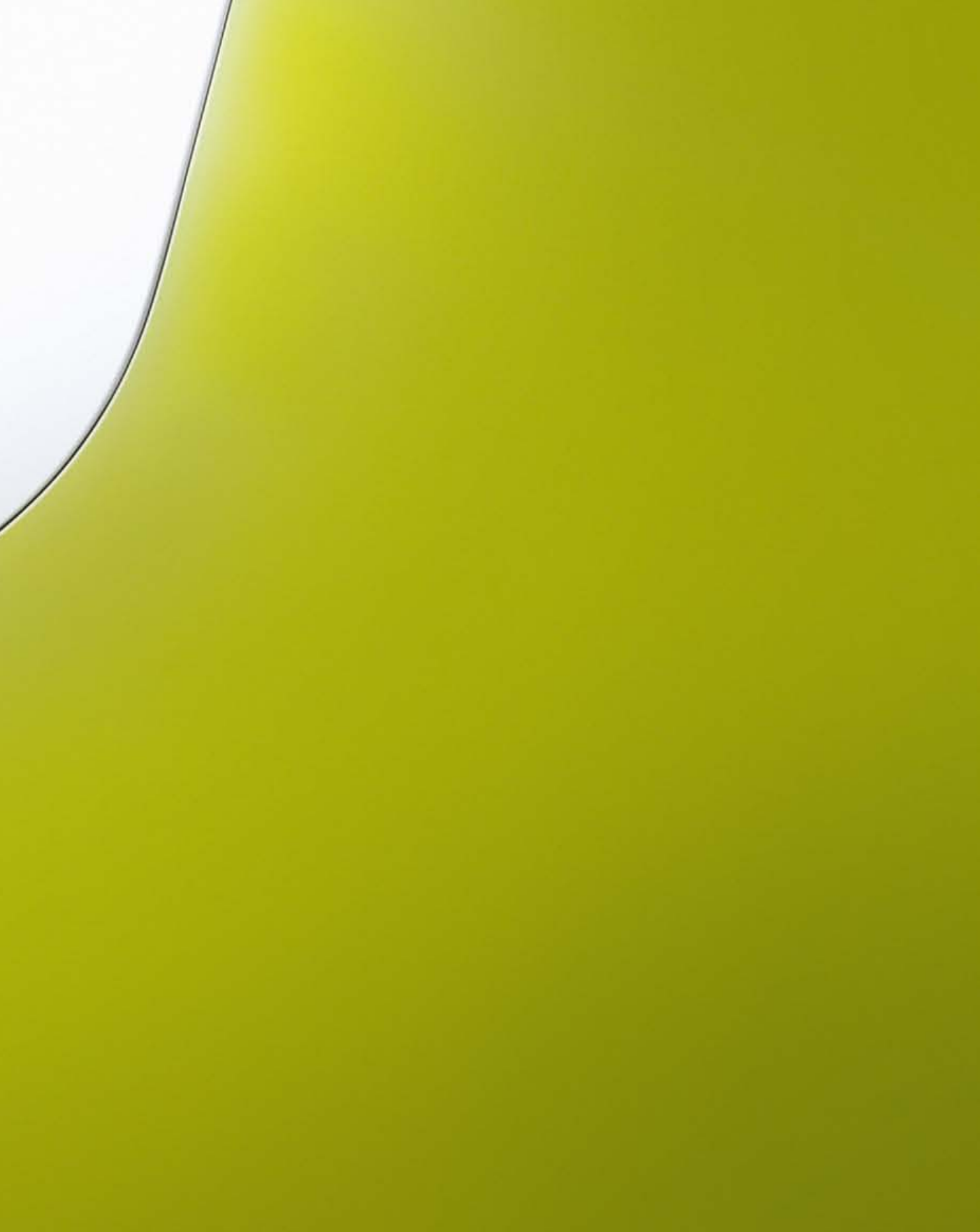


2010 Annual Report

# Demands grow



Detailed view of side panel of a LEXION. The modern design of the new CLAAS combine harvester series is characterized by a fresh design vocabulary with elegant styling. The new harvesters unite perfectly coordinated technologies that consistently take full advantage of the possibilities of electronic control and adjustment. The result is the latest generation of CLAAS harvesting technology for every type of grain in the world.

