despite the fact that the main share of cereal seed business in the northern hemisphere was transacted during the fall sowing season.

Increasing regulation of the use of pesticides in the EU and dry conditions at the time of sowing resulted in a decline in rapeseed cultivation area. However, cultivation of rye continued to increase in the year under review, too. The main reasons for that were better prices for rye than for wheat, rye's acknowledged high yield stability under drought stress, and the increasing use of rye in feed.

The segment's performance: Sharp increase in net sales, EBIT margin at the previous year's level
Net sales at the Cereals Segment rose sharply by 11.9% to €191.2 (170.8) million. Hybrid rye seed business made a major contribution to that, largely on the back of good market conditions, rye's relatively stable yield in dry years and much higher demand for it as feed. While revenue from wheat and barley seed was at the level of the previous year, rapeseed seed was down slightly from the previous year, in particular due to adverse weather conditions at the time of sowing. On the other hand, royalties from wheat were higher. Net sales from sorghum seed also increased; in particular, sales in Brazil rose appreciably. Peas and oats also performed well as a result of growing demand for protein from plants and their advantages in crop rotation.

The increase in net sales and an improved product mix resulted in a higher gross profit. The higher expenditure for research & development and distribution activities planned in line with our strategic growth objectives, as well as negative exchange rate effects and higher write-downs of receivables and inventories, resulted in an EBIT margin of 13.8%, just slightly above the figure for the previous year (13.5%). EBIT increased in absolute terms by around 15% to €26.4 (23.0) million.

Cereals

Investment activity focuses on breeding

The segment's capital spending in the year under review was €10.1 (7.0) million, well up from the previous year. That is mainly attributable to the postponement of some investments that had been planned for the 2018/2019 fiscal year.

The main focus of our investment activity was again on expanding and modernizing breeding stations and production plants. Along with conventional breeding, long-term breeding and development projects are vital to the segment's future. Our focus is on breeding high-performance varieties and preserving and enhancing their resource efficiency. So that we can tap further market potential in the medium term, our breeding and development projects are also aimed at tailored rye varieties for Eastern Europe and North America. The goal of the initiative aimed at promoting greater use of rye as feed and the related positive effects on animal welfare is to provide additional incentives to grow rye in Germany. Another long-term goal is to expand hybrid breeding activities for wheat and barley.

Investments to renew and replace plant and equipment help ensure that we live up to our high standards of quality in our breeding and production processes. Another goal is to ensure we provide sufficient capacities so that we can achieve our strategic objectives.

Vegetables Segment

Key figures

in € millions		2019/2020	2018/2019	+/–
Net sales		83.5	–	–
EBIT		–7.5	–	–
EBIT margin	in %	–9.0	–	–
Capital expenditure		1.6	–	–
Capital employed (avg.)		479.5	–	–
ROCE (avg.)	in %	–1.6	–	–

General industry-specific conditions: Positive market environment strained by the Covid-19 pandemic

The general conditions for spinach seed – the main sales driver in the segment, contributing around 70% – were positive in the first half of the fiscal year. Following low harvests in the two previous years, a far higher volume of spinach seed was produced in 2019, enabling market demand to be satisfied.

However, the outbreak of the Covid-19 pandemic resulted in significant adverse effects on our international supply chains in the second half of the fiscal year. At the same time, demand in our important market segment of food service slumped, in particular in the U.S. Still, the lockdown measures in many countries increased demand from the processing industry for spinach and beans for the food retailing sector.

The segment's performance: Net sales and income in line with expectations – profitability (before acquisition-related effects) remains high

The Vegetables Segment, which includes the business activities of the vegetable seed producer Pop Vriend Seeds acquired effective July 1, 2019, made a significant contribution of €83.5 million to the KWS Group's increase in net sales. The most important single market was the U.S., which accounted for around 50% of the segment's net sales.

The outbreak of the Covid-19 pandemic initially had only a slight impact on the segment's net sales in the year under review. Its business in the year under review benefited from large demand for spinach seed in North America. Moreover, sales of spinach and bean seed were increasingly buoyant in Europe. China is the second-largest single market, accounting for around 12% of total net sales.

The segment's income (before acquisition-related effects) was €25.5 million, while the EBIT margin of 30.5% was within the more precise guidance given in the Semiannual Report 2019/2020. Including the effects as part of the purchase price allocation from the sale of inventories that were taken over and remeasured at fair value (€–11.1 million) and from amortization of intangible assets (€–21.9 million), the segment's income was €–7.5 million. The segment's income includes expenses of around €2.0 million for establishing the Business Unit and for initial breeding activities.

Establishment of the Business Unit moves forward

Important milestones in establishing the Business Unit were achieved in the course of the year under review. They include rounding out the management team, commissioning of a new breeding station for tomatoes, peppers, cucumbers, melons and

Vegetables

watermelons in Almería, Spain, and licensing in of the relevant genetic material. In addition, we pressed ahead with activities to establish the Business Unit's headquarters in Wageningen, the Netherlands, which are scheduled for completion in the first quarter of fiscal 2020/2021.

Launch of vegetable breeding at KWS
Following the acquisition of Pop Vriend Seeds effective July 1, 2019, initial collaboration projects between the two companies' breeding teams were initiated in fiscal 2019/2020. The focus is on crops from Pop Vriend Seeds' portfolio, such as spinach, red beet and Swiss chard. At the same time, we laid the groundwork in the year under review for establishing an international breeding program for the most important types of vegetable worldwide: tomatoes, peppers, cucumbers, melons and watermelons. That includes hiring initial research & development employees and commissioning a breeding station in the Spanish province of Almería, one of Europe's largest vegetable production regions. Further breeding stations in Spain and Brazil are being planned.

We have begun testing licensed-in genetic material in Almería. In order to expand our access to genetic material for breeding purposes, we joined the International Licensing Platform Vegetable (ILP), an association comprising companies from the field of vegetable breeding, in the year under review. The members of the ILP give each other access to genetic material and related patents at fair conditions and costs.

As a result, we have achieved important initial milestones in implementing our strategy in the first year since the new Business Unit Vegetables was established – and more are to follow.

Corporate

We moved into the KWS branch office in Berlin-Schöneberg at the beginning of 2020. It will offer space for around 350 employees in the future.

Corporate Segment

Key figures

in € millions	2019/2020	2018/2019	+/–
Net sales	4.6	3.9	17.9%
EBIT	–104.6	–97.1	–7.7%
Capital expenditure	38.6	32.1	20.2%

Net sales in the Corporate Segment in the fiscal year just ended totaled €4.6 (3.9) 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 segment's EBIT was €–104.6 million and so below the previous year's figure (€–97.1 million) due to extra expenditure as part of our reorganization project ONEGLOBE, higher expenses for central R&D activities, and lower income from instruments for hedging foreign currency risks.

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 and vegetables, 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 crops 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

Improved usability	Biotic resilience	Resource efficiency	Abiotic resilience
■ Higher sugar content (sugarbeet) ■ Improved digestibility ■ Improved processing attributes (such as baking or brewing quality)	■ Improved resistance and tolerance to pathogens and pests ■ Strengthening of plants by means of crop rotation and biostimulants	■ Less pesticide usage ■ Less fertilizer usage ■ Lower water usage	■ Regionally adapted crops ■ Enhanced resistance to extreme environmental conditions

One indicator of our breeding progress is annual variety approvals. Only varieties that differ significantly from already approved ones and offer a clear improvement in cultivation or further processing can be marketed in the EU, for example. We obtained 484 variety approvals worldwide in the year under review compared to 464 in the previous year.

We launched a new sugarbeet variety on the Italian market, for example. It is a great aid for farmers in combating the fungal pathogen Cercospora since it is equipped with highly effective resistance to this leaf spot disease. Infestation by the disease has increased sharply in the past years due to environmental factors, such as extreme changes in the weather resulting from climate change. Approval processes for further varieties that have this resistance to Cercospora have already been initiated in many other countries. In Eastern and Southeastern Europe, we also obtained approval for ten new hybrid corn varieties under our label "ClimaControl[3]." They are distinguished by increased drought tolerance. We are also in the process of registering further drought-tolerant varieties. We have also reviewed our catch crop mixtures and adapted them further to agricultural requirements. We offer specific seed mixtures under the umbrella brand "KWS Fit4Next" that enable combating of nematodes (threadworms) or can also be put to secondary use as a feed reserve, for example. In addition, we have achieved further progress in the fields of biologicals and organic seed. Biologicals are an alternative or complement to chemical means of seed treatment. They comprise microorganisms such as fungi and bacteria, but also various substances that can be obtained from plants or microorganisms. Seed treatment with biologicals

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has now been used successfully for corn and rye seed in addition to sugarbeet and rapeseed seed. For organic farming, KWS has been able to include the seed mixture of corn and beans in its product portfolio for the corn sector. Sowing bean and corn plants in the same field offers organic farmers a new option for coordinated intercropping.

2.4.2 Use of Genetic Resources

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

Where this genetic material is used, the rights of the peoples in all regions the material originates from must be respected. KWS is aware of its obligations in this regard and supports the various international access and benefit-sharing frameworks. Of prime mention in this respect are the Convention on Biological Diversity, the Nagoya Protocol and the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA). The latter is particularly relevant to regulating transfer of genetic resources. KWS maintains dialogue with governments through industrial associations, such as Euroseeds and the International Seed Federation (ISF).

We have implemented a due diligence process to ensure compliance with these guidelines. All employees who work with genetic material are obligated 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. In addition, new employees are offered training modules, and an

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annual update meeting on the issue is held. 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. No deviations were identified as part of the above due diligence process in fiscal 2019/2020.

There is regular dialogue during the year with the Executive Board member responsible for research & breeding both in the context of the semiannual meetings of the ISF and also if required. An annual report to the Executive Board is only drawn up if specific issues or incidents have been identified as part of the due diligence process. No such incidents were reported in the year under review.

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 HSE (health, safety and environment) 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 group guidelines in fiscal 2018/2019. In the future, all relevant locations in the KWS Group are to undergo regular health, safety and environment auditing to achieve continuous improvements.

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Alongside the global HSE management system, we are also focusing on the issue of environmental protection in relation to Europe-wide certification of treatment facilities in accordance with SeedGuard. Internal audits to review compliance of processes with SeedGuard were successfully held at two certified locations in the year under review. Examples in relation to the subject area of environmental protection include stipulations on resource-conserving operation of our locations, the handling of environmentally harmful chemicals and waste, and the use of exhaust air filters.

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. There is also dialogue between the specialist functions and first management level (N-1) on the basis of an annual Management Review Report. Incidents are also reported to the Executive Board if necessary.

The second half of the fiscal year was overshadowed by the Covid-19 pandemic. HSE management has collaborated with an Incident Team to implement a global pandemic network and draw up a guide containing consistent regulations on how to deal with the coronavirus at the company. These regulations are developed and communicated on an ongoing basis, also because of the large differences in the pandemic's progression in the various regions. Examples that can be cited here are measures to increase separation among research and production employees (ensuring they work apart and at different times), mobile working arrangements, and company quarantine regulations. HSE management is the central point of contact here for the KWS Group. KWS was able to maintain all core processes in the remainder of the fiscal year, with the result that there was no negative impact on its plant and process safety.

As part of the expansion and modernization of our sugarbeet seed processing plant in Einbeck, KWS is setting new standards in terms of quality, flexibility and efficiency. A new packaging plant is part of the capital spending project.

What do our high-yielding varieties and our employees have in common? Both routinely excel and grow to new heights.

Proximity is important for us. But because proximity was impossible in this out-of-the-ordinary year, our colleagues toiled away with enormous dedication so that life could go on everywhere. For that: thank you!

2.5 Employee and Social Report*

Over the 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 commitment. As a company with a tradition of family ownership, we attach importance to a high degree of personal initiative, personal and professional development, and a work culture marked by respect, openness, trust and team spirit.

2.5.1 Employment Trends

In the year under review, the KWS Group employed an average of 5,709 (5,543) people, a year-on-year increase of around 3%. A large part of that increase is attributable to the acquisition of Pop Vriend Seeds, Andijk, the Netherlands, at the beginning of the year under review.

2,236 (2,141), or around 39% (39%) of the workforce, were employed in Germany. Once again, the area that accounted for the most employees was research & development, who made up 36.3% of the total workforce.

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2.5.2 Recruitment and Qualification

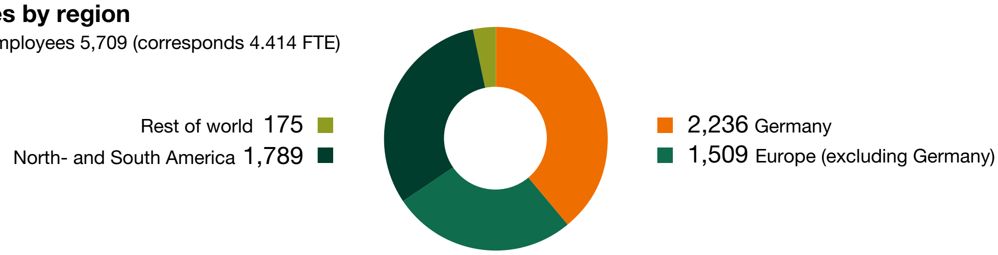
Employer branding: Projecting our employee brand outside the company

As an international company that continues to grow, the KWS Group endeavors to win and keep suitable employees. Apart from growing our workforce numbers through recruitment, KWS is also guided by strategic objectives and aims to secure qualitative growth by enhancing the loyalty of and developing existing staff. The status of recruiting measures and filling of new posts is reviewed regularly in consultation with members of the Executive Board, the first management level and the Works Councils involved.

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, XING and Facebook. Apart from using common digital channels, we took part for the first time in a virtual career fair in June 2020 due to the pandemic. It gave students the opportunity to listen to an online talk by us and chat directly to employees.

Thanks to the position of Global Lead of Scientific Affairs we created in 2018/2019 at the Research & Development department, we were able to deepen

Employees by region
Number of employees 5,709 (corresponds 4.414 FTE)



Employees by function
Number of employees 5,709 (corresponds 4.414 FTE)

* Not an audited part of the NFD or Combined Management Report

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our cooperation with universities and research institutes even further in fiscal 2019/2020. This cooperation is organized in such a way that there are various research & development colleagues who act as main contact persons for the Global Lead of Scientific Affairs and so promote dialogue with universities and research institutes.

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 97 (90) trainees in Germany were employed in vocational training at KWS or enrolled in dual courses of study.

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 came in 59th in the area of sciences in 2020 (2019: 47th) in the list of the 100 most popular employers in Germany among students and captured 36th spot among professionals in 2019.

Qualification, further training and development
KWS' long-term 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. They are held as conventional in-person events or online. Training was suspended from mid-March 2020 due to the pandemic. In its place, we developed an online offering that has been gradually made available to employees starting in May 2020.

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

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enhancing their personal and professional skills and competence. The meetings were not held exclusively in person in the year under review, as is usually the case, but instead in part virtually.

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. In the International Development Program, we also give talents from all departments the chance, among other things, to gain experience in an international team in cross-functional project work and to develop their management and leadership skills. The development meetings accompanying the two programs were all held virtually for the first time this fiscal year for colleagues at our German locations, too.

We are particularly committed to having all employees receive qualified leadership and support from their supervisors. That is why we have developed a competence model defining the core competencies of managers at KWS and are developing it further. The objective is to support continuous development of the organization against the backdrop of an increasingly agile and dynamic working world. In the second half of 2018, we had also introduced "Leading Individuals," the first module of our newly designed management development program, in which more than 200 executives have taken part so far. On the basis of that, we have developed a further module called "Leading Self" to enable employees to develop their management and leadership skills. It will be rolled out in the coming months. Alongside that, we are already working on a further module for experienced managers.

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*

We are an international, innovation-oriented company that aims to keep on growing – and qualified and committed employees are the key to our success. In order to recruit them and keep them at KWS, we position ourselves as an attractive family business that offers good working conditions.

Contracts and compensation

All employees of the KWS Group have 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, professional experience 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 fundamental principle of our basic 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.

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 experience, knowledge, skills and ideas, is a key value and a competitive advantage. It encourages creativity and innovativeness and strengthens our understanding of markets and different cultures by fostering intercultural skills.

We aim to further increase the ratio of women in the top two management levels at KWS. We believe we are making good progress in our efforts, as evidenced by the award we won in the 2020 Career Atlas of Focus Money, attesting that KWS offers some of the best career opportunities for women in the industry. The targets for the ratio of women can be found in our declaration on corporate governance, which is published on our website at www.kws.com/ir.

Employee representative bodies

Employees' interests are represented collectively to 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 European employees and is responsible for cross-border matters within the EU. The working relationship between the employee representative bodies and management is cooperative 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 research and education, and well as a culture founded on diversity, creativity and openness, are particularly dear to our heart. Our focus in the area of social commitment is therefore to promote educational institutions and young scientific and artistic talents. We sponsor culture at the regional level, support associations, cultural institutions and social initiatives and thereby help develop the socio-cultural infrastructure at our locations.

We aim to support regional socio-economic development by means of targeted initiatives and measures, such as our involvement in the German 5G Innovation Program with the project "5G NortNet – Optimization of the value chain in plant cultivation." In cooperation with public- and private-sector partners and with initial funding from the German Federal Ministry of Transport and Digital Infrastructure (BMVI), a pilot network is to be established on the basis of the 5G mobile standard in order to research and

* Not an audited part of the Combined Management Report

We want to create a working environment where our employees can develop their potential, including their personal and professional skills, to the fullest – whether in research & breeding, production, administration or sales.

improve traceability in and the efficiency of production chains. The common overriding objective is to strengthen the innovativeness and future viability of rural regions.

KWS' international support includes our capacity development programs in Peru and Ethiopia. In just over seven years of our activities as part of our capacity development program in Ethiopia, we have made sustained progress in achieving the objectives defined in 2012:

- The initiative has made a major contribution to improving the conservation and documentation of genetic resources at Ethiopia's national gene bank and is therefore regarded as a model project for bilateral benefit sharing as part of the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA).
- Substantial training and the provision of urgently needed equipment at the Ethiopian Institute of Agricultural Research has created the basic conditions for ensuring more efficient breeding of barley for food uses and malting barley.
- Smallholders' access to quality seed of improved wheat and barley varieties has been significantly improved through direct support of nine smallholder seed cooperatives.

This program in Ethiopia is to be transitioned to a self-supporting, sustainable project in fiscal 2020/2021 in cooperation with local partners and the German Society for International Cooperation (GIZ).

Good progress has likewise been made in our capacity development activities in the Peru project:

- The quinoa breeding program at the University of the Altiplano in Puno will soon obtain approval for new varieties that are early-maturing and deliver a good yield.
- A Peruvian doctoral student is being trained in quinoa breeding and diversity analysis at the University of Hohenheim thanks to a KWS scholarship.
- We continue to support the gene bank at National Agrarian University in Lima in its efforts to improve documentation and understanding of genetic diversity in a collection of national corn genetic resources. Cutting-edge genotyping and image analysis technologies are used in that, likewise with the support of the University of Hohenheim.

In fiscal 2019/2020, KWS spent around €1.5 (1.0) million – or approximately 1.1% of our operating income (EBIT) – on its social commitment worldwide. Of that, approximately €0.75 million was donations and €0.75 million was spent on sponsorship activities.

At our headquarters in Einbeck and at all locations worldwide: The outstanding effort by all our employees ensured that KWS achieved its objectives, even in the face of added challenges.

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 in 2019/2020, 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 issued the Declaration of Compliance in Accordance with Section 161 AktG (German Stock Corporation Act) to the effect that the company complies almost fully with the code's recommendations.

You can find detailed information on corporate governance in our 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 64.

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

The final version of the Declaration of Compliance in accordance with Section 161 AktG (German Stock Corporation Act) is available to shareholders on the website https://www.kws.com/corp/en/company/investor-relations/declaration-of-corporate-governance.html.

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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

* Not an audited part of the Combined Management Report

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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 undertake to comply with the code by signing a commitment to do so when they are hired and are provided with generally applicable information on compliance, as well as related information specific to their function.

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.

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

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observance. The focus is on the subjects of antitrust law, anti-corruption, prevention of money laundering, data protection and capital market law.

The Compliance Officers regularly provide 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. Around 80% of the total workforce has access to the Compliance Portal. In addition, all supervisors are obliged to inform their employees about compliance issues. Supervisors can also enroll their employees directly in compliance training courses. In the final quarter of 2019/2020, KWS began global rollout of a software solution that gives employees access to e-learning offerings on the subject of compliance. 407 employees have enrolled for the training to date and 216 of them have completed it.

Implementation and observance of individual compliance aspects is reviewed as part of audits. In addition, the Compliance Officers conduct an assessment termed risk scoring together with the Risk Management and Finance functions, the results of which are used as the basis to make decisions for the companies under analysis and derive measures for improvement. Two violations of the International Anti-Corruption Policy were reported to headquarters in fiscal 2019/2020. No compliance violations of antitrust protection legislation and money laundering regulations and thus no related fines were reported to headquarters.

If an examination or report reveals indications of suspected violations, the investigation is conducted in accordance with KWS' regulations "Procedures of Internal Compliance Notification." KWS' 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

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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 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 outlines the principles and salient features of the compensation systems for the Executive Board of KWS SE, the managing partner of KWS SAAT SE & Co. KGaA, and its Supervisory Board. It also explains the level and structure of their compensation.

The Compensation Report largely takes into account the recommendations of the applicable version of the German Corporate Governance Code dated December 16, 2019. Deviations from recommendations are indicated in the Compensation Report and in the Declaration of Compliance in Accordance with Section 161 AktG (German Stock Corporation Act) dated October 22, 2020. The Compensation Report also contains all the disclosures and explanations required under the German Commercial Code (HGB), including the relevant principles of German Accounting Standard No. 17 (GAS 17), and under the International Financial Reporting Standards (IFRS). In addition, it largely takes into account the requirements stipulated in the German Act Implementing the Second Shareholder Rights Directive (SRD II), which would need to be applied for the first time to fiscal years starting on or after January 1, 2020. The Compensation Report is part of the Combined Management Report for KWS SAAT SE & KGaA and the Group that has been audited by the independent auditor; these disclosures are not additionally presented in the Notes (Section 289a (2) and Section 315a (2) of the German Commercial Code (HGB)).

