CLAAS

ANNUAL REPORT 2005

HARVESTING SUCCESS

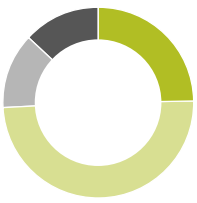
FINANCIAL INDICATORS (IFRS)

		2005	2004	Change %
FINANCIAL PERFORMANCE				
Sales	€ million	2,175.3	1,928.4	12.8
EBIT	€ million	118.0	70.4	67.6
EBITDA	€ million	186.7	142.4	31.1
Net income	€ million	54.7	21.9	149.8
Income before taxes	€ million	86.4	36.1	139.3
Cash flow	€ million	130.7	94.2	38.7
R&D expenses*	€ million	78.9	72.7	8.5
FINANCIAL POSITION				
Equity	€ million	484.9	374.4	29.5
Capital expenditure	€ million	70.7	64.6	9.4
Total assets	€ million	1,611.7	1,445.9	11.5
EMPLOYEES				
Employees as at the balance sheet date**		8,134	8,127	0.1
Personnel expenses	€ million	433.1	416.8	3.9

* *Before capitalized and amortized development costs.*

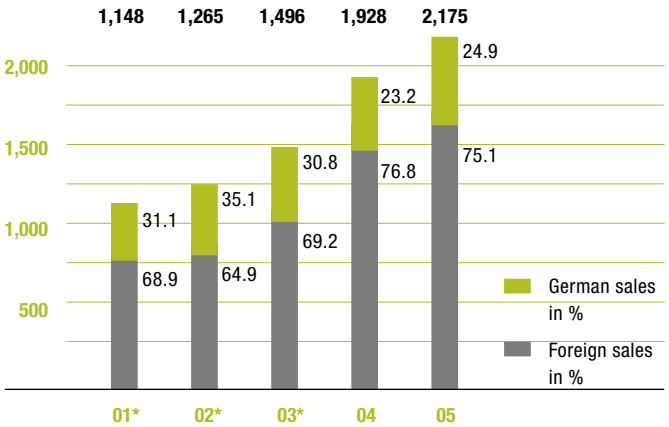
** *Including trainees, the presentation of the number of employees was adjusted for the year under review and for the previous year to reflect internal reporting.*

SALES BY REGION in € million



Germany	**541.2**	(+20.9%)
Rest of Western Europe	**1,075.0**	(-0.6%)
Central and Eastern Europe	**275.2**	(+43.2%)
Other countries	**283.9**	(+37.3%)

SALES in € million



* *Figures based on U.S. GAAP*

HIGHLIGHTS
OF FISCAL YEAR 2005

OCTOBER

EQUITY BOND >> CLAAS establishes a new financing instrument in the capital market with its equity bond.

CLAAS

Finanzplatz Harsewinkel zeigt, was eine Harke ist

NOVEMBER

CLAAS CHRONOLOGY >> The new book on the Company's history, entitled "More than 90 Years in Agricultural Engineering," tells the story of CLAAS from its humble beginnings up to the present corporate group.

APRIL

HANOVER FAIR >> Former German Chancellor Gerhard Schröder and Russian President Vladimir Putin are briefed on the new combine harvester plant in Russia at the Hanover Fair.

MAY

NEW COMBINE HARVESTER PLANT >> CLAAS opens its new combine harvester plant in the Southern Russian city of Krasnodar.

DECEMBER

ACCOLADES >> Hohenheim University nominates Helmut Claas as Honorary Senator.

JANUARY

FINANCIAL PARTNER MEETING IN NORDENHAM >> The 11th Financial Partner Meeting takes place in Nordenham, Germany. At the Airbus factories, the riveters of Brötje Automation are shown in action.

FEBRUARY

SIMA >> French Minister of Agriculture, Dominique Busserau, visits the CLAAS booth at SIMA, the largest agricultural fair in France.

MARCH

ANNIVERSARY >> "Successful together" is the motto for the celebration of the two-year anniversary of the integration of CLAAS and RENAULT Agriculture.

JUNE

NEW PRODUCTION HALL >> Brötje Automation expands its production facility. The new facility is inaugurated with a family day.

JULY

THE NEW ARES >> The new CLAAS tractors such as the Ares not only boast a new design, but also feature a number of technological innovations.

AUGUST

LEXION 600 >> The XXL combine harvester. The new Lexion 600 from CLAAS is the most powerful combine harvester in the world.

SEPTEMBER

SOCCER TOURNAMENT IN HUNGARY >> The 4th CLAAS European Soccer Championship takes place at CLAAS Hungaria in Törökszentmiklós. Eighteen CLAAS teams from all over Europe participate.

The world's population is rapidly expanding. Each day, about 250,000 new hungry mouths need to be fed – the equivalent of the population of a sizeable city. But in most regions of the world, food is scarce because farmland is limited. In order to achieve the best possible harvest results, efficient cultivation methods are required that do not waste resources. Agricultural technology and expertise are the key to solve this dilemma. Agricultural engineering is literally the most vital industry in the world for humanity.

As a market and technology leader in agricultural machinery, CLAAS stands at the forefront of the race to feed the world. For more than 90 years, CLAAS has been supplying the agricultural sector with machinery and services, setting world standards in quality and performance. With specialized knowledge and constant innovation, we deliver key impulses for optimizing the food production chain.

CLAAS is aware of its social responsibility to provide sufficient food for humanity today and in the future. Our success is based on the achievement of this goal. That is what all our employees around the world strive for with commitment and dedication: "harvesting success" for CLAAS, for humanity, for society, and for our environment.

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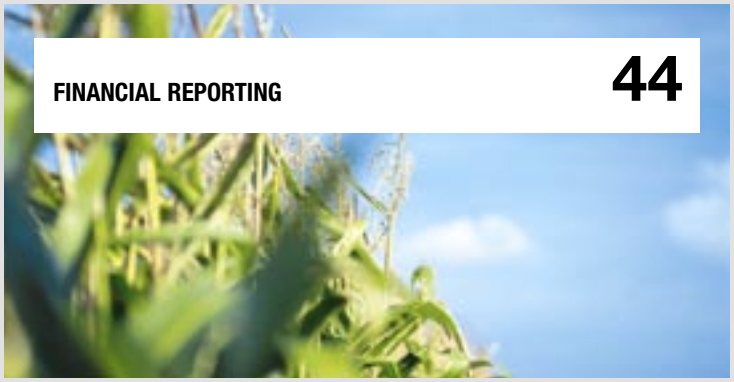


LADIES AND GENTLEMEN,

The Supervisory Board of CLAAS KGaA mbH monitored and analyzed the Group's business situation and risk position at its regular meetings during fiscal 2005. The Supervisory Board's assessments were based on reports by the Executive Board on the Group's strategic orientation, financial position and performance, deviations from plans made throughout the course of business, and operating decisions. The reports were received in two sessions and used as a basis for 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 auditors' reports, the auditing of the annual financial statements of CLAAS KGaA mbH and the CLAAS Group, and plans for the year 2006, including:

- Progress at the Krasnodar production facility
- Further integration of RENAULT Agriculture into the CLAAS Group
- Increase of the stake in CLAAS Financial Services S.A.S., Paris
- Sale of equity stake in Indian tractor maker ITL
- Migration to SAP R/3 at RENAULT Agriculture and
- European works council.

At the annual general meeting held in January 2005, Ms. Cathrina Claas, Dr. h.c. Helmut Claas, Mr. Oliver Claas, Mr. Reinhold Claas, Dr. Claus Helbig, and Mr. Gerd Peskes were re-elected to serve another term as shareholder representatives on the Supervisory Board. In February 2005, the following persons were elected to the Supervisory Board as employee representatives: Mr. Heinrich Strotjohann, Mr. Günther Gross, Mr. Michael Köhler, Mr. Konrad Siegers, Mr. Guntram Schneider, and Mr. Carmelo Zanghi.

The financial statements of CLAAS KGaA mbH and the consolidated financial statements of the CLAAS Group as of September 30, 2005 as well as the management reports for CLAAS KGaA mbH and the CLAAS Group were audited by Deloitte & Touche GmbH, Düsseldorf, the auditors elected by the annual general meeting on January 20, 2005 and appointed by the Supervisory Board. The statements and reports received an unqualified audit opinion on November 24, 2005.

The financial statements of CLAAS KGaA, the consolidated financial statements and the management report as well as the proposal for the appropriation of profits were presented to the Supervisory Board upon completion. These documents as well as the auditors' reports were available to the members of the Supervisory Board and were discussed in detail at the Supervisory Board meeting on December 19, 2005 in the presence of the auditor.

The Supervisory Board then passed the following resolution:

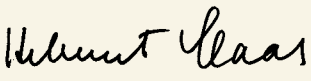
Having examined the financial statements of CLAAS KGaA, the consolidated financial statements and the management reports as well as the proposal for the appropriation of profits, the Supervisory Board confirms the results of the audit. No objections have been raised. The Supervisory Board therefore approves the consolidated financial statements. It recommends to the shareholders that the annual financial statements of CLAAS KGaA mbH be adopted and agrees with the proposal for appropriation of profits made by the management board of the personally liable partner.

The Supervisory Board would like to thank the Executive Board and all employees for their commitment during the year under review.

We must now continue to focus on improving cost and process structures, push ahead with product innovation and make progress in the new markets outside of Europe.

Harsewinkel, December 19, 2005

The Supervisory Board



Dipl.-Ing. Dr. h.c. Helmut Claas
(Chairman)

Cathrina and Helmut Claas

Rüdiger A. Günther

INTERVIEW WITH RÜDIGER A. GÜNTHER,
EXECUTIVE PRESIDENT

Q: "Harvesting success" is the motto of the CLAAS 2005 annual report. It sounds as if in the past you only sowed and fertilized. Why has success become an important issue in fiscal 2005?

A: First of all, we have been harvesting success for years. And we have been preparing for future growth even in the face of very difficult conditions. For one thing, our primary sales markets have been slow in the last two years. On top of that, there was a need to make adjustments within the Company since the development of steel prices and exchange rates was working against us. In this same period, we also acquired a majority stake in the French tractor manufacturer RENAULT Agriculture, which absorbed a lot of management attention. In 2005, it became clear that we had prepared the ground correctly, so that we have now been able to harvest success.

Q: Would you say that CLAAS has finally digested the acquisition?

A: When it comes to business processes, nothing is ever final. But the main point is that CLAAS today has more momentum than ever. Our performance this past year documents that we have lost none of our flexibility and our "can-do" attitude to take on challenges. Our projects are proceeding according to plan and are bearing their first fruits.

Q: Does this also apply to the new tractor business? After all, CLAAS had to master its integration in a difficult period for the European agricultural markets.

A: Our investment decisions are not dependent on cyclical fluctuations. We bought RENAULT Agriculture because its tractors clearly strengthen our business with harvesting machinery. Over the long term, the companies that survive in our industry will have a broad, high-quality, customer-oriented range of products and services. In our sector, a broad range of offerings is key to profitability.

So far, the integration of RENAULT Agriculture has progressed faster than anticipated. Our tractors can be seen on fields throughout Europe in our signature green color. The dealer organization has been restructured and our customers are responding very favorably to our products. In France, our broader product range resulting from the integration of tractors has significantly expanded our leading position in the combine harvester segment as well. In Germany, our tractors immediately gained a market share of more than 7%. What we also observed is that client expectations have risen significantly when it comes to our tractors. The challenge is to prove that our tractors represent the same high level of quality that our clients are used to when they think of CLAAS.

Q: Apart from the tractor business, what other progress did CLAAS make in the reporting year?

A: We made progress in a variety of different areas. Above all, we defined our growth options more accurately by adopting a strategic platform based on four pillars. Firstly, we want to continue expanding our success in core markets with our core products. In the past fiscal year, we were extraordinarily successful in this regard. Our market shares improved in all of our key European markets for combine harvesters, foragers, balers, and green harvest machinery.

We also came closer to our second strategic goal of penetrating new markets with our core products. In North America, Russia, and India, we made substantial investments in expanding our production, sales, and supplier network.

The third element in our growth strategy is to successfully introduce new products in our core markets. The most visible consequence of this strategy is our acquisition of RENAULT Agriculture. The tractors complete our product range, leverage synergies in development, and increase our attractiveness for customers and dealers.

Finally, we made tremendous progress in pursuing our fourth growth option: entering new markets with new products. The mechanical engineering expertise at CLAAS Production Engineering opens up new opportunities primarily in the automotive and aviation industries. We also anticipate new and significant impulses to be generated by Brötje Automation, the world market leader in assembly cells for aircraft fuselages and wing parts that we acquired in 2002.

Rüdiger A. Günther and Cathrina Claas

Q: To what extent are your efforts reflected in your key indicators for 2005?

A: Sales have risen from €1.9 billion to €2.2 billion. Earnings improved from €36.1 million to €86.4 million. And we increased the corporate value of CLAAS once again by achieving our targets in terms of cash flow, investment base, and the cost of capital.

Q: But these results are put in perspective when looking at your biggest competitors. This raises the question of which strategic options CLAAS has for the future.

A: Size isn't everything. Our combine harvesters are number one in Europe, and our foragers are number one worldwide. Our leading position in the market clearly defines our strategy. In the past, we have proven our ability to achieve profitable growth on our own strength. Our success rests on the fact that we are committed to values such as partnership and technical leadership. At the same time, we place a lot of importance on corporate governance; we are in constant dialogue with our shareholders. As a family-owned company, we also have the entrepreneurial freedom to not have to measure the success of our efforts in terms of three-month reporting periods. Our shareholders think and act for generations.

Q: What return targets are you pursuing?

A: We have made a major step in the right direction this year. But one thing is plain to all of us: Our long-term return target is more ambitious than what we achieved this year, and we want to bridge this gap. Generating higher revenues by selling more products is a key objective. But we must also focus on costs and efficiency. The first phase of our financial efficiency program made us leaner and also bolstered earnings. But we cannot achieve our return targets by cost savings alone. In the second phase of the program, we will turn our attention to the efficiency and quality of business processes. We will take a closer look at our entire value chain.

Q: Does the program also entail relocating production activities to other countries and cutting jobs?

A: With the expansion of our worldwide production network, we are able to produce cost effectively and adapt products locally. Different market conditions demand different solutions, and we benefit from integrating some local contribution even if this requires investments. Our corporate culture is based on continuity. A convincing strategy, superior products, and outstanding employees are the key to our success.

I would like to take this opportunity to say something about our employees. Our efficiency program demanded a lot from the people who work for CLAAS. Its focus was on acceleration, change, departure from old habits, and staying power. What is truly remarkable is that the program inspired a genuine team spirit and an ambition to perform. I would like to thank all of our employees on behalf of management for their commitment, loyalty, and leadership.

Q: What are your expectations for fiscal 2006?

A: The favorable trend will continue. We will push forward with CLAAS tractors and increase their market share. We will also see growth in our more established harvesting machinery business. In the Central European markets, confidence in the EU is on the rise, and companies across Europe are beginning to invest again. Our subsidiary in Krasnodar will spearhead growth in the Eastern European markets. We also are in a good position in North America, where we offer a strong product range and have a nationwide sales network. In addition, our plant in Omaha, Nebraska, can quickly react to surging demand. Our recent successes confirms that we are on the right track.

We remain committed to “harvesting success” for many years to come.

THE EXECUTIVE BOARD

HANS-BERND VELTMAAT 1
AGRICULTURAL MACHINERY

Born in 1955, Hans-Bernd Veltmaat has a degree in Engineering. He became Managing Director of CLAAS Production Engineering (CFT) in 1996 and has been Executive Vice President, Agricultural Machinery, at Group level since 2005.

DR. THEO FREYE 2
MARKETING AND STRATEGY

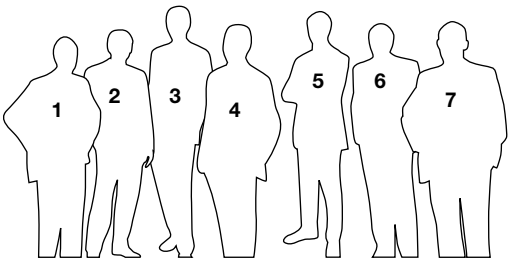
Born in 1949, Theo Freye joined CLAAS as a technological developer in 1980. Since 1997, he has been responsible for the development of the Group's North American business. In October 2005, he became Executive Vice President, Marketing and Strategy, at CLAAS.

THOMAS KLATT 3
CONTROLLING

Born in 1956, Thomas Klatt graduated in Business Management. He has held various senior positions in the engineering and fine chemicals industries, since 1995 as an executive officer. In June 2004 he became Executive Vice President, Controlling, at CLAAS.

LOTHAR KRISZUN 4
SALES AND SERVICES

Born in 1952, Lothar Kriszun graduated in Business Management. He has held various positions in the CLAAS Group since 1981, including Head of Finance and Administration at Westfälische Werke and Vice President of CLAAS Production Engineering (CFT). Most recently, he was Executive Board Spokesman at CLAAS Selbstfahrende Erntemaschinen. He has been Executive Vice President, Sales and Services, for the CLAAS Group since 2002.



DR. HERMANN GARBERS **5**
TECHNOLOGY AND QUALITY

Born in 1951, Hermann Garbers has held research and teaching positions at Braunschweig Technical University (Agricultural Machinery Institute). After being responsible for the development of combine harvesters, forage harvesters, and tractors, he became Executive Vice President at CLAAS in 1999.

GUY POVIE **6**
TRACTORS

Born in 1949, Guy Povie graduated in Business Management and Engineering. He has held various positions with the Renault Group since 1969, including Project Manager for Logistics and Quality and Managing Director of a Renault-Peugeot-Citroën joint venture, before becoming Managing Director of RENAULT Agriculture. He held this position until 2003, when he became Executive Vice President for Tractors at CLAAS.

RÜDIGER A. GÜNTHER **7**
FINANCE
EXECUTIVE PRESIDENT

Born in 1958, Rüdiger A. Günther graduated in Business Management. After working for a U.S. investment bank and heading the finance department of a multinational corporation, he became Head of Finance and Accounting at CLAAS in 1993 and Executive Vice President of the CLAAS Group in 1997. He has been Executive President since 2002.

HARVESTING SUCCESS

Success is the result of commitment, expertise, and perfect timing. Around the world, the name CLAAS stands for innovative, powerful harvesting technology and fast service. Customers appreciate CLAAS as a reliable systems supplier in specialized harvest machinery.

HARVESTING SUCCESS
WITH CORE PRODUCTS IN CORE MARKETS

- THE WORLD HARVESTS WITH LEXION – HYBRID TECHNOLOGY
- THE JAGUAR – MORE THAN 600 HP OF POWER
- STRONG GROWTH IN GREEN HARVESTING
- CUSTOMER CARE

CLAAS FACTS >>>>>>>>>>>

The new LEXION 600, introduced in summer 2005, is the most powerful combine harvester in the world. With approx. 580 HP and a grain tank capacity of 12,000 liters, it comes very close to fulfilling the vision of the combine harvester of the future. High-performance cutterbars of up to 12 meters deliver top throughput performance, while on-board computers automatically guide the combine harvester along the most efficient harvesting route. The LEXION is operated using the tried and proven GPS Pilot and LASER Pilot guidance systems, so the driver can concentrate entirely on the machine settings.

The latest generation LEXION is larger and more efficient than ever in order to help farmers achieve urgently needed improvements in harvest yields. The Food and Agriculture Organization (FAO) of the United Nations predicts that by 2030 about 50% more grain will be required to feed the world's population. The LEXION 600 can harvest 60 to 70 tons of grain in an hour. The flour made from this amount of grain can be used to bake 70 tons of bread – sufficient for the daily bread consumption of a city with 350,000 inhabitants.

RIGHT
The first self-propelled combine harvesters appeared on the fields in the 1950s.

BOTTOM
For generations, CLAAS has built up experience in harvest machinery by continuously improving its products.

CLAAS is a key player in the world market for agricultural machinery. Our innovative products have made us a technology leader in our sector. In addition to our combine harvesters and self-propelled forage harvesters, we also manufacture specialized green harvest machinery and balers. Our product range is rounded out with modern systems, transport, and utility vehicles for agriculture as well as agricultural information technology. Our new CLAAS tractor program features 25 models that open up new perspectives for farmers and contractors.

Developments in our European core markets varied in fiscal 2005. In Germany and France, by far the most important markets for CLAAS, a rising trend to invest in harvest machinery has primarily benefited sales of combine harvesters. In contrast, the UK market declined considerably, as did Spain and Italy, which had suffered from drought. The 10 new EU members saw a strong market revival. Local farmers in these countries now have more confidence in their future income situations, and are able to contemplate new investments in machinery in view of good harvest forecasts. In the growth region of Eastern Europe, the agricultural sector in particular is profiting from the rise in raw materials prices, with positive effects on the overall economic situation in the CIS.

The world's largest markets in terms of volume, North and South America, showed a similarly uneven picture. The United States and Canada continued to expand in spite of drought periods in individual regions and achieved growth of 5–10%. In Brazil and Argentina, on the other hand, the boom in the agricultural engineering market came to a halt, taking South American markets down by 35%.

CLAAS gained market shares in all of its core markets. Sales of combine harvesters climbed around the world. In Europe, CLAAS now sells well over every third combine harvester, with a 50% market share in Germany. In France, we became market leader in agricultural engineering for the first time. We also expanded our global lead in self-propelled foragers. Every second forager sold worldwide is a CLAAS product. Market shares in balers and green harvest machinery also climbed.

GROWING OUR MARKET POSITION WITH CORE PRODUCTS

As a central element of our growth strategy, we aim to improve our market position in the European core markets by focusing on core products and taking advantage of our broad product program tailored to the specific needs of farmers. In combine harvesters, we manufacture the product groups of LEXION, MEGA, MEDION, and DOMINATOR. These can be equipped with a broad selection of headers and other accessories. Foragers are used to chop green fodder and corn for large-scale cattle farming and dairy production. Our most prominent product line in foragers is the JAGUAR, which is available in five different models. Balers are available as large square balers (QUADRANT) or round balers (ROLLANT and VARIANT). The self-propelled mower COUGAR is our answer to the trend towards large-scale applications that are intended to maximize efficiency for cattle breeding and milk production. Our green harvest machinery is primarily used for grass harvesting. The program comprises different models of trailed CORTO and DISCO mowers, VOLTO reverse-drive models, and LINER swathe models.

THE WORLD HARVESTS WITH LEXION – HYBRID TECHNOLOGY

As early as 1936, CLAAS developed the first combine harvester that was truly adapted to European harvest conditions. Ever since then, the development and production of combine harvesters has remained one of our core competencies and has resulted in continuously rising market shares in Western Europe. This segment also forms the basis of our strong

HOW DOES A COMBINE HARVESTER WORK?

A LOOK INSIDE THE LEXION SHOWS HOW GRAIN AND CORN ARE SEPARATED FROM STRAW.

A HIGH-TECH FACTORY ON WHEELS >> Combine harvesters such as the LEXION are like factories on wheels. They cut the crop using the cutterbar positioned just above the ground and feed the crop via a quick-running chain to the feeder housing in the machine. Once inside, an accelerator drum rotates the crop at full speed before it contacts the threshing drum, which runs at up to 1,000 revolutions per minute. The grains are extracted from the ears in the threshing drum and separated by centrifugal forces.

TREMENDOUS CENTRIFUGAL FORCE >> Since the threshing system does not separate about 10% of the grains, the straw is subsequently treated during secondary separation. On the new LEXION 600, the straw is fed into two newly developed high-performance ROTO Plus rotors, which work on the grain with tremendous centrifugal force. The grain extracted from the threshing system and secondary separation is transferred to the so-called preparation floor. The shaking motion of the floor ensures that the chaff and light particles rise above the grain. Once prepared, the chaff can be separated from the grain with the help of substantial air blasted from powerful fans.

12,000-LITER GRAIN TANK >> The JET Stream cleaning system of the LEXION 600 blows lighter chaff away from the heavier grains. The grain then falls through the sieve system and is collected in the grain tank. The LEXION 600 can hold 12,000 liters. Incompletely threshed ears and dehusked grains do not enter the grain tank, but are instead fed back into the threshing system as so-called returns and have to undergo the process again.

STRAW – A VALUABLE RAW MATERIAL >> Chaff and straw are almost as valuable to farmers as the grain. The chopping unit in the rear of the combine chops the long stems into small pieces, which are then spread evenly together with the chaff by the radial distributor across the entire width of the mowing path. Consequently, the ground is well prepared for a successful harvest in the following year. The straw can alternatively be compressed and laid in swathes. Efficient harvesting is not so much a question of driving the combine, but rather of achieving appropriate settings for the different harvest conditions such as dry or wet weather, large or small grains, and so on. When threshing, it is important that the crops are not treated too harshly, as this can crush too many grains. Conversely, if the forces used are inadequate, the grains will not be extracted from the ears.

INTELLIGENT COMBINE >> To ensure that the driver can concentrate on achieving the best performance from the harvester, the LEXION 600 offers a number of intelligent support systems. AUTO CONTOUR II relieves the driver of many tasks, among other things by automatically adjusting the height and angle of the cutterbar in relation to the level of the terrain. Even the steering of the machine is made easier thanks to the use of the Global Positioning System (GPS). GPS Pilot uses satellite signals from space to guide the combine automatically along the crop edge.

MAXIMUM COST EFFICIENT AND ENVIRONMENTALLY FRIENDLY >> An optional steering system is the Laser Pilot. It uses electro-optic sensors to detect the line between the edge of the crop and the stubble. Both systems operate reliably at all times, even under the most difficult visibility conditions. Consequently, operators can be sure not to overlap or skip over any part of the field, and fuel consumption is reduced at the same time. The new CRUISE PILOT speed regulator ensures that the driving and harvesting speed is constantly adapted to the conditions of the field and the maximum power output. The combine's speed is reduced in dense crops and increased in less dense crops.

POWERTRAIN WITH ALMOST 600 HP >> The power of the Daimler Chrysler engine has once again been increased by 15%. This diesel's eight cylinders and 16-liter capacity provide a maximum power of 586 HP. If the speed falls in dense, heavy crops, the powertrain is automatically triggered and releases a power reserve of 56 HP to enable the operator to continue working at full power.

A COMFORTABLE PLACE TO WORK >> The new driver's cab offers a pleasant working environment for any driver, making it the perfect solution for a hard day's work. It offers a level of comfort normally only seen in luxury cars. Air conditioning, a fully adjustable air seat, a cooler-box for hot summer days and a hands-free kit are just some of the features that make the LEXION 600 an extremely efficient and comfortable machine.

CLAAS launched its self-propelled forager in 1973 under the JAGUAR name. In 2004, the 20,000th JAGUAR rolled off the assembly line. Harvesting 2,000 tons of chopped silage in 12 hours, the Jaguar 900 holds the world record for performance. The JAGUAR owes its world market leadership to its reliability, its high efficiency, an exact cut with high feed quality, and easy operation and maintenance. In addition, it also offers superior versatility with optional equipment such as a pick-up for wilted silage, a corn header for harvesting silo corn, headers for whole plant silage, a picker for chopped corncobs, and an attached self-propelled mower. Suitable add-on equipment can further boost its efficiency in all seasons of the year. Available in five different models, the JAGUAR particularly appeals to contractors due to its performance, versatility and reliability.

commitment to achieving market leadership in Central and Eastern Europe. We respond to the various conditions and needs of customers with four different models of combine harvesters.

Farmers and contractors expect combine harvesters to deliver maximum efficiency and high performance. Modern combines need to handle steadily rising volumes and must distribute straw evenly across very large working spans. In April 2005, the 20,000th LEXION was assembled as a redesigned 500 series in our Harsewinkel plant. The LEXION 480, a high-performance machine with a hybrid threshing system, revolutionized the market in 1995. Almost everything was new about this machine: The threshing cylinder diameter increased to 600 mm, two efficient cutting rotors instead of a conventional shaker, and a newly designed cab. An on-board electronic information system made it possible to electronically set the threshing cylinder speed, concave spacing, sieve sensitivity, and air supply from the cab for a variety of preset grain types and to quick-change settings while working. Since 1995, this combine has been fulfilling the growing needs of modern crop harvesting.

