CLAAS

Fields of Innovation

2016 Annual Report

The cover shows a radial tree diagram that builds a bridge between the guiding theme and the structure of the annual report in terms of content. The artwork is an abstract representation of customer requirements, the envisioned product characteristics, and the necessary innovations for the new JAGUAR 900 forage harvester using Processing, an experimental visualization software program.

CLAAS Group Overview

Financial Indicators (IFRS)

in € million	2016	2015	Change in %
Financial Performance			
Net sales	3,631.6	3,838.5	-5.4
EBITDA	251.9	310.5	-18.9
EBIT	129.0	196.8	-34.5
Income before taxes	93.5	157.7	-40.7
Net income	37.6	105.7	-64.4
Research and development costs[1]	213.7	203.0	5.3
Free cash flow	118.5	38.8	205.4
Financial Position			
Equity	1,160.7	1,231.0	-5.7
Capital expenditure[2]	122.2	128.3	-4.8
Total assets	3,137.2	3,343.2	-6.2
Employees			
Number of employees as of the balance sheet date[3]	11,300	11,535	-2.0
Personnel expenses	653.3	650.6	0.4

[1] Before capitalized and amortized development costs.

[2] Including development costs recognized as an asset, excluding goodwill.

[3] Including apprentices.

“The advancing digitalization in agriculture is opening abundant fields of innovation for CLAAS.”

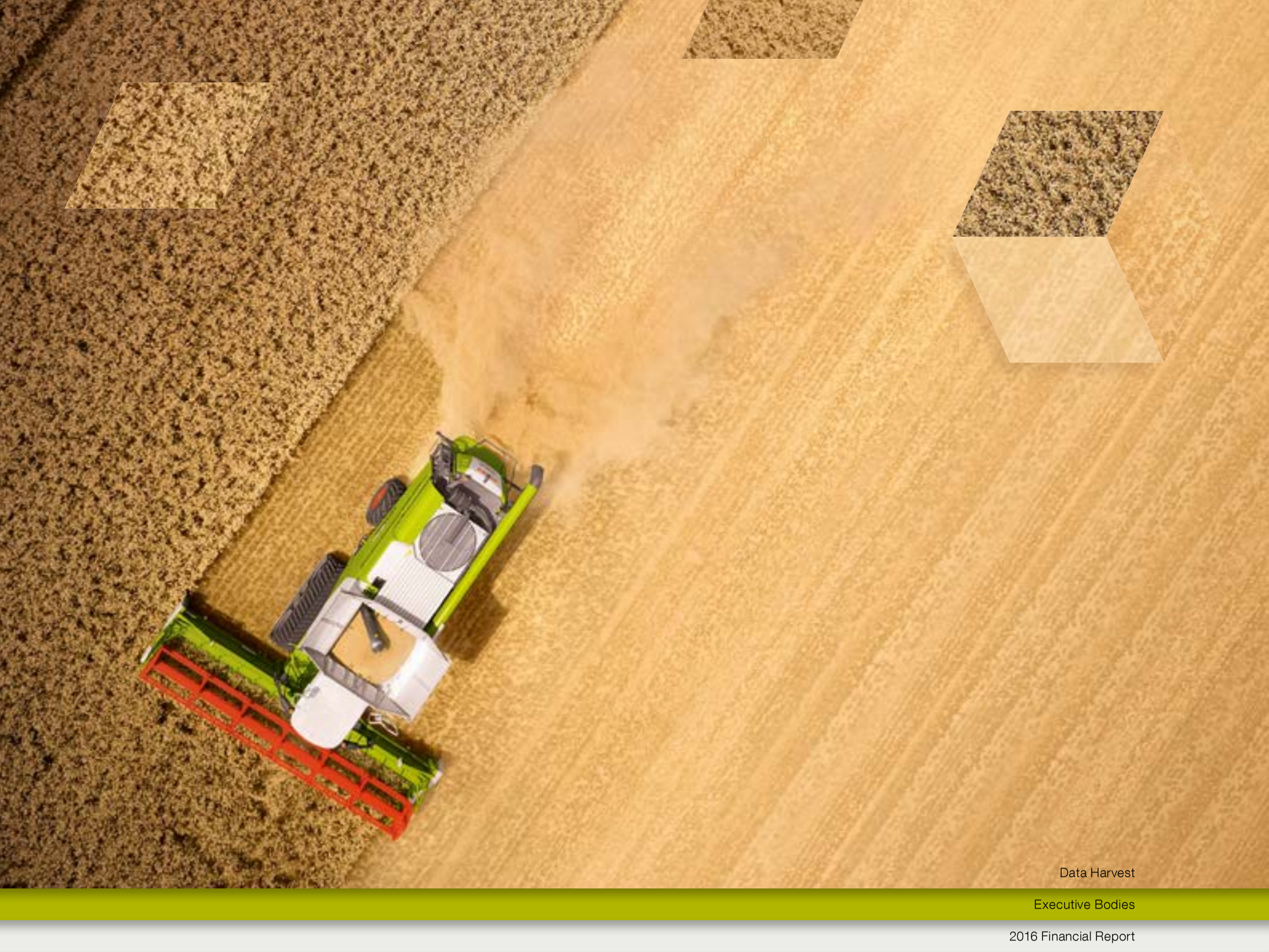
Lothar Kriszun

Fields of Innovation abound in agricultural equipment today. CLAAS is systematically working on them. Our strategy has been geared toward innovation ever since the company was founded, as innovation paves the way for progress and helps seize potential for future growth. Connectivity and Farming 4.0 P. 02, driven by data and software, is increasingly in the spotlight. We also continue to work on enhancing agricultural machinery hardware, such as the new JAGUAR 900 series forage harvester P. 12. The many patented technologies P. 10 are a testament to our powers of innovation in a variety of fields. Our employees P. 20 play a crucial role in ensuring that CLAAS continues to live up to its tradition as a technological pioneer. However, firm values also provide guidance in the midst of rapid technological advancement. As a family-owned company, the benefit for the farmer is therefore always our top priority P. 28.

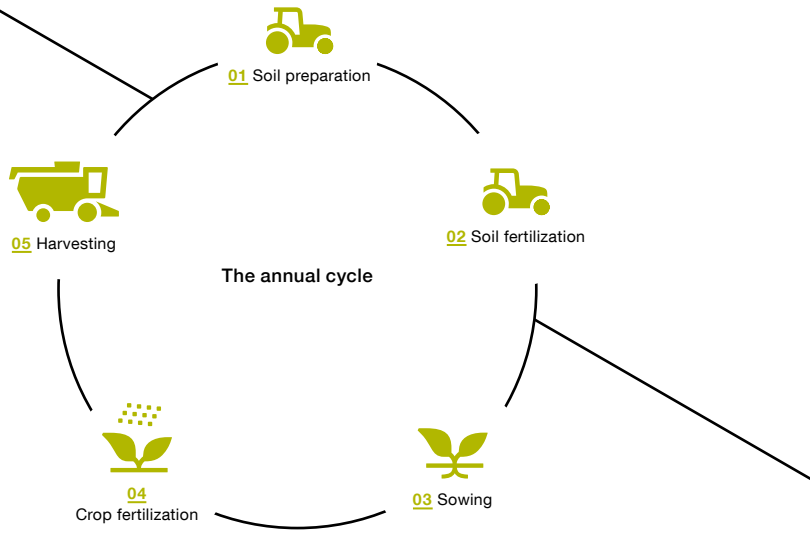
Data Harvest

Harvest time. The culmination of the agricultural year. A few weeks that decide whether the investment in seed, fertilizer, and crop protection products – and in many hours of work for people and machines – was worthwhile. Today there is a new crop that promises higher productivity, but is also highly coveted: data.

Jörg Huthmann



The annual cycle
The annual cycle in crop farming always looks the same. But it is also different every year. Many factors can cause harvest results to vary and make analyzing data gathered over a period of several years especially interesting.



A field of wheat, a few weeks before harvesting begins. Jörg Laumeier takes a look at the crops before pulling his smartphone out of his trouser pocket to swipe and tap the screen with an expression of concentration on his face. “They were last treated with crop protection products four weeks ago. The crops are healthy – looks good,” Laumeier says.

The third-generation contractor and farmer uses 365FarmNet, a cloud-based farm management system. His favorite place for using 365FarmNet is out in the field. “I was looking for something that, above all, would make my work easier without causing me to lose sight of what is going on. What I liked about 365FarmNet was the mobility. I can look at the field I’m tending to and find out what we did, and when.”

To do so, Jörg Laumeier takes advantage of the data manually entered into the software as well as his machines’ digital intelligence. Thanks to sophisticated sensor technology and real-time mobile data transmission capabilities, harvesting machinery and tractors from CLAAS generate a constant stream of data while they work. Older machines and products from other manufacturers can be retrofitted to get them ready for Farming 4.0.

Yield Mapping down to the Centimeter

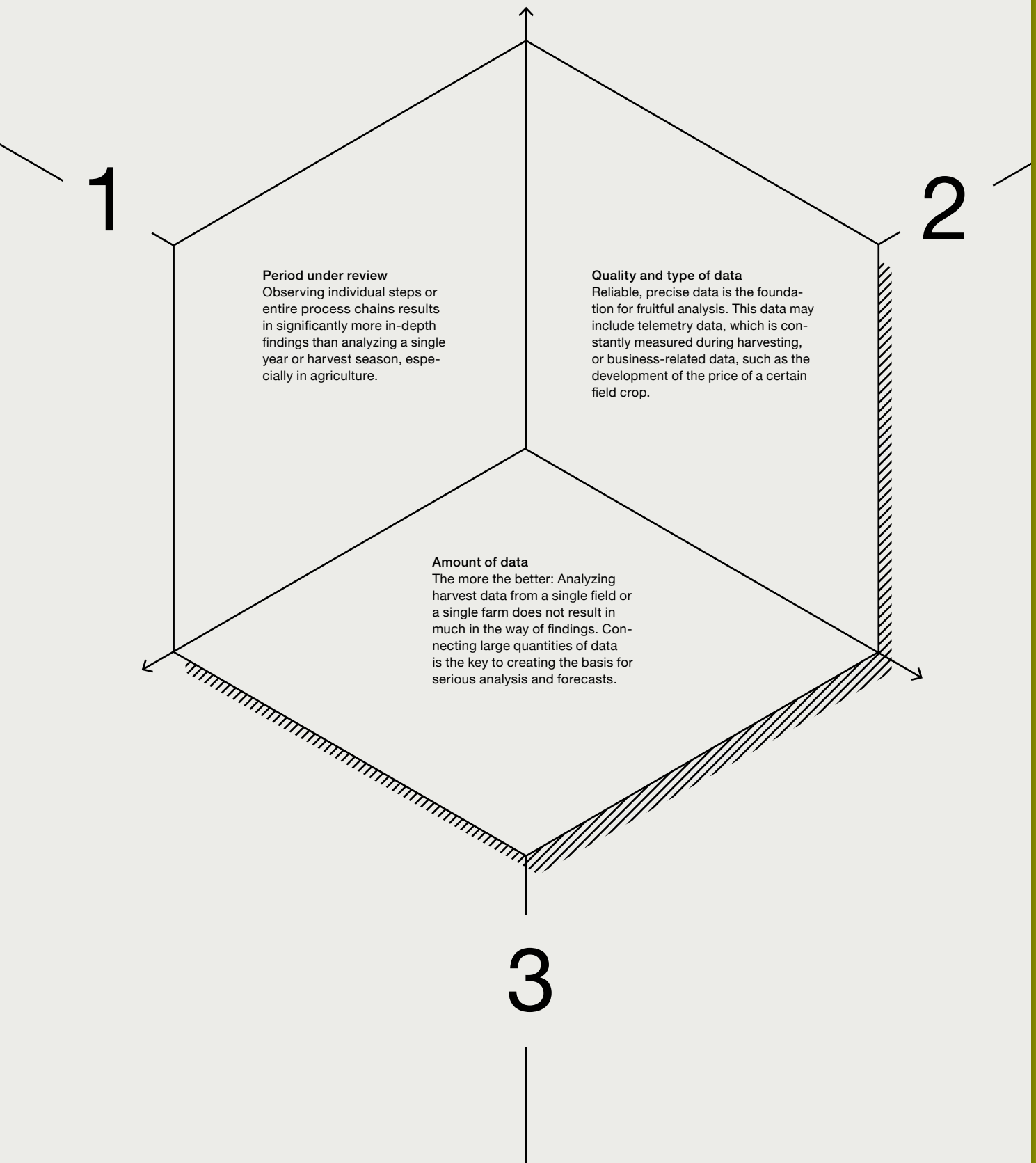
Supported by GPS, telemetry data shows the exact position of each machine, where it is headed, what it is doing, whether all technical systems are working properly, and if it has enough diesel fuel. This has an immediate benefit during harvesting, for example, when different machines and many workers have to be coordinated. As a result, CLAAS and Deutsche Telekom have developed a system that allows a combine harvester to automatically call over a trailer when its grain tank is nearly full and share its location, preventing delays in harvesting and transport. While the technology does not replace operators, it makes their work far easier and improves the overall process.

The data gathered offers additional benefits in the long term, first and foremost. It makes it possible to store the entire cultivation history of a field and access it at any time, even including precise mapping of the number of seeds sown, fertilizer use, and yields. The data gathered supports farmers in determining crop rotation, managing operating resources, and planning harvests. Contractors get all the information they need for a precise, mostly automated record of the work performed for billing purposes. A system like 365FarmNet means there is no need to process the bits and bytes for accounting. The system also ensures that data is secure and leaves it up to the owner to decide whether to compare it with other data and analyze it.

Three Dimensions of Useful Data

Manufacturers such as CLAAS leverage the stream of data to generate practical benefits for customers. The findings from the records and the resulting profiles are used for more than just engineering the next

Three Dimensions of Data Analysis



There are various levels of information for each square meter of farmland, such as the harvest yields of a particular year, potential infestation, and the amount of fertilizer and plant protection products applied. A comprehensive overview also includes detailed information about soil quality and precipitation.

generation of machines. Compiling the anonymized data from a large number of individual machines makes it possible to derive harvest forecasts. This high-value data is made even more valuable by analyzing developments over a period of several years and looking at how it correlates with other information, such as weather readings.

The more extensive the pool of data, the more useful it is. Although it remains impossible to influence the weather, a precise weather forecast provides security for planning many agricultural processes. Farmers and contractors who know when it is going to rain can plan to use crop protection products after precipitation passes, avoiding the risk of expensive agrochemicals being washed off of crops unused and having to apply them again. More precise weather forecasts play a major role in creating better harvest forecasts for entire regions. And this is just one of the possibilities offered by using data. The applications of big data are attracting other players in addition to manufacturers of agricultural machinery to the field, including

One essential element of Farming 4.0 is mobility. Farm management systems allow farmers and contractors to access their data on virtually any device, regardless of whether they prefer to use a smartphone, tablet, or laptop.

major banks and insurance companies. But the main appeal is felt by companies that know their way around large volumes of data and intelligent search algorithms.

Finding a Common Language

One challenge in connectivity, especially when it comes to machine-to-machine communication (M2M), is the compatibility of data. How can a tractor made by manufacturer A and the drill built by manufacturer B that is hooked up to it exchange process data and transmit the derived business-related data to the farm management system from manufacturer C?

Many years ago, agricultural machinery manufacturers in Europe and North America started to think about common guidelines. In doing so, they essentially set global standards. The initial idea behind the ISOBUS universal data interface used today dates back to the 1980s. But today's ISOBUS standard is no longer sufficient for the type and quantity of data generated in Farming 4.0. What is more, no manufacturer is interested

Global Megatrend

Farming 4.0 is by no means limited to high-tech countries. Farmers and contractors worldwide use digital tools. Two examples:

01 In many African countries, efforts to develop a communication infrastructure focused at first on cellular phone networks. Resourceful start-ups in Nairobi, often dubbed Africa's Silicon Valley, have also developed applications for farmers. A text messaging service that lets farmers get the latest prices for their products is extremely popular. All they need is an inexpensive cell phone capable of sending and receiving text messages. In the past, farmers had little alternative but to accept the prices quoted by wholesalers. But now the market is transparent for them.

02 India is Trringo country. Trringo is set to become to tractors what Uber is to taxis in many major cities worldwide. Farmers who cannot afford their own tractors can borrow one to help them with their work. The provider of the web-based service, a major Indian tractor manufacturer, estimates the market volume for Trringo at 150 billion rupees a year – or around 2 billion euros.

> “The data produced by farmers and contractors belong to them, and to no one else.”
>
> Thomas Böck

in making the data generated by its machines known to everyone, since that would also mean making proprietary expertise public.

The industry has also come up with solutions to this problem. A wide range of companies offer data transport and data translation services. This makes it possible for data from a machine built by manufacturer A to be transmitted to a machine produced by manufacturer B via a data hub or farm management platform and translated in the process. It is always up to the data owner to decide whether the data should be transferred continuously or just once.

Diversity Is an Advantage

Here, too, CLAAS is acting as a driving force and is developing service packages that offer customers everything from a single source. The main difference from the earlier, fully proprietary technology of each manufacturer is the relative openness of the new systems, which makes it possible to exchange data between machinery from different brands without revealing internal knowledge.

In Europe, the challenges are far greater than in relatively homogeneous markets such as the U.S. Adaptable, intelligent solutions are a must in compartmentalized markets with various different languages and data protection laws, as well as a wide range of agricultural machinery producers and service providers. The need to deal with this diversity gives CLAAS a competitive edge. A company that can master the diversity of Europe is capable of making digitalization a reality anywhere in the world.

Berlin-based 365FarmNet, which CLAAS helped to found, is playing an increasingly important role in this context. According to Maximilian von Löbbecke, CEO of 365FarmNet, the company already has a five-figure number of customers in the German-speaking world alone and is expanding in three directions: “First, we are working on including stall and yard work at farms in our system. For example, we plan to launch a close partnership with GEA Group, an industry giant in the field of food processing, in late 2016.” The company is also placing a major focus on other European countries. “And the development of data transfer services is ultimately growing in importance.”

Digitalization and connectivity are changing agriculture and agricultural equipment worldwide. Even though Farming 4.0 is conquering different parts of the world at different speeds (see p. 7), it is a global megatrend that affects Jörg Laumeier in Germany as much as a small farmer in India who uses a mobile app to borrow a tractor. All in all, the agricultural version of the fourth industrial revolution offers a tremendous opportunity for a form of food production that is better because it conserves resources and is sustainable.

Much of what companies such as CLAAS are starting to do in this sector boils down to taking a chance on a future that holds great risks in store – and even greater opportunities. The harvesting and connecting of data to the benefit of farmers has only just begun.

Innovation

4 Questions for Thomas Böck

Mr. Böck, in your role as a member of the CLAAS Executive Board, your areas of responsibility include research and development. Issues such as digitalization and connectivity seem to be making faster inroads in agricultural equipment than in other sectors. How is CLAAS rising to the challenge?

Thomas Böck We approach these rather complex issues from the customer's point of view. Digitalization and connectivity must result in tangible benefits for farmers and contractors. Making their lives easier through farm management systems is as much a part of this as intelligently networked machines and completely digitalized process chains that make agriculture more efficient, conserve natural resources, and result in overall economic benefits. To this end, we have pooled all our resources in this field in a new subsidiary: E-Systems. Right now, we are setting up a new a new site near Osnabrück that will open in late 2017.

When it comes to Farming 4.0, many claim that the company that has access to the data will come out on top. What is your take?

Thomas Böck The data produced by farmers and contractors belong to them, and to no one else. It is a real win-win situation if they allow or officially task us or a service provider such as 365FarmNet to work with their data and we both stand to benefit. However, the massive use of data by companies specializing in this line of work is based on different business models that do not stand to benefit individual farmers, in my opinion. In these scenarios, their data therefore becomes a product that they can sell.

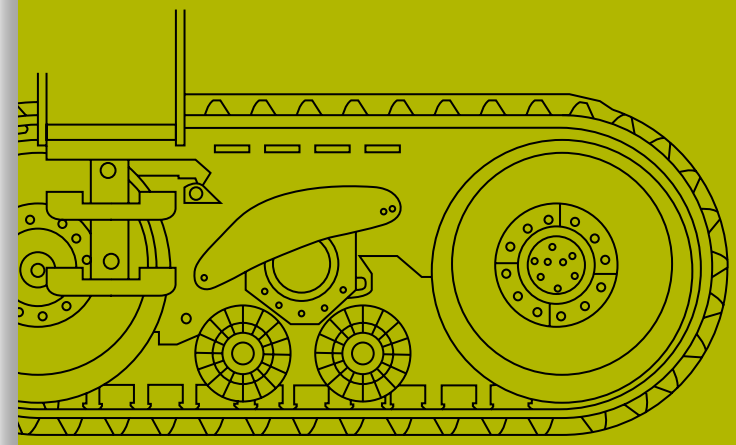
Digitalization in agriculture and agricultural equipment is undoubtedly a global issue. However, the gap between resources and methods in agriculture around the world is immense. In your opinion, how will things develop?

Thomas Böck Our markets, both old and new alike, are developing at different rates and are seeing different technological advances. We are doing justice to these regional patterns by performing basic development activities here and adapting the technology to the markets on-site. Here, too, it is essential to approach the market from the customer's point of view – and that is something we do around the world.

Digitalization and connectivity are thought of as a great equalizer that makes it increasingly difficult for individual companies to communicate what sets them apart. How is CLAAS positioning itself?

Thomas Böck Our combination of engineering and electronics, as well as our ongoing activities in both fields, gives us a very good market position. Our growing internationalization coupled with the underlying concept that I mentioned earlier – performing basic development activities centrally and then leveraging the results to come up with regional solutions in the respective markets – makes this position even stronger. The basic CLAAS values continue to apply when it comes to Farming 4.0: never be satisfied with what you have achieved so far, keep moving, and keep your feet on the ground.

Patented



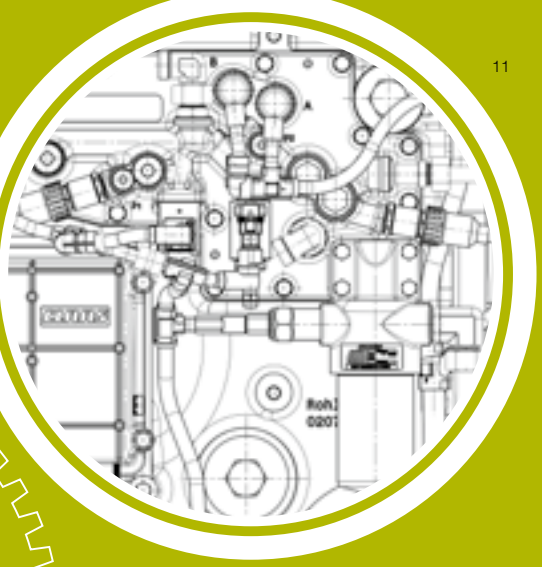
Tiptoeing at 40 kph

Protected by several patent families worldwide, the TERRA TRAC system guarantees minimum soil compaction and makes concepts such as non-plow cultivation a reality. The chassis frame is divided into two parts, both of which are mutually preloaded and equipped with shock absorbers, to combine high payloads, outstanding mobility in the field, and high speeds on the road.

231
patent applications in fiscal year 2016

Total number of patents and patent applications

Award-winning design, maximum visibility: The PANORAMIC cabin ensures unobstructed 90-degree vertical visibility, with no cross-beam to get in the way when working with front loaders.

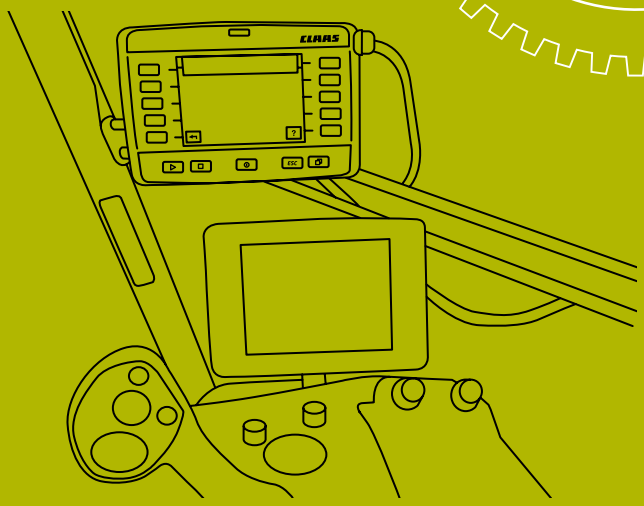


Patent number one, born again: Used together with automated pressure control, the new and improved CLAAS knotter delivers top performance for binding hay bales.

Multifunctional and efficient: The CARGOS dual-purpose wagon family with an automated filling and unloading system loads hay, straw, and chopped material, making it a real help all year long.

2 in 1

The CMATIC transmission, developed by CLAAS and protected by five patent families, combines the advantages of hydrostatic transmission and a multi-speed drive. In conjunction with multi-speed planetary gear, clutch unit, and two hydrostatic drives, it provides tremendous power in any situation, without interrupting traction.