New compensation system since July 1, 2019

The Annual Shareholders' Meeting of KWS SAAT SE on December 14, 2018, adopted a resolution to change the company's legal form to a partnership limited by shares bearing the name 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. It also necessitated amendment of the contracts of employment with the Executive Board members, since they left KWS SAAT SE and were appointed members of the Executive Board at the general partner, KWS SE.

Implementation of the EU's Shareholder Rights Directive II in German law and the new version of the German Corporate Governance Code were still being discussed by the German parliament and the Government Commission for the German Corporate Governance Code, respectively, at that time. Nevertheless, the Supervisory Board of KWS SAAT SE largely took into account the requirements of SRD II and the new German Corporate Governance Code that were known at the time in drafting the new Executive Board compensation system.

At the proposal of the Committee for Executive Board Affairs, the Supervisory Board of KWS SAAT SE and the Supervisory Board of KWS SE adopted the Executive Board compensation system, which applies to all Executive Board members, at its meeting on June 25, 2019, effective July 1, 2019, i.e. before the change in legal form came into force.

The new compensation system for the Executive Board aimed to promote the company's sustainable development and largely comply with the anticipated objectives of SRD II and the German Corporate Governance Code. The system also takes into account the fact that the Executive Board has overall responsibility for managing the company's business and that the Executive Board compensation was last adjusted effective July 1, 2014. To ascertain whether remuneration is in line with usual levels within the company itself, the Supervisory Board took into account the relationship between the Executive Board's compensation and the compensation of senior managers and the workforce in Germany as a whole, and how compensation has developed over time. In order to assess whether the specific total compensation of Executive Board members is in line with usual levels compared to other enterprises, the following peer group of other third-party entities was used as a benchmark. The peer group was chosen based on the enterprise's size and its international orientation.

Peer group

No.	Enterprise
1	Symrise AG
2	Deutz AG
3	Qiagen NV
4	Sartorius AG
5	Hamburger Hafen und Logistik AG
6	Koenig & Bauer AG
7	Carl Zeiss Meditec AG
8	Cancom SE
9	Vossloh AG
10	SMA Solar Technology AG
11	Software AG
12	SGL Carbon SE

The further development of the compensation system was also accompanied by an independent compensation consultant and approximates existing market levels. In view of that, there was an increase in fixed compensation, coupled with a change in the weighting of the individual components toward a long-term system, and in particular a clear separation between short-term and long-term oriented compensation and the removal of fringe benefits from the variable compensation. A reinvestment of at least 35% (previously 20%) of its short-term variable compensation in shares of KWS SAAT SE & Co. KGaA is intended to ensure that the Executive Board is measured to a greater extent by, and has a greater financial stake in, the Company's development geared toward long-term earnings.

KWS SE has conducted the business of SAAT SE & Co. KGaA since July 2, 2019. 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 was submitted for approval to the Annual Shareholders' Meeting of KWS SAAT SE & Co. KGaA on December 17, 2019. The Annual Shareholders' Meeting approved the new compensation system with a vote of 99.94% in its favor.

Salient features of the compensation system for members of the Executive Board of KWS SE, the managing partner of KWS SAAT SE & Co. KGaA

The compensation system for Executive Board members is geared toward strategic planning and is intended to support the company's successful and sustainable development.

It comprises the following components:

- A basic fixed annual salary
- A one-year variable payment
- A multi-year variable payment in the form of an incentive based on the stock price
- Fringe benefits (in particular pension benefits and benefits in kind)

The gross **basic annual salary** is €375,000. The Chief Executive Officer receives an extra "CEO bonus" of 25% on top of the basic annual salary.

The **one-year variable payment** is dependent on the KWS Group's earnings performance ("sustained net income"). The assessment period for that is the last three fiscal years before payment of the component. The one-year variable payment is 0.5% of the KWS Group's average net income for the year in the assessment period, but at most €500,000. If the KWS Group's sustained net income exceeds €100 million per annum in two successive years, the maximum one-year variable payment will be increased to €600,000 as from the subsequent fiscal year. The one-year variable payment is made after submission of the consolidated financial statements of KWS SAAT SE & Co. KGaA to the Annual Shareholders' Meeting, i.e. usually in January. An individually determined amount for the multi-year variable payment is deducted from the total calculated one-year variable payment; the remainder is paid out in cash.

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 35% and 50% of their gross one-year variable payment (reinvestment). The acquired shares are subject to a holding period of five years as of when they are acquired (usually on the first stock market trading days of each January).

The amount of this reinvestment by the Executive Board members forms the basis for the **multi-year variable payment.** When the holding period ends, the members of the Executive Board receive a multi-year variable payment calculated on the basis of the performance of KWS SAAT SE & Co. KGaA's stock and the KWS Group's return on sales over the holding period.

The following formula is used to calculate the multi-year variable payment: average applicable share price of KWS SAAT SE & Co. KGaA multiplied by the number of acquired shares, minus any markdowns based on the trend for average return on sales (ROS). The goal of that is in particular to gear compensation toward strategic planning and to support the company's successful and sustainable development.

The share price to be applied is determined on the basis of the average closing prices of KWS SAAT SE & Co. KGaA's share in electronic trading on the Frankfurt Stock Exchange (Xetra) at the end of each quarter during the holding period.

There is a markdown on the multi-year variable payment if the average return on sales (ROS), i.e. the KWS Group's operating income divided by net sales, falls below 10% in the holding period. The segment reporting of the KWS Group (including the equity-accounted companies) is the basis for determining that. The markdown is 25% if the average ROS is less than 10%, 50% if the average ROS is less than 9%, and 100% if the average ROS is less than 8%.

The multi-year variable payment is at most 150% of the reinvestment made by each Executive Board member and at most 200% in the case of the reinvestment made by the Chief Executive Officer. KWS SE can claim back the one-year variable payment and/or multi-year variable payment (clawback option).

Fringe benefits, such as means of transport and communication, premiums for accident and D&O insurance, payments to discharge the employer's contribution to social insurance as well as various pension commitments are granted without any modification.

Applying the compensation system currently in force, the following **maximum annual compensation** is set for members of the Executive Board (given a one-year variable payment cap of €600,000). Apart from the basic salary and any CEO bonus, it consists of the one-year variable payment, the multi-year variable payment, fringe benefits and pension costs.

If the **contract with an Executive Board member is terminated**, the outstanding multi-year variable payment components are calculated and disbursed immediately.

Maximum compensation

in €	
Dr. Hagen Duenbostel	1,809,940.00
Dr. Léon Broers	1,532,000.00
Dr. Felix Büchting	1,532,000.00
Dr. Peter Hofmann	1,538,224.00
Eva Kienle	1,532,000.00
Total	**7,944,164.00**

Any payments made to an Executive Board member due to early termination of their Executive Board activity will not exceed twice the annual compensation (severance cap) and shall not constitute remuneration for more than the remaining term of the employment contract. If post-contractual non-compete clauses apply, the severance payment will not be taken into account in the calculation of any compensation payments.

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. An Executive Board member is not entitled to severance payment if his or her activity on the Executive Board ends by mutual agreement at the request of the Executive Board or there are special grounds for the company to terminate the employment relationship.

Compensation for serving members of the Executive Board of KWS SE in fiscal 2019/2020

The total compensation to be reported for the Executive Board in accordance with Section 314 (1) No. 6a of the German Commercial Code (HGB) in conjunction with German Accounting Standard No. 17 (GAS 17) was €5,428 (4,316) thousand in fiscal 2019/2020. 38.3% (35.2%) was accounted for by the basic annual salary, including fringe benefits, 46.1% (47.1%) by one-year variable components and 15.6% (15.7%) 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) and in the previous year by way of comparison:

Total compensation for the Executive Board 2019/2020

in €	Cash compensation				LTI FV[1]	Total	LTI
	Basic compensation	Fringe benefits	Performance-related bonus	Total	Grant		Cost
Dr. Hagen Duenbostel	468,750.00	13,349.76	500,000.00	982,099.76	234,016.87	1,216,116.63	257,633.00
Dr. Léon Broers	375,000.00	25,801.42	500,000.00	900,801.42	235,209.96	1,136,011.38	253,567.66
Dr. Felix Büchting	375,000.00	21,923.70	500,000.00	896,923.70	47,610.13	944,533.83	5,084.50
Dr. Peter Hofmann	375,000.00	25,710.36	500,000.00	900,710.36	168,453.51	1,069,163.87	124,622.63
Eva Kienle	375,000.00	25,186.80	500,000.00	900,186.80	161,863.09	1,062,049.89	137,503.93
Total	**1,968,750.00**	**111,972.04**	**2,500,000.00**	**4,580,722.04**	**847,153.55**	**5,427,875.59**	**778,411.71**

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**

1 Long-Term-Incentive Fair Value

Since 2006, KWS has had a defined contribution plan for pensions for Executive Board members, which takes the form of an annual fixed contribution to a provident fund backed by a guarantee. In fiscal 2019/2020, €378 (342) thousand was paid for pension commitments to members of the Executive Board.

Pension commitments

in €	06/30/2020
Dr. Hagen Duenbostel	90,000.00
Dr. Léon Broers	72,000.00
Dr. Felix Büchting	72,000.00
Dr. Peter Hofmann	72,000.00
Eva Kienle	72,000.00
Total	**378,000.00**

Pension commitments

in €	06/30/2020	06/30/2019	Interest expenses	Revaluation effects
Dr. Hagen Duenbostel	1,198,941.00	1,157,263.00	10,994.00	30,684.00
Dr. Peter Hofmann	420,383.00	408,776.00	3,883.00	7,724.00
Total	**1,619,324.00**	**1,566,039.00**	**14,877.00**	**38,408.00**

From when they began working for KWS, the Executive Board members Dr. Hagen Duenbostel and Dr. Peter Hofmann have also been given a defined benefit pension commitment, which was concluded before 2006. The funds to cover this commitment are allocated in the form of a pension provision on the basis of an expert report. A further €53 (275) thousand was thus allocated to the pension provisions in accordance with IAS 19 (of which €15 thousand was interest expenses and €38 thousand from revaluation effects). There were thus pension provisions totaling €1,619 (1,566) thousand for active members of the Executive Board of KWS SAAT SE & Co. KGaA.

Compensation of former members of the Executive Board and their surviving dependents amounted to €1,419 (1,479) thousand. Pension commitments in accordance with IAS 19 (2011) recognized for this group of persons amounted to €7,140 (6,674) thousand as of June 30, 2020. 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.

Due to the transitional period (before mandatory application of the new SRD II for fiscal years starting after December 31, 2020), we still refer for the time being in the tables below to the recommendations in Clause 4.2.5 (3) of the German Corporate Governance Code (DCGK) in the version dated February 7, 2017, and present the individual awards and receipts for each member of the Executive Board.

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 2019/2020 and 2018/2019 (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 pension costs are 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 accordance with Clause 4.2.5 of the German Corporate Governance Code (DCGK)

in €				Grant		Receipt
			2019/2020	2018/2019	2019/2020	2018/2019
		Min.	Max.			
Dr. Hagen Duenbostel (Chief Executive Office)						
Fixed payment	468,750.00	468,750.00	468,750.00	375,000.00	468,750.00	375,000.00
Fringe benefits	13,349.76	13,349.76	13,349.76	23,303.72	13,349.76	23,303.72
Subtotal	**482,099.76**	**482,099.76**	**482,099.76**	**398,303.72**	**482,099.76**	**398,303.72**
Performance-related bonus	500,000.00	0.00	500,000.00	476,696.28	500,000.00	476,696.28
Total cash compensation	**982,099.76**	**482,099.76**	**982,099.76**	**875,000.00**	**982,099.76**	**875,000.00**
Multi-year variable payment						
LTI 2012/2013						240,018.58
LTI 2013/2014					286,808.20	
LTI 2017/2018				226,736.74		
LTI 2018/2019	234,016.87	0.00	474,245.18			
Subtotal	**1,216,116.63**	**482,099.76**	**1,456,344.94**	**1,101,736.74**	**1,268,907.96**	**1,115,018.58**
Pension costs[1]	100,994.00	100,994.00	100,994.00	105,492.00	100,994.00	105,492.00
Total compensation	**1,317,110.63**	**583,093.76**	**1,557,338.94**	**1,207,228.74**	**1,369,901.96**	**1,220,510.58**
Maximum compensation[2]			1,609,940.00	1,765,000.00		

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

in €				Grant		Receipt
			2019/2020	2018/2019	2019/2020	2018/2019
		Min.	Max.			
Dr. Léon Broers						
Fixed payment	375,000.00	375,000.00	375,000.00	300,000.00	375,000.00	300,000.00
Fringe benefits	25,801.42	25,801.42	25,801.42	25,719.43	25,801.42	25,719.43
Subtotal	**400,801.42**	**400,801.42**	**400,801.42**	**325,719.43**	**400,801.42**	**325,719.43**
Performance-related bonus	500,000.00	0.00	500,000.00	474,280.57	500,000.00	474,280.57
Total cash compensation	**900,801.42**	**400,801.42**	**900,801.42**	**800,000.00**	**900,801.42**	**800,000.00**
Multi-year variable payment						
LTI 2012/2013						238,837.67
LTI 2013/2014					257,461.80	
LTI 2017/2018				225,966.40		
LTI 2018/2019	235,209.96	0.00	357,497.28			
Subtotal	**1,136,011.38**	**400,801.42**	**1,258,298.70**	**1,025,966.40**	**1,158,263.22**	**1,038,837.67**
Pension costs[1]	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00
Total compensation	**1,208,011.38**	**472,801.42**	**1,330,298.70**	**1,097,966.40**	**1,230,263.22**	**1,110,837.67**
Maximum compensation[2]			1,357,000.00	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 accordance with Clause 4.2.5 of the German Corporate Governance Code (DCGK)

in €			Grant			Receipt
	2019/2020			2018/2019	2019/2020	2018/2019
		Min.	Max.			
Dr. Felix Büchting (since 01/01/2019)						
Fixed payment	375,000.00	375,000.00	375,000.00	125,000.04	375,000.00	125,000.04
Fringe benefits	21,923.70	21,923.70	21,923.70	12,113.77	21,923.70	12,113.77
Subtotal	**396,923.70**	**396,923.70**	**396,923.70**	**137,113.81**	**396,923.70**	**137,113.81**
Performance-related bonus	500,000.00	0.00	500,000.00	137,886.23	500,000.00	137,886.23
Total cash compensation	**896,923.70**	**396,923.70**	**896,923.70**	**275,000.04**	**896,923.70**	**275,000.04**
Multi-year variable payment						
LTI 2012/2013						0.00
LTI 2013/2014					0.00	
LTI 2017/2018				0.00		
LTI 2018/2019	47,610.13	0.00	72,362.98			
Subtotal	**944,533.83**	**396,923.70**	**969,286.68**	**275,000.04**	**896,923.70**	**275,000.04**
Pension costs [1]	72,000.00	72,000.00	72,000.00	36,000.00	72,000.00	36,000.00
Total compensation	**1,016,533.83**	**468,923.70**	**1,041,286.68**	**311,000.04**	**968,923.70**	**311,000.04**
Maximum compensation [2]			1,357,000.00	423,500.00		

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

in €			Grant			Receipt
	2019/2020			2018/2019	2019/2020	2018/2019
		Min.	Max.			
Dr. Peter Hofmann						
Fixed payment	375,000.00	375,000.00	375,000.00	300,000.00	375,000.00	300,000.00
Fringe benefits	25,710.36	25,710.36	25,710.36	25,804.65	25,710.36	25,804.65
Subtotal	**400,710.36**	**400,710.36**	**400,710.36**	**325,804.65**	**400,710.36**	**325,804.65**
Performance-related bonus	500,000.00	0.00	500,000.00	474,195.35	500,000.00	474,195.35
Total cash compensation	**900,710.36**	**400,710.36**	**900,710.36**	**800,000.00**	**900,710.36**	**800,000.00**
Multi-year variable payment						
LTI 2012/2013						0.00
LTI 2013/2014					0.00	
LTI 2017/2018				158,176.48		
LTI 2018/2019	168,453.51	0.00	256,033.68			
Subtotal	**1,069,163.87**	**400,710.36**	**1,156,744.04**	**958,176.48**	**900,710.36**	**800,000.00**
Pension costs [1]	75,883.00	75,883.00	75,883.00	77,810.00	75,883.00	77,810.00
Total compensation	**1,145,046.87**	**476,593.36**	**1,232,627.04**	**1,035,986.48**	**976,593.36**	**877,810.00**
Maximum compensation [2]			1,363,224.00	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 accordance with Clause 4.2.5 of the German Corporate Governance Code (DCGK)

in €				Grant		Receipt
	2019/2020			2018/2019	2019/2020	2018/2019
		Min.	Max.			
Eva Kienle						
Fixed payment	375,000.00	375,000.00	375,000.00	300,000.00	375,000.00	300,000.00
Fringe benefits	25,186.80	25,186.80	25,186.80	31,234.81	25,186.80	31,234.81
Subtotal	**400,186.80**	**400,186.80**	**400,186.80**	**331,234.81**	**400,186.80**	**331,234.81**
Performance-related bonus	500,000.00	0.00	500,000.00	468,765.19	500,000.00	468,765.19
Total cash compensation	**900,186.80**	**400,186.80**	**900,186.80**	**800,000.00**	**900,186.80**	**800,000.00**
Multi-year variable payment						
LTI 2012/2013						0.00
LTI 2013/2014					64,743.62	
LTI 2017/2018				155,608.68		
LTI 2018/2019	161,863.09	0.00	246,016.85			
Subtotal	**1,062,049.89**	**400,186.80**	**1,146,203.65**	**955,608.68**	**964,930.42**	**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	**1,134,049.89**	**472,186.80**	**1,218,203.65**	**1,027,608.68**	**1,036,930.42**	**872,000.00**
Maximum compensationt [2]			1,357,000.00	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.

The table below shows the percentage change in the total compensation of Executive Board members relative to EBIT and the average compensation for employees in Germany (per full-time equivalent (FTE)) over the past five fiscal years (2015/2016 to 2019/2020).

Development of compensation

in €	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Dr. Hagen Duenbostel	1,023,755	1,055,597	1,089,116	1,101,737	1,216,117
Change from the previous year in %		3.1%	3.2%	1.2%	10.4%
Dr. Léon Broers	950,359	975,083	1,014,116	1,025,966	1,136,011
Change from the previous year in %		2.6%	4.0%	1.2%	10.7%
Dr. Felix Büchting (from January 1, 2019)	–	–	–	275,000	944,534
Change from the previous year in %		–	–	–	243.5%
Dr. Peter Hofmann	724,740	857,072	962,741	958,176	1,069,164
Change from the previous year in %		18.3%	12.3%	–0.5%	11.6%
Eva Kienle	831,862	884,198	949,977	955,609	1,062,050
Change from the previous year in %		6.3%	7.4%	0.6%	11.1%
EBIT in € millions	112.8	131.6	132.6	150.0	137.4
Change from the previous year in %		16.7%	0.8%	13.1%	–8.4%
Average employee compensation per FTE (Germany) [1]	64,526	67,448	68,413	69,039	72,733
Change from the previous year in %		4.5%	1.4%	0.9%	5.4%

1 Without Executive Board

Overall target compensation for the Executive Board in fiscal 2020/2021

The Supervisory Board has defined a specific overall target compensation for each member of the Executive Board in fiscal 2020/2021. It is in reasonable proportion to the tasks and performance of the Executive Board member and the company's situation. The overall target compensation includes the gross basic annual salary of €375,000. The Chief Executive Officer receives an extra "CEO bonus" of 25% on top of the basic annual salary. In addition, the overall compensation is to include a one-year variable payment of 0.5% of the KWS Group's average net income for the past two fiscal years and take into account the net income budgeted for the current fiscal year – but at most €500,000 – if the targets are fully achieved. The one-year variable payment for fiscal 2020/2021 will be limited by this maximum amount, taking into account the budget assumptions. As regards the multi-year variable payment, members of the Executive Board are obligated to reinvest a percentage of their (gross) one-year variable payment in shares in KWS SAAT SE & Co. KGaA. That can be between 35% and 50% of their (gross) one-year variable payment, which means that a concrete target cannot be defined here. However, the multi-year variable payment is at most 150% of the reinvestment made by each Executive Board member and at most 200% in the case of the reinvestment made by the Chief Executive Officer.

Compensation for members of the Supervisory Board of KWS SAAT SE & Co. KGaA

The compensation for members of the Supervisory Board is governed by the Articles of Association and is based on the size of the company and their duties and responsibilities. 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, up to the end of 2019, the value-added tax due on their payment and on their expenses.

The total compensation for members of the Supervisory Board of KWS SAAT SE & Co. KGaA in the year under review was €620 (620) thousand.

Total compensation of the Supervisory Board of KWS SAAT SE & Co. KGaA

in €	Fixed	Work on committees	Total 2019/2020	Total 2018/2019
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	110,000.00
Victor W. Balli[3]	60,000.00	60,000.00	120,000.00	120,000.00
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	60,000.00	0.00	60,000.00	60,000.00
	510,000.00	**110,000.00**	**620,000.00**	**620,000.00**

1 Chairman
2 Deputy Chairwoman
3 Chairman of the Audit Committee

Total compensation of the Supervisory Board of KWS SE

in €	Fixed	Attendance fee	Total 2019/2020
Dr. Andreas J. Büchting[1]	60,000.00	0.00	60,000.00
Dr. Marie Theres Schnell[2]	45,000.00	0.00	45,000.00
Victor W. Balli	30,000.00	20,000.00	50,000.00
Cathrina Claas-Mühlhäuser	30,000.00	0.00	30,000.00
	165,000.00	**20,000.00**	**185,000.00**

1 Chairman
2 Deputy Chairwoman

The total compensation for members of the Supervisory Board of KWS SE in the year under review was €185 thousand.

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 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 July 1, 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 legal form of KWS SAAT SE (as the company was then named) 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 (as the company was then named), 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 at present. It is divided into 33,000,000 bearer shares. The pro-rata share of each share in the capital stock is €3.00. 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) in conjunction with Section 278 (3) 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 on 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.