Since 2002, we have made the advantages of the 480 system available for smaller performance categories with the introduction of the LEXION 470, a rotary combine harvester with a 1.42 meter cylinder width. The LEXION MONTANA, also introduced in 2002, enables farmers to thresh as effectively on slopes as on level ground.

THE JAGUAR – MORE THAN 600 HP OF POWER

CLAAS is a pioneer in self-propelled foragers, effectively dominating the world market for decades with a global market share of more than 50%. Our core markets in this segment include every region in the world where green fodder and corn are chopped, stored, and used as silage for animal feed.

STRONG GROWTH IN GREEN HARVESTING

CLAAS has been a trendsetter in green harvesting for decades. The power and reliability of our machines give contractors and large farmers the security they need when entering new performance categories or bringing new process technologies to green harvesting. CLAAS has concentrated its global experience from harvesting many millions of hectares of grass and corn each year in its green harvesting business. Our know-how network encompasses the competence of the three CLAAS facilities in Harsewinkel (foragers and vehicle assembly), Bad Saulgau (green harvest machinery, load carriages, and forager components), and Metz, France (balers and wrappers). Each of these facilities can look back on years of experience. Our green harvesting approach follows the principle of higher performance for lower cost. We concentrate on systems where the emphasis is on the ideal utilization of the installed performance instead of focusing on absolute HP or working widths.

LEFT
CLAAS is the world market leader in foragers. The new JAGUAR GREEN EYE is setting new performance standards.

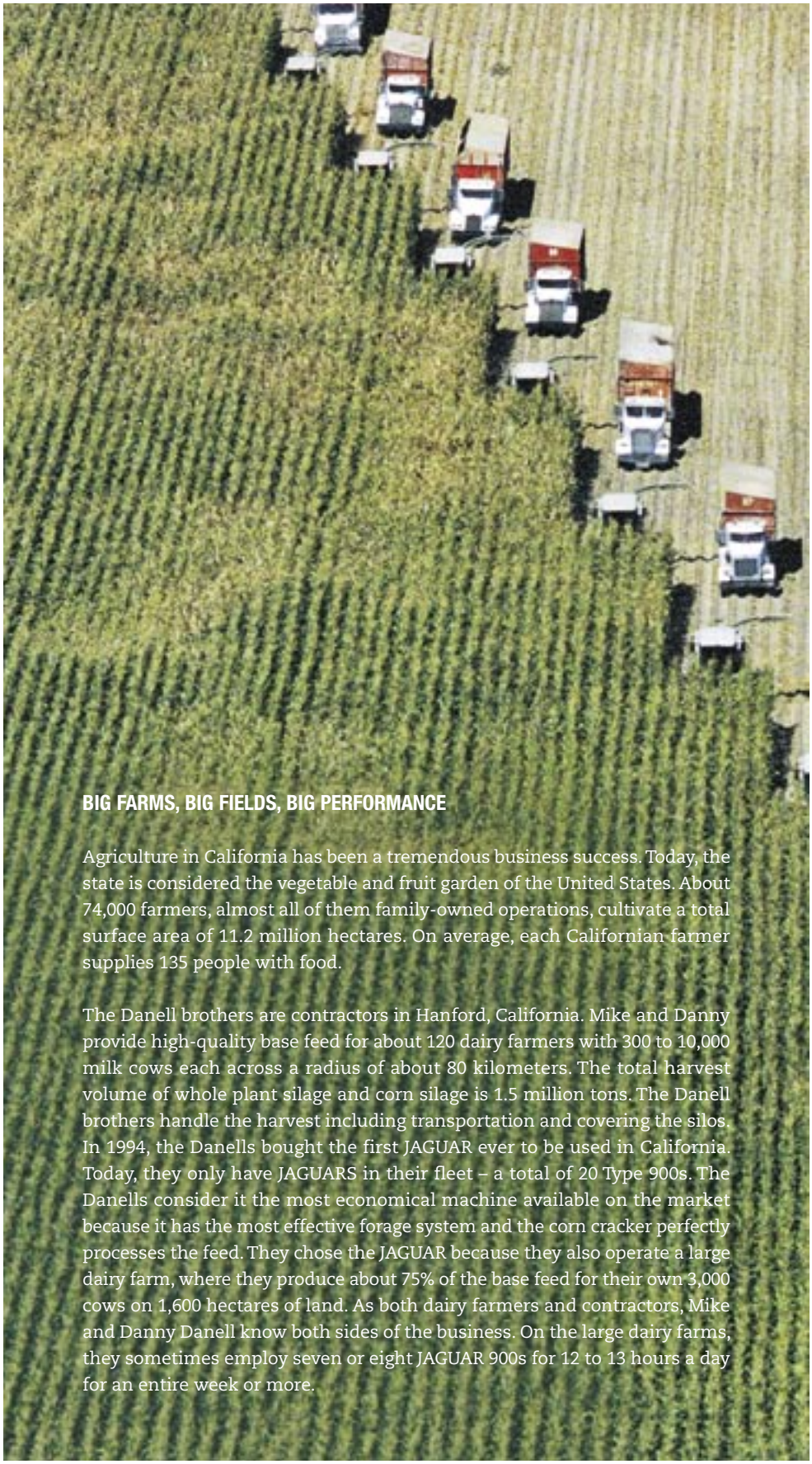
ENTERING A NEW DIMENSION WITH THE COUGAR

CLAAS has set a number of milestones in the history of mowing technology. A first success was the CORTO 8100 F for attachment to the self-propelled forager. This first large surface mower established our leading position in this segment. The DISCO 8500 C responded to the rising trend toward disc mowers that started in the 1990s. It replaced the CORTO mower and also opened up the opportunity for farmers using tractors with less horsepower to enter the field of large surface mowing technology. The one thousandth DISCO 8550 disc mower came off the assembly line at the end of 2004 in Bad Saulgau.

CLAAS introduced a new performance class with the launch of the COUGAR self-propelled mower. Boasting 480 HP and a 14-meter cutting width, it is the most powerful mower and gives farmers ideal conditions to complete their grass harvesting on time by ensuring maximum labor productivity. The new machine concept features all of the typical characteristics of self-propelled CLAAS equipment: outstanding ergonomics, perfect soil protection due to the largest possible tires, top mobility with all-wheel drive, high reliability thanks to heavy-duty mower units, and innovative foldability for ease of transportation.

DID YOU KNOW? >>>>>>>>>>>

Eating habits have changed over the centuries. For example, the consumption of meat is steadily on the rise. Nine kilograms of feed are needed to produce 1 kilogram of meat. In order to satisfy the rising demand for feed grain, corn, and grass silage, increasingly powerful harvesting machinery is required.



BIG FARMS, BIG FIELDS, BIG PERFORMANCE

Agriculture in California has been a tremendous business success. Today, the state is considered the vegetable and fruit garden of the United States. About 74,000 farmers, almost all of them family-owned operations, cultivate a total surface area of 11.2 million hectares. On average, each Californian farmer supplies 135 people with food.

The Danell brothers are contractors in Hanford, California. Mike and Danny provide high-quality base feed for about 120 dairy farmers with 300 to 10,000 milk cows each across a radius of about 80 kilometers. The total harvest volume of whole plant silage and corn silage is 1.5 million tons. The Danell brothers handle the harvest including transportation and covering the silos. In 1994, the Danells bought the first JAGUAR ever to be used in California. Today, they only have JAGUARS in their fleet – a total of 20 Type 900s. The Danells consider it the most economical machine available on the market because it has the most effective forage system and the corn cracker perfectly processes the feed. They chose the JAGUAR because they also operate a large dairy farm, where they produce about 75% of the base feed for their own 3,000 cows on 1,600 hectares of land. As both dairy farmers and contractors, Mike and Danny Danell know both sides of the business. On the large dairy farms, they sometimes employ seven or eight JAGUAR 900s for 12 to 13 hours a day for an entire week or more.

CLAAS-Saulgau GmbH offers the widest product range in the industry and has been successfully doing business for many years. The global focus of this green harvest specialist is a key factor in its persistent growth. Nearly 70% of sales are generated abroad, with France, the CIS, the USA, and Australia being the most important sales regions. Geographic diversification compensates for regional market fluctuations. CLAAS-Saulgau's growth was further endorsed by the company responding early to the trend towards large machinery. In so doing, CLAAS helped shape that trend. In the professional segment, CLAAS offers the most powerful machines available anywhere. At the same time, the company maintains a machinery program for smaller farms. Servicing different segments with different products requires extremely flexible production. The development of flexible mixed production puts the Saulgau facility in a position to alternately manufacture different products and machine types on one production line within a very short time. CLAAS Saulgau manufactures a total of about 130 different products, ranging from mowers, tedders, swathers, and load carriages to components and attachments for self-propelled foragers and corn pickers.

CUSTOMER CARE

The growing demands placed on harvest machinery led to useful innovations such as intelligent control systems and electronic monitoring systems. Farmers frequently face very short harvest windows and therefore appreciate high-performance machines that help them raise their productivity and save costs.

The expert knowledge of our after-sales departments is just one example of the high standard of the FIRST CLAAS SERVICE that our customers enjoy. A key aspect of our service concept is to have fast-wearing and replacement parts available in close proximity to the customer. Our importers around the world, our regional warehouses, and our dense network of CLAAS sales partners are steadily supplied by the central CLAAS Parts Logistic Center in Hamm-Uentrop, Germany. Our German customers and sales partners can reach their closest regional CLAAS warehouse in no more than two and a half hours.

TOP
The importance of the interplay of technology and service becomes most apparent during the harvest. Rapid and efficient access to the necessary replacement parts is crucial.

BOTTOM
We talk with our customers and regularly invite them to exchange their experiences. This is the only way we can develop technology that responds to actual needs.

PROVIDING OPPORTUNITIES WITH PRE-OWNED MACHINERY

CLAAS is the first harvest machinery manufacturer to have defined the pre-owned machinery market as a separate business activity. Internationally, CLAAS offers professional agricultural technology over the Internet, through the CLAAS sales partners, and at specialized pre-owned machinery centers. In Landsberg, Grasdorf, and Hockenheim, Germany, CLAAS offers combine harvesters in all performance categories, self-propelled foragers, balers, load carriages, and telehandlers from CLAAS and other manufacturers. At the newest center in Langenau, tractors are also evaluated, inspected, and repaired according to customer specifications. A similar selection is offered at the French pre-owned machinery centers in Connantre and Toulouse. The extensive range consists of machinery from trade-ins and increasingly includes near-new rental fleet returns. The combination of full-time sales personnel and the broad selection of machinery makes the centers attractive to prospective buyers from Germany and other countries.

FINANCING AS A SUCCESS FACTOR

Farmers, contractors, and agricultural cooperatives who work with high-performance machinery fleets need a transparent financing concept as a crucial criterion for their purchase decision. CLAAS long ago recognized the importance of financial services as a strategic instrument to support sales and intensify customer relations. In addition to classic credit financing, the range we offer to customers includes solutions such as leasing and rental programs to reduce the costs of acquisition and maintenance. In our core markets, financing companies provide customer financing under the name of CLAAS. We operate CLAAS Financial Services (CFS) in cooperation with the French company BNP Paribas Lease Group. CFS also offers its financial services to our customers in the tractor business. Today, CFS offers its services in eleven countries, including the USA. In emerging markets with less robust credit infrastructures, CLAAS cooperates with export credit insurance companies, private risk partners, and multinational organizations.

CLAAS FACTS >>>>>>>>>>>

To ensure that the CLAAS machines are always ready for use, our replacement parts center in Hamm has an inventory of more than 100,000 different parts – from the smallest screw to a combine harvester powertrain weighing several tons. From here, the replacement parts are shipped to 91 countries all over the globe by land, air, or sea. In fiscal 2004, a total of 983,000 customer orders were processed.

HARVESTING SUCCESS
WITH CORE PRODUCTS IN NEW MARKETS

- OUR OWN PLANT IN RUSSIA'S GRAIN BELT
- TAKING ON THE CHALLENGE OF NORTH AMERICA
- INDIA – AN AGRICULTURAL ENGINEERING MARKET OF THE FUTURE

TOP
The new plant in Krasnodar was officially opened with a ribbon-cutting ceremony. From left to right: Rüdiger A. Günther (Executive President), Hans-Friedrich von Plötz (German Ambassador to Russia), Alexander Tkachev (Governor of the Kuban region), Mr. Beketov (Chairman of the Duma for the Krasnodar region), Alexander Gordeyev (Russia's Minister of Agriculture), Cathrina Claas, Helmut Claas, Ralf Bendisch (Managing Director of CLAAS Krasnodar), Gerald Thalheim (State Secretary for the German Ministry of Consumer Protection, Food and Agriculture).

BOTTOM
Russian President Vladimir Putin and the former German Chancellor Gerhard Schröder are updated about CLAAS and its technology at the Hanover Fair.

Agricultural engineering is a global business. We service the world markets with our first-class regional sales and service organizations. However, in addition to offering imported products from our existing facilities, we actively respond to the demands of globalization by including local value contributions to our offerings. CLAAS took an international perspective early on and today is active in all important world markets.

In past years, we started establishing networked systems internally and externally. We are gradually expanding our network of production facilities, which not only deliver complete machines, but also manufacture components and modules that can be assembled in local production facilities around the world. Using our own strengths, we focus on key markets where we compete with large global players. As we must achieve profitable growth in these areas to maintain our competitive edge, we aim to increase the market share of our core products in the strategically important markets of North America, the CIS, the Indian subcontinent, and Asia.

The demand for modern agricultural technology in these markets is enormous. In North America, growth is driven by large, efficient, and high-quality agricultural machinery. The investment activities of American farmers rose considerably in 2004 thanks to the new Farm Bill, which provides for extensive support for farmers.

The United Nation's Food and Agriculture Organization (FAO) predicts that the strongest growth in grain production will be seen in the CIS. Demand for combine harvesters in particular is huge. In the past, more than 100,000 combine harvesters were produced in the CIS each year. Experts estimate that Russia currently has only half of the required machinery capacity for sowing and harvesting. The existing fleet is outdated and needs to be replaced with modern, more powerful equipment.

The farms in Asia, led by India, are a significant growth market of the future. With a population exceeding one billion inhabitants and an annual population growth of 2–3%, India is the fastest growing agricultural market in the world. The country has 140 million hectares of agricultural land, but the degree of mechanization is only 10%. As India is a leading producer of rice, we have developed combine harvesters specially suited to rice harvesting. These are also attractive to customers outside of India.

OUR OWN PLANT IN RUSSIA'S GRAIN BELT

In May 2005, we opened our new plant in the Southern Russian city of Krasnodar where we produce Mega 350 and Mega 360 combine harvesters. Machinery from the plant in Krasnodar was already delivered in time for the 2005 harvest. In order to make "German quality, made in Russia" affordable for Russian farmers, the integration of local suppliers is an integral part of future plans.

We believe that our high-tech machinery has good sales prospects in the Russian market. First of all, large machinery from CLAAS is perfectly suited for the agricultural land in Russia. Some 80% of all Russian farming operations cultivate between 5,000 and 20,000 hectares of land; in contrast, German farmers cultivate an average of 40 hectares of land. In addition, customers prefer our product range to local products in terms of quality and performance.

TOP-LEVEL INTEREST FROM RUSSIA

CLAAS has been actively involved in the markets of the Russian Federation since 1992. We maintain our own representative office in Moscow and are supported by a well-developed service and sales network.

RIGHT
Summers are short in Canada, which makes the effectiveness of harvest machinery even more important. Cathrina Claas visits customers and dealers in the area.

KRASNODAR: A GIFT FROM TSARINA CATHERINE THE GREAT

The city between the Black Sea and the Caspian Sea was once called Ekaterinodar after Tsarina Catherine ("Ekaterina") the Great. She gave the region to the Cossacks as a reward for defeating the Turks. After the revolution, the city at the confluence of the Kuban and Karussun rivers was renamed Krasnodar; it is the administrative center of a region that is considered Russia's grain belt. More than five million people live in the region today, about 800,000 of them in the city of Krasnodar. Most of the region has a continental climate, while the area along the coast of the Black Sea enjoys a more Mediterranean climate. With a total of about 4.5 million hectares of farmland, the Krasnodar region is the largest producer and supplier of agricultural products and raw materials in Russia. Last year, farmers harvested more than 6 million tons of grain, setting a new record in Russia's agricultural history. As a Western investor, CLAAS is in good company. Neighboring companies include multinationals like Nestlé, Philip Morris, and Bonduelle.

CLAAS FACTS >>>>>>>>>>>

Several factors inspired CLAAS's choice of Krasnodar as a location for its large-scale Russian project. Firstly, the average harvest in Southern Russia is about twice as big as in the rest of Russia. Secondly, it was possible to buy property – an important requirement for starting a construction project. And finally, the largest agricultural university in Russia with about 20,000 students is also located in Krasnodar.

The central CLAAS spare parts warehouse in Vostok serves the network of dealers who work closely with our customers. More than 4,000 self-propelled harvesters from CLAAS are in use on fields in the CIS. Among suppliers of western technology, we have a 40% market share. On-site machinery production opens up additional market potential.

The general investment agreement between the administration of Krasnodar and CLAAS is a good example of the German-Russian partnership. The model of the plant in Krasnodar exhibited in the pavilion of the Russian Federation at the Hanover fair even attracted the interest of Russian President, Vladimir Putin. Together with the former German Chancellor, Gerhard Schröder, he climbed into a LEXION combine harvester set up in the Russian hall. The inauguration ceremony was also attended by high-ranking officials such as the Russian Minister of Agriculture and the German Ambassador in Moscow.

TAKING ON THE NORTH AMERICAN CHALLENGE

North America is the largest agricultural engineering market in the world. In the Midwest, the heart of the USA, everything revolves around farming. Corn, soy, corn, soy, corn, soy – as far as the eye can see. The professional cultivation of these vast farmlands requires powerful machinery designed to handle special needs. CLAAS has enjoyed a good reputation among American farmers for many years. In self-propelled foragers we have a leading position in the USA that is analogous to our global market share. Our market share for combine harvesters in the USA has not yet reached a level comparable to our position in this segment in Europe. But we did reach an encouraging new milestone by doubling our sales in the last year.

We are harvesting the first fruits of a realignment of our production and sales policy. Our factory in Omaha, the “bread basket” of the United States, is situated on 65 hectares of land. The building itself takes up about 16 hectares. In addition to the production halls and showrooms, CLAAS Omaha maintains a test area near the facility.

LEXION combine harvesters are sold throughout the North American market. They are bright yellow and display the CAT trademark. The network of Caterpillar dealers is the backbone of the sales organization. Caterpillar’s large dealerships have strong financing power and cover every region in the USA, Canada, and Mexico. The large U.S. market for combine harvesters is ideally suited for our powerful LEXION series. But the objective of extending the success of our green harvest machinery to our core products of combine harvesters is an ambitious challenge. The North American market for foragers, balers, and green harvest machinery is still supplied and serviced by our own CLAAS sales subsidiary, CLAAS of America in Omaha.

INDIA – AN AGRICULTURAL ENGINEERING MARKET OF THE FUTURE

The combine harvester plant in Faridabad near India’s capital of New Delhi, which was initially a joint venture with the Indian Escorts corporation, has been a wholly-owned subsidiary of CLAAS since 2002. Our activities in India are strategic. The rapid growth of the population and the country’s strong position as an agricultural nation make it an important and rapidly expanding market for agricultural machinery.

We manufacture compact rice combine harvesters for the entire Asian region in India. These combine harvesters are fitted with rubber tracks and are specially designed for the wet soil in rice cultivation areas. There is strong demand for combine harvesters with high threshing quality and a small turning radius. The CROP TIGER developed and manufactured by CLAAS has proven to be an efficient machine for fields in Asia. Its track system, its technical ability to harvest various types of crops, and its long service life respond to conditions in extremely difficult agricultural regions that are unsuited for the use of large machinery.

HARVESTING SUCCESS
WITH NEW PRODUCTS IN CORE MARKETS

- GREEN MACHINES ON EUROPE'S FIELDS
- FROM ALL-ROUNDER TO HIGH-END: CELTIS, ARES, AND ATLES
- A NEW DIMENSION GIANT: THE XERION
- SELF-STEERING TRACTORS

The acquisition of a majority share in the leading French tractor manufacturer RENAULT Agriculture two years ago was a major achievement for CLAAS. This substantial external growth is intended to secure major organic growth potential for the future. The tractor business has put us in a position to make significant improvements to complete systems consisting of a tractor and the installed or attached machinery. We can now optimize the entire harvest system and develop new and better solutions for farmers by rapidly and efficiently integrating the tractor expertise of RENAULT Agriculture with the comprehensive agricultural technology competence of CLAAS. This combination opens up new horizons and opportunities for us and our customers.

In addition, the acquisition of RENAULT Agriculture represented an important step for the strategic development of CLAAS. Tractors are key products for gaining access to agricultural machinery customers. With the successful integration of the CLAAS tractor, we have created long-term stability and independence in our distribution network and secured considerable growth potential for the coming decades.

GREEN MACHINES ON EUROPE'S FIELDS

The integration of RENAULT Agriculture into the CLAAS Group has significantly strengthened our harvest machinery business. Rather than viewing the tractor as a stand-alone product alongside our harvest machinery, we consider both of these products as part of an integrated system for farm and field work.

Our objective is to use our strong position in France to establish these modern and powerful tractors in other major European markets. In France, our sales have more than doubled as a result of the acquisition and the related inclusion of the tractor business. In the course of introducing the green CLAAS tractors, our harvest machinery business grew significantly as well. We advanced to the position of market leader for combine harvesters in France for the second time since 2004. This success was echoed in the equally important market of Germany, where sales of 1,350 tractors and our market share of more than 7% attest to our customers' faith in CLAAS.

German tractor registration statistics indicate that CLAAS is in fifth place. The introduction of CLAAS tractors has also been promising in the rest of Europe. Our global service network – the backbone of our success in the harvest machinery business – fully benefits our business with CLAAS tractors. In Germany, we have established a new team for sales, service, and replacement parts supply that supports the entire dealer network for CLAAS tractors.

The employees at the tractor factory in Le Mans have taken on the challenges arising from the unexpectedly high demand. In the course of introducing new production processes, tractor production capacity at Le Mans continued to rise last year.

The transition of the RENAULT Agriculture/CLAAS brand alliance to a single brand has succeeded. The green CLAAS tractor has now replaced the orange RENAULT Agriculture tractor in all European markets. The most noticeable change took place in France, where RENAULT tractors traditionally held a market share of nearly 20% and the color orange was associated with the market leader. The high acceptance of the new green generation of

TOP
The newly-designed ARES tractor conquers fields.

CLAAS FACTS >>>>>>>>>>>

The XERION is a 50 km/h fast system tractor with four equal-sized wheels, more than 300 HP of power, and an infinitely variable transmission. This vehicle for large farms has self-propelled qualities and offers the cost advantages of a universally usable tractor. Exceptionally large soil-conserving tires, top visibility, and powerful performance make the XERION especially attractive to contractors.

tractors demonstrates that French farmers want CLAAS tractors alongside their CLAAS combine harvesters.

FROM ALL-ROUNDER TO HIGH-END: CELTIS, ARES, AND ATLES

Our tractor program includes four model types that range from all-rounders to high-end tractors. The CLAAS CELTIS, a standard tractor in the 100 HP performance range, is available in four power classes and is predominantly used for mixed and grassland operations. The three product families of the CLAAS ARES unite the latest technology with efficiency and comfort to suit all needs in the high-end category. Customers who need a real power horse will consider the CLAAS ATLES. The two available models in the performance range above 200 HP offer large operations and large contractors all the power and reliability they need for professional agricultural applications.

A NEW DIMENSION GIANT

The XERION is more than a conventional tractor, combining the characteristics of a tractor with those of a carrier vehicle for technologically-sophisticated agricultural machinery. Packed with electronic and hydraulic features, with four equal-sized wheels, steerable axles, permanent all-wheel drive, and a soil-conserving "gentle" drive mode, the XERION is a new dimension giant. The cab offers highest comfort, is equipped with data terminals, and is sound-regulated and climate-controlled. At the push of a button, the cab can rotate 180° and move from the middle of the vehicle to the end, enabling perfect visibility of attachments and soil. The XERION has a hydrostatic, torque-split transmission that permits continuous driving and working at speeds between 0 and 40 kilometers an hour.

A NEW ARES ROLLS ONTO THE FIELDS

The newly launched ARES models 500 and 600 offer higher comfort, higher output, and improved efficiency. Equipped with automatic transmission, the tractor drives almost like a car. Drivers enjoy a comfortable, spacious cab that is fully equipped, climate-controlled, and free of vibrations. The new Hexashift transmission has been designed for greater fuel efficiency. Six power-shift speeds are automatically shifted until top speed is reached at around 1,950 revolutions per minute. The new ARES has been built for efficient and powerful work. Heavy equipment combinations on the front side do not keep the ARES from high surface performance. With Electropilot and the integrated Drivetronic monitoring system, the driver always stays in control. Drivetronic analyzes the most important elements and components of the tractor, controlling the engine and transmission, the power take-off unit, power lift, and differential. Even when working at top productivity, the driver does not need to intervene. The 2.82-meter axle base and 50/50 weight distribution ensure strong traction, strong lifting power, and safety when driving on roads at high speeds. ARES tractors also feature the smallest turning radius in their class: 4.80 meters.

TOP
The new NECTIS is a true all-rounder. Three versions with eleven different models cover the various needs in wine and fruit growing.

BOTTOM
eDrive improves efficiency in the field.

THE NEW SPECIAL CROP PROFESSIONAL: NECTIS

The NECTIS special tractor models are the first tractors developed under the new CLAAS management. We offer the NECTIS program in three versions with a total of eleven models. They are assembled in Rovigo in Northern Italy. The NECTIS VE is the narrowest model with a minimal external width of one meter and corresponding tires. The NECTIS VL version has a minimal external width of 1.22 meters and is designed for current row widths in wine, fruit, and special crop cultivation. The NECTIS F series covers an even broader range of applications. With a minimal external width of 1.35 meters, it is also used for the professional care of lawns and sports fields.

SELF-STEERING TRACTORS

For years, our subsidiary AGROCOM has been setting standards in the development of information and steering systems for the agricultural sector. With AGROCOM's patented eDrive system, our tractors can automatically calculate the most efficient route, making farming easier and reducing costly track overlaps to a mere 1–2%. CLAAS tractors equipped with a DGPS (Differential Global Positioning System) satellite antenna, eDrive, and corresponding operating and control elements automatically take the most efficient route when fertilizing or spraying. AGROCOM eDrive fully automates tractor steering, making the farming process more accurate, more efficient, and more comfortable. As an entry-level solution, the AGROCOM Outback®S parallel drive system helps farmers keep on track by giving directions via display. Outback S can be upgraded to eDrive for full satellite-supported steering.

CLAAS FACTS >>>>>>>>>>>

In Germany, there were more than 1,350 newly-registered CLAAS tractors in 2005. The market share climbed to over 7% from a year earlier, when the tractors manufactured in Le Mans held a share of 5.7% of the German market. The new ARES 500 and 600 in the 100 to 140 HP performance range were in particularly high demand.

LEFT
System specialist AGROCOM offers farmers the right solutions for efficiency in crop production.

BOTTOM
The CLAAS headquarters in Harsewinkel is located on a site measuring 390,000 square meters.