# CLAAS Group Overview

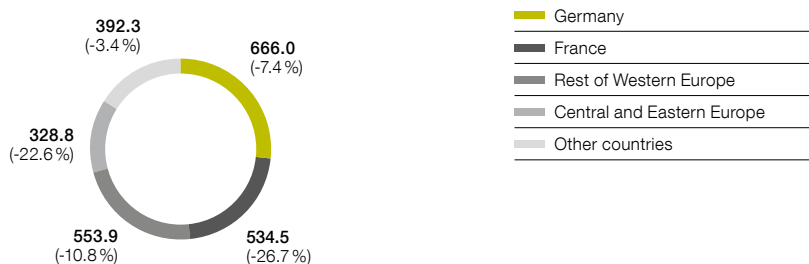
## Financial Indicators (IFRS)

in € million	2010	2009	Change in %
<b>Financial Performance</b>			
Net sales	2,475.5	2,900.8	-14.7
EBITDA	200.3	230.0	-12.9
EBIT	116.1	146.9	-21.0
Income before taxes	77.2	112.3	-31.3
Net income	51.5	73.4	-29.8
R&D costs*	122.6	124.8	-1.8
Free cash flow	215.8	-264.8	-
<b>Financial Position</b>			
Equity	814.2	775.5	5.0
Capital expenditure	87.2	125.2	-30.4
Total assets	2,278.4	2,206.7	3.2
<b>Employees</b>			
Employees as at the balance sheet date	8,968	9,467	-5.3
Personnel expenses	489.0	522.8	-6.5

\* Before capitalized and amortized development costs.

## Sales by Region

in € million



## Sales per Year

in € million

Year	Foreign sales in %	German sales in %	Total Sales (€ million)
2006	76.3	23.7	2,350.9
2007	76.3	23.7	2,658.9
2008	77.6	22.4	3,236.2
2009	75.2	24.8	2,900.8
2010	73.1	26.9	2,475.5

# Highlights of the Year

11/09



## XERION Superstar

When the new XERION was nominated as Machine of the Year 2010, the cameras were flashing like an Oscar award ceremony at the CLAAS tradeshow booth. German trade journalists chose the CLAAS machine for the first place among tractors. Cathrina Claas-Mühlhäuser and Jan-Hendrik Mohr (second from left) accepted the award.



02/10



## New CLAAS Technology Center

Michael Terlutter makes combine harvesters float at the new Technology Center. The modern hall is now the focal point of the development activities of CLAAS Selbstfahrende Erntemaschinen GmbH. The official inauguration was attended by management, many employees, and partners.



05/10

## High-Tech Paint Shop in Le Mans

The CLAAS tractor plant in Le Mans has a new high-tech paint shop. The drive trains of all of the CLAAS tractors produced there are pre-processed using the latest technological procedures and sealed with a protective coating. The facility was inaugurated with a celebration attended by a number of guests of honor, including the Mayor of Le Mans, Jean-Claude Boulard.



06/10



## Top Employer

CLAAS is becoming increasingly popular among engineering students. According to the „trendence Absolventenbarometer“ study, CLAAS is the most preferred employer in Germany in the field of agricultural engineering. Lina Nekrasova (left), trainee and doctoral candidate, is studying at Hohenheim University with the support of CLAAS.



07/10



## CLAAS Straw Baler on Film

A new film from France documents the early days of the company. The film also describes how two French mechanical whizzes have managed to reproduce an original CLAAS straw baler from 1920. It was the first successful product made by the company founded by August Claas in 1913.



09/10

## XXL Combine Harvester

A giant combine harvester towers over the A2 autobahn near Hamm-Uentrop, Germany. Industrial climbers installed a megaposter measuring 116 by 14 meters on the facade of the CLAAS Parts Logistics Center directly along the highway. At night, spotlights make the LEXION easy for thousands of drivers to see. The assembly of the eight-piece image on PVC netting took about a week.