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, companies and foundations 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 Vermögensverwaltungsgesellschaft 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 of the shareholder named below, 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 and/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.

Furthermore, Section 6 (4) of the Articles of Association of KWS SAAT SE & Co. KGaA stipulate that the personally liable partner shall leave the Company 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 Article 46 (1) of Council Regulation (EC) 2157/2001 in conjunction with 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.

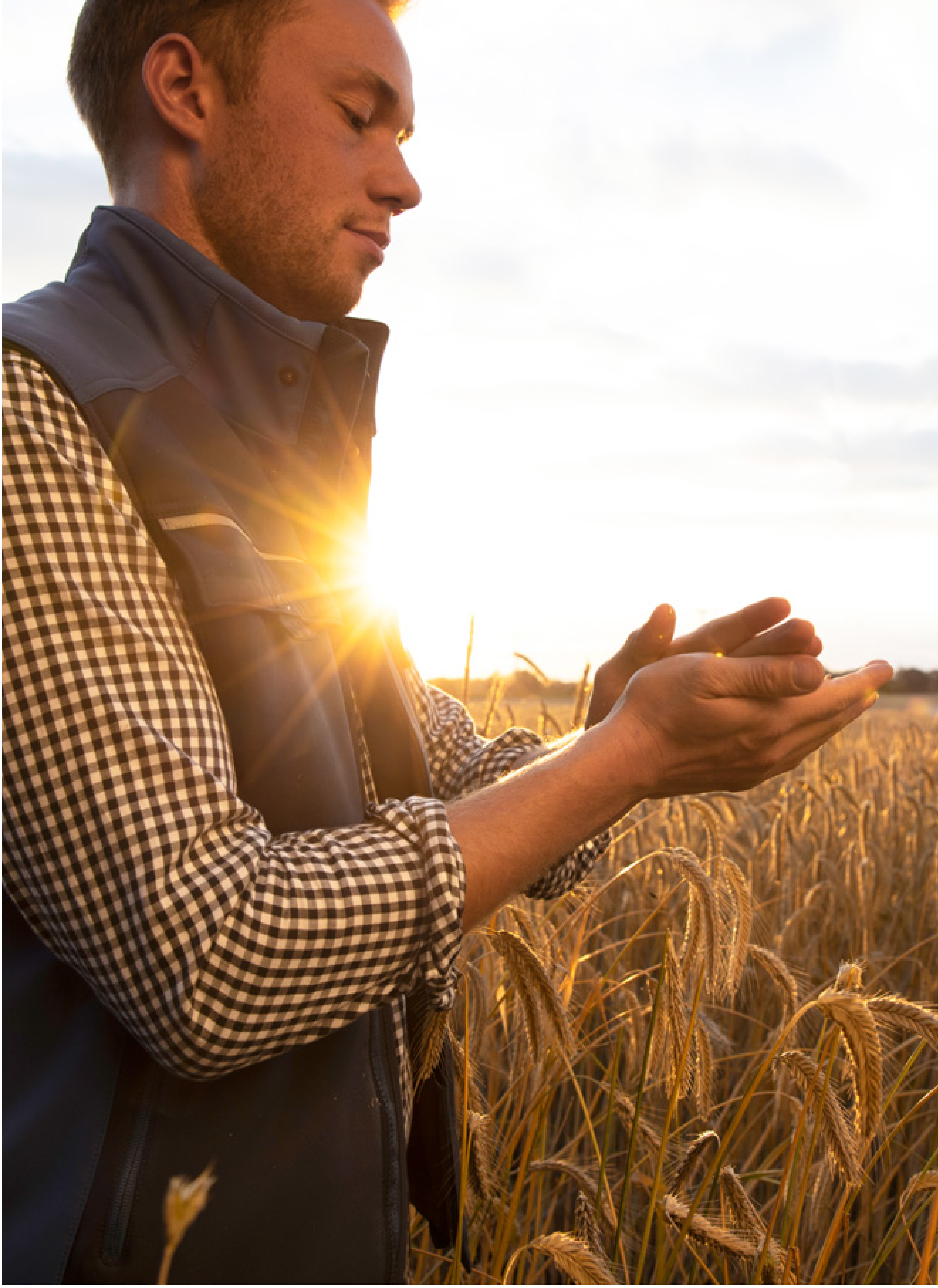
Amendments to the Articles of Association
Amendments to the company's Articles of Association are made pursuant to a resolution adopted by the Annual Shareholders' Meeting in accordance with Section 278 (3) in conjunction with Section 179 of the German Stock Corporation Act (AktG) Section 285 (2) Sentence 1 of the German Stock Corporation Act (AktG) stipulates that amendments to the Articles of Association require the approval of the personally liable partner.

In accordance with Section 133 and Section 179 (2) of the German Stock Corporation Act (AktG) and Section 18 (1) of the Articles of Association of KWS SAAT SE & Co. KGaA, a resolution by the Annual Shareholders' Meeting to amend the Articles of Association must be adopted by a simple majority of the votes cast and a 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 does not currently have any powers within the meaning of Section 289a (1) Sentence 1 No. 7 and Section 315a (1) Sentence 1 No. 7 of the German Commercial Code (HGB) in the version currently applicable pursuant to Article 83 (1) of the Introductory Act to the German Commercial Code (EGHGB), in particular any authorization 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 maximum amounts specified by the German Corporate Governance Code (DCGK).



Hybrid rye is one of the strategic growth areas in the Cereals Segment. Our research and breeding activities focus on markets in Eastern Europe and North America.

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 Opportunity Management

We understand an opportunity as a development that might have a positive impact on our earnings, financial position and assets and has not yet been reflected fully or at all in the company's financial planning. 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.

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, improve cost structures and drive digitization.

2.7.2 Risk Management

Adjustments to the risk management system

As announced in the previous year, we made organizational adjustments to and further developed our risk management system and related processes in the year under review. We now report our risks taking into account countermeasures (i.e. in terms of net risk) and using new risk types and categories.

The main aspects and players in risk management at KWS

Weighing up opportunities and risks is an integral part of all decision-making at our company. We strive to address risks openly and proactively. We understand the term "risks" as denoting all events and potential developments, both inside and outside the Group, that may have a negative impact on achievement of our corporate objectives and have not yet been reflected fully or at all in the company's financial planning. Deliberate risks can be taken if that offers opportunities to achieve the company's objectives. If there are risks that do not harbor opportunities in return, they must be avoided or their impact must be mitigated as best possible from the cost-benefit perspective. 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. The departments assess opportunities as part of their everyday operations or strategic planning. These opportunities are not part of our risk management.

Players and systems in managing risks at KWS

Supervisory Board		
Executive Board		
Risk Committee		
Central Risk Management		
Business areas	**Controls and monitoring**	**Independent controls**
▪ Business Units ▪ Research & Development ▪ Global and Group functions incl. Transaction Center	▪ Controlling (incl. early risk warning) ▪ Control system Financial Reporting ▪ Compliance Management ▪ Risk Management ▪ Other systems (e.g. Quality Management, Stewardship, etc.)	▪ Internal Audits
KWS Governance (vision, mission, cornerstones, group standards, etc.)		

The Executive Board is responsible for group-wide risk management. The Supervisory Board or the Audit Committee review the risk management system at least once a year to assess its suitability and effectiveness. It is assisted in that by the independent auditor of the financial statements as part of the latter's statutory audit assignment. The Risk Committee consists of representatives from all divisions who have a good knowledge of the issue of risks. It convenes at least twice a year, discusses and reviews the risks maintained in the risk management system and measures to control them, and formulates recommendations for the Executive Board, if necessary. Responsibility for identifying, assessing and controlling risks lies with the divisions, while central risk management coordinates the processes and ensures reporting to the Executive Board. Other roles in our risk management are specified in the chart "Players and systems in managing risks at KWS."

Our **risk management system** is based on the internationally recognized COSO II model (Committee of Sponsoring Organizations of the Treadway Commission). Its objective is to implement a consistent, continuous and group-wide risk management process in which all divisions (Business Units, Group Functions, Global Functions, R&D, and the Managing Directors of significant subsidiaries) are integrated. Our risk management process consists of the phases of identification, assessment, control, documentation, monitoring of risks and risk reporting. It is conducted regularly, but at least twice a year. As part of risk identification, we record individual risks on an electronic platform and assess them qualitatively or quantitatively on the basis of group-wide standards, taking into account countermeasures. As part of that, we calculate expected monetary values where possible and classify them as "moderate", "relevant" and "significant." We take into account linkages between risks in assessing the likelihood of their occurrence. The individual risks are classified as below as part of assessment:

Scheme for assessing individual risks

	Likelihood of occurrence			
	Unlikely < 10%	**Possible** 10%–50%	**Likely** 50%–90%	**Almost certain** ≥ 90%
Financial impact (EBT): Very low > €0.1 million–€3.0 million				
Low €3 million–€7.5 million				
Medium €7.5 million–€15 million				
High ≥ €15 million				

Risk classification for single risks

Risk classes	Expected loss value
Moderate	< €1 million
Relevant	> €1 million – ≤ €5 million
Significant	≥ €5 million and/or critical health risks

We decide systematically on what appropriate countermeasures to take to manage risks. They may be measures to reduce risks, constant monitoring of them or taking out insurance, for example. The KWS Group's current risk situation is aggregated by central risk management into risk types and categories and reported first to the Risk Committee. On that basis, the Risk Committee discusses how to deal with the risks and submits recommendations to the Executive Board. Central risk management coordinates the entire risk management process and supports the departments in their tasks.

Control and monitoring systems (includes the report in accordance with Section 315 (4) of the German Commercial Code (HGB))

We meet the statutory requirements for **early detection of risks** with our controlling and risk management processes. As part of its audit of the annual financial statements for fiscal year 2019/2020, 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).

The **internal control and risk management system in relation to the accounting process** is the responsibility of Global Finance and comprises structures and processes that enable proper and effective accounting and financial reporting. That includes the ensuring that business transactions are included in accounting consistently, promptly and correctly and that all statutory accounting regulations, standards and internal guidelines are implemented throughout the Group. A consistent system that is subject to the Group's regulations on accounting makes it easier to ensure that the consolidated financial statements comply with the rules. 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 **KWS Compliance Management System** is used to control all aspects and areas of compliance work that are the responsibility of the Group Compliance Office. The system is based on seven criteria in accordance with IDW PS 980: culture, objectives, risks, program, organization, communication and monitoring. In order to continuously develop the system further, we primarily use findings from compliance risk assessments and auditing projects.

Internal auditing is the responsibility of Global Finance and is carried out by an external service provider. The topics in an audit are defined annually on a risk-oriented and process-independent basis. Their status is reported – likewise annually – to the Audit Committee.

Risk types and categories for aggregating risks

Risk type	Risk category	Current Risk Classification [1]	Tendency
Operational risks	IT	Substantial	→
	Product quality	Substantial	→
	Production, business interruption	Substantial	↗
	Health, safety, environment	Substantial	↗
	Projects, corporate organization, process management	Medium	→
	Human resources	Medium	→
Finance and capital markts	Tax risks	Noticeable	→
	Liquidity risks	Medium	↗
	Currency risks	Medium	→
	Receivables risks	Low	→
Politics and legal	Compliance	Noticeable	→
	IP	Medium	→
	General legal risks	Low	→
	Political instability	Low	→
	Regulatory risks	Low	→
Markets and competition	Acreage and price developments	Medium	→
	Competition and business partners	Medium	→
Strategic risks	Innovation	Noticeable	→

1 The current risk classification is no longer comparable with that of the previous year, see paragraph on the adjustment of the risk management system. The changes in the trends of the risk categories are mainly determined by the impact of the Covid-19 pandemic.

Risk situation at the KWS Group

In this section, we give a summary of significant and relevant individual risks – by type and category and after mitigation measures – with at least moderate net financial damage. The sequence of the risk types is based on the aggregated expected monetary values of the identified risks. There are currently no non-financial risks whose occurrence is very likely and entail serious impacts on aspects that require reporting in accordance with the German Commercial Code.

Risk classification for aggregated risk categories

Risk classes	Total expected loss values single risks
Low	≤ €3 million
Medium	> €3 million – €8 million
Noticeable	> €8 million – €15 million
Substantial	≥ €15 million and/or critical health risks

The adaptations mean that the risk categories can no longer be compared directly with those of the previous year. The changes in the risk situation from the previous year are addressed in the overall statement on the risk situation by the Executive Board.

Reconciliation risk categories

Risk categories 2018/2019	Included potential risks 2018/2019 (examples)	Risk types 2019/2020	Risk categories 2019/2020
Market risks	■ Geo- and agricultural policy, Regulatory risks	Politics and law	Regulatory risks, Political instability
	■ Variety performance	Strategic risks	Innovation
	■ Competitive environment	Markets and competition	Markets and competition
	■ Currency risks	Finance and capital market	Currency risks
Production risks	■ Seed production	Operational risks	Production, business interruptions
	■ Business interruption	Operational risks	Production, business interruptions
	■ Seed quality	Operational risks	Product quality
Product risks	■ Purity of the flows of goods	Operational risks	Product qualityt
	■ Access to technology	Markets and competition	Competition and business partners
Legal risks	■ Official proceedings, legal disputes	Politics and law	General legal risks
	■ Breach of compliance requirements	Politics and law	Compliance
Personnel risks	■ Qualified and timely filling of vacancies	Operational risks	Human resources
IT risks	■ IT system failures/breakdown	Operational risks	IT
	■ Access control	Operational risks	IT
Liquidity risks	■ Liquidity risks	Finance and capital market	Liquidity risks
Environmental and social risks	■ Environmental risks	Operational risks	Health, safety, environment
Procurement risks	■ Procurement risks	Operational risks	Procurement (currently moderate)

The effects of the Covid-19 pandemic are explained separately in the overall statement on the risk situation by the Executive Board.

Operational risks

IT

The KWS Group's business and production processes, as well as its internal and external communications, are run on globally networked IT systems. Attacks or outages can lead to a loss of confidentiality, availability, integrity and/or authenticity of data, information and systems. That harbors significant risks, such as loss of know-how, data manipulation, loss of personal data and loss of image, which we reduce by means of organizational and technical measures. IT service providers constantly examine our IT security so as to issue recommendations for optimization measures on the basis of their risk assessment. Uncontrolled and/or undetected loss and damage as a result of hacking and malware are still possible even if very good precautionary measures are in place.

Product quality

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. These checks and tests are also intended to reduce risks such as claims for damages due to product liability, which may be significant, especially in Anglo-American jurisdictions. We also have product liability insurance to defend against unjustified claims and to settle justified claims. Very strict requirements must be met regarding management of genetically modified products, in particular, to prevent GMOs becoming mixed with conventional seed. KWS is a member of the "Excellence Through Stewardship" (ETS) initiative, an internationally standardized quality management program.

Production, interruptions to business operations

KWS uses technically complex seed processing plants. Interruptions to business operations may have a negative impact on the volumes that are available for sale and represent significant risks, especially if they occur in our sales season. In order to reduce these risks, we conduct regular risk inspections, carry out preventive maintenance, and have Group-wide property and business interruption insurance.

Seed multiplication 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.

Health, safety and environment

Accidents, technical problems or misconduct in our business processes may result in injury to persons and environmental damage and are significant risks. One measure we have taken to reduce these risks is to implement a new global health, safety and environment standard, which a newly created Central Function will keep on developing.

The health effects of the Covid-19 pandemic are explained separately in the overall statement on the risk situation by the Executive Board.

Projects, company organization, process management

So that we can continue to grow profitably and sustainably with the support of an efficient organization and harmonized processes, we regularly review their adequacy and realign them where necessary. A realignment may entail integration risks (M&As), for example, or temporarily result in process inefficiencies or unplanned costs. Our measures to counter these risks include the establishment of specialized functions (such as M&A experts) or a new standard process model for the transformed administrative units.

Human Resources

Our HR strategy aims to recruit and keep qualified employees at KWS long term, as well as to offer them further development opportunities that reflect our and their needs. 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 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.

Finance and capital markets

Tax risks

KWS operates in about 70 countries and is therefore subject to an array of complex national tax requirements and laws. Changes that are not detected in time and/or incomplete implementation of tax law, court rulings and interpretations by the fiscal authorities may have an effect on tax assets and liabilities, as well as on deferred tax liabilities. That can result in significant risks, which we counter by continuously identifying and assessing the tax framework and by central coordination through our Finance department. If necessary, tax provisions are formed on the basis of estimates.

Liquidity

The overriding goal of our liquidity management is to ensure we meet our payment obligations on time. External factors, such as global crises, may restrict the availability of credit lines and/or mean we can only obtain economically disadvantageous terms and conditions. Our central Treasury department determines what funding we require in its liquidity planning and covers those needs by providing cash, promised credit lines and other financial instruments. We have agreed customary financial covenants for part of these promised credit lines. If these covenants are breached, the lender has the right to terminate the agreement.

Currency risks

Currency risks arise in particular from receivables and liabilities denominated in foreign currency. We address currency risks to a reasonable extent through the usual hedging instruments, to reduce the influence on the KWS Group's earnings and assets situation. In fiscal 2019/2020, we hedged our research & development expenditure and intra-group loans to a large part in order to avoid currency risks. We also reduce our transaction risks by means of natural hedging, incurring expenses in the same currency in which we generate revenue.

Risk of counterparty defaults

We have extensive business relationships with various customer groups – from the sugar industry, agricultural wholesalers to individual farmers. If, in particular, large customers are not able to meet their contractual payment obligations to us, we could suffer losses. We reduce such credit risks through conservative receivables management and, where possible and expedient, by means of credit insurance.

Politics and the law

Compliance

We are exposed to potential compliance risks, for example under antitrust, competition and anti-corruption law and data protection requirements. Violations of statutory requirements may have consequences under criminal and civil law, including fines and other financial disadvantages. Under our compliance policy, the Code of Business Ethics and our Group Standards, we obligate our managers and employees to undertake to act in accordance with laws, contracts, internal guidelines and our corporate values and raise their awareness in this regard. We rigorously investigate and prosecute fraudulent activities inside and outside the company. Our Group Standards define general security standards and enable a prophylactic approach. Regular communication, instruction and training are intended to ensure compliance. As is expressly pointed out, sanctions are imposed if our compliance regulations are violated.

IP

Protecting intellectual property is vital to companies that conduct research if they wish to preserve their freedom of action and keep on generating value. The seed-specific property rights under "variety protection" ensure they are compensated for the years-long process of research, breeding and development of new varieties and that third parties cannot market the same variety at no costs to themselves. KWS uses patents to protect certain plant traits, in particular if they have been developed or produced by means of technical methods. In order to secure its freedom of action and avoid infringing third-party proprietary rights, KWS has implemented far-reaching due diligence processes throughout the company.

General 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 legal proceedings involving significant amounts in fiscal 2019/2020.

Political instability

KWS faces political risks in many countries in the strongly regulated international agricultural industry. 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 such as China are confronted with trade disputes. As things stand at present, the United Kingdom's withdrawal from the EU will not have any significant impact on our business, even if an agreement on the details for Brexit is not reached.

Regulatory risks

As part of modern agriculture and as an innovative plant breeding company, KWS also uses state-of-the-art breeding technologies to develop new, resource-conserving varieties. There is still a negative perception of new breeding technologies among the general public, despite the high standards in force and scientific facts to the contrary. New breeding technologies could speed up variety develop and improve its precision. The EU continues to impose tougher regulations on important research technologies and restrict the use of established operating resources. We conduct an intensive dialog with all stakeholders on this issue and are increasing the internationalization of our research – without reducing our commitment in the EU.

Markets and competition

Cultivation areas and price trends

Slight declines and shifts in cultivation area are commonplace in agriculture and usually have no significant net impact on our business success. Extreme changes in cultivation area – in particular where they affect strategically important crops and markets – have the potential to impact our market success significantly. They may be caused by factors such as a sudden drop in agricultural prices due to global crises or extreme weather events, or may be the consequence of high inventories as a result of good harvests. We counter such risks in the medium and long term by diversifying our product portfolio and expanding our market footprint. Risks from changes in cultivation area are impossible or difficult to reduce in the short term, but usually impact all market players alike. Moreover, weather risks can often be insured against only at economically unfavorable terms and conditions, if at all.

Competition and business partners

Strong competitive pressure, such as that due to aggressive pricing strategies by other market players, may have a negative impact on our business success. In particular, good local variety performance is the most effective means of protecting against that. Acquisition or licensing of technologies – such as genetically modified traits – is customary in the industry and necessary in markets such as North or South America. We strive to reduce the related risks by developing our own innovations, which may also be attractive to competitors, and through long-term license agreements.

Strategic risks

Innovation

We pursue our key strategic objective – profitable growth – by offering tailored, innovative products – new plant varieties that cope with local cultivation conditions, and deliver high yields, yet help conserve resources. Our complex research and breeding processes are subject to risks that may result in local weakness in our portfolio. They include internal factors, such as technical problems and process delays, and external factors such as climate change, new diseases or restrictions on the use of operating resources. The varieties we develop must meet high quality requirements. The performance of our varieties is reassessed every year by management and the Supervisory Board so that we can respond immediately to weaknesses in our portfolio if necessary.

Our strategy processes are oriented toward identifying future opportunities in good time and translating them into innovative company processes. We conduct strategic planning regularly and across the whole group. Future trends harbor opportunities and risks for KWS and we gear our activities to them. We take new findings into account by adapting our administration or opening new lines of business, for example.

Overall statement on the risk situation by the Executive Board

The risk situation for the KWS Group increased in fiscal 2019/2020 as a result of the global Covid-19 pandemic. We saw a sharp increase in the risks to the health of our employees and have tackled these risks with an array of measures since January 2020. They include implementation of a worldwide pandemic organization with diverse precautionary measures and global standards, as well as regular educational work through the provision of concise information. Apart from the health risks, KWS' business could be impacted in particular in the following areas: the absence of staff due to infection or quarantine measures, seed multiplication and logistics, demand, cultivation area and market prices, creditworthiness of customers and suppliers, capital markets and exchange rates. We assess the risks from official lockdowns as being low due to the fact that we operate in the food industry.