AGROCOM MAKES FIRST-CLASS PRODUCTS EVEN BETTER

Agricultural information systems can significantly add to the efficiency of agricultural machinery. AGROCOM is a pioneer in bringing IT to agricultural processes, enabling farmers to automatically collect, process, link, and present information on agricultural production processes. AGROCOM products and systems are designed to meet the requirements of new users and experts alike and can easily be adapted to the needs of growing businesses.

CLEARLY FOCUSED ON CUSTOMER BENEFITS

AGRO-NET NG is a complete software solution for crop cultivation that unites field indexing, plot management, and yield monitoring on the basis of a digital farm map. The system can be adapted to the varying conditions in the farming business via updates and special interfaces. AGROCOM has confirmed its growing competence in hardware with the introduction of a special sensor integrated in the front hydraulics of farm tractors that measures the amount of grain. Based on the data collected, the AGROCOM Computer Terminal (ACT) directly controls the differentiated application of fertilizers and crop protection materials in a single step. Yield monitoring and mapping is an essential tool in modern farming that helps to efficiently allocate resources, saving time and money.

COMBINE HARVESTERS ONLINE

AGRO-COMBINE Online establishes a direct link between the driver and the office. The onboard computer and modern wireless data transmission technology make nearly all available machinery data accessible to the farm computer in real time. The data can then be evaluated and transmitted back to the driver as needed. The special contractor software package AGRO-LU is designed to handle the entire documentation process from resource planning to output monitoring.

AGRO BIOGAS FOR A BETTER ENVIRONMENT

The boom in regenerative energies calls for an efficient management system to fulfill the documentation requirements of suppliers and public authorities and to enable efficient controlling and accounting for producers.

AGRO BioGas supports facility operators in the effective management of resources and capacities, in particular in consideration of the fact that modern biogas facilities are operated on a cooperative basis and often have very many different suppliers. The management program documents all processes in the course of production and establishes a link with farmers' field indexes, making it possible to accurately track the relationship between the energy suppliers used and their operations and fields, the amount of energy produced, and the amount of biogas slurry processed. AGRO BioGas fulfills the legally prescribed documentation obligations.

OUR HEART BEATS IN HARSEWINKEL

Our main production facility in Harsewinkel heads up a production network that makes it possible to produce our core products in other locations around the world with components from Harsewinkel in Westphalia. For approximately €60 million, we established a high-tech production facility at our home base that represents the basis of our globalization strategy. The plant replaces the existing production lines that were designed for the assembly of finished combine harvesters and self-propelled foragers. Since the reconstruction, which was accomplished without any interruption in operations, we have three new production lines for the manufacture of combine harvesters and foragers as well as components and subassemblies that we send to our production facilities in the USA, India, Hungary, and, more recently, Russia. At the core of the Harsewinkel plant is a new environmentally-friendly paint shop using a technology that is superior to conventional painting processes. It avoids or minimizes volatile organic compound emissions, waste from spray painting, and polluting effluents. The new surface treatment concept is a model technology, not only for agricultural engineering, but for all operations that involve painting large vehicles and mechanical engineering.

HARVESTING SUCCESS
WITH NEW PRODUCTS IN NEW MARKETS

Diversification also fuels growth at CLAAS. We not only bring high-tech products to the field, we also develop and produce high-tech production facilities for the industry. Our subsidiary CLAAS-Production Engineering GmbH (CFT) takes advantage of our extensive knowledge in mechanical engineering to strategically develop related areas of business. The original toolmaking operation became independent in 1988 and in 1992 was spun off and relocated to Beelen, Germany. Today, an important mainstay of its business is the development of complex production facilities for the automotive industry. Following the acquisition of Brötje Automation GmbH, CFT has also advanced to become the world market leader in riveting technology for the aviation industry. The core competencies of CFT and Brötje complement each other and can be exchanged by way of a technology bridge. In Beelen, CFT leverages aircraft production technologies for use in the automotive industry. Brötje, in turn, transfers technologies from the mass production of cars to aircraft construction. About two-thirds of the services offered by CFT are geared to the automotive industry and one-third is for the aviation industry.

DREAM TEAM FOR LIGHTWEIGHT AUTO BODY STRUCTURES

In aviation, lightweight construction is a crucial technology that involves combining aluminum with carbon fiber reinforced plastic. Carmakers are now starting to take advantage of this process as well. Aluminum and steel are the materials of the future in lightweight automotive body structures. However, it is not a question of substituting one material for another: Aluminum and steel are a "dream team" and contribute their respective strengths to produce an ideal combination. Standards in automotive construction are steadily on the rise. At the same time that weight is increasing as a result of quality enhancements, features, legal requirements, comfort, and safety, it is also decreasing due to other factors such as the use of aluminum and magnesium in the engine block, transmission case, wheels, and chassis. High-strength and ultra high-strength steels and hardened aluminums are progressively gaining importance as a result. CFT is one of the few companies equipped to efficiently process aluminum and steel. Technologically and in terms of production, CFT is poised to shape the future of lightweight automotive body construction in close and innovative partnership with the automotive industry.

NO MODERN PLANE TAKES OFF WITHOUT CLAAS TECHNOLOGY

Brötje Automation supplies all of the major aircraft manufacturers in the world. The new Airbus A380 would not be able to take off without Brötje, nor would any jet from Boeing. Brötje Automation, based in Wiefelstede, Germany, is the world's market leader in the manufacture of assembly cells for fuselages and wing parts. These machines, which are used to insert several hundred thousand rivets to fuselages to hold them together, look like giant portals. Brötje is one of the leading companies in the CLAAS Group and is profiting from the boom in the aviation industry. A new assembly hall in Wiefelstede near Bremen has established the foundation for the company's continued growth.

RIGHT
Rivets instead of welding. Aircraft are assembled using millions of rivets. CLAAS is the world's market leader in the manufacture of assembly cells via its subsidiary Brötje Automation.

CRANKSHAFTS FOR CHINA'S CARS

CLAAS Automation GmbH in Nördlingen, Germany, has been a subsidiary of CFT since 1998. In the last four years, the company has more than tripled its sales and doubled its workforce. In addition to conveyor systems, the Nördlingen facility manufactures loading portals, elevators, storage and delivery systems, track-bound shuttle systems, and project-specific automation systems for the automobile and automotive parts industry and for machine-tool makers. In the year under review, CLAAS Automation designed, built and installed a production facility for crankshafts in China for the production of Suzuki cars. In the past, CLAAS Automation has sold facilities of this type totaling three kilometers in length. The next generation will be capable of transporting entire truck engines along the production lines in a fully automated process.

NEW HYDRAULICS FOR DRILLING PLATFORMS

CLAAS Industrial Engineering GmbH (CIT), the system supplier for drive technology and hydraulics within the CLAAS Group, has steadily expanded its business with third parties in the past few years, including forming cooperation agreements with competitors. The company plans to access additional growth potentials in the medium and long term with sophisticated systems consisting of drive technology, hydraulics, and electronics. Today, CIT technology is effectively used in power shift transmissions for special vehicles with extreme cross-country mobility, in the propulsion systems for sport planes, in tracks for high-speed trains, and in hydraulic valves for the regulation of high-powered motors for applications such as off-shore drilling platforms.

HARVESTING SUCCESS
BY ACCESSING THE CAPITAL MARKET

TAKING ADVANTAGE OF OPPORTUNITIES WITH INNOVATIVE IDEAS

The Company's financing is a central element of our growth strategy. As a medium-sized business with the declared goal of staying independent, we consider it important to maintain liquidity, stable cash flows, and sufficient equity capital. We respond to the cyclical business typical of the agricultural sector with financing principles based on limited net debt, high liquidity, and refinancing security. The declining options in classic bank financing in the wake of Basel II led us to diversify financial resources early on. We have internationalized our approach to raise capital and have extended the average terms of maturity. The result is a financing profile that sets trends among medium-sized business with a global presence.

Our reliance on a combination of traditional banks and innovative capital market financing in the pursuit of our growth strategy perfectly suits our shareholder structure. The stability of a family company together with a diversified and long-term financing policy creates the ideal environment for strictly value-oriented management. Our shareholders do not measure the projects financed via the capital market by their short-term results, but on the basis of their sustained contribution to increasing value and their effectiveness in securing the substance and independence of the Company.

TOP LEFT
On a tour of the Airbus factories in Nordenham, participants of the 11th Financial Partner Meeting had an opportunity to witness the many different applications of technology from Brötje Automation.

BOTTOM
CFS is now active in Italy as well: Pierluigi Navone (CLAAS Italia) and Denis Delespaul (BNP Paribas Lease Group) sign the contract establishing the new activities in Italy.

CLAAS FACTS >>>>>>>>>>>

CLAAS Financial Services (CFS) was founded in 1999 by CLAAS and BNP Paribas as a joint venture in Paris. In the last six years, CFS has made tremendous progress. More than €1 billion in funds have been paid out, more than 20,000 contracts have been concluded, and more than 5,000 combine harvesters have been financed. Every second CLAAS combine harvester sold in Germany and Spain is financed through CFS. In France, every third CLAAS harvester is CFS-financed. Following the acquisition of the tractor business in 2003, CFS has financed more than 2,000 tractor sales.

CFS has not only expanded its range of services to additional products, but to other markets as well, and is now represented in 11 countries, most recently including Italy. In the first three months, transactions totaled €8 million. Because of the successful business development of CFS, CLAAS has now exercised an option and increased its stake in CFS from 10% to 40%.

BOTTOM
In October 2004, CLAAS issued an equity bond. The CLAAS equity bond has been listed on the Luxembourg Stock Exchange since April 2005.

CLAAS AS A CAPITAL MARKET PLAYER

Our active and well-established position in the international capital markets is the result of our corporate policy which is geared to the opportunities of the financial markets and incorporates criteria such as transparency, communication, investor relations, comprehensive and informative reporting, and international accounting standards. We are also involved in smaller transactions in the capital markets from time to time. This enables us to broaden our capital base, increase our name recognition, and secure the liquidity of the financial instruments we issue.

We are at the forefront of the transition in accounting from U.S. GAAP to IFRS. We are not obligated to make the change until 2007, but have elected early adoption in our 2005 financial statements. This does not signal a change in our accounting policy, which in the context of the possibilities offered by IFRS remains conservative while responding to the principles of openness and transparency.

STRATEGIC FINANCING OPTIONS

CLAAS has been taking advantage of the opportunities in the international capital market for the past eight years. In many instances, we have been pioneers. In 1997, CLAAS accessed the capital market for the first time with the issue of participation certificates and a syndicated credit facility. We issued a euro bond for €100 million in 1999, before corporate bonds had again become a standard instrument in Germany.

CLAAS also entered new territory in 2002 with the private placement of bonds in the U.S. insurance market (the first U.S. private placement by a German company) and with an equity bond in 2004.

SECURING HIGH LIQUIDITY FOR THE FUTURE

In the year under review, we took advantage of the favorable debt capital market environment to renew our credit lines. In addition to conventional bank credit lines, we currently have access to funds in the range of €860 million. We replaced the syndicated loan for €100 million with a new facility for €250 million. Additional funds will become available through a new asset-backed securities (ABS) program that takes into account the growing needs of the future. In addition, we have concluded an ABS transaction in the USA for $40 million.

ABS programs involve selling trade receivables to a special-purpose entity that obtains refinancing in the capital markets, and they also play an important role in the reduction of liquidity requirements arising from the seasonal nature of the agricultural machinery business. Traditionally, customers order harvest machinery between October and March with payment targets for the end of August, when the harvest has been brought in and sold. At mid-year, this results in a need for financing, while at the end of the business year cash and cash equivalents are high due to the relatively low tie-up of working capital at that time.

HYBRID CAPITAL

CLAAS is taking advantage of new opportunities in the tight market for medium-sized business financing. In issuing the CLAAS equity bond in October 2004, we introduced a new form of financing to the capital market. These subordinated perpetual securities are a hybrid between debt and equity that is reported as equity in accordance with IFRS. Listed in Luxembourg in April 2005, our equity bond is the second listed security issued by CLAAS. The €80 million bond has a fixed coupon of 7.62% until 2014 and replaces the participation certificates (Genussscheine), which expired at the end of 2004. This new form of corporate hybrid capital marked the start of a series of similar transactions and has evolved into a popular form of European corporate financing.

HARVESTING SUCCESS
TAKING RESPONSIBILITY FOR PEOPLE AND NUTRITION

- THE SOIL – A GLOBAL TREASURE, A SOURCE OF LIFE, AND AN ECONOMIC FACTOR
- CLAAS – IN SERVICE OF SOCIETY
- EDUCATION AS A KEY TO THE FUTURE
- BUILDING STRENGTH FROM WITHIN

LEFT
As a family company, CLAAS thinks in terms of generations.

BOTTOM
The world's population is growing, while the amount of farmland per capita has been declining for years.

THE SOIL – A GLOBAL TREASURE, A SOURCE OF LIFE, AND AN ECONOMIC FACTOR

Hundreds of centuries ago, ancient agricultural societies already understood the life-giving powers of fertile soil, cherishing it as Mother Earth. Together with air and water, the soil is the decisive factor for the agricultural use of land. Fertile soil provides the basis for the food chain and is the source of virtually all life on earth.

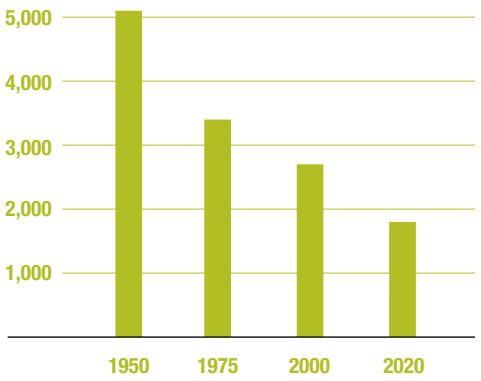
However, at 70%, more than two-thirds of the earth's surface of 510 million square kilometers is covered with water. Only less than one-third of the total surface emerges from the oceans as land. Of this land, barely 3%, or 1.5 billion hectares, is used agriculturally. The rest of the land consists of steppes, mountains, and deserts. The main production factor in agriculture, the soil, is a scarce resource that cannot be expanded. In addition, millions of hectares of fertile farmland are lost year after year due to erosion. Wind and water are the soil's greatest enemies, contributing to the deterioration of soil quality. A single millimeter of erosion translates into the loss of 15 tons of valuable topsoil per hectare.

Wind erosion frequently occurs in regions with large, expansive surfaces, but it is also common in areas where crops such as sugar beets and corn, which don't quickly cover the surface of the field, are planted in tight rotation. Water erosion leads to damage in regions with more or less strongly inclined surfaces. Appropriate land cultivation can help fight erosion problems. Above all, the cultivation of intermediate crops to cover the soil and the reduction of tillage operations can keep erosion in check. Other measures to conserve the soil include cultivating the land across slopes or along contour lines, planting mulch, and improving the topsoil structure with humus and lime.

Damage also arises when the soil is impacted. Driving over the soil with heavy machinery under unfavorable conditions, such as wetness, compacts the soil. This reduces the amount of air in the soil, impairs its ability to hold water, inhibits root growth, and interferes with the animals living in the soil. Agricultural technology offers a variety of solutions for avoiding compaction. Equipping machinery with twin tires can relieve the pressure on the soil. Even lowering tire pressure to 0.8 bar on the field can significantly reduce track depth. Frequently, self-propelled harvesters can be fitted with rubber tracks to increase the footprint and minimize the pressure on the soil.

The plow is no longer the main tool in modern agriculture for cultivating the soil. In times past, plows were used to till leftover crops under the soil. The bare surface offered ideal conditions for wind and water erosion. In Europe, common soil conservation practices now avoid turning the soil and instead just mix it. Some of the leftover crops remain on the surface and are no longer "buried" by the plow. In some areas in North America and Australia, tilling the soil has been reduced to a minimum or eliminated entirely in the past few decades. Targeted soil conservation contributes greatly to the improvement of the soil structure and water supply. In addition, due to optimized aeration and water circulation, unplowed surfaces can bear more weight. The soil recovers from the impact of agricultural machinery and returns to its original condition without suffering damage.

ARABLE LAND PER CAPITA in m^2



Source: FAO

DID YOU KNOW? >>>>>>>>>>>

The amount of land suited for agricultural use is limited. Some 90% of it is already cultivated today. The rising demand for food essentially has to be satisfied with crops produced on the same amount of land. Innovation, technology, and more efficiency make it possible to meet this challenge.

TOP
Training is an important priority at CLAAS. With a training ratio of more than 7%, we are far above the industry average.

RIGHT
CLAAS wants to encourage women to pursue technical professions and regularly participates in the Girls' Day event.

CLAAS FACTS >>>>>>>>>>>

In Harsewinkel, CLAAS offers men and women training positions for careers in industrial engineering, millwork, toolmaking, parts finishing, mechatronics, and industrial business management. In addition, they are given an opportunity to earn part-time study degrees in mechanical engineering, mechatronics, industrial engineering, IT, and business administration as part of a work/study program. A total of 1,053 candidates applied for 55 vocational training positions this year. In the last ten years, we have been able to offer nearly all vocational trainees subsequent positions with the Company.

CLAAS – IN SERVICE OF SOCIETY

The CLAAS philosophy is based on promoting the efficient cultivation of the soil while conserving fertile farmland. We develop environmentally sensible vehicles, play an active role in the development of tire technology, and produce special machinery for harvesting rice and corn with more environmentally sustainable processes. Our electronic solutions optimize the distribution of seeds, fertilizer, and plant protection materials.

Our rise to number four in agricultural engineering was accomplished with the dedication and commitment of the owners and employees of CLAAS to agriculture. We share this passion with the farmers and contractors who view their profession as a calling. Our sales partners and customers are part of our family. We are committed to providing everyone involved in the harvesting process with the best and most efficient technology available today. Satisfied customers and long-term success are the core of our business model.

Realistic visions, creativity, and a good portion of perseverance are and remain the guarantees for successful development of the Company. We back these qualities with consistant reliability. Although we are a globally active company, we still draw a lot of our strength from our roots in Harsewinkel. As a medium-sized family company, we remain committed to Germany as a production location and we have proven that it is possible to be successful here with a stringent strategy, good products, and first-rate employees. Profitable growth benefits all stakeholders alike: the Company, because growth safeguards independence, the employees, because it creates jobs, the government, because it generates tax revenues, and society, because it makes possible the financing of nonprofit organizations and sponsorship.

EXPANDING HORIZONS

Our interests extend far beyond the Company. We are part of society, and changes in society have an effect on our Company. Our presence in the public eye not only serves the purpose of communicating the Company's concerns, but also gives us an opportunity to have an effect on the society around us. A visible expression of this commitment is the CLAAS Foundation established in 1999. Its mission is to promote the acceptance of future developments in agriculture and agricultural engineering around the world. It supports young people in their studies of agricultural science by awarding grants on a yearly basis.

CULTIVATING TRADITION

CLAAS has a strong tradition of innovation and progress. This spirit is well reflected in the publication of our company history. In nine chapters, the richly illustrated book tells the story of a family company from its humble beginnings to its current status as a corporation with a strong presence in the global market. The 240 pages also include facets of the history of the Claas family, which in the course of nine decades built up a global business with vision, love of technology, and a spirit of innovation coupled with down-to-earth sensibility. More

than 30 people contributed to this book, which was completed in just nine months. According to feedback from readers, the book is an informative and enjoyable journey through the history of agricultural engineering.

EDUCATION AS A KEY TO THE FUTURE

Professional training is a top priority in the CLAAS Group. We train junior staff as a means to secure the Company's future. The high training level ensures that trainees are prepared for professional careers with competitive opportunities. We provide training for young people in more than 20 administrative and technical professions. The training ratio of more than 7% in our German plants exceeds the industry average by 2 to 3 percentage points.

LOOKING BEYOND OUR OWN BORDERS

The International CLAAS Trainee Program has for 18 years formed an integral part of CLAAS's efforts to support young employees. We offer management trainees a good opportunity to network and become familiar with a modern corporate group. While we do not guarantee that trainees will later receive a management position, we do qualify them for taking on responsible positions. The focus of the 12 to 18 month program is on Finance, Controlling, Production, R&D, Marketing, and Sales as key areas for any future management career. Should a trainee show a strong interest in another area, we consider the available options. In line with our international group structure, each trainee will spend some time at one of our international facilities.

HELMUT CLAAS HONORED

Shareholder and Supervisory Board Chairman Helmut Claas received high awards in 2004/2005. "In more than 45 years of service to the company that bears his name, Helmut Claas has established a reputation in the agricultural sector as a person who is deeply dedicated to the business of farming. He has a passion for outstanding technological developments and for people whose knowledge contributes to feeding humanity." This is how the Institution of British Agricultural Engineers lauded Helmut Claas upon the conferral of its highest distinction, the Award of Merit. Because of his continuous and generous support of research and study, the Senate of Hohenheim University decided to nominate Helmut Claas as an honorary senator. The certificate and medal were presented to Helmut Claas in an academic ceremony in the palace at Hohenheim University.

TOP
At the beginning of the year, CLAAS underscored the growing importance of strategic partnerships for the Company with a special award ceremony. As part of the first Strategy Suppliers Forum, for which some 160 representatives of premium suppliers around the world had come to Harsewinkel, prizes were awarded in the five categories of Overall Winner, Service, Innovation, Quality, and Logistics. The "Purchasing Oscar" for the Overall Winner went to the Buisard company of France.

CENTER
The kickers from CLAAS Production Engineering (CFT) in Beelen were pleased with their victory at the CLAAS European soccer championship, which this time took place at CLAAS Hungaria in Törökszentmiklós.

ACTIVE INTERNATIONALISM

The global presence of CLAAS calls for a mobile, flexible workforce. International exchange programs are a central element of our employee development efforts. Assignments in the USA, Argentina, India, Australia, Russia, Hungary, Ireland, the United Kingdom, Spain, and France give our employees an opportunity to gain a deeper understanding of the Company's organization and work flows, to get to know different cultures and mentalities, and to develop valuable intercultural competence. At the same time, these employees play an important role in the transfer of knowledge and experience throughout the Group.

Even in their initial training period, our young employees have a chance to gain experience outside of Germany. For some dual courses of study, extended stays abroad are mandatory. In connection with their studies, students from professional academies and business schools complete foreign assignments, above all in Europe and the USA.

BUILDING STRENGTH FROM WITHIN

In addition to high qualifications and professionalism, the future of our Company depends on our ability to transfer existing knowledge to all levels and to continuously generate new knowledge. CLAAS ACADEMY functions as a worldwide training facility that is also open to our sales partners and customers. At the academy, we train our engineers and service technicians in our products. Sales training programs support our marketing and sales professionals by providing background knowledge. The intensive training programs at the CLAAS ACADEMY have been instrumental in the successful establishment of CLAAS tractors in the market in such a short time.

We offer a wide range of advanced training opportunities, from language training, technical training, safety training, and computer courses on CATIA 5, Six Sigma, and CAD to seminars on teamwork and intercultural competence. Seminars for the development of management are offered in response to the significant increase in management challenges. The documented success of the Junior Management Program, which gives promising young employees and prospective or recently hired managers insight into general management, has prompted us to introduce a Senior Management Program as well.

CLAAS EMPLOYEE PARTICIPATION COMPANY CELEBRATES ANNIVERSARY

CLAAS Mitarbeiterbeteiligungs-Gesellschaft mbH (CMG), our employee investment fund, celebrated its 20th anniversary in 2005. The company was founded at a time when participation schemes for employees were still unheard of. Then as now, CLAAS offers its employees an opportunity to participate in the capital and success of the Company as silent partners and to build up assets over the long term. CMG collects contributions and makes them available to the Company as long-term financial resources. It is designed to give the employees a sense of ownership and ideally combines the objectives of good personnel management with long-term corporate financing.

In the last few years, the subscription rate has been well over 60%. CMG has more than 4,500 shareholders who have invested a total of €18.3 million in their Company. Half of these shareholders hold approximately €2,500 in CMG, and a quarter have accumulated savings in excess of €5,000. Anyone holding shares since 1984 had a balance of nearly €16,000 in their share account as of September 30, 2004. In the year under review, €2.2 million was paid out to silent partners on the shareholder capital eligible for interest.

FIT FOR BUSINESS …

CLAAS is one of the largest employers among medium-sized German companies. We offer secure jobs and plan work with our employees' interests in mind. Flexible working time models make it possible to balance job, family, and recreation. Our compensation structures are fair, and we take advantage of opportunities to offer motivating incentives.

Employees spend a large amount of their time at the Company. We provide a work environment that makes it easy to use this time sensibly and effectively. We look after our employees' health and promote safety on the job. We have annual meetings with employees, evaluate individual performance, and give our employees the chance to discuss personal matters or problems with their supervisors. Our corporate culture is defined by credibility, loyalty, and trust. The principles of management and teamwork include respect, participation, willingness to change, and reliability. The CLAAS culture, with its unmistakable identity and firmly rooted inner values, is the bond that holds everyone in the Company together. We are rapidly evolving as a global player in a highly heterogeneous environment. Our employees live on every continent with various cultures, religions, climates, and time zones. Our integration management makes all of them part of the CLAAS team.

…FIT FOR FUN

Employees not only become a tight unit on the job. We also meet outside of the Company, celebrate events and play sports. Once a year, Happy Family Day takes place in Bad Saulgau, and we've held the CLAAS European soccer championship four times. This year's host was CLAAS Hungaria in Törökszentmiklós. Eighteen teams competed for the title. In the end, the CLAAS Production Engineering team from Beelen, Germany, won the tournament.

TOP
The CMG management team: Dr. Hajo Reicherts, Corinne Matschulat, Dr. Peter Göth, and Stefan Schlüter.

CLAAS FACTS >>>>>>>>>>>

CLAAS-Mitarbeiterbeteiligungs-Gesellschaft mbH (CMG) was founded 20 years ago. Then as now, CMG offers employees a chance to participate in the capital and the success of the Company while at the same time building long-term equity. In the last 20 years, employees have invested a total of €18.3 million in the Company. The importance of CMG is above all reflected in its high degree of acceptance. The subscription rate has been significantly higher than 60% for years, and today CMG has about 4,500 shareholders.

HARVESTING SUCCESS

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS (DETAILED TABLE OF CONTENTS P. 57)

MANAGEMENT REPORT OF THE CLAAS GROUP

INDUSTRY TRENDS IN FISCAL 2005

The global agricultural engineering market was stable on the whole in fiscal 2005, though development varied in the different regions. While Europe and North America experienced growth of approximately 5%, the South America markets were quite weak in comparison with the good performance of previous years.

Investment activity increased in Europe as a result of the clear political framework which ensures improved planning reliability until 2013. The new EU agricultural policy guidelines, approved in Luxembourg, provide farm operations with a more reliable calculation base. Higher crop prices and high levels of investment to replace machines made 2005 a satisfactory year for agricultural engineering on the whole. In the European agricultural markets, development was once again mixed. Germany and France, Western Europe's biggest agricultural markets, proved to be strong. The agricultural engineering market in Germany grew considerably after two weak years, particularly the markets for combine harvesters and green harvest machinery. In contrast, the markets in the UK, Italy and Spain declined slightly after strong previous years, mainly due to the temporary decline in investment activity in the UK and the major droughts in southwest Europe.

The Central European markets experienced significant growth based on a sharp increase in farmers' income. This rebound reflected the good harvests and the increased confidence of Central European farmers in EU agricultural policy. Demand for Western European agricultural technology continued to rise.

The Eastern European markets proved to be quite robust, both with regard to machines employing western technology as well as local production. All suppliers of agricultural machinery increased their efforts to tap into the relevant markets. Local competitors also made a significant recovery, particularly combine harvester manufacturers. Good harvests, high export potential and an increase in public sector procurement, especially in the Ukraine and Russia, formed the basis for the sustained robustness of the market.