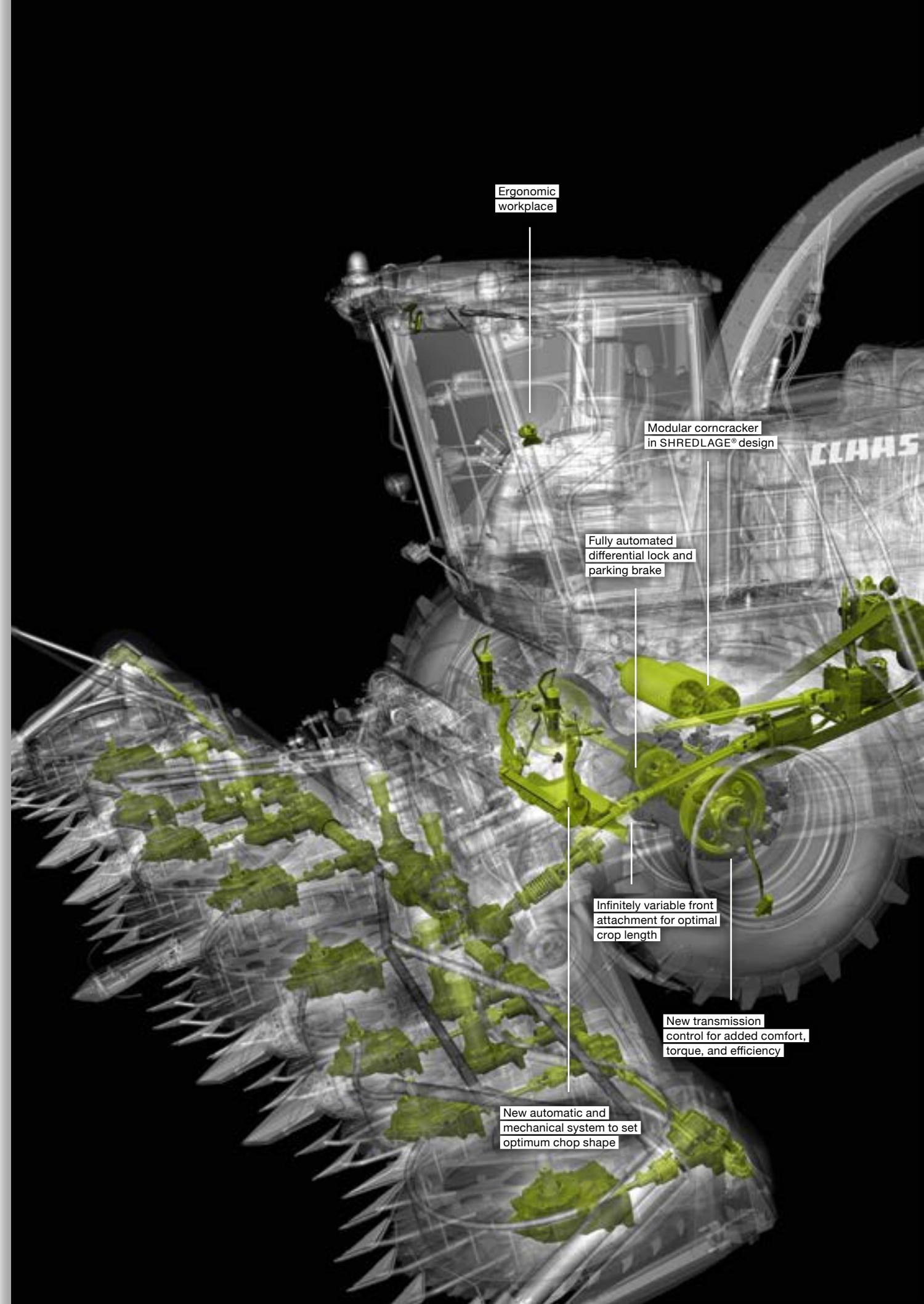
CEMOS

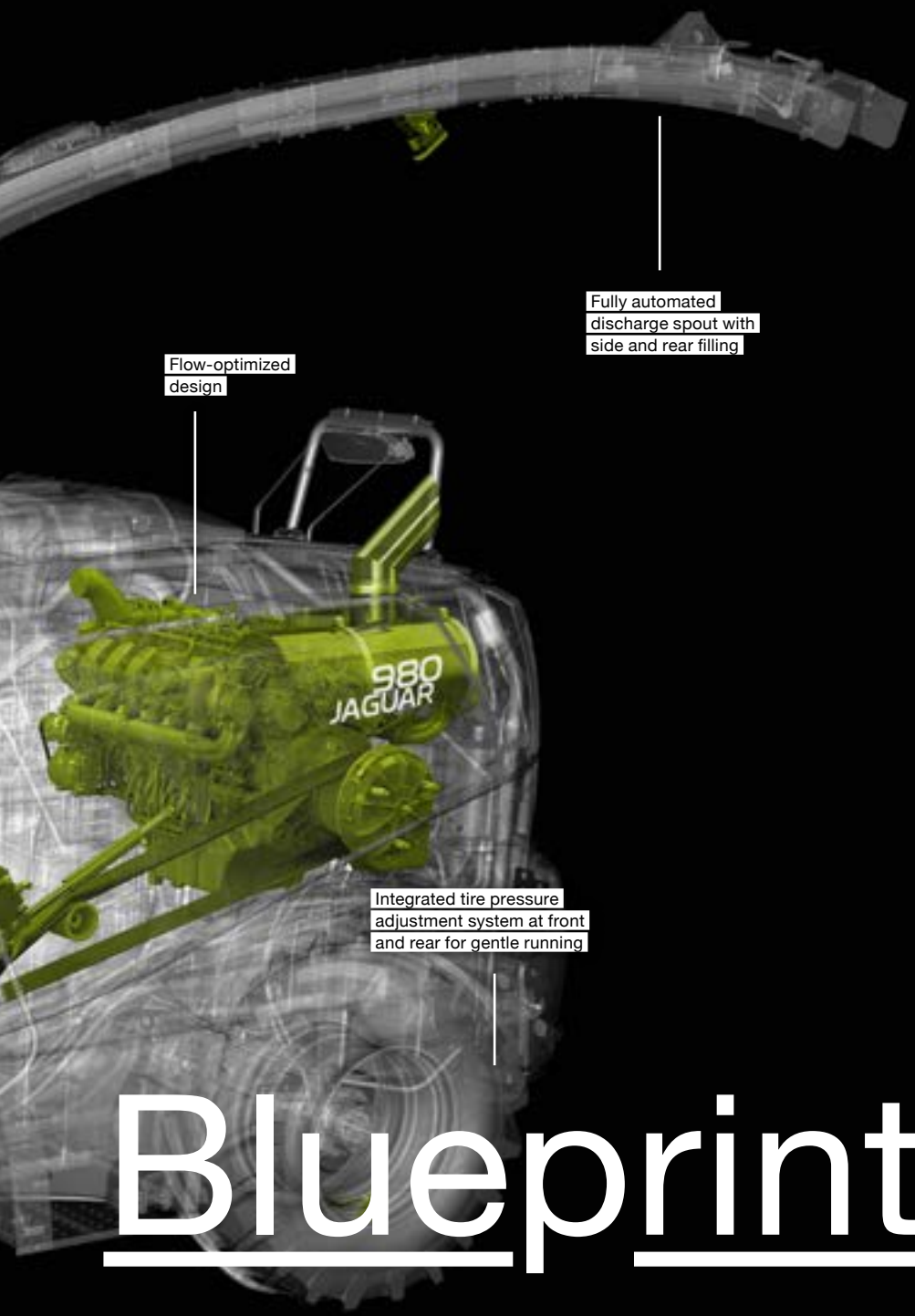
CLAAS Electronic Machine Optimization System: The acronym CEMOS stands for a wide range of smart functions that ease people's workloads and increase efficiency. As a result, CLAAS is the only manufacturer to offer combine harvesters that can harvest fields fully automatically.

Solutions

CLAAS is dedicated to benefiting farmers, conserving resources, and ultimately making a contribution to securing the food supply on a sustainable basis. With these goals in mind, the company is constantly working to develop innovative solutions and concepts.

Ulrich Pontes


Ergonomic workplace
Modular corncracker in SHREDLAGE® design
Fully automated differential lock and parking brake
Infinitely variable front attachment for optimal crop length
New transmission control for added comfort, torque, and efficiency
New automatic and mechanical system to set optimum chop shape



Blueprint for Innovation

A team of developers at CLAAS spent six whole years working on the new JAGUAR 900 series. How do customer requests and other ideas turn into production-ready innovations for a new generation of forage harvesters? A look behind the scenes.

Laurin Paschek

Testing on the field is a fixed part of the product development process.

One cold and wet fall day in October 2014, Dirk Lahmann and Alexander Kirchbeck are standing in a field in Denmark with three software developers, testing the latest generation of the JAGUAR 900 series from CLAAS. The huge forage harvesters that tip the scales at up to 22 tons are used to harvest crops from the field, chop them, prepare them, and unload them onto a trailer. Besides corn for biogas systems and corn feed, the harvesting factories on wheels also process grass, alfalfa plants, and crops into whole-plant silage.

The tests involve the camera-guided, automatic filling of a trailer driving behind the forage harvester. "Automatic side filling using a camera-based, 3D image analysis system has been part of the CLAAS portfolio since 2009; it already has an established presence on the market," says Dirk Lahmann, project manager of the new self-propelled forage harvester. "However, side filling is not always possible at the start of the chopping process because the adjacent lane on the field still contains crops." Lahmann's colleague Alexander Kirchbeck, who, as the product manager for forage harvesters, knows how his customers work, adds: "The trailers have to drive behind the forage harvesters in these situations. With our new feature, we can also automate this form of filling."

But it is not as simple as it sounds: The rear transfer area where the discharge spout deposits the crop is much further away from the machine than the side transfer area, and therefore more difficult to monitor using cameras. "This is a challenging operation both for the driver and for the automated JAGUAR," Lahmann explains. "We found a solution with new sensor technology and software algorithms." In the first series of tests, much of the chopped material still lands on the ground. But then the development team make a breakthrough: The harvested crops begin to be accurately deposited into the trailer at the rear by the discharge spout. A glance at the control monitor shows that the outer edges and the filling level of the trailer are being correctly determined, too.

"We forgot about the rain for a moment, and our faces just lit up," Lahmann says, looking back. "That really was the breakthrough in the concept." The next task was to conduct tests at night, with more powerful LEDs already fitted to the discharge spout lighting system. The successful conclusion of these tests led to the addition of an important new function, a key milestone in the development project.

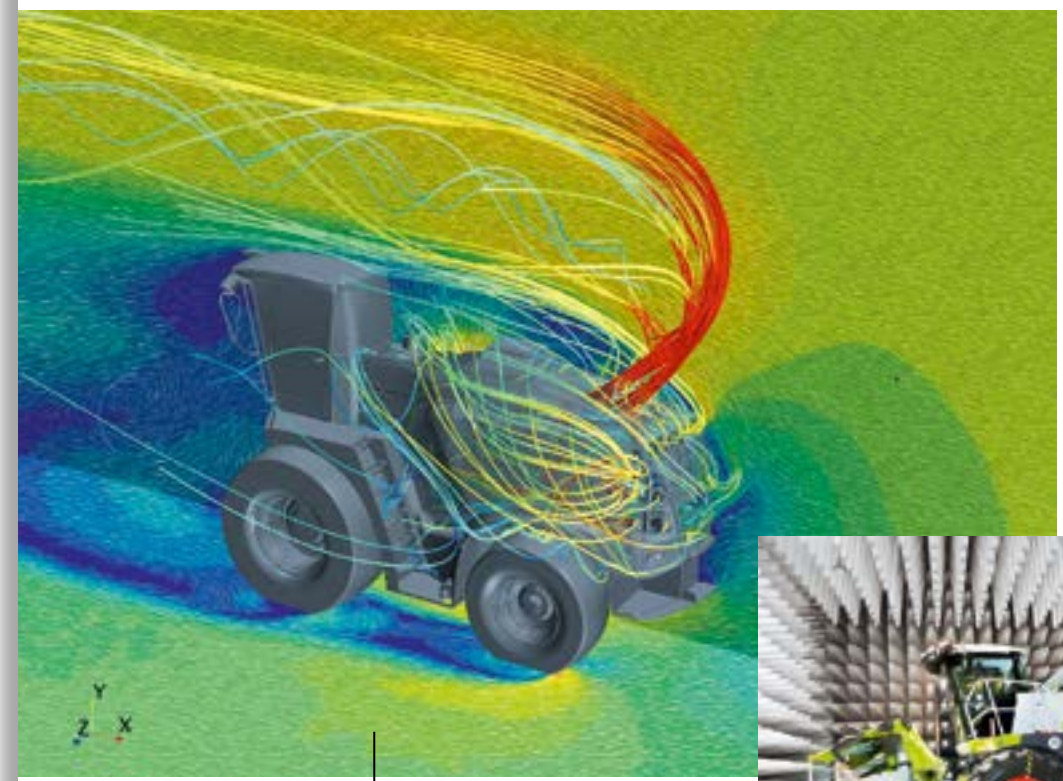
500 Requirements, 300 Man-Years

It's a long road from the initial idea to finished concept – and even longer until the machinery is ready for production. The development of the new JAGUAR 900 series, which will be launched in fall 2016, was a six-year process. "An interdisciplinary team consisting of some 150 employees at peak times invested over 300 man-years in this new generation of our forage harvesters," says Michael Kohlem, Head of Research and Development and member of CLAAS management.

Efficiency is the top priority: An advanced hydraulic drive with speed reduction saves energy when driving on the road.

“An interdisciplinary team consisting of some 150 employees at peak times invested over 300 man-years into the new generation of forage harvester.”

Michael Kohlem



CLAAS engineers use flow mechanics simulations to achieve optimum cooling performance for the up to 884hp engines.

The developers of the new forage harvesters conduct their computer-based calculations and simulations in the testing bay – such as in this case for vehicle acoustics.

The first stage in any development process is coming up with a brief. The new JAGUAR 900 series had more than 500 individual requirements, explains product manager Kirchbeck: "We develop the brief on the basis of the requirements and wishes of our customers, which we gather over a period of time during our on-site visits, during informal meetings, or from detailed analysis provided by customer services. We then assess this information and prioritize requirements." That's how automatic filling of trailers driving behind the forage harvester came to be part of the brief. This brief is then enhanced by innovative functions from the pre-development phase that are now production-ready. "We call these 'bonus features,' innovations that may spring a surprise or two for our customers," adds Kohlem.

The next step is about molding the requirements from the brief into a technical concept. This is the responsibility of a project team led by a project manager and systems engineer duo. The project manager is in charge of keeping an eye on the budget and the schedule, while the systems engineer takes the role of architect and chief designer. Experts from the main production facility in Harsewinkel work hand in hand with CLAAS axle specialists in Paderborn and chopping system experts in Bad Saulgau. External system and component suppliers are also closely integrated in the product development process. Specialists in functional components such as the chopping unit, corncracker, and discharge spout work together seamlessly with chassis designers, engine and driver developers, hydraulics experts, electrics and electronics developers, cabin designers, and attachment experts.

From Brief to Specifications

Vehicle design is just as much of an interdisciplinary process: Designers come up with renderings, engineers review the feasibility of the concept using CAD systems, experts in flow mechanics ensure functionality using CFD analysis (computational fluid dynamics), and production specialists investigate buildability with the help of computers. At the same time, a team of validation experts and quality managers develop plans to guarantee the necessary maturity of the machinery and all of its components. "Having a technically innovative but also economically attractive concept is a key factor in the product's success further down the line," Kohlem emphasizes. "Given that some 80% of product costs are determined within the concept phase, a cost-effectiveness analysis is also an absolute must." Ultimately, the technical concept leads to defined technical specifications: "This is the written contract for the development project, so to speak."

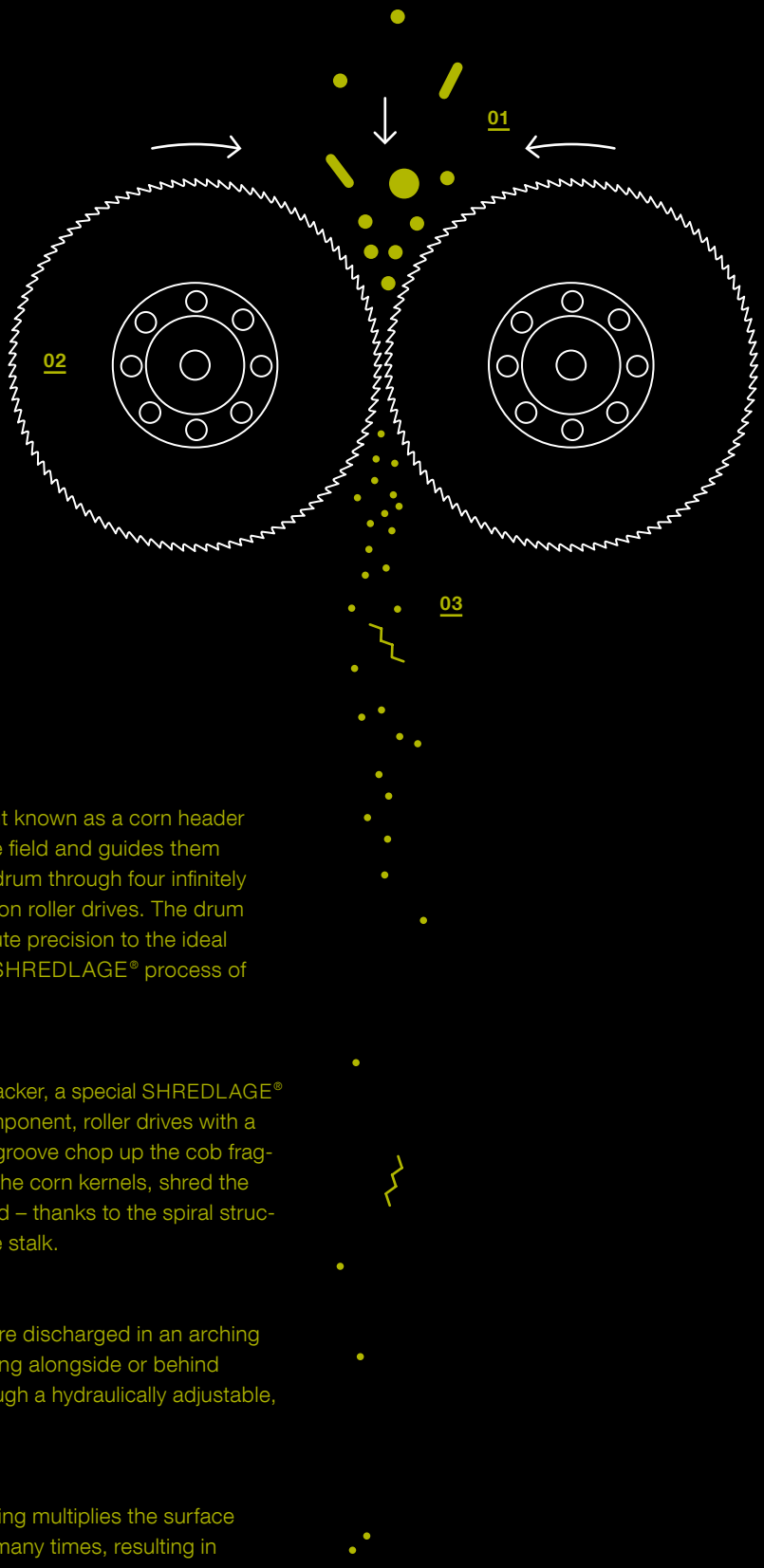
One particular requirement for the new generation of the JAGUAR 900 series was that production take place in the new modular production concept (MQB – Modularen-Querbaukasten-Konzept) launched by CLAAS in 2014 with the new, smaller 800 series. "The strategic aim for the new MQB concept is to use as many common parts as possible," explains project manager Lahmann. "This reduces complexity in production, but also enables us to meet new market requirements optimally using systematically coordinated modular components."

There are an increasing number of specific regional requirements in growing markets such as Eastern Europe and Asia. What's more, new trends, and ways of using crops – as fuel for biogas plants, for instance – result in the need for different hardware configurations for harvesting equipment. "The new strategy of common components allows us to offer a broader range of certain modules," says Thomas Tilly, Head of Development for self-propelled forage harvesters at CLAAS. "At the same time, our customers benefit from both series sharing the same electronics architecture, which extends automatic trailer filling to smaller series, too."

Cooling Down 884hp

Working out on the field is a mammoth task for forage harvesters. The new JAGUAR has to be capable of operating 24/7 in temperatures of up to 40°C and withstand the extremely high levels of torque produced by the drive system. This requires a 100% reliable cooling system for the diesel engines that can deliver up to 884hp of power. A number of simulation tools are used in the concept phase, to avoid cost-intensive changes at a later date. For example, fail-safes for the cooling process can be simulated. The complex driving dynamics on the road and on the field can also be simulated, helping engineers to size each individual component accurately.

SHREDLAGE® process



01 A combine attachment known as a corn header collects the crops on the field and guides them into a rotating chopping drum through four infinitely adjustable precompression roller drives. The drum cuts the corn with absolute precision to the ideal chopping length for the SHREDLAGE® process of 26 to 30mm.

02 In the separate corncracker, a special SHREDLAGE® model of the module component, roller drives with a counterdirectional spiral groove chop up the cob fragments completely, grind the corn kernels, shred the stalk material laterally, and – thanks to the spiral structure – rub the bark off the stalk.

03 The prepared crops are discharged in an arching motion onto a trailer driving alongside or behind the forage harvester through a hydraulically adjustable, trunk-like spout.

04 The intensive processing multiplies the surface of the chopped material many times, resulting in significantly improved bacterial fermentation during ensiling, high starch availability, and optimum digestion in the cow's rumen.

Corn silage processed using the SHREDLAGE® process: The intensive processing results in improved bacterial fermentation and optimum digestion in the cow's rumen.

Once this phase has been completed, the first physical prototypes are produced in the special prototype department and put through their paces on the test bench and out in the field. Assembly line specialists from the factory in Harsewinkel were responsible for producing the pre-series prototypes for the new JAGUAR series. They are also tested either in the test bay or directly in the field. "Our aim here is to find any faults and eliminate them before the product is in the hands of our customers. As the global market leader for self-propelled forage harvesters, we have to meet our customers' high expectations when it comes to quality," Kohlem says.

This means that the engine and the cooling system must also undergo extensive testing on special test benches. "Engines work against large eddy current brakes under changing climatic conditions. This way we can simulate the enormous loads that engines experience when in use," the Head of Research and Development explains. In addition, the machines also undergo special testing cycles to determine their life spans. This allows the team to validate the concept over the long term without having to rely on the short harvest periods, the only time tests can be carried out in real-life conditions.

Over 400 Tons of Chopped Material Per Hour

The fruit of the team's labor is soon to be unveiled: the new JAGUAR 900 series, a self-propelled forage harvester with optimum energy efficiency. A high-performance hydraulic drive with differential lock and speed reduction saves energy during turning manoeuvres and road driving. The new variable front attachment drive also delivers exactly the right power to equipment such as pick-ups or corn headers right when they need it.

Maximum throughput stands at over 400 tons of chopped material per hour, which is transported through a 1mm wide slot between the roller drives on the corncracker and prepared as feed or for use in biogas plants. Depending on the crop and the intended use, chopped lengths of 3.5 to 53mm can be selected through the infinitely adjustable speed on the precompression roller drive and by changing the number of knives.

"A team of experts is working on redefining the chopping quality criteria to enhance the cutting process even further," explains Thomas Tilly. "Colleagues spent over six weeks out in the field on a number of occasions, counting kernels, investigating samples of the chopped material, and systematically analyzing the data they gathered." For the production of forage corn, the new JAGUAR forage harvesters can also be fitted with the latest SHREDLAGE® corncracker roller drives – an innovative, patented technology that CLAAS has acquired and integrated into its product range (see graphic).

The latest generation of the largest forage harvester series at CLAAS is a veritable showcase of innovation in several areas, offering enhancements in terms of efficiency, comfort, and reliability. These innovations have been constructed and developed step by step by specialist engineers based on precise plans – on computers and in test bays, with suppliers and customers, but also exactly where the JAGUAR series must ultimately prove its worth: on the field.

Breaking New Ground

New technologies and new discoveries are changing the world as we know it, and that includes the world of agriculture and agricultural equipment. That makes CLAAS employees true pioneers, building on the company's long tradition. We profile five of them for you here.

Dirk Böttcher

People at CLAAS have devoted their time to agricultural engineering for over 100 years. Even with this wealth of experience, employees of today are still breaking new ground in many areas: testing out combines in virtual reality, smartphone apps that support farmers in their work out on the field, and tractors whose cabs not only control the machine itself, but also analyze digital data and connect with other applications.

At CLAAS, development isn't just about better products, it's about new products, too. Skills such as metalworking and transmission building are still important, of course, but employees in research and development especially – who make up roughly 10 percent of the 11,500-strong CLAAS workforce – are immersed in fields which previously had little to no relation to crop or cattle farming. They design user interfaces and program apps. They use artificial intelligence methods to facilitate new automatic features or work in virtual reality when developing new harvesting equipment.

Working in unchartered territory always brings up the issue of the working environment. Working at CLAAS is all about flexibility. CLAAS provides its employees with the necessary time and resources to be able to come up with new ideas and technologies. It places great value on offering diverse training and development opportunities, language courses, dual study programs, and international traineeships. The environment is dependable: CLAAS is a family business with flat hierarchies and an authentic, team-based atmosphere. At the same time, the sky's the limit: The projects are significant, the approach international, and each and every innovation has the ultimate purpose of rising to one of the world's most important challenges: securing the food supply on a sustainable basis.

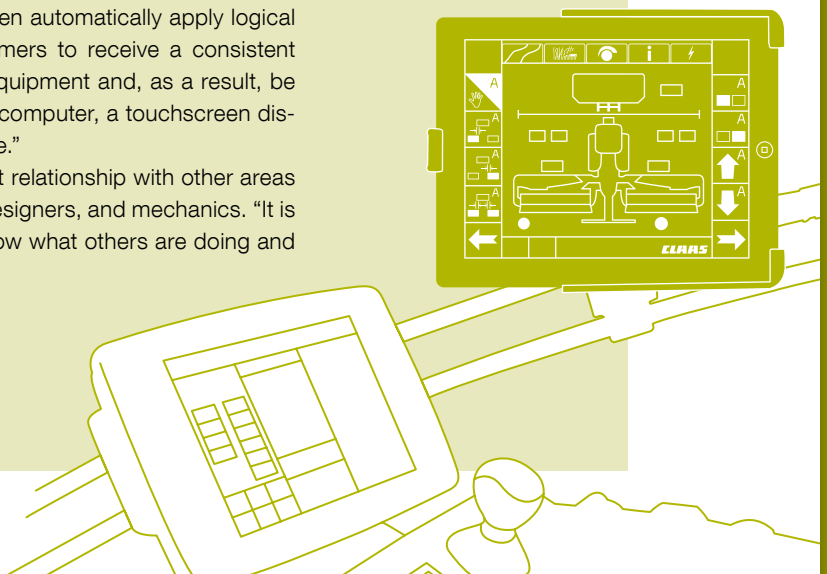
Dr.-Ing. Julia Fröhlich (32)
Design engineer for terminals

Agenda 8.23.2016, 10 a.m.
Process analysis and meetings

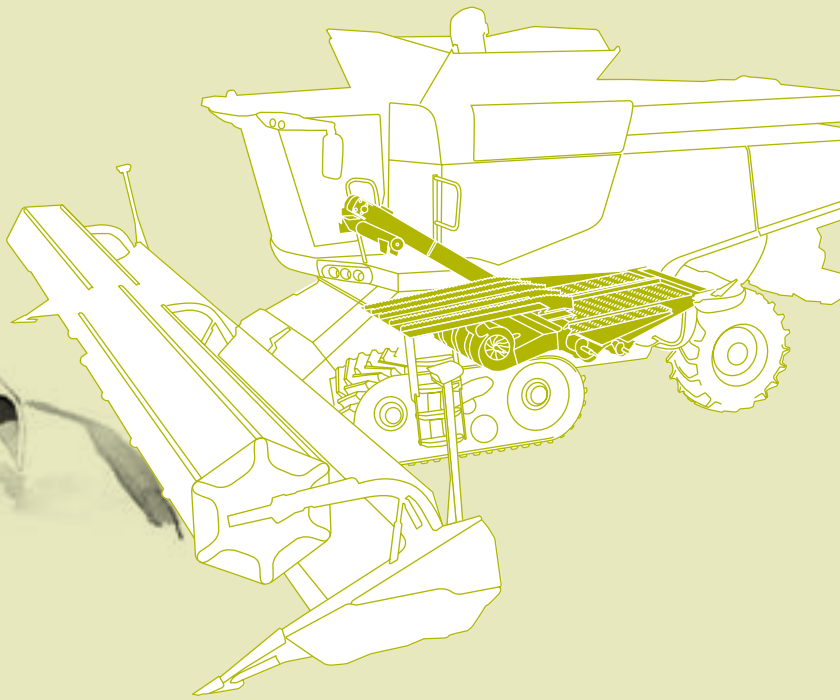
Before moving to CLAAS in May 2016, I.T. specialist Julia Fröhlich devoted her time at Bielefeld University to an area that appears paradoxical at first glance: sensing things that aren't even there. As part of her Ph.D., Fröhlich investigated spaces in virtual reality and how they can work with our senses. She experimented with "data gloves," which contain thin wires that stimulate our sense of touch in our fingertips through vibrations, with our sense of temperature, acoustic perception, and even the feeling of wind in our faces.

At the Güterslöh site, Fröhlich is now working on the foundations for a new generation of operating elements in the System & Software Displays, Operator Panels & Mobile Apps department. This isn't about blowing virtual wind into farmers' faces, but there is certainly potential for virtual reality to become a part of a combine's cab. This may be more dream than reality for now, but the task of controlling complex processes in harvest machinery intuitively using a single display unit is very much part of current development. "At the moment there are special operating elements for each function in the cabin," Fröhlich explains. She is working on connecting them together so that they can communicate with each other and even automatically apply logical conclusions to certain situations. "The aim is for farmers to receive a consistent stream of information from any number of pieces of equipment and, as a result, be able to control the equipment intuitively using a tablet computer, a touchscreen display in the cockpit, or an innovative virtual reality device."

Working on these kinds of projects requires a tight-knit relationship with other areas of the group, mechanical engineers, control experts, designers, and mechanics. "It is hugely exciting," says Fröhlich. "Everyone wants to know what others are doing and we are constantly breaking new ground."



Dipl.-Ing. Jonas Hay (35)
Engineer in Functional Testing



Agenda 8.25.2016, 3 p.m.
Harvest discussion, notification of management
of harvest testing progress

What is the maximum level of performance a combine can deliver? How quickly can a combine go without jeopardizing the quality of the harvest? These are important questions, and Jonas Hay is searching for answers: “We visit farmers all over the world during the harvest season, harvest their fields and conduct our own tests.” The test engineer structures tests according to the relevant criteria and organizes each one directly on site. “We usually turn up with ten large trucks and a dozen employees.” Hay has already worked in Spain, Germany, France, and Italy. When the winter takes hold, the tests continue in the laboratory. In India, Hay has spent two years setting up a new testing department. He began his career at CLAAS as part of the dual study program, completing a vocational training course in engineering at Berufsakademie Stuttgart and gathering hands-on experience in a number of areas of the company. The testing department had the largest pull on him. “There are so many facets to the job: I work in the field, at my desk, in the lab, in various countries – often with technology that will only go into series production years into the future.”