The areas of the company that may potentially be affected are continuously monitored by the responsible functions. All developments are assessed and reported in combined form to the Executive Board every month. Where possible, existing risks have been minimized by local and global countermeasures. Infections can still continue spreading dynamically and we have also taken prophylactic measures to counter that by drawing up a conservative budget for fiscal 2020/2021.

Apart from these risks, the risk situation has not changed significantly from the previous year.

In view of the available assessments and countermeasures we have initiated, risks that jeopardize the company's existence are not discernible at present. Moreover, we see at present no indications that interdependencies might result in risks that could jeopardize the company's existence. 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.

Catch crops, such as phacelia, are gaining in importance as part of sustainable farming. They improve soil quality, help suppress weeds and offer insects and soil-dwelling organisms a rich source of nutrients.

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 2020/2021 on June 30, 2021. In our forecast for the KWS Group's statement of comprehensive income in accordance with IFRS, we deal with the KWS Group's anticipated net sales, EBIT and R&D intensity. Our forecast for the segments contains comments on our net sales and EBIT expectations, including the contributions made by our equity-accounted companies, which are included proportionately in the segment reports in line with our internal corporate controlling structure.

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

There have not been any significant changes in the KWS Group's composition that are of significance for the forecast for its business performance in fiscal 2020/2021.

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

The KWS Group's economic performance will be impacted by the effects of the global coronavirus pandemic in fiscal 2020/2021. High inventories worldwide and low prices for agricultural raw materials are also weighing on the economic prospects for the farming sector. We also face considerable currency fluctuations in important markets. Assuming that cultivation area remains stable or declines slightly, we therefore expect subdued growth in fiscal 2020/2021.

We nevertheless anticipate that the KWS Group will generate net sales at the level of the previous year (€1,282.6 million). Assuming that net sales are stable, we forecast that the EBIT margin will range between 11% and 13% (after adjustment for the effects as part of the purchase price allocation for the acquisition of Pop Vriend Seeds). Our R&D intensity is expected to be between 17% and 19%. Due to the strongly seasonal nature of our business as a result of the great importance of the spring sowing season, external factors that are difficult to anticipate, such as the weather and fluctuations in cultivation area, and the prevailing uncertainties, we are as usual providing ranges in our forecasts here, since more detailed statements on our net sales and earnings performance cannot yet be made with sufficient reliability.

2.8.3 Forecast for the Segments

In fiscal 2020/2021, we anticipate that the **Corn Segment** with grow its net sales slightly over the previous year (€775.7 million), in particular on the back of rising sales volumes in South America and Southeastern Europe. We assume that competition will remain intense and cultivation area will decline slightly in North America. As far as can be seen at present, the EBIT margin is expected to be slightly up over the previous year (8.6%).

In the **Sugarbeet Segment**, we assume that cultivation area will remain stable or decline slightly, but that we will grow sales of our CONVISO® SMART seed further. The segment's net sales will probably be on a par with the previous year (€491.8 million), as will the EBIT margin (34.6%).

We assume that net sales in the **Cereals Segment** will be at the same level as the previous year (€191.2 million). While our hybrid rye business should continue to expand, we anticipate net sales on a par with the previous year for rapeseed, wheat and barley seed. The segment's earnings will benefit from an increase in sales of rye seed; at the same time, we are planning to expand our research & development and distribution activities further. The segment's EBIT margin will therefore probably be slightly down from the previous year (13.8%).

The **Vegetables Segment** essentially comprises the net sales and earnings contributed by the vegetable seed business acquired from Pop Vriend Seeds. Due to the impact we expect from the Covid-19 pandemic, we assume that the segment's net sales will be slightly lower than in the previous year (€83.5 million). There are also costs for establishing an international breeding program in the segment. Consequently, the number of employees will probably increase further. After adjustment for the effects as part of the purchase price allocation for the acquisition of Pop Vriend Seeds, we expect the EBIT margin to be in the range of 20% to 25%.

Revenue (albeit slight) from our farms in Germany, France and Poland is grouped in the **Corporate Segment**. Since all cross-segment costs for the KWS Group's central functions and basic research expenditure are still charged to the Corporate Segment, its income is usually negative. Given the usual cost inflation and planned efficiencies from the reorganization project ONEGLOBE, we expect the segment's EBIT to improve over the previous year (€–104.6 million).

Forecast for the 2020/2021 fiscal year

	Net sales	EBIT margin[1]	R&D intensity
Statement of comprehensive income of the KWS Group	At the level of the previous year	11–13%	17–19%

1 Adjusted for the effects as part of the purchase price allocation for the acquisition of Pop Vriend Seedss

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 (4) of the German Commercial Code (HGB) and explanatory report of the Executive Board	64 to 77
On business activity, corporate strategy, corporate controlling and management, as well as explanations on business performance	22 to 52
On the dividend	149 (Notes)
On research & development	32 to 34

KWS SAAT SE & Co. KGaA has been the parent company of the KWS Group since July 2, 2019. It is responsible for strategic management and, among other things, multiplies and distributes sugarbeet and corn seed. It finances basic research and breeding of the main range of varieties at the KWS Group and provides its subsidiaries with new varieties every year for the purpose of multiplication and distribution.

Earnings

Net sales at KWS SAAT SE & Co. KGaA in fiscal 2019/2020 increased to €571.2 (529.2) million. Research and development expenditure, which is pooled at KWS SAAT SE & Co. KGaA, was increased as planned to €194.4 (180.9) million. Selling expenses rose to €75.1 (72.9) 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 €121.0 (91.3) million. That was mainly attributable to extra expenditure as part of our reorganization project ONEGLOBE, higher expenses for central R&D activities, and higher IT expenses. The balance of other operating income and other operating expenses fell sharply to €4.4 (13.2) million, among other things due to positive non-recurring effects in the previous year (sale of shares in KWS Potato B.V. and income from reversal of allowances on receivables). Overall, KWS SAAT SE & Co. KGaA's operating income was €–42.1 (–33.1) million. Net financial income/expenses is made up of the net income from equity investments and the interest result. Net income from equity investments declined to €30.8 (65.6) million due to higher dividend payouts by subsidiaries in the previous year. The interest result was €–8.5 million, down from the previous year (€–6.1 million). Taking into account tax expenditures, the net loss for the year was €–27.9 million (previous year: net income of €21.9 million).

With high-performance seed, sound, in-depth advice and supplementary services, we help farmers reap a good harvest.

Financial position and assets

KWS SAAT SE & Co. KGaA's total assets in fiscal 2019/2020 increased to €1,554.5 (1,450.4) million. Fixed assets at the balance sheet date were €1,014.8 (557.9) million or 65.3% of total assets. The increase is mainly due to capital increases at affiliated companies to increase their financial strength, new buildings and plants for sugarbeet seed production, and research activities in Einbeck. Inventories rose to €66.3 (59.3) million. Receivables and other assets were €462.4 (752.9) million. The high level of other current financial assets in the previous year was mainly due to deposit of the purchase price for the acquisition of all the shares in the Pop Vriend Seeds Group in a trust account. Liabilities at the balance sheet date rose to €1,121.2 (1,011.9) million, in particular due to an increase in liabilities to affiliated companies. KWS SAAT SE & Co. KGaA's equity decreased to €233.0 (283.1) million due to the net loss for the year, giving an equity ratio of 15.0% (19.5%).

Employees

An average of 1,641 (1,586) people were employed at KWS SAAT SE & Co. KGaA in the year under review, of whom 97 (98) 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 (Section 289 (4) of the German Commercial Code (HGB)) on pages 78 to 87.

Forecast Report

KWS SAAT SE & Co. KGaA generates the main part of its net sales from sugarbeet and corn seed business. 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. In addition, KWS SAAT SE & Co. KGaA's economic performance in fiscal 2020/2021 will probably be affected by the global coronavirus pandemic. We currently expect its net sales to be at the level of the previous year. 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. We anticipate that KWS SAAT SE & Co. KGaA's EBIT will be on a par with that of the previous year.

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 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.

NFD

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 fiscal year 2018/2019 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, the individual issues of product innovations, plant and process safety, recruitment and qualification, and business ethics and compliance were identified as material within the meaning of the statutory regulations. Since no adaptations were identified as being necessary after a review of the materiality analysis in fiscal 2019/2020, the four issues remained unchanged from the previous year. Material effects of the Covid-19 pandemic on the non-financial issues are reported in the respective sections, where necessary. Given that we aim to conduct the GRI materiality analysis every two years, the next one is scheduled for fiscal 2020/21.

NFD

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.

As part of preparation of the non-financial declaration, we were guided by the GRI standards in conducting the materiality analysis. We did not use any other framework apart from that.

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 2019/2020, this issue was regarded as not being material, so no disclosures have to be made on it.	

Einbeck, September 23, 2020

KWS SE

Dr. Hagen Duenbostel | Dr. Léon Broers | Dr. Felix Büchting | Dr. Peter Hofmann | Eva Kienle

Our work only yields rewards if our seed delivers yields.

Thanks to our proximity to farmers and their regional needs, our seed grows everywhere – whether in Chile, Italy or Russia.

3. Annual Financial Statements for the KWS Group 2019/2020

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Statement of Comprehensive Income

July 1 to June 30

in € thousand	Note no.	2019/2020	2018/2019
I. Income statement			
Net sales	6.1	1,282,552	1,113,339
Cost of sales	6.1	549,899	458,534
Gross profit on sales		**732,653**	**654,805**
Selling expenses	6.1	248,821	221,915
Research & development expenses	6.1	236,102	205,557
General and administrative expenses	6.1	129,451	115,379
Other operating income	6.2	81,250	96,260
Other operating expenses	6.3	62,163	58,221
Operating income		**137,366**	**149,993**
Interest and similar income		5,482	4,074
Interest and similar expenses		24,097	19,055
Income from equity-accounted financial assets		10,773	9,447
Net financial income/expenses	6.4	**–7,842**	**–5,534**
Results of ordinary activities		**129,524**	**144,459**
Taxes	6.5	34,305	40,439
Net income for the year	6.8	**95,220**	**104,020**
II. Other comprehensive income			
Changes in reserve for currency translation differences on foreign operations	7.10	–39,596	1,592
Changes on reserve for currency translation differences on at equity accounted financial assets	7.10	1,469	2,753
Items that may have to be subsequently reclassified as profit or loss		**–38,127**	**4,345**
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income	7.10	1,313	632
Remeasurement gain/(loss) in defined benefit plans	7.10	–5,148	–7,948
Items not reclassified as profit or loss		**–3,835**	**–7,316**
Other comprehensive income after tax	7.10	**–41,962**	**–2,971**
III. Comprehensive income (total of I. and II.)		**53,258**	**101,049**
Net income after shares of minority interests		95,331	104,134
Share of minority interests		–111	–114
Net income for the year	6.8	**95,220**	**104,020**
Comprehensive income after shares of minority interests		53,333	101,160
Share of minority interests		–75	–111
Comprehensive income		**53,258**	**101,049**
Earnings per share (in €)		**2.89**	**3.15**

Balance Sheet

Assets

in € thousand	Note no.	06/30/2020	06/30/2019
Goodwill	7.1	117,290	26,190
Intangible assets	7.1	368,361	65,885
Right-of-use assets	7.16	46,349	0
Property, plant and equipment	7.2	494,179	444,514
Equity-accounted financial assets	7.3	161,960	154,027
Financial assets	7.5	6,230	5,146
Noncurrent tax assets		674	1,357
Other non-current receivables	7.17	8,072	0
Deferred tax assets	6.5	70,590	63,408
Noncurrent assets		**1,273,705**	**760,527**
Inventories	7.6	214,053	177,316
Biological assets	7.6	15,869	16,087
Trade receivables	7.7	432,569	402,129
Securities	7.8	28,266	19,944
Cash and cash equivalents	7.9	91,472	139,813
Current tax assets	7.7	83,409	81,010
Other current financial assets	7.7	63,391	487,121
Contract assets IFRS 15	7.7	2,553	2,733
Other current assets	7.7	29,741	20,671
Current assets		**961,321**	**1,346,824**
Assets held for sale	4	441	7,602
Total assets		**2,235,467**	**2,114,953**

Equity and liabilities

Subscribed capital	7.10	99,000	99,000
Capital reserve	7.10	5,530	5,530
Retained earnings	7.10	889,830	856,315
Minority interest	7.11	139	2,702
Equity	7.10	**994,498**	**963,547**
Long-term provisions	7.12	140,074	145,446
Long-term borrowings	7.12	521,744	182,270
Trade payables	7.15	264	782
Deferred tax liabilities	6.5	92,265	16,416
Other noncurrent financial liabilities	7.12	40,103	258
Other noncurrent liabilities	7.12	1,014	19,206
Noncurrent liabilities	7.12	**795,465**	**364,378**
Short-term provisions	7.13	52,467	50,192
Short-term borrowings	7.13	93,663	475,425
Trade payables	7.15	109,747	88,495
Current tax liabilities		41,840	48,927
Other current financial liabilities	7.13	28,536	17,392
Contract liabilities IFRS 15		19,191	18,804
Other current liabilities	7.13	100,059	86,035
Current liabilities	7.13	**445,504**	**785,270**
Liabilities held for sale	4	0	1,758
Liabilities		**1,240,969**	**1,151,406**
Total equity and liabilities		**2,235,467**	**2,114,953**

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**	
				Reserve for currency translation differences on foreign operations	Reserve for currency translation differences on at equity accounted financial assets
06/30/2018	**19,800**	**5,530**	**950,002**	**–56,270**	**2,994**
Adjustment due to introduction of IFRS 9 (after tax)	0	0	–4,755	0	0
Adjustment due to IAS 29 (hyperinflation)	0	0	6,590	0	0
07/01/2018 adjusted	**19,800**	**5,530**	**951,837**	**–56,270**	**2,994**
Dividends paid			–21,120	0	0
Net income for the year			104,134	0	0
Other comprehensive income after tax				1,589	2,753
Total consolidated gains (losses)			104,134	1,589	2,753
Change in shares of minority interests			0	0	0
Capital increase from company funds	79,200	0	–79,200	0	0
Other changes	0	0	0	0	0
06/30/2019	**99,000**	**5,530**	**955,651**	**–54,681**	**5,747**
Dividends paid			–22,110		
Net income for the year			95,331		
Other comprehensive income after tax				–39,596	1,469
Total consolidated gains (losses)			95,331	–39,596	1,469
Change in shares of minority interests			0	0	0
Capital increase from company funds			0	0	0
Other changes			2,256	0	0
06/30/2020	**99,000**	**5,530**	**1,031,127**	**–94,277**	**7,216**

	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 net liabilities/ assets from defined benefit plans	Other transactions			Adjustments from currency translation	Revaluation of defined benefit plans	Other transactions		
	0	**–44,783**	**1,456**	**878,970**	**3,763**	**–93**	**0**	**–857**	**2,813**	**881,783**
	241	0	0	–4,755	0	0	0	0	0	–4,755
	0	0	0	6,590	0	0	0	0	0	6,590
	241	**–44,783**	**1,456**	**880,805**	**3,763**	**–93**	**0**	**–857**	**2,813**	**883,618**
	0	0	0	–21,120	0	0	0	0	0	–21,120
	0	0	0	104,134	–114	0	0	0	–114	104,020
	632	–7,948	0	–2,974	0	3	0	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	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**
				–22,110	0				0	–22,110
				95,331	–111				–111	95,220
	1,313	–5,148	0	–41,962		36	0	0	36	–41,926
	1,313	–5,148	0	53,369	–111	36	0	0	–75	53,293
	0	0	0	0	–2,488	0	0	0	–2,488	–2,488
	0	0	0	0	0				0	0
	0	0	0	2,256	0				0	2,256
	2,186	**–57,879**	**1,456**	**994,360**	**1,050**	**–54**	**0**	**–857**	**139**	**994,498**

Cash Flow Statement

July 1 to June 30

in € thousand	Note no.	2019/2020	2018/2019[1]
Net income for the year		95,220	104,020
Depreciation/amortization and impairment on fixed assets		88,429	48,723
Increase/decrease (–) in long-term provisions		–3,596	17,480
Other noncash expenses/income (–)		–16,949	–43,232
Increase/decrease (–) in short-term provisions		750	21,253
Net gain (–)/loss (+) from the disposal of assets		–563	200
Income tax expense (+)/-income (–)		34,305	54,127
Income tax payments (–)/-refunds (+)		–33,526	–63,074
Interest expense (+)/Interest income (–)		17,093	12,785
Increase (–)/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		–77,879	–145,506
Increase/decrease (–) in trade payables and other liabilities not attributable to investing or financing activities		27,464	70,293
Proceeds and payments (+) from/for equity-accounted companies		5,408	8,566
Net cash from operating activities		**136,157**	**85,634**
Proceeds from disposal of fixed assets		1,852	2,733
Payments (–) for capital expenditures for fixed assets		–99,001	–86,728
Proceeds from disposals of intangible assets		12	166
Payments (–) for capital expenditure on intangible assets		–14,939	–9,735
Proceeds from disposals of financial assets		152	168
Payments (–) for capital expenditure on financial assets		–492	–711
Receipts from the disposal of consolidated subsidiaries and other business units		3,075	0
Cash outflows (–) for the acquisition of additional interests in subsidiaries		–395,254	–1,128
Interest received (+)		4,733	3,964
Net cash from investing activities		**–499,863**	**–91,270**

July 1 to June 30

in € thousand	Note no.	2019/2020	2018/2019[1]
Dividend payments (–) to owners and minority shareholders		–22,110	–21,120
Payment (–) of principal portion of lease liabilities		–14,376	–
Payment (–) of interest portion of lease liabilities		–1,184	–
Interest paid (–) incl. transaction costs on issuance of promissory notes and borrowings		–16,619	–15,686
Proceeds from long-term borrowings		0	405,763
Repayment of long-term borrowings		–36,500	–27,000
Changes from proceeds (+)/repayments (–) of short-term borrowings		8,304	45,796
Net cash from financing activities		**–82,484**	**387,753**
Net cash changes in cash and cash eqivalents and restricted cash		**–446,190**	**382,117**
Changes in cash and cash equivalents and restricted cash due to exchange rate, consolidated group and measurement changes		**–8,501**	**109**
Cash and cash equivalents, including restricted cash, at beginning of year		159,757	192,582
Cash and cash equivalents, including restricted cash, at end of year		–294,935	574,808
Reclassification of cash and cash equivalents due to IFRS 5		0	–379
Plus/Minus cash deposited in a trust account for the acquisition of Pop Vriend Seeds Group		414,672	–414,672
Cash and cash equivalents at end of year (incl. short-term securities)	8	**119,737**	**159,757**
Thereof restricted cash and cash equivalents at end of year		91	125

1 Previous year information changed (allocation of interest paid to cash flow from financing activities; allocation of interest received to cash flow from investing activities).

Notes for the KWS Group 2019/2020

1. General Disclosures

The consolidated financial statements of KWS SAAT SE & Co. KGaA (until July 2, 2019: KWS SAAT SE) and its subsidiaries were prepared under the assumption that the operations of the companies will be continued and applying Section 315e of the German Commercial Code (HGB). They comply with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

KWS SAAT SE & 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) bearing the name 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 Executive Board of KWS SE, the personally liable partner of KWS SAAT SE & Co. KGaA, prepared the consolidated financial statements on September 23, 2020, 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. Standards and Interpretations Applied for the First Time

The following standards and interpretations have been adopted and applied for the first time in fiscal year 2019/2020:

Standards and interpretations applied for the first time

Financial reporting standards and interpretations
IFRS 16 – Leases
Amendments to IFRS 9 – Financial Instruments: Prepayment Features with Negative Compensation
Amendments to IAS 19 – Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to IAS 28 – Investments in Associates and joint Ventures: Long-term Interests in Associates and Joint Ventures
IFRIC 23 – Uncertainty over Income Tax Treatments
Annual Improvements to the International Financial Reporting Standards (2015–2017 cycle)

The nature and effects of first-time application of the new standard IFRS 16 "Leases" are presented in this note. 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 16 "Leases"

The KWS Group applied the regulations of the newly published IASB standard IFRS 16 "Leases" for the first time effective July 1, 2019. It superseded IAS 17 "Leases" and the related interpretations.

The KWS Group has applied IFRS 16 using the modified retrospective method, under which effects from adoption of the standard are recognized cumulatively in the revenue reserves at July 1, 2019. The comparative information for 2018/2019 has therefore not been adjusted.

Under the new regulation, lessees no longer have to distinguish between finance and operating leases. Consequently, the lessee must recognize leases as right-of-use assets and lease liabilities in the balance sheet. In subsequent periods, the right-of-use asset is depreciated over the lease's term. This depreciation is recognized in the respective function costs. Interest expense is accrued on the lease liability in the course of the lease and the liability is reduced by the lease payments that have been made. The effect from the accrued interest is recognized in the interest expense under net financial income/expenses.

There will be no significant changes for lessors as a result of IFRS 16, with the exception of subleases, which must be classified in the future as a finance or operating lease in relation to the main lease agreement.

The standard was applied for the first time at the KWS Group retrospectively without any adjustment to the comparative information. In application of the practical expedient permitted under IFRS 16, the KWS Group has not reviewed the agreements recognized in accordance with IAS 17 to determine whether a lease exists. The lease payments for short-term leases and leases of low value assets are still recognized as operating expenses in accordance with the available exemption. In addition, leases whose terms end within twelve months of the time of adoption of the standard were treated as short-term leases.

At the time of adoption of the standard, the KWS Group recognized the lease liabilities at the present value of the outstanding lease payments using the applicable incremental borrowing rate. The weighted average rate of interest at July 1, 2019, was 2.9%. The lease liabilities are carried under the item "Other financial liabilities" depending on when they are due. The right-of-use assets were recognized to the amount of the corresponding lease liabilities, adjusted for any prepaid or accrued lease payments if applicable. The right-of-use assets were reported in the balance sheet under a separate item. Initial direct costs were not included in measuring the right-of-use asset at the time of adoption of the standard.

The KWS Group's leases primarily relate to lease agreements for office space, land and vehicles.