In North America, the largest agricultural engineering market, sales kept their momentum, growing more than 5% in 2005, mainly as the result of record farm income in 2004, price guarantees connected with the "New Farm Bill" and the high profitability of the cattle sector. In addition, low initial interest rates and the high share of U.S. exports in global agricultural goods trading contributed to another strong year for agricultural engineering in 2005.

In South America, the agricultural engineering market fell 35% in fiscal 2005. In Brazil, South America's largest market, the tractor and combine harvester markets declined 30% and 65% respectively, primarily due to the heavy drought, the strong Brazilian real and the reduction of the state loan program (FINAME). In Argentina, the agricultural engineering market declined approximately 20%, with imports decreasing in particular.

The agricultural engineering market in India benefited from a good monsoon season as well as tax incentives. The tractor market in particular reached record highs; harvesting machinery also made significant gains.

SALES

SALES GROWTH IN ALL SEGMENTS

Sales of the CLAAS Group increased 12.8% in fiscal year 2005 to €2,175.3 million. All three segments – Agricultural Engineering, Production Engineering, and Industrial Engineering – achieved significant growth.

In the Agricultural Engineering segment, growth varied considerably in the different regions, with total Agricultural Engineering sales rising 12.5% to €1,998.0 million.

The Production Engineering segment continued to suffer from stagnation in the German toolmaking industry. Brötje Automation, however, registered strong growth in its products for the aviation industry. External sales of the Production Engineering segment increased 15.4% to €148.1 million.

In the Industrial Engineering segment, third-party sales rose significantly by 21.7% to €29.2 million, primarily due to increased deliveries to Eastern Europe.

As in the previous year, the trend in the European agricultural engineering markets was mixed. CLAAS achieved significant sales growth in the Western, Central and Eastern European regions and expanded its position in the European markets.

In Western Europe, the most important agricultural engineering market for CLAAS, sales in the Agricultural Engineering segment rose 5.1% to €1,480.3 million, primarily as a result of harvesting machinery sales. Despite the decline in the Western European tractor market, we were able to expand our overall position. This demonstrates the benefits of the synergies between the harvest machinery and tractor businesses achieved as a result of the acquisition of RENAULT Agriculture.

In Germany, CLAAS increased sales in the Agricultural Engineering segment by 22.4% in a significantly improved market. After the double-digit declines experienced each year in the German market since 2002 as a result of difficult harvest conditions and unsatisfactory income levels, investment activity increased in 2005 following the good harvest of the previous year. Nearly all harvesting machinery product groups contributed to the resulting growth in sales. Tractor sales rose more than sales of other products, with CLAAS significantly increasing its market share to more than 7% by selling 1,378 tractors in Germany in 2005 in the second year after the market launch.

Market development differed in the agricultural engineering markets of the United Kingdom and France. In the UK, the harvesting machinery business suffered from negative sentiment in the agricultural sector triggered by high wheat stocks and low prices, which resulted in a significant sales decline for many suppliers, including CLAAS. However, the tractor business grew considerably, benefiting from the successful integration of distribution activities from the previous RENAULT sales companies to the traditional CLAAS distribution organization. In France, the largest European market for CLAAS, the high sales volumes of the previous year were surpassed. CLAAS achieved extremely high growth in harvesting machinery, particularly combine harvesters, expanding its leading market position in this segment. In the tractor business, sales decreased in light of the weak overall market, partly due to the drought. The market share increased slightly. Agricultural Engineering sales varied in the other countries of Western Europe. In Spain and Portugal, the long drought on the Iberian peninsula led to noticeable sales declines, while in Scandinavia, CLAAS achieved substantial growth.

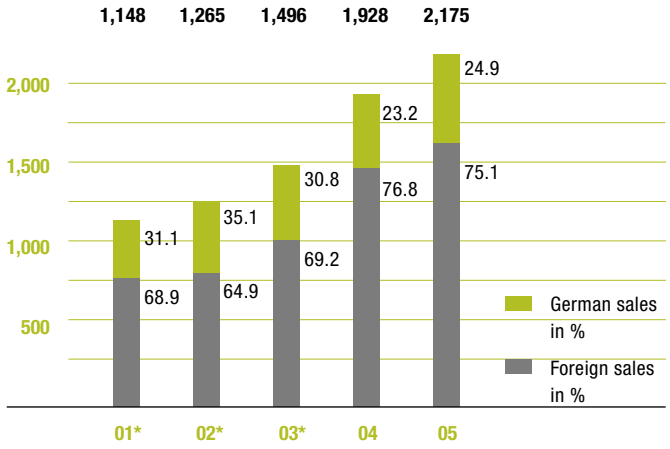
While the significant agricultural markets of Central Europe experienced a slowdown in the previous year due to skepticism concerning entry to the EU, the agricultural engineering business resumed growth in 2005 amidst a softening of reservations about the EU and increasing earnings. Sales increased considerably in the Baltic countries as well as in the Czech Republic and Slovakia. In Hungary, however, EU membership did not trigger an additional surge in investments. Heavy investments in the agricultural sector had already been made in previous years in Hungary, which is CLAAS' largest Central European market. CLAAS' Hungarian business remains at a high level.

In Eastern Europe, the CIS markets – particularly Russia and the Ukraine – remained stable. After having increased more than 25% in fiscal 2004, Agricultural Engineering sales to Eastern European countries again increased by a similar magnitude in fiscal 2005. White Russia and Kazakhstan made a particular contribution to sales growth, with CLAAS more than doubling sales in these two regions.

Outside of Europe, agricultural engineering sales surged by 37.6%. In the US, our largest non-European market, demand for agricultural machinery again exceeded the previous year's level. Sales improved substantially at our two U.S. companies, CLAAS of America and CLAAS Omaha. The significant rise in combine harvester sales of CLAAS Omaha made a major contribution to this sales increase. In Argentina, the agricultural engineering market suffered a collapse in 2005. In contrast with the market trend, our Argentinean sales company, CLAAS Argentina, performed favorably at a low level and managed to gain market shares. In other countries, especially Canada, Turkey and New Zealand, CLAAS posted significant gains.

The share of foreign business in total sales of the CLAAS Group decreased slightly in comparison with fiscal 2004, declining to 75.1% due to increased growth in Germany. Nevertheless, the level of internationalization of the business remained high in the reporting period.

SALES in € million



*Figures based on U.S. GAAP

SALES BY REGION in € million

Germany	**541.2**	(+20.9%)
Rest of Western Europe	**1,075.0**	(-0.6%)
Central and Eastern Europe	**275.2**	(+43.2%)
Other countries	**283.9**	(+37.3%)

STRONGEST SALES GROWTH IN COMBINE HARVESTERS – INCREASES IN ALL OTHER PRODUCT GROUPS

The favorable performance of the harvesting machinery business, especially in Germany, France, Central and Eastern Europe as well as the U.S., led to considerable sales growth in the combine harvester product group. This was primarily attributable to the redesign of our product range of large and mid-sized combine harvesters.

Forager sales benefited from the major market expansion in Germany based on the trend toward bio gas equipment. Eastern European activities also performed quite well, with CLAAS continuing to expand on its leading position in the global market.

Sales of balers and green harvesting machinery increased in the French market in particular. CLAAS expanded its market position in relative terms.

Tractors, the second-largest product group after combine harvesters, also performed very well. Significant growth was experienced, particularly in Germany and in Australia/New Zealand, where CLAAS tractors were introduced for the first time. Only in France did sales decline slightly along with the market. The new ARES 500/600 series is mainly responsible for our continued success.

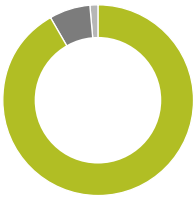
Sales of used equipment continued to increase steadily, focusing on the major agricultural engineering markets of France, the United Kingdom, and Germany. Marketing for Central and Eastern Europe is carried out centrally in Germany.

Sales of spare parts and accessories increased more than 10% as a consequence of the expansion of our new and used equipment business; growth was achieved in all key markets. We emphasize this area due to the high significance customers place on the level of service. The positive trend reflects our endeavors to support our customers along the entire lifecycle of the machines.

Sales in the Production Engineering segment rose 15.4% to €148.1 million. Significant growth in the areas of automation and aviation more than made up for market-related sales declines in toolmaking and machine construction. In the automotive business, it was necessary to make capacity adjustments due to the current market weakness. In aviation, the order situation was excellent, with sales expanding considerably as a result of the new Airbus and Boeing models.

The Industrial Engineering segment increased third-party sales by 21.7% to €29.2 million. The drive technology business was mainly responsible for this growth. Having proven our competence in intercompany transactions, our industrial engineering business is increasingly extending to third parties.

SALES BY BUSINESS SEGMENT in € million



Agricultural Engineering	**1,998.0**	(+12.5%)
Production Engineering	**148.1**	(+15.4%)
Industrial Engineering	**29.2**	(+21.7%)

EARNINGS

SUBSTANTIAL EARNINGS IMPROVEMENTS

The gross profit on sales rose by €79.2 million to €557.4 million in fiscal 2005, primarily as a result of the increase in sales of €246.9 million in comparison with the previous year. CLAAS also improved the gross profit margin by approximately one percentage point to 25.6%. Higher sales volumes in harvesting machinery were the main reason for the proportional increase in earnings (+16.6%) exceeding the proportional increase in sales (+12.8%).

The substantial increase in gross profit reflects the special position of CLAAS in the market as a technology leader and premium supplier. The high benefits customers derive from our products, which are sold by a professional distribution organization, reinforce our position in all relevant markets. Additional earnings were generated in after sales. All in all, the close integration of development, production and distribution as well as customer service and spare parts service made a significant contribution to improving earnings in fiscal 2005.

Profitability was additionally bolstered by long-term programs to increase efficiency and optimize processes in manufacturing. The cost reductions achieved and the more flexible cost structures implemented in connection with the "CLAAS Financial Fitness Program" made a crucial contribution to reaching our profit targets and enabled us to compensate for the major increase in steel prices in 2005. Along with unavoidable price increases, the measures described played a key role in reducing costs. Negative effects from the dollar trend during the reporting year were largely avoided through active currency management and hedging activities.

CLAAS also improved earnings in the Industrial Engineering segment. After the problems experienced in the previous year, this segment increased its earnings contribution significantly in 2005. However, the difficulties continued in the toolmaking division, which is part of the Production Engineering segment.

Operating income rose by €42.0 million to €104.9 million. This above-average increase of 66.7% was primarily the result of improvements in expense structures and additional efficiency gains in the functional areas of production, distribution and administration. In production, the targeted volume increases and the ensuing progressive reduction in fixed costs based on the relevant earnings contributions had a positive effect. The significant rise in sales of 12.8% was achieved with a slight increase in selling expenses of 4.3%, which was again due to the positive effects of our "CLAAS Financial Fitness Program". Research and development continued to actively focus on product development in agricultural engineering, particularly tractors. The cost structure was positively impacted by improving project efficiency while maintaining high development standards. Expenditure for research and development rose by €6.2 million to €78.9 million in the reporting year. However, after capitalizing development costs and setting off amortization, research and development expenses increased only slightly due to the increased R&D capitalization rate. Other operating income was affected by the reduced release of provisions.

Due to the first-time adoption of IFRS, the financial result includes "income from investments" along with "interest and similar expenses, net" and "other financial result." These items are stated separately in the income statement. The sum of these items improved by €8.3 million to €-18.5 million (previous year: €-26.8 million).

EXPENSE STRUCTURE BY FUNCTION (in % of net sales)	**2005 in %**	**2004 in %**
Cost of sales	74.4	75.2
Selling expenses	12.6	13.6
General and administrative expenses	3.9	4.2
Research and development expenses	3.3	3.6

Income from investments made a substantial contribution to earnings, primarily due to income contributions from our companies accounted for at equity: CLAAS Finance Ltd., Basingstoke, United Kingdom and CLAAS Financial Services S.A.S, Paris, France, both sales financing companies, as well as CLAAS GUSS GmbH, Bielefeld, Germany. In the previous year, this item also included the adjustment for the investment in International Tractors Ltd. in New Dehli, India, which was sold in fiscal year 2005. Income from investments improved a total of €4.9 million to €3.6 million.

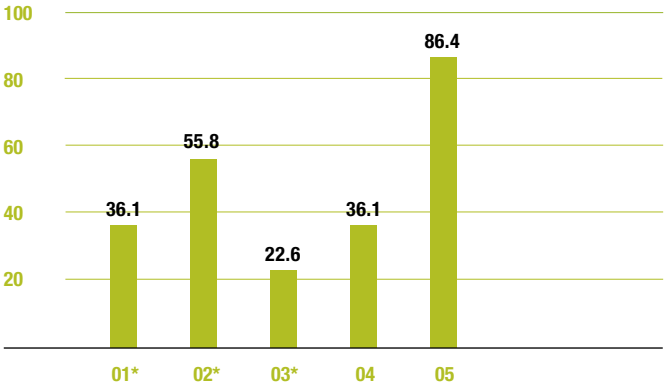
The sum of "interest and similar expenses, net" and the "other financial result" also increased by €3.4 million, largely due to the significant increase in interest income of €4.7 million, which was primarily the result of the improvement in liquid assets during the year.

The other financial result, however, declined by €1.6 million, in part due to a reduction in currency income and higher payments to CLAAS Mitarbeiterbeteiligungs-Gesellschaft mbH due to the significant increase in this company's earnings.

The improvement in operating income and the financial result led to a rise in income before taxes of €50.3 million to €86.4 million.

INCOME STRUCTURE	**2005 € million**	**2005 %**	**2004 € million**	**2004 %**
Net sales	2,175.3	100	1,928.4	100
Gross profit on sales	557.4	25.6	478.2	24.8
Operating income	**104.9**	4.8	**62.9**	3.3
Financial result	-18.5	-0.8	-26.8	-1.4
Income before taxes	86.4	4.0	36.1	1.9
Net income	**54.7**	**2.5**	**21.9**	**1.1**

INCOME BEFORE TAXES in € million



*Figures based on U.S. GAAP

The Group's net income rose to €54.7 million in fiscal 2005 from €21.9 million a year earlier. The tax rate declined to 36.7% after 39.5% in fiscal 2004.

CAPITAL EXPENDITURE

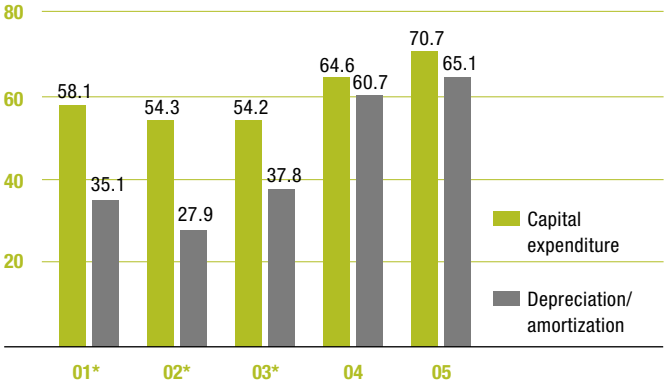
The total capital expenditure of €86.1 million was slightly above the previous year's level of €81.4 million. Investments in property, plant, and equipment as well as intangible assets excluding goodwill, at €70.7 million, exceeded the previous year's level of €64.6 million and also exceeded depreciation and amortization on property, plant and equipment and intangible assets, as in previous years.

Capital expenditure focused on newly initiated development projects as well as the modernization, restructuring and further optimization of production processes at our manufacturing sites. Development activities were directed toward redesigning the product line of tractors. Investments in property, plant and equipment focused on CLAAS Selbstfahrende Erntemaschinen and RENAULT Agriculture. In addition, considerable funds were provided for the further expansion of the production site in Krasnodar, Russia for the purpose of steadily reinforcing CLAAS' traditionally strong standing in the Eastern European markets and building a foundation for increased participation in the development of these markets. Furthermore, substantial resources were expended for renewing and expanding our range of products in type-specific tools.

We expanded our basis for future growth by increasing our stake in CLAAS Financial Services S.A.S. in Paris, France. This strategic move is intended to lead to an intensification of customer-specific financing activities. In addition, the equity investment in Kramer-Werke GmbH in Überlingen on Lake Constance represents an important step in reinforcing our market position in the telescopic loader product group.

As in the previous years, the regional focus of investment was on Western Europe with more than 90% of total spending. However, CLAAS also continued to step up its capital spending in Eastern Europe, particularly in Krasnodar.

CAPITAL EXPENDITURE AND DEPRECIATION/ AMORTIZATION in € million



*Figures based on U.S. GAAP

CASH FLOW

CASH FLOW (DVFA/SG) FURTHER IMPROVED

Cash flow in accordance with DVFA/SG increased once again in the reporting year, rising €36.5 million, or 38.7%, to €130.7 million (previous year: €94.2 million). This positive trend is attributable in particular to the improved earnings situation.

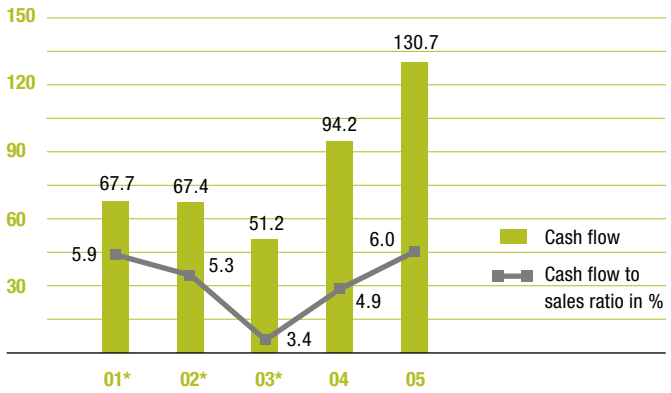
Net cash provided by operating activities declined by €79.9 million to €93.1 million (previous year: €173.0 million) due to additional funds being tied up in working capital. This development reflects the extremely low working capital base and the associated high release of funds in fiscal 2004. In addition, the substantial business expansion in fiscal 2005 caused a reasonable increase in working capital.

Net cash used for investment activities increased from €125.0 million to €150.0 million, primarily due to a net investment in securities of €83.7 million (previous year: €45.7 million) as well as the increase of our equity investment in CLAAS Financial Services S.A.S. in Paris, France. In contrast with these outflows, CLAAS registered proceeds from the sale of the equity investment in International Tractors Ltd. in New Dehli, India and the disposal of property, plant and equipment.

Net cash provided by financing activities amounted to €92.4 million in the reporting year (previous year: cash outflows of €59.0 million). The positive cash flow in fiscal 2005 mainly resulted from the issue of subordinated perpetual securities with a notional amount of €80 million which are classified as an equity instrument under IFRS. After deducting the issue costs of €1.4 million, CLAAS recorded proceeds of €78.6 million from this transaction.

The ratio of cash flow (DVFA/SG) to sales improved to 6.0% from the previous year's level of 4.9%.

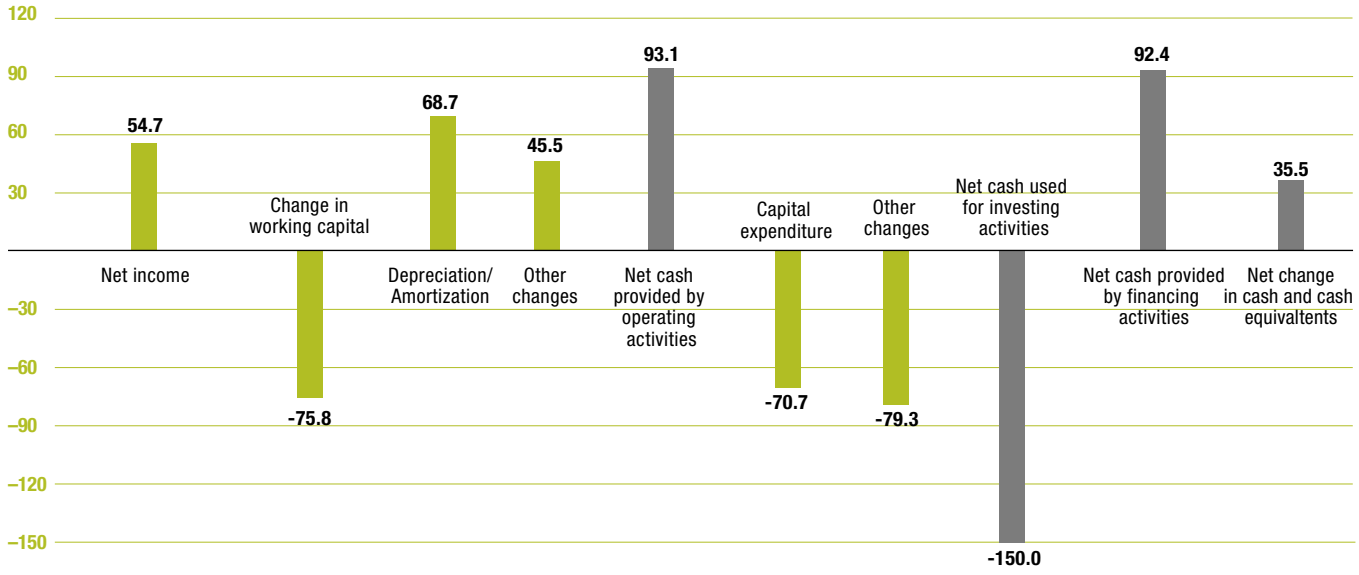
CASH FLOW (DVFA/SG) in € million



*Figures based on U.S. GAAP

CONSOLIDATED STATEMENT OF CASH FLOWS	2005 € million	2005 %	2004 € million	2004 %
Cash flow in accordance with DVFA/SG	130.7	51	94.2	42
Net cash provided by operating activities	93.1	36	173.0	78
Net cash used for investing activities	-150.0	-58	-125.0	-56
Net cash provided by/used for financing activities	92.4	36	-59.0	-27
Net change in cash and cash equivalents	35.5	14	-11.0	-5
Effect of foreign exchange rate changes on cash and cash equivalents	0.5	–	–	–
Cash and cash equivalents at beginning of year	222.3	86	233.3	105
Cash and cash equivalents at end of year	258.3	100	222.3	100

CONSOLIDATED STATEMENT OF CASH FLOWS in € million



LIQUIDITY AND FINANCING

STRONG LIQUIDITY POSITION AT END OF FISCAL YEAR, FLUCTUATIONS IN LIQUIDITY AND FINANCING DURING THE YEAR

As of the balance sheet date, liquid assets (cash and cash equivalents plus securities classified as current assets) had risen considerably by €120.1 million to €500.7 million from €380.6 million a year earlier. This increase was primarily due to the flotation of an equity instrument in the form of subordinated perpetual securities with a notional amount of €80 million. Issued in October 2004, the securities act as subsequent financing for the participation certificates repaid in fiscal 2004 in the amount of €40.9 million.

The seasonal nature of the agricultural engineering industry generally leads to high liquidity levels at the end of the fiscal year due to the relatively low capital commitments from working capital, whereas during the year, substantial financing requirements arise in order to fund working capital.

An asset-backed securities (ABS) program with variable participation methods is in operation to reduce seasonally-related liquidity fluctuations. This program involves selling trade receivables on a revolving basis to a special-purpose entity which refinances itself on the capital markets.

The strong liquidity position of CLAAS at the end of the fiscal year is also reflected in the cash ratio (liquid assets in relation to current liabilities). This figure improved from the already very good previous year's level of 75.8% to 79.8% at the end of fiscal year 2005. The quick ratio (the ratio of current monetary assets to current liabilities) was 132.0% as of September 30, 2005, showing a similar level as in the previous year (136.8%).

As of the balance sheet date, financing commitments available to the CLAAS Group had increased significantly by €83.8 million to €856.7 million (previous year: €772.9 million). As disclosed in the notes, these commitments include a Eurobond in the amount of €100 million issued on the international capital markets at the start of 1999, which will be repaid at the beginning of March 2006, as well as a bond in the amount of $200 million placed privately with institutional investors in the U.S. in December 2002. This bond with a coupon of 5.76% has a term of up to 12 years. In addition, a new multi-currency loan facility (syndicated loan) amounting to €250 million with a term of five years was established in July 2005.

Along with these financing commitments, we reinforced our capital base by issuing subordinated perpetual securities in October 2004 in the amount of €80 million. This equity instrument has a nominal return of 7.62%.

BALANCE SHEET STRUCTURE	2005 € million	2005 %	2004 € million	2004 %
Non-current assets	473.9	29.4	472.2	32.7
Current assets	1,137.8	70.6	973.7	67.3
Total assets	**1,611.7**	**100**	**1,445.9**	**100**
Equity	484.9	30.1	374.4	25.9
Non-current liabilities	499.2	31.0	569.6	39.4
Current liabilities	627.6	38.9	501.9	34.7
Total equity and liabilities	**1,611.7**	**100**	**1,445.9**	**100**

FINANCIAL POSITION

STRUCTURAL IMPROVEMENTS, HIGH LIQUIDITY

Total assets rose €165.8 million to €1,611.7 million as of the balance sheet date due to the increased business volume. Liquid assets grew at a faster rate than non-current assets, inventories and other current assets.

Non-current assets increased slightly by €1.7 million to €473.9 million (previous year: €472.2 million). The ratio of non-current assets to total assets declined accordingly from 32.7% to 29.4%. The additions to non-current assets totaling €86.1 million (previous year: €81.4 million) were partly offset by disposals at a residual carrying amount of €16.5 million (previous year: €4.1 million).

The additions to intangible assets of €28.8 million relate almost exclusively to development projects initiated during the fiscal year, particularly for tractors and combine harvesters. The carrying amount of intangible assets increased by a moderate €3.2 million to €123.1 million as of the balance sheet date. By contrast, property, plant and equipment decreased by €5.2 million to €243.9 million. Along with investments in products and projects, the additions of €41.9 million mainly relate to toolmaking machines, technical equipment and buildings, and investments in expanding the Russian plant in Krasnodar. These additions were countered by disposals at a residual carrying amount of €4.3 million and depreciation for the fiscal year amounting to €43.2 million. Shares in associated companies increased by €2.6 million to €27.4 million. The additions in the amount of €14.0 million were primarily attributable to the increase of the equity investment in CLAAS Financial Services S.A.S. in Paris, France from 10% to 40% in September 2005 as well as to the related earnings contributions of equity-accounted investments. The disposals at a residual carrying amount of €11.4 resulted mainly from the sale of the equity investment in International Tractors Ltd. in New Delhi, India. Other investments remained constant at €1.9 million.

Deferred tax assets, which are required to be classified as non-current assets, increased by €8.0 million to €38.9 million. Other non-current receivables and financial assets declined by €6.9 million to €38.7 million, mainly due to the lower share of long-term derivatives.

Current assets rose by €164.1 million to €1,137.8 million (previous year: €973.7 million). This increase led to a corresponding rise in the ratio of current assets to total assets from 67.3% to 70.6%.

Inventories grew by €14.4 million to €295.0 million as a result of the increase in finished goods. However, the increase in inventories was proportionally much lower than the increase in business volume. Inventory turnover declined accordingly from 14.5% to 13.6%, reflecting the success of our lasting working capital management.

Trade receivables increased slightly by €4.0 million to €248.3 million (previous year: €244.3 million), primarily as a result of the relatively strong year-end business. The ratio of trade receivables to sales decreased from 12.7% to 11.4%. The days sales outstanding (DSO), an indication of the effectiveness of receivables management, declined from 46 to 42 days.