Agenda 8.23.2016, 3 p.m.
Presentation and discussion of design proposals
for a new cutterbar housing

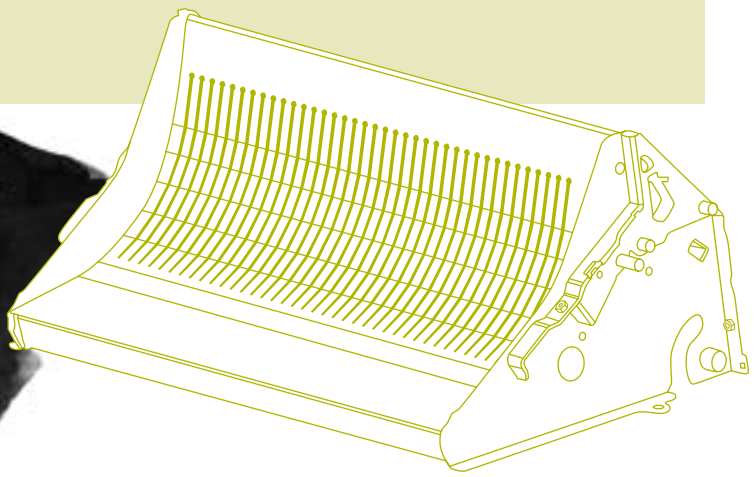
Balazs Tillman studied mechanical and industrial design at the Budapest University of Technology and Economics. Since 2011, the systems engineer has played a key role in developing a new generation of cutterbars.
But since he took charge of the cutterbar development group at the Törökszentmiklós site in Hungary, Tillman has had little time for prototypes. Instead, he ensures that information is shared among all members of his group. “Sometimes a new screw in one component requires design changes in a number of other parts; I have to identify these consequences and communicate them to the right people in good time.”
Decision-making skills, organizational qualities, attention to detail, and the ability to communicate are all part of the job description. “Today we spoke to a supplier about how robust the plastic has to be on the new cutterbar housing, how the housing can be best fitted to the steel frame, and how the whole product can be designed to look sleek,” Tillman explains. The cutterbar will be produced in Hungary and deployed all over the world.
For Tillman, the greatest reward for his work is when he and his team see the fruit of their labor drive across a field for the first time: “Every one of us looks on with pride and thinks: that’s my cutterbar.”

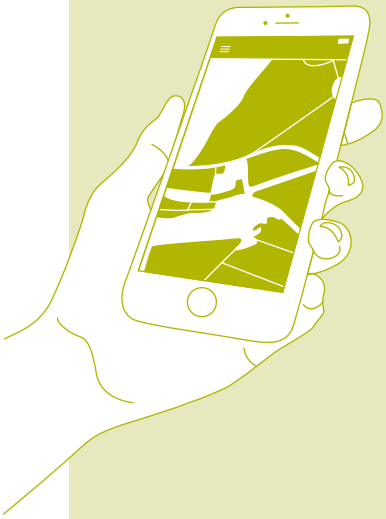
Dipl.-Ing. Balazs Tillman (30)
Technical manager for cutterbars

Agenda 8.24.2016, 10 a.m.
French course (90 min.)

If Kai Korthals wants to validate a new design, he heads to a room that he and his colleagues simply call “the lab.” Here he scrutinizes harvesting equipment to check whether the dimensions are correct or how accessible individual functions are. Once he has got to grips with the piece of equipment, he takes off his virtual reality headset and the virtual components and combines disappear immediately.
The trained industrial engineer heads up a small group in Digital Product Engineering called Collaborative Process Functions. “We give our engineers the chance to work in a more connected, digital environment,” explains Korthals. In the past, months or even years have gone by before a concept went from initial sketch to prototype. “Virtual development in our 3D laboratory saves time and money and allows us to provide developers with feedback as quickly as possible. We won’t need prototypes any more in the near future. Instead, we test virtual components at any stage of development directly on the virtual combine.”
Besides developers, assembly employees from production also use “the lab” to check whether new parts can be fitted to equipment. Korthals also gets in touch with the engineering department in Paris once a week, which is why he is currently taking a French course during his working day.
After work, Korthals often heads over to “the lab,” where he and his colleagues tinker a little bit more on the latest combine.

Dr.-Ing. Kai Korthals (32)
Head of Collaborative
Process Functions





Karl-Heinz Krudewig (52)
Head of Product Management

Agenda 8.31.2016, 9 a.m.
Meeting with partner companies,
Subject: common applications

A farmer receives a notification from an app on his smartphone: A pest could pose a risk to one of his fruits on his fields. It has been sent by software that analyzes data on the time of sowing, the weather, yield expectations, and the current prevalence of pests.

Karl-Heinz Krudewig had these kinds of scenarios in mind back in 2010 when he outlined his ideas for digitizing farming at CLAAS. Now, they have become reality. In 2013, CLAAS founded the subsidiary 365FarmNet, based in Berlin, where Krudewig heads up product management.

Krudewig studied agriculture, but he has a passion for I.T. and knows the highly complex processes in farms like the back of his hand. He joins forces with partner companies and customers to draw up solutions to problems. Software helps farmers to make and document ecologically and financially sensible decisions in crop and cattle farming. “We also provide a gateway to constantly updating guidelines and legal directives, so that farmers can check up on the correct use of fertilizers and crop protection materials directly in the field,” Krudewig says. Krudewig loves having direct contact with agriculture in his software job. He visits his customers out on the fields or in the cowshed as often as he can. “We have to know how farmers are working and what challenges they will face moving forward. Only then can we develop the right products for them.”

Executive Bodies

Foreword by the Executive Board

Dear Business Partners,

The global market for professional agricultural equipment once again saw a double-digit decline in many regions this year. Since 2013, the combine harvester market has shrunk by 50% in North America and by 22% in Europe. The tractor market has also seen double-digit declines.

CLAAS has been highly resilient in this difficult market environment. Our sales fell only slightly to €3.63 billion in the past fiscal year.

We benefited from an increase in sales in Eastern Europe and stable development in France. Sales decreased in all other regions. In Germany, it was possible to partly compensate for the drop through stronger sales of used machinery and the further expansion of the service business. Income before taxes and return on sales fell in total and were particularly impacted by negative currency effects.

Despite the current recession in our industry, we continue to work systematically on expanding our market positions. At €213 million, our spending on research and development reached a new high this year. Financial investments in this field have more than doubled over the past ten years. The advancing digitalization in agriculture is opening up abundant fields of innovation for CLAAS. Because it is no longer enough just to improve individual products, our machines are being equipped with increasingly intelligent technology to enable them to communicate with each other and automatically coordinate work processes, making it possible for farmers to monitor and manage the entire operation process chain on their farms.

The field of forage harvesting was the site of a major improvement for our customers. In summer, we took over the patented technology known globally by the brand name SHREDLAGE®. This new form of silage corn processing is being used by a constantly growing number of dairy farmers. The move has allowed us, in our role as a global market leader, to round out our technology concept for self-propelled forage harvesters.

We have further upgraded our existing product portfolio through a wide range of innovations and advancements. The LEXION 600 series, which has been a hit for many years now, has been overhauled and now offers a number of added features. With the DISCO 1100 TREND, CLAAS presented a new mower that places high efficiency within reach thanks to its simple operation and, most importantly, impressive cutting width. The CLAAS ARION 400 series of tractors is now available with innovative features from our large tractors. Their compact design and engines ranging from 90 to 140 hp makes them ideal universal tractors for any farm.

In addition to our focus on new products and services, we systematically promoted the internationalization of our business and reached a major milestone in Eastern Europe: Thanks to a special investment agreement with the Russian Federation, we are now officially a “Russian manufacturer” there, giving CLAAS access to the same government subsidies as domestic producers for its combine harvesters.

We expect the development of global agricultural equipment markets to decline once again in fiscal year 2017. The profitabil-

Lothar Kriszun
Spokesman of the CLAAS Group Executive Board and responsible for the Tractor Division

ity of farming is likely to remain weak in most regions of the world, especially Western and Central Europe, where lower revenues from cereal production and the drop in milk prices are leading to a further decline in incomes. In North America, high numbers of used machinery are impacting sales of new machinery. It remains to be seen whether our potential for growth in Eastern Europe and Asia will be able to compensate for these developments.

Given this market assessment, we expect sales for the current fiscal year to be high, but down slightly year on year. Our long-term driving forces in the market remain intact. Barring any temporary fluctuations, demand for agricultural commodities resulting from population growth and rising prosperity is set to increase constantly.

CLAAS, a family-owned company, succeeded in holding its ground in a difficult market environment thanks to its committed employees. We are there to support our customers and are grateful for a relationship built on trust. The good spirit of cooperation with employee representatives, the Supervisory Board, and the Shareholders' Committee ensures both a long-term focus and flexibility. Our suppliers, as well as our sales and financial partners, also make an important contribution to this.

Thank you very much – on behalf of myself and the entire CLAAS Group Executive Board!

Yours sincerely,

Lothar Kriszun
Spokesman of the CLAAS Group Executive Board
and responsible for the Tractor Division

Report of the Supervisory Board of CLAAS Kommanditgesellschaft auf Aktien mbH

Cathrina Claas-Mühlhäuser and Helmut Claas

Dear Business Partners,

The Supervisory Board of CLAAS KGaA mbH monitored and analyzed the Group's business situation and risk position at its regular meetings during fiscal year 2016. The Supervisory Board's assessments were based on reports by the Executive Board on the Group's strategic orientation, its financial position and financial performance, deviations from the plans made throughout the course of business, and operating decisions. The reports were received in two sessions and used in the decisions made by the Supervisory Board.

The Supervisory Board's deliberations focused on the sales and earnings outlook, the development of business in comparison to budgets, the acceptance of the auditor's report, the auditing of the annual financial statements of CLAAS KGaA mbH and the CLAAS Group, as well as the plans for the year 2017 and for the medium term.

Furthermore, the Supervisory Board discussed digitalization and the Digital Transformation Program, which was launched for this purpose; the sales situation, staffing changes, and new development projects at the Chinese subsidiary CLAAS Jinyee; the profitability improvement program Fit 4 Growth; and changes to the network of distribution partners in Germany and Scandinavia. The Supervisory Board also studied a report regarding risk management at the CLAAS Group.

The shareholder representatives on the Supervisory Board are: Cathrina Claas-Mühlhäuser (Chairwoman), Helmut Claas, Dr. Patrick Claas, Reinhold Claas, Christian Boehringer, and Gerd Peskes. The employee representatives on the Supervisory Board are: Heinrich Strotjohann, Michael Kohler, Jürgen Schmidt (Deputy Chairman), Carmelo Zanghi, Rainer Straube, and Kai Gieselmann.

The financial statements of CLAAS KGaA mbH and the consolidated financial statements of the CLAAS Group as of September 30, 2016, as well as the management reports for CLAAS KGaA mbH and the CLAAS Group, were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany, the auditors elected at the annual general meeting on January 7, 2016, and appointed by the Supervisory Board. The statements and reports received an unqualified audit opinion on November 24, 2016.

The financial statements of CLAAS KGaA mbH, the consolidated financial statements and management reports, as well as the proposal for the appropriation of profit were presented to the Supervisory Board upon their completion. These documents as well as the auditor's reports were available to the members of the Supervisory Board and were discussed in detail at the Supervisory Board meeting on December 8, 2016, in the presence of the auditor.

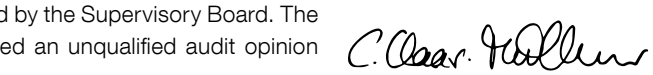
The Supervisory Board then passed the following resolution:

Having examined the financial statements of CLAAS KGaA mbH, the consolidated financial statements and management reports, as well as the proposal for the appropriation of profit, the Supervisory Board confirmed the results of the audit. No objections were raised. The Supervisory Board therefore approves the consolidated financial statements. It recommends to the shareholders that the annual financial statements of CLAAS KGaA mbH for fiscal year 2015/2016 be adopted and agrees with the proposal for the appropriation of profits made by the Executive Board of the personally liable partner.

The Supervisory Board would like to thank the Executive Board and all employees for their high level of personal commitment during fiscal year 2016.

The task at hand in the new fiscal year will be to seize emerging opportunities for growth with innovative and high-performance products under the challenging market conditions. Focus will be placed on the early identification and anticipation of changes in business models and business processes resulting, in particular, from digitalization, climate change, demographic development, and regulatory influences. The flexibility of employees and their openness for new developments are an important success factor. Continuing the efforts aimed at improving sustainable profitability must be given high priority.

Harsewinkel, December 8, 2016



The Supervisory Board
Cathrina Claas-Mühlhäuser
(Chairwoman)

Dipl.-Ing. Dr. h. c. Helmut Claas
(Member of the
Supervisory Board)

Executive Board of the CLAAS Group

Bernd Ludewig
Sales and Marketing

Thomas Böck
Technology
and Systems

Hans Lampert
Finance and Controlling

Lothar Kriszun
Spokesman of the CLAAS Group Executive Board
Tractors

Hermann Lohbeck
Forage Harvesting

Jan-Hendrik Mohr
Grain Harvest

Structure of CLAAS KGaA mbH

Personally Liable Partner

Helmut Claas GmbH

Shareholders

Helmut Claas

Günther Claas (community of heirs)

Reinhold Claas

KGaA Shareholders

Family Helmut Claas

Family Günther Claas

Family Reinhold Claas

Shareholders' Committee

Helmut Claas, Chairman

Cathrina Claas-Mühlhäuser, Deputy Chairwoman

Supervisory Board

Cathrina Claas-Mühlhäuser, Chairwoman

Jürgen Schmidt, Deputy Chairman*

Christian Ernst Boehringer

Helmut Claas

Patrick Claas

Reinhold Claas

Kai Gieselmann*

Michael Köhler*

Gerd Peskes

Rainer Straube*

Heinrich Strotjohann*

Carmelo Zanghi*

* Employee representatives

Group Executive Board**

Lothar Kriszun

Thomas Böck

Hans Lampert

Hermann Lohbeck

Bernd Ludewig (starting in April 2016)

Jan-Hendrik Mohr

Henry Puhl (until March 2016)

** Executive Board of Helmut Claas GmbH

Authorized Company Representatives

Stefan Belda

Gerd Hartwig

Group Management Report

Group Management Report

Our Strategy

CLAAS is pursuing its strategy unswervingly, even in the difficult market environment. The agriculture sector continues to benefit from global megatrends: Agricultural production must rise to meet the demands of global population growth as well as increasing demand for higher-quality food and for raw materials in both production and energy generation. High-efficiency agricultural equipment products can help enhance productivity and thereby generate "greater yields from less." However, fluctuations in commodity prices, harvest results, and political developments also play a significant role and can temporarily lead to considerable market fluctuations. As a provider of agricultural equipment solutions, CLAAS has always understood agricultural processes and knows what is needed out in the field. CLAAS machinery, systems, and services help professional agricultural operations in all regions of the world to manage the tasks they face. This provides CLAAS with the blueprint for the following five strategic directions.

Outperform in traditional markets

The largest and most important market for CLAAS is and always has been Europe. CLAAS has expanded its technological position in its core European markets and is a market leader in harvesting technology. The Tractor product group has also developed positively for CLAAS. As high-tech machines for attachments, large tractors from CLAAS are increasingly forming the intelligent link that helps ensure optimized process control in the field. With ever more extensive services that are made possible by connected products, CLAAS is enabling customers to leverage their potential for efficiency. The establishment of various online portals under the umbrella of a common CLAAS platform also provides customers with greater access to sales and services.

Generate regional growth

Around the world, farmers are provided with machines that have been tailored to their needs with the quality standards of a premium manufacturer. For instance, in North America, combines are produced that meet the specific requirements of U.S. farmers. In Russia, CLAAS is expanding market access with its new plant completed in October 2015 and recognition as a "Russian manufacturer" for the locally produced TUCANO combines. Following the acquisition of Chinese manufacturer Jinyee in 2014, the first prototypes of new machinery underscore the successful joint product development activities within the CLAAS network. There is growth potential in many other regions of the world as well, which is being expanded continuously through optimized sales and distribution structures, dealer activities, and regional partnerships.

Enhance differentiation power

CLAAS is a premium provider and invests extensively in research and development. The product range, which has been significantly expanded in recent years, focuses on the needs of crop farming, dairy, and livestock operations, as well as those of contractors. CLAAS products stand out thanks to their power, quality, and efficiency. In addition to technology, CLAAS is investing heavily in the expansion of innovative service solutions. Reliability is a critical success factor in the harvesting process. Through its involvement in launching 365FarmNet, a manufacturer-independent farm management information system, CLAAS is also demonstrating that the future of farming – as part of "Farming 4.0" – lies in connected systems that transcend the boundaries of competition.

Drive top-performing efficiency
CLAAS is well aware of the market's cyclical nature and has successfully coped with market fluctuations repeatedly in the past. In fall 2014, the Group-wide "Fit 4 Growth" program for enhancing efficiency was set up. With this program, CLAAS is stepping up its efforts to reduce costs while increasing margins and efficiency in sales and administration by optimizing and standardizing processes, systems, and structures. The goal is to achieve profitability improvements in spite of a difficult market environment, thereby setting the stage for future growth. Various projects at all companies will contribute to success. Key issues are improving manufacturing and production costs, enhancing efficiency in research and development, as well as optimizing administrative and selling expenses. Since the project began, a number of improvements have been made.

Enlarge CLAAS capabilities
A highly dynamic environment coupled with growing internationalization at CLAAS is resulting in a constant string of new challenges for specialists and management executives. Their task is to provide customers with the best advice possible and support them while advancing innovation and progress. With this aim in mind, the Company offers a wide range of continuous employee training measures in key areas of competence to make the implementation of strategic and operating measures and targets a reality.

Industry Trends

Economic frameworks
In the 2016 calendar year, global economic growth has improved slightly compared to the prior year, according to International Monetary Fund (IMF) estimates (as of October 2016). Similar to last year, economic development in industrialized countries stands at 1.6%. This positive growth is driven mainly by economic performance in the U.S. with a forecast rise of 1.6%. At 1.7%, the eurozone continues to see stable development, although it lags behind expectations. Favorable general financing conditions, the weak oil price, and a better labor-market situation are key factors behind these positive developments.

In contrast, at 4.2%, economic growth in emerging markets is lower than in prior years. India has been able to improve economic output slightly to 7.6%. China's economy, however, is experiencing steadily slower growth (6.6% in 2016). Eastern Europe overall continues to be in a recession primarily caused by Russia's negative economic growth, which IMF estimates place at -0.8%. Compared to the prior year, Ukraine's economy will record positive growth again of 1.5% (prior year: -9.9%). Economic growth in Eastern Europe stands at -0.3% (prior year: -2.8%).

Investments in the global agricultural equipment industry (including municipal, forestry, and garden equipment) rose by up to 10% year on year between the time the economic crisis started, in 2009, and 2013. Since 2014, however, the market for agricultural equipment has seen a negative development of -7% in 2015 and -4% in the current year according to estimates of Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA), the German Mechanical Engineering Industry Association. The sales volume has thus dropped to approximately €90 billion.

In crop year 2015/16, which, in contrast to the CLAAS fiscal year, ended on June 30, global grain production (excluding rice) decreased by 2.5% year on year to 1,983 million tons, according to the U.S. Department of Agriculture (USDA). This negative development was driven primarily by lower corn production volumes (-5%) following record prior years. In contrast, wheat production set a new high at 735 million tons. Global wheat consumption is therefore liable to lag far behind production, as in the two years prior. Global wheat stocks are at a new record level of 242 million tons, compared to 216 million tons the prior year. This situation led to further and, at times, substantial price declines in the past year and thereby lower agricultural incomes. Global rice production fell only marginally by 8 million tons to 471 million tons. Rice prices remained stable as a whole. Despite a drop in demand, global milk production continued to increase further. Milk prices once again fell sharply by almost 20% due to the abolition of the milk quota in the European Union (EU), lower demand in China, and the import restrictions in Russia.

Industrial commodity prices continued their downward trend in fiscal year 2016. Oil prices, which plunged temporarily by up to 30%, were a major factor in this development.

Regional industry developments
The market volume for professional agricultural equipment in Western Europe declined further overall year on year in the reporting year. Germany and the United Kingdom in particular saw a major downturn in the investment climate in the industry. In France, a temporary special depreciation mechanism for agricultural equipment ("Loi Macron") kept the market on par with the prior year. The Southern European markets, such as Spain and Italy, continued to stage a recovery. The mild winter and the early start to the vegetation period created optimal growing

conditions in many regions of Western Europe. However, the summer was too wet in many places, which meant that harvest yields and quality levels were not as good as expected. The drop in grain and milk prices once again led to declining agricultural incomes.

Central Europe's agricultural equipment markets also declined, although the extent of this development varied significantly from market to market. While countries such as Poland and Hungary experienced a relatively sharp decline, according to the VDMA, the Baltic countries saw positive development. The EU funding programs have been the main influential factor to this end, the funds from which have only been disbursed in individual countries. Agricultural sentiment in Central Europe is also deteriorating due to the current situation with grain and milk prices, as well as the Russian embargo on agricultural products such as meat, fruit, vegetables, and milk.

Following declines in prior years, Eastern Europe's agricultural equipment markets showed overall positive development this year. Russia became the world's biggest wheat exporter in crop year 2015/16 due to a bumper harvest. While there continue to be hardly any imports from the West in Russia due to protectionist policies, demand for cutting-edge Western agricultural equipment – especially forage harvesting machinery – has nonetheless risen again. Higher government subsidies for dairy cattle farming have also given domestic agriculture a further boost. In Ukraine, farmers' willingness to invest in cutting-edge agricultural equipment has also returned. The EU free trade agreement that went into effect at the beginning of the year opened the gates for Ukraine to access the markets in the European Union. The Ukrainian agricultural equipment market started to grow again.

The North American agricultural equipment market continued to see a significant decline in the most recent fiscal year. The markets for combines and large tractors performed substantially worse once more. Declines in the price of grain, high land-leasing prices, and weaker agricultural commodity exports due to a strong U.S. dollar had a detrimental effect on agricultural incomes. The reduction in used machinery inventories also hit sales of new machinery.

Also in Latin America, many agricultural equipment markets continued to show negative tendencies. The ongoing political crisis in Brazil spelled further declines for the market there. In addition, a prolonged drought in the main growing areas of cultivation led to crop failures. While Argentina recorded a decline in soy production due to heavy rainfall, political changes there, such as the elimination of the export tax on soy, resulted in an economic upturn overall, which can also be felt in agriculture.

Asian agricultural equipment markets improved slightly year on year. China aims to scale back corn cultivation in favor of other crops to create a better balance for domestic production. The government subsidy programs tailored to this objective and the related drop in corn prices, in addition to the planned regulations for complying with emission standards, led to strong short-term sales fluctuations in the industry among the various product groups. In India, the market for tractors in particular continued to grow due to positive macroeconomic development.

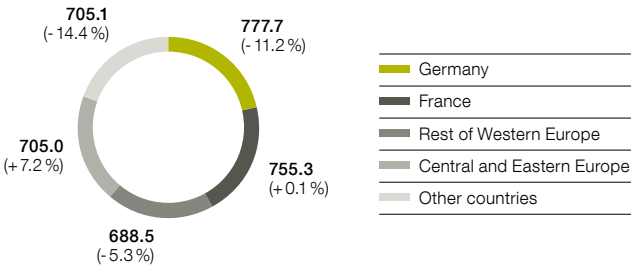
Financial Performance

Net sales by region ↗ 1

The CLAAS Group generated net sales of €3,631.6 million in fiscal year 2016. Due to the difficult market environment, with agricultural markets continuing to decline on a global scale, net sales declined year on year, by 5.4%, and therefore fell short of our expectations. Overall, the development of important exchange rates, such as U.S. dollars, British pounds, or Russian rubles, in total had a slightly negative impact on sales. The share of sales generated outside Germany amounted to 78.6% (prior year: 77.2%).

1 _ Net sales by Region

in € million/in % compared to prior year



2 _ Income Statement (Summary)

in € million	2016	2015	Change
Net sales	3,631.6	3,838.5	-206.9
Cost of sales	-2,832.7	-3,014.3	181.6
Gross profit on sales	**798.9**	**824.2**	**-25.3**
Selling, general and administrative expenses	-486.3	-485.0	-1.3
Research and development expenses	-202.8	-187.3	-15.5
Other operating income, net	22.4	12.1	10.3
Operating income	**132.2**	**164.0**	**-31.8**
Income from investments, net	13.2	14.0	-0.8
Financial result	-51.9	-20.3	-31.6
Income before taxes	**93.5**	**157.7**	**-64.2**
Net income	**37.6**	**105.7**	**-68.1**

Net sales in Germany totaled €777.7 million (prior year: €875.8 million). The market-related drop in sales of new machinery, particularly of combine harvesters and tractors, was a key factor in this development. Nevertheless, CLAAS maintained its market position in these product groups, while sales of large square balers and the used machinery, spare parts and accessory components, and service business showed positive development.

At €755.3 million, sales generated in France remained stable at a high level (prior year: €754.4 million). This was due in part to a temporary special depreciation mechanism for agricultural equipment, which had a positive impact on the willingness of customers to invest in new machinery. Growth in the sales of new tractors and forage harvesting machinery was offset by declines in other product groups.

Sales generated in the Rest of Western Europe decreased by 5.3% to a total of €688.5 million; however, growth varied from one country to the next. As in the prior year, the United Kingdom, Italy, and Spain recorded the highest sales figures.

At €705.0 million, net sales in Central and Eastern Europe were up approximately 7.2% year on year. This development was mainly due to the double-digit percentage increase in the sales of new tractors, which shows that CLAAS has also become one of the most important tractor manufacturers in this region. Sales of combine harvesters were stable year on year; however, growth varied within the region. As in the prior year, the Russian Federation, Ukraine, and Uzbekistan contributed the highest sales figures.

Net sales generated outside Europe decreased by 14.4% to a total of €705.1 million, although contributions varied from country to country. This development was mainly due to a decline in the sales of new machinery, particularly sales of combine harvesters and corn harvesting machinery in the U.S. and China, due to the weak development of the agricultural equipment markets in these countries. In the U.S., sales of new machinery are also being impacted by significant volumes of stockpiled inventories from 2015. Nevertheless, CLAAS even expanded its market position for large combine harvesters and forage harvesters compared to the prior year. In China, the amended subsidization policies, uncertainty related to the exhaust emissions regulations for agricultural machinery, as well as falling corn prices also hampered the willingness of customers to invest. Sales growth in Canada was particularly robust, with a double-digit percentage increase, and was mainly due to the successful development of own distribution structures.

Income ↗ 2
The decline in the cost of sales was mainly due to the drop in net sales. At 22.0%, the gross profit margin was even up slightly year on year, and was mainly a result of a change in the product and country mix as well as reduced inventories. Lower commodity prices and the after-sales business had a positive

impact. This was offset by capacity utilization at production sites, which declined at some sites, as well as a rise in personnel expenses.

Overall, general selling and administrative expenses were on par with the prior year's level. The stable development of costs was due in part to the result from the "Fit 4 Growth" efficiency and cost-cutting program, which will also be systematically pursued in 2017. The costs for the expansion of the distribution network are included in the selling expenses as well.

Research and development expenses rose as a result of increases in expenses for the enhancement and renewal of the harvesting machinery and tractor product program. Investments in electronics architecture for machine control and connectivity as well as in the digitalization of agricultural processes also rose. Please refer to the section on "Research and Development" for more information.

The increase in other operating income was largely due to the reversal of provisions no longer needed in their entirety. This was offset by the impairment of the goodwill resulting from the acquisition of CLAAS Jinyee Agricultural Machinery (Shandong) Co., Ltd., Gaomi/China, which is included in other operating expenses. This measurement covers risks that could arise from the company's current economic situation as well as future economic and political developments in China. In general, we continue to see growth potential for this region.

In addition to income from the rental and financing business of the CLAAS Financial Service companies, income from investments, net also includes the loss from the disposal of the investment in iron foundry CLAAS GUSS GmbH, Gütersloh, Germany.

The decline in the financial result is mainly due to the development of foreign exchange gains and losses. The prior year was affected by a substantial appreciation of important currencies, such as the U.S. dollar or the British pound, compared to the euro; CLAAS was able to benefit from this development within the scope of its hedging strategy. There were no comparable developments in 2016. In fact, some currencies, such as the British pound, experienced counter movements. The devaluation of the Argentinean peso compared to the U.S. dollar following the country's change in government, together with the resulting currency regime liberalization, also had a negative impact on foreign exchange gains and losses. The year-on-year drop in interest expenses could only partially offset this effect.

The decline in income before taxes was significantly higher than had been expected at the start of the fiscal year, not least on account of the result of contributions from China. The rise in income taxes was primarily the result of the profitability of foreign subsidiaries, where tax loss carryforwards are mostly assessed as non-realizable. The return on sales before income taxes amounted to 2.6% (prior year: 4.1%).

Cash Position

Liquid assets ↗ 3

As of the reporting date, the CLAAS Group had liquidity of €842.4 million (prior year: €851.3 million) that was mainly invested in short-term securities.

3 _ Net Liquidity

in € million	Sept. 30, 2016	Sept. 30, 2015	Change
Cash and cash equivalents	512.5	582.6	-70.1
Securities	329.9	268.7	61.2
Liquid assets	**842.4**	**851.3**	**-8.9**
Financial liabilities*	718.4	804.6	86.2
Net liquidity	**124.0**	**46.7**	**77.3**

*Excluding derivative financial instruments.