The material impacts from adoption of IFRS 16 at July 1, 2019, are presented in the table below:

Adjustments from adoption of IFRS 16

in € thousands	07/01/2019
Net operating lease commitments on 06/30/2019 (discounted)	30,889
Gross operating lease commitments on 06/30/2019 (undiscounted)	33,541
Application of practical expedient for short-term leases	–1,767
Application of practical expedient for leases of low-value assets	–124
Others	1,009
Gross lease liability as of 07/01/2019	**32,660**
Discounting	2,368
Lease liability as of 07/01/2019	**30,293**

At the date of signing, KWS Group considers all other amendments to the financial reporting standards and interpretations, applied as of 1 July 2019, will not have a significant impact on the consolidated financial statements of the KWS Group. In addition, early application of the "Amendments to IFRS 16 – Covid-19-Related Rent Concessions" would not have an impact on the consolidated financial statements of the KWS Group.

Standards and interpretations to be applied in future

The IASB has issued the following standards and amendments to standards whose application was not yet mandatory for the 2020 fiscal year and for some of which the European Union had not yet completed the endorsement process. The following standards have not yet been applied by KWS Group:

Standards and Interpretations to be applied in future

Financial reporting standards and interpretations	Mandatory first-time application
Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”	Fiscal year 2020/2021
Conceptual Framework for Financial Reporting and Amendments to References to the Conceptual Framework in IFRS Standards	Fiscal year 2020/2021
IFRS 9, IAS 39, IFRS 7 – Amendments to IFSR 9, IAS 39 and IFRS 7	Fiscal year 2020/2021
Amendments to IFRS 16 Leases “Covid-19-Related Rent Concessions”	Fiscal year 2020/2021
Amendments to IFRS 4 “Insurance Contracts”	Fiscal year 2021/2022
Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”	Fiscal year 2022/2023
Annual Improvements to IFRSs 2018-2020 Cycle	Fiscal year 2022/2023
Amendments to IFRS 3 “Business Combinations”	Fiscal year 2022/2023
Amendments to IAS 16 “Property, Plant and Equipment”	Fiscal year 2022/2023
Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”	Fiscal year 2022/2023
IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”	Fiscal year 2023/2024

3. Accounting Policies

3.1 Consistency of accounting policies

Consistent accounting policies are applied in the annual financial statements of the companies included in the consolidated financial statements. There were no changes to accounting policies from the previous financial year, with the exception of the IFRS 16 standard, which was applied for the first time.

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.

3.2 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 currently has existing rights that give it the 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 section 4. Consolidated Group and Changes in the Consolidated Group.

3.3 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. For business combinations, capital consolidation is performed according to the acquisition 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. Costs incurred as part of the business combination are recognized as an expense and carried as administrative expenses.

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 affiliated companies which are not consolidated are carried at cost.

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

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

The basis for a joint operation is likewise a contractual agreement with a third party to manage the company's activities jointly. In this case, the parties have rights to the assets that can be ascribed to the agreement and obligations in respect of the liabilities. The assets and liabilities and revenue and expenses are included in the consolidated financial statements proportionately in accordance with the KWS Group's stake (50%).

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.

Non-controlling interests are recognized in the amount of the imputed percentage of equity in the consolidated companies.

3.4 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/		**06/30/2020**	**06/30/2019**	**2019/2020**	**2018/2019**
ARS [1]	Argentina	78.85460	48.60240	78.85460	48.60240
BRL	Brazil	6.05730	4.34750	5.01039	4.41256
GBP	UK	0.91360	0.89720	0.87829	0.88235
RUB	Russia	78.68120	71.81790	74.32688	74.91476
UAH	Ukraine	29.95000	29.73024	28.08884	31.27778
USD	USA	1.12100	1.13830	1.10569	1.14186

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 recognized in the Other comprehensive income and are not reclassified to profit or loss until disposal of the net investment. The accumulated amount is recognized in the income statement only when the net investment is disposed of.

Argentina was still classified as a hyperinflationary economy this fiscal year, as a result of which IAS 29 “Financial Reporting in Hyperinflationary Economies” was applied to KWS ARGENTINA S.A. Gains and losses from current inflation of non-monetary assets and liabilities and of equity are recognized in the income statement.

The IPC was 225.54 points at July 1, 2019, and rose by 42.76% in the current fiscal year to 321.97 points at June 30, 2020.

3.5 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.

3.6 Recognition of income and expenses

Revenue from contracts with customers is primarily generated from the sale of seed. It is recognized when KWS Group transfers control over products to the customer. That is usually the time when risk passes to the customer. The revenue 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 discount coupons, credit memos for returned goods and bonus points, in addition to seed delivery, they must be measured separately. The KWS Group uses empirical country-specific and seasonal figures 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 twelve months.

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

Revenue from service transactions is recognized over the period of time in which the service is provided and measured 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 carried under the other operating income as part of profit/loss.

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

3.7 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 useful life of intangible assets is as follows:

Useful life of intangible assets

	Useful life
Breeding material, proprietary rights to varieties and trademarks	10–30 years
Other rights	3–10 years
Software	3–8 years
Distribution rights	5–20 years
Trait licensing agreements	15 years
Customer relationships	1–5 years

3.8 Property, plant, and equipment

Property, plant, and equipment is measured at cost less straight-line depreciation over its expected useful life 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.

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

3.9 Leases

Refer to section 2 of the Notes for details of the principles and methods used in lease accounting.

3.10 Financial instruments

Classification and measurement

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

When financial assets are initially recognized, 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 classify them irrevocably as being measured at fair value through other comprehensive income is exercised when they are initially recognized. Such an option is available if the financial investments in equity instruments are neither held for trading nor constitute a contingent consideration as part of a company acquisition. The debt instruments are classified taking into account KWS Group's business model for controlling these financial assets and the contractual cash flow characteristics for the financial instrument. 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 as being measured at fair value through profit or loss under certain conditions when it is carried for the first time.

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 at the settlement date. Because fund shares have the characteristics of equity, they are classified irrevocably as being 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. Such equity instruments are not tested for impairment.

The other financial assets are measured at amortized cost. The carrying amount of receivables, money market accounts and cash is assumed as the fair value.

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 risks of default 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 Group expects to receive.

In general, a two-stage model must be applied in calculating the expected losses. If the credit risk for financial instruments has not increased significantly, the risk provision 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 first-time recognition, the entire remaining lifetime is used to calculate the expected losses.

KWS Group uses a simplified approach under IFRS 9 to determine the expected losses because the financial assets mainly consist of short-term trade receivables. Measurement and first-time recognition of the receivables and also their subsequent measurement therefore take into account expectations of default on the item in question over its entire lifetime.

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 generally 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 classified customers is calculated for each country, regardless of the receivables per customer. It is then applied to the total amount for all the receivables in the country in question. 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 Group 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. When financial liabilities are initially recognized, they are classified as being measured at fair value through profit or loss or at amortized cost. KWS Group adopts first time measurement 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 or when the reason why they were formed no longer exists.

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.

3.11 Derivates

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 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.

3.12 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.

3.13 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 recoverable in the future. Deferred tax liabilities must be accounted 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 and no discounting is carried out. Deferred taxes and current taxes are generally recognized as an expense, unless they relate to transactions or events that are recognized outside of profit or loss. These are likewise recognized in the Other comprehensive income or directly in equity.

3.14 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.

3.15 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 past service costs, are recognized in operating income in accordance with the employees' assignment to the functions. If there are plan 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.

3.16 Other provisions

Provisions are recognized for present legal and constructive obligations arising from past events that will likely give rise to a future outflow of resources, provided that a reliable estimate can be made of the amount of the obligations.

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 economic outflow of a provision will occur, or the conditions for why it was recognized no longer apply, the provision is reversed by the corresponding amount and the resulting income recognized in the operating expense item(s) in which the original charge was recognized . 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, provided the interest effect is material.

3.17 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.

3.18 Significant accounting judgements, estimates and assumptions

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 (sections 3.7 and 3.8 of the Notes)
- Definition of measurement assumptions and future results in connection with impairment tests, above all for capitalized goodwill (section 7.1 of the Notes)
- Determination of the need to recognize impairment losses on inventories (section 7.6 of the Notes)
- Definition of the parameters required for measuring pension provisions (section 7.12 of the Notes)
- Determination whether there is reasonable certainty as to whether extension or termination options as a part of a lease will be exercised or not (section 7.16 of the Notes)
- Determination whether tax losses carried forward can be used (section 6.5 of the Notes)
- 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 (section 4 of the Notes)
- Measurement of other provisions (section 7.13 of the Notes)
- Calculation of the expected returns from customers at the balance sheet date (section 3.6 of the Notes)

Estimates are based on historical experience and other assumptions that are considered reasonable under given circumstances. They are continually reviewed but may vary from the actual values.

3.19 Effects of the coronavirus pandemic

The coronavirus pandemic had a significant impact on the global economy in 2020, curtailing economic activity. In spite of these challenging general conditions, the KWS Group ensured that farmers were supplied with seed. The general macroeconomic conditions were taken into consideration in the measurement policies applied at June 30, 2020.

Goodwill and intangible assets with an indefinite useful life underwent an annual impairment test at June 30, 2020, while the changes in the market situation due to the coronavirus pandemic were reflected in the adopted budget and medium-term planning. All in all, there were no impairments for the cash-generating units and intangible assets with an indefinite useful life.

The effect on other assets, such as trade receivables and inventories, was continually examined with regard to the impact of coronavirus on the economic environment. The KWS Group's business model is seasonal in nature, which is why it generates most of its net sales by the end of the third quarter and collects a large proportion of the receivables owed to it in the fourth quarter. As regards customers' solvency, no circumstances justifying impairment of the receivables above and beyond the existing approach were identified. Potential industry and country specific risks were, and will continue to be, taken into account in assessing the potential impact of the coronavirus pandemic on trade receivables.

4. Consolidated Group and Changes in the Consolidated Group

The number of companies consolidated in the KWS Group increased from 75 at June 30, 2019, to 88 at June 30, 2020.

Number of companies including KWS SAAT SE & Co. KGaA

	06/30/2020			06/30/2019		
	Germany	**Abroad**	**Total**	**Germany**	**Abroad**	**Total**
Fully consolidated	13	63	76	14	50	**64**
Equity method	0	4	4	0	3	**3**
Joint operation	0	8	8	0	8	**8**
Total	**13**	**75**	**88**	**14**	**61**	**75**

Acquisition of the POP VRIEND SEEDS Group

The KWS Group acquired the POP VRIEND SEEDS Group, Andijk, the Netherlands, effective July 1, 2019. The number of companies consolidated in the KWS Group has thus been enlarged by the holding company BIRIKA B.V., Amsterdam, the Netherlands (since July 2020: POP VRIEND SEEDS HOLDING B.V.), and eleven subsidiaries in the Netherlands and Turkey. KWS Group acquired the group by taking over all the shares in BIRIKA B.V.

POP VRIEND SEEDS is a leading company in the breeding, production and distribution of vegetable seed. It primarily specializes in seed for spinach, beans, carrots, Swiss chard and other vegetable crops and supplies customers in more than 100 countries. POP VRIEND SEEDS has thus become part of the new Vegetables Segment.

The transferred consideration less acquired cash and cash equivalents was just under €400 million and was paid in cash. The KWS Group raised bridge funding of €400 million in fiscal 2018/2019 to finance the purchase price. It was replaced at the end of August by the issue of borrower's notes to the same amount with a term of between five and ten years. Apart from transaction costs, there was no cash outflow or inflow.

Fair Value of the identifiable assets and liabilities as at the date of acquisition

in € thousands	07/01/2019
Assets	**407,300**
Intangible assets	320,276
Right-of-use assets (IFRS 16)	173
Property, plant and equipment	10,751
Financial assets	160
Deferred tax assets	410
Inventories	30,901
Trade receivables [1]	23,302
Cash and cash equivalents	19,918
Other assets	1,409
Liabilities	**87,754**
Long-term financial liabilities	111
Short-term financial liabilities	1,353
Trade payables	2,793
Short-term provisions	7,062
Other short-term liabilities	26
Deferred tax liabilities	76,409
Total identifiable net assets at fair value	**319,546**
Goodwill arising on acquisition	**95,126**

1 Gross carrying amount of trade receivables amounts to €24.499 thousand.

The acquired intangible assets identified as part of the purchase price allocation relate to approved varieties, technology, customer relationships, and the “Pop Vriend” brand. The brand is regarded as having an indefinite useful life, since the KWS Group intends to keep on using it and the period of time in which the brand yields an economic benefit can therefore not be determined. The carrying amount is €20,752 thousand.

The goodwill of €95,126 thousand from acquisition of the company essentially reflects the KWS Group’s entry into the strongly growing and profitable vegetable seed market. The goodwill is not tax-deductible.

The POP VRIEND SEEDS Group currently generates almost all the net sales and income at the new Vegetables Segment. Please refer to the segment reporting for details.

The deferred tax liabilities incurred as part of the acquisition relate almost wholly to intangible assets and inventories. The tax liability on intangible assets at the time of the acquisition totaled €70,735 thousand and was included at tax rates of 21.8% to 25%. The tax liability on inventories is €3,811 thousand and was included at a tax rate of 25%.

Acquisition of a 50% stake in FARMDESK B.V.

The KWS Group completed the acquisition of a 50% stake in AGRIN B.V. (thereafter called FARMDESK B.V.) on April 15, 2020. FARMDESK B.V. is an existing limited liability company that has been duly established under Belgian law and is headquartered in Antwerp. The company has developed an online/mobile application of the same name.

FARMDESK B.V. is included as a joint venture in the KWS Group’s consolidated financial statements and carried using the equity method. In accordance with IAS 28, the investment is initially carried at cost and adjusted in subsequent periods to reflect the changes in KWS Group’s stake in the assets of FARMDESK B.V. after the acquisition. The acquisition costs were €1,100 thousand and the KWS Group’s pro-rata loss for the fiscal year (on the basis of its 50% stake) was €9 thousand.

Other changes in the consolidated group

KWS SEMILLAS CANARIAS S.L.U., Gran Canaria, Spain, was established in July 2019 and BTS TURKEY TARIM TICARET LIMITED ŞIRKETI, Eskisehir, Turkey, in October 2019. Both companies are included in the consolidated financial statements at a stake of 100%.

In addition, KWS INTERNATIONAL HOLDING II B.V. was established as a wholly-owned subsidiary of KWS INTERNATIONAL HOLDING B.V. in January 2020 and is included in the consolidated financial statements at a stake of 100%. The company is headquartered in Emmeloord, the Netherlands.

KWS SERVICES DEUTSCHLAND GMBH was merged with KWS LOCHOW GMBH on April 22, 2020, retroactively effective July 1, 2019

The 51% stake in the French subsidiary RAZES HYBRIDES S.A.R.L. was sold on July 3, 2019. The stake’s fair value was the same as the sales price of €3,500 thousand. Assets totaling €7,730 thousand (of which property, plant, and equipment accounted for €6,475 thousand) and liabilities totaling €2,380 thousand) were disposed of. After the disposal of minority interests totaling €2,652 thousand and reclassification of losses of €38 thousand recognized in the Other comprehensive income, a profit of €764 thousand was made on the sales transaction and is carried under the other operating income.

The KWS Group sold its stake of 100% in KWS SEEDS THAILAND CO., LTD. on November 22, 2019. The sales price was €1. After the disposal of assets totaling €31 thousand and liabilities totaling €340 thousand and reclassification of currency losses of €169 thousand recognized in the Other comprehensive income, a deconsolidation gain of €140 thousand resulted from sale of the shares and is carried under the other operating income.

5. 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
- Vegetables (since July 1, 2019)
- Corporate

The new Vegetables Segment essentially comprises the business activities of the POP VRIEND SEEDS Group acquired effective July 1, 2019. The 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 for Sugarbeet and Corn, including the relevant information and expertise about how to use it, is owned by KWS SAAT SE & Co. KGaA, and for Cereals it is owned by KWS LOCHOW GMBH. 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 is the main decision-making body and 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 adopted in line with those used for the KWS Group. The only exception relates to consolidation of the equity-accounted joint ventures and associated companies that are assigned to the Corn Segment, namely AGRELIANT GENETICS LLC., AGRELIANT GENETICS INC., FARMDESK B.V. and KENFENG – KWS SEEDS CO., LTD. In accordance with internal controlling practices, they are included proportionately as part of segment reporting.

The presentation of net sales, 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. The allocation of joint ventures and associated companies are consolidated proportionately (management approach) on the same basis. In order to permit better comparability, they have been reconciled with the figures in the consolidated financial statements.

Sales per segment

in € thousand	Segment sales		Internal sales		External sales	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Corn	776,093	739,031	423	5	775,669	739,026
Sugarbeet	491,898	461,257	52	26	491,846	461,231
Cereals	191,348	170,990	185	197	191,163	170,794
Vegetables	83,523	–	0	–	83,523	–
Corporate	18,207	17,474	13,593	13,580	4,615	3,893
Segments acc. to management approach	**1,561,069**	**1,388,752**	**14,253**	**13,808**	**1,546,816**	**1,374,944**
Elimination of equity-accounted financial assets					–264,264	–261,605
Segments acc. to consolidated financial statements					**1,282,552**	**1,113,339**

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 non-cash items per segment

in € thousand	Segment earnings		Depreciation and amortization		Other noncash items	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Corn	67,072	57,916	36,143	28,703	–36,047	–670
Sugarbeet	170,062	179,599	16,897	12,762	1,254	–18,260
Cereals	26,357	22,988	9,917	9,200	–6,169	287
Vegetables	–7,543	–	23,083	–	–1,135	–
Corporate	–104,626	–97,110	17,489	11,868	–11,133	–8,250
Segments acc. to management approach	**151,323**	**163,393**	**103,528**	**62,533**	**–53,230**	**–26,893**
Elimination of equity-accounted financial assets	–13,957	–13,400	–15,377	–12,238	47,922	21,578
Segments acc. to consolidated financial statements	**137,366**	**149,993**	**88,151**	**50,295**	**–5,308**	**–5,315**
Net financial income/expenses	–7,842	–5,534				
Earnings before taxes	**129,524**	**144,459**				

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	
	2019/2020	**2018/2019**	**2019/2020**	**2018/2019**
Corn	759,323	800,334	149,741	122,249
Sugarbeet	371,019	335,630	71,612	67,459
Cereals	137,992	122,159	33,498	30,260
Vegetables	454,552	–	8,223	–
Corporate	207,211	152,029	117,770	106,540
Segments acc. to management approach	**1,930,096**	**1,410,152**	**380,845**	**326,508**
Elimination of equity-accounted financial assets	–232,576	–278,034	–58,066	–49,210
Segments acc. to consolidated financial statements	**1,697,521**	**1,132,118**	**322,779**	**277,298**
Others	537,946	982,835	918,190	874,108
KWS Group acc. to consolidated financial statements	**2,235,467**	**2,114,953**	**1,240,969**	**1,151,406**

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.

In accordance with the management approach, the operating liabilities attributable to the segments include the borrowings reported on the balance sheet, less financial liabilities, 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.

Investments in long-term assets by segment[1]

in € thousand	2019/2020	2018/2019
Corn	30,901	27,151
Sugarbeet	32,308	34,874
Cereals	10,088	7,037
Vegetables	1,568	–
Corporate	38,583	32,061
Segments acc. to management approach	**113,449**	**101,123**
Elimination of equity-accounted financial assets	–5,415	–4,552
Segments acc. to consolidated financial statements	**108,034**	**96,571**

1 Excluding Right-of-Use assets according to IFRS 16

Capital expenditure in the Corn Segment relates mainly to drying and production capacities in South America. The Sugarbeet Segment's capital expenditure relates to continued expansion of sugarbeet seed production at the Einbeck location and in France. KWS Group continue to expand the laboratory capacities in these locations. Further investments have been made in the Cereals segment with additional greenhouse and breeding stations.

Disclosures by region

The disclosures on the regional composition of net sales and noncurrent 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	2019/2020	2018/2019
Germany	239,835	236,226
Europe (excluding Germany)	573,205	505,867
thereof in France	112,449	100,982
North and South America	378,527	305,749
thereof in Brazil	110,187	97,989
thereof in the U.S.	222,410	167,547
Rest of world	90,985	65,497
KWS Group	**1,282,552**	**1,113,339**

Long-term assets by region

in € thousand	2019/2020	2018/2019
Germany	313,829	267,309
Europe (excluding Germany)	621,712	169,579
thereof in France	63,820	55,706
North and South America	252,110	252,477
thereof in Brazil	29,921	36,312
thereof in the U.S.	199,521	192,042
Rest of world	6,719	6,397
KWS Group	**1,194,370**	**695,762**

6. Notes to the Income Statement

6.1 Net sales and function costs

Net sales are primarily generated from the sale of certified seed. A breakdown by segments and regions is provided in the segment reporting in section 5 of the Notes.

The **cost of sales** increased by 19.9% to €549,899 (458,534) thousand, or 42.9% (41.2%) of sales. The key factors in this development were higher cost of sales in the Sugarbeet Segment and non-recurring effects from the purchase price allocation for the POP VRIEND SEEDS Group (€11,116 thousand). The total cost of goods sold was €357,408 (294,401) thousand.

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

July 1 to June 30

in € thousand	2019/2020	2018/2019
Impairment losses	8,666	9,543
Decreases in impairment loss	5,441	3,889

The impairment losses relate mainly to unsold seed. They are based on, among other things, empirical values and expectations as to their substitution by new varieties.

Selling expenses increased by €26,906 thousand to €248,821 (221,915) thousand, or 19.4% (19.9%) of sales. The selling expenses include amortization of €13,047 thousand from the purchase price allocation for the POP VRIEND SEEDS Group.

Research & development is recognized as an expense in the year it is incurred; in the year under review, this amounted to €236,102 (205,557) 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. The research and development costs include amortization of €8,820 thousand from the purchase price allocation for the POP VRIEND SEEDS Group.

General and administrative expenses increased by €14,072 thousand to €129,451 (115,379) thousand, representing 10.1% of sales, after 10.4% the year before. They rose in particular due to the process of optimizing the organizational structure and our entry into vegetable seed business, including first-time consolidation of the POP VRIEND SEEDS Group.