Liquid assets (including securities classified as current assets) increased significantly from €380.6 million to €500.7 million. The ratio of liquid assets to total assets rose from 26.3% to 31.1%

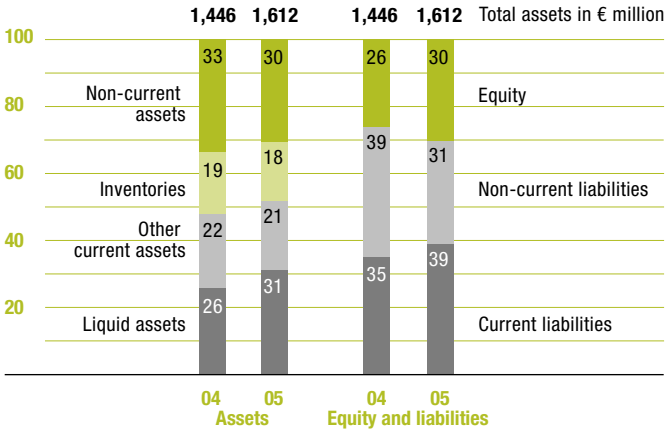
SOLID COVER RATIOS MAINTAINED

Equity increased significantly by €110.5 to €484.9 million (previous year: €374.4 million), mainly due to the issuance of an equity instrument in the form of subordinated perpetual securities with a notional amount of €80 million as well as the substantial increase in earnings in comparison with the previous year. At 30.1%, the equity-to-assets ratio as of the balance sheet date significantly exceeded the figure for the previous year (25.9%), underlining CLAAS' sound equity base.

Non-current liabilities decreased to €499.2 million as of the balance sheet date from €569.6 million a year earlier. Along with pension provisions, non-current liabilities include all financial and other liabilities, and other provisions with a remaining term of more than one year. This item also includes the silent partnership of the CLAAS employee participation company (CLAAS Mitarbeiterbeteiligungs-Gesellschaft GmbH) in the amount of €19.3 million (previous year: €18.3 million) as well as the deferred taxes defined as non-current under IFRS. The decline of €70.4 million resulted primarily from reclassification of the Eurobonds issued in 1999 and repayable in March 2006 in the amount of €100 million to current financial liabilities. This decrease was partly compensated by the increase of €11.6 million in non-current liabilities to banks as well as the increase in non-current provisions of €10.4 million and in other non-current liabilities of €6.0 million, mainly due to the change in passive derivatives.

Equity and non-current liabilities cover 207.7% of non-current assets (previous year: 199.9%). The ratio of equity and non-current liabilities to the sum of non-current assets and 50% of inventories is also quite solid at 158.4% (previous year: 154.1%).

BALANCE SHEET STRUCTURE in %



PURCHASING

In 2005, we focused on the strategic restructuring and positioning of our purchasing activities. Restructuring centered on creating skilled teams to concentrate on specific technical areas covering all locations. As part of the "CLAAS Financial Fitness Program", two cost reduction projects – CRISP (for procurement of non-production-related materials) and CROP (for procurement of production materials) – were successfully implemented in production line organization to ensure sustainability of the cost savings already achieved. In addition, new cost savings have also been realized.

We will continue to focus on developing strategic supplier partnerships. By increasingly integrating key suppliers we intend to benefit from innovation, increase flexibility and reduce depth of production.

CLAAS was confronted with persistently rising steel and oil prices in fiscal 2005. We took countermeasures early on through active risk management, including implementation of a "steel team," demand pooling with suppliers and cooperation partners and development of alternative sources of procurement. We were able to ensure that supplies were maintained throughout the year despite the significant increase in production volume.

New supplier relationships were developed both in Eastern Europe and in Asia in order to further improve our competitive position. CLAAS established two global sourcing teams in Hungary and India to support these activities.

In addition, CLAAS increased the use of e-business solutions in order to ensure a rapid and efficient exchange of information with suppliers with the aim of integrating suppliers into our value-creation chain.

CLAAS is currently working on creating a comprehensive supplier relationship management (SRM) concept, which is intended to additionally improve the integration of and cooperation with suppliers. The concept includes tools such as a spend management system and a supplier evaluation and development platform.

In fiscal 2005, CLAAS also created the basis for realizing additional future potentials and synergies. The purchasing organization will continue to contribute to improving the operating income of CLAAS.

RESEARCH AND DEVELOPMENT

BASIS FOR FUTURE ECONOMIC SUCCESS

Research and development expenses before capitalization and amortization of development costs increased 8.5% in the year under review to €78.9 million. This corresponds to approximately 3.6% of sales, underlining the high value CLAAS places on technology and securing future earnings. Our innovative achievements led to an increase of 13% in global patent applications.

CLAAS established a central "Corporate R&D Management" function that also meets the increased requirements of the expanded CLAAS Group in terms of organizational structure. Corporate R&D Management focuses on continuing to develop the intragroup development network, expanding technology and knowledge management, and developing and implementing joint standards, technologies, methods and processes.

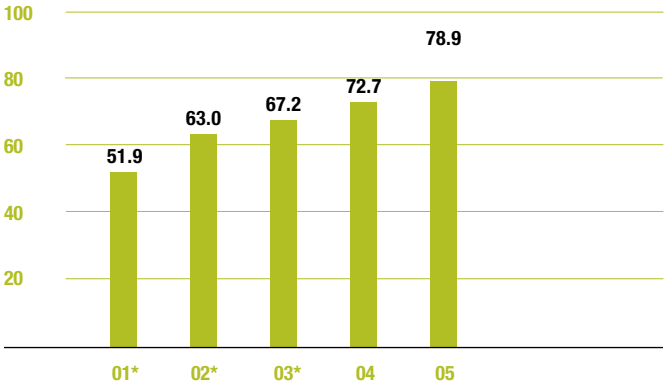
Our intensive work in research and development in 2005 resulted, among other things, in the following:

- LEXION 600 – new top model in the LEXION series with CRUISE PILOT (electrical throughput regulator with automatic adjustment of driving speed to harvest conditions), 30 km/h road speed for quick travel between working locations, AUTO CONTOUR II (optimized header configuration for more precise pressure regulation, shortest possible reaction times, and improved header damping), increased engine performance, larger grain tank volume, and 12-row CONSPEED corn picker

- Redesign of JAGUAR forager models – expansion of range with CLAAS COMFORT CUT (combination of key characteristics of infinitely adjustable cutting length from the cab, hydrostatic QuickStop when foreign objects are detected, and SafetyStop to stop all crop flow units if the main drive is stopped), higher performance engines in compliance with EUROMOT 3a emissions regulation, and StopRock rock detector with feed roller quick stop

- Redesign of XERION – official launch of system vehicle with entirely redesigned module cab, rotating driver's seat for the use of rear-adapted work implements, swiveling rear power lift with the possibility of using a power take-off shaft when driving with track displacement (crab steering)

RESEARCH AND DEVELOPMENT EXPENSES BEFORE CAPITALIZED AND AMORTIZED DEVELOPMENT COSTS
in € million



*Figures based on U.S. GAAP

- ARES 500/600 – entirely redesigned tractor series in the performance category 90 to 140 HP with 4- and 6-cylinder engines and new optional HEXACTIV automatic transmission for increased comfort and lower consumption

- ATLES 946 – expansion of the series with a 280 HP model for primary use in Central and Eastern European markets

- VOLTO 1320 T – professional reverse-drive model with 13 meter working span and separate transport vehicle, allowing for transportation speeds of up to 40 km/h

- QUANTUM 5800 S / P – expansion of the load carriage program with two versions with 37 cubic meter and 34.5 cubic meter load capacity

- Telematics – the transmission of performance parameters and service data for combine harvesters to a central data server via Internet forms the basis of ad hoc machinery comparisons and remote problem diagnosis to reduce service costs; possibility of a point-to-point connection between the machine and the CLAAS diagnosis system CDS 5000 for analysis and modification from any distance

As a result of the intensive development activity described above, the R&D capitalization rate increased from 29.0% in fiscal 2004 to 33.3% in fiscal 2005.

RISK MANAGEMENT

As a globally active corporate group, CLAAS has installed a uniform risk management system for the entire Group. The existing system, which is continuously developed, fulfills the statutory early warning requirement. Regular internal reporting supplemented by ad hoc reporting requirements are used to identify risks and opportunities to which the Group is exposed at an early stage to allow countermeasures to be taken if necessary.

In addition to intense competitive pressure and continuing consolidation trends, the risk landscape at CLAAS is characterized by extremely varied harvest yields based on climatic conditions as well as unfavorable agricultural policies. Risks and opportunities are managed centrally by monitoring and evaluating market-related indicators in conjunction with the risks of the specific countries.

Financial risks and currency risks are countered by employing hedging instruments as well as regular, intense monitoring of a set of early warning indicators. Credit risks that could result from payment default or delayed payments are minimized through effective receivables management, close cooperation with banks and credit insurance.

Risks arising from the procurement markets are minimized early on by means of constant monitoring of the relevant markets as well as active supplier management.

Finally, selected risks are transferred to insurance companies where this makes economic sense.

An analysis of the risks currently evident has not identified any risks that could jeopardize the continued existence of the CLAAS Group during or beyond the period under review.

With regard to the disclosure requirements for risk management codified in Section 315 (2) of the German Commercial Code, please refer to note 35 to the consolidated financial statements (“Derivative Financial Instruments and Hedge Accounting”).

OUTLOOK FOR 2006

We anticipate an overall stable global agricultural engineering market in fiscal 2006, though development is likely to vary in the individual markets.

We regard the Western European markets as stable. Investment activity among agricultural operations and sub-contractors has increased following adoption of the new EU framework for agricultural policy. In the key markets of France and Germany, predominantly stable crop prices are expected to support investment in agricultural engineering. However, in certain regional markets, the negative effects of the persistent drought of last summer are also expected to impact the coming year.

In the new EU countries of Central Europe, investments in Western European agricultural technology are likely to remain high. EU development funds and national investment subsidies as well as the progressing structural transformation will act as important incentives for modernizing agricultural operations. However, delayed payment of national support funds could present an obstacle to investment.

The Eastern European markets are expected to remain robust. The good harvest in 2005, favorable export opportunities in the current economic year, and national support programs in Russia and Ukraine should all lead to a good year for agricultural engineering in 2006 following record import levels in 2005. Risks for the Western agricultural sector could ensue from a possible increase in export duties or extreme preferential treatment of national producers.

The North American market, which is currently at a high level after several strong years, is expected to weaken somewhat. While high export rates and satisfactory prices work to bolster the agricultural engineering market, the U.S. government is attempting to curb its enormously high expenditure based on guaranteed prices and high availment by farmers of national market programs. Moreover, rising fuel prices, higher interest rates and uncertainty on the commodity markets is likely to negatively impact investment activity.

After the market collapse in South America in the reporting year, a significant recovery appears unlikely due to the effects of the persistent drought. Unsatisfactory wheat and corn harvests in Brazil and Argentina, currency problems, falling grain prices and increased production costs are expected to have a continued impact in 2006.

We anticipate that the market in India will continue to grow moderately. In addition to the extremely good monsoon season and uninterrupted high economic growth in the core Indian markets, beneficial framework conditions are increasing investment security for agricultural operations in India.

We expect our business to continue to develop positively in 2006. Additional growth incentives will be triggered by the integration of the tractor business. Beyond our traditional markets in Western and Central Europe, we will work to expand our activities in Eastern Europe as well as in India and Argentina. In total, we anticipate a further increase in Group sales.

The product development drive we have initiated will contribute to our market success in the coming years. The programs installed in previous years to increase production efficiency and improve cost structures will be continued in the second stage of our "CLAAS Financial Fitness Program". Some risks will remain, however, due to the extreme volatility of energy and steel prices.

The dynamic performance of CLAAS during the past two years is not expected to continue to the same degree. Nevertheless, in 2006 CLAAS will strive to achieve further progress toward sustained earnings improvement.

MANAGEMENT STATEMENT ON THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements and the Group management report have been prepared by the management of CLAAS KGaA mbH. 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 for the fiscal year ending September 30, 2005 were prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Directive 83/349/EEC. Previous year figures were established in accordance with the same principles. Pursuant to Section 292a of the German Commercial Code (HGB), the preparation of consolidated financial statements in accordance with IFRS exempts the Company from preparing additional statements in accordance with 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 audit function on an ongoing basis. Our careful examination of the current risk position disclosed no specific risks that could threaten the continued existence of the CLAAS Group.

Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, has audited the consolidated financial statements and the Group management report and has issued the unqualified auditors' opinion presented below.

Harsewinkel, November 24, 2005

Rüdiger A. Günther Dr. Theo Freye Dr. Hermann Garbers Thomas Klatt

Lothar Kriszun Guy Povie Hans-Bernd Veltmaat

CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH IFRS

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements of CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel, consisting of the income statement, the balance sheet, the statement of changes in equity, cash flow statement and notes to the financial statements for the fiscal year from October 1, 2004 to September 30, 2005. The preparation and content of the consolidated financial statements in accordance with the International Financial Reporting Standards of the IASB (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, as to whether the consolidated financial statements comply with IFRS.

We conducted our audit of the consolidated financial statements in accordance with German auditing principles and 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 such that an opinion that the consolidated financial statements are free from material misstatements can be given with reasonable assurance. 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. Evidence supporting the reported amounts and disclosures in the consolidated financial statements is examined on a test basis as part of the audit. The audit includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and financial performance of the Group as well as of the cash flows of the fiscal year in accordance with IFRS.

Our audit, which also extends to the Group management report prepared by management for the fiscal year from October 1, 2004 to September 30, 2005, has not led to any reservations. In our opinion, the Group management report on the whole provides a suitable understanding of the Group's position and appropriately portrays the risks inherent in future development. In addition, we confirm that the consolidated financial statements and the Group management report for the fiscal year from October 1, 2004 to September 30, 2005 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and a Group management report in accordance with German law.

Düsseldorf, November 24, 2005

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Schlereth)
Wirtschaftsprüfer
(German Public Auditor)

(Kalvelage)
Wirtschaftsprüfer
(German Public Auditor)

		2005 € '000	2004 € '000
Net sales	(10)	2,175,270	1,928,379
Cost of sales		1,617,828	1,450,144
Gross profit on sales		**557,442**	**478,235**
Selling expenses	(11)	273,480	262,165
General and administrative expenses	(12)	85,245	80,573
Research and development expenses	(19)	71,526	69,950
Other operating income	(13)	21,625	28,192
Other operating expenses	(14)	43,848	30,765
Operating income		**104,968**	**62,974**
Profit/loss from investments accounted for at equity		3,313	-1,449
Income from other investments		260	111
Interest and similar expenses, net		-13,971	-18,978
Other financial result		-8,131	-6,510
Financial result	(15)	**-18,529**	**-26,826**
Income before taxes	(16)	**86,439**	**36,148**
Income taxes	(17)	31,704	14,271
Net income		**54,735**	**21,877**
thereof			
Share of net income attributable to the shareholders of CLAAS KGaA mbH		54,072	20,324
Minority interests		663	1,553

		2005 in €	2004 in €
Earnings per share	(18)	18.02	6.77

Assets		Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Intangible assets	(19)	123,054	119,843
Property, plant and equipment	(20)	243,887	249,063
Investments accounted for at equity	(21)	27,413	24,830
Other investments	(21)	1,899	1,905
Deferred tax assets	(17)	38,894	30,913
Other non-current receivables and financial assets	(22)	38,747	45,644
Total non-current assets		**473,894**	**472,198**
Inventories	(23)	294,994	280,554
Trade receivables	(22)	248,310	244,259
Current tax assets		10,630	6,822
Other current receivables and financial assets	(22)	83,136	61,469
Securities	(24)	242,466	158,316
Cash and cash equivalents	(25)	258,273	222,283
Total current assets		**1,137,809**	**973,703**
Total assets		**1,611,703**	**1,445,901**

Equity and liabilities		Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Subscribed capital		78,000	78,000
Capital reserves		38,347	38,347
Other reserves		240,913	209,576
Subordinated perpetual securities		78,616	–
Equity before minority interests		**435,876**	**325,923**
Minority interests		49,050	48,448
Total equity	(26)	**484,926**	**374,371**
Non-current financial liabilities	(27)	226,841	313,633
Silent partnership	(27)	19,326	18,280
Deferred tax liabilities	(17)	108	1,218
Other non-current liabilities	(28)	64,619	58,603
Pension provisions	(29)	152,712	148,325
Other non-current provisions	(30)	35,554	29,541
Total non-current liabilities		**499,160**	**569,600**
Current financial liabilities	(27)	137,828	25,507
Trade payables	(28)	100,740	100,406
Current tax liabilities		3,028	4,244
Other current liabilities	(28)	108,183	136,772
Income tax provisions	(30)	20,584	13,263
Other current provisions	(30)	257,254	221,738
Total current liabilities		**627,617**	**501,930**
Total equity and liabilities		**1,611,703**	**1,445,901**

	2005 € '000	2004 € '000
Net income	**54,735**	**21,877**
Amortization of intangible assets and depreciation of property, plant and equipment	68,725	67,702
Impairment of investments	–	4,300
Change in pension provisions	4,386	1,306
Change in other non-current provisions	6,015	104
Deferred tax expenses	-1,921	-4,019
Other non-cash expenses/income	-1,282	2,954
Cash flow in accordance with DVFA/SG	**130,658**	**94,224**
Change in current provisions	42,219	13,577
Gain from the disposal of property, plant and equipment	-2,617	-469
Change in inventories, receivables and other assets	-35,924	37,914
Change in trade payables and other liabilities	-41,245	27,797
Net cash provided by operating activities (I)	**93,091**	**173,043**
Payments for additions to intangible assets and property, plant and equipment (net of capitalized development costs)	-43,730	-42,789
Additions to capitalized development costs	-26,252	-21,091
Proceeds from the disposal of intangible assets and property, plant and equipment	6,800	1,246
Payments for additions to investments	-11,277	-5,830
Proceeds from the disposal of investments	8,651	223
Payments for additions to borrowings	-100	-120
Proceeds from repayment of borrowings	22	32
Payments for the purchase of securities	-182,818	-105,522
Proceeds from the sale of securities	99,087	59,872
Payments for acquisitions net of cash acquired	-381	-11,035
Net cash used for investing activities (II)	**-149,998**	**-125,014**
Proceeds from the increase in loans and the issuance of bonds	26,377	4,550
Repayment of bonds and loans	-7,770	-18,847
Repayment of participation certificates	–	-40,903
Proceeds from the issuance of subordinated perpetual securities	78,616	–
Proceeds from silent partnership (CMG)	1,046	1,078
Change in partners' loan accounts	1,929	-3,000
Payments to minority shareholders	-31	-1,870
Dividends paid out	-7,800	–
Net cash provided by/used for financing activities (III)	**92,367**	**-58,992**
Net change in cash and cash equivalents (I+II+III)	**35,460**	**-10,963**
Effect of foreign exchange rate changes on cash and cash equivalents	530	-73
Cash and cash equivalents at beginning of year	222,283	233,319
Cash and cash equivalents at end of year	**258,273**	**222,283**

			Other reserves			
	Subscribed capital € '000	Capital reserves € '000	Accumulated profit € '000	Currency translation adjustment € '000	Unrealized gains from securities € '000	Derivative financial instruments € '000
Balance as of October 1, 2003	**78,000**	**38,347**	**195,629**	**–**	**803**	**-3,668**
Dividend payments	–	–	–	–	–	–
Net income	–	–	20,324	–	–	–
Changes without impact on profit and loss	–	–	–	-2,860	1,054	-1,552
Consolidation adjustments/ other changes	–	–	-154	–	–	–
Balance as of September 30, 2004/October 1, 2004	**78,000**	**38,347**	**215,799**	**-2,860**	**1,857**	**-5,220**
Dividend payments	–	–	-7,800	–	–	–
Compensation for subordinated perpetual securities	–	–	-5,971	–	–	–
Net income	–	–	54,072	–	–	–
Issue of subordinated perpetual securities	–	–	–	–	–	–
Changes without impact on profit and loss	–	–	–	2,442	732	-12,138
Consolidation adjustments/ other changes	–	–	–	–	–	–
Balance as of September 30, 2005	**78,000**	**38,347**	**256,100**	**-418**	**2,589**	**-17,358**

	Subordinated perpetual securities € '000	Equity before minority interests € '000	Minority interests € '000	Total equity € '000
	–	**309,111**	**50,703**	**359,814**
	–	–	–	–
	–	20,324	1,553	21,877
	–	-3,358	–	-3,358
	–	-154	-3,808	-3,962
	–	**325,923**	**48,448**	**374,371**
	–	-7,800	–	-7,800
	–	-5,971	–	-5,971
	–	54,072	663	54,735
	78,616	78,616	–	78,616
	–	-8,964	–	-8,964
	–	–	-61	-61
	78,616	**435,876**	**49,050**	**484,926**

I. AFFILIATED COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

DOMESTIC COMPANIES

No.	Company		Subscribed capital	Shareholding in %	Shareholding Owned by company No.
1	CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel	EUR	78,000,000		
2	CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel	EUR	25,600,000	100	1
3	CLAAS Beteiligungsgesellschaft mbH, Harsewinkel	EUR	52,000	100	44
4	CLAAS Saulgau GmbH, Bad Saulgau	EUR	7,700,000	100	1
5	CLAAS Fertigungstechnik GmbH, Beelen	EUR	5,300,000	100	1
6	CLAAS Automation GmbH, Nördlingen	EUR	260,000	100	5
7	Brötje Automation GmbH, Wiefelstede	EUR	1,030,000	100	5
8	CLAAS Industrietechnik GmbH, Paderborn	EUR	7,700,000	100	1
9	CLAAS Vertriebsgesellschaft mbH, Harsewinkel	EUR	3,100,000	100	1
10	Brandenburger Landtechnik GmbH, Liebenthal	EUR	1,000,000	50.6	9
11	Mecklenburger Landtechnik GmbH, Mühlengeez	EUR	1,000,000	80	9
12	CLAAS Grasdorf GmbH, Grasdorf	EUR	500,000	100	9
13	CLAAS Württemberg GmbH, Langenau	EUR	800,000	90	9
14	CLAAS Bordesholm GmbH, Bordesholm	EUR	26,000	100	9
15	AGROCOM GmbH & Co. Agrarsystem KG, Bielefeld	EUR	117,600	100	1
16	AGROCOM Verwaltungs GmbH, Bielefeld	EUR	32,150	100	1
17	agrocom.Systempartner GmbH, Rostock	EUR	26,000	60	15
18	CLAAS Osteuropa Investitions GmbH, Harsewinkel	EUR	100,000	100	1
19	RENAULT Agriculture GmbH, Rosbach	EUR	511,000	100	24
20	Pius Degenhart GmbH & Co. KG, Memmingen	EUR	409,000	100	19

FOREIGN COMPANIES

No.	Company		Subscribed capital	Shareholding in %	Shareholding Owned by company No.
21	CLAAS France Holding S.A.S., Paris, France	EUR	92,409,000	100	1
22	Usines CLAAS France S.A.S., Metz-Woippy, France	EUR	2,000,000	100	21
23	CLAAS France S.A.S., Paris, France	EUR	8,842,043	100	21
24	RENAULT Agriculture S.A.S., Vélizy, France	EUR	70,800,000	51	21
25	CLAAS Réseau Agricole S.A.S., Vélizy, France	EUR	27,400,000	100	24
26	RENAULT Agriculture Ltd., Shipston on Stour, UK	GBP	3,812,000	100	29
27	RENAULT Agriculture & Sonalika International Plc., Port Louis, Mauritius	USD	900,000	60	24
28	RENAULT Agriculture Holdings Co., Port Louis, Mauritius	USD	5,402	100	24
29	CLAAS Holdings Ltd., Saxham, UK	GBP	10,800,000	100	1
30	CLAAS U.K. Ltd., Saxham, UK	GBP	101,100	100	29
31	Southern Harvesters Ltd., Saxham, UK	GBP	200,000	100	30
32	Anglian Harvesters Ltd., Market Harborough, UK	GBP	400,000	100	30
33	Western Harvesters Ltd., Cheltenham, UK	GBP	281,000	75	30
34	Eastern Harvesters Ltd., Lincolnshire, UK	GBP	440,000	75	30

FOREIGN COMPANIES

No.	Company		Subscribed capital	Shareholding in %	Shareholding Owned by company No.
35	S.I.S. Ltd., Coventry, UK	GBP	45,000	100	5
36	CLAAS Italia S.p.A., Vercelli, Italy	EUR	2,600,000	100	1
37	CLAAS Ibérica S.A., Madrid, Spain	EUR	3,307,500	100	1
38	CLAAS Hungaria Kft., Törökszentmiklos, Hungary	HUF	552,740,000	100	1
39	CLAAS Finance B.V., Amsterdam, Netherlands	EUR	18,151	100	1
40	OOO CLAAS Vostok, Moscow, Russia	RUB	170,000	100	1
41	CLAAS Ukraina DP, Kiev, Ukraine	UAH	30,000	100	1
42	Port Mellen S.A., Montevideo, Uruguay	UYU	360,000	100	1
43	CLAAS Argentina S.A., Sunchales, Argentina	ARS	12,000	100	1
44	CLAAS North America Holdings Inc., Omaha, Nebraska, USA	USD	700	100	1
45	CLAAS of America LLC., Omaha, Nebraska, USA	USD	9,800,000	100	44
46	CLAAS Omaha LLC., Omaha, Nebraska, USA	USD	48,000,000	100	44/3
47	CLAAS North America Finance LLC., Omaha, Nebraska, USA	USD	–	100	44
48	Platte River Receivables Inc., Columbus, Indiana, USA	USD	1,500,000	100	44
49	CLAAS India Ltd., Faridabad, India	INR	70,000,000	100	1
50	OOO CLAAS, Krasnodar, Russia	RUB	93,368,880	99	18
51	CHW Fonds, Luxembourg	EUR	41,155,226	100	1

II. SIGNIFICANT INVESTMENTS IN ASSOCIATED COMPANIES

No.	Company		Subscribed capital	Shareholding in %	Shareholding Owned by company No.
52	CLAAS GUSS GmbH, Bielefeld	EUR	4,680,000	44.5	1/4
53	CS Parts Logistics GmbH, Bremen	EUR	1,550,000	50	1
54	Landtechnik-Zentrum Chemnitz GmbH, Hartmannsdorf	EUR	750,000	40	9
55	Worch und Schütze Landtechnik GmbH, Schora	EUR	55,000	39	9
56	Landtechnik Steigra GmbH, Steigra	EUR	615,000	15.1	9
57	CLAAS Traktoren Vertrieb Bayern GmbH, Vohburg	EUR	700,000	30	9
58	Technik Center Grimma GmbH, Pöhsing	EUR	350,000	30	9
59	CLAAS Finance Ltd., Basingstoke, UK	GBP	3,000,000	49	29
60	CLAAS Financial Services S.A.S., Paris, France	EUR	23,789,976	40	1
61	Harvest Machinery Ireland Ltd., Drogheda, Ireland	EUR	126,974	22.5	1
62	G.I.M.A. S.A., Beauvais, France	EUR	8,448,500	50	24

1 | BASIS OF PRESENTATION

The consolidated financial statements of CLAAS KGaA mbH for the fiscal year ending September 30, 2005 were prepared in accordance with the International Financial Reporting Standards (IFRS). All IFRSs/IASs and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) required for fiscal year 2005 have been complied with. The consolidated financial statements are supplemented by a Group management report and additional notes in accordance with Section 292a of the German Commercial Code (HGB). The Company is accordingly exempt from the duty to prepare additional HGB statements. Prior-year figures were established in accordance with the same principles. The consolidated financial statements have been presented in euros (€). Unless otherwise indicated, all amounts have been stated in thousands of euros (€ '000).

The income statement was prepared using the cost of sales method of accounting. The balance sheet format makes a distinction between current and non-current assets and liabilities. To improve the clarity of presentation, individual items within the balance sheet and income statement have been combined insofar as possible and meaningful. These items are analyzed and explained in the notes. The amounts from the previous year have been adjusted to reflect the current presentation format for comparison purposes.

In accordance with Section 264 (3) HGB, the Company is exempt from the duty to publish financial statements in the German Federal Gazette (Bundesanzeiger) and to prepare notes and management reports for the following subsidiaries: CLAAS Fertigungstechnik GmbH, Beelen; CLAAS Industrietechnik GmbH, Paderborn; CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel; CLAAS Vertriebsgesellschaft mbH, Harsewinkel, CLAAS Saulgau GmbH, Bad Saulgau; and CLAAS Automation GmbH, Nördlingen.