# Demands grow

For nearly one hundred years we have been striving to make agricultural work easier, more productive, and more sustainable, with better machines, better service, and better financing. We are driven by our customers' growing demands. Our innovative ingenuity and our commitment to continuously set higher goals are what make us a leader in agricultural engineering. We consistently meet or exceed our customers' increasingly sophisticated requirements, for instance with the development of the new LEXION 600 and 700 combine harvesters. Machines like these and experience like ours give our customers the security they need for their work. It's nice to know that standards and demands never stop growing.

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# Report of the Supervisory Board

Dear Business Partners,

The Supervisory Board of CLAAS KGaA mbH monitored and analyzed the Group's business situation and risk position at its regular meetings during fiscal 2010. The Supervisory Board's assessments were based on reports by the Executive Board on the Group's strategic orientation, the financial position and financial performance, deviations from the plans made throughout the course of business, and operating decisions. The reports were received in two sessions and used 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 2011. The Supervisory Board also addressed the "Fitness 2010" cost reduction program, the establishment of the Polish sales company, the effects of the financial market crisis, product innovations, the risk management system, the founding of a joint venture in Uzbekistan, and the purchase of property in Krasnodar, Russia.

At the annual general meeting in January 2010, Ms. Cathrina Claas-Mühlhäuser, Mr. Helmut Claas, Dr. Patrick Claas, Mr. Reinhold Claas, Mr. Christian Boehringer, and Mr. Gerd Peskes were elected for another term on the Supervisory Board as shareholder representatives. Mr. Heinrich Strotjohann, Mr. Günter Linke, Mr. Michael Köhler, Mr. Ulrich Nickol, Mr. Jürgen Schmidt, and Mr. Carmelo Zanghi were elected as employee representatives.

The financial statements of CLAAS KGaA mbH and the consolidated financial statements of the CLAAS Group as of

September 30, 2010, as well as the management reports for CLAAS KGaA mbH and the CLAAS Group were audited by Deloitte & Touche GmbH, Düsseldorf, the auditors elected at the annual general meeting on January 21, 2010, and appointed by the Supervisory Board. The statements and reports received an unqualified audit opinion on November 24, 2010.

The financial statements of CLAAS KGaA mbH, the consolidated financial statements and management reports as well as the proposal for the appropriation of profit were presented to the Supervisory Board upon 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 9, 2010, in the presence of the auditor.

The Supervisory Board then passed the following resolution:

Having examined the financial statements of CLAAS KGaA mbH, the consolidated financial statements and management reports as well as the proposal for the appropriation of profit, the Supervisory Board confirmed the results of the audit. No objections were raised. The Supervisory Board therefore approves the consolidated financial statements. It recommends to the shareholders that the annual financial statements of CLAAS KGaA mbH for fiscal 2010 be adopted and agrees with the proposal for the appropriation of profits made by the Executive Board of the personally liable partner.

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





Helmut Claas and Cathrina Claas-Mühlhäuser

A core task in the new fiscal year will be to sustainably secure the successfully implemented measures for adapting cost structures and processes to the changed market environment and maintain the necessary flexibility to take advantage of market opportunities as they arise. The emphasis on product innovation will be continued.

Harsewinkel, December 9, 2010

*Cathrina Claas-Mühlhäuser*

The Supervisory Board  
Cathrina Claas-Mühlhäuser  
(Chairwoman)

*Helmut Claas*

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

## Letter from the Executive Board

Dear Business Partners,

We will remember fiscal 2010 as a year of special challenges. The Western and Central Europe markets where CLAAS is traditionally very strong were marked by particularly pronounced declines. In Eastern Europe, the markets stabilized at the low level of the prior year. Nonetheless, CLAAS succeeded in returning solid profits. At the same time, we increased our equity and liquidity and reduced working capital. We were also able to reinforce our position in many markets. Fortunately, a trend reversal has been observed in the last months of fiscal 2010, and economic recovery and growth seem likely in 2011.

A look at the markets demonstrates that growth rates have varied widely. Development has been robust in Asia (including China and India) and in South America, with some areas recording significant growth. Agriculture on the North American continent was not affected by the crisis. The good harvest of prior years and the high proportion of corn grown as a renewable energy resource have stabilized demand for harvesting technology at a high level.