6.2 Other operating income

July 1 to June 30

in € thousand	2019/2020	2018/2019
Income from sales of fixed assets	846	201
Income from the reversal of provisions	1,560	4,238
Foreign exchange gains	42,355	30,753
Unrealised gain on derivatives measured at fair value through profit or loss	1,289	–
Income from reversal of valuation allowance for trade receivables and recovery of written off receivables	6,591	11,317
Performance-based public grants	8,200	6,797
Other income related to previous periods	2,742	3,240
Income from loss compensation received	400	493
Gain on net monetary position (hyperinflation)	651	1,400
Income from deconsolidation of KWS Potato B.V.	0	15,958
Miscellaneous other operating income	16,615	21,863
Total	**81,250**	**96,260**

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

6.3 Other operating expenses

July 1 to June 30

in € thousand	2019/2020	2018/2019
Valuation allowance on receivables	11,870	6,662
Foreign exchange losses	42,310	30,266
Unrelaised loss on derivatives measured at fair value through profit or loss	2,810	–
Expenses relating to previous periods	38	1,106
Other expenses	5,135	20,187
Total	**62,163**	**58,221**

The other operating expenses mainly comprise foreign exchange losses and valuation allowances on receivables.

6.4 Net financial income/expenses

July 1 to June 30

in € thousand	2019/2020	2018/2019
Interest income	5,462	4,006
Interest expenses	21,514	17,016
Income from other financial assets	20	68
Interest effects from pension provisions	1,294	1,956
Interest expense for other long-term provisions	105	82
Interest expenses for lease liabilities	1,184	1
Interest result	**–18,615**	**–14,981**
Result from equity-accounted financial assets	10,773	9,447
Net income from equity investments	**10,773**	**9,447**
Net financial income/expenses	**–7,842**	**–5,534**

Net financial income/expenses was mainly reduced by higher interest expenses in Germany and Brazil. Factors that resulted in an increase in financial expenses included the issue of borrower's notes in connection with the acquisition of the POP VRIEND SEEDS Group at the beginning of the fiscal year. The interest effects from pension provisions comprise interest expenses (compounding) and the planned income. The increase in interest expenses for lease liabilities is attributable to adoption of IFRS 16.

Net financial income/expenses from the equity-accounted joint ventures improved slightly year on year due to higher earnings by KENFENG – KWS SEEDS CO., LTD.

6.5 Taxes

Income tax expenses

in € thousand	2019/2020	2018/2019
Actual income taxes	**45,101**	**54,196**
in Germany	9,048	5,182
abroad	36,053	49,014
thereof from previous years	6,102	7,545
Deferred taxes	**–10,797**	**–13,758**
in Germany	–1,981	–5,855
abroad	–8,817	–7,903
Income taxes	**34,304**	**40,439**

KWS Group pays tax in Germany at a rate of 29.8% (29.8%). Corporate income tax of 15.0% (15.0%) and solidarity tax of 5.5% (5.5%) are applied uniformly to distributed and retained profits. In addition, trade tax is payable on profits generated in Germany. Trade income tax is applied at a weighted average rate of 14.0% (14.0%), resulting in a total tax rate of 29.8% (29.8%).

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 6.0% (9.0%) and 34.4% (35.0%).

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

Deferred taxes

in € thousand	Deferred tax assets		Deferred tax liabilities	
	2019/2020	2018/2019	2019/2020	2018/2019
Intangible assets	438	0	78,452	2,876
Property, plant and equipment	826	740	19,254	18,683
Biological assets	0	0	4	4
Financial assets	2,242	1,350	3,211	1,180
Inventories	11,602	25,920	4,978	2,003
Current assets	19,143	8,215	20,768	2,016
Noncurrent liabilities	47,259	23,941	6,939	9
of which pension provisions	23,782	23,156	0	0
Current liabilities	22,030	10,289	2,265	3,903
Deferred taxes recognized (gross)	**103,540**	**70,454**	**135,871**	**30,675**
Tax loss carryforward	10,656	7,213	0	0
Setting off	–43,606	–14,259	–43,606	–14,259
Deferred taxes recognized (net)	**70,590**	**63,407**	**92,264**	**16,416**

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 €332 (809) thousand.

There is a deferred tax expense of €3,413 (802) 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 €602 (584) thousand.

No deferred taxes were formed for tax loss carryforwards totaling €5,561 (13,893) thousand that have not yet been utilized. Of these, €923 (0) thousand must be utilized within a period of five years. Loss carryforwards totaling €4,638 (13,893) 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 €41,806 (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 €46,198 (21,088) 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% (29.8%), taking into account the following effects:

Reconciliation of income taxes

in € thousand	2019/2020	2018/2019
Earnings before income taxes	129,524	144,459
Expected income tax expense[1]	**38,637**	**43,092**
Reconciliation with the reported income tax expense		
Differences from the Group's tax rate	–6,613	–7,246
Effects of changes in the tax rate	–73	797
Tax effects from:		
Expenses not deductible for tax purposes and other additions	4,203	4,238
Tax-free income	–8,391	–12,719
Other permanent deviations	–435	497
Reassessment of the recognition and measurement of deferred tax assets	–162	–283
Tax credits	–568	–535
Taxes relating to previous years	7,757	12,500
Other effects	–51	99
Reported income tax expense	34,304	40,439
Effective tax rate	26.5%	28.0%

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

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.

6.6 Personnel costs/employees

July 1 to June 30

in € thousand	2019/2020	2018/2019
Wages and salaries	246,215	223,298
Social security contributions, expenses for pension plans and benefits	63,858	57,358
Total	**310,073**	**280,656**

Employees by region

	2019/2020	2018/2019
Germany	1,954	1,800
Europe (excluding Germany)	1,417	1,315
North and South America	879	832
Rest of world	164	179
Total	**4,414**	**4,126**

Personnel costs went up by 10.5%. The number of employees increased from 4,126 to 4,414, or by 7%. Of the 4,414 (4,126) employees, 4,052 (3,791) are permanent employees, 265 (236) are temporary employees and 97 (98) are trainees.

With our joint ventures and associated company consolidated proportionately, the number of employees was 4,877 (4,592). The reported number of employees is greatly influenced by seasonal labor.

6.7 Share-based payment

Employee Stock Purchase Plan

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

Each employee can acquire up to 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 four years beginning when they are posted to the employee's securities account. The right to a dividend, if declared by KWS SAAT SE & Co. KGaA, 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.

52,315 (54,095) shares were repurchased for the Employee Stock Purchase Plan at a total price of €2,957 (3,101) thousand in the year under review. The total cost for issuing shares at a reduced price was €555 thousand in the past fiscal year (previous year: €715 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 35% 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 under the LTI program may be sold at the earliest after a regular holding period of five years beginning at the time they are acquired (end of the quarter in which the shares were acquired). In addition to the shares being unlocked, 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 2020 into account, were €1,163 (1,037) thousand in the period under review. The provision for it at June 30, 2020, was €2,560 (2,490) thousand. The LTI fair values are calculated by an external expert.

6.8 Net income for the year

The KWS Group's net income for the year was €95,220 (104,020) thousand on operating income of €137,366 (149,993) thousand and net financial income/expenses of €–7,842 (–5,534) thousand. The return on sales was 7.4% and so below that of the previous year (9.3%). Net income for the year after minority interest was €95,331 (104,134) thousand. Earnings per share in the year under review were €2.89.

7. Notes to the Balance Sheet

7.1 Intangible assets

Reconciliation of carrying amount of intangible assets

in € thousand	Patents, industrial property rights and software	Goodwill	Intangible Assets
Gross book values: 07/01/2019	**139,200**	**26,190**	**165,390**
Currency translation	–4,594	–4,027	–8,620
Change in consolidation scope	320,277	95,126	415,403
Additions	14,080	0	14,080
Disposals	8,683	0	8,683
Transfers	47	0	47
Reclassification in held for sale (IFRS 5)	0	0	0
At 06/30/2020	**460,327**	**117,289**	**577,616**
Amortization and impairment: 07/01/2019	**73,315**	**0**	**73,315**
Currency translation	–4,306	–1	–4,307
Change in consolidation scope	0	0	0
Amortization	31,626	0	31,626
Impairment	0	0	0
Disposals	8,671	0	8,671
Transfers	2	0	2
Reclassification in held for sale (IFRS 5)	0	0	0
Gross book values: 06/30/2020	**91,966**	**–1**	**91,965**
Net book values: 06/30/2020	**368,361**	**117,290**	**485,651**
Net book values: 06/30/2019	**65,885**	**26,190**	**92,075**

in € thousand	Patents, industrial property rights and software	Goodwill	Intangible assets
Gross book values: 07/01/2018	**123,885**	**25,115**	**149,000**
Currency translation	608	520	1,128
Change in consolidation scope	5,932	555	6,487
Additions	9,368	0	9,368
Disposals	566	0	566
Transfers	67	0	67
Reclassification in held for sale (IFRS 5)	–94	0	–94
At 06/30/2019	**139,200**	**26,190**	**165,390**
Amortization and impairment: 07/01/2019	**63,535**	**0**	**63,535**
Currency translation	534	0	534
Change in consolidation scope	0	0	0
Amortization	9,720	0	9,720
Impairment	0	0	0
Disposals	400	0	400
Transfers	0	0	0
Reclassification in held for sale (IFRS 5)	–74	0	–74
Gross book values: 06/30/2019	**73,315**	**0**	**73,315**
Net book values: 06/30/2019	**65,885**	**26,190**	**92,075**
Net book values: 06/30/2018	**60,350**	**25,115**	**85,465**

Intangible assets include purchased varieties, rights to varieties and distribution rights, brands, customer relationships, software licenses for electronic data processing, and goodwill. The current additions of €14,080 (9,368) thousand related to software licenses and patents. Amortization of intangible assets amounted to €31,626 (9,720) thousand. The additions attributable to changes in the consolidated group related to acquisition of the POP VRIEND SEEDS Group. Further explanations can be found in section 4.

One major intangible asset is the trait licensing agreement. Its carrying amount at the balance sheet date was €17,178 (18,896) thousand. Its remaining useful life is ten 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 recoverable amount in fiscal 2019/2020 was determined on the basis of the value in use of the respective cash-generating unit excluding the Business Unit Vegetables.

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

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

The discount rate at the KWS Group has been derived as the weighted average cost of capital (WACC).

WACC before taxes

Business Unit in %	2019/2020	2018/2019
Corn America	6.10	6.49
Corn Europe/Asia	6.29	6.54
Sugarbeet	6.28	6.23
Cereals	6.30	6.91
Vegetables	7.72	–

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 2019/2020 confirmed that the existing goodwill is not impaired.

Goodwill

in € thousand	06/30/2020	06/30/2019
Vegetables	95,126	–
Corn America	15,966	20,350
Cereals	3,866	3,925
Others	2,333	1,915
Total	**117,290**	**26,190**

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.

7.2 Property, plant, and equipment

Reconciliation of carrying amount of property, plant and equipment

in € thousand	Land and buildings	Technical equipment and machinery	Operating and office equipment	Prepayments and assets under construction	Property, plant and equipment
Gross book values: 07/01/2019	**343,058**	**253,941**	**124,332**	**62,318**	**783,649**
Currency translation	–5,550	–5,969	–4,064	–3,120	–18,703
Adjustment for hyperinflation IAS 29	3,174	1,281	739	–806	4,389
Change in consolidation scope	8,442	2,136	172	0	10,750
Additions	19,893	25,594	12,181	36,267	93,934
Disposals	1,289	4,429	4,892	7,594	18,204
Transfers	21,633	26,787	1,710	–50,176	–47
Reclassification in held for sale (IFRS 5)	0	0	0	0	0
At 06/30/2020	**389,360**	**299,341**	**130,179**	**36,889**	**855,769**
Depreciation and impairment: 07/01/2019	**102,746**	**160,950**	**75,439**	**0**	**339,135**
Currency translation	–1,296	–3,429	–1,790	0	–6,516
Adjustment for hyperinflation IAS 29	446	541	382	0	1,370
Change in consolidation scope	0	0	0	0	0
Additions	11,589	20,216	12,714	0	44,519
Impairment	0	0	0	0	0
Disposals	8,468	4,060	4,387	0	16,915
Transfers	104	341	–447	0	–2
Reclassification in held for sale (IFRS 5)	0	0	0	0	0
Status: 06/30/2020	**105,120**	**174,559**	**81,912**	**0**	**361,591**
Net book values: 06/30/2020	**284,240**	**124,782**	**48,267**	**36,889**	**494,178**
Net book values: 06/30/2019	**240,312**	**92,991**	**48,893**	**62,318**	**444,514**

in € thousand	Land and buildings	Technical equip-ment and machinery	Operating and office equipment	Prepayments and assets under construction	Property, plant and equipment
Gross book values: 07/01/2018	**320,754**	**251,271**	**111,217**	**36,581**	**719,823**
First-time adjustment for hyperinflation (IAS29) at 07/01/2018	4,075	1,470	779	115	6,439
Currency translation	–275	–487	132	–13	–643
Adjustment for hyperinflation IAS 29	824	510	692	601	2,627
Change in consolidation scope	0	0	0	0	0
Depreciation	13,933	10,296	13,192	49,073	86,494
Disposals	942	3,097	6,100	1,099	11,238
Transfers	12,348	5,814	4,594	–22,822	–66
Reclassification in held for sale (IFRS 5)	–7,659	–11,836	–174	–118	–19,787
At 06/30/2019	**343,058**	**253,941**	**124,332**	**62,318**	**783,649**
Depreciation and impairment: 07/01/2019	**96,170**	**152,810**	**69,156**	**0**	**318,136**
First-time adjustment for hyperinflation (IAS29) at 07/01/2018	698	796	448	0	1,942
Currency translation	49	–102	148	0	95
Adjustment for hyperinflation IAS 29	220	281	160	0	661
Change in consolidation scope	0	0	0	0	0
Depreciation	9,768	18,030	11,359	0	39,157
Impairment	45	635	77	0	757
Adjustment not affecting profit and loss	0	0	0	0	0
Disposals	345	2,171	5,788	0	8,304
Transfers	–11	–4	16	0	1
Reclassification in held for sale (IFRS 5)	–3,848	–9,325	–137	0	–13,310
At 06/30/2019	**102,746**	**160,950**	**75,439**	**0**	**339,135**
Net book values: 06/30/2019	**240,312**	**92,991**	**48,893**	**62,318**	**444,514**
Net book values: 06/30/2018	**224,584**	**98,461**	**42,061**	**36,581**	**401,687**

The main focus of the KWS Group's capital spending in the year under review remained on erecting and expanding production and research and development capacities. There was an expansion of the plants for sugarbeet seed production in Germany as well as investment in the completion of the new research building in Einbeck and breeding stations. KWS Group moved into new office premises at our Berlin location and accordingly recognized the related tenant fixtures as assets. In France, additional purchases occurred in sugarbeet harvesting technology with integrated laboratory equipment and drying and production capacities for corn seed were increased further in South America, in particular in Brazil.

7.3 Equity-accounted financial assets

Equity-accounted joint ventures

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

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

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

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

in € thousand	06/30/2020	06/30/2019
Stake in the joint venture	50%	50%
Current assets	286,724	367,892
Thereof cash and cash equivalents	34,605	31,696
Noncurrent assets	241,357	243,626
Current liabilities	247,475	345,058
thereof current financial liabilities (excluding trade payables and other liabilities and provisions)	123,398	133,564
Noncurrent liabilities	3,971	1,294
Net assets (100%)	276,634	265,166
Group share of net assets (50%)	138,317	132,583
Goodwill	8,802	8,802
Carrying amount for the stake in the joint ventures	**147,119**	**141,385**
Net sales	510,621	512,748
Depreciation and amortization	28,707	24,523
Net income for the year	12,664	12,886
Comprehensive income (100%)	12,664	12,886
Comprehensive income (50%)	6,332	6,443
Group share of comprehensive income	**6,332**	**6,443**
Dividend payment	**5,936**	**12,224**

Equity-accounted associated companies

Disclosures on insignificant associated companies accounted for using the equity method

in € thousand	06/30/2020	06/30/2019
Carrying amount for the stake in insignificant associated companies (aggregated)	**13,750**	**12,601**
Net income for the year	9,081	6,069
Other comprehensive income	0	0
Comprehensive income (100%)	9,081	6,069

In the year under review, the Chinese joint venture KENFENG – KWS SEED CO., LTD. was carried in the KWS Group's consolidated financial statements as an associated company in accordance with the equity method.

7.4 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., including its subsidiaries, is development of its own traits for genetically improving crops. The proportionately consolidated joint operation AARDEVO B.V., including its subsidiaries, specializes in developing potato seed.

7.5 Financial assets

This item mainly comprises the investments in the capital investment fund MLS Capital Fund II (financing of projects/access to biotechnology developments) totaling €5,450 (4,209) thousand, which are measured irrevocably at fair value through other comprehensive income due to the long-term nature of the 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.

7.6 Inventories and biological assets

Inventories and biological assets

in € thousand	06/30/2020	06/30/2019
Raw materials and consumables	32,990	26,642
Work in progress	70,843	62,528
Immature biological assets	15,869	16,087
Finished goods	110,219	88,146
Total	**229,922**	**193,403**

Inventories and biological assets increased by €36,519 thousand, or 18.9%, a figure that includes cumulative impairment losses on the net realizable value totaling €51,559 (63,091) thousand. Immature biological assets relate to living plants in the process of growing (before harvest). The field inventories of the previous year have been harvested in full and the fields have been newly tilled in the year under review. Public subsidies of €1,872 (€1,594) thousand, for which all the requirements were met at the balance sheet date, were granted for agricultural activity in the fiscal year. Future public subsidies depend on the further development of European agricultural policy.

7.7 Current receivables and other assets

Current receivables

in € thousand	06/30/2020	06/30/2019
Trade receivables	432,569	402,129
Current tax assets	83,409	81,010
Other current financial assets	63,391	487,121
Other current assets	29,741	20,671
Contractual assets IFRS 15	2,553	2,733
Total	**611,662**	**993,664**

The high level of other current financial assets in the previous year is mainly due to deposit of the purchase price of around €400 million for the acquisition of all the shares in the POP VRIEND SEEDS Group in a notary's escrow account.

The trade receivables include €10,331 (7,318) thousand in receivables from joint ventures and joint operations.

The need to recognize impairment losses at June 30, 2020, was analyzed using the provision matrix on the basis of the expected losses. To enable that, the receivables were grouped by geographical region and the length of time they were overdue and multiplied by appropriate default rates. Receivables that are overdue by more than 360 days and are no longer subject to an enforcement measure have been classified as uncollectible and written off in full.

The maximum exposure to the risk of default from trade receivables is the carrying amount reported on the balance sheet and is as follows at June 30, 2020:

Credit risk exposure on trade receivables

in € thousand		Overdue in days			
	not overdue	1–180 days	181–360 days	>360 days	Total
06/30/2020					
Expected credit loss rate	0.83%	5.15%	44.86%	96.15%	
Total gross amount at default	391,315	42,066	6,518	26,517	466,417
Expected credit loss	**–3,258**	**–2,168**	**–2,924**	**–25,497**	**–33,848**
06/30/2019					
Expected default rate	1.09%	4.25%	50.08%	98.01%	
Total gross amount at default	371,343	33,486	4,505	25,703	435,038
Expected credit loss	**–4,039**	**–1,422**	**–2,256**	**–25,192**	**–32,909**

The credit risks were reflected by the following allowances at June 30, 2020, and in the previous year:

Change in allowances on receivables

in € thousand	07/01	Changes in consolidation scope and exchange rates	Addition	Disposal	Reversal	06/30
2019/2020	32,909	–3,900	12,193	1,101	6,252	33,848
2018/2019	37,987	–1,608	6,856	68	10,258	32,909

7.8 Securities

Securities amounting to €28,266 (€19,944) thousand relate primarily to money market accounts of our U.S. subsidiaries. For details of how securities are measured, please refer to section 7.15 “Financial instruments” of the Notes.

7.9 Cash and cash equivalents

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

Cash and cash equivalents of €91,472 (139,813) 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.

7.10 Equity

The fully paid-up capital of KWS is still €99,000 thousand. The no-par bearer shares are certificated by a global certificate for 33,000,000 shares. The company does not hold any shares of its own.

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

The other reserves and net retained profit essentially comprise the net income generated in the past by the companies included in the consolidated financial statements, minus dividends paid to shareholders, and the net retained profit. The reserve for currency translation, the reserve for remeasurement gains and losses on defined benefit plans, the reserve for currency translation for equity-accounted financial assets, and the reserve for revaluation of at equity instruments (with changes in value in the other comprehensive income) are also carried here.

Differences from translation of the functional currency of foreign business operations into the currency used by the group in reporting (euro) are carried in the item Reserve from currency translation differences on foreign operations. The item Revaluation of net liabilities/assets from defined benefit plans includes the actuarial gains and losses on defined benefit plans. Differences from translation of the functional currency of equity-accounted foreign business units into the currency used by the group in reporting (euro) are carried in the reserve for currency translation for equity-accounted financial assets.

Other comprehensive income

in € thousand		2019/2020			2018/2019	
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Items that may have to be subsequently reclassified as profit or loss	**–38,127**	**0**	**–38,127**	**4,345**	**0**	**4,345**
Changes in reserve for currency translation differences on foreign operations	–39,596	0	–39,596	1,592	0	1,592
Changes on reserve for currency translation differences on at equity accounted financial assets	1,469	0	1,469	2,753	0	2,753
Items not reclassified as profit or loss	**–5,630**	**825**	**–3,835**	**–11,319**	**4,003**	**–7,316**
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income	1,891	–354	1,313	787	–155	632
Revaluation of net liabilities/assets from defined benefit plans	–7,521	1,179	–5,148	–12,106	4,158	–7,948
Other comprehensive income	**–43,757**	**825**	**–41,962**	**–6,974**	**4,003**	**–2,971**

The objective of the KWS Group's 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. The KWS Group's 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 €95,331 (104,134) thousand. However, there was a total dividend payout of €22,110 (21,120) thousand in December 2019. This ensures the adequate financing of further operating business expansion in the long term.