2 | SCOPE OF CONSOLIDATION

FULLY CONSOLIDATED COMPANIES

Companies consolidated into the Group accounts include CLAAS KGaA mbH and all of its affiliates and special-purpose entities that are required to be included in the consolidated financial statements pursuant to SIC 12. This represents a total of 51 companies (previous year: 48 companies), thereof 20 German and 31 foreign companies. In connection with the new ABS program of CLAAS, the special purpose entity Platte River Receivables Inc., Columbus, Indiana, USA, was established in the USA. All companies that are directly or indirectly controlled by CLAAS KGaA mbH were consolidated as subsidiaries in accordance with the full consolidation method.

A list of shareholdings has been attached to this report.

INVESTMENTS ACCOUNTED FOR AT EQUITY

Included in the scope of consolidation are 5 (previous year: 7) associated companies accounted for at equity: CLAAS GUSS GmbH, Bielefeld; CLAAS Finance Ltd., Basingstoke, UK; CLAAS Financial Services S.A.S., Paris, France; G.I.M.A. S.A., Beauvais, France; and Harvest Machinery Ireland Ltd., Drogheda, Ireland.

The investment in International Tractors Ltd., New Delhi, India, was sold in the year under review. Within the scope of the restructuring of Harvest Machinery Group, Harvest Machinery (Sales) Ltd., Drogheda, Ireland, was renamed in Harvest Machinery Ireland Ltd., Drogheda, Ireland. HMC Investment Ltd., Drogheda, Ireland is no longer included in the consolidated Group after the restructuring. In addition, the investment in CLAAS Financial Services S.A.S., Paris, France was increased to 40%.

The following list summarizes the financial key figures of the companies consolidated at equity:

	2005 € '000	2004 € '000
Net sales	**321,626**	**336,174**
Income before taxes	**17,292**	**17,423**
Non-current assets	93,910	77,033
Current assets	492,678	528,973
Total assets	**586,588**	**606,006**
Equity	67,419	89,616
Liabilities	519,169	516,390
Total equity and liabilities	**586,588**	**606,006**

3 | ACCOUNTING POLICIES

FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In conformity with IFRS 1, the International Financial Reporting Standards have been adopted for the first time for the consolidated financial statements for the fiscal year ended September 30, 2005. The consolidated financial statements for the previous year were prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP).

In comparison with the U.S. GAAP accounting policies applied to the consolidated financial statements for the fiscal year ended September 30, 2004, the application of IFRS primarily resulted in differences in the recognition of development costs and provisions. These and other differences in recognition and measurement will be described in Note 4 below on the reconciliation of the Group's equity and net income from U.S. GAAP to IFRS.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Acquired intangible assets are recognized at cost and, if a useful life can be determined, amortized over their useful life. The useful life of intangible assets ranges from 3 to 10 years. When the useful life of an asset cannot be determined, the asset is not amortized, but tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be permanently impaired. Goodwill is not amortized and is also subject to an annual impairment test. Development costs for internally generated future serial products are capitalized at cost, provided that manufacture of the products will generate probable future economic benefits for CLAAS and the other requirements of IAS 38 are fulfilled. The cost comprises all costs directly attributable to the development process plus the relevant development-related overheads. Depreciation is undertaken on a straight-line basis over the foreseen useful life of the product.

Property, plant and equipment are measured at cost and, where subject to wear and tear, depreciated on a scheduled basis. Movable assets are depreciated on a straight-line basis over their estimated useful life. The useful life of buildings ranges between 20 and 50 years. Other property, plant and equipment is depreciated over a useful life of between 3 and 12 years. Borrowing costs are not included in the cost of an asset pursuant to IAS 23.

The option of using the revaluation method has not been selected.

When conducting impairment tests either annually or upon indication of impairment, the carrying amount is compared with the recoverable amount, which represents the higher of the value in use and the fair value less costs to sell. The value in use is based on the present value of future cash flows expected to arise from the continuing use of the relevant asset or the cash generating unit and from its disposal at the end of its useful life. If the recoverable amount is less than the carrying amount, an impairment loss is recognized. Any subsequent increases in value are taken into account by increasing the carrying amount of the asset, except in the case of goodwill impairment. 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 to be adjusted to correspond with current circumstances, taking into account reasonable assumptions based on macroeconomic trends and historical developments. Cash flow projections are estimated by extrapolation based on the growth rates of the relevant market segment. The value in use to be determined is based on a discount factor corresponding to the risk-adjusted minimum yield on the capital market.

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. Regular way purchases and sales of financial instruments are recognized as of the settlement date. In accordance with IFRS, financial instruments include primary financial instruments (in the case of CLAAS, subordinated perpetual securities classified as an equity instrument as well as other equity investments and securities, receivables and other financial assets, cash and cash equivalents, a silent partnership, bonds and payables) and derivative financial instruments (such as swaps and options).

IAS 39 categorizes primary financial assets as follows: Financial instruments held for trading, financial investments held to maturity, loans and receivables, and financial assets available for sale. Derivative financial instruments are used as hedging instruments and are therefore classified as financial instruments held for trading.

Financial instruments are recognized at amortized cost or at fair value. 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. Where fair values of financial instruments are not explicitly stated, they differ only insignificantly or not at all from the carrying amounts.

PRIMARY FINANCIAL INSTRUMENTS

- INVESTMENTS AND SECURITIES

Pursuant to IAS 28/IAS 31, equity investments in associated companies and joint ventures are recognized in the amount of the prorated share in equity ("equity method") where the Group has the possibility of exercising significant influence on these companies. Other investments that are neither held for trading nor held to maturity are classified as "available for sale" financial instruments within the meaning of IAS 39 and stated at their fair values, provided the shares held by CLAAS are listed on a stock exchange or quoted market prices are available. Other investments are carried at cost (less impairment if necessary) if no quoted market price exists.

The securities held by CLAAS are either securities that are held to maturity or sold within three months before reaching maturity, or they are securities designated as "available for sale" that are neither part of the trading portfolio nor held to maturity. The securities classified as "held to maturity" are stated at amortized cost. Securities classified as "available for sale" are stated at quoted market prices (where available).

Unrealized gains and losses from available-for-sale securities stated at fair value, and equity investments are recognized in equity without impact on earnings, taking into account deferred taxes.

- RECEIVABLES AND OTHER FINANCIAL ASSETS

Receivables and other financial assets are recognized at their nominal amounts. Adequate allowances are made for anticipated default risks. Non-interest-bearing receivables that are not expected to be collected within the normal payment cycle (usually 1 year) are discounted at a market interest rate in accordance with the maturity of the receivables.

Long-term construction contracts are reported in accordance with the percentage of completion method. The amount required to be capitalized is reported under receivables; and sales are recognized. The receivables arise when contractually-agreed milestones or certain stages of completion are reached. The stage of completion (= percentage of completion) is based on the incurred costs. Existing contracts are reviewed at each reporting date to assess potential risks. In the case of anticipated losses, corresponding allowances or provisions are established.

- CASH AND CASH EQUIVALENTS

Under IFRS, cash and cash equivalents also include securities with a residual term of up to 90 days at the time of purchase. Cash and cash equivalents as reported in the cash flow statement correspond to the same item in the balance sheet.

- LIABILITIES

Liabilities are carried at their repayment amount; liabilities denominated in foreign currencies are translated at the closing rate.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The CLAAS Group uses derivative financial instruments such as swaps, forward exchange contracts, interest rate swap options, forward interest rate transactions, caps and floors for hedging purposes. In accordance with IAS 39, all derivative financial instruments must be reported in the balance sheet at fair value as either assets or liabilities. If hedge effectiveness has been clearly determined and documented, hedge accounting is permitted. In hedge accounting, the recognition of changes in the fair value of a derivative instrument depends on the type of hedge. With cash flow hedges, the effective portion of the change in the fair value of a derivative instrument is reported initially as a component of equity and only taken to the income statement when the hedged forecasted transaction is recognized in income. The ineffective portion is recognized immediately in income. With fair value hedges, gains or losses resulting from changes in the fair values of derivatives and their underlying transactions are recognized immediately in income.

Hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised or the hedge no longer meets the criteria for hedge accounting. In such case, for cash flow hedges the cumulative gains or losses on the hedging instrument that were recognized directly in equity remain in equity until the planned transaction is concluded. If a hedged forecast transaction is no longer expected to occur, the associated cumulative gains or losses that were recognized directly in equity are reclassified in the income statement.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Raw materials, consumables and supplies as well as merchandise are capitalized at average cost. Work in progress and finished goods are capitalized at production-related full cost, including direct materials and labor and any

allocable production overheads from indirect materials as well as production-related administrative costs. Borrowing costs are not included in the cost of an asset pursuant to IAS 23. Inventory risks that result from reduced likelihood of full utilization, as well as risks arising from an assessment of realizable sale prices, are reflected in value adjustments.

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 consolidated companies act as lessees in operating leases, the lease payments are recognized as an expense.

PENSION PROVISIONS

Retirement benefit obligations are calculated using actuarial valuation methods in accordance with the projected unit credit method. This method not only takes into account pensions and accrued vested rights known at the balance sheet date, but also anticipated future salary and pension increases. Net cumulative unrecognized actuarial gains or losses as of the end of the previous reporting period which exceed the greater of 10% of the present value of the defined benefit obligation (before deducting plan assets) and 10% of the fair value of any plan assets are divided by the expected average remaining working lives of the employees participating in the plan ("corridor approach").

CURRENT AND DEFERRED INCOME TAXES

Tax provisions include current tax commitments. However, deferred taxes calculated in accordance with IAS 12 ("Income Taxes") are reported under separate items in the balance sheet. They reflect future reductions or increases in the tax burden arising from temporary differences between the consolidated financial statements and the tax accounts. Deferred tax assets also comprise tax reduction claims arising from the expected realization of existing loss carryforwards in subsequent years, the materialization of which is sufficiently probable. Deferred taxes are computed using the tax rate that will apply – in accordance with the current legal situation – at the anticipated point in time when temporary differences are reversed. In foreign countries, country-specific tax rates are used. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that not all of the deferred tax assets can be utilized against future tax gains or if their realization is limited in time.

REVENUE RECOGNITION

Revenue is recognized upon delivery of supply or rendering of service and transfer of risk to the customer.

In the case of long-term construction contracts, revenue is recognized in accordance with the percentage of completion method as contractually agreed milestones or certain stages of completion are reached.

4 | RECONCILIATION

Due to restatement of the comparative amounts from the previous year, the first-time adoption of International Financial Reporting Standards has resulted in differences in the Group's equity and net income as presented in accordance with IFRS in the comparative periods and the corresponding figures previously reported for these periods in accordance with U.S. GAAP. The comparative amounts have been calculated as though IFRS had always been applied. The resulting differences between the amounts reported in the consolidated financial statements for the year ended September 30, 2003 in accordance with U.S. GAAP and the opening IFRS balance sheet as of October 1, 2003 were reported directly in equity as retained earnings in accordance with IFRS 1.

RECONCILIATION OF EQUITY AND NET INCOME FROM U.S. GAAP TO IFRS

The following table shows the main adjustments required as a result of the transition of the equity account to IFRS:

	Note	Sept. 30, 2004 € '000	Oct. 1, 2003 € '000
Equity under U.S. GAAP		**311,641**	**292,476**
Capitalized development costs	A	63,035	60,059
Minority interests	B	45,916	48,159
Leases	C	4,948	7,751
Provisions for employee benefits	D	-27,949	-28,374
Other provisions	E	1,497	2,353
Other adjustments	F	-5,049	-4,432
Tax effect of adjustments	G	-19,668	-18,178
Equity under IFRS		**374,371**	**359,814**

The IFRS transition adjustments for Group net income are shown below:

	Note	Sept. 30, 2004 € '000
Net income under U.S. GAAP		**21,497**
Capitalized development costs	A	2,976
Minority interests	B	1,560
Leases	C	-2,803
Provisions for employee benefits	D	1,875
Other provisions	E	-1,093
Other adjustments	F	-1,804
Tax effect of adjustments	G	-331
Net income under IFRS		**21,877**

A. CAPITALIZED DEVELOPMENT COSTS

One major change from U.S. GAAP is the greater scope in which self-generated intangible assets are to be capitalized. In the CLAAS Group, this primarily affects costs for the development of agricultural machines. Under SFAS 2, non-contract-related development costs were reported as an expense in the current period. Under IAS 38, however, development costs must be capitalized as intangible assets if a future economic benefit is expected to flow to the Group based on manufacture of the developed product and the relevant development costs can be reliably determined. Capitalized development costs are amortized on a straight-line basis over the estimated useful life. If there are any indications of impairment, an impairment test must be performed.

The capitalization of development costs also leads to differences in the presentation of the cash flow statement in comparison with U.S. GAAP. Under IFRS, capitalized development costs are reported as cash outflows for investing activities and the corresponding amortization is presented within cash flows from operating activities.

B. MINORITY INTERESTS

Under U.S. GAAP, minority interests are reported as a separate item in the balance sheet and not included in equity. Under IFRS, minority interests are reported as a separate item under equity. Accordingly, under U.S. GAAP minority interests are included in net income, whereas under IFRS minority interests are taken into account within the context of the appropriation of profits.

C. LEASES

Under U.S. GAAP, disposal proceeds from sale and leaseback transactions are to be deferred and amortized over the term of the lease if the asset sold is leased back. Under IFRS, deferral is only necessary if the sale price of the asset was above fair value. Since there are no indications that this is the case, the deferrals undertaken in accordance with U.S. GAAP had to be reversed.

D. PENSION PROVISIONS

Provisions must be recognized for pension obligations under both U.S. GAAP and IFRS. Differences between the amounts reported under IAS 19 and SFAS 87 primarily result from the fact that no additional minimum liability is recognized under IAS 19. In addition, in making the transition to IFRS a "fresh start" was calculated in which the gains and losses based on differences between actuarial assumptions and actual occurrences, which had been previously deferred, were either added to or deducted from retained earnings without impacting income.

Further differences result from the varying regulations on the treatment of part-time retirement contracts. Under U.S. GAAP, provisions must only be recognized for the supplementary amount to be provided by the company for binding part-time retirement agreements. In addition, the resulting expense is divided by the expected average remaining working lives of the employees. Under IFRS, the provisions for supplementary amounts cover not only the part-time retirement agreements entered into, but also those that are likely to be entered into. As the amount of the retirement benefit obligation must be calculated at each reporting date using actuarial valuation methods, the expenses are not distributed over time.

E. OTHER PROVISIONS

Other provisions are created for all commitments identifiable as of the reporting date based on past business transactions or past events, the amounts and/or due dates of which are uncertain. Such provisions are measured at the settlement amount and are not netted against positive reimbursement claims. If the settlement amount is uncertain, the amount with the highest probability of occurrence or the best estimate is assumed. Provisions are only made if they are based on an underlying legal or constructive obligation to third parties. Under IFRS, non-current provisions are stated at their present value. By contrast, under U.S. GAAP present value is only stated if the settlement date can be reliably estimated.

F. OTHER ADJUSTMENTS

Other IFRS adjustments relate to the different treatment of asset-backed securities (ABS) transactions, financial instruments and property, plant and equipment.

G. TAX EFFECT OF ADJUSTMENTS

The change in deferred tax assets and liabilities in accordance with IRFS is the result of the different amounts recognized for assets and liabilities.

5 | CONSOLIDATION PRINCIPLES

The separate financial statements of the consolidated subsidiaries have been prepared using the uniform accounting policies relevant for the CLAAS Group. As a rule, the statements are prepared for the fiscal year ending September 30.

When consolidating the equity of Group companies, the carrying amounts of the subsidiaries are set off against the respective share in equity of the affiliates at the time of acquisition. Residual amounts arising on the assets side are capitalized as goodwill and subjected to an annual impairment test. Any differences arising on the liabilities side are reported as other operating income, except those differences that arose prior to the date of transition from U.S. GAAP to IFRS (October 1, 2003) which were reduced pro rata and offset against non-current non-monetary assets, taking into account deferred taxes.

Investments in associates are accounted for using the equity method. The same principles as those pertaining to full consolidation are applied with respect to the elimination of inter-company relationships.

Receivables, payables, net sales, income and expenses between consolidated entities are eliminated upon consolidation. Intercompany profits and losses within inventories are adjusted accordingly.

Tax deferrals are created for differing tax charges arising from consolidation measures that impact earnings and are likely to be reversed in future fiscal years. Deferred tax assets and liabilities are offset where applicable.

6 | FOREIGN CURRENCY TRANSLATION

In accordance with IAS 21, currency translation is based on the functional currency concept. The functional currency is the currency used in the environment where an entity predominantly operates. As a rule, this is the currency in which cash is generated and expensed.

In the consolidated financial statements, all balance sheet items of economically independent foreign entities are translated at the closing rate; expenses and income are translated at the average exchange rate of the fiscal year. Adjustments resulting from currency translations in the financial statements are excluded from income and reported in equity.

The following exchange rates were used for countries which are not part of the European Monetary Union:

		Average rate		Closing rate	
		2005 in €	2004 in €	2005 in €	2004 in €
1	US dollar	0.79	0.82	0.83	0.81
1	Pound sterling	1.45	1.47	1.47	1.46
1	Ukrainian hryvnia	0.15	0.15	0.17	0.15
100	Hungarian forint	0.40	0.39	0.40	0.40
100	Indian rupee	1.79	1.81	1.89	1.76
100	Russian ruble	2.79	2.83	2.92	2.78

7 | LITIGATION AND DAMAGE CLAIMS

As a result of their general business operations, CLAAS Group companies are involved in a variety of legal and official governmental proceedings, or there is a possibility of such proceedings being instituted or asserted in the future (for instance with respect to patents, product liability or competition). 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 Group's results of operations will occur beyond the risks reflected in liabilities and provisions in the financial statements.

8 | USE OF ESTIMATES AND MANAGEMENT JUDGMENTS

In preparing the consolidated financial statements, it is to some extent necessary to make assumptions and estimates relating to the amount and presentation of assets and liabilities and income and expenses as well as any contingent liabilities in the reporting period. These estimates and assumptions primarily relate to assessing the value 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, the assumptions and estimates were not subject to any significant risks. From a current perspective, no major adjustments to the carrying amounts of the assets and liabilities disclosed on the balance sheet are to be expected for the following year.

9 | NEW FINANCIAL REPORTING STANDARDS

In December 2003, the IASB published the standards it had revised within the scope of its Improvement Project. These standards must be applied to fiscal years beginning on or after January 1, 2005, though earlier application is recommended by the IASB. We have followed this recommendation with regard to the following standards:

- IAS 1: Presentation of Financial Statements
- IAS 2: Inventories
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10: Events After the Balance Sheet Date
- IAS 16: Property, Plant and Equipment
- IAS 17: Leases
- IAS 21: The Effects of Changes in Foreign Exchange Rates
- IAS 27: Consolidated and Separate Financial Statements
- IAS 28: Investments in Associates
- IAS 31: Interests in Joint Ventures
- IAS 32: Financial Instruments: Disclosure and Presentation
- IAS 33: Earnings per Share
- IAS 39: Financial Instruments: Recognition and Measurement

Along with the Improvement Project, the IASB has made changes to existing IASs within the scope of a Convergence Project in an effort to reduce the differences between Generally Accepted Accounting Standards in the U.S. (U.S. GAAP) and IAS, issuing new IFRSs. We have followed the recommendations of the IASB here as well and have already applied the pronouncements relevant for CLAAS, except for IFRS 5, though application is first required for fiscal years starting on or after January 1, 2005. The following pronouncements were applied:

- IAS 36: Impairment of Assets
- IAS 38: Intangible Assets
- IFRS 3: Business Combinations

10 | NET SALES

Net sales also include sales from long-term construction contracts, which have been accounted for in accordance with the percentage of completion method. The amount to be capitalized from long-term construction contracts that cannot yet be billed is reported under receivables and net sales.

11 | SELLING EXPENSES

Outgoing freight in the amount of €41.0 million (previous year: €39.6 million) was reported under selling expenses.

12 | GENERAL AND ADMINISTRATIVE EXPENSES

As CLAAS regards administrative expenses of sales companies as selling expenses, these are not included in general and administrative expenses.

13 | OTHER OPERATING INCOME

Other operating income is composed as follows:

	2005 € '000	2004 € '000
Gains on disposal of property, plant and equipment	3,157	498
Release of discounts and allowances for bad debts	2,499	1,310
Release of provisions	–	9,102
Rental and lease income	423	482
Other income	15,546	16,800
Total	**21,625**	**28,192**

14 | OTHER OPERATING EXPENSES

	2005 € '000	2004 € '000
Losses on disposal of property, plant and equipment	540	217
Allowances for bad debts	3,167	2,634
Expenses for additions to provisions	9,655	–
Goodwill impairment	3,694	7,000
Other expenses	26,792	20,914
Total	**43,848**	**30,765**

Other expenses comprise a number of minor items such as litigation expenses, fees and charges, and personnel expenses not related to specific functions.

15 | FINANCIAL RESULT

Financial result is made up of three components: "income from investments," "interest and similar expenses, net" and "other financial result."

INCOME FROM INVESTMENTS

Income from investments comprises income both from equity-accounted investments and from other investments. Both items are reported separately under the financial result.

Income from investments accounted for at equity relates to earnings contributions from investments in associates.

INCOME FROM INVESTMENTS ACCOUNTED FOR AT EQUITY	2005 € '000	2004 € '000
Income from investments accounted for at equity	3,820	2,841
Expense for investments accounted for at equity	-507	-4,290
thereof: Impairment losses	–	(-4,134)
Total	**3,313**	**-1,449**

Income from other investments generally includes all income and expense resulting from holding or selling investments that are neither fully consolidated nor accounted for at equity.

INCOME FROM OTHER INVESTMENTS	2005 € '000	2004 € '000
Income from other investments	260	111
Total	**260**	**111**

INTEREST AND SIMILAR EXPENSES, NET

	2005 € '000	2004 € '000
Interest expense	-27,964	-28,133
thereof: Interest expense from unwinding the discount of non-current provisions	(-306)	(-681)
Interest income	13,235	8,523
Income from other securities and non-current loans	758	632
Total	**-13,971**	**-18,978**

Interest and similar expenses, net includes all income and expenses resulting from holding or selling securities or financial assets other than equity investments.

OTHER FINANCIAL RESULT

	2005 € '000	2004 € '000
Compensation for participation certificates	–	-3,599
Profits transferred under partial profit transfer agreements (CMG)	-3,613	-2,472
Interest element of lease payments	-70	-93
Foreign exchange gains and losses	-933	1,868
Miscellaneous financial expense	-3,515	-2,218
Miscellaneous financial income	–	4
Total other financial result	**-8,131**	**-6,510**
Financial result	**-18,529**	**-26,826**

Profits transferred under partial profit transfer agreements (CMG) reflect payments based on Group net income with respect to the silent partnership held by CLAAS-Mitarbeiterbeteiligungs-Gesellschaft mbH (CMG).

16 | INCOME BEFORE TAXES

Income before taxes is divided into domestic and foreign earnings contributions as follows:

	2005 € '000	2004 € '000
Domestic	49,063	16,834
Foreign	37,376	19,314
Total	**86,439**	**36,148**

17 | INCOME TAXES

Income taxes comprise current taxes and deferred taxes.

CURRENT TAXES	2005 € '000	2004 € '000
Domestic		
Corporate income tax/solidarity surcharge	11,012	6,992
Municipal trade tax	12,387	6,116
Subtotal	**23,399**	**13,108**
Foreign	11,133	4,341
Total current taxes	**34,532**	**17,449**

DEFERRED TAXES	2005 € '000	2004 € '000
Domestic		
Corporate income tax/solidarity surcharge	-2,672	-3,444
Municipal trade tax	-1,944	-2,512
Subtotal	**-4,616**	**-5,956**
Foreign	1,788	2,778
Total deferred taxes	**-2,828**	**-3,178**
Total income taxes	**31,704**	**14,271**

A tax rate of 38% was assumed for temporary differences in the calculation of deferred taxes for domestic companies.

Deferred taxes result from temporary differences in the following balance sheet accounts:

	Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Deferred tax assets		
Property, plant and equipment	3,213	3,314
Inventories	40,630	28,116
Finance lease	523	709
Provisions	51,640	47,519
Loss carryforwards	5,328	9,839
Other	28,492	18,497
Subtotal	**129,826**	**107,994**
Valuation allowance	-11,984	-10,704
Subtotal	**117,842**	**97,290**
Deferred tax liabilities		
Intangible assets	26,120	23,861
POC receivables	11,208	8,141
Property, plant and equipment	14,173	15,970
Other	27,555	19,623
Subtotal	**79,056**	**67,595**
Total deferred tax assets, net	**38,786**	**29,695**

Under IAS 12, deferred tax assets and liabilities should be offset, provided they are from the same tax authority and refer to the same period. After netting, deferred taxes are reported as follows:

	Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Deferred tax assets	**38,894**	**30,913**
Deferred tax liabilities	**108**	**1,218**
Total deferred tax assets, net	**38,786**	**29,695**

Deferred tax assets and liabilities, which are recognized in equity with no impact on income, amounted to €8.9 million on the reporting date (previous year: €1.9 million). No deferred tax liabilities were recognized for temporary differences related to investments in associates.

The following table reconciles the anticipated income tax expense for the previous year and the year under review with the expenses finally recognized. The expected tax charge is determined by multiplying the Group tax rate by income before taxes. In fiscal 2005, the applicable tax rate was 38.0% (previous year: 38.0%), consisting of the German domestic corporate income tax, the solidarity surcharge and the municipal trade tax.

	2005 € '000	2004 € '000
Current taxes	34,532	17,449
Deferred taxes	-2,828	-3,178
Income taxes	31,704	14,271
Income before taxes	86,439	36,148
Theoretical tax expense of 38% (previous year: 38%)	**32,847**	**13,736**
Difference in foreign tax rates	-2,134	-3,431
Tax effects on		
payment of taxes for previous years	586	356
goodwill impairment from business combinations	1,537	2,660
non tax-deductible expenses	2,043	1,569
accounting for associates at equity	-794	-574
revaluation of deferred taxes based on future tax rates	-14	-144
other consolidation influences	1,323	1,457
other	-3,690	-1,358
Effective tax charge	**31,704**	**14,271**
Effective tax rate in %	36.7	39.5

The tax loss carryforwards at Group level in the amount of €15.7 million (previous year: €28.9 million) may be carried forward to at least fiscal 2008. Due to lack of recoverability, a valuation allowance has been created for €4.2 million (previous year: €7.1 million) of loss carryforwards and €7.8 million (previous year: €3.6 million) of other deferred tax assets. The loss carryforwards relate to foreign companies.

18 | EARNINGS PER SHARE/DIVIDENDS

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the CLAAS KGaA mbH by the average number of shares. As CLAAS does not issue potential shares such as options or convertible bonds that would dilute earnings per share, basic and diluted earnings per share are identical.

		2005	2004
Net income attributable to the shareholders of the CLAAS KGaA mbH	(€ '000)	54,072	20,324
Dividends per share	(€)	2.60	–
Number of shares as of September 30	(in thousands)	3,000	3,000
Earnings per share	(€)	18.02	6.77

The proposed final dividend for fiscal year 2005 is €2.60 per share.