Financial liabilities and credit facilities

The U.S. private placements as well as the Schuldscheindarlehen (German Private Placement) are the largest individual financial liabilities items. The year-on-year fall in financial liabilities was mainly the result of the repayment of short-term shareholder loans.

In addition, the CLAAS Group had access to credit facilities from banks as well as a flexible syndicated loan totaling €757.9 million as of the balance sheet date for general financing purposes €652.9 million of which was unutilized.

For more information on the financial liabilities, please see Note 26 in the notes to the consolidated financial statements. Financial management duties and targets are presented in Note 36 in the notes to the consolidated financial statements.

Off-balance-sheet measures

CLAAS uses the asset-backed securitization program (ABS) to sell trade receivables to a structured entity on a revolving basis. Due to the seasonal nature of sales realization in the agricultural equipment industry, substantial financing is needed during the course of the year. By contrast, at the end of the fiscal year, the relatively lower level of capital tied up in working capital generally leads to high liquidity levels. The ABS program helps to effectively reduce seasonal liquidity fluctuations. The volume of receivables transferred amounted to €228.2 million as of September 30, 2016 (prior year: €257.8 million).

4 _ Statement of Cash Flows (Summary)

in € million	2016	2015	Change
Cash and cash equivalents at beginning of year	**582.6**	**369.7**	**212.9**
Cash flows from operating activities	246.0	156.5	89.5
Cash flows from investing activities	-183.8	-58.8	-125.0
Cash flows from financing activities	-127.2	113.0	-240.2
Effect of foreign exchange rate changes on cash and cash equivalents	-5.1	2.2	-7.3
Change in cash and cash equivalents	**-70.1**	**212.9**	**-283.0**
Cash and cash equivalents at end of year	**512.5**	**582.6**	**-70.1**

5 _ Free Cash Flow

in € million	2016	2015	Change
Cash flows from operating activities	**246.0**	**156.5**	**89.5**
Net capital expenditure in intangible assets, property, plant and equipment, borrowings and investments	-127.5	-117.7	-9.8
Free cash flow	**118.5**	**38.8**	**79.7**

Future payment obligations from operating leases amounted to €140.9 million (prior year: €143.9 million). Operating leases are mainly used to finance real estate, as well as vehicle fleets and IT equipment.

Asset and capital structure
Non-current assets were covered by long-term financing, consisting of equity and non-current liabilities, at a ratio of 211.6% as of the balance sheet date (prior year: 222.8%). Non-current assets plus 50.0% of inventories were financed by long-term financing at a ratio of 162.3% (prior year: 154.7%). These figures demonstrate that the CLAAS Group continues to have a sound capital structure.

Cash flows ↗ 4
The rise in cash inflows from operating activities was mainly due to the fall in the level of funds tied up in working capital resulting from the reduction in inventories and trade receivables, as well as to the inflows from the changes in other assets and liabilities. These inflows were partially offset by the predominantly business-related decline in current provisions.

The change in the cash outflow from investing activities mainly includes the net outflow from the purchases and sales of securities executed in the context of the framework of liquidity management of €56.3 million (prior year: net inflow of €58.9 million). This was partially offset by a drop in capital expenditure.

The cash outflow from financing activities mainly resulted from the repayment of shareholder loans as well as dividend payments. The prior year's net inflow mainly includes the Schuldscheindarlehen (German Private Placement) issued in fiscal year 2015, which was partially offset by the cash outflows from the scheduled repayment of the 2009 Schuldscheindarlehen (German Private Placement) as well as the subordinated perpetual securities. The development of the free cash flow due to the influences described above is shown in figure **↗ 5**.

Capital Expenditure ↗ 6

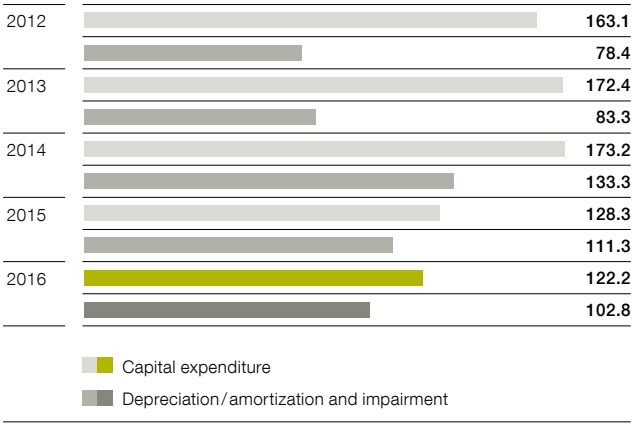
Capital expenditure in the reporting year amounted to €122.2 million. The additions mainly relate to investments in the construction, expansion, and modernization of production sites, in new technologies, and in innovative products. More than half of capital expenditure in this area was made abroad. The ratio of capital expenditure to sales stood at 3.4% (prior year: 3.3%).

Investments in the construction, expansion, and modernization of production sites were mainly made in Russia and Germany. For example, the extension of the facility in Krasnodar, Russia, was completed. The first preliminary construction works for the new electronics development center have started at the site in Dissen, Germany, where the development of control units, the electronics architecture, terminals, camera systems, and automatic steering systems, as well as other solutions for increasingly digitally networked agriculture will be bundled in the future.

The investments in Germany were also used to expand logistics activities, for example to further modernize warehousing technology at the site in Hamm, Germany, so as to optimize the global spare parts supply business. Investments also focused on expanding the distribution and dealer network as well as its IT infrastructure.

6 _ Capital Expenditure, Depreciation/Amortization and Impairment

in € million



At the end of the fiscal year, CLAAS had financial obligations totaling €6.5 million relating to future capital expenditure.

Financial Position

Total Group assets fell by €206.0 million year on year to €3,137.2 million. This change is primarily the result of successful working capital management ↗ **8**. The balance sheet structure is shown in figure ↗ **9**.

At €211.4 million, intangible assets were on par with the prior year's level, but this amount includes two main offsetting effects; a €14.0 million rise in capitalized development costs to €174.9 million was offset by the €19.6 million impairment of the goodwill of CLAAS Jinyee.

The rise in investments accounted for using the equity method was mainly the result of the increase in the investments in CLAAS Financial Services LLC., San Francisco, USA, to 49.0%, as well as the earnings contributions of the CLAAS Financial Services companies.

Working capital saw a double-digit percentage decline due in part to the significant decrease in inventories and trade receivables. This development was mainly a result of adapting production to sales development. However, this also resulted in a decline in trade payables. The share of working capital in total assets fell to 28.4%. Working capital developed as follows:

7 _ Working Capital

in € million

Other assets declined by €13.4 million to €452.1 million, and comprise deferred taxes, tax assets, as well as assets from ABS transactions.

The change in the equity of the CLAAS Group was due to a number of – partially opposing – effects; net income of €37.6 million, corresponding to return on equity of 3.2%, had a positive effect. However, equity was decreased by the distribution of the dividend for fiscal year 2016, the losses from the remeasurement of defined benefit pension plans that are recognized in retained earnings, as well as negative effects from currency translation and the recognition of the acquisition of the remaining investment in CLAAS Jinyee that is not reclassified to profit

8 _ Balance Sheet (Summary)

in € million	Sept. 30, 2016	Sept. 30, 2015	Change
Assets			
Intangible assets	211.4	212.4	-1.0
Property, plant and equipment	480.5	480.7	-0.2
Investments accounted for using the equity method	110.6	93.3	17.3
Inventories	733.0	873.1	-140.1
Trade receivables	307.2	366.9	-59.7
Liquid assets	842.4	851.3	-8.9
Other assets	452.1	465.5	-13.4
Total assets	**3,137.2**	**3,343.2**	**-206.0**
Equity and liabilities			
Equity and liabilities	1,160.7	1,231.0	-70.3
Financial liabilities	718.4	804.6	-86.2
Provisions	895.9	861.4	34.5
Trade payables	172.2	248.3	-76.1
Other liabilities	190.0	197.9	-7.9
Total equity and liabilities	**3,137.2**	**3,343.2**	**-206.0**

or loss. The equity-to-assets ratio, that is to say, the share of equity in total assets, amounted to 37.0% (prior year: 36.8%).

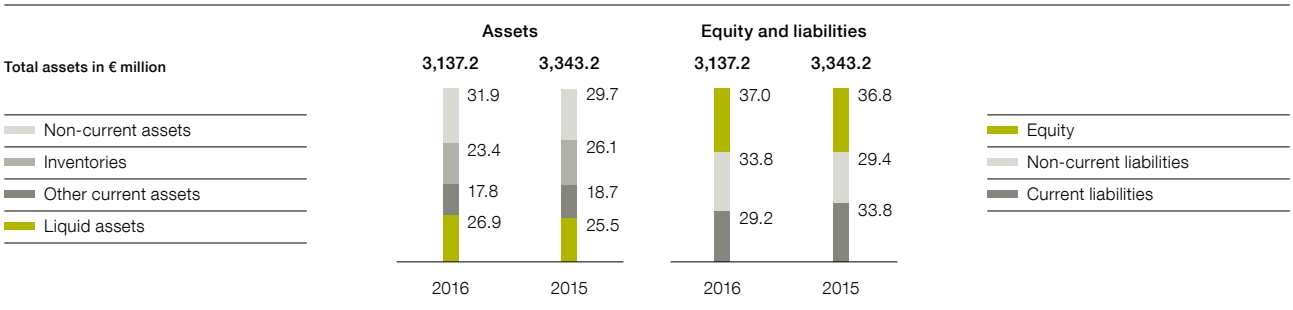
The decline in financial liabilities was mainly due to the repayment of shareholder loans.

The slight year-on-year rise in provisions was due to a number of effects, some of them opposing each other; total pension obligations rose by €73.7 million to €358.6 million due to the reduction of the discount rate for German and French pension obligations to 1.00%. This was offset by a fall in tax provisions as well as a drop in sales obligations.

In addition to the silent partnership, other liabilities mainly include prepaid expenses, liabilities to investments, as well as bills payable.

9 _ Balance Sheet Structure

in %



Research and Development

€213.7 million for research and development

Research and development is a central component of the corporate strategy at CLAAS, a premium manufacturer of agricultural equipment. Our products frequently set new benchmarks and trends, and our customers' requirements are always a priority. On September 30, 2016, a total of 1,244 people (prior year: 1,217) worldwide were employed in research and development at CLAAS; this accounts for 11.0% of the total workforce.

10 _ Research and Development Costs*

in € million

*Before capitalized and amortized development costs.

CLAAS filed patents for 128 developments in fiscal year 2016, and therefore has 3,751 active patents worldwide.

Research and development investments rose by 5.3% in the reporting year to €213.7 million, focusing on new models as well as developments in the area of harvesting machinery and tractors. Investments in electronics architecture for machine control and connectivity as well as in the digitalization of agricultural processes also rose. The ratio of research and development costs to sales recognized in profit and loss remained at a high level of 5.9% (prior year: 5.3%). Development costs of €40.6 million (prior year: €40.7 million) were capitalized, equating to an R&D capitalization ratio of 19.0% (prior year: 20.1%). The amortization and impairment of capitalized development costs amounted to €29.6 million (prior year: €25.0 million) in the reporting year.

Innovative products and developments

The CLAAS ARION 400 series of tractors with valuable technical solutions, previously exclusive features of CLAAS high-horse-power tractors, are now available. These include the proven HEXASHIFT transmission, CSM headland management, and TELEMATICS. The newly developed dynamic steering system is also available as an additional option for ARION 400 tractors. The ARION 400 models are ideal universal tractors for use with any operation thanks to their compact design and an engine range from 90 to 140 HP. With the expanded variety of configurations, farmers will now be able to undertake tasks such as soil cultivation, forage work, transport, or using a front loader with even greater ease.

With two model series and a total of eleven models, CLAAS still offers the widest range of forage harvesters worldwide. From the intake to the discharge spout, CLAAS has once again demonstrated outstanding engineering and innovative leadership with this machine. With implementation of the Stage IV emissions standard across the range, CLAAS has introduced advanced technologies, new cracker rollers and implements, as well as an exclusive tire pressure control system for the steering and driven axles of the JAGUAR.

CLAAS is also further developing its existing MULTI CROP CRACKER concept with two new models being introduced at AGRITECHNICA 2015, the MCC MAX and MCC SHREDLAGE. Both Corn Crackers feature special roller profiles, which allow highly intensive conditioning of silage with medium to long chop lengths of up to 30 millimeters. These systems are particularly useful to farm contractors, allowing them to respond even more flexibly to increased conditioning requirements for corn silage, and especially the trend towards longer chop lengths for dairy cow forage.

CLAAS now offers the ICT (Implement Controls Tractor) CRUISE PILOT for the CARGOS combi-wagon. With ICT CRUISE PILOT, the loader wagon is able to take control in the field and will control the forward speed of the entire machinery group depending on the operating performance of the pickup. The tractor and implement combine to form one unit, leaving the driver to concentrate on monitoring the operation steps.

Since fiscal year 2015, CLAAS has been receiving funding from the Federal Ministry of Food and Agriculture for the "prospective.HARVEST" research program, which aims to develop and trial a prototype to optimize the corn silage harvest process chain on the basis of predictions made using satellite-based forecast data. Harvests will be planned (semi-)automatically in a farm management system using data pertaining to ripening to determine the optimal processing order and resources required. The logistics process between harvest machinery, transport vehicle, and compactor vehicle is then managed on a forward-looking basis using the harvest forecast data, and the routes of the various machines are then coordinated. This minimizes empty runs and downtimes, while also optimizing routes. The satellite-based forecast data is also used to optimally adjust and equip the forage harvester in a forward-looking manner. The more productive use of the machinery reduces fuel consumption and CO_2 emissions. Soil compaction can also be minimized as trafficability can be determined and routes travelled on that field reduced.

CLAAS has also widened its operating spectrum with the new SECTION CONTROL and Task Management ISOBUS functions, meaning that in the future, it will be possible to control all ISOBUS functions via a single terminal, the S10. The S10's additional control functions provide the operator with an even greater range of options when using the tractor. Even in the past, all ISOBUS attachments could be controlled, adjusted, and optimized during use via the S10 display with the aid of the ISOBUS UT function.

When operating a combine harvester, the operator can often remedy grain losses or rectify other problems by simply adjusting individual machine settings. The new CEMOS Advisor app from CLAAS now supports the operator in this task. The app can be used on a smartphone and used with LEXION, TUCANO, and AVERO series combine harvesters. The CEMOS Advisor app works by making suggestions, i.e. guiding the operator to the best-suited machine settings step by step. If the operator detects a problem during operation, they will receive a suggestion on how best to improve efficiency and output, after entering the problem into the app using a smartphone. In the case of high rotor losses, for example, this could be achieved by reducing the speed of the rotors. The operator then adjusts settings via the relevant controls in the cab and checks to see if the measure has been effective. If not, the app will then provide further suggestions.

Awards
The LEXION 700 series was crowned "Machine of the Year 2016" at the AGRITECHNICA 2015 exhibition. This means that the prize for the combine harvester category has once again gone to CLAAS. CLAAS is once again featured among the winners of the internationally renowned "iF Design Award" in 2016. In the "Product" discipline, CLAAS won the highly coveted award for the "Automobiles, Vehicles, Bikes" category for the ARION 400 tractor with PANORAMIC cab. Thanks to the completely new PANORAMIC cab design, the ARION 400 has already won the "SIMA Innovation Award in Gold 2015."

Purchasing

Until January 2016, fiscal year 2016 was characterized by steadily declining commodity prices. The conclusion of longer-term production material contracts secured major price reductions for steel and rubber products, some of which will continue to have a positive impact on purchase prices through to fiscal year 2017.

Initial successes were recorded following the implementation of projects within the scope of the "CLAAS Super Saver" program. The various measures defined at product-group level will have a positive impact on profitability. The medium-term measures will be implemented as part of the CLAAS 2020 purchasing strategy.

Global sourcing projects, a key purchasing lever, were continued in fiscal year 2016; the team established two years ago in China, for example, is already generating important earnings contributions.

Further savings were realized in logistics purchasing due to lower fuel costs, while basic rates also declined on account of a sea freight surplus. CLAAS successfully closed a new inbound tender. Outbound suppliers were consolidated following a European-wide invitation for tenders for tractor transports from Le Mans.

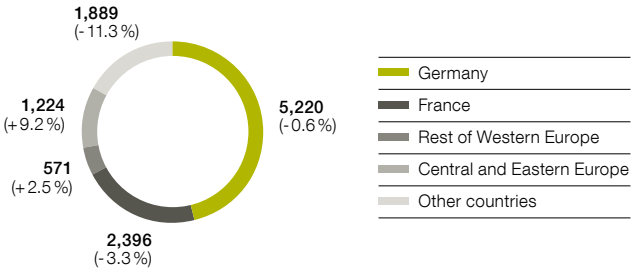
Substantial investment projects were negotiated and concluded in non-production materials purchasing with capital expenditure focusing in particular on the construction of the electronics development center for CLAAS E-Systems in Dissen, Germany. A project to reorganize organizational and strategic non-production materials purchasing was initiated; this project will be implemented in fiscal year 2017. Activities also focused on optimizing purchasing processes. In practical terms, this means the systematic development of catalog solutions and a project to semi-automate low-complexity orders.

Employees

Personnel expenses and employees ↗ 11
As of September 30, 2016, the CLAAS Group employed a total of 11,300 people (prior year: 11,535) worldwide, approximately 53.8% of which outside of Germany. This reflects the current global economic development of the agricultural industry. The number of employees in Germany was on par with that of the prior year.

11 _ Employees by Region

Employees / in % compared to prior year



At €653.3 million, personnel expenses were up slightly year on year (prior year: €650.6 million). This equates to a share in Group sales of 18.0% (prior year: 16.9%).

Length of service and average age
At 14.2 years, the average length of service of employees in Germany in the reporting year was on par with the prior year's level (prior year: 14.0 years). Employee fluctuation remains low at 7.0% (prior year: 5.9%). The average age of our employees worldwide was 40 years in 2016 (prior year: 39 years). The share of core workforce employees aged 50 years or more amounted to approximately 23.2% as of the reporting date, and is expected to rise in the coming years.

Training
As of September 30, 2016, the CLAAS Group employed 697 apprentices (prior year: 678), of which 418 (prior year: 410) in Germany. CLAAS trains young people in Germany in various technical and business professions and as part of the German "dual study" system. The same applies to the other countries in which CLAAS has operations, such as France, Hungary, the United Kingdom, and India.

Personnel development
At CLAAS, strategic corporate objectives are directly connected with targeted investments in its employees. During the course of their careers, employees are offered qualification and further education opportunities. Vocational qualifications include a range of measures, including workplace learning, seminars, workshops, or attending conferences. A total of approximately €17.8 million (prior year: €19.2 million) was invested in the vocational and further training of the employees.

Junior staff development
CLAAS works closely with schools and exercises a wide range of vocational training and orientation initiatives. Fairs, training days, and internships enable young people to establish early contact with possible employers. School graduates may also apply to complete technical or commercial vocational training at any of our sites or enter into a Bachelor's program at the Duale Hochschule Baden-Württemberg. After finishing their studies, direct entry positions or the international trainee program offer a great opportunity for graduates to start their careers at CLAAS. The award-winning trainee program focuses on engineering, finance, and controlling, as well as sales. At the end of the fiscal year, the CLAAS Group employed 37 trainees (prior year: 42) worldwide.

Employer rankings and employer branding
CLAAS has successfully positioned itself as an attractive employer of its target groups so as to secure talent for our company in the future. CLAAS is regarded as being a popular employer among both German and international students, a fact that is confirmed every year by the top positions that CLAAS secures in the employer rankings. CLAAS was once again named a "MINT Minded Company." This award confirms that students of mathematics, IT, the natural sciences, and technology regard CLAAS as being a particularly popular employer. CLAAS also actively encourages young women to enter technical professions.

Performance-based pay
As a responsible employer, we offer our employees competitive, performance-based pay that is aligned to the long-term requirements of CLAAS. Systematic job evaluation ensures that our remuneration structures are both competitive and commensurate.

All domestic employees can become silent partners of CLAAS through CMG Claas-Mitarbeiterbeteiligungs-Gesellschaft mbH.

We aim to create a balance between the business interests of the CLAAS Group and the employees' professional, private, and family needs. This includes offering employees the chance to have flexible working hours, learn more about the need for a work-life balance, and to take advantage of home office regulations.

Equal opportunities, diversity, and targets for the proportion of women

CLAAS is guided by the law that enables the equal participation of men and women in management positions. Young women are actively encouraged early on in their vocational training or studies. The measures in place include Female Days and a mentoring program for women studying science, technology, engineering, and mathematics. As a result, the share of women applying for our vocational training and trainee program is very high.

At the CLAAS Group, women make up approximately 13% of all employees worldwide. We aim to at least stabilize or, if possible, increase the number of women in management positions. In the prior year, the aim was to have women make up 8.3% of the Supervisory Board, and 8.3% and 9.5%, respectively, of the first two management hierarchies below the Group Executive Board. As a company that mainly focuses on technology, CLAAS took into account both industry-specific factors and the current proportion of women in the workforce when setting these goals. The share of women making up the Executive Board of CLAAS KGaA mbH (Group Executive Board) cannot be changed at present on account of the contractual agreements made with the Managing Directors.

Risks and Opportunities

Internal control and risk management system

As a globally active corporate group, CLAAS is subject to various types of risk. Taking preventive measures to counter possible risks, as well as identifying, measuring, and adequately responding to these risks at an early stage, are key components of the CLAAS risk management system. At CLAAS, taking entrepreneurial action also means deliberately entering into calculable risk to allow the Company to take advantage of the related opportunities.

Within the CLAAS Group, a uniform, Group-wide risk management system is an integral part of corporate management and control. This serves to take advantage of opportunities, identify any significant risk that could endanger the ability of the Company to continue as a going concern, and ensure appropriate risk handling. The risk management system and implemented risk controlling utilize a wide variety of information for ongoing identification, evaluation, and control of risks. The existing system, which is continually being developed further, complies with all statutory early warning requirements in full.

The Group's reporting system represents an essential element in the continuous monitoring of economic risks. In addition to the external data supplied for external reporting, detailed internal reports and evaluations are provided to decision makers on a monthly basis. Budgets are monitored for deviations, earnings projections for feasibility, and any new risks are identified, evaluated, and documented on an ongoing basis. Risk assessment takes place over a period of at least two years; however, some risks with a longer horizon are identified and monitored. The management report usually covers a period of twelve months. Risks are assessed on the basis of the probability of occurrence of an estimated maximum damage before the implementation of countermeasures.

Within existing organizational structures, the risk management system is accounted for and supported by the operating and administrative areas of responsibility. In addition to the regular information provided, an obligation to prepare ad hoc risk reports ensures prompt management action at all times. The Internal Auditing department of CLAAS is responsible for monitoring the adequacy of the risk management system and conformity with regulations.

The aim of the internal control and risk management system for the financial reporting process and the Group financial reporting process is to ensure the effectiveness of the accounting system and its adherence to generally accepted accounting principles, and to guarantee compliance with statutory norms, financial reporting standards, and intragroup accounting policies, which are binding for all companies included in the consolidated financial statements. The key information on this is available to the entire Group via the CLAAS intranet. CLAAS ensures that all information is up to date by conducting continuous analyses of any changes to determine their relevance and their impact on the financial statements. The Group Accounting department is primarily responsible for this task. CLAAS prepares its financial statements using a Group-wide reporting system that is also used for preparation of the budget, medium-term planning, and estimates during the fiscal year. The reporting system incorporates principles, processes, and controls to ensure that the financial statements comply with all requirements and are submitted on time. The extensive scope of the control processes is exemplified by the following:

- Group-wide specifications for accounting, measurement, and account coding of key items that are updated and communicated to the responsible departments within the scope of training courses on an ongoing basis;

- Organizational measures in combination with access authorizations for accounting systems, separation of tasks, and rights of disposal;
- Dual control of financial reporting processes and in connection with the preparation of the financial statements;
- Internal audit procedures;
- Activities of external service providers.

The Internal Auditing department conducts regular reviews as well as reviews on a case-by-case basis of key business processes at companies in Germany and abroad. It determines whether legal requirements and internal instructions are being adhered to, and whether the internal control system is effective and functional. As part of the reviews, the Internal Auditing department agrees on suitable measures with the respective company management team, which are then implemented by the company. The Internal Auditing department also monitors the implementation of these measures. All audit results are also reported. Internal audit activities, such as annual and audit planning, documentation of audit activities and results, reporting, and follow-up measures, are supported by audit software.

More details on the main risks and opportunities are provided below.

Market risk
The risk landscape of CLAAS is affected by variations in harvest yields, decisions on agricultural policies, farmers' incomes, as well as intense competition in the industry. In view of global demand trends for agricultural equipment, markets in Asia and Central and Eastern Europe are of particular importance for the CLAAS Group. These markets have huge potential; however, CLAAS sales activities are hampered in some countries in these regions on account of the prevailing market conditions there. These include customs barriers, minimum requirements relating to the share of local manufacturing, payment and convertibility restrictions, or political and economic insecurity. At the same time, there are opportunities that go above and beyond current planning that can emerge from quicker growth in markets with a comparatively low level of mechanization. Risks and opportunities are managed centrally by monitoring and evaluating market-related indicators in conjunction with the specific country risks.

Markets and their early warning indicators are carefully observed on an ongoing basis in order to identify any fluctuations in demand or changing buying behavior in sales markets at an early stage. This ensures that product strategies are kept up to date and are adapted in response to changing customer requirements and reactions from competitors.

Research and development risk
Along with controlled risk-taking, acting entrepreneurially at CLAAS also involves dealing in depth with all risks along the value-added chain. With innovation cycles becoming increasingly shorter, research and development plays a pivotal role. The aim is to ensure that innovative and technically mature products are developed and brought to market for the benefit of customers. Risks from possible mistakes in development, increased start-up costs for new products, or delays to product launches are counteracted through the systematic expansion and ongoing monitoring of research and development activities. At the same time, these activities safeguard the technology edge of CLAAS and therefore its key competitive advantages. For further information, please see the "Research and development" section for a comprehensive description of these activities. CLAAS counteracts the risk that products may not be developed within the planned time frame, at targeted levels of quality, or at the specified costs by continuously and systematically monitoring the progress of all projects using a clearly defined development process.

Purchasing risk
On the procurement market, risks arise from supplier defaults and quality issues, as well as from the availability and price of commodities such as steel. Suppliers are carefully selected in order to avoid possible delays or quality problems. What is more, suppliers are subject to systematic technical and financing auditing.

Production risk
In the CLAAS production area, all equipment is serviced regularly, and any potential sources of risk are eliminated by modifying the equipment in order to reduce the risk of production downtime. In addition, advantageous insurance contracts protect CLAAS from the effects of production outages. Flexible working time models ensure that the required human resources can be adjusted to meet the degree of capacity utilization. To reduce quality risk, a central quality management department guarantees adherence to and fulfillment of predefined standards of quality.

Personnel risk
CLAAS has a constant need for highly qualified specialists and management executives. CLAAS does not see itself exposed to risks arising from a shortage of certain types of employees on the labor market and resulting delays in finding successors for critical positions. With its personnel strategy, CLAAS focuses above all on junior staff advancement as well as systematic training and personnel development. Aside from dual study programs, the international trainee program ensures that highly

qualified employees can be trained within the Company. In addition, CLAAS also offers measures to promote and maintain employee health. For a comprehensive description of personnel activities, please see the "Employees" section.

IT risk
Business processes at CLAAS are supported by high-performance, state-of-the-art IT systems. The Group's uniform global IT strategy allows systems as well as security strategies and concepts to be effectively and continuously adapted to reflect current requirements and developments. In order to avoid disruption, CLAAS places particular importance on standardized hardware and software environments, the integrity and safety of data, and on permissions management. Reliable data backup systems are completed by systematic and varied employee training.

Legal risk
CLAAS is exposed to all manner of risks relating to tax, competition, patent, and liability regulations and legislation. If necessary, decisions at the CLAAS Group are only made after intensive legal advice, so as to avoid these risks. Selected risks are transferred to insurance companies by means of global master policies and national framework agreements on a uniform basis across the Group.

Financial risk
Due to its business activity, the CLAAS Group is exposed to risks and opportunities from changes to exchange rate and interest rate volatility. On the procurement side, the CLAAS Group is exposed to commodity and supply security risks. Credit risks that could result from payment default or delayed payments are minimized through effective receivables management, close cooperation with banks, and credit insurance. Liquidity risk can result from a significant decline in operating business performance, restriction of the free movement of capital, or as a result of the risk categories mentioned above. These risks are identified for the entire CLAAS Group and measured, monitored, and managed centrally by Group Treasury. The hedging instruments primarily used are foreign exchange outrights and options, as well as interest rate swaps. The risk management software in use enables independent evaluations, performance measurement, and forward-looking scenario simulations of the utilized financial instruments. CLAAS is fully compliant with the risk management requirements that the EMIR directive (European Market Infrastructure Regulation) of the European Parliament and the European Council imposes on non-financial counterparties below the clearing threshold.