Capital structure

in € thousand	06/30/2020	06/30/2019
Equity	994,498	963,547
Long-term financial borrowings	521,744	182,270
Other noncurrent liabilities	273,721	182,108
Short-term borrowings	93,663	475,425
Other noncurrent liabilities	351,841	309,845
Liabilities classified as hold for sale	0	1,758
Total capital	**2,235,467**	**2,114,953**
Equity ratio	**44.5%**	**45.5%**

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 €339,474 thousand (previous year: increase of €13,572 thousand). This is mainly due to the increase in long-term loans from banks in connection with financing of the acquisition of the POP VRIEND SEEDS Group at the beginning of the fiscal year. Raising of these long-term borrower's note loans replaced the bridge funding and therefore resulted in a sharp fall in short-term financial liabilities.

7.11 Minority interests

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

7.12 Noncurrent liabilities

Noncurrent liabilities increased by €431,087 thousand (previous year: increase of €30,055 thousand). This is due in particular to the increase in long-term financial borrowings from banks in Germany as a result of the issue of medium- and long-term borrower's notes with a total volume of €400,000 thousand. The borrower's note loans were raised in August 2019 to replace the bridge funding for acquisition of the POP VRIEND SEEDS Group. The liabilities from these borrower's note loans, using the effective interest method, were €399,287 thousand at June 30, 2020, and have remaining maturities through 2029.

Noncurrent liabilities

in € thousand	06/30/2020	06/30/2019
Long-term provisions	140,074	145,446
Long-term borrowings	521,744	182,270
Trade payables	264	782
Deferred tax liabilities	92,265	16,416
Other noncurrent financial liabilities	40,103	258
thereof lease liabilities	39,896	0
Other noncurrent liabilities	1,014	19,206
Total	**795,465**	**364,378**

Long-term provisions

in € thousand	06/30/ 2019	Changes in the consoli-dated group, currency	Interest expenses from com-pounding	Addition	Adjust-ment not affecting profit or loss	Con-sumption	Reclassi-fication	Reversal	06/30/ 2020
Pension provisions	125,748	–295	1,345	4,564	6,808	9,231	159	0	129,098
Tax provisions	7,616	117	0	1,086	0	7,407	0	0	1,412
Other provisions	12,082	–22	148	2,059	0	254	–4,449	0	9,564
Total	**145,446**	**–200**	**1,493**	**7,710**	**6,808**	**16,892**	**–4,290**	**0**	**140,075**

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 accrued benefit method under IAS 19, on the basis of assumptions about future development. The assumptions in detail are that wages and salaries in Germany will increase by 3.00% (3.00%) annually, in the U.S. by 3.50% (3.75%) annually and in the rest of the world by 2.00% to 2.40% (1.80% to 2.63%) annually. An annual increase in pensions of 2.00% (2.00%) is assumed in Germany. The discount rate in Germany was 0.85% compared with 0.95% the year before, 2.85% in the U.S. compared with 3.65% the year before, and between 0.30% and 1.40% (0.35% and 2.35%) in the rest of the world.
The following mortality tables were used at June 30, 2020:

- In Germany: The 2018 G mortality table of Klaus Heubeck
- Abroad: Mainly Pri-2012 Private Retirement Plans Mortality Table Projection Scale MP-2019 and INSEE TD/TV 15-17.

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 plan assets of €10,361 (10,061) thousand correspond to the present value of the obligation. In accordance with IAS 19, the pension commitments are netted off against the corresponding assets (plan assets).

Abroad

The defined benefit obligations abroad mainly relate to pension commitments in the U.S. Share funds and bonds were mainly invested as plan 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 five years
- A pro-rata pension if the employee reaches the minimum vesting period of five years, but is below 55.

The pension plans are mainly subject to the following risks:

Investment and return

The present value of the defined benefit obligation from the pension plan is calculated using a discount rate defined on the basis of the returns on high-quality fixed-income corporate bonds. If the income from the plan 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 plan 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 Group 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 plan assets, are funded from the operating cash flow and are subject to the familiar measurement risks.

Changes in accrued benefit entitlements

in € thousand		2019/2020			2018/2019	
	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on July 1	**127,401**	**26,924**	**154,325**	**117,928**	**23,642**	**141,570**
Service cost	881	1,516	2,396	784	1,283	2,067
Interest expense	1,138	895	2,034	1,900	905	2,805
Actuarial gains (–)/losses (+)	3,335	3,473	6,808	11,674	1,541	13,215
of which due to a change in financial assumptions used for calculation	1,970	3,502	5,472	12,947	2,296	15,243
of which due to demographic assumptions	0	–363	–363	0	0	0
of which due to experience adjustments	1,365	334	1,700	–1,273	–755	–2,028
Pension payments made	–4,994	–778	–5,772	–4,885	–690	–5,575
Exchange rate changes		340	340		465	465
Other changes in value	0	–52	–52		–63	–63
Reclassification in liabilities hold for sale	0	0	0	0	–159	–159
Accrued benefit entitlements from retirement obligations on June 30	**127,760**	**32,318**	**160,078**	**127,401**	**26,924**	**154,325**

Change in planned assets

in € thousand		2019/2020			2018/2019	
	Germany	Abroad	Total	Germany	Abroad	Total
Fair value of the planned assets on July 1	**10,191**	**18,386**	**28,577**	**10,061**	**17,388**	**27,449**
Interest income	94	646	740	161	703	864
Income from planned assets excluding amounts already recognized as interest income	743	68	811	614	494	1,108
Pension payments made	–667	–608	–1,276	–645	–561	–1,205
Contributions to plan assets	0	1,873	1,873	0	0	0
Exchange rate changes		272	272		–16	–16
Other changes in value		–17	–17		377	377
Fair value of the planned assets on June 30	**10,361**	**20,620**	**30,981**	**10,191**	**18,386**	**28,577**

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

Reconciliation with the balance sheet values for pensions

in € thousand		2019/2020			2018/2019	
	Germany	Abroad	Total	Germany	Abroad	Total
Accrued benefit entitlements from retirement obligations on June 30	127,760	32,318	160,078	127,401	26,924	154,325
Fair value of the planned assets on June 30	10,361	20,619	30,980	10,191	18,386	28,577
Balance sheet values on June 30	**117,399**	**11,699**	**129,098**	**117,210**	**8,538**	**125,748**

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

Effects on the statement of comprehensive income

in € thousand		2019/2020			2018/2019	
	Germany	Abroad	Total	Germany	Abroad	Total
Service cost	881	1,516	2,396	784	1,283	2,067
Net interest expense (+)/income (–)	1,045	249	1,294	1,739	202	1,941
Amounts recognized in the income statement	**1,925**	**1,765**	**3,690**	**2,523**	**1,485**	**4,008**
Gains (–)/losses (+) from revaluation of the planned assets (excluding amounts already recognized as interest income)	–743	–68	–811	–614	–494	–1,108
Actuarial gains (–)/losses (+) due to a change in financial assumptions used for calculation	1,970	3,502	5,472	12,947	2,296	15,243
Actuarial gains (–)/losses (+) due to a change in demographic assumptions	0	–363	–363	0	0	0
Actuarial gains (–)/losses (+) due to experience adjustments	1,365	334	1,700	–1,273	–755	–2,028
Amounts recognized in other comprehensive income	**2,592**	**3,405**	**5,997**	**11,060**	**1,047**	**12,107**
Total (amounts recognized in the statement of comprehensive income)	**4,517**	**5,170**	**9,687**	**13,583**	**2,532**	**16,115**

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 plan assets was split over the following investment categories:

Breakdown of the planned assets by investment category

in € thousand	2019/2020			2018/2019		
	Germany	Abroad	Total	Germany	Abroad	Total
Corporate bonds		5,496	5,496		4,655	4,655
Equity funds		13,751	13,751		12,906	12,906
Consumer industry		2,546	2,546		2,356	
Finance		2,010	2,010		1,731	
Industry		1,525	1,525		1,681	
Technology		2,288	2,288		2,531	
Health care		1,988	1,988		1,458	
Other		3,394	3,394		3,149	
Cash and cash equivalents		1,373	1,373		825	825
Reinsurance policies	10,361		10,361	10,191		10,191
Planned assets on June 30	**10,361**	**20,620**	**30,981**	**10,191**	**18,386**	**28,577**

The plan 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 plan assets: the fair value can be derived from their stock market prices. 62.8% (previous year: 78.2%) of the corporate bonds have an AAA rating.

The following sensitivity analysis at June 30, 2020, 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 2019/2020			Effect on obligation in 2018/2019		
	Change in assumption	Decrease	Increase	Change in assumption	Decrease	Increase
Discount rate	+/–100 bps[1]	29,169	–22,682	+/–100 bps[1]	28,064	–22,111
Anticipated annual pay increases	+/–50 bps	–1,333	1,467	+/–50 bps	–1,236	1,407
Anticipated annual pension increase	+/–25 bps	–3,762	3,941	+/–25 bps	–3,734	3,914
Life expectancy	+/–1 Jahr	–5,754	5,908	+/–1 Jahr	–5,665	5,808

1 lower limit 0%

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

Anticipated payments for pensions

in € thousand			2019/2020
	Germany	Abroad	Total
2020/2021	5,070	937	6,007
2021/2022	5,038	917	5,955
2022/2023	5,070	1,050	6,120
2023/2024	5,110	1,050	6,160
2024/2025	5,079	1,229	6,308
2025/2026 - 2029/2030	24,935	6,997	31,932

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

The weighted average time at which the pension obligations are due is 15.8 (16.2) years in Germany and 19.8 (18.7) years abroad.

Defined contribution plans

Apart from the above-described pension obligations, there are other old-age pension systems. However, no provisions have to be recognized 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 2019/2020 were as follows:

Pension costs

in € thousand			2019/2020			2018/2019
	Germany	Abroad	Total	Germany	Abroad	Total
Cost for defined contribution plans	2,925	1,011	3,936	3,618	891	4,509
Service cost for the defined benefit obligations	881	1,516	2,396	784	1,283	2,067
Pension costs	**3,806**	**2,527**	**6,333**	**4,402**	**2,174**	**6,576**

In addition, contributions of €15,965 (14,786) 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 €2,718 (2,249) thousand. In addition, the benefit obligation from salary conversion was backed by a guarantee that exactly matches the present value of the obligation of €4,885 (4,462) thousand.

7.13 Current liabilities

Current liabilities

in € thousand	06/30/2020	06/30/2019
Short-term provisions	**52,467**	**50,192**
Current liabilities to banks	63,074	473,789
Other current financial liabilities	30,589	1,636
Short-term borrowings	**93,663**	**475,425**
Trade payables	**109,747**	**88,495**
Tax liabilities	**41,840**	**48,927**
Other current financial liabilities	**28,536**	**17,392**
thereof lease liabilities	11,404	0
Other current liabilities	**100,059**	**86,035**
Contract liabilities according to IFRS 15	**19,191**	**18,804**
Total	**445,504**	**785,270**

The tax liabilities of €41,840 (48,927) thousand include amounts for the year under review and the period for which the external tax audit has not yet been concluded.

Short-term provisions

in € thousand	06/30/2019	Changes in the consolidated group, currency	Addition	Consumption	Reclassification	Reversal	06/30/2020
Obligations from sales transactions	34,205	–4,771	6,095	5,144	0	1,345	29,040
Obligations from purchase transactions	2,949	2,301	7	2,073	0	3	3,182
Other obligations	13,038	950	4,337	2,517	4,652	213	20,246
Total	**50,192**	**–1,520**	**10,439**	**9,734**	**4,652**	**1,560**	**52,468**

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.

7.14 Derivate financial instruments

Hedging transactions

in € thousand	06/30/2020			06/30/2019		
	Nominal volume	Net book values	Fair value	Nominal volume	Net book values	Fair value
Currency hedges	218,341	–2,616	–2,616	156,172	–621	–621
Interest-rate hedges	31,000	–197	–197	34,000	–73	–73
Total	**249,341**	**–2,812**	**–2,812**	**190,172**	**–694**	**–694**

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 €10,000 (19,000) thousand have a remaining maturity of less than one year and hedges with a nominal volume of €21,000 (15,000) thousand have a remaining maturity of between one and five years.

7.15 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). The KWS Group did not hold any financial instruments that can be assigned to level 1 in the year under review.

The level 2 input factors relate to derivative financial instruments that have been concluded between KWS Group 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, are as follows:

06/30/2020

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	6,230	0	6,230	0	6,230
Other non-current receivables	8,072	8,072	0	0	8,072
Trade receivables	432,569	432,569	0	0	432,569
Securities[1]	28,266	28,266	0	0	28,266
Cash and cash equivalents	91,472	91,472	0	0	91,472
Other current financial assets	63,391	62,542	0	849	63,391
of which derivative financial instruments	849	0	0	849	849
Total	**629,999**	**622,921**	**6,230**	**849**	**629,999**

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 non-current 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 [1]	19,944	19,944	0	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**	**1,048,369**	**5,146**	**638**	**1,054,153**

1 The classification has been adjusted: The deposits on money market accounts are now presented in the category "at amortized cost".

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

The fair value of the long-term fund shares contained in the financial assets is measured using the methods based on directly and indirectly observable market inputs (level 2).

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, are as follows:

06/30/2020

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	527,379	521,745	0	521,745
Long-term trade payables	264	264	0	264
Other noncurrent financial liabilities	40,103	39.896	207	40,103
of which derivative financial instruments	207	0	207	207
thereof lease liabilities	39,896	39,896	0	39,896
Short-term borrowings	93,663	93,663	0	93,663
Short-term trade payables	109,747	109,747	0	109,747
Other current financial liabilities	28,536	24,875	3,661	28,536
of which derivative financial instruments	3,661	0	3,661	3,661
thereof lease liabilities	11,404	11,404	0	11,404
Total	**799,693**	**790,191**	**3,868**	**794,059**

06/30/2019

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	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**

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.

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

Assets and liabilities measured at fair value

in € thousand				06/30/2020				06/30/2019
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative financial instruments without application of hedge accounting under IFRS 9	0	849	0	849	0	638	0	638
Financial assets [1]	0	6,230	0	6,230	1,211	5,145	0	6,357
Financial assets	**0**	**7,078**	**0**	**7,078**	**1,211**	**5,783**	**0**	**6,995**
Derivative financial instruments without application of hedge accounting under IFRS 9	0	3,868	0	3,868	0	1,333	0	1,333
Financial liabilities	**0**	**3,868**	**0**	**3,868**	**0**	**1,333**	**0**	**1,333**

1 Prior year figures have been adjusted:
- Deposits on money market accounts were reclassified to the category at “amortized cost” and therefore no longer measured at fair value (Level 1).
- The investment in a closed investment fund was reclassified from Level 1 to Level 2.

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	2019/2020	2018/2019
Financial assets measured at fair value through other comprehensive income	1,313	68
Financial assets measured at fair value through profit or loss	–1,289	–4,665
Financial assets measured at amortized cost	182	8,438
Financial liabilities measured at amortized cost	–21,391	–18,425
Financial liabilities measured at fair value through profit or loss	2,810	1,065

The net gains for assets measured at fair value through other comprehensive income include income from non-terminable interests in investment funds.

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.

Credit risks

The credit risk is the risk that a business partner does not fulfill its obligations as part of a financial instrument or contract with a customer, resulting in a financial loss. The KWS Group is exposed to credit risks in its operational activities mainly in relation to trade receivables.

In order to control the credit risks resulting from receivables from customers, a regular creditworthiness analysis is conducted in accordance with the credit volume. If a customer’s credit risk is classified as high, it is reduced by means of security. This includes, in particular, credit insurance, prepayments, down payments, promissory notes and guarantees. Depending on the contract’s design, reservation of ownership of goods is agreed with our customers. Credit limits are defined for all customers. Credit limits, outstanding claims and the collection of receivables are analyzed in regular meetings of the Credit Committee. For details of the exposure to the risk of default at June 30, 2020, please refer to section 7.7 “Current receivables and other assets” of the Notes.

Credit risks from financial transactions are controlled centrally by the Treasury department. 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 risks
Liquidity risk is the risk that funds to settle due payment obligations cannot be obtained on time or at all.

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

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 (interest and payments of principal):

Fiscal year 2019/2020

in € thousand	Book value	Cash flows			
Liquidity analysis of financial liabilities	**06/30/2020**	**06/30/2020 total**	**Due in <1 year**	**Due in >1 year and <5 years**	**Due in >5 years**
Financial liabilities	615,407	625,390	85,166	306,584	233,639
Trade payables	110,012	110,012	109,747	264	0
Other financial liabilities	68,640	71,139	28,536	24,018	18,585
thereof lease liabilities	51,300	54,010	11,614	23,811	18,585
Nonderivative financial liabilities	**794,058**	**806,540**	**223,450**	**330,866**	**252,224**
Payment claim		165,981	165,981	0	0
Payment obligation		172,115	171,971	126	18
Derivative financial liabilities	**3,868**	**6,135**	**5,991**	**126**	**18**

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**

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.

Currency risks

Currency risks are where the fair value or future cash flows of a financial instrument are subject to fluctuations due to exchange rate changes. The KWS Group is mainly exposed to currency risks as part of its financing activities with foreign subsidiaries. Derivative transactions (forward exchange deals and currency swaps) are concluded to secure the net investment in subsidiaries. The company ensures that the derivative financial instrument is commensurate with the risk to be hedged.

In order to assess the currency risk, the sensitivity of a currency to fluctuations was determined. The analysis shows the impact on income and equity. The calculated figures relate to the portfolio of financial instruments at the balance sheet date and show the hypothetical effect for one year.

After the euro, the US dollar is the most important currency in the KWS Group. All other currencies are of minor importance. The currency risk mainly results from intra-Group receivables and liabilities from financing activity. The average USD/EUR exchange rate in the fiscal year was 1.11 (1.14). If the US dollar depreciated by 10%, the extra expense would be €23,562 (10,482) thousand. If the US dollar appreciated by 10%, the extra income would be €23,562 (10,482) thousand. The net income for the year would change accordingly.

Risk of changes in interest rates

The risk of changes in interest rates is where the fair value or future cash flows of a financial instrument are subject to fluctuations due to changes in market interest rates.

The risk of changes in interest rates is controlled by means of a balanced portfolio of fixed-interest and variable-interest loans. Interest rate swaps are concluded if there is a high risk of interest rate variability in the portfolio. As part of them, the KWS Group exchanges the difference between fixed-interest and variable-interest amounts determined with reference to a previously agreed nominal amount with a contractual partner at defined intervals of time.

Interest rate sensitivity is a measure for showing the interest rate risk. The interest rate sensitivity analysis was conducted for the portfolio of financial instruments with a variable interest rate at the balance sheet date and shows the hypothetical effect on income for one year. The variable-interest components of the KWS Group's interest expenses and interest income were determined to calculate it. In a scenario analysis, the effects of an increase/reduction of one percentage point (100 base points) in the relevant underlying capital market interest rate on the interest result were calculated. An increase in the rate of interest of 1 percentage point would result in additional interest expense of €0.7 million (previous year: expense of €3.0 million). A reduction in the rate of interest of 1 percentage point would add a further €0.3 (3.0) million in income.

7.16 Leases

The effects from the change in lease accounting at the time of adoption of IFRS 16 are presented in section 2 of the Notes.

Book values of right-of-use assets

in € thousands	06/30/2020
Land and buildings	37,678
Technical equipment and machinery	689
Operating and office equipment	7,982
Total	**46,349**

Additions to rights of use for leased assets totaling €30,590 thousand were recognized in fiscal 2019/20 and the amortization on them was as follows:

Depreciation of right-of-use assets

in € thousands	2019/2020
Land and buildings	5,194
Technical equipment and machinery	384
Operating and office equipment	5,059
Total	**10,637**

Expenses for short-term leases and for leases relating to low-value assets totaled €12,437 thousand in the period under review.

Short-term lease liabilities totaled €11,404 thousand and long-term lease liabilities €39,896 thousand at June 30, 2020. The maturity analysis of the lease liabilities is presented in section 7.15 of the Notes. Lease payments totaled €14,376 thousand in fiscal 2019/2020. Interest expenses from interest accrued on the lease liabilities were €1,184 thousand.

In general, lease agreements are concluded without extension or termination options. Possible cash outflows of €20,683 thousand for existing options to extend a property rental agreement were not included in determining the lease liabilities since there is no reasonable certainty as to whether the options will be exercised.

The KWS Group also acts as a lessor. A long-term sublease agreement was concluded in the fiscal year and has been classified as a financial lease in relation to the main lease agreement. The interest income was €25 thousand. The sublease is reported under the noncurrent receivables (€4,682 thousand) and other current receivables (€586 thousand). The annual income from the sublease is €589 thousand. The lease agreement contains a clause permitting annual adjustment of the lease payment depending on market circumstances.

7.17 Contingent liabilities and other financial obligations

The obligations from uncompleted capital expenditure projects, mainly relating to property, plant, and equipment, and other capital commitments amount to €29,439 (20,636) thousand.

Other guarantees with respect to third parties amount to €95,537 (111,956) 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.

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

8. 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.

Due to adoption of IFRS 16 “Leases” and the KWS Group’s increased financing activities over recent years, the presentation of the cash flow statement has changed in terms of interest income and interest expense. Interest income is reported under the net cash from investing activities and interest expense under net cash from financing activities. The disclosures for the previous year have been changed accordingly.

Adjustment of presentation in cash flow statement

in € thousands	2018/2019 reported	Adjustment	2018/2019 adjusted
Net cashflow from operating activities	72,850	12,784	85,634
Net cashflow from investing activities	–95,235	3,965	–91,270
Net cashflow from financing activities	404,502	–16,749	387,753

In the previous year, the €414.7 million deposited in a notary’s escrow account for acquisition of the POP VRIEND SEEDS Group was 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.

9. Other Notes

9.1 Proposal for the appropriation of net retained profits

The net retained profits of KWS SAAT SE & Co. KGaA are €23,100 thousand (previous year: net retained profits of €22,912 thousand).

A proposal will be made to the Annual Shareholders' Meeting that an amount of €23,100 thousand should be used to pay a dividend of €0.70 (previous year: €0.67) for each of the 33,000,000 shares.

9.2 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 (620) thousand, excluding value-added tax. The total compensation for members of the Supervisory Board of KWS SE, the personally liable partner of KWS SAAT SE & Co. KGaA, in the year under review amounted to €185 (0) thousand, excluding value-added tax.