19 | INTANGIBLE ASSETS

	Concessions, industrial and similar rights and assets, and licenses in such rights € '000	Goodwill € '000	Capitalized development costs € '000	Total € '000
Historical cost as of October 1, 2003	**18,580**	**53,241**	**95,158**	**166,979**
Currency translation	7	1	-17	-9
Changes in scope of consolidation	-22	–	–	-22
Additions	3,303	11,266	21,091	35,660
Disposals	667	1,754	6,679	9,100
Reclassifications	105	–	–	105
Balance as of September 30, 2004	**21,306**	**62,754**	**109,553**	**193,613**
Currency translation	-1	–	20	19
Additions	2,556	–	26,252	28,808
Disposals	487	–	757	1,244
Reclassifications	27	–	–	27
Balance as of September 30, 2005	**23,401**	**62,754**	**135,068**	**221,223**
Amortization/impairment as of October 1, 2003	**11,369**	**8,459**	**34,807**	**54,635**
Currency translation	6	1	–	7
Changes in scope of consolidation	-20	–	–	-20
Additions (amortization)	2,838	–	11,325	14,163
Additions (impairment)	–	7,000	7,063	14,063
Disposals	661	1,738	6,679	9,078
Balance as of September 30, 2004	**13,532**	**13,722**	**46,516**	**73,770**
Currency translation	–	–	19	19
Additions (amortization)	2,460	–	12,565	15,025
Additions (impairment)	473	3,694	6,357	10,524
Disposals	412	–	757	1,169
Balance as of September 30, 2005	**16,053**	**17,416**	**64,700**	**98,169**
Net carrying amount as of September 30, 2004	**7,774**	**49,032**	**63,037**	**119,843**
Net carrying amount as of September 30, 2005	**7,348**	**45,338**	**70,368**	**123,054**

Intangible assets are capitalized at cost when future economic benefits for the Group will probably result from their use, they can be reliably measured and further capitalization criteria as set out in IAS 38 are met. If such assets have a finite useful life, they are amortized over their expected economic life on a straight-line basis. In other cases, annual impairment tests are performed in order to evaluate their recoverability.

The additions to intangible assets in the amount of €28.8 million primarily result from capitalized development costs. The proportion of capitalized development costs to the total research and development costs (before capitalization) increased due to new development projects from 29.0% to 33.3%. As a result, the amount of capitalized development costs also increased to €70.4 million (previous year: €63.0 million). In contrast to this, research costs, amortization of capitalized development costs and development costs that cannot be capitalized are expensed as incurred in the income statement under research and development expenses. In the year under review, research and development expenses amounted to €71.5 million (previous year: €70.0 million).

Depending on the product group, the amortization period for capitalized development costs ranges from six to ten years. Concessions, industrial and similar rights and assets, and licenses in such rights are amortized over a period corresponding to the expected useful life, which ranges between three and ten years on average.

The existing goodwill was subjected to an annual impairment test in the fiscal year. This led to total impairment losses on the goodwill of the individual companies in the amount of €3.7 million (previous year: €7.0 million). The impairment loss, which was recognized in income, is allocable to the Agricultural Engineering segment and was reported in the income statement as other operating expenses.

For development costs, impairment tests are performed on a case-by-case basis, i.e. when an indication of impairment exists. In some cases, the required impairment test led to impairment losses totaling €6.4 million (previous year: €7.1 million). These impairment losses relate to development projects in the Agricultural Engineering segment. The relevant impairment losses were recognized in the income statement as research and development costs.

The impairment losses resulted from reduced cash flow forecasts in view of current circumstances and future market expectations, which led to correspondingly lower values in use.

	2005 € '000	2004 € '000	%
Research and development costs (total)	78,856	72,653	+8.5
thereof: Capitalized development costs	26,252	21,091	+24.5
Amortization of capitalized development costs	18,922	18,388	+2.9
Research and development costs recognized in the income statement	**71,526**	**69,950**	**+2.3**
R&D capitalization rate (in %)*	33.3	29.0	

* Proportion of capitalized development costs to total research and development costs (before capitalization)

20 | PROPERTY, PLANT AND EQUIPMENT

Total depreciation of €43.2 million (previous year: €39.5 million) was recorded on property, plant and equipment in fiscal year 2005, thereof €2.2 million (previous year: €0 million) as a result of unscheduled depreciation due to impairment. Write-ups due to revaluation were not significant (previous year: €0 million).

For property, plant and equipment, impairment tests are performed on a case-by-case basis, i.e. when an indication of impairment exists. The impairment test for technical equipment and machinery in the Production Engineering segment led to an impairment loss of €1.5 million (previous year: €0 million). The relevant impairment loss was recognized in the income statement under cost of sales. The impairment loss recognized for operating and office equipment in the amount of €0.7 million (previous year: €0 million) relates to the Agricultural Engineering segment.

The Group's credit lines are secured by real estate liens. The property assets of the Group were carried at €107.0 million (previous year: €109.8 million).

As of September 30, 2005, contractual obligations to purchase items of property, plant and equipment amounted to €6.2 million (previous year: €5.1 million).

	Land, land rights and buildings including buildings on third-party land € '000	Technical equipment and machinery € '000	Other equipment, operating and office equipment € '000	Payments on account and assets under construction € '000	Finance lease € '000	Total € '000
Historical cost as of October 1, 2003	**187,865**	**264,908**	**156,912**	**9,245**	**11,693**	**630,623**
Currency translation	-580	-4	11	36	–	-537
Changes in scope of consolidation	-2,818	22	-345	–	–	-3,141
Additions	2,575	15,987	9,911	11,150	615	40,238
Disposals	1,600	18,527	8,605	–	6,368	35,100
Reclassifications	1,693	4,626	1,638	-8,062	–	-105
Balance as of September 30, 2004	**187,135**	**267,012**	**159,522**	**12,369**	**5,940**	**631,978**
Currency translation	434	120	126	71	–	751
Additions	3,187	15,267	13,325	9,745	349	41,873
Disposals	3,536	20,181	14,540	23	2,036	40,316
Reclassifications	530	8,243	1,294	-10,093	–	-26
Balance as of September 30, 2005	**187,750**	**270,461**	**159,727**	**12,069**	**4,253**	**634,260**
Depreciation/impairment as of October 1, 2003	**60,800**	**189,111**	**119,268**	**–**	**8,662**	**377,841**
Currency translation	-87	-45	7	–	–	-125
Changes in scope of consolidation	-1,509	21	-179	–	–	-1,667
Additions (depreciation)	5,174	21,423	12,132	–	742	39,471
Reclassifications	42	–	-42	–	–	–
Disposals	762	18,348	8,180	–	5,315	32,605
Balance as of September 30, 2004	**63,658**	**192,162**	**123,006**	**–**	**4,089**	**382,915**
Currency translation	92	93	83	–	–	268
Additions (depreciation)	5,367	23,652	11,555	–	427	41,001
Additions (impairment)	–	1,500	703	–	–	2,203
Disposals	724	19,530	13,917	–	1,815	35,986
Write-ups	28	–	–	–	–	28
Balance as of September 30, 2005	**68,365**	**197,877**	**121,430**	**–**	**2,701**	**390,373**
Net carrying amount as of September 30, 2004	**123,477**	**74,850**	**36,516**	**12,369**	**1,851**	**249,063**
Net carrying amount as of September 30, 2005	**119,385**	**72,584**	**38,297**	**12,069**	**1,552**	**243,887**

21 | INVESTMENTS ACCOUNTED FOR AT EQUITY AND OTHER INVESTMENTS

	Investments in associates € '000	Other investments € '000	Total € '000
Historical cost as of October 1, 2003	**26,563**	**2,646**	**29,209**
Currency translation	-161	3	-158
Additions	4,520	123	4,643
Disposals	1,510	47	1,557
Balance as of September 30, 2004	**29,412**	**2,725**	**32,137**
Currency translation	35	2	37
Additions	14,037	553	14,590
Disposals	15,623	1,376	16,999
Balance as of September 30, 2005	**27,861**	**1,904**	**29,765**
Impairment as of October 1, 2003	**448**	**654**	**1,102**
Additions (impairment)	4,134	166	4,300
Balance as of September 30, 2004	**4,582**	**820**	**5,402**
Disposals	4,134	815	4,949
Balance as of September 30, 2005	**448**	**5**	**453**
Net carrying amount as of September 30, 2004	**24,830**	**1,905**	**26,735**
Net carrying amount as of September 30, 2005	**27,413**	**1,899**	**29,312**

Additions to investments in associated companies also include the proportionate net income of companies accounted for at equity. Dividends received from associates are presented in the consolidated financial statements as disposals.

22 I TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE AND FINANCIAL ASSETS

TRADE RECEIVABLES

The fair value of trade receivables is in principle identical to their carrying amount. In the year under review, this was €248.3 million (previous year: €244.3 million).

The average credit term for goods sold is 42 days. No interest is charged for the time to maturity. Afterwards, 9.17% is charged for any overdue amounts.

OTHER RECEIVABLES AND FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

Other receivables and financial assets are analyzed as follows:

	Sept. 30, 2005			Sept. 30, 2004		
	Due		Total	Due		Total
	within 1 year € '000	after 1 year € '000	Sept. 30, 2005 € '000	within 1 year € '000	after 1 year € '000	Sept. 30, 2004 € '000
Non-current securities	–	37,230	37,230	–	36,290	36,290
Other borrowings	–	627	627	–	550	550
Receivables from equity investments	4,166	–	4,166	6,577	–	6,577
POC receivables	29,495	–	29,495	21,424	–	21,424
Derivatives	8,678	3	8,681	3,983	7,956	11,939
Prepaid expenses	6,415	–	6,415	3,341	–	3,341
Other assets	34,382	887	35,269	26,144	848	26,992
Total	**83,136**	**38,747**	**121,883**	**61,469**	**45,644**	**107,113**

The fair value of other receivables and financial assets is in principle identical to their carrying amount. In the year under review, this was €121.9 million (previous year: €107.1 million).

Receivables from long-term construction contracts accounted for using the POC method are calculated as follows:

	Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Contract costs incurred	86,963	74,975
Recognized profits less recognized losses	14,928	12,026
Capitalized receivables from customers	101,891	87,001

The payments on account received from customers for construction contracts amounted to €72.4 million (previous year: €65.6 million).

23 | INVENTORIES

Inventories are as follows:

	Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Raw materials, consumables and supplies	46,351	39,210
Work in progress	37,656	48,744
Finished goods and merchandise	254,007	220,890
Payments made on account	10,910	12,175
Payments received on account	-53,930	-40,465
Total	**294,994**	**280,554**

Materials costs of €1,360.0 million (previous year: €1,209.8 million) were recognized in the income statement as cost of sales.

Impairment of inventories in the amount of €2.9 million (previous year: €2.8 million) was recognized in income.

24 | SECURITIES

The securities held by CLAAS which are classified as current assets and have a maturity of more than 90 days refer to securities that are held to maturity or that are sold within the final three months before maturity as well as to available-for-sale securities which are neither held for trading nor held to maturity.

Securities classified as "available for sale" are stated at quoted market prices (where available). Unrealized gains in the amount of €2.6 million (previous year: €1.9 million) from available-for-sale securities are excluded from earnings and reported as a separate component of equity after taking into account the deferred taxes. Securities designated as "held to maturity" are reported at amortized cost, which approximately corresponds to fair value. The amortized cost of held-to-maturity securities corresponds to the original acquisition costs.

	Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Available-for-sale securities	242,169	158,021
Held-to-maturity securities	297	295
Total securities	**242,466**	**158,316**

25 | CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed as follows:

	Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Checks, cash on hand, bank balances	258,273	222,283
Total	**258,273**	**222,283**

The fair value of these assets is in principle identical to their carrying amount. Cash and cash equivalents include proceeds from trade receivables in the amount of €7.7 million (previous year: €10.1 million) under the ABS program that are transferred to other contracting parties.

26 I EQUITY/CHANGES IN 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. Subscribed capital of CLAAS is composed of 3 million no-par-value shares.

General partner without capital contribution is Helmut Claas GmbH. All direct and indirect shareholders of the limited partnership, CLAAS KGaA mbH, are members of the Claas family.

On October 7, 2004, subordinated perpetual securities were issued in the amount of €80 million. The security meets the criteria for classification as an equity instrument in accordance with IFRS. The related equity value amounts to €78.6 million, net of cost of issuance. The equity instrument is reported as a separate item in the statement of changes in equity.

Please refer to the statement of changes in equity presented on page 62/63 of this report.

27 I FINANCIAL LIABILITIES

FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

	Sept. 30, 2005			Sept. 30, 2004		
	Due		Total	Due		Total
	within 1 year € '000	after 1 year € '000	Sept. 30, 2005 € '000	within 1 year € '000	after 1 year € '000	Sept. 30, 2004 € '000
Bonds	100,000	165,989	265,989	–	262,101	262,101
Liabilities to insurance companies	3,801	6,256	10,057	3,801	10,057	13,858
Liabilities to banks	16,056	31,886	47,942	5,123	20,313	25,436
Shareholder loan	17,334	21,834	39,168	15,818	19,913	35,731
Lease payables	637	876	1,513	765	1,249	2,014
Total	**137,828**	**226,841**	**364,669**	**25,507**	**313,633**	**339,140**

The market values and nominal values of bonds as well as loans granted by banks and insurance companies are as follows:

	Sept. 30, 2005		Sept. 30, 2004	
	Nominal value in € million	Market value in € million	Nominal value in € million	Market value in € million
Bonds	266.0	269.1	262.1	269.4
Loans from banks and insurance companies (incl. difference in market value)	25.4	26.7	19.0	19.5
Loans from banks and insurance companies (not incl. difference in market value)	32.6	32.6	20.3	20.3
Total	**324.0**	**328.4**	**301.4**	**309.2**

The bonds (maturing in 2006 and maturing between 2010 and 2014) carry interest rates of 4.5% p.a. and 5.76% p.a., while the loans from banks and insurance companies have interest rates of 1.0% to 8.3% p.a. and will mature between 2005 and 2011.

Liabilities to insurance companies in the amount of €10.1 million (previous year: €13.9 million) and liabilities to banks in the amount of €24.9 million (previous year: €20.7 million) are secured by real estate liens and collateral assignments.

The liabilities to shareholders refer primarily to liabilities to shareholders in the limited partnership.

SILENT PARTNERSHIP

The silent partnership of the employee participation company, CLAAS-Mitarbeiterbeteiligungs-Gesellschaft mbH (CMG), is compensated in relation to net income and is considered subordinated in the event of liability. Pursuant to IFRS, repayable capital transferred is classified as a financial liability.

In return for its subordinated capital contribution, CMG receives a compensation that is based on the net income of the CLAAS Group. CMG also shares in Group losses. A total of €7.9 million of the silent partnership can be terminated as of September 30, 2006; additional termination rights of €4.9 million apply between 2007 and 2010.

28 | TRADE PAYABLES AND OTHER LIABILITIES

TRADE PAYABLES

The fair value of trade payables is in principle identical to their carrying amount. In the year under review, this was €100.7 million (previous year: €100.4 million).

OTHER LIABILITIES (CURRENT AND NON-CURRENT)

	Sept. 30, 2005			Sept. 30, 2004		
	Due		Total	Due		Total
	within 1 year € '000	after 1 year € '000	Sept. 30, 2005 € '000	within 1 year € '000	after 1 year € '000	Sept. 30, 2004 € '000
Liabilities from bills of exchange accepted and drawn	20,371	–	20,371	21,922	–	21,922
Payments received on account	11,600	–	11,600	10,448	–	10,448
Liabilities to equity investments	347	–	347	2,181	–	2,181
Derivatives	8,927	62,734	71,661	499	55,896	56,395
Other liabilities	66,938	1,885	68,823	101,722	2,707	104,429
Total	**108,183**	**64,619**	**172,802**	**136,772**	**58,603**	**195,375**

29 | PENSION PROVISIONS AND SIMILAR OBLIGATIONS

CLAAS maintains several defined benefit pension plans and two fund-financed plans in Germany as well as one fund-financed plan in the UK and one in France.

Under the defined benefit pension plans implemented at CLAAS, the Company undertakes to comply with its pension obligations towards active and former employees. The pension provision that covers benefit obligations under defined benefit schemes also includes pension fund obligations and is reduced by the amount of the fund assets. Fund surpluses, if any, are capitalized as other assets, while fund deficits are shown as a liability under pension provisions. Pension provisions are recorded for obligations from vested rights and current benefits on behalf of eligible active and former employees and their surviving dependants. Obligations relate primarily to old age 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.

Retirement benefit obligations are calculated using actuarial valuation methods in accordance with the projected unit credit method. This method not only takes into account pensions and accrued vested rights known at the balance sheet date, but also anticipated future salary and pension increases. The valuation cut-off date for obligations under the benefit plans in Germany is June 30. The cut-off date for the pension obligations under the fund-financed plan in the UK is April 6. The plan assets are measured as of September 30. The cut-off date for the other plans is also September 30. The net cumulative unrecognized actuarial gains or losses as of the end of the previous reporting period which exceed the greater of 10% of the present value of the defined benefit obligation (before deducting plan assets) and 10% of the fair value of any plan assets are divided by the expected average remaining working lives of the employees participating in the plan ("corridor approach").

In the year under review, calculations were based on a discount rate of 4.8% (previous year: 5.5%), future salary increases of 3.0% (previous year: 3.0%) and pension increases of 1.5% (previous year: 1.5%). These assumptions relate to employees working in Germany, for whom the predominant part of the pension obligation exists. Different country-specific assumptions should be used for employees engaged in other countries. The anticipated fund return is 6.9% (previous year: 7.0%).

Fund-financed plans exist, to a limited extent, for a company in Germany. These are covered by insurance policies. The total share of these plans is less than 5% of funded pension obligations.

With regard to the obligations of the British subsidiary, CLAAS Holdings Ltd. that are financed through an investment fund, the company's investment guidelines are adhered to when investing plan assets. An excess of fund assets over defined benefit obligations is to be maintained permanently, and unnecessary fluctuations in contributions to plan assets avoided. With respect to investment strategy, the focus is on sufficient diversification in order to distribute investment risk over a variety of markets and securities categories. Plan assets are managed by a trust association, which consists of CLAAS Holdings Ltd. employees, under a trust agreement. The trust association has delegated operational investment decisions to a fund manager. All strategic investment decisions are made by the trust association independently of the employer. Plan assets are divided into equity portfolios and bond portfolios. The distribution of assets is kept within specific investment ranges with respect to type of investment and geographical market. In the year under review and in the previous year, the main focus of investment was on UK securities.

The equity portfolio currently makes up 76.0% of plan assets. The bond portfolio amounts to 20.0% of plan assets, owner occupied property to 3.0%. The fund also holds a small amount of cash and cash equivalents (1.0%).

The expected return on plan assets is calculated separately depending on investment category. The current dividend yield of the FTSE All Share Index plus the inflation rate and the long-term real dividend growth rate is used for the equity portfolio (7.6%). Return targets for the bond portfolio are based on a discount factor amounting to 4.3% which is established by an index of corporate bonds quoted in pound sterling with AA ratings and terms of at least 15 years. A short-term money market interest rate is used for cash and cash equivalents (4.5%).

Pension obligations recognized in the balance sheet developed as follows:

	Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Present value of funded benefit obligations	41,722	33,363
less fair value of plan assets	-38,423	-32,309
Funded status	**3,299**	**1,054**
Present value of unfunded benefit obligations	157,310	144,715
Unrecognized past service (cost)/return	5,642	–
Unrecognized actuarial (losses)/gains	-13,539	2,493
Unrecognized amount due to asset ceiling as defined in IAS 19	–	-2
Net pension liability recognized in the balance sheet	**152,712**	**148,260**
thereof: Provisions for pensions	152,712	148,325
thereof: Other assets	–	-65

Plan assets developed as follows:

	Fiscal year	
	2005 € '000	2004 € '000
Fair value of plan assets as of October 1	**32,309**	**28,879**
Actual return/(loss) on plan assets	5,973	3,079
Employer contributions	714	625
Employee contributions	545	346
Actual benefit payments	-867	-913
Currency translation	204	454
Other	-455	-161
Fair value of plan assets as of September 30	**38,423**	**32,309**

Pension provisions are derived from pension obligations and the deficit in funded pension obligations. In addition, one asset resulting from an excess of funded pension obligations was accounted for under other financial assets in the previous year:

	Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Provisions for unfunded benefit obligations	150,075	146,020
Deficit related to funded benefit obligations	2,637	2,305
Other financial assets	–	-65
Net pension liability recognized in the balance sheet	**152,712**	**148,260**

Pension costs for funded and unfunded plans can be analyzed as follows:

	2005 € '000	2004 € '000
Current service cost	5,521	5,630
Interest cost	9,380	9,519
Recognized past service cost/(return)	-209	–
Recognized actuarial losses/(gains)	23	–
Expected return on plan assets	-2,182	-1,966
Employee contributions by means of deferred compensation	200	–
Pension expense	**12,733**	**13,183**

The current service cost accrued in fiscal year 2005 and the interest cost for the service cost of the previous year relate to both funded and unfunded plans.

Funded and unfunded benefit obligations developed as follows:

	2005 € '000	2004 € '000
Benefit obligations as of October 1	**178,078**	**173,569**
Current service cost	5,521	5,630
Interest cost	9,380	9,519
Actuarial losses/(gains)	19,836	-1,353
Actual pension payments	-8,457	-8,778
Currency translation	193	461
Other	-5,519	-970
Benefit obligations as of September 30	**199,032**	**178,078**

30 | INCOME TAX PROVISIONS AND OTHER PROVISIONS

Income tax provisions and other provisions developed as follows in fiscal 2005:

		Other provisions			
	Income tax provisions € '000	Employee benefits € '000	Obligations arising from sales € '000	Miscellaneous € '000	Total € '000
Balance as of October 1, 2004	**13,263**	**85,508**	**129,472**	**36,299**	**264,542**
Changes in scope of consolidation	167	-291	-315	-38	-477
Utilization	9,627	53,371	87,901	5,623	156,522
Reversals	218	3,357	9,507	3,997	17,079
Additions	16,910	69,851	113,184	22,064	222,009
Interest cost	–	–	185	121	306
Currency translation	89	52	451	21	613
Balance as of September 30, 2005	**20,584**	**98,392**	**145,569**	**48,847**	**313,392**
thereof: Non-current	–	15,326	14,443	5,785	35,554
thereof: Current	20,584	83,066	131,126	43,062	277,838

A total of €3.8 million of the reversals is reported as functional costs.

The income tax provisions cover tax risks for fiscal years for which a final assessment notice has not yet been issued.

Employee benefits 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 as well as other sales-generating measures.

The provisions for obligations arising from sales include provisions for payments based on warranty claims. The provision requirement for special inspections is calculated centrally in accordance with uniform principles. The computation takes into account parameters such as construction programs, unit numbers and costs of materials and assembly per machine. Provisions for warranties are calculated on the basis of historical percentage rates of sales.

31 | CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Rental and lease expenses amounted to €12.5 million in fiscal year 2005 (previous year: €9.5 million). Lease payments received under non-terminable sublease agreements amounted to €14.7 million as of the reporting date, and future minimum lease payments to €16.8 million.

Finance lease and operating lease commitments arise predominantly from lease programs under which CLAAS agricultural machines have been leased to CLAAS Leasing GmbH and subleased to end customers.

The maturities of commitments from rental and lease agreements are as follows:

MINIMUM LEASE PAYMENTS	Finance lease Nominal value € '000	Operating lease Nominal value € '000
due within 1 year	689	20,881
due within 1 to 5 years	959	27,221
due within more than 5 years	–	8,188
Total	**1,648**	**56,290**
Interest	**134**	
Present value of the lease obligations	**1,514**	

No provisions were recognized for the following contingent liabilities stated at nominal value, since the likelihood of risk is considered low.

	Sept. 30, 2005 € '000	Sept. 30, 2004 € '000
Bill commitments	23,021	33,625
Liabilities from guarantees	13,239	11,634
Total	**36,260**	**45,259**

As of September 30, 2005, other financial commitments amounted to €2.3 million (previous year: €5.2 million).

32 | FINANCING COMMITMENTS

Financing commitments as of the reporting date are as follows:

	< 1 year		1-5 years		> 5 years		Total	
	Balance as of Sept. 30, 2005 € million	Balance as of Sept. 30, 2004 € million	Balance as of Sept. 30, 2005 € million	Balance as of Sept. 30, 2004 € million	Balance as of Sept. 30, 2005 € million	Balance as of Sept. 30, 2004 € million	Balance as of Sept. 30, 2005 € million	Balance as of Sept. 30, 2004 € million
Bonds	100.0	–	–	100.0	166.0	162.1	266.0	262.1
Syndicated loans	–	102.3	250.0	–	–	–	250.0	102.3
Credit facilities from banks and insurance companies	298.8	328.4	31.8	48.7	10.1	31.4	340.7	408.5
Total	**398.8**	**430.7**	**281.8**	**148.7**	**176.1**	**193.5**	**856.7**	**772.9**

33 | CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows comprises cash flows from operating activities, investing activities, and financing activities. Effects of changes in the scope of consolidation have been eliminated; their impact on cash and cash equivalents is shown separately, as is the influence of exchange rate fluctuations on cash and cash equivalents.

Cash flow from operating activities includes dividends received in the amount of €1.7 million (previous year: €1.1 million); non-cash profit contributions from the application of the equity method were eliminated. Non-cash additions to non-current assets relate exclusively to additions of leased assets amounting to €0.3 million (previous year: €0.6 million), which are classified as finance leases. Interest paid was €27.8 million (previous year: €37.3 million), interest received amounted to €8.9 million (previous year: €3.9 million); income tax payments amounted to €29.7 million (previous year: €5.6 million).

34 | EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES	2005	2004
Wage earners	3,984	4,041
Salary earners	3,733	3,741
Trainees	405	373
Total	**8,122**	**8,155**

The presentation of the number of employees was adjusted for the year under review and the previous year to reflect internal reporting. The personnel costs reported in the income statement under functional costs amounted to €433.1 million (previous year: €416.8 million).

35 | DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

As a result of its business activities, the CLAAS Group is exposed to exchange and interest rate risks. Systematic currency and interest rate management is adopted in order to limit these risks. All of the usual financial instruments, including derivatives, are used as part of this process. Currency risks basically involve the US dollar, the Hungarian forint and the British pound. Forward exchange transactions and currency options are entered into in order to mitigate or eliminate exchange risk from receivables and payables denominated in foreign currencies, taking into account netting. Interest swaps and interest options serve to hedge the interest risk of asset and liability positions.

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.

The notional amount of the hedging transactions constitutes the aggregate of all underlying buying and selling amounts. The level of the notional amount allows conclusions to be drawn as to the extent to which derivatives are used, but does not reflect the Group's exposure from the use of derivatives. The notional amounts of the derivatives are reported before netting and include interest and currency positions that were offset by counter-trades with a notional amount of €434.8 million (previous year: €431.3 million).

CLAAS pursues strict risk management. Accordingly, derivative financial instruments may not be used for speculative purposes, but only to hedge risks related to the operating business. The execution, control and recording of transactions is strictly segregated in terms of physical and organizational function. 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 by means of audited software.

All business partners are either German or international banks of top credit quality. Since the management and the supervisory bodies of CLAAS attach great importance to systematic risk management, a comprehensive monitoring system that meets the requirements of the German Act on Control and Transparency in the Corporate Sector (KonTraG) 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.

A portion of derivatives are accounted for under hedge accounting. Cash flow hedge accounting hedges both variable future cash flows from long-term liabilities and future sales denominated in foreign currency.

Hedge effectiveness was proven with respect to the cash flow hedge on variable future cash flows from long-term liabilities. Changes in the fair value of these derivatives are recorded in equity. Reclassification into the income statement was undertaken in the amount in which the underlying transaction was recognized as income/loss in the period under review. The reclassification occurred in the same account in the income statement in which the underlying transaction was recorded.