CLAAS measures liquidity development on an ongoing basis in the form of daily, weekly, and monthly reports with an increasing level of detail. Potential liquidity risks are countered by maintaining sufficient financing commitments and cash and cash equivalents, as well as through the ABS program and international cash management strategy.

Risk management in relation to financial instruments as well as the quantifying of concluded hedging instruments, is explained in Notes 35 and 36 of the consolidated financial statements.

Strategic refinancing risks are managed at CLAAS by a relatively long duration target for drawn borrowings.

In the area of dealer and sales financing, the CLAAS policy of following a traditional captive financing model only to a limited extent has paid off. The risk mix has remained sustainable thanks to the close integration of CLAAS Financial Services companies into the risk reporting system of a major European commercial bank known for its conservative approach, and the practice of concentrating primarily on business with retail customers.

Overall risk assessment
According to the information we are aware of today, there are currently no risks that could endanger the existence of the CLAAS Group or any of its major subsidiaries as going concerns, either individually or in conjunction with other risks.

Events after the Balance Sheet Date

There were no events or developments after the end of the fiscal year that could have led to material changes in the presentation or the measurement of individual assets or liabilities as of September 30, 2016, or that are subject to disclosure requirements.

Outlook

Economic frameworks

Prospects for the global economy will continue to depend heavily on geopolitical developments. The IMF estimates that global economic output measured according to gross domestic product will rise by around 3.1% in 2017 (as of October 2016). Following steep downward trends in prior years, the economic situation in emerging markets is expected to see more positive growth again. The forecast for the Russian economy is positive for the first time again at 1.1% after experiencing a continued negative development in 2016. Despite weaker growth forecasts, China remains a driving force for the global economy with growth of 6.2%. In Latin America, countries such as Brazil or Argentina are only slowly recovering from recession; current forecasts predict slightly positive growth at a low level. Economic output in the U.S. is set to rise by approximately 2.2%. This would be the biggest gain in ten years. While a weak euro is boosting exports in Europe, growth continues to be hampered by the Brexit decision and the impact of the debt crisis. The IMF estimates that economic output in the eurozone will rise by 1.5%.

The agriculture sector is following its own economic cycle. The U.S. Department of Agriculture (USDA) expects to see a record level of global grain production (excluding rice) for the current crop year 2016 / 17. The forecasts place production at 2,066 million tons. Growth is being driven primarily by higher production volumes of wheat, corn, and soy. The USDA estimates that the wheat harvest will once again set a new record at 738 million tons. As a result, global wheat consumption will lag behind production, as in the three years prior. A further considerable increase in global wheat stocks will therefore be likely. Accordingly, the price situation could deteriorate once again. In terms of corn, however, consumption is also rising in line with production volumes, which could have a slightly positive effect on the development of prices. Falling grain prices coupled with only moderately lower input costs are hitting agricultural incomes. In addition, a comparatively sharp drop in incomes is expected for dairy and processing farm operations. Milk prices will remain under pressure in 2017 as well due to global oversupply. Overall, most regions are expected to report weaker profitability of agricultural operations, which is why the agricultural equipment market will remain strained in the coming year.

Regional industry developments

The markets in Western Europe will continue to decline. The effects of lower revenues from grain production in crop year 2016 / 17 and the drop in milk prices will continue to send agricultural incomes south. In addition, the harvest result for the current crop year continues to be negative in many of Europe's main cultivation areas with yields and quality levels that are well below average in some cases. Farmers could therefore react to poorer earnings expectations by cutting back on spending.

Due to the adverse production and price situation, markets in Central Europe will also see a decline overall. However, rising subsidy payments and a great need to catch up in terms of mechanization might offset this trend in part.

Development of the Eastern European agricultural equipment markets will continue to strongly depend on local political and economic frameworks. Agricultural incomes and investments in Russia are on the rise due to the effects of the country's protectionist measures. However, farmers are faced with a rise in input costs and high financing costs for investments. The backlog for investment in professional agricultural equipment has increased again in recent years. The new wheat harvest will once more set a new record on the back of good growing and harvesting conditions. Demand for professional agricultural technology might grow further in the current fiscal year.

The Ukrainian agricultural equipment market could also show further recovery in the current year. Following the slump in the wake of Russian import restrictions, agricultural incomes have begun to see a positive development again. In addition, the country's backlog demand for professional agricultural equipment is significant.

The North American professional agricultural technology market could stabilize in the current fiscal year at the currently low level. While agricultural incomes will continue to fall due to low grain prices, the harvest estimates for the current fiscal year are in new record territory. However, cost pressure remains particularly high regarding the price of land leases. Continued high numbers of used machines are also curbing sales of new machinery.

Agricultural equipment markets in Latin and South America also remain at a low level after experiencing declines in prior years. In Brazil, high inflation coupled with high interest on loans and restrictive subsidy programs are leading to reticence in terms of investment. In contrast, the political and economic situation in Argentina has begun to improve. In addition, record wheat and corn harvests are expected in Argentina in the current fiscal year. As a result, willingness to invest could improve overall.

Asia's agricultural equipment markets will continue to see a positive development. India's agriculture sector could benefit from low inventories and thus higher local grain prices. At the moment, the forecast production volumes for wheat and rice are at a decent average level, according to the USDA. China continues to focus on increasing agricultural equipment mechanization and a higher degree of self-sufficiency when it comes to agricultural commodities. Nonetheless, the slowdown in economic growth is curbing agricultural sentiment. Overall, the biggest driving forces for Asia's markets remain the increasing demand for meat products, the lower degree of mechanization compared to Western agricultural technology, and subsidization policies.

CLAAS expects global development of agricultural equipment markets to be negative for fiscal year 2017. Professional agricultural equipment in large parts of North and Latin America is already at a historically low level. European markets, on the other hand, could see a further decline in the professional agricultural equipment market in the current year following a poor harvest with subpar quality levels and low prices. It remains to be seen whether the potential in Eastern Europe and Asia will compensate for these negative developments. Despite the short-term fluctuations, the framework conditions with rising demand for agricultural commodities, stemming from population growth and rising prosperity, will remain positive in the medium term.

Risks result from, among other things, unforeseen climatic influences, political unrest, trade restrictions, general stability risks within the European Union, and the impact of Brexit. The outcome of the presidential election in the U.S. could additionally lead to further uncertainties. Risks also arise from the volatility of procurement prices for energy, steel, and other commodities, as well as from the development of currencies significant to CLAAS, such as the U.S. dollar, the British pound, and the Russian ruble. We monitor these risks carefully and take appropriate measures where necessary.

Expected business performance

Given this market assessment, we expect sales for the CLAAS Group in fiscal year 2017 to be down slightly year on year. In light of the continued trade, financial, and other sanctions imposed against the Russian Federation by the European Union, the U.S., and other countries, as well as countermeasures taken by the Russian Federation in relation to the European Union, negative effects on the sales, income, and assets of the CLAAS Group cannot be ruled out. We will nonetheless continue to systematically pursue our strategy and strengthen the position of our products in the growth markets Eastern Europe and Asia. Opportunities could arise in Russia in particular due to the investment agreement concluded in the reporting year. Capital expenditures are expected to be on par with 2016, although changing market conditions can be flexibly responded to. The development of innovative products and intelligent technologies will continue apace in the current fiscal year. However, it will take a certain amount of time for the expenses associated with such development work to be recouped by the corresponding revenues. Efforts to enhance efficiency will also continue in the current year. They include measures for sustainable cost reductions that will have a positive impact on the CLAAS Group's earnings performance. We anticipate earnings before taxes to remain stable or to be slightly down year on year in the current fiscal year 2017.

Consolidated Financial Statements

Consolidated Income Statement

of the CLAAS Group for the fiscal year from October 1, 2015 to September 30, 2016

in € '000	Note	2016	2015
Net sales	(7)	3,631,647	3,838,460
Cost of sales		-2,832,742	-3,014,219
Gross profit on sales		**798,905**	**824,241**
Selling expenses	(8)	-380,868	-379,859
General and administrative expenses	(8)	-105,427	-105,158
Research and development expenses	(9)	-202,760	-187,334
Other operating income	(11)	92,819	84,051
Other operating expenses	(11)	-70,475	-71,975
Operating income		**132,194**	**163,966**
Income from investments accounted for using the equity method, net	(12)	12,066	12,935
Income from other investments, net	(12)	1,166	1,117
Financial result	(13)	-51,965	-20,326
thereof: interest and similar expenses		(-35,501)	(-39,114)
Income before taxes		**93,461**	**157,692**
Income taxes	(14)	-55,879	-52,035
Net income		**37,582**	**105,657**
thereof: attributable to shareholders of CLAAS KGaA mbH		37,195	104,882
thereof: attributable to minority interests		387	775

Consolidated Statement of Comprehensive Income

of the CLAAS Group for the fiscal year from October 1, 2015 to September 30, 2016

in € '000	Note	2016	2015
Net income		**37,582**	**105,657**
Items to be reclassified subsequently to profit or loss	(36)		
Net unrealized gains/losses from currency translation		-10,692	-14,255
Net unrealized gains/losses from securities		3,227	-10,525
Net unrealized gains/losses from derivative financial instruments	(35)	2,914	9,960
Items never to be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	(30)	-50,733	-11,217
Other comprehensive income, after taxes		**-55,284**	**-26,037**
Comprehensive income		**-17,702**	**79,620**
thereof: attributable to shareholders of CLAAS KGaA mbH		-18,089	78,845
thereof: attributable to minority interests		387	775

Consolidated Balance Sheet

of the CLAAS Group as of September 30, 2016

in € '000	Note	Sept. 30, 2016	Sept. 30, 2015
Assets			
Intangible assets	(15)	211,426	212,372
Property, plant and equipment	(16)	480,488	480,666
Investments accounted for using the equity method	(17)	110,558	93,318
Other investments		3,904	3,957
Deferred tax assets	(18)	156,828	149,672
Tax assets		26	1,862
Other financial assets	(21)	13,408	27,001
Other non-financial assets	(22)	25,371	24,197
Non-current assets		**1,002,009**	**993,045**
Inventories	(19)	732,985	873,134
Trade receivables	(20)	307,224	366,880
Tax assets		19,219	9,389
Other financial assets	(21)	179,954	179,995
Other non-financial assets	(22)	53,395	69,400
Securities	(23)	329,941	268,710
Cash and cash equivalents	(24)	512,490	582,640
Current assets		**2,135,208**	**2,350,148**
Total assets		**3,137,217**	**3,343,193**
Equity and liabilities			
Subscribed capital		78,000	78,000
Capital reserves		38,347	38,347
Other reserves		1,039,745	1,109,536
Equity before minority interests		**1,156,092**	**1,225,883**
Minority interests		4,656	5,160
Equity	(25)	**1,160,748**	**1,231,043**
Financial liabilities	(26)	608,895	610,914
Silent partnership	(27)	42,441	39,727
Deferred tax liabilities	(18)	3,729	2,166
Other financial liabilities	(28)	3,906	2,586
Other non-financial liabilities	(29)	-	152
Pension provisions	(30)	358,595	284,943
Other provisions	(31)	42,607	40,599
Non-current liabilities		**1,060,173**	**981,087**
Financial liabilities	(26)	109,554	193,642
Trade payables		172,193	248,287
Other financial liabilities	(28)	62,132	71,189
Other non-financial liabilities	(29)	77,729	82,105
Income tax provisions	(31)	17,177	34,732
Other provisions	(31)	477,511	501,108
Current liabilities		**916,296**	**1,131,063**
Total equity and liabilities		**3,137,217**	**3,343,193**

Consolidated Statement of Cash Flows

of the CLAAS Group for the fiscal year from October 1, 2015 to September 30, 2016

in € '000	Note	2016	2015
Net income		**37,582**	**105,657**
Amortization/impairment of intangible assets and depreciation/impairment of property, plant and equipment	(15), (16)	124,654	111,616
Income from investments accounted for using the equity method, net, if non-cash	(17)	-15,265	-12,935
Change in non-current provisions		3,947	3,333
Change in deferred taxes		11,944	-18,751
Other non-cash expenses (+)/income (-)		1,499	9,311
Cash earnings		**164,361**	**198,231**
Change in current provisions		-36,177	30,498
Income from the disposal of non-current assets and securities		2,590	-10,193
Change in working capital		102,621	702
thereof: inventories		(129,268)	(72,679)
thereof: trade receivables		(54,212)	(-44,448)
thereof: trade payables		(-72,230)	(-747)
Other change in assets/equity and liabilities, if not investing or financing activities		12,650	-62,761
Cash flows from operating activities	(37)	**246,045**	**156,477**
Payments for investments in			
Intangible assets and property, plant and equipment (net of development costs recognized as an asset)		-78,633	-83,079
Shares of fully consolidated companies and investments		-9,461	-4,164
Borrowings		-45,794	-38,632
Receipts from disposals/divestments			
Intangible assets and property, plant and equipment		3,018	7,215
Shares of fully consolidated companies and investments		-3,199	-
Borrowings		50,008	44,907
Additions to development costs recognized as an asset	(15)	-43,518	-43,886
Change in securities		-56,255	58,861
Cash flows from investing activities		**-183,834**	**-58,778**
Proceeds from the increase in loans and the issuance of bonds		215,723	651,972
Repayment of bonds and loans		-216,077	-493,346
Repayment of lease liabilities		-355	-1,165
Proceeds from silent partnership		2,714	3,292
Change in liabilities to shareholders		-76,702	-15,903
Payment to minority shareholders		-8,995	-593
Dividend payments	(25)	-43,572	-31,200
Cash flows from financing activities		**-127,264**	**113,057**
Effect of foreign exchange rate changes on cash and cash equivalents		-5,097	2,211
Net change in cash and cash equivalents		**-70,150**	**212,967**
Cash and cash equivalents at beginning of year	(24)	582,640	369,673
Cash and cash equivalents at end of year	(24)	**512,490**	**582,640**

Consolidated Statement of Changes in Equity

of the CLAAS Group as of September 30, 2016

			Other reserves							
			Retained earnings		Accumulated other comprehensive income					
in € '000	Subscribed capital	Capital reserves	Accumulated profit	Remeasurements of defined benefit pensions plans	Foreign currency translation	Securities	Derivative financial instruments	Equity before minority interests	Minority interests	Equity
Balance as of Oct. 1, 2014	**78,000**	**38,347**	**1,167,998**	**-45,803**	**-42,222**	**6,545**	**-24,627**	**1,178,238**	**4,978**	**1,183,216**
Net income	-	-	104,882	-	-	-	-	104,882	775	105,657
Other comprehensive income	-	-	-	-11,217	-14,255	-10,525	9,960	-26,037	-	-26,037
Comprehensive income	**-**	**-**	**104,882**	**-11,217**	**-14,255**	**-10,525**	**9,960**	**78,845**	**775**	**79,620**
Dividend payments	-	-	-31,200	-	-	-	-	-31,200	-593	-31,793
Balance as of Sept. 30, 2015	**78,000**	**38,347**	**1,241,680**	**-57,020**	**-56,477**	**-3,980**	**-14,667**	**1,225,883**	**5,160**	**1,231,043**
Net income	-	-	37,195	-	-	-	-	37,195	387	37,582
Other comprehensive income	-	-	-	-50,733	-10,692	3,227	2,914	-55,284	-	-55,284
Comprehensive income	**-**	**-**	**37,195**	**-50,733**	**-10,692**	**3,227**	**2,914**	**-18,089**	**387**	**-17,702**
Dividend payments	-	-	-43,572	-	-	-	-	-43,572	-445	-44,017
Consolidation adjustments	-	-	-8,130	-	-	-	-	-8,130	-446	-8,576
Balance as of Sept. 30, 2016	**78,000**	**38,347**	**1,227,173**	**-107,753**	**-67,169**	**-753**	**-11,753**	**1,156,092**	**4,656**	**1,160,748**

Notes to the Consolidated Financial Statements

Notes to Consolidation and Accounting

1. Basis of Presentation

CLAAS KGaA mbH, with registered office in Harsewinkel, Germany, is the parent company of the CLAAS Group (in the following, "CLAAS" or the "CLAAS Group"). The Company is registered in the commercial register of Gütersloh, Germany, District Court under the number HRB 3027. CLAAS, a family-owned company, is a global producer and vendor of agricultural equipment and software solutions for farming applications.

These consolidated financial statements of the CLAAS Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to Section 315a of the German Commercial Code (HGB). Prior-year figures were determined in accordance with the same principles.

The consolidated financial statements consist of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity, as well as the notes to the consolidated financial statements. To improve the clarity of presentation, individual items within the consolidated balance sheet and the consolidated income statement have been combined. These items are presented separately and explained in the notes to the consolidated financial statements. The consolidated income statement was prepared using the cost of sales method of accounting.

Please refer to Note 5 for details on the accounting policies.

The consolidated financial statements have been presented in euros (€). Unless stated otherwise, amounts are stated in thousands of euros (€ '000).

These consolidated financial statements relate to the fiscal year from October 1, 2015 to September 30, 2016.

The consolidated financial statements were prepared on November 24, 2016 by the Executive Board of CLAAS KGaA mbH. Approval of the consolidated financial statements by the Supervisory Board is planned for December 8, 2016 at the scheduled Supervisory Board meeting.

2. Scope of Consolidation

The companies included in the scope of consolidation are all significant companies, including the structured entities that are directly or indirectly controlled by CLAAS KGaA mbH. Control exists if CLAAS KGaA mbH has power over the investee on the basis of voting rights or other rights, it has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Within the CLAAS Group, this applies to the investment fund CHW Fonds as well as the financing company Mercator Purchasing S.A., both registered in Luxembourg; these companies are included in the consolidated financial statements as structured entities.

Associates are entities over which CLAAS has significant influence but does not have control or joint control of the entities' financial and operating policies. Associates are accounted for using the equity method.

Where CLAAS shares control of an entity together with a partner, it must be specified whether the entity is a joint operation or a joint venture. In a joint venture, the parties that have joint control have rights to the net assets of the arrangement. As a rule, joint ventures are accounted for using the equity method. A joint operation exists when the parties that have joint control have direct rights to the assets and obligations for the liabilities. In this case, the prorated assets and liabilities, as well as the prorated income and expenses, are to be recognized as a rule.

The joint operations included in the consolidated financial statements as of the reporting date have no material impact on the consolidated financial statements and are accounted for using the equity method.

Investments in subsidiaries, in joint ventures, or in associates considered to be immaterial from the point of view of the Group are accounted for in accordance with IAS 39.

A breakdown of the scope of consolidation is presented in the following table:

	Sept. 30, 2016	Sept. 30, 2015
Consolidated subsidiaries	**65**	**63**
thereof: domestic companies	(21)	(21)
thereof: foreign companies	(44)	(42)
Investments accounted for using the equity method	**11**	**12**
thereof: domestic companies	(4)	(5)
thereof: foreign companies	(7)	(7)

Please see Note 42 for a complete list of the shareholdings of the CLAAS Group.

Newly Established Companies, Investments in Companies, and Divestments

There were no material newly established companies, investments in companies, and divestments in fiscal year 2016.

3. Consolidation Principles

The financial statements of entities included in the consolidated financial statements have been prepared using the uniform accounting policies relevant for the CLAAS Group. As a rule, the financial statements are prepared as of the balance sheet date of the consolidated financial statements. Where country-specific laws demand otherwise, subsidiaries whose fiscal years do not end on September 30 prepare interim financial statements as of this date.

Business combinations are accounted for using the acquisition method when the Group obtains control. If the purchase price exceeds the revalued prorated net assets of the acquired subsidiary, the difference is capitalized as goodwill and subject to an annual impairment test. Any differences arising on the liabilities side are reported as other operating income.

First-time consolidation and deconsolidation are generally undertaken on the date of transfer of control.

All receivables and payables, income and expenses, as well as intercompany gains and losses between the consolidated entities are eliminated within the scope of the consolidation.

Investments in associates and joint ventures are accounted for using the equity method. The interests are initially recognized at cost. Possibly acquired goodwill is not reported separately, but is instead included in the value of the investment. After initial measure, the consolidated financial statements include the share of the income until such time as the significant influence or joint control ends.

4. Foreign Currency Translation

Transactions in foreign currency are recognized at the relevant exchange rates on the transaction date. In subsequent periods, financial assets and liabilities denominated in foreign currencies are translated at the exchange rates on the balance sheet date. The exchange rate gains and losses incurred until the balance sheet date from the measurement of financial assets and liabilities are recognized as profit or loss in the income statement.

The assets and liabilities of foreign companies with functional currencies that do not match the Group currency are translated into euros at the daily closing price on the balance sheet date. Equity items are translated using historic rates. The expenses and income of foreign companies are translated into euros at the corresponding average exchange rate for the fiscal year. Differences resulting from currency translations are recognized directly in equity as other comprehensive income.

The following exchange rates were used for the currencies significant to the CLAAS Group:

		Average rate / €		Closing rate / €	
		2016	2015	Sept. 30, 2016	Sept. 30, 2015
British pound	GBP	0.78	0.74	0.87	0.74
Chinese renminbi	CNY	7.24	7.12	7.50	7.10
Indian rupee	INR	74.06	72.37	74.92	73.41
Polish zloty	PLN	4.33	4.17	4.30	4.24
Russian ruble	RUB	74.68	65.51	70.85	73.25
Hungarian forint	HUF	311.93	308.82	309.13	313.32
U.S. dollar	USD	1.11	1.14	1.12	1.12

5. Accounting Policies

Intangible Assets

Intangible assets with finite useful lives are capitalized at cost and, dependent on their expected useful lives, amortized over a period of generally three to ten years on a straight-line basis. Useful lives are assessed each year.

The amortization of concessions, industrial and similar rights and assets, and licenses in such rights is reported under cost of sales. Amortization and impairments of capitalized development costs are recognized as research and development expenses.

Goodwill is accounted for at cost less any accumulated impairment losses and is tested for impairment annually, as well as when there are indications of a possible impairment. Impairment losses are recognized as other operating expenses.

Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Borrowing costs are capitalized if conditions are met and are depreciated over the expected useful lives of the property, plant and equipment once these have been completed. Property, plant and equipment – with the exception of land and similar rights – is generally depreciated over its useful life on a straight-line basis. The useful lives of buildings are between 20 and 50 years, while other property, plant and equipment have useful lives of between three and 25 years. Depreciation and impairment losses are generally recognized as expenses for the period.

Borrowing Costs

Any borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as a part of the cost of that asset. CLAAS defines qualifying assets as development or construction projects or other assets that will require at least twelve months to complete to a point at which they will be ready for their intended use or sale. If borrowings can be directly allocated to one project, the actual borrowing costs are capitalized. If there is no direct relation, the average capitalization rate of the CLAAS Group is applied. The borrowing cost rate for the reporting period is 3.5% p.a. (prior year: 4.5% p.a.).

Impairment

Goodwill as well as assets that are not available for use are not amortized, but are instead tested for impairment annually as of the balance sheet date. Assets subject to amortization are tested for impairment if there are indications that the carrying amount of the asset is lower than its recoverable amount. The recoverable amount of an asset is the higher of its value in use and the fair value less costs to sell. The recoverable amount is determined for each individual asset unless assets have been combined into a cash generating unit. The value in use is based on the present value of the expected future cash flows. If the value in use is less than the carrying amount, an impairment loss is immediately recognized as profit or loss. Any subsequent increases in value are accounted for by attributing the value to the cash generating unit or asset, except in the case of goodwill impairment. There were no reversals of impairment losses in fiscal year 2016. When conducting the impairment test, the value in use is determined on the basis of the management's medium-term forecast data covering a period of five years. The forecast assumptions are adjusted to reflect current circumstances, taking into account reasonable expectations based on macroeconomic trends and historical developments. Cash flow projections are estimated by extrapolation based on the growth rate of the relevant market segment. The growth rate is currently 1.0% p.a. (prior year: 1.0% p.a.). The value in use is determined on the basis of discount rates ranging between 6.8% p.a. and 13.2% p.a. (prior year: 8.3% p.a. and 12.1% p.a.) and corresponding to the risk-adjusted minimum yield on the capital market.

Investments Accounted for Using the Equity Method and Other Investments

Investments in associates and joint ventures accounted for using the equity method are initially recognized at cost and then in subsequent periods in the amount of the adjusted prorated share in equity. The carrying amounts of the investments are increased or reduced each year to reflect the share of earnings, dividends distributed, and other changes in equity. Goodwill is included in the carrying amount of the companies accounted for using the equity method. Impairment occurs when the recoverable amount of the investment accounted for using the equity method is lower than its carrying amount.

At the time of addition and in subsequent periods, other investments are generally carried at fair value, provided that these amounts can be determined reliably. No fair value could be determined for the other investments as of the reporting date; as a result, these were measured at cost less accumulated impairment losses. An impairment loss will be recognized as profit or loss on other investments if there are indicators for impairment. Impairment losses or reversals of impairment losses on investments accounted for using the equity method and other investments are recognized as profit or loss in income from investments, net.

Deferred Taxes

Deferred taxes are recognized on temporary differences between the IFRS and tax balance sheets of the individual companies, including differences arising from consolidation processes and related to yet unused tax losses and tax credits.

Deferred taxes are measured in accordance with the tax rates and tax regulations that are in force as of the balance sheet date or have been passed in principle and whose validity is expected as of the date of settlement. Deferred tax assets will only be recognized if it is probable that the entity will have taxable income against which the temporary differences can be utilized. A tax rate of 29.0% (prior year: 29.0%) was used to calculate deferred taxes in Germany. This tax rate consists of the domestic corporate income tax, the solidarity surcharge on corporate income tax, as well as trade tax. Country-specific tax rates are used to calculate the deferred taxes of the foreign companies.

Deferred tax liabilities for temporary differences related to investments in subsidiaries and investments accounted for using the equity method are not recognized.

Deferred tax assets and liabilities are offset if they pertain to the same tax subject, are from or to the same tax authority, and relate to the same period.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized as soon as CLAAS becomes a party to the contractual provisions for the financial instrument. As a rule, the day on which the financial instrument is concluded is key to how it is reported. Financial instruments recognized as financial assets or financial liabilities are generally not netted, and are only netted when a legal right to offset exists at that time and there is an intention to settle on a net basis.

CLAAS classified non-derivative financial assets and liabilities using the four measurement categories provided for in IAS 39: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, and financial liabilities measured at amortized cost. The classification of the financial instruments is dependent on the purpose for which they were acquired.

The categories generally do not include derivative financial instruments designated as hedging instruments. However, derivatives with hedging relationships were classified as "financial assets and financial liabilities at fair value through profit or loss" in order to improve presentation.

Financial instruments are recognized at amortized cost or at fair value. The amortized cost is calculated using the effective interest method. The fair value of a financial instrument in accordance with IFRS is the amount for which the instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction other than a forced transaction, involuntary liquidation, or distress sale. The fair value generally corresponds to the market value or the stock market price. If the market for a financial instrument is not active, fair value is established using a valuation technique (for example, a discounted cash flow analysis, which applies a discount rate equal to the current market rate of return).

The fair value of derivative financial instruments is calculated by discounting the estimated future cash flows at the current market rate of return or by using other common valuation techniques such as option pricing models.

Financial instruments for which the fair value cannot be reliably measured are carried at amortized cost.

The fair value option provided for in IAS 39 permits an entity to designate financial assets not held for trading on initial recognition as financial assets measured at fair value, with changes in fair value recognized as profit or loss. At CLAAS, the fair value option is applied, provided a financial instrument contains one or more embedded derivatives. Changes in the value of such items are included in the financial result shown on the income statement.

The carrying amounts of financial assets not recognized at fair value through profit or loss are assessed as of each balance sheet date for objective evidence of impairment. At CLAAS, the Group-wide specifications state that objective indications of impairment may be substantial financial difficulties on the part of the issuer or obligor or the lack of an active market on which the financial instrument is traded. If any such evidence exists, the resulting impairment loss is recognized as profit or loss. Any impairment loss of an available-for-sale financial asset that was previously recognized directly in equity must be removed from equity and recognized as profit or loss.

As in the prior year, no impairment was recognized for financial assets, excluding trade receivables.

Inventories

Inventories are recognized at the lower of cost and net realizable value. The net realizable value is derived from the expected disposal income less costs still to be incurred. The cost of raw materials, consumables, and supplies, as well as merchandise, is calculated using the average cost method. The cost of internally generated work in progress and finished goods includes direct materials and labor as well as production-related overheads and production-related administrative expenses based on normal capacity utilization. Borrowing costs are not included in the cost.

Receivables and Other Financial Assets

Receivables and other financial assets are recognized at fair value, which, in the case of current receivables and other financial assets, corresponds to the nominal value.