In fiscal year 2019/2020, total Executive Board compensation amounted to €5,428 (€4,316) 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 €2,500 (2,032) thousand; there are contributions from the long-term incentive tranche for 2019/2020 totaling €847 thousand (tranche for 2018/2019: €766 thousand). Pension provisions totaling €1,619 (1,566) 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 €1,419 (1,479) thousand. Pension provisions recognized for this group of persons amounted to €7,140 (6,674) thousand as of June 30, 2020, before being netted off with the relevant plan assets.

9.3 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.

Pursuant to the change in legal form to a partnership limited by shares on July 2, 2019, the personally liable partner KWS SE provides business management services on behalf of KWS SAAT SE & Co. KGaA.

Related parties

in € thousand	Deliveries and services provided		Received deliveries and services		Receivables		Payables	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
KWS SE	0	0	5,330	0	556	0	0	0
At equity accounted joint ventures	9,243	1,991	12,059	11,640	31,354	22,579	1,897	0
Joint operations	4,832	0	7,708	4,920	11,964	695	1,786	23
Other related parties	18	0	117	111	0	0	1,058	0

There were also no business transactions or legal transactions that required reporting for related parties in fiscal 2019/20. As part of its operations, KWS Group procures goods and services worldwide from a large number of business partners. They also include companies in which KWS Group has an interest and on which representatives of KWS Group's 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.

9.4 Disclosure

The following subsidiaries with the legal form of a corporation within the meaning of Section 264 (3) and 264b 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 am Main
- KWS SAATFINANZ GMBH, Einbeck
- DELITZSCH PFLANZENZUCHT GMBH, Einbeck
- KANT-HARTWIG & VOGEL GMBH, Einbeck
- AGROMAIS GMBH, Everswinkel
- KWS BERLIN GMBH, Berlin
- KWS INTERSAAT GmbH, Einbeck
- EURO-HYBRID GESELLSCHAFT FÜR
- GETREIDEZÜCHTUNG MBH, Einbeck
- KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH, Northeim-Wiebrechtshausen
- RAGIS KARTOFFELZUCHT- UND HANDELSGESELLSCHAFT MBH, Einbeck

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

9.5 Audit of the annual financial statements

On December 17, 2019, the Annual Shareholders' Meeting of KWS SAAT SE & Co. KGaA elected the accounting firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, to be the Group's auditors for fiscal year 2019/20.

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

in € thousand	2019/2020	2018/2019
a) Audit of the consolidated financial statements	1,370	1,488
b) Other certification services	50	69
c) Tax consulting	0	0
d) Other services	0	0
Total fee paid	**1,420**	**1,557**

The non-audit services in fiscal year 2019/2020 comprised the voluntary audit of the Non-Financial Declaration.

9.6 Report on events after the balance sheet date

There have been no events of particular significance that might have an impact on the presentation of the KWS Group's earnings, financial position and assets since the end of the fiscal year.

9.7 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.

9.8 List of shareholdings

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

Fiscal year 2019/2020			
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 GESELLSCHAFT FÜR GETREIDEZÜCHTUNG MBH, Einbeck	€	100.00	
BETASEED GMBH, Frankfurt am Main	€	100.00	1
KANT-HARTWIG & VOGEL GMBH, Einbeck	€	100.00	1
KWS BERLIN GMBH, Berlin	€	100.00	1
Foreign			
KWS SRBIJA D.O.O., Neu Belgrad/Serbia	RSD	100.00	
SEMILLAS KWS CHILE LTDA., Rancagua/Chile	CLP	100.00	27
KWS SEMENA S.R.O., Bratislava/Slovakia	€	100.00	
KWS BULGARIA EOOD., Sofia/Bulgaria	BGN	100.00	
KWS ARGENTINA S.A., Balcarce/Argentina	ARS	100.00	28
Fully consolidated subsidiaries (indirect)			
Foreign			
KWS MAGYARORSZÁG KFT., Győr/Hungary	HUF	100.00	3
KWS FRANCE S.A.R.L., Roye/France	€	100.00	3
KWS SUISSE S.A., Basel/Switzerland	CHF	100.00	3
KWS ITALIA S.P.A., Forlì/Italy	€	100.00	3
KWS POLSKA SP.Z O.O., Poznań/Poland	PLN	100.00	3
KWS OSIVA S.R.O, Velké Mezirici/Czech Republic	CZK	100.00	3
KWS SJEME D.O.O., Osijek/Croatia	HRK	100.00	3
KWS BENELUX B.V., Amsterdam/Netherlands	€	100.00	3
KWS AUSTRIA SAAT GMBH, Vienna/Austria	€	100.00	3
KWS MAIS FRANCE S.A.R.L., Champol/France	€	100.00	3
KWS SERVICES EAST GMBH, Vienna/Austria	€	100.00	3
KWS R&D INVEST B.V., Emmeloord/Netherlands	€	100.00	3
BETASEED FRANCE S.A.R.L., Bethune/France	€	100.00	3

Fiscal year 2019/2020			
Name and Company's registered office	**Currency**	**Interest held**	**Footnote**
		Total in %	
BETASEED INC., Bloomington/U.S.	USD	100.00	24
GLH SEEDS INC., Bloomington/U.S.	USD	100.00	4
KWS CEREALS USA LLC, Champagne/U.S.	USD	100.00	4
KWS UK LTD., Thriplow/United Kingdom	GBP	100.00	3
KWS PERU S.A.C., Lima/Peru	PEN	100.00	5
KWS SEMINTE S.R.L., Bukarest/Romania	RON	100.00	25
KWS SCANDINAVIA A/S, Guldborgsund/Denmark	DKK	100.00	3
KWS RUS O.O.O., Lipezk/Russia	RUB	100.00	23
KWS R&D RUS LLC, Lipezk/Russia	RUB	100.00	7
KWS SEMILLAS IBÉRICA S.L., Zaratán/Spain	€	100.00	3
KWS SEEDS INC., Bloomington/U.S.	USD	100.00	3
KWS TÜRK TARIM TICARET A.S., Eskisehir/Turkey	TRY	100.00	3
KWS UKRAINA T.O.V., Kiev/Ukraine	UAH	100.00	23
KWS LOCHOW POLSKA SP.Z O.O., Kondratowice/Poland	PLN	100.00	3
KWS GATEWAY RESEARCH CENTER LLC, St. Louis/U.S.	USD	100.00	4
BIRIKA B.V., Amsterdam/Netherlands	€	100.00	16
CHURA B.V., Amsterdam/Netherlands	€	100.00	17
POP VRIEND RESEARCH B.V., Andijk/Netherlands	€	100.00	18
POP VRIEND SEEDS B.V., Andijk/Netherlands	€	100.00	18
BELAMI B.V., Andijk/Netherlands	€	100.00	18
POP VRIEND VEGETABLES SEEDS B.V., Andijk/Netherlands	€	100.00	18
EUROPSEEDS B.V., Enkhuizen/Netherlands	€	100.00	18
POP VRIEND PRODUCTION B.V., Andijk/Netherlands	€	100.00	18
POP VRIEND SEEDS USA B.V., Andijk/Netherlands	€	100.00	18
POP VRIEND INTERNATIONAAL B.V., Andijk/Netherlands	€	100.00	18
POP VRIEND TOHUMCULUK VE TARIM ÜRÜNLERI SAN-AYI VE TICARET LIMITED ŞIRKETI , Istanbul/Turkey	TRY	100.00	19
PV TOHUMCULUK TARIM ÜRÜNLERI SANAYI VE TICARET LIMITED ŞIRKETI, Izmir/Turkey	TRY	100.00	20
KWS SEMILLAS CANARIAS S.L.U., Gran Canaria/Spain	€	100.00	3
BTS TURKEY TARIM TICARET LIMITED ŞIRKETI, Eskisehir/Turkey	TRY	100.00	3
KWS AGRICULTURE RESEARCH & DEVELOPMENT CENTER, Hefei/China	CNY	100.00	8
KWS INTERNATIONAL HOLDING B.V., Emmeloord/Netherlands	€	100.00	6
KWS VEGETABLES B.V., Heythuysen/Netherlands	€	100.00	3
KLEIN WANZLEBENER SAATZUCHT MAROC S.A.R.L.A.U. Casablanca/Morocco	MAD	100.00	9
KWS SEMENTES LTDA., Curitiba/Brazil	BRL	100.00	29
KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA., São Paulo/Brazil	BRL	100.00	30
KWS SERVICES NORTH AMERICA LLC, Bloomington/U.S.	USD	100.00	4

Fiscal year 2019/2020			
Name and Company's registered office	**Currency**	**Interest held**	**Footnote**
		Total in %	
KWS PODILLYA T.O.V., Kiev/Ukraine	UAH	100.00	10
BEIJING KWS AGRICULTURE TECHNOLOGY CO., LTD., Beijing/China	CNY	100.00	8
KWS MOMONT RECHERCHE S.A.R.L., Mons-en-Pévèle/France	€	100.00	11
KWS MOMONT S.A.S., Mons-en-Pévèle/France	€	100.00	3
KWS PARAGUAY SRL, Asunción/Paraguay	PYG	100.00	12
IMPETUS AGRICULTURE INC., Lewes/U.S.	USD	70.00	21
KWS KUBAN O.O.O., Krasnodar/ Russia	RUB	100.00	7
SEED PLANT KWS O.O.O., Lipetsk/Russia	RUB	100.00	7
KWS INTERNATIONAL HOLDING II B.V., Emmeloord/Netherlands	€	100.00	3
Equity-accounted joint ventures			
AGRELIANT GENETICS INC., Chatham/Canada	CAD	50.00	
AGRELIANT GENETICS LLC, Westfield/U.S.	USD	50.00	13
FARMDESK B.V., Antwerpen/Belgium	€	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	26
GENECTIVE TAIWAN LTD., Taipeh City/Taiwan	TWD	50.00	26
GENECTIVE USA Corp., Weldon/U.S.	USD	50.00	26
GENECTIVE Japan K.K., Chiba/Japan	JPY	50.00	26
GENECTIVE KOREA, Sangdaewon-dong/Korea	KRW	50.00	26
AARDEVO B.V., Nagele/Netherlands	USD	50.00	14
AARDEVO NORTH AMERICA LLC, Boise/U.S.	USD	50.00	15
Unconsolidated subsidiaries			
KWS R&D PRIVATE LIMITED, Hyderabad/India	RS	100.00	2
VAN RIJN BALCAN S.R.L., Vulcan/Romania	RON	100.00	2

1 Profit and loss transfer agreement
2 In liquidation
3 Subsidiary of KWS INTERNATIONAL HOLDING B.V.
4 Subsidiary of KWS SEEDS INC.
5 Subsidiary of SEMILLAS KWS CHILE LTDA. and KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA.
6 Subsidiary of KWS INTERSAAT GMBH
7 Subsidiary of KWS RUS O.O.O.
8 Subsidiary of EURO-HYBRID GMBH
9 Subsidiary of KWS BENELUX B.V.
10 Subsidiary of KWS UKRAINA T.O.V.
11 Subsidiary of KWS MOMONT S.A.S.
12 Subsidiary of KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. and KWS SEMENTES LTDA.
13 Participation of GLH SEEDS INC.
14 Participation of RAGIS RAGIS KARTOFFELZUCHT- UND HANDELSGESELLSCHAFT MBH
15 Subsidiary of AARDEVO B.V.
16 Subsidiary of KWS VEGETABLES B.V.
17 Subsidiary of BIRIKA B.V. and KWS VEGETABLES B.V.
18 Subsidiary of BIRIKA B.V. and CHURA B.V.
19 Subsidiary of POP VRIEND INTERNATIONAL B.V.
20 Subsidiary of POP VRIEND TOHUMCULUK VE TARIM ÜRÜNLERI SANAYI VE TICARET LIMITED SIRKETI
21 Subsidiary of KWS R&D INVEST B.V.
22 Participation of KWS INTERNATIONAL HOLDING B.V.
23 Subsidiary of EURO-HYBRID GMBH and KWS SAATFINANZ GMBH
24 Subsidiary of KWS SEEDS INC., from 07/01/2020 renamed as KWS SEEDS LLC
25 Subsidiary of KWS INTERSAAT GMBH and of KWS SAATFINANZ GMBH
26 Subsidiary of GENECTIVE S.A.
27 Subsidiary of KWS KLOSTERGUT WIEBRECHTSHAUSEN GMBH
28 Subsidiary of KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA.
29 Subsidiary of KWS SERVICOS E PARTICIPACOES SOUTH AMERICA LTDA. and KWS INTERSAAT GMBH
30 Participation of KWS INTERNATIONAL HOLDING B.V. and KWS SAATFINANZ GMBH

9.9 Supervisory and Executive Boards of KWS SAAT SE & Co. KGaA in fiscal 2019/2020

9.9.1 Supervisory Board

Members	Other seats
Dr. Drs. h. c. Andreas J. Büchting Göttingen Agricultural Biologist Chairman of the Supervisory Board of KWS SAAT SE & Co. KGaA and KWS SE	
Dr. Marie Theres Schnell Munich Graduate in Communications Deputy Chairman of the Supervisory Board of KWS SAAT SE & Co. KGaA and KWS SE	*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 and KWS SE	*Membership of comparable German and foreign oversight boards:* ■ Givaudan SA, Vernier (Switzerland) (member of the Board of Directors, the Audit Committee and the Compensation Committee) ■ Medacta International SA, Frauenfeld (Switzerland) (member of the Board of Directors and Chairman of the Audit Committee – since April 2019) ■ Hemro AG, Bachenbülach (Switzerland) (member of the Management Board) ■ Sika AG, Baar (Switzerland) (member of the Board of Directors and Chairman of the Audit Committee – since March 2019) ■ Louis Dreyfus Holding B.V., Amsterdam (Netherlands) (member of the Supervisory Board and Audit Committee)
Jürgen Bolduan Einbeck Seed Breeding Employee Member of the Supervisory Board of KWS SAAT SE & Co. KGaA Chairman of the Central Works Council of KWS SAAT SE & Co. KGaA	
Cathrina Claas-Mühlhäuser Frankfurt am Main Businesswoman Member of the Supervisory Board of KWS SAAT SE & Co. KGaA and KWS SE	*Membership of other legally mandated supervisory boards:* ■ CLAAS KGaA mbH, Harsewinkel (Chairwoman) *Membership of comparable German and foreign oversight boards:* ■ CLAAS KGaA mbH, Harsewinkel (Chairwoman of the Shareholder's Committee)
Christine Coenen Einbeck Interpreter Member of the supervisory board of KWS SAAT SE & Co. KGaA 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 and KWS SE	

9.9.2 Supervisory Board Committees

Committee	Chairman/Chairwoman	Members
Audit Committee	Victor W. Balli	Dr. Drs. h.c. Andreas J. Büchting Jürgen Bolduan
Nominating Committee	Dr. Marie Theres Schnell	Dr. Drs. h.c. Andreas J. Büchting Cathrina Claas-Mühlhäuser

9.9.3 Executive Board

Members	Other seats
Dr. Hagen Duenbostel Einbeck Chief Executive Officer Corn North-/Southamerica and China/Asia, Group Compliance, Group Strategy, Group Governance & Risk Management	*Membership in other legally required supervisory boards:* ▪ Hero AG, Lenzburg (Switzerland) (member of the Board of Administration)
Dr. Léon Broers Einbeck Research & Breeding, Vegetables	
Dr. Felix Büchting Einbeck Cereals, Oilseed Rape/Special Crops & Organic Seed, Human Resources, Farming	
Dr. Peter Hofmann Einbeck Sugarbeet, Corn Europe, Cereals, Marketing & Communications	
Eva Kienle Göttingen Global Finance & Procurement, Global Controlling, Global Transaction Center Global Legal Services & IP, IT, KWS Digital Innovation Accelerator	*Membership in other legally required supervisory boards:* ▪ Zumtobel Group AG, Dornbirn (Austria) (member of the Supervisory Board and Chairwoman of the Audit Committee)

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 2019 to 30 June 2020, and the consolidated statement of financial position as at 30 June 2020, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 July 2019 to 30 June 2020, 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 2019 to 30 June 2020. 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 2020 and of its financial performance for the fiscal year from 1 July 2019 to 30 June 2020, 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 2019 to 30 June 2020. 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 2019/2020 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 in note 3.6 “Recording of income and expenses” in section 3 “Accounting policies” in the notes to the consolidated financial statements.

(2) Purchase price allocation from the acquisition of the Pop Vriend Group

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

In fiscal year 2019/2020, KWS SAAT SE & Co. KGaA (formerly KWS SAAT SE) acquired Birika B.V., Andjik, Netherlands, for a price of EUR 414.7m.

The assets and liabilities acquired are recognized at fair value as of the acquisition date. The remaining purchase price amount that is not allocated to the acquired assets and liabilities as part of the purchase price allocation is recognized as goodwill.

No observable market values are available for some of the acquired assets, especially brands, technology and customer relationships. Consequently, complex valuation models based on assumptions are used to determine the relevant fair values. The outcome of the valuation is highly dependent on the estimate of future cash flows and the discount rates used and is subject to uncertainty due to the considerable judgment exercised. Given the complexity of the valuation, the inherent assumptions subject to judgment and the significance of the acquisition for the consolidated financial statements, we consider the purchase price allocation to be a key audit matter.

Auditor's response

With the aid of our valuation specialists, we considered the appropriateness of the valuation model and the business plans on which the valuation was based. This included an assessment of the clerical accuracy of the valuation model and consideration of the expectations regarding future short, medium and long-term revenue and cost developments, also on the basis of external market data and interviews with management.

In the course of our audit, we also focused on the identification of value drivers for the identified intangible assets being valued. We analyzed whether the assumptions used to determine the value are appropriate, especially in the areas of technology, brands and customer relationships.

We also focused on the assumptions and parameters used to determine the weighted cost of capital (discount rates), especially the proper determination of peer groups to derive the cost of capital, and considered the calculation method.

We also considered the technical and factual appropriateness of the method used to account for the outcome of the purchase price allocation.

Furthermore, we considered the allocation of goodwill to the vegetables cash-generating unit and the completeness and factual accuracy of the disclosures in the notes.

Our procedures did not lead to any reservations relating to the purchase price allocation and the disclosures thereon in the notes to the consolidated financial statements.

Reference to related disclosures
With regard to the recognition and measurement policies applied for the acquisition, refer to the disclosures in section 4. "Basis of consolidation and changes" in the notes to the consolidated financial statements.

(3) Impairment testing of goodwill and brands

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 and brands are monitored and managed at divisional level.

Goodwill and brands are 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 impairment tests for goodwill and brands were 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 and brands are monitored for internal management purposes.

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

Reference to related disclosures
With regard to the recognition and measurement policies applied for goodwill and brands, refer to the disclosure on intangible assets in section 3 "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 7.1 "Intangible assets" in section 7 "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 17 December 2019. We were engaged by the supervisory board on 15 June 2020. 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 "NFE" in the margin.
- The information in section 2.6.1 "Corporate governance report and statement on corporate governance."

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 2.1.5 "Responsible Business Activity,"
- Section 2.5 "Employee and Social Report,"
- Section 2.5.3 "Good working conditions,"
- Section 2.5.4 "Social commitment."

Hanover, 23 September 2020

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 2019/2020 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 2019 to 30 June 2020.

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 June and September 2020, 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 2019 to 30 June 2020 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, 23 September 2020

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 generally accepted standards of consolidated accounting, and that an accurate picture of the course of business, including business results, and the Group's situation is conveyed by the Group Management Report, which is combined with the Management Report of KWS SAAT SE & Co. KGaA, and that it describes the main opportunities and risks of the Group's anticipated development.

Einbeck, 23 September 2020
KWS SE

Hagen Duenbostel | Léon Broers | Felix Büchting | Peter Hofmann | Eva Kienle

Additional Information

Financial calendar

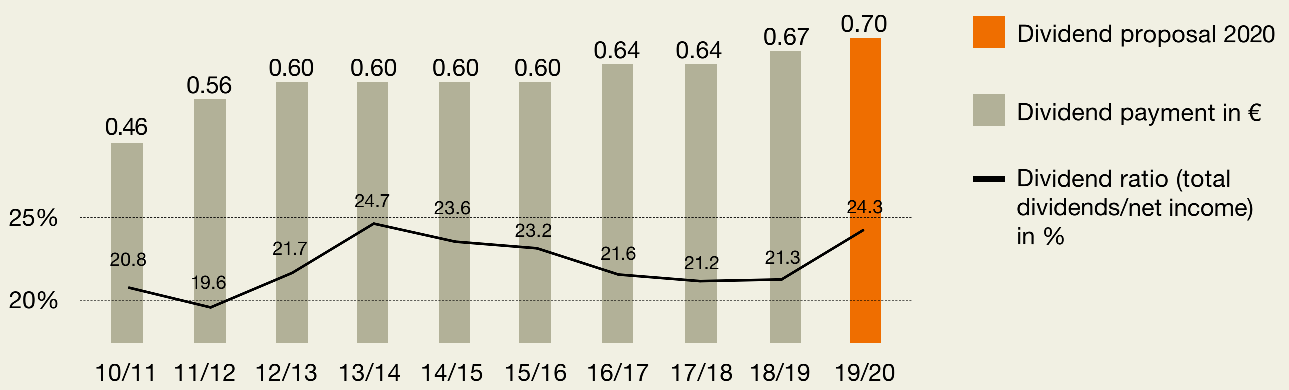
Date	
November 24, 2020	Quarterly Report Q1 2020/2021
December 16, 2020	Annual Shareholders' Meeting in Einbeck
February 18, 2021	Semiannual Report 2020/2021
May 12, 2021	Quarterly Report 9M 2020/2021
October 20, 2021	Publication of 2020/2021 financial statements, annual press and analyst conference
November 18, 2021	Quarterly Report Q1 2021/2022
December 2, 2021	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	Non-par
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

Marcel Bloemendaal ■ Paul Epp ■ Peter Heller ■ Frank Stefan Kimmel ■ Karsten Koch ■ Julia Lormis ■ Arnoud Michelet ■ Dominik Obertreis ■ Sang-Kyun Park ■ Roman Pawlowski ■ Florian Spieker ■ Roman Thomas ■ Sebastian Vollmert

Date of publication: October 23, 2020

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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