The following table includes both derivatives for which the application of hedge accounting according to IAS 39 was waived as well as those to which hedge accounting was applied. The derivative financial instruments are recognized at the following fair values (fair values and carrying values are thus equivalent):

	Notional amount		Remaining term > 1 year		Fair value of assets		Fair value of liabilities	
FOREIGN CURRENCY HEDGES	**Sept. 30, 2005 € '000**	**Sept. 30, 2004 € '000**	**Sept. 30, 2005 € '000**	**Sept. 30, 2004 € '000**	**Sept. 30, 2005 € '000**	**Sept. 30, 2004 € '000**	**Sept. 30, 2005 € '000**	**Sept. 30, 2004 € '000**
Forward exchange transactions	309,818	197,978	39,154	1,255	1,578	3,443	6,032	285
Foreign currency options	79,586	71,098	–	–	603	571	222	33
Other currency hedging instruments	200,000	200,000	200,000	200,000	–	–	58,780	48,583
Total	**589,404**	**469,076**	**239,154**	**201,255**	**2,181**	**4,014**	**65,034**	**48,901**

	Notional amount		Remaining term > 1 year		Fair value of assets		Fair value of liabilities	
INTEREST RATE HEDGES	**Sept. 30, 2005 € '000**	**Sept. 30, 2004 € '000**	**Sept. 30, 2005 € '000**	**Sept. 30, 2004 € '000**	**Sept. 30, 2005 € '000**	**Sept. 30, 2004 € '000**	**Sept. 30, 2005 € '000**	**Sept. 30, 2004 € '000**
Interest rate options	251,129	311,129	–	251,129	519	582	1,316	907
Interest rate swaps	362,000	387,452	62,000	377,226	5,981	7,343	5,311	6,587
Other interest rate hedging instruments	–	–	–	–	–	–	–	–
Total	**613,129**	**698,581**	**62,000**	**628,355**	**6,500**	**7,925**	**6,627**	**7,494**
Total hedging	**1,202,533**	**1,167,657**	**301,154**	**829,610**	**8,681**	**11,939**	**71,661**	**56,395**

36 | ASSET-BACKED SECURITIES

During fiscal 2005, CLAAS sold trade receivables on a revolving basis up to a maximum volume of €114 million (previous year: €114 million) in connection with ABS programs. Due to seasonal fluctuations, the volume of receivables sold varies during the course of the year. At the end of the period under review, the volume of the receivables sold amounted to €34.2 million (previous year: €46.2 million). The receivables sold under the new ABS program are derecognized in accordance with IAS 39.18b, since CLAAS assumes a contractual obligation to pay the cash flows received ("pass-through arrangement").

Within the scope of the ABS transaction, CLAAS performs bookkeeping, receivables collection, and dunning services and receives an appropriate service fee from the special-purpose entity.

The partially retained risks lead to a continuing involvement in accordance with IAS 39 and hence to a proportional derecognition of the receivables. The assets resulting from the continuing involvement of the CLAAS Group amount to €3.9 million (previous year: €0 million) as of September 30, 2005.

37 | SEGMENT REPORTING

INFORMATION BY SEGMENT

	CLAAS Agricultural Engineering		CLAAS Industrial Engineering		CLAAS Production Engineering		Eliminations		CLAAS Group	
	2005 € million	2004 € million	2005 € million	2004 € million	2005 € million	2004 € million	2005 € million	2004 € million	2005 € million	2004 € million
External sales	1,998	1,776	29	24	148	128	–	–	2,175	1,928
Internal sales	6	4	102	83	3	3	-111	-90	–	–
Total net sales	**2,004**	**1,780**	**131**	**107**	**151**	**131**	**-111**	**-90**	**2,175**	**1,928**
Operating profit (EBIT)	108	63	6	–	4	6	–	1	118	70
Profit/loss from investments accounted for at equity	3	-1	–	–	–	–	–	–	3	-1
Interest income	13	9	–	–	–	–	–	–	13	9
Depreciation/amortization	60	65	5	4	4	3	–	–	69	72
Non-cash income	-1	1	–	–	–	–	–	–	-1	1
Segment assets	1,506	1,344	45	46	143	135	-82	-79	1,612	1,446
Goodwill*	24	28	–	–	21	21	–	–	45	49
Investments accounted for at equity	27	25	–	–	–	–	–	–	27	25
Capital expenditure for property, plant and equipment and intangible assets	65	56	4	5	2	17	–	-2	71	76
Segment liabilities	1,035	985	35	35	102	93	-45	-41	1,127	1,072

* Goodwill for the Agricultural Engineering segment was reduced by accumulated impairments in the amount of €17.4 million (previous year: €13.7 million).

INFORMATION BY REGION

	Germany		Rest of Western Europe		Central and Eastern Europe		Other countries		Eliminations		CLAAS Group	
	2005 € million	2004 € million	2005 € million	2004 € million	2005 € million	2004 € million	2005 € million	2004 € million	2005 € million	2004 € million	2005 € million	2004 € million
External sales	541	447	1,075	1,082	275	192	284	207	–	–	2,175	1,928
Segment assets	1,412	1,208	494	461	53	33	158	153	-505	-409	1,612	1,446
Capital expenditure for property, plant and equipment and intangible assets	36	49	27	25	7	3	1	1	–	-2	71	76

CLAAS defines its segments by area of business. The definition of business segments and geographical segments is based on the internal reporting system.

The Agricultural Engineering segment is the Company's core business segment. CLAAS is the European market leader in its main products: combine harvesters and foragers. The Company also holds significant market shares in balers and green harvest machinery, especially in Western Europe. The tractor business was added to the Agricultural Engineering segment in 2003.

CLAAS' Industrial Engineering segment is the system supplier for drive technology and hydraulics within the CLAAS Group. Third-party business chiefly involves components for construction machinery and utility vehicles.

The Production Engineering segment is headed by CLAAS Fertigungstechnik GmbH. This company has specific expertise in special-purpose mechanical engineering and tool making and in the development and manufacturing of complete transfer and production lines. Since the acquisition of Brötje Automation, business activity in this segment has been extended to the aviation and aerospace industry.

Internal sales reflect the level of sales between the Group companies and are accounted for at arm's-length.

The increase in net sales from €1,928.4 million to €2,175.3 million is due to increases in EU countries as well as in Eastern Europe and non-European countries.

Reconciliation of operating profit, defined as EBIT at CLAAS, with net income for the year is as follows:

	2005 € '000	2004 € '000
Operating profit (EBIT)	**118,016**	**70,352**
./. Income taxes	31,704	14,271
./. Interest expense	27,964	28,133
./. CMG compensation	3,613	2,472
./. Compensation for participation certificates	–	3,599
Net income	**54,735**	**21,877**

38 | RELATED PARTY DISCLOSURES

Related parties within the meaning of IAS 24 ("Related Party Disclosures") generally are: the members of the Supervisory Board and the Shareholders' Committee, the members of the Claas families, members of the Management Board of the CLAAS KGaA mbH as well as the companies associated with the CLAAS Group and companies controlled or significantly influenced by related parties.

The significant relationships of the members of the Supervisory Board and the Shareholders' Committee as well as of the members of the Claas families with the CLAAS Group are as follows:

	Members of the Supervisory Board/ Shareholders' Committee		Members of the Claas families – if not members of the Supervisory Board/Shareholders' Committee	
TYPE OF TRANSACTION	**2005 € '000**	**2004 € '000**	**2005 € '000**	**2004 € '000**
Supervisory Board and Shareholders' Committee remuneration	348	265	–	–
Services	340	224	–	–
Credits granted to CLAAS	22,501	21,118	16,613	14,551

Total goods and services provided amounted to €55.1 million (previous year: €41.5 million), whereas goods and services received amounted to €16.6 million (previous year: €17.4 million). In addition, the CLAAS Group received services from related companies in the amount of €10.9 million (previous year: €8.6 million).

Remuneration amounting to €3.5 million was paid to members of the Management Board in fiscal 2005 (previous year: €2.9 million). In addition, retirement benefits were paid in the amount of €0.4 million (previous year: €0.4 million).

39 | EVENTS AFTER THE BALANCE SHEET DATE

On the basis of a contractually agreed purchase option which is scheduled to be exercised in January 2006, CLAAS will acquire a further 29% stake in RENAULT Agriculture S.A.S. in Vélizy, France. At a later date, not earlier than January 1, 2010, the remaining 20% of the shares may be transferred to CLAAS.

40 | MATERIAL DIFFERENCES BETWEEN GERMAN GAAP (HGB) AND IFRS

Material differences in recognition and measurement between German GAAP (HGB) and IFRS are described below.

FIXED ASSETS

Under German law, intangible assets not acquired for consideration cannot be capitalized. Under IFRS, however, internally generated intangible assets can be capitalized under certain conditions. At CLAAS, development costs are capitalized if economic benefits are likely to flow to the CLAAS Group based on manufacture of the products developed. HGB prohibits recognition of internally generated intangible assets.

Under IFRS, acquired intangible assets are amortized over their estimated useful life, if such a useful life can be determined. If the useful life of an acquired intangible asset cannot be determined, an impairment test is performed annually (or more frequently, if there are indications of permanent impairment) rather than applying scheduled amortization. The same applies to goodwill. By contrast, HGB requires scheduled amortization of intangible assets, including goodwill, as well as scheduled depreciation of property, plant and equipment.

According to HGB principles, intangible assets and items of property, plant and equipment are predominantly depreciated using the diminishing balance method, with depreciation normally being applied in the same amount in the financial statements and the tax accounts. The useful life of an asset is generally based on depreciation tables established by the fiscal authorities. For IFRS financial statements, the depreciation method that best reflects the anticipated wear and tear of the asset concerned should be applied. For this reason, it is customary to use straight-line depreciation; tax depreciation is not applicable. Contrary to HGB, depreciation for assets subject to wear and tear is based on a useful life that may differ from the useful life provided in the fiscal depreciation tables.

LEASES

Under both IFRS and HGB, leased items are to be accounted for by the economic owner. Differences between IFRS and HGB exist with regard to the criteria for determining economic ownership. International practice stipulates that the item is to be reported by the party which bears the opportunities and risks related to the item. The specific criteria to be used in determining opportunities and risks vary from those used in HGB.

DEFERRED TAXES

In accordance with German accounting principles, tax assets and liabilities are only deferred in the case of temporary differences between income under HGB and income for tax purposes; quasi-permanent differences may not be deferred. The netting of deferred tax assets and deferred tax liabilities is allowed.

Under IFRS, deferred taxes are to be recognized for temporary differences between the values recorded in the financial statements and the tax accounts. Furthermore, deferred tax assets are to be recorded for anticipated tax reductions from losses carried forward. Deferred tax assets and deferred tax liabilities are openly netted in the case of identical maturities, identical tax types and identical tax jurisdictions.

ACCOUNTS RECEIVABLE/OTHER ASSETS/DERIVATIVES

Under HGB, a general bad debt charge is made against receivables in accordance with the prudence concept. Under IFRS, receivables are accounted for at face value. When measuring the receivables, no components based on the prudence concept may be taken into account. At CLAAS, an excess of pension assets over pension commitments is capitalized under other assets in compliance with IFRS. Discernible risks are taken into account by adequate valuation allowances. Under HGB, derivatives are not capitalized, with the exception of premiums paid. Under IFRS, derivatives are capitalized at their fair values. In accordance with HGB, derivatives with a negative market value are recorded as liabilities, unless there is a hedging relationship with a corresponding hedged item. Under IFRS, derivatives with a negative market value are recorded as liabilities in their full amount.

INVESTMENTS AND SECURITIES

Under HGB, securities are recorded at the lower of acquisition cost or market value as of the balance sheet date. Any reductions in fair value are to be recognized in income.

Under IFRS, securities are classified in the following three categories: "held-to-maturity" securities, which should generally be valued at amortized cost; "available-for-sale" securities and securities that are intended to be sold shortly ("trading securities"), which are stated at their fair value as of the balance sheet date. The resulting unrealized gains and losses are to be reported in equity with no impact on income after considering deferred taxes in the case of available-for-sale securities, or taken to income in the case of trading securities.

INVENTORIES

Whereas under German law, inventories may be valued at prime cost or at full cost (in compliance with tax regulations), under IFRS, inventories are measured at production-related full cost, i.e. any allocable overheads are capitalized.

The percentage of completion method (POC) is applied under IFRS when reporting long-term construction contracts if certain prerequisites have been met. Work in progress is reported as POC receivables depending on the stage of completion.

CASH AND CASH EQUIVALENTS

In contrast to HGB, cash and cash equivalents under IFRS also include securities with a remaining term of up to 90 days as of the date of acquisition.

EQUITY

Allocation to equity or external capital in accordance with HGB depends primarily on such factors as profit-related compensation, participation in losses and subordinated treatment in the case of bankruptcy. In accordance with these criteria, the silent partnership of CLAAS should be classified as equity in accordance with HGB and the subordinated perpetual securities as debt capital.

Under IFRS, however, the ability to repay the capital transferred is the decisive factor for reporting items under equity so that the silent partnership must be classified as a financial liability under IFRS. Subordinated perpetual securities have to be classified as equity due to their indefinite terms.

PENSION PROVISIONS

In accordance with HGB, pension provisions are normally measured in accordance with the entry-age-normal method. Probable fluctuations are taken into account on a lump-sum basis. It is not permitted to take salary and pension increases into account. The discount rate may be based on tax provisions.

Under IFRS, pension provisions are measured using the projected unit credit method. Official fluctuation probabilities as well as salary and pension increases are taken into account. The discount rate is equivalent to the applicable capital market interest rate for first-ranking, fixed interest corporate bonds.

OTHER PROVISIONS

HGB provides options allowing for provisions for future expenses based on internal commitments.

Under IFRS, requirements for creating provisions are more restrictive. There are no options for creating a liability in this respect, and a relatively high degree of probability must exist before a liability may be recorded. Provisions for future expenses are not allowed.

CLAAS KOMMANDITGESELLSCHAFT AUF AKTIEN MBH, HARSEWINKEL/GERMANY

Holding Company, Sales, Customer Service, Parts

STRUCTURE OF CLAAS KGaA mbH

PERSONALLY LIABLE PARTNER
Helmut Claas GmbH

SHAREHOLDERS
Helmut Claas
Günther Claas
Reinhold Claas

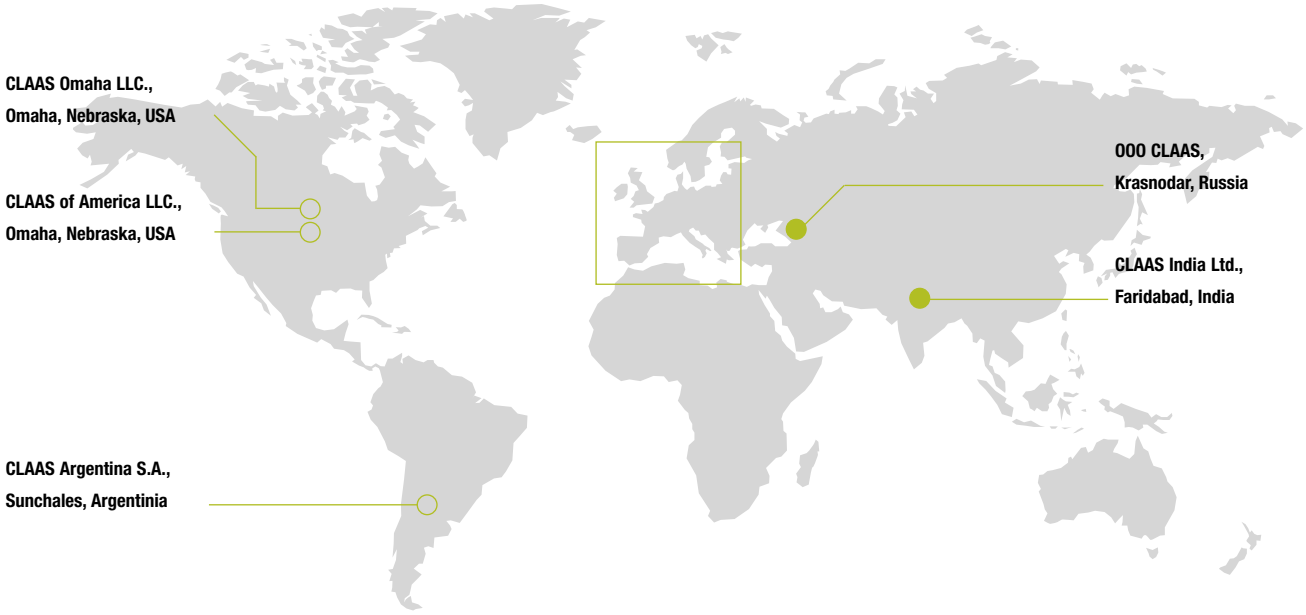
KGAA SHAREHOLDERS
Family Helmut Claas
Family Günther Claas
Family Reinhold Claas

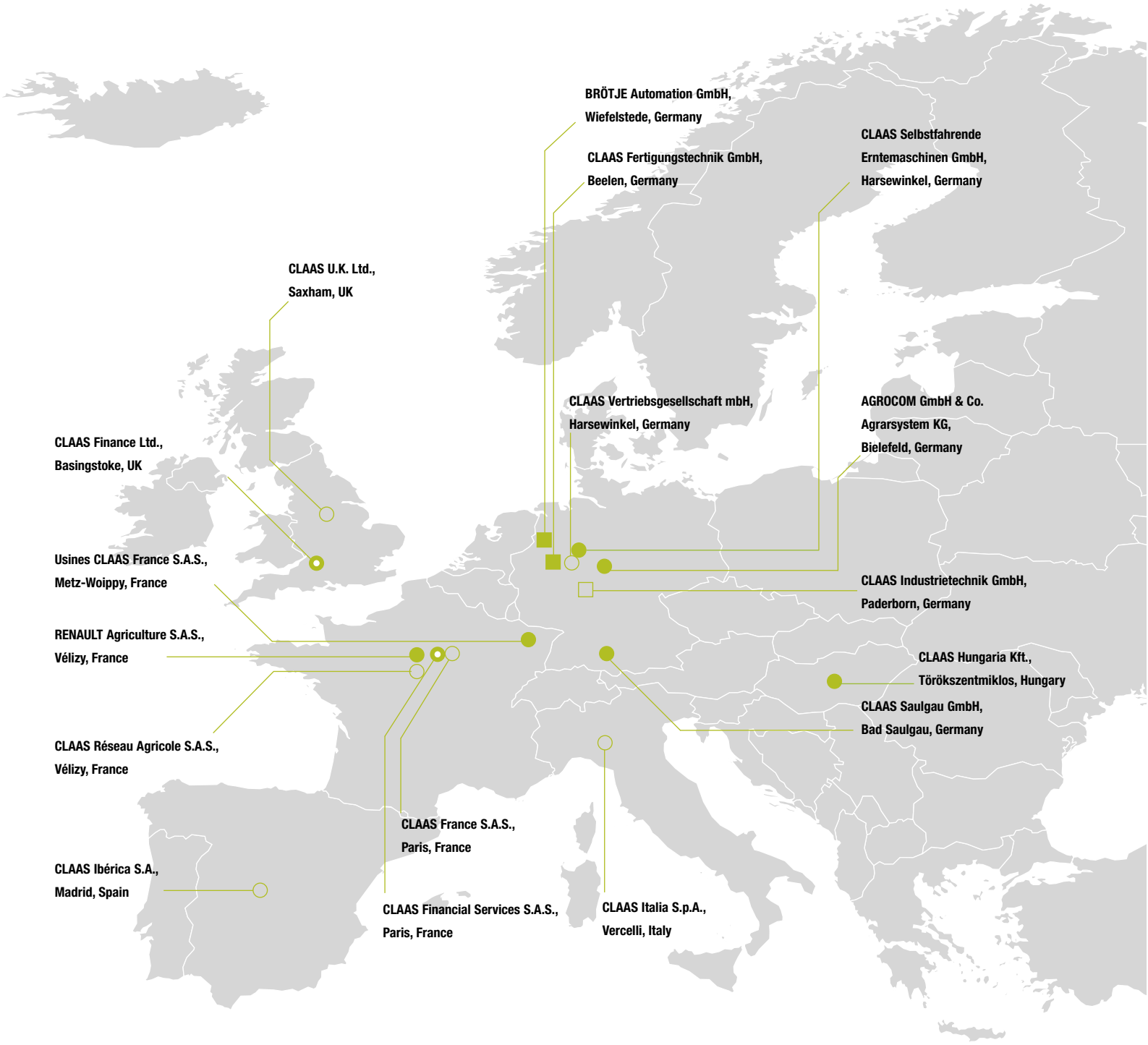
BODIES OF CLAAS KGaA mbH

SHAREHOLDERS' COMMITTEE
Helmut Claas, Harsewinkel
Chairman
Cathrina Claas, Zürich
Deputy Chairman

SUPERVISORY BOARD
Helmut Claas, Harsewinkel,
Chairman
Guntram Schneider, Münster*
Deputy Chairman
Cathrina Claas, Zürich
Oliver Claas, Wedel/Holstein
Reinhold Claas, Harsewinkel (since 01/2005)
Volker Claas, Harsewinkel (until 01/2005)
Günther Groß, Harsewinkel*
Claus Helbig, München
Michael Köhler, Paderborn* (since 02/2005)
Günter Laumann, Harsewinkel* (until 02/2005)
Jens Möller, Rheda-Wiedenbrück* (until 02/2005)
Gerd Peskes, Düsseldorf
Konrad Siegers, Harsewinkel* (since 02/2005)
Heiner Strotjohann, Harsewinkel* (since 02/2005)
Siegfried Vieth, Hövelhof* (since 02/2005)
Carmelo Zanghi, Paderborn*
** Employee representatives*

EXECUTIVE BOARD
Rüdiger A. Günther (Executive President)
Nikolaus Feil (until 09/2005)
Theo Freye (since 10/2005)
Hermann Garbers
Thomas Klatt
Lothar Kriszun
Guy Povie
Hans-Bernd Veltmaat (since 01/2005)





AGRICULTURAL ENGINEERING ■ PRODUCTION ENGINEERING □ INDUSTRIAL ENGINEERING

As of September 30, 2005

- Product companies
- Sales companies
- Finance companies

		2005	2004	2003*	2002*	2001*	2000*	1999*
FINANCIAL PERFORMANCE								
Net sales	€ million	2,175.3	1,928.4	1,496.3	1,265.5	1,147.9	1,072.5	1,038.5
Foreign sales in percent	%	75.1	76.8	69.2	64.9	68.9	66.6	65.5
Income before taxes	€ million	86.4	36.1	22.6	55.8	36.1	26.2	22.4
Net income	€ million	**54.7**	**21.9**	**17.9**	**32.5**	**14.3**	**11.7**	**5.8**
FINANCIAL POSITION								
Non-current assets	€ million	**473.9**	**472.2**	**438.1**	**306.8**	**247.5**	**221.0**	**170.4**
Intangible assets	€ million	123.1	119.8	55.8	20.0	6.8	3.5	6.0
Property, plant, and equipment	€ million	243.9	249.1	252.3	192.8	155.5	138.7	99.3
Non-current financial assets	€ million	106.9	103.3	130.0	94.0	85.2	78.8	65.1
Current assets	€ million	**1,137.8**	**973.7**	**974.7**	**712.8**	**683.9**	**638.6**	**585.7**
Inventories	€ million	295.0	280.6	337.6	207.1	168.5	181.2	212.6
Current financial assets	€ million	342.1	312.5	292.3	205.0	181.3	172.6	136.3
Liquid assets	€ million	500.7	380.6	344.8	300.7	334.1	284.8	236.8
Equity	€ million	**484.9**	**374.4**	**292.5**	**292.2**	**268.8**	**263.5**	**261.6**
Funds similar to equity**	€ million			**106.3**	**58.3**	**56.3**	**55.5**	
Liabilities	€ million	**1,126.8**	**1,071.5**	**1,014.0**	**669.1**	**606.3**	**540.6**	**494.5**
Non-current liabilities	€ million	499.2	569.6	502.5	309.7	301.9	299.9	282.8
Current liabilities	€ million	627.6	501.9	511.5	359.4	304.4	240.7	211.7
Total assets	€ million	**1,611.7**	**1,445.9**	**1,412.8**	**1,019.6**	**931.4**	**859.6**	**756.1**
KEY PERFORMANCE INDICATORS								
Return on sales	%	4.0	1.9	1.5	4.4	3.2	2.4	2.2
EBIT	€ million	118.0	70.4	53.2	84.0	66.7	54.0	48.7
EBITDA	€ million	186.7	142.4	90.9	111.9	111.5	82.5	79.9
Return on equity	%	11.3	5.8	6.1	11.1	5.3	4.4	2.2
Return on assets	%	7.3	4.9	3.8	8.2	7.2	6.3	6.4
Cash flow (DVFA/SG***)	€ million	130.7	94.2	51.2	67.4	67.7	39.6	53.1
Equity-to-assets ratio	%	30.1	25.9	20.7	28.7	28.9	30.7	34.6
Cash ratio	%	79.8	75.8	67.4	83.7	109.7	118.3	111.9
Equity and non-current liabilities to non-current assets	%	207.7	199.9	205.7	215.2	253.3	280.0	319.5
Working capital	€ million	443.9	368.1	415.9	303.5	251.8	274.0	286.6
EMPLOYEES								
Employees as of the reporting date (including trainees) ****		8,134	8,127	8,391	6,114	5,488	5,558	5,853
Personnel expenses	€ million	433.1	416.8	352.3	291.7	277.3	269.7	269.1

* Figures for 1999 in accordance with HGB, figures for 2000 through 2003 in accordance with U.S. GAAP.

** In contrast to HGB accounting, participation certificates, the silent partnership and minority interest are not usually recognized as equity under U.S. GAAP.

*** Deutsche Vereinigung für Finanzanalyse und Anlageberatung e.V./Schmalenbach-Gesellschaft (German association of financial analysts).

**** The presentation of the number of employees was adjusted for the year under review and for the previous year to reflect internal reporting.

Return on sales (%) = $\frac{\text{Income before taxes}}{\text{Sales}}$ x 100

EBIT = Net income + income taxes + interest expense + profit transferred under a partial profit transfer agreement (CMG) + compensation for participating certificates

EBITDA = EBIT +/- depreciation/write-ups of non-current assets

Return on equity (%) = $\frac{\text{Net income}}{\text{Equity}}$ x 100

Return on assets (%) = $\frac{\text{EBIT}}{\text{Total assets}}$ x 100

Cash flow (DVFA/SG) = Net income + depreciation/amortization of non-current assets +/- change in pension provisions and other non-current provisions +/- other non-cash income and expenses

Equity-to-assets ratio (%) = $\frac{\text{Equity}}{\text{Total assets}}$ x 100

Liquid assets = Cash and cash equivalents + marketable securities

Cash ratio (%) = $\frac{\text{Liquid assets}}{\text{Current liabilities}}$ x 100

Quick ratio (%) = $\frac{\text{Liquid assets + trade receivables + income tax assets + other receivables and current financial assets – current derivative assets – prepaid expenses + non-current receivables from investments + other non-current assets}}{\text{Current liabilities}}$ x 100

Equity and non-current liabilities to non-current assets (%) = $\frac{\text{Equity + non-current liabilities}}{\text{Non-current assets}}$ x 100

Equity and non-current liabilities to non-current assets and inventory (%) = $\frac{\text{Equity + non-current liabilities}}{\text{Non-current assets + 0.5 x inventories}}$ x 100

Working capital = Inventories – advance payments received +/- trade accounts receivable/payable +/- accounts receivable/payable to investments +/- notes receivable/payable

Inventory turnover (%) = $\frac{\text{Inventory}}{\text{Sales}}$ x 100

Receivables turnover (%) = $\frac{\text{Trade receivables}}{\text{Sales}}$ x 100

Days sales outstanding = $\frac{\text{Trade receivables}}{\text{Sales}}$ x 365

The key performance indicators for the fiscal years 2004 and 2005 are presented in accordance with IFRS. The figures for fiscal years 2000 through 2003 are based on U.S. GAAP, 1999 figures on HGB accounting.

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