Adequate allowances are made for anticipated default risks.

In some cases, impairment of trade receivables is recorded in separate allowance accounts. Impairment losses are recognized for trade receivables any time there is objective evidence of impairment as a result of financial difficulty on the part of the obligor, impending losses, or delinquency in payments or payment concessions granted by CLAAS. The decision as to whether the carrying amount of a receivable at risk of default should be reduced directly or through the use of an allowance account depends on the degree of reliability of the risk assessment.

Non-interest-bearing receivables that are not expected to be collected within the normal payment cycle are discounted at the market interest rate in accordance with the maturity of the receivables.

CLAAS sells selected trade receivables to a structured company of the CLAAS Group or other financial institutions on a revolving or non-recurring basis. The structured company is an asset-backed securitization (ABS) company that refinances itself in the capital market. Receivables are derecognized when the risks and rewards associated with the receivables are transferred to a third party and the cash inflow from the sale is ensured. These receivables will continue to be carried on the bal-

ance sheet, provided that the risks and rewards associated with the receivables – particularly credit risks and default risks – remain in the CLAAS Group.

Securities

Current securities primarily include pension and money market funds as well as variable and fixed-interest bonds that generally have remaining terms of between three months and one year at the time of acquisition. At CLAAS, securities designated as financial assets are generally classified as "available for sale." In exceptional circumstances, the fair value option may be applied to securities. This means that financial assets may, on initial recognition, be measured at fair value through profit or loss, if doing so would significantly reduce or eliminate an accounting mismatch.

They are recognized at fair value or market price.

In the case of securities classified as "available for sale," unrealized gains or losses on the measurement are recognized directly in equity as other comprehensive income until the securities are disposed of, taking into account deferred taxes. When exercising the fair value option, gains and losses from the valuation are recognized as profit or loss in the income statement.

Cash and Cash Equivalents

Cash comprises checks, cash in hand, and bank balances. Cash equivalents are short-term, highly liquid financial investments that are readily convertible into cash to fulfill financial obligations and are subject to only an insignificant risk of change in value. At CLAAS, cash equivalents are classified as "at fair value through profit or loss." Changes in fair value are recognized directly as profit or loss in income from securities, net. Cash and cash equivalents as reported in the statement of cash flows correspond to the same item in the balance sheet.

Derivative Financial Instruments and Hedge Accounting

CLAAS uses derivative financial instruments to hedge financial risks from the operating business and the resulting refinancing requirements. These risks are generally interest rate, currency, and commodity risks. The hedging instruments primarily used are foreign exchange outrights and options, as well as interest rate swaps.

At the time of acquisition and in subsequent periods, derivative financial instruments are recognized at fair value. Changes in present value are recognized as profit or loss in other financial result for the period, unless the derivative financial instruments are in a hedging relationship. Depending on the type of hedging relationship, changes in present value are either recognized as profit or loss in the income statement or directly in equity as other comprehensive income.

The criteria of IAS 39 must be fulfilled for hedges to be accounted for (hedge accounting). If this is the case, CLAAS documents the hedging relationship either as a fair value hedge or a cash flow hedge from this time. Only cash flow hedges existed in the past fiscal year.

The fair values of the derivative financial instruments used for hedging purposes are presented in Note 35.

Cash flow hedges are used to hedge against the risks of fluctuations in cash flows. Gains and losses from changes in the fair value of the effective portion of the hedge are initially taken into account in other comprehensive income as equity. These are reclassified into the income statement if the hedged transaction is recognized as profit or loss. The ineffective portion of such changes in value is recognized directly as profit or loss in other financial result for the period.

If the hedge accounting criteria are no longer met, the derivative financial instruments that were part of the hedging relationship are then measured at fair value as profit or loss.

Leases

In the case of finance leases, the leased assets are capitalized and the payment obligations resulting from future lease payments are recognized as a liability on a discounted basis. If CLAAS companies act as lessees in operating leases, the lease payments are recognized as an expense.

Pension Provisions

Pension provisions are recorded for defined benefit obligations from vested rights and current benefits on behalf of eligible active and former employees and their surviving dependents. Obligations relate primarily to retirement pensions, which are paid in part as basic and in part as supplementary benefits. Pension obligations are normally based on the employees' length of service and remuneration levels.

Provisions for defined benefit plans are based on the actuarial present value of the respective obligation; this is measured using the projected unit credit method. This method not only takes into account pensions and accrued vested rights known as of the balance sheet date, but also anticipated future salary and pension increases. The valuation assumptions vary according to the economic conditions of the country in which the pension plans are administered. In Germany, the life expectancy used to calculate the obligation is based on the 2005G K. Heubeck mortality tables. Comparable bases are used in the other countries.

Pension provisions are derived from the balance of the actuarial present value of the defined benefit obligations and the fair value of the plan assets available to cover the pension obligation. The service cost is included in the functional costs in the consolidated income statement. Net interest is included in the financial result.

Actuarial gains and losses on the remeasurement of the net pension liability or net assets are fully recognized in the fiscal year in which they occur. They are recognized directly in equity in other reserves. They will not be recognized as profit or loss in subsequent periods.

The interest rates used for discounting purposes are determined annually as of the balance sheet date on the basis of high-quality, fixed-rate corporate bonds matching the pension payments.

Other Provisions

Other provisions are recognized for the present legal or constructive obligations of the CLAAS Group that have arisen from a past event and are expected to result in an outflow of future economic benefits, and whose amount can be measured reliably.

Provisions for obligations arising from sales largely include warranty obligations. Provisions for warranties are recognized at the time of sale of the products in question or the rendering of the corresponding services. Assumptions must be made as to the type and scope of future warranty and policy cases as well as possible special inspections in order to determine the amount of the provisions. These estimates are largely based on historic expectations. Provisions are regularly adjusted in line with new information.

Provisions are measured at the best estimate of the amount required to settle the present obligation at the balance sheet date. Significant, non-current other provisions are discounted. Increases in provisions resulting from a pure addition of accrued interest are recognized as profit or loss in interest expenses for the period.

Liabilities

Liabilities are initially carried at their fair value less transaction costs and subsequently measured at amortized cost; liabilities denominated in foreign currencies are translated at the closing rate.

Recognition of Revenues and Earnings

The ordinary business operations of the CLAAS Group involve the sale of agricultural equipment products and services. All income relating to the ordinary business operations, less sales deductions such as cash discounts and price reductions, are presented as net sales. All other income is classified as other operating income or interest income. Net sales, other operating income, and interest income are generally recognized upon completion of delivery or service and transfer of risk to the customer.

Cost of Sales

Cost of sales comprises the cost of goods sold, the cost of the sold merchandise as well as the expenses for outgoing freight and production-related logistics costs.

Research and Development Costs

Development costs for internally generated future serial products are recognized as an asset, provided manufacture of the products will generate probable future economic benefits for CLAAS and the other criteria for the recognition of internally generated intangible assets are fulfilled.

The cost comprises all costs directly attributable to the development process plus the relevant development-related overheads. Borrowing costs are capitalized as a part of the cost if conditions are met. Amortization is undertaken on a straight-line basis as of the start of production over the expected useful life of the product, usually between six and ten years.

Research costs, amortization and impairments of capitalized development costs, and development costs that cannot be capitalized are expensed as incurred in the income statement under research and development costs.

Government Grants

Government grants are only recognized when there is reasonable assurance that the entity will comply with the conditions attached to it, and that the grant will be received. Government grants not related to assets are recognized as profit or loss as other operating income over the periods necessary to match them with the related costs that they are intended to compensate. Grants related to assets are deducted in arriving at the carrying amount of the asset, and the grant is recognized as income over the life of a depreciable asset by way of a reduced depreciation charge.

Estimates and Management Judgments

In preparing the consolidated financial statements, it is to some extent necessary to make assumptions and estimates that affect the amount and presentation of assets and liabilities, income and expenses, as well as any contingent liabilities in the reporting period. These estimates and assumptions primarily relate to assessing the recoverability of assets; defining a uniform Group standard for the economic lives of property, plant and equipment; and recognizing and measuring provisions based on the current state of knowledge. In particular, assumptions regarding expected business development are based on circumstances at the time of preparation of the consolidated financial statements as well as the probable development of global markets and industries. The actual amounts may differ from the original estimates if outside developments over which management has no control should cause these parameters to change.

At the time the consolidated financial statements were prepared, it was not assumed that the underlying assumptions and estimates would be subject to material changes.

6. New Financial Reporting Standards

Among other things, the IASB has published the following standards, which do not need to be applied in the EU yet and which CLAAS has not applied early. Standards that are not listed below are insignificant for CLAAS.

Standard		Effective date IASB	Effective date EU	Impact on CLAAS
IFRS 7/IFRS 9	Financial Instruments: Disclosures (Mandatory Effective Date and Transition Disclosures)	Jan. 1, 2018	No	Immaterial
IFRS 9	Financial Instruments: Revision and Replacement of All Existing Standards (Classification and Measurement)	Jan. 1, 2018	No	May change classification and measurement of financial instruments
IFRS 15	Revenue from Contracts with Customers: New Revenue Recognition Standard	Jan. 1, 2018	Yes	Significant in principle
IFRS 16	Leases	Jan. 1, 2019	No	Material

IFRS 15 redefines the recognition of net sales. In addition, the standard requires a set of quantitative and qualitative disclosures to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of net sales and cash flows arising from contracts with customers.

In cases where CLAAS is the lessee, the new IFRS 16 requires that the Company adopt a completely new approach to the presentation of leases. In the future, every lease should be presented on the lessee's balance sheet as a financial transaction. This will increase total assets. The regulations relating to lessors remain more or less unchanged compared to the regulations of IAS 17.

CLAAS is currently reviewing the impact that the application of IFRS 15 and 16 will have on the consolidated financial statements, and has yet to determine when the standards will be applied for the first time as well as the transition method to be used.

Notes to the Consolidated Income Statement

7. Net Sales

Net sales pertained almost exclusively to the delivery of goods.
Sales by region can be broken down as follows:

in € '000	2016	2015
Germany	777,733	875,750
France	755,283	754,387
Rest of Western Europe	688,523	726,801
Central and Eastern Europe	705,015	657,512
Other countries	705,093	824,010
Net sales	**3,631,647**	**3,838,460**

8. Selling Expenses and General and Administrative Expenses

in € '000	2016	2015
Selling expenses	-380,868	-379,859
General and administrative expenses	-105,427	-105,158
Selling expenses and general and administrative expenses	**-486,295**	**-485,017**

Selling expenses comprise expenses for advertising and marketing activities, agent commissions, as well as personnel expenses and administrative material costs of the sales division. General and administrative expenses include personnel expenses and material costs of administration including depreciation, but not the administrative expenses of the sales companies, as from the point of view of the Group they constitute selling expenses.

9. Research and Development Expenses

in € '000	2016	2015
Research and development costs (total)	-213,740	-203,033
Development costs recognized as an asset	40,588	40,726
Amortization/impairment of development costs recognized as an asset	-29,608	-25,027
Research and development expenses recognized in the income statement	**-202,760**	**-187,334**
R&D capitalization ratio (in %)	19.0	20.1

10. Personnel Expenses and Employees

The personnel expenses reported in the income statement under functional costs amounted to €653.3 million (prior year: €650.6 million). The average number of employees during the year was as follows:

	2016	2015
Wage earners	5,396	5,312
Salary earners	5,426	5,576
Apprentices	649	614
Average number of employees	**11,471**	**11,502**

11. Other Operating Income and Expenses

Other Operating Income

in € '000	2016	2015
Reversal of provisions	45,920	39,992
Measurement of receivables	9,268	3,648
Grants and subsidies	3,859	4,142
Insurance compensation	2,135	3,326
Disposal of intangible assets and property, plant and equipment	1,824	1,612
Pass-through costs	1,119	809
Rental and leases	312	358
Miscellaneous income	28,382	30,164
Other operating income	**92,819**	**84,051**

Other Operating Expenses

in € '000	2016	2015
Impairment of goodwill	-19,570	-
Measurement of receivables	-12,177	-10,461
Personnel expenses	-8,129	-6,063
Fees, charges, and insurance premiums	-2,307	-2,471
Disposal of intangible assets and property, plant and equipment	-1,261	-460
Impairment of property, plant and equipment	-	-19,989
Miscellaneous expenses	-27,031	-32,531
Other operating expenses	**-70,475**	**-71,975**

Miscellaneous income and expenses include a number of items from consolidated companies that are small in amount.

12. Income from Investments, Net

in € '000	2016	2015
Income from investments accounted for using the equity method, net	12,066	12,935
thereof: impairment losses on investments accounted for using the equity method	(-538)	(-2,085)
Income from other investments, net	1,166	1,117
Income from investments, net	**13,232**	**14,052**

13. Financial Result

in € '000	2016	2015
Interest expense	-32,998	-37,474
thereof: profits transferred under a partial profit transfer agreement (CMG)	(-2,343)	(-3,220)
Non-current provisions	-6,164	-6,850
Capitalization of borrowing costs	3,661	5,210
Interest and similar expenses	**-35,501**	**-39,114**
Interest income	9,028	9,589
Income from other securities and loans, net	266	9,128
Interest expense and income from securities, net	**-26,207**	**-20,397**
Other financial result	-25,758	71
Financial result	**-51,965**	**-20,326**

Payments based on the performance of the CLAAS Group with respect to the silent partnership of CMG Claas-Mitarbeiter-beteiligungs-Gesellschaft mbH (CMG) are included in "profits transferred under a partial profit transfer agreement (CMG)."

Interest expenses and income are the result of financial assets and liabilities allocated to the following measurement categories:

in € '000	2016	2015
Loans and receivables	6,566	6,333
Available-for-sale financial assets	2,448	3,323
Financial liabilities measured at amortized cost	-29,323	-32,331
Interest expenses and income	**-20,309**	**-22,675**

The other financial result can be broken down as follows:

in € '000	2016	2015
Foreign exchange gains and losses, net	-18,184	7,698
Miscellaneous financial income and expenses, net	-7,574	-7,627
Other financial result	**-25,758**	**71**

The other financial result includes fees for financial instruments of €0.5 million (prior year: €0.5 million).

14. Income Taxes

in € '000	2016	2015
Current income taxes	-43,935	-71,726
Deferred income taxes	-11,944	19,691
Income taxes	**-55,879**	**-52,035**

As in the prior year, the underlying income tax rates for foreign companies were between 18.0% and 39.0%.

The following amounts are included in equity due to deferred taxes being offset:

in € '000	Sept. 30, 2016	Sept. 30, 2015
Securities	-1,446	-396
Derivative financial instruments	4,734	5,991
Currency effects	-2,730	-3,167
Deferred taxes offset in accumulated other comprehensive income	**558**	**2,428**
Remeasurements of defined benefit pension plans	45,422	24,471
Deferred taxes in other reserves	**45,980**	**26,899**

Income taxes in the reporting period were €28.8 million higher than the theoretical tax expense that would have resulted from the application of the domestic Group tax rate of 29.0% on income before taxes.

The following table shows the reconciliation from theoretical to actual tax expense:

	2016		2015	
	in € '000	in %	in € '000	in %
Income before taxes	93,461		157,692	
Theoretical tax expense	**-27,104**	**29.0**	**-45,731**	**29.0**
Differences in foreign tax rates	1,725	-1.8	1,252	-0.8
Tax effects from prior years	-2,597	2.8	-570	0.4
Non-taxable income and non-deductible expenses	-4,045	4.3	-153	0.1
Accounting for investments accounted for using the equity method	3,499	-3.8	3,843	-2.4
Impairment of goodwill	-5,675	6.1	-	-
Impact of tax losses	-18,902	20.2	-9,378	5.9
Other consolidation effects	-552	0.6	-1,655	1.0
Miscellaneous	-2,228	2.4	357	-0.2
Effective tax expense	**-55,879**	**59.8**	**-52,035**	**33.0**

Notes to the Consolidated Balance Sheet

15. Intangible Assets

in € '000	Concessions, industrial and similar rights and assets, and licenses in such rights	Goodwill	Payments made on account	Development costs recognized as an asset	Total
Cost					
Balance as of Oct. 1, 2014	**51,464**	**68,335**	**642**	**204,117**	**324,558**
Currency translation	963	-	-	-9	954
Additions	6,008	-	605	43,886	50,499
Disposals	-6,370	-	-	-22,103	-28,473
Reclassifications	-85	-	-556	-	-641
Balance as of Sept. 30, 2015	**51,980**	**68,335**	**691**	**225,891**	**346,897**
Currency translation	-406	-35	-	20	-421
Additions	5,082	2,269	3,129	43,518	53,998
Disposals	-3,123	-	-	-24,869	-27,992
Reclassifications	395	-	-	-	395
Balance as of Sept. 30, 2016	**53,928**	**70,569**	**3,820**	**244,560**	**372,877**
Accumulated amortization and impairment losses					
Balance as of Oct. 1, 2014	**29,277**	**36,188**	**-**	**62,308**	**127,773**
Currency translation	22	-	-	-	22
Additions (amortization)	5,998	-	-	22,536	28,534
Additions (impairment)	237	-	-	2,212	2,449
Disposals	-1,749	-	-	-22,103	-23,852
Reclassifications	-401	-	-	-	-401
Balance as of Sept. 30, 2015	**33,384**	**36,188**	**-**	**64,953**	**134,525**
Currency translation	-57	-	-	-	-57
Additions (amortization)	5,608	-	-	21,658	27,266
Additions (impairment)	20	19,570	-	7,915	27,505
Disposals	-2,919	-	-	-24,869	-27,788
Balance as of Sept. 30, 2016	**36,036**	**55,758**	**-**	**69,657**	**161,451**
Carrying amounts					
Balance as of Sept. 30, 2015	**18,596**	**32,147**	**691**	**160,938**	**212,372**
Balance as of Sept. 30, 2016	**17,892**	**14,811**	**3,820**	**174,903**	**211,426**

The annual impairment test carried out on goodwill resulted for the goodwill acquired within the scope of the investment in CLAAS Jinyee Agricultural Machinery (Shandong) Co., Ltd., Gaomi/China (CLAAS Jinyee) in an impairment of €19.6 million, and was due to a deterioration in the company's economic situation as well as expected future economic and political developments in China. No additional impairment losses were recognized on property, plant and equipment. The carrying amount of fixed assets at CLAAS Jinyee totaled €17.9 million as of the reporting date. The impairment loss was presented in other operating income.

Development costs of €43.5 million (prior year: €43.9 million) were capitalized and include capitalized borrowing costs of €2.9 million (prior year: €3.2 million). For development costs recognized as an asset, the required impairment test led to an impairment loss totaling €7.9 million (prior year: €2.2 million). The corresponding impairment losses are recognized as research and development costs. The impairment losses resulted from reduced cash flow forecasts and market-related changes in the cost of capital. The forecast assumptions were adjusted to reflect current circumstances and future market expectations, which led to correspondingly lower values in use.

16. Property, Plant and Equipment

in € '000	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Finance leases	Total
Cost						
Balance as of Oct. 1, 2014	**362,850**	**441,593**	**233,191**	**90,332**	**1,934**	**1,129,900**
Currency translation	2,374	2,185	-725	-19,466	-9	-15,641
Additions	5,177	16,399	12,486	42,403	1,350	77,815
Disposals	-1,426	-17,736	-8,590	-124	-831	-28,707
Reclassifications	5,460	18,991	4,082	-27,892	-	641
Balance as of Sept. 30, 2015	**374,435**	**461,432**	**240,444**	**85,253**	**2,444**	**1,164,008**
Currency translation	-1,990	705	-1,428	2,378	14	-321
Additions	6,822	14,131	13,207	36,261	-	70,421
Disposals	-2,060	-11,034	-16,201	-10	-	-29,305
Reclassifications	34,653	41,874	6,586	-83,508	-	-395
Balance as of Sept. 30, 2016	**411,860**	**507,108**	**242,608**	**40,374**	**2,458**	**1,204,408**
Accumulated depreciation and impairment losses						
Balance as of Oct. 1, 2014	**137,036**	**309,075**	**145,843**	**49,908**	**1,807**	**643,669**
Currency translation	708	1,170	149	-15,833	-9	-13,815
Additions (depreciation)	10,008	29,672	20,560	-	124	60,364
Additions (impairment)	-	-	-	19,989	-	19,989
Disposals	-1,299	-17,083	-8,053	-	-831	-27,266
Reclassifications	-9	417	-7	-	-	401
Balance as of Sept. 30, 2015	**146,444**	**323,251**	**158,492**	**54,064**	**1,091**	**683,342**
Currency translation	-319	-403	-1,131	1,833	14	-6
Additions (depreciation)	10,439	36,409	20,317	-	472	67,637
Disposals	-1,605	-10,577	-14,871	-	-	-27,053
Reclassifications	27,724	28,068	105	-55,897	-	-
Balance as of Sept. 30, 2016	**182,683**	**376,748**	**162,912**	**-**	**1,577**	**723,920**
Carrying amounts						
Balance as of Sept. 30, 2015	**227,991**	**138,181**	**81,952**	**31,189**	**1,353**	**480,666**
Balance as of Sept. 30, 2016	**229,177**	**130,360**	**79,696**	**40,374**	**881**	**480,488**

Additions to the cost of assets under construction included €0.7 million (prior year: €2.0 million) in capitalized borrowing costs.

No impairment losses were recognized on property, plant and equipment in fiscal year 2016 (prior year: €20.0 million).

As in the prior year, the CLAAS Group did not pledge any property, plant and equipment as collateral for liabilities. As of September 30, 2016, contractual obligations to purchase items of property, plant and equipment amounted to €6.5 million (prior year: €9.0 million).

17. Investments Accounted for Using the Equity Method

The following table shows the summarized financial data on associates and joint ventures accounted for using the equity method that are immaterial for the CLAAS Group, both individually and in total:

	Associates		Joint ventures	
in € '000	**2016**	**2015**	**2016**	**2015**
At equity result	-1,411	1,042	13,477	11,893
Carrying amount of investments accounted for using the equity method	23,357	12,863	87,201	80,455

Investments accounted for using the equity method mainly relate to investments in CLAAS Financial Service companies, which provide financing solutions for investments in CLAAS machines.

18. Deferred Taxes

	Sept. 30, 2016		Sept. 30, 2015	
in € '000	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	2,023	50,141	2,722	46,055
Property, plant and equipment	15,876	19,410	17,508	17,406
Inventories	40,902	4,148	44,589	2,699
Receivables and miscellaneous assets	12,377	11,085	16,370	11,627
Provisions	140,119	1,596	127,454	1,782
Liabilities	1,973	324	2,822	777
Loss carryforwards	77,239	-	56,293	-
Gross amount	**290,509**	**86,704**	**267,758**	**80,346**
Valuation allowance	-50,706	-	-39,906	-
Netting out	-82,975	-82,975	-78,180	-78,180
Carrying amount	**156,828**	**3,729**	**149,672**	**2,166**

The tax loss carryforwards at Group level in the amount of €260.0 million (prior year: €186.5 million) may be carried forward until fiscal year 2019 or later. Of this amount, €183.3 million (prior year: €139.2 million) was assessed as non-realizable. Due to lack of recoverability, a valuation allowance has been recognized for €50.7 million (prior year: €39.9 million) of deferred tax assets on loss carryforwards.

The utilization of tax loss carryforwards, on which deferred tax assets had not yet been recognized, did not result in a positive effect in the reporting year (prior year: €0.2 million).

19. Inventories

in € '000	Sept. 30, 2016	Sept. 30, 2015
Raw materials, consumables and supplies	107,287	201,466
Work in progress	54,434	47,084
Finished goods and merchandise	620,483	680,766
Payments made on account	14,643	20,711
Advanced payments received	-63,862	-76,893
Inventories	**732,985**	**873,134**

Write-downs of inventories amounting to €6.7 million (prior year: €39.1 million) were recognized in 2016 as expense in cost of sales. As in the prior year, inventories were not pledged as security for liabilities.

20. Trade Receivables

in € '000	Sept. 30, 2016	Sept. 30, 2015
Gross carrying amount	**340,550**	**398,558**
Impairment	-33,326	-31,678
Net carrying amount	**307,224**	**366,880**

The impairment of trade receivables developed as follows:

in € '000	2016	2015
Impairment at Oct. 1	**31,678**	**23,163**
Utilization	-705	-1,149
Reversal of / addition to impairment loss, net	3,039	9,329
Currency translation	-686	335
Impairment at Sept. 30	**33,326**	**31,678**

The following table shows the distribution of trade receivables by the impairment and maturity criteria:

in € '000	Sept. 30, 2016	Sept. 30, 2015
Neither past due nor impaired	213,882	243,929
Not impaired but past due as per the following time frames:		
up to 30 days	50,570	73,676
31 to 60 days	12,932	11,210
61 to 90 days	7,115	8,619
more than 90 days	20,833	23,116
Trade receivables adjusted individually for impairment	1,892	6,330
Trade receivables	**307,224**	**366,880**

The amount of interest income received on impaired financial assets was insignificant. Please see Note 36 for disclosures on existing credit risks arising from trade receivables.

Asset-backed securitization

Trade receivables are sold on a revolving basis within the scope of an asset-backed securitization program (ABS). At the end of the fiscal year, the nominal volume of the receivables sold and derecognized as a result came to €228.2 million (prior year: €257.8 million).

In some cases, the CLAAS Group retains the share of the sold receivables as part of these sales; this is balanced out under certain circumstances by future credits or netting. The resulting assets amounted to €69.4 million as of the balance sheet date (prior year: €72.8 million).

As part of these sales, the CLAAS Group recognized assets of €16.3 million (prior year: €15.7 million) as of the reporting date for the partially retained provisions for risk of default. The financial liabilities associated with the sales amounted to €19.9 million (prior year: €18.7 million).

21. Other Financial Assets

in € '000	Current	Non-current	Sept. 30, 2016	Current	Non-current	Sept. 30, 2015
Borrowings	-	5,186	5,186	-	16,605	16,605
Receivables from investments	51,359	1	51,360	57,166	-	57,166
Derivative financial instruments	12,292	6,584	18,876	9,000	9,173	18,173
Creditors with a debit balance	7,275	-	7,275	4,928	-	4,928
Loan receivables	13,532	-	13,532	1,907	-	1,907
Interest receivables	1,126	-	1,126	2,268	-	2,268
Miscellaneous	94,370	1,637	96,007	104,726	1,223	105,949
Other financial assets	**179,954**	**13,408**	**193,362**	**179,995**	**27,001**	**206,996**

22. Other Non-financial Assets

in € '000	Current	Non-current	Sept. 30, 2016	Current	Non-current	Sept. 30, 2015
Prepaid expenses	10,602	-	10,602	13,103	-	13,103
Other taxes	42,062	2,724	44,786	53,854	-	53,854
Surplus related to funded benefit obligations	-	6,308	6,308	-	11,462	11,462
Miscellaneous	731	16,339	17,070	2,443	12,735	15,178
Other non-financial assets	**53,395**	**25,371**	**78,766**	**69,400**	**24,197**	**93,597**

23. Securities

A total of €226.0 million (prior year: €123.4 million) of current securities (€329.9 million; prior year: €268.7 million) was attributable to funds.

Of the current securities held at the beginning of the fiscal year, securities with historical costs of €136.2 million were disposed of during the fiscal year (prior year: €241.4 million). As a result of these disposals, gains and losses from exchange rate changes of €-0.4 million initially recognized directly in equity (prior year: €-0.3 million) were recognized as profit or loss in foreign exchange gains and losses, net, for the current period. Furthermore, €3.2 million from the changes in value of current securities were recognized directly in equity in other comprehensive income (prior year: €-10.5 million).

Securities totaling €5.4 million (prior year: €3.1 million) are pledged as collateral in order to meet the legal requirements of the German Partial Retirement Act (AltTZG).

24. Cash and Cash Equivalents

in € '000	Sept. 30, 2016	Sept. 30, 2015
Checks, cash in hand and bank balances	241,636	230,983
Cash equivalents	270,854	351,657
Cash and cash equivalents	**512,490**	**582,640**

There are drawing restrictions on cash and cash equivalents totaling €20.7 million, of which €19.9 million (prior year: €18.7 million) is attributable to proceeds from trade receivables transferred under the ABS program that are not freely disposable and are to be transferred to other contracting parties.

25. Equity

Amounts reported as subscribed capital and capital reserves in the consolidated financial statements correspond to the amounts in the separate financial statements of CLAAS KGaA mbH. The subscribed capital of CLAAS KGaA mbH is composed of three million no-par-value registered shares with voting rights. The general partner without capital contribution is Helmut Claas GmbH. The shareholders of the limited partnership, CLAAS KGaA mbH, are all direct and indirect members of the Claas family.

The consolidated statement of changes in equity presents the development of equity as well as detailed information as to changes in retained earnings and accumulated other comprehensive income.