In contrast, Europe including the Russian Federation and the Central Asian countries saw market declines. In Western Europe market losses were substantial due to exceptionally low grain prices at the beginning of fiscal 2010 combined with investment reluctance in general against the backdrop of the crisis. The only exception were products like self-propelled forage harvesters used for the harvest of renewable resources for the production of biogas. The declines in Central and Eastern Europe were largely a consequence of investment restraint and budget adjustments at local agricultural operations. Sales were also dampened by weather conditions in this region.

By quickly responding to the changed environment, and thanks to the continuity inherent in a family-run company, CLAAS managed to report solid earnings of €77 million in this difficult year, despite a decline in sales of about 15 percent to €2.475 billion. This put CLAAS clearly ahead of other companies in the industry that, like CLAAS, generate the majority of their sales in Europe. We achieved all of the savings and process improvements we had targeted in the context of the “Fitness 2010” program initiated in the previous fiscal year.

Concurrently, we prepared for the upswing that has already started. Many of our employees took advantage of opportunities for advanced training during periods of short-time work. The two new LEXION combine harvesters that CLAAS launched this past August are among the most innovative and recent product programs in the agricultural industry. The thousandth XERION was produced in Harsewinkel, and the four thousandth harvester, a CROP TIGER, was manufactured in India. Biogas and the production of energy on the basis of renewable resources are high priorities for CLAAS these days. We are a full-range supplier of the related machinery in this area, and other European countries are now following Germany’s positive trend in promoting this environmentally friendly and sustainable source of energy.

In 2010, we once again made substantial investments in the future growth of CLAAS. As in the previous year, we spent over €120 million on research and development. We established ourselves in Poland with a new sales company that has already done very well in its first year. We are also firmly convinced that we urgently need to expand our presence in the CIS countries



**Dr. Theo Freye**

Spokesman of the Executive Board of CLAAS KGaA mbH

due to the significance of agriculture and the tremendous pent-up demand for agricultural technology in those markets. At our plant in Krasnodar, for instance, we created the conditions for further expansion by purchasing about 40 hectares of land. In Uzbekistan we started assembling harvest technology equipment and tractors.

Several months ago, the anticipated upswing began to be felt in the agricultural engineering industry as well. Producer prices have developed favorably, grain stores are at a reasonable level, and trade inventories are exceptionally low. We now stand a very good chance to at least partly compensate for the sales declines of the exceptional year 2010 in the coming year, and we have positioned ourselves accordingly.

At CLAAS, all of our employees are hard working and highly motivated. Their outstanding contributions ideally complement the qualities that distinguish us as a family-run company. We therefore owe thanks and recognition to all of the Claasians for

their achievements. Similarly, we would like to thank our customers, suppliers, and sales and finance partners for their confidence and support in fiscal 2010. Finally, we are grateful to our shareholders and the Supervisory Board for all their support in this exceptionally challenging year.

Yours sincerely,

Dr. Theo Freye  
Spokesman of the Executive Board of CLAAS KGaA mbH



From left to right:

**Lothar Kriszun**  
Sales

**Jan-Hendrik Mohr**  
Grain Harvest

**Dr. Rolf Meuther**  
Forage Harvest

**Dr. Theo Freye**  
Marketing and Strategy,  
Spokesman of the Executive  
Board of CLAAS KGaA mbH

**Ulrich Jochem**  
Tractors

**Hans Lampert**  
Finance, Controlling,  
and Business Management

**Dr. Hermann Garbers**  
Technology and Quality

# Executive Board of the CLAAS Group





# The Third Generation

The LEXION is the measure of all things in grain harvesting. When it was first rolled out in 1995, it represented a quantum leap in harvester design because it offered maximum high-speed performance with practically no grain loss. The third LEXION generation has now arrived.



Never before have combine harvesters been as precise, economical, and yet environmentally friendly as the LEXION series, now in its third generation.

August 2010 in Westphalia. About two hundred journalists from all over Europe witnessed a world record when the new LEXION 750 TERRA TRAC demonstrated one of its very special qualities at the Loermann farm near Harsewinkel. The brand new combine harvester gunned past the crowded grandstand like an Airbus getting ready for takeoff. After a few hundred meters on the smooth asphalt runway, the seed green machine reached its peak speed. When it passed by a speed display board, much like the ones that warn drivers in residential areas, the sign said “Current speed 41 km/h.”