The dividend distributed to shareholders in fiscal year 2016 amounted to €43.6 million.

At CLAAS, the management of capital is governed by provisions of corporate law. The capital under management corresponds to the equity recognized in the balance sheet of the CLAAS Group. The aim of capital management is to achieve an adequate equity-to-assets ratio.

Should it be necessary to comply with contractual provisions, the capital will in addition be managed in accordance with the relevant requirements.

26. Financial Liabilities

in € '000	Current	Non-current	Sept. 30, 2016	Current	Non-current	Sept. 30, 2015
Bonds	-	266,904	266,904	-	268,697	268,697
Liabilities to banks	105,083	-	105,083	112,340	-	112,340
Schuldscheindarlehen (German Private Placement)	-	300,000	300,000	-	300,000	300,000
Shareholder loans	4,249	41,991	46,240	80,951	41,991	122,942
Lease payables	222	-	222	351	226	577
Financial liabilities	**109,554**	**608,895**	**718,449**	**193,642**	**610,914**	**804,556**

The table below shows details of the privately placed bonds and the Schuldscheindarlehen (German Private Placement):

	Nominal volume	Carrying amount Sept. 30, 2016	Coupon in %	Due
Bond 2012	$300,000,000	$300,000,000	3.98 and 4.08	2022
Schuldscheindarlehen (German Private Placement) 2015	€250,000,000	€250,000,000	0.99 and 1.75	2020 and 2024
Schuldscheindarlehen (German Private Placement) 2015	€50,000,000	€50,000,000	variable, based on the Euribor	2020

Interest on liabilities to banks denominated in various currencies is charged at rates of between 4.1% p.a. and 4.8% p.a. Of these liabilities, €0.2 million are secured (prior year: €0.2 million). The unsecured liabilities to banks are attributable in part to very current liabilities in connection with the ABS program.

The shareholder loans refer primarily to liabilities to shareholders of the limited partnership.

In addition, the CLAAS Group had access to credit facilities from banks as well as a flexible syndicated loan totaling €757.9 million as of the balance sheet date for general financing purposes; €652.9 million of which was unutilized.

27. Silent Partnership

The silent partnership of the employee participation company, CMG Claas-Mitarbeiterbeteiligungs-Gesellschaft mbH (CMG), is compensated on the basis of performance and is considered subordinated in the event of liability. Pursuant to IFRS, any repayable capital transferred is classified as a financial liability. With regard to the silent partnership, the fair value cannot be reliably determined, for which reason the carrying amount is reported in this case.

In return for its subordinated capital contribution, CMG receives compensation that is based on the performance of the CLAAS Group. CMG also shares in any Group losses. A total of €5.1 million of the silent partnership can be terminated without cause as of September 30, 2017; additional termination-without-cause rights for €11.6 million apply between fiscal years 2018 and 2021.

28. Other Financial Liabilities

in € '000	Current	Non-current	Sept. 30, 2016	Current	Non-current	Sept. 30, 2015
Bills payable	4,986	-	4,986	14,222	-	14,222
Liabilities to investments	18,659	-	18,659	19,687	-	19,687
Derivative financial instruments	2,193	1,075	3,268	6,749	42	6,791
Accrued interest	2,893	-	2,893	2,720	-	2,720
Miscellaneous	33,401	2,831	36,232	27,811	2,544	30,355
Other financial liabilities	**62,132**	**3,906**	**66,038**	**71,189**	**2,586**	**73,775**

29. Other Non-financial Liabilities

in € '000	Current	Non-current	Sept. 30, 2016	Current	Non-current	Sept. 30, 2015
Deferred income	40,838	-	40,838	39,922	-	39,922
Other taxes	30,064	-	30,064	33,146	-	33,146
Social security	6,752	-	6,752	8,976	-	8,976
Miscellaneous	75	-	75	61	152	213
Other non-financial liabilities	**77,729**	**-**	**77,729**	**82,105**	**152**	**82,257**

30. Pension Provisions

Defined Benefit Plans

The pension provisions within the CLAAS Group encompass both obligations from current pensions as well as vested rights from future retirement, disability, and surviving dependents pensions. Pension obligations are normally based on the employees' length of service and remuneration levels. As a rule, defined benefit plans within the Group vary depending on the economic, tax, and legal conditions in the respective countries.

Individual agreements have been reached with the members of the Group Executive Board. The obligations from defined benefit plans for Group employees relate mainly to obligations in Germany, France, and the United Kingdom.

The pension plans have been closed in Germany since 2006, and since 2008 in the United Kingdom.

The defined benefit obligations are composed as follows:

in € '000 / Sept. 30, 2016	Defined benefit obligations (DBO)	Fair value of the plan assets	Net obligation
Germany	316,555	718	315,837
France	39,255	-	39,255
United Kingdom	69,887	76,195	-6,308
Other countries	3,503	-	3,503
Carrying amount	**429,200**	**76,913**	**352,287**
thereof: pension provisions			358,595
thereof: other non-financial assets			6,308

in € '000 / Sept. 30, 2015	Defined benefit obligations (DBO)	Fair value of the plan assets	Net obligation
Germany	250,871	702	250,169
France	31,789	-	31,789
United Kingdom	63,707	75,169	-11,462
Other countries	2,985	-	2,985
Carrying amount	**349,352**	**75,871**	**273,481**
thereof: pension provisions			284,943
thereof: other non-financial assets			11,462

The changes in the present value of the defined benefit obligations are composed as follows:

in € '000	2016	2015
Present value of the defined benefit obligations as of October 1	**349,352**	**321,835**
Current service cost	9,507	9,207
Interest cost	8,451	9,565
Actuarial gains and losses	81,591	15,494
Past service cost, curtailments and settlements	-	220
Currency translation	-9,766	3,334
Pension payments	-10,413	-10,935
Other	478	632
Present value of the defined benefit obligations as of September 30	**429,200**	**349,352**

The actuarial gains and losses largely result from the changes in financial assumptions.

The change in the fair value of the plan assets is shown in the table below:

in € '000	2016	2015
Fair value of the plan assets as of October 1	**75,871**	**69,869**
Interest income	2,690	2,918
Actuarial gains and losses	10,086	-608
Employer contributions	967	860
Employee contributions	478	576
Currency translation	-11,505	3,972
Pension payments from plan assets	-1,674	-1,716
Fair value of the plan assets as of September 30	**76,913**	**75,871**

The following amounts are recognized in comprehensive income for defined benefit plans:

in € '000	2016	2015
Current service cost	-9,507	-9,207
Past service cost	-	-220
Interest cost	-8,451	-9,565
Interest income	2,690	2,918
Defined benefit plan components recognized in the income statement	**-15,268**	**-16,074**
Income from plan assets excluding amounts already included in interest	10,086	-608
Actuarial gains and losses	-81,591	-15,494
Defined benefit plan components recognized directly in equity	**-71,505**	**-16,102**

Interest cost and interest income are included in the financial result. The service cost and the past service cost are reported as functional costs.

Total income from plan assets amounted to €12.8 million in fiscal year 2016 (prior year: €2.3 million).

The following material assumptions (average) were used for the actuarial valuation of the defined benefit plans:

	Sept. 30, 2016		Sept. 30, 2015	
in %	Germany	Other	Germany	Other
Discount rate	1.00	1.81	2.20	2.47
Rate of salary increase	3.00	3.14	3.00	2.82
Rate of pension increase	1.75	-	1.75	-

Plan assets mainly pertain to the funded plan in the United Kingdom and are composed of the following:

	Sept. 30, 2016		Sept. 30, 2015	
	in € '000	in %	in € '000	in %
Equity instruments	23,829	31.0	26,667	35.2
Bonds	44,410	57.7	40,777	53.7
Cash and cash equivalents	706	0.9	756	1.0
Other	7,968	10.4	7,671	10.1
Plan assets	**76,913**	**100.0**	**75,871**	**100.0**

The equity instrument and bond items are held in the form of funds, for which redemption prices are determined on a regular basis. The equity instruments and bonds included in the fund are quoted on active markets. The market value of the plan assets is largely determined by the capital market environment. Unfavorable equity and bond developments, in particular, could impact the market value. The investment risk is limited by the broad diversification of the bonds in the funds as well as the high quality of the obligors.

Plan assets are largely managed by a trust association in the United Kingdom under a trust agreement; this trust association stipulates, among other things, the principles and strategies for the investment activities.

With respect to investment strategy, the focus is on sufficient diversification in order to distribute investment risk over a variety of markets and asset classes. It is also important that there is sufficient congruity between the risk drivers on both the investment and obligation sides. The allocation of assets is kept within specific investment ranges with respect to the type of investment and geographical market. In the year under review and in the prior year, the main focus of investment was on United Kingdom securities.

Were the other assumptions to remain unchanged, a change in the discount rate, as the material actuarial assumption, would have the following impact on the present value of the defined benefit obligations. Actual developments will likely differ.

in € '000	Sept. 30, 2016	Sept. 30, 2015
Discount rate up 50 basis points	-41,707	-30,893
Discount rate down 50 basis points	44,770	32,267

A rise or fall of 50 basis points in the rate of pension increase would have a comparable impact on the present value of the defined benefit obligation as the discount rate, provided that the other assumptions remain unchanged. The impact of a possible change in the rate of salary increase, on the other hand, would be insignificant.

In fiscal year 2017, the employer contributions to plan assets are expected to amount to €0.6 million.

The weighted average maturity of the defined benefit obligations was 18.6 years as of September 30, 2016 (prior year: 18.6 years).

In fiscal year 2017, pension payments in the amount of €9.6 million are anticipated.

Defined Contribution Plans

Defined contribution plans are also in place in Germany and North America in addition to the defined benefit plans. Furthermore, contributions were also made to national pension insurance institutions in Germany.

The total cost of the defined contribution plans can be broken down as follows:

in € '000	2016	2015
Defined contribution plans	1,509	1,350
National plans	23,970	23,517
Total cost of defined contribution plans	**25,479**	**24,867**

31. Income Tax Provisions and Other Provisions

		Other provisions				
in € '000	Income tax provisions	Personnel obligations	Sales obligations	Miscellaneous obligations	Total other provisions	Total
Balance as of Oct. 1, 2015	**34,732**	**137,157**	**373,992**	**30,558**	**541,707**	**576,439**
Utilization	-21,637	-104,499	-181,134	-10,574	-296,207	-317,844
Reversals	-1,203	-3,253	-39,754	-4,349	-47,356	-48,559
Additions	5,461	108,612	208,012	10,199	326,823	332,284
Interest/change in interest rate	-	199	63	142	404	404
Currency translation	-176	-491	-4,456	-306	-5,253	-5,429
Balance as of Sept. 30, 2016	**17,177**	**137,725**	**356,723**	**25,670**	**520,118**	**537,295**
thereof: non-current	-	18,724	15,177	8,706	42,607	42,607
thereof: current	17,177	119,001	341,546	16,964	477,511	494,688

Income tax provisions include current tax obligations.

Personnel obligations mainly comprise provisions for part-time retirement programs, outstanding vacation time, anniversaries, and annual bonuses. Obligations arising from sales primarily relate to provisions for warranty claims, sales bonuses and rebates, and other sales-generating measures.

Other Disclosures

32. Contingent Liabilities and Other Financial Obligations

Rental and lease expenses of €53.9 million were recorded in fiscal year 2016 (prior year: €51.5 million). Minimum lease payments will become due as follows for future obligations:

	Sept. 30, 2016		Sept. 30, 2015	
in € '000	Finance leases	Operating leases	Finance leases	Operating leases
Due within 1 year	230	41,959	370	42,069
Due within 1 to 5 years	-	60,774	235	61,609
Due after 5 years	-	38,120	-	40,232
Principal amount of minimum lease payments	**230**	**140,853**	**605**	**143,910**
Interest portion	-8		-28	
Present value of minimum lease payments	**222**		**577**	

Lease payments received under non-cancelable sublease agreements amounted to €23.7 million as of the reporting date, and proceeds from future minimum lease payments amounted to €24.4 million.

Finance lease and operating lease obligations arise predominantly from lease programs under which CLAAS agricultural machines have been leased from CLAAS Financial Services S. A. S. and then provided to customers.

No provisions were recognized for the contingent liabilities from bills of exchange, guarantees, and other obligations of €16.8 million (prior year: €10.9 million), since the likelihood of risk is considered low.

33. Litigation and Damage Claims

As a result of their general business operations, CLAAS Group companies are involved in a variety of legal proceedings and official governmental proceedings, or are exposed to third-party claims, or there may be a possibility of such proceedings being instituted or asserted in the future (for instance with respect to patents, product liability, or goods supplied or services rendered). Although the outcome of individual proceedings cannot be predicted with certainty given the unforeseeable nature of events associated with legal disputes, the current assessment is that no significant adverse impact on the results of operations of the CLAAS Group will occur beyond the risks reflected in liabilities and provisions in the financial statements.

34. Additional Disclosures on Financial Instruments

Carrying Amounts of Financial Assets and Liabilities by Categories

in € '000	Sept. 30, 2016	Sept. 30, 2015
Financial assets at fair value through profit or loss	309,739	389,749
thereof: cash equivalents	(270,854)	(351,657)
thereof: fair value option	(20,009)	(19,919)
Loans and receivables	723,332	786,681
Available-for-sale financial assets	313,836	272,667
Financial liabilities at fair value through profit or loss	3,268	6,791
Financial liabilities measured at amortized cost	995,853	1,159,553

The carrying amounts of financial assets and liabilities generally equate to their fair values.

The values differ for financial liabilities: The carrying amounts of financial liabilities total €718.4 million (prior year: €804.6 million), while the fair value is €732.5 million (prior year: €805.6 million). The entire amount was attributable to Level 2 of the fair value hierarchy.

Fair Value Hierarchy

The market values of financial assets and financial liabilities measured at fair value may be determined based on the following basic data in accordance with the fair value hierarchy, with the individual measurement levels defined as follows in IFRS 13:

- Level 1 Measurement based on quoted prices in active markets for identical financial instruments
- Level 2 Measurement based on inputs other than quoted prices included within Level 1 that are observable either directly or indirectly
- Level 3 Measurement based on models using inputs that are not based on observable market data

The following table shows the carrying amounts of the financial assets and liabilities measured at fair value by measurement level. There were no transfers between the individual categories.

	Sept. 30, 2016			Sept. 30, 2015		
in € '000	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash equivalents	270,854	-	-	351,657	-	-
Securities	329,941	-	-	268,710	-	-
Derivative financial instruments	-	18,876	-	-	18,173	-
Financial assets at fair value	**600,795**	**18,876**	**-**	**620,367**	**18,173**	**-**
Derivative financial instruments	-	3,268	-	-	6,791	-
Financial liabilities at fair value	**-**	**3,268**	**-**	**-**	**6,791**	**-**

Net Gains or Losses on Financial Instruments

The net gains or losses on the financial instruments recognized in the consolidated income statement can be categorized as follows:

in € '000	2016	2015
Financial assets or financial liabilities at fair value through profit or loss	-540	12,347
Loans and receivables	-22,487	15,416
Available-for-sale financial assets	821	9,310
Financial liabilities measured at amortized cost	6,081	-23,004
Net gains or losses on financial instruments	**-16,125**	**14,069**

The net gains or losses on financial assets or financial liabilities at fair value through profit or loss arise solely from fair value changes.

For loans and receivables, the net gains or losses include foreign exchange gains and losses, impairment, write-ups, gains or losses from the sale of the loan or receivable, and gains or losses from the reversal of previously recognized impairment losses on debt instruments.

The net gains or losses of available-for-sale financial assets contain foreign exchange gains and losses, gains or losses from the disposal of the asset, impairment recognized as profit or loss, and any write-ups. The net gains or losses from available-for-sale financial assets recognized directly in equity are reported in Note 23.

The net gains or losses on financial liabilities measured at amortized cost primarily include foreign exchange gains and losses.

35. Derivative Financial Instruments and Hedge Accounting

Hedge accounting is not used for some derivative financial instruments. The changes in fair value for these derivatives are recognized as profit or loss. Where hedge accounting is applied, derivative financial instruments are used to hedge against future cash flows (cash flow hedging). There were no other hedging relationships in fiscal year 2016.

The following table provides an overview of the derivative financial instruments used and their fair values:

	Sept. 30, 2016		Sept. 30, 2015	
in € '000	Assets	Liabilities	Assets	Liabilities
Forward exchange transactions	15,434	1,913	14,105	6,000
thereof: cash flow hedges	(13,276)	(1,788)	(11,235)	(646)
Foreign currency options	3,376	185	4,068	261
thereof: cash flow hedges	(2,953)	(-)	(2,036)	(-)
Interest rate swaps	-	1,075	-	42
thereof: cash flow hedges	(-)	(-)	(-)	(42)
Others	66	95	-	488
thereof: cash flow hedges	(-)	(-)	(-)	(-)
Derivative financial instruments	**18,876**	**3,268**	**18,173**	**6,791**
thereof: non-current	6,584	1,075	9,173	42
thereof: current	12,292	2,193	9,000	6,749

The cash flows from interest rate and currency risks from non-current financial liabilities hedged by cash flow hedges are due in 2022 and recognized in profit or loss. The underlying transactions for cash flow hedges for currency risks from the operating business are largely expected to be realized in the coming 12 to 18 months. This means that these hedges will primarily impact profit or loss in the coming fiscal year.

Changes in the measurement of derivative financial instruments with hedging relationships (€2.9 million; prior year: €10.0 million) were recognized directly in equity as other comprehensive income in fiscal year 2016.

The changes in value of cash flow hedges reclassified from equity to foreign exchange gains and losses, net, in the fiscal year amounted to €1.0 million (prior year: €-7.3 million).

The ineffective portion from cash flow hedges, which was recognized as profit or loss in foreign exchange gains and losses, net, amounted to €-0.7 million (prior year: €-0.5 million).

36. Financial Risk Management

Principles of Risk Management

As a result of its business activities, the CLAAS Group is exposed to market price risk, particularly exchange rate and interest rate risk. On the procurement side, the CLAAS Group is exposed to commodity risk and risk related to its ability to ensure supplies. Moreover, credit risk arises from trade receivables, as well as from receivables relating to finance transactions such as investment of cash and cash equivalents or acquisition of securities. Liquidity risk can result from a significant decline in operating business performance or from the risk categories mentioned above.

All market price risks are identified for the entire CLAAS Group and measured, monitored, and managed centrally by Group Treasury. Systematic, central currency and interest rate management is undertaken in order to limit and control exchange rate and interest rate risk. In addition to operating measures to limit risk, all of the usual financial instruments, including derivatives, are used to manage risk. All transactions are concluded exclusively on the basis of existing underlying transactions or specifically planned transactions and are renewed on a rolling basis as required. All business partners are banks of very good credit quality.

Credit risk is identified, monitored, and managed for the entire CLAAS Group by the relevant decentralized units, supplemented by Group credit management. The local units focus their activities on operational monitoring and management of the respective risks in consideration of the locally adapted parameters specified by Group credit management. Group credit management establishes general guidelines, which form the basis for monitoring and managing the locally supervised transactions.

Since the management and the supervisory bodies of CLAAS attach great importance to systematic risk management, a comprehensive monitoring system that meets all legal requirements has been implemented. In this context, the efficiency of the hedging instruments used and the reliability of the internal control systems are regularly checked by means of internal and external reviews.

CLAAS pursues strict risk management. Derivative financial instruments are used exclusively for risk management purposes, i.e., to limit and govern risk related to business operations. The execution, control, and recording of transactions are strictly segregated in terms of physical function, on the one hand, and organizational function, on the other. Levels of discretion in trading in terms of both amount and content are defined in internal guidelines. In the finance area, risk positions are continuously evaluated and analyzed by means of suitable systems. The analysis includes simulations and scenario calculations. The competent executive bodies are informed regularly of risk exposure. Certain finance management transactions must be approved by the Group Executive Board and/or the Shareholders' Committee.

Credit Risk

CLAAS is exposed to credit risk resulting from its business operations and finance activities. This risk entails the danger of unexpected economic loss in the event that a counterparty does not fulfill its payment obligations. Credit risk comprises both the direct risk of default as well as the risk of a downgrade in credit rating in combination with the threat of a concentration of individual risks. The maximum risk arising from a financial asset corresponds to the carrying amount of the asset.

Effective monitoring and management of credit risk is a basic component of the risk management system at CLAAS. Group credit management has defined principles for managing credit risk across the Group. CLAAS internally reviews and rates the credit quality of all customers with credit needs exceeding certain limits. In addition to the contract documents submitted by the customer, the data for review and classification of credit quality is based on information from external credit rating agencies, previous default experience on the part of CLAAS, and experience resulting from the long-standing business partnership with the customer.

The maximum risk of default on trade receivables is derived from the carrying amounts recognized in the balance sheet. The risk of default is covered by write-downs. No single client was responsible for a material share of the total trade receivables of the CLAAS Group.

There were no indications, either during the course of the fiscal year or as of the balance sheet date, that the obligors of trade receivables that are neither impaired nor past due would not meet their payment obligations. According to an internal review of credit quality, almost all trade receivables are classified as low risk.

The collateral held for the purpose of minimizing potential credit risk consists primarily of credit insurance, guarantees from customers or banks, and, in some cases, retentions of title. For the most part, CLAAS has set aside collateral for trade receivables past due or impaired. This consists mainly of credit insurance, guarantees, and renewed retentions of title. There were no major losses recorded in either fiscal year 2016 or the prior year.

The CLAAS Group is subject to credit risk in connection with investments in cash and cash equivalents and securities based on the risk of the obligor or issuer not meeting its payment obligations. In order to minimize this risk, issuers and obligors are carefully selected. These must have at least a BBB rating pursuant to the Standard & Poor's categories. Investments are widely diversified to further limit the risk of default. Default risk is continuously monitored using a market- and rating-based limit system. Each year, the competent executive bodies of the CLAAS Group approve the basic investment strategy and the limit system.

Derivative financial instruments are used exclusively for risk management purposes. The derivatives are either measured individually at fair value or included in hedge accounting. The maximum credit risk arising from derivative financial instruments corresponds to the positive market values of the instrument. The impact of counterparty risks on the market value is quantified using the credit value adjustment. Nearly all counterparties are internationally operating banks. The credit quality of the counterparties is continuously reviewed on the basis of the Standard & Poor's, Moody's, or Fitch credit ratings and the market prices for credit default insurance. Moreover, the risk of default is limited by engaging in a strategy of broad diversification.

Risks can also arise from issued financial guarantees. As of September 30, 2016, the maximum risk in the event of utilization amounted to €0.8 million (prior year: €4.2 million). The fair value was calculated as of the date of addition using the "expected value" method, taking into account credit risk reductions (liquidation proceeds) and risks that could arise on the basis of a default probability of 5% to 10% (prior year: 5%).

Liquidity Risk

The CLAAS Group employs a number of measures to effectively counter liquidity risk. In doing so, liquidity management places top priority on the absolute necessity of ensuring solvency at all times. Liquidity management also aims for a comfortable and cost-efficient liquidity position that will allow the Group to react adequately to opportunities in a dynamic market environment. To meet these goals, value is placed on maintaining sufficient financing commitments (see Note 26) and cash and cash equivalents as well as on the ABS program (see Note 20) and international cash management. Liquidity trends are monitored intensively on an ongoing basis in the form of daily, weekly, and monthly analyses and reports with an increasing level of detail; future liquidity requirements are projected on a regular basis as part of the financial planning process. This process consists of a rolling three-month forecast, an annual forecast, and a five-year forecast. In addition, the situation with regard to financing conditions for CLAAS on the financial markets is monitored on an on-going basis to enable any refinancing risk to be countered promptly and proactively.

The following table gives an overview of undiscounted contractually agreed payment obligations from liabilities due in the coming fiscal years:

in € '000 / Sept. 30, 2016	2017	2018	2019	2020	2021	From 2022	Total
Financial liabilities	123,459	13,897	13,899	263,896	11,596	391,811	818,558
Silent partnership	5,132	2,717	2,775	3,043	3,034	25,740	42,441
Trade payables	172,193	-	-	-	-	-	172,193
Bills payable	4,986	-	-	-	-	-	4,986
Liabilities to investments	18,659	-	-	-	-	-	18,659
Derivative financial instruments	2,133	-	-	1,084	-	-	3,217
Miscellaneous	33,401	2,831	-	-	-	-	36,232
Payments due	**359,963**	**19,445**	**16,674**	**268,023**	**14,630**	**417,551**	**1,096,286**

in € '000 / Sept. 30, 2015	2016	2017	2018	2019	2020	From 2021	Total
Financial liabilities	209,027	14,215	14,085	14,224	264,366	405,357	921,274
Silent partnership	9,607	2,710	2,767	2,825	3,097	18,721	39,727
Trade payables	248,287	-	-	-	-	-	248,287
Bills payable	14,222	-	-	-	-	-	14,222
Liabilities to investments	19,687	-	-	-	-	-	19,687
Derivative financial instruments	6,976	181	173	173	173	-	7,676
Miscellaneous	27,811	2,544	-	-	-	-	30,355
Payments due	**535,617**	**19,650**	**17,025**	**17,222**	**267,636**	**424,078**	**1,281,228**

Currency Risk

The international focus of the CLAAS Group means that its operating business and financial transactions are exposed to risks of exchange rate differences, mainly arising from fluctuations in the value of the U.S. dollar, British pound, Polish zloty, Hungarian forint, Russian ruble, and Chinese renminbi against the euro. In the operating business, currency risk mainly arises when net sales are realized in a currency different from that of the associated costs (transaction risk). To effectively counter the effect of exchange rate fluctuations, CLAAS pursues central currency management under the purview of the Group Treasury department.

To calculate the total risk exposure, the estimated operating inflows and outflows are recorded centrally for each currency on a fiscal-year basis. A basic hedging strategy is developed for the resulting net exposures in consideration of risk-bearing capacity and the market situation. The hedging strategy is intended to protect the CLAAS Group from negative market developments, while enabling the Group to participate in positive developments. The hedge horizon is typically between one and two years. The hedging strategy is approved by the competent executive body of the CLAAS Group and implemented by the Group Treasury department through the conclusion of financial derivative contracts. The hedging strategy implemented is monitored continuously by the Group Treasury department and adapted as needed. Group management and the competent executive body receive regular reports informing them of the current status of the currency risk position.

Financing-related and investment-related currency risks are – insofar as possible and appropriate – integrated into the forecasts of operating exposure. Alternatively, these risks may be hedged individually on a case-by-case basis.

The following scenario analysis indicates the value of financial instruments denominated in foreign currencies in the event of a 10% increase or 10% decrease in the value of the hedging portfolio in comparison with the actual exchange rates on the balance sheet date. The figures are presented separately depending on whether the items are recognized in equity (via hedge accounting) or at fair value through profit or loss. The future underlying items that the derivative portfolio is intended to hedge are not included in the presentation pursuant to IFRS 7. Any conclusions made on the basis of the information presented here therefore relate exclusively to derivative financial instruments. The values stated are not meaningful for determining the overall future effect of exchange rate fluctuations on the cash flows or earnings of the CLAAS Group. In addition to the analysis made here of the fair value risk inherent in currency derivatives, internal risk management and the information provided regularly to the competent executive bodies are based above all on meaningful scenario analyses of the total risk position, which take account of both the underlying items and the hedge portfolio. Foreign currency loans are generally hedged using currency hedging instruments; as a result, there is no currency risk from these items.

	Sept. 30, 2016		Sept. 30, 2015	
in € '000	Equity	Profit or loss	Equity	Profit or loss
Actual fair value	**7,860**	**1,149**	**3,452**	**335**
Fair value in the event of an exchange rate increase of 10%	**28,764**	**5,903**	**23,847**	**10,204**
U.S. dollar	7,030	5,155	9,137	3,984
British pound	16,357	249	7,659	3,675
Polish zloty	3,003	1,068	5,693	2,331
Hungarian forint	-461	-999	-827	-460
Other	2,835	430	2,185	674
Fair value in the event of an exchange rate decrease of 10%	**-9,527**	**-9,493**	**-11,401**	**-14,421**
U.S. dollar	-5,134	-7,828	-5,908	-5,435
British pound	1,428	203	-3,703	-6,965
Polish zloty	-3,449	-2,964	-2,190	-2,139
Hungarian forint	997	797	1,274	172
Other	-3,369	299	-874	-54

Furthermore, the conversion of the net assets of foreign subsidiaries located outside the euro zone and their income and expenses (translation risk) also entail currency risks; these risks are not generally hedged.

Interest Rate Risk

CLAAS is generally exposed to interest rate risk on assets and liabilities. Such risk may arise on financial instruments such as bonds or liabilities to banks or due to the effects of interest rate changes on operating and strategic liquidity. Transactions relating to initial capital procurement and capital investment, as well as the subsequent management of the positions in line with targets such as maturity date and the length of time for which interest rates are fixed, are undertaken centrally for the entire CLAAS Group by the Group Treasury department in coordination with the competent executive bodies. Interest rate derivatives are also used to manage risk. These positions are recognized at their fair values and continuously monitored on a fair value basis. The resulting risk is measured by means of value at risk analyses, among other things.

Value at risk is measured using Monte Carlo simulation, assuming a confidence level of 99.0% and a holding period of ten days. The resulting figure represents the loss in market value of the portfolio of all interest-sensitive instruments, with a probability of only 1.0% that the figure obtained will be exceeded after ten days. Currency derivatives are not included, as any interest-related changes they may be exposed to are insignificant. As of the balance sheet date, the value at risk of all interest-sensitive financial instruments amounted to €2.1 million (prior year: €2.5 million).

Commodity Price Risk

CLAAS is subject to the risk of changes in commodity prices arising from the procurement of input materials. To a minor extent, derivative financial instruments are used to hedge the risk of changes in the price of industrial metals. The resulting risk is thus insignificant.

37. Disclosures on the Consolidated Statement of Cash Flows

The consolidated statement of cash flows comprises cash flows from operating as well as investing and financing activities. Effects of changes in the scope of consolidation on cash and cash equivalents are shown separately in cash flows from investing activities. The impact of exchange rate fluctuations on cash and cash equivalents is eliminated from individual cash flows and stated separately.

The following cash flows are reported under cash flows from operating activities:

in € '000	2016	2015
Interest paid	30,738	35,595
Interest received	7,306	6,479
Dividends received	5,159	7,600
Income taxes paid	69,887	52,423

38. Related Party Disclosures

Related parties are associates and joint ventures accounted for using the equity method as well as persons who can exercise significant influence on the CLAAS Group. The latter includes the members of the Group Executive Board, the Supervisory Board, and the Shareholders' Committee, as well as the members of the Claas families.

The following table shows the extent of the business relationships of the CLAAS Group with related parties:

in € '000	2016	2015
Income	243,363	258,498
Expenses	276,076	255,334
Receivables	36,621	58,927
Liabilities	12,435	16,181

The receivables mainly relate to interest-bearing loans issued and the liabilities primarily to trade payables.

The members of the Claas family granted loans totaling €46.2 million in the reporting year (prior year: €122.9 million); of this amount, €4.2 million (prior year: €81.0 million) is due within one year.

The CLAAS Group did not conclude any other material transactions with related parties.

All transactions with related parties were conducted on an arm's length basis.

The remuneration paid to members of the Supervisory Board and the Shareholders' Committee totaled €0.8 million in fiscal year 2016 (prior year: €0.8 million).

The following remuneration was paid to members of the Group Executive Board:

in € '000	2016	2015
Current remuneration	4,605	5,155
Provisions for retirement benefits	53	89
Total Group Executive Board remuneration	**4,658**	**5,244**

Retirement benefits were paid to former members of the Executive Board of CLAAS KGaA mbH / the Group Executive Board in the amount of €0.6 million (prior year: €0.6 million). Obligations for current pensions and vested rights of former members of the Executive Board of CLAAS KGaA mbH / the Group Executive Board totaled €11.8 million as of the balance sheet date (prior year: €10.8 million).

39. Auditor's Fees

The following fees were recognized as an expense for the services provided by the auditor of the consolidated financial statements, Deloitte GmbH, Düsseldorf, Germany:

in € '000	2016	2015
Audit services	617	642
Other assurance services	73	42
Tax consulting services	71	21
Other services	7	15
Auditor's fees	**768**	**720**

Audit services include fees for auditing the financial statements of CLAAS KGaA mbH and the consolidated financial statements as well as the financial statements of the domestic subsidiaries.

40. Application of Section 264 (3) and Section 264b of the German Commercial Code

The following domestic subsidiaries made partial use of the exemption option pursuant to Section 264 (3) and Section 264b of the German Commercial Code:

- 365FarmNet Group GmbH & Co KG, Gütersloh
- CLAAS Anlagemanagement GmbH, Harsewinkel
- CLAAS E-Systems KGaA mbH & Co KG, Gütersloh
- CLAAS E-Systems Verwaltungs GmbH, Gütersloh
- CLAAS Global Sales GmbH, Harsewinkel
- CLAAS Industrietechnik GmbH, Paderborn
- CLAAS Saulgau GmbH, Bad Saulgau
- CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel
- CLAAS Service and Parts GmbH, Harsewinkel
- CLAAS Vertriebsgesellschaft mbH, Harsewinkel

41. Events after the Balance Sheet Date

There were no events or developments after the end of the fiscal year that could have led to material changes in the presentation or the measurement of individual assets or liabilities as of September 30, 2016 or that are subject to disclosure requirements.

42. List of Shareholdings

Company and registered office	Shareholding in %
I. Affiliated companies included in the scope of consolidation	
Domestic companies	
BLT Brandenburger Landtechnik GmbH, Liebenthal	50.6
CLAAS Anlagemanagement GmbH, Harsewinkel	100.0
CLAAS Bordesholm GmbH, Bordesholm	61.4
CLAAS Braunschweig GmbH, Schwülper	100.0
CLAAS Central Asia Investment GmbH, Harsewinkel	100.0
CLAAS E-Systems KGaA mbH & Co KG, Gütersloh	100.0
CLAAS E-Systems Verwaltungs GmbH, Gütersloh	100.0
CLAAS Global Sales GmbH, Harsewinkel	100.0
CLAAS Hessen GmbH, Fritzlar	100.0
CLAAS Industrietechnik GmbH, Paderborn	100.0
CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel	
CLAAS Osteuropa Investitions GmbH, Harsewinkel	100.0
CLAAS Saulgau GmbH, Bad Saulgau	100.0
CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel	100.0
CLAAS Service and Parts GmbH, Harsewinkel	100.0
CLAAS Thüringen GmbH, Schwabhausen	100.0
CLAAS Vertriebsgesellschaft mbH, Harsewinkel	100.0
CLAAS Weser Ems GmbH, Molbergen	100.0
365FarmNet GmbH, Gütersloh	100.0
365FarmNet Group GmbH & Co KG, Gütersloh	100.0
365FarmNet Verwaltungs GmbH, Gütersloh	100.0
Foreign countries	
Anglia Harvesters Ltd., Saxham/United Kingdom	100.0
Canada West Harvest Centre Inc., Kelowna/Canada	100.0
CHW Fonds, Luxembourg/Luxembourg	
CLAAS Agricoltura S.R.L., Milan/Italy	100.0
CLAAS Agricultural Machinery Private Limited, New Delhi/India	100.0
CLAAS Agricultural Machinery Trading (Beijing) Co., Ltd., Beijing/China	100.0
CLAAS América Latina Representação Ltda., Porto Alegre/Brazil	100.0
CLAAS Argentina S.A., Sunchales/Argentina	100.0
CLAAS Canada Holdings Inc., Kelowna/Canada	100.0
CLAAS East Asia Holding Ltd., Hong Kong/China	100.0
CLAAS Financial Services Inc., Wilmington/Delaware/USA	100.0
CLAAS France Holding S.A.S., Paris/France	100.0
CLAAS France S.A.S., Paris/France	100.0
CLAAS Global Sales Americas Inc., Wilmington/Delaware/USA	100.0
CLAAS Global Sales Western Europe S.A.S., Paris/France	100.0
CLAAS Greater China Holding Ltd., Hong Kong/China	100.0
CLAAS Holdings Ltd., Saxham/United Kingdom	100.0
CLAAS Hungaria Kft., Törökszentmiklós/Hungary	100.0
CLAAS Ibérica S.A., Madrid/Spain	100.0
CLAAS India Private Ltd., Faridabad/India	100.0
CLAAS Italia S.p.A., Vercelli/Italy	100.0
CLAAS Jinyee Agricultural Machinery (Heilongjiang) Co., Ltd., Daqing/China	100.0
CLAAS Jinyee Agricultural Machinery (Shandong) Co., Ltd., Gaomi/China	100.0
CLAAS Middle East - FZE, Dubai/United Arab Emirates	100.0
CLAAS North America Holdings Inc., Omaha/Nebraska/USA	100.0
CLAAS of America Inc., Omaha/Nebraska/USA	100.0

Foreign countries	
CLAAS Omaha Inc., Omaha/Nebraska/USA	100.0
CLAAS Polska sp. z o.o., Poznań/Poland	100.0
CLAAS Regional Center South East Asia Ltd., Bangkok/Thailand	100.0
CLAAS Regional Center South East Europe S.R.L., Afumați/Romania	100.0
CLAAS Réseau Agricole S.A.S., Paris/France	100.0
CLAAS Retail Properties Ltd., Saxham/United Kingdom	100.0
CLAAS Southern Ltd., Saxham/United Kingdom	100.0
CLAAS Tractor S.A.S., Vélizy/France	100.0
CLAAS U.K. Ltd., Saxham/United Kingdom	100.0
CLAAS Western Ltd., Saxham/United Kingdom	100.0
Eastern Harvesters Ltd., Saxham/United Kingdom	100.0
Mercator Purchasing S.A., Luxembourg/Luxembourg	
Nebraska Harvest Center Inc., Wilmington/Delaware/USA	100.0
OOO CLAAS Vostok, Moscow/Russia	100.0
OOO CLAAS, Krasnodar/Russia	99.0
S@T-INFO S.A.S., Chalon-sur-Saône/France	100.0
TOV CLAAS Ukraina, Kiev/Ukraine	100.0
Usines CLAAS France S.A.S., Metz-Woippy/France	100.0

II. Associates accounted for using the equity method	
CLAAS Finance Ltd., Basingstoke/United Kingdom	49.0
CLAAS Financial Services LLC., San Francisco/California/USA	49.0
Mecklenburger Landtechnik GmbH Mühlengeez, Prüzen/Germany	25.1
Worch Landtechnik GmbH, Schora/Germany	39.0

III. Joint ventures and joint operations accounted for using the equity method	
CLAAS Financial Services Ltd., Basingstoke/United Kingdom	49.0
CLAAS Financial Services S.A.S., Paris/France	39.9
Fricke Landtechnik GmbH, Demmin/Germany	25.1
G.I.M.A. S.A.S., Beauvais/France	50.0
TechnikCenter Grimma GmbH, Mutzschen/Germany	30.0
Tingley Implements Inc., Lloydminster/Canada	33.3
Uz CLAAS Agro MChJ, Tashkent/Uzbekistan	49.0

IV. Other significant shareholdings		**Subscribed capital**	**Shareholding in %**
CLAAS Main-Donau GmbH & Co. KG, Vohburg/Germany	EUR	1,200,000	10.0
CLAAS Nordostbayern GmbH & Co. KG, Altenstadt an der Waldnaab/Germany	EUR	750,000	10.0
CLAAS Südostbayern GmbH, Töging am Inn/Germany	EUR	700,000	10.0
CLAAS Württemberg GmbH, Langenau/Germany	EUR	800,000	10.0
CS Parts Logistics GmbH, Bremen/Germany	EUR	1,550,000	50.0
DESICO S.A., Buenos Aires/Argentina	ARS	13,333	10.0
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern/Germany	EUR	1,248,000	4.2
Etablissements Mouchard S.A.S., Les Authieux Ratieville/France	EUR	1,000,000	35.0
James Gordon Ltd., Castle Douglas/United Kingdom	GBP	390,000	17.9
Landtechnik Steigra GmbH, Steigra/Germany	EUR	615,000	15.1
LTZ Chemnitz GmbH, Hartmannsdorf/Germany	EUR	750,000	10.0
MD-Betriebs-GmbH, Munich/Germany	EUR	25,000	10.0
NOB-Betriebs-GmbH, Munich/Germany	EUR	25,000	10.0
Pellenc Languedoc Roussillon S.A.S., Lézignan-Corbières/France	EUR	1,000,000	35.0
Sellars Agriculture Ltd., Oldmeldrum/United Kingdom	GBP	237,500	22.9
1076230 B.C. Ltd., Crossfield/Alberta/Canada	CAD	555,556	10.0

Management Statement on the Preparation of the Consolidated Financial Statements

These consolidated financial statements for the fiscal year ended September 30, 2016 and the Group management report were prepared by the Executive Board of CLAAS KGaA mbH on November 24, 2016. The accuracy and completeness of the information contained in the financial statements and the Group management report are the responsibility of the Company's management. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Directive 83/3 49/EEC. Prior-year figures were determined in accordance with the same principles. The consolidated financial statements are supplemented by the Group management report and additional disclosures in accordance with Section 315a of the German Commercial Code (HGB).

Systems of internal control, uniform Group accounting policies, and continuous employee training ensure that the consolidated financial statements and the Group management report are prepared in compliance with generally accepted accounting principles and comply with statutory requirements. Compliance with the guidelines set forth in the risk management manual, which are applicable to the Group as a whole, as well as the reliability and effectiveness of the control systems are examined by our internal auditing unit on an ongoing basis. After careful examination of the current risk position, we have discovered no specific risks that could threaten the continued existence of the CLAAS Group.

Harsewinkel, November 24, 2016

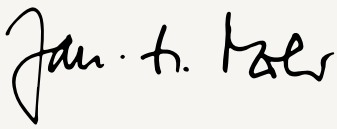
Lothar Kriszun

Thomas Böck

Hans Lampert

Bernd Ludewig

Hermann Lohbeck



Jan-Hendrik Mohr

Independent Auditor's Report

We have audited the consolidated financial statements of CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel, consisting of the income statement, the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity, and the notes to the financial statements, as well as the Group management report for the fiscal year from October 1, 2015 to September 30, 2016. The preparation of the consolidated financial statements and the Group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and the Group management report.

We conducted our audit of the consolidated financial statements pursuant to Section 317 of the German Commercial Code and the generally accepted German standards for the audit of financial statements as promulgated by the "Institut der Wirtschaftsprüfer." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any misstatements or violations that would have a material effect on the presentation of a true and fair view of the financial position and financial performance conveyed by the consolidated financial statements in accordance with generally accepted accounting principles and by the Group management report. Knowledge of the business activities and economic and legal environment of the Group and expectations of possible misstatements are taken into account in determining audit procedures. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and Group management report as well as the effectiveness of the internal control system relating to the accounting system. The audit also includes assessing the financial statements of the companies included in the consolidated financial statements as well as the definition of the group of consolidated companies, the accounting and consolidation principles used, and significant estimates made by the Company's management as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Based on our audit, it is our opinion that the consolidated financial statements of CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel, comply with IFRS as adopted by the EU and the additional requirements of German commercial law as set forth in Section 315a (1) of the German Commercial Code and provide a true and fair view of the financial position and financial performance of the Group in consideration of the aforementioned provisions. The Group management report is consistent with the consolidated financial statements and, taken as a whole, provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

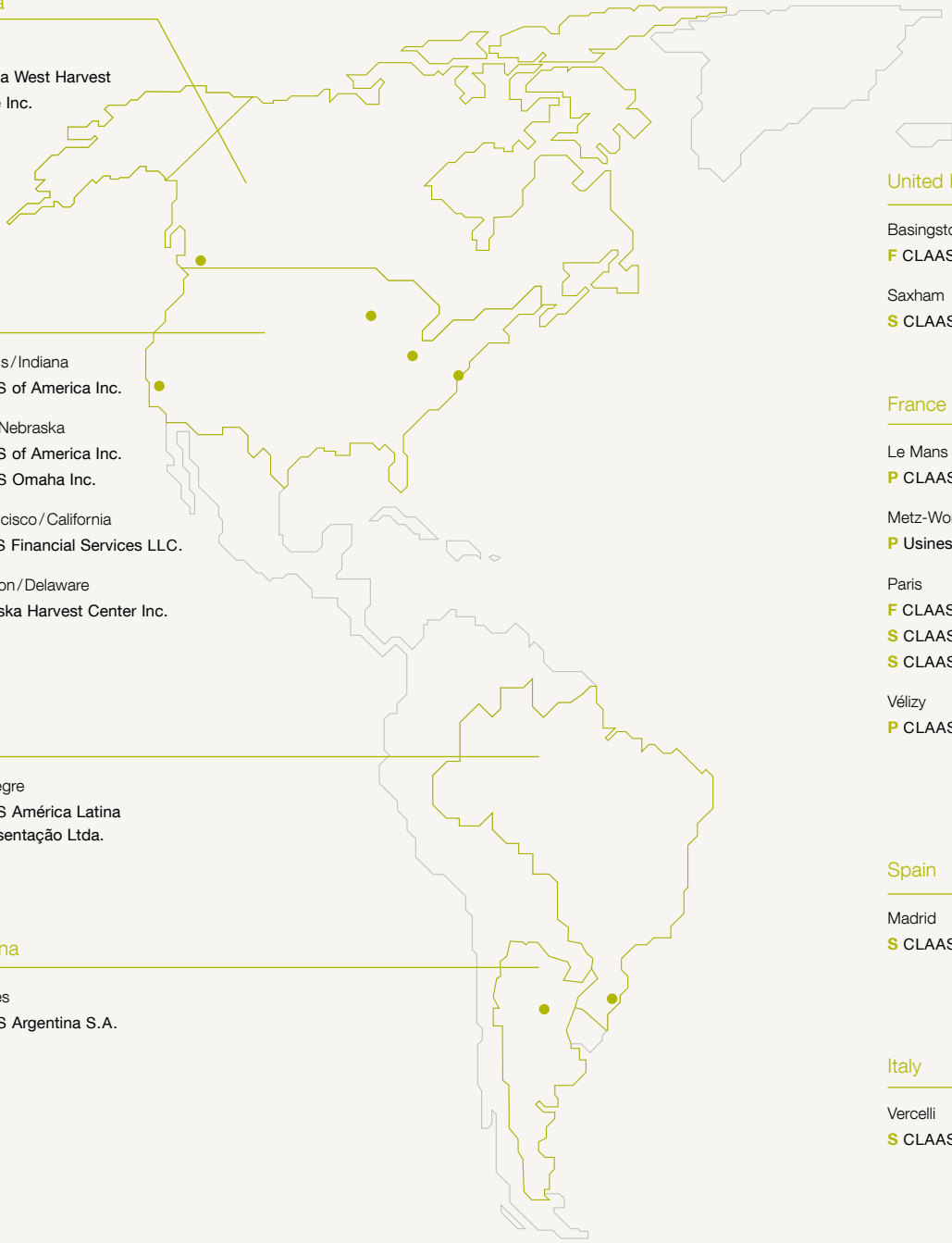
Düsseldorf, November 24, 2016

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Bedenbecker)
German Public Auditor

(Dr. Brüggemann)
German Public Auditor

Locations



Canada

Kelowna
S Canada West Harvest Centre Inc.

USA

Columbus / Indiana
S CLAAS of America Inc.

Omaha / Nebraska
S CLAAS of America Inc.
P CLAAS Omaha Inc.

San Francisco / California
F CLAAS Financial Services LLC.

Wilmington / Delaware
S Nebraska Harvest Center Inc.

Brazil

Porto Alegre
S CLAAS América Latina Representação Ltda.

Argentina

Sunchales
S CLAAS Argentina S.A.

United Kingdom

Basingstoke
F CLAAS Financial Services Ltd.

Saxham
S CLAAS U.K. Ltd.

France

Le Mans
P CLAAS Tractor S.A.S.

Metz-Woippy
P Usines CLAAS France S.A.S.

Paris
F CLAAS Financial Services S.A.S.
S CLAAS France S.A.S.
S CLAAS Réseau Agricole S.A.S.

Vélizy
P CLAAS Tractor S.A.S.

Spain

Madrid
S CLAAS Ibérica S.A.

Italy

Vercelli
S CLAAS Italia S.p.A.

P Product Company
S Sales Company
F Financing Company
H Holding – Management and Services

Germany

Bad Saulgau
P CLAAS Saulgau GmbH

Gütersloh
P CLAAS E-Systems KGaA mbH & Co KG

Hamm
S CLAAS Service and Parts GmbH

Harsewinkel
H CLAAS KGaA mbH
S CLAAS Global Sales GmbH
P CLAAS Selbstfahrende Erntemaschinen GmbH
S CLAAS Service and Parts GmbH
S CLAAS Vertriebsgesellschaft mbH

Paderborn
P CLAAS Industrietechnik GmbH

Poland

Poznań
S CLAAS Polska sp. z o.o.

Russia

Krasnodar
P OOO CLAAS

Moscow
S OOO CLAAS Vostok

Ukraine

Kiev
S TOV CLAAS Ukraina

China

Beijing
S CLAAS Agricultural Machinery Trading (Beijing) Co., Ltd.

Gaomi
P CLAAS Jinyee Agricultural Machinery (Shandong) Co., Ltd.

Thailand

Bangkok
V CLAAS Regional Center South East Asia Ltd.

United Arab Emirates

Dubai
V CLAAS Middle East – FZE

India

Chandigarh
P CLAAS India Private Ltd.

Faridabad
P CLAAS India Private Ltd.

New Delhi
S CLAAS Agricultural Machinery Private Limited

Romania

Afumați
S CLAAS Regional Center South East Europe S.R.L.

Hungary

Törökszentmiklós
P CLAAS Hungaria Kft.

Definitions

Capital expenditure	=	Capital expenditure for intangible assets (excluding goodwill) + capital expenditure for property, plant and equipment
EBIT	=	Net income + income taxes + interest and similar expenses
EBITDA	=	EBIT +/- amortization/depreciation/impairment/write-ups of intangible assets; property, plant and equipment; investments; and borrowings
Equity and non-current liabilities to non-current assets (in %)	=	$\frac{\text{Equity + non-current liabilities}}{\text{Non-current assets}} \times 100$
Equity-to-assets ratio (in %)	=	$\frac{\text{Equity}}{\text{Total assets}} \times 100$
Free cash flow	=	Cash flows from operating activities - net capital expenditure in intangible assets; property, plant and equipment; borrowings and shares of fully consolidated companies and investments
Liquid assets	=	Cash and cash equivalents + current securities
Return on equity (in %)	=	$\frac{\text{Net income}}{\text{Equity}} \times 100$
Return on sales (in %)	=	$\frac{\text{Income before taxes}}{\text{Net sales}} \times 100$
Working capital	=	Inventories +/- trade accounts receivable/payable +/- notes receivable/payable

Ten-year Overview

in € million	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Financial performance										
Net sales	3,631.6	3,838.5	3,823.0	3,824.6	3,435.6	3,304.2	2,475.5	2,900.8	3,236.2	2,658.9
Research and development costs[1]	213.7	203.0	212.3	197.0	181.2	144.3	122.6	124.8	113.8	109.6
EBITDA	251.9	310.5	327.9	420.5	426.1	377.5	200.3	230.0	385.6	312.0
EBIT	129.0	196.8	194.4	334.7	347.6	292.3	116.1	146.9	282.5	209.9
Income before taxes	93.5	157.7	155.1	295.3	315.6	255.3	77.2	112.3	248.1	175.8
Net income	37.6	105.7	113.1	212.3	232.7	181.8	51.5	73.4	169.3	114.8
Return on sales (in %)	2.6	4.1	4.1	7.7	9.2	7.7	3.1	3.9	7.7	6.6
Return on equity (in %)	3.2	8.6	9.6	17.3	21.3	20.9	6.3	9.5	23.2	19.0
Foreign sales (in %)	78.6	77.2	77.2	78.1	77.3	73.5	73.1	75.2	77.6	76.3
Cash flow / investments / amortization, depreciation, impairment										
Cash flows from operating activities	246.0	156.5	50.4	247.6	115.1	244.5	300.5	-140.6	334.6	264.8
Free cash flow	118.5	38.8	-136.9	82.1	-84.2	156.5	215.8	-264.8	217.5	166.2
Capital expenditure[2]	122.2	128.3	173.2	172.4	163.1	93.7	87.2	125.2	115.1	101.4
Depreciation / amortization / impairment[3]	102.8	111.3	133.3	83.3	78.4	85.1	84.2	83.1	85.1	84.0
Asset / capital structure										
Non-current assets	1,002.0	993.0	942.5	820.4	707.3	586.4	561.6	579.1	522.8	493.3
thereof: development costs recognized as an asset	174.9	160.9	141.8	116.1	96.9	89.7	92.3	95.5	99.8	91.5
thereof: property, plant and equipment	480.5	480.7	486.2	460.0	404.3	337.6	330.5	322.4	281.0	257.6
Current assets	2,135.2	2,350.2	2,170.6	2,105.5	1,913.1	1,803.4	1,716.8	1,627.6	1,501.1	1,282.7
thereof: inventories	733.0	873.1	934.9	729.7	682.1	559.6	418.1	519.3	394.6	343.0
thereof: liquid assets	842.4	851.3	699.2	863.7	767.2	818.8	907.7	677.2	716.2	597.9
Equity	1,160.7	1,231.0	1,183.2	1,226.7	1,094.8	870.1	814.2	775.5	731.0	604.4
Equity-to-assets ratio (in %)	37.0	36.8	38.0	41.9	41.8	36.4	35.7	35.1	36.1	34.0
Non-current liabilities	1,060.2	981.1	656.1	700.0	593.5	497.3	720.6	766.2	503.8	541.4
Current liabilities	916.3	1,131.1	1,273.8	999.2	932.1	1,022.4	743.6	665.0	789.1	630.2
Total assets	3,137.2	3,343.2	3,113.1	2,925.9	2,620.4	2,389.8	2,278.4	2,206.7	2,023.9	1,776.0
Net liquidity	124.0	46.7	82.7	387.4	333.6	442.9	395.2	166.2	450.6	273.7
Working capital	892.3	1,007.2	998.1	843.6	822.7	650.9	512.6	692.8	474.8	420.2
Equity and non-current liabilities to non-current assets (in %)	221.6	222.8	195.2	234.9	238.7	233.2	273.3	266.2	236.2	232.3
Employees										
Number of employees as of the balance sheet date[4]	11,300	11,535	11,407	9,697	9,077	9,060	8,968	9,467	9,100	8,425
Personnel expenses	653.3	650.6	627.0	594.0	548.1	540.4	489.0	522.8	514.9	472.8

[1] Before capitalized and amortized development costs.

[2] Including development costs recognized as an asset, excluding goodwill.

[3] Of intangible assets (excluding goodwill) and property, plant and equipment.

[4] Including apprentices.

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Products and Services

1 //

3 //

2 //

4 //

1 // Combines

- LEXION 780-740
- LEXION 670-620
- TUCANO 570-320
- AVERO 240/160
- DOMINATOR 130
- CROP TIGER 40/30
- Attachments

2 // Forage harvesters

- JAGUAR 980-930
- JAGUAR 870-840
- JAGUAR 980-930
- Attachments

3 // Tractors

- XERION 5000-4000
- AXION 950-920
- AXION 870-800
- ARION 650-530
- ARION 460-410
- ATOS 350-220
- ELIOS 240-210
- NEXOS 250-210
- TALOS 240-120

4 // Balers

- QUADRANT 3400
- QUADRANT 5300
- QUADRANT 5200
- QUADRANT 4200
- QUADRANT 2100
- QUADRANT 4000
- VARIANT 485-465
- VARIANT 480-460
- VARIANT 470 / 450
- ROLLANT 455 / 454 UNIWRAP
- ROLLANT 375 / 374 UNIWRAP
- ROLLANT 350 / 340
- ROLLANT 620

5 //

7 //

6 //

8 //

5 // Telehandlers

SCORPION 9055-6030

6 // Forage harvesting machinery

DISCO Disc mowers
CORTO Drum mowers
VOLTO Tedders
LINER Swathers
CARGOS 9600-9400
CARGOS 8500-8300
CARGOS 760-740
QUANTUM Loader wagons

7 // EASY – Efficient Agriculture Systems by CLAAS

Steering systems
Terminals
Fleet Management
CEMOS
Precision Farming
Farm Management
Services

8 // CLAAS Service and Parts

Products for CLAAS Machines
Spare parts
Accessories
Supplies
Agricultural technology equipment
Service products

2017 Calendar – Important trade fair dates

January
International Green Week / Berlin / Germany

February
SIMA / Paris / France

March
AGRITECHNICA ASIA / Bangkok / Thailand
AGROTECH / Kielce / Poland

April
SIAM / Meknès / Morocco

May
AGRISHOW / Ribeirão Preto / Brazil
NAMPO Show / Bothaville / South Africa
GRASSLAND UK / Stoneleigh / United Kingdom

June
CEREALS / Boothby Heath / United Kingdom

July
RURAL / Buenos Aires / Argentina

August
FARM PROGESS SHOW / Decatur, Illinois / USA

October
CIAME / Beijing / China

November
AGRITECHNICA / Hanover / Germany
AUSTRO AGRAR / Tulln / Austria
SITEVI / Montpellier / France
JUGAGRO / Krasnodar / Russia

December
AGRIBEX / Brussels / Belgium