The audience, mostly representatives of the agricultural sector, applauded while LEXION pilot Volker Buhlmann slowly brought the harvester to a stop. The machine’s modern track system in place of front tires seems to give the LEXION wings. Harvester expert Jens Broer explained to the journalists how its intelligent, newly developed system is capable of swallowing up uneven ground to carry the 16-ton monster across even the roughest terrain as if it were gliding on air. Thanks to this system, when the machine is in action on the field, its header never oscillates and delivers consistently smooth cuts.

Why does a harvester have to be so fast? Broer’s response is succinct and to the point. For subcontractors, it is always a real cost advantage to be able to quickly drive the machine from job to job.

The new LEXION, first deployed on a large scale in the 2010/2011 season, is the most powerful and fastest combine harvester in the world. And never before have harvesters been as precise, economical, and yet environmentally friendly as the LEXION series, now in its third generation.

The predecessor of today’s LEXION family, the LEXION 480, had its debut in 1995, the same year Christo wrapped the Reichstag in Berlin and US President Bill Clinton was in the middle of his first term.

#### **The 40-Ton Generation**

When the new LEXION 480 came to the market fifteen years ago, it generated headlines like “CLAAS Redefines Performance” and “New Chapter in Combine Harvesting.” Experts confirmed that the machine, which had been redesigned from the bottom up, represented a major advancement in fast and loss-free harvesting.

Back in 1995, even the dry technical specifications underlying the LEXION’s phenomenal 20-percent increase in performance were impressive: 40 tons of grain in the grain tank per hour, 20 kilograms of grain throughput per second, 1.2 tons of throughput per minute, and 70 tons of total throughput per hour.

The boost in performance was achieved with a new combine harvester technology formula called CLAAS APS HYBRID SYSTEM. The state-of-the-art design principle was based on two factors: the consistent supply of grain to the threshing system and the rapid and precise grain separation process after threshing.

The turbo-powered grain flow relied on an APS threshing system equipped with a crop accelerator that set the grain in motion before the actual threshing process and evenly supplied it to the threshing cylinder.

Two rotors ensured clean grain separation by winnowing the chaff like centrifuges. The new system was nearly loss-free and was capable of enormous throughput. The APS HYBRID SYSTEM increased performance so dramatically that logistics experts had to totally rethink the grain delivery process.

A brawny 375 hp Mercedes diesel engine provided the power the LEXION 480 needed, and the sophisticated CEBIS on-board computer was responsible for continuous monitoring of the harvester’s operation. ➤





The assembly of a LEXION calls for teamwork from development to production.

The CLAAS engineers also paid attention to straw as a valuable raw material. The new harvesting and distribution system evenly distributed the crop across the entire width of the cutter behind the machine. "This system is an important factor in promoting the straw decomposition process," explains combine harvester expert Dr. Joachim Stiegemann.

#### **The 60-Ton Generation**

When the LEXION 600 arrived in 2005 as the second generation in the family, it took harvesting to a whole new level. In only sixty

A LEXION with a TERRA TRAC track system is especially suited for soil conservation.



“We sent a LEXION 600 on a tour of Europe.  
In a single season it harvested 4,000 hectares.”

Dirk Bergmann, CLAAS Marketing

minutes on the field, the gentle giant was capable of harvesting enough grain to make a day’s worth of bread and baked goods for 350,000 people. In other words, in an hour of operation, it could theoretically supply the total amount of grain consumed in a day in a city like Dresden or Nice. Under good conditions, the machine could harvest 60 to 70 tons of wheat per hour, yielding flour for about 70 tons of bread.

The press called it a “harvesting factory on wheels” and “a class for itself.” Its design was based on the 500 series from 2003. Thanks to the capable engineers at CLAAS, the LEXION 600, as the flagship of the new generation, brought with it yet another big leap in performance.

The eight cylinders of the 16-liter diesel engine now delivered a maximum of 586 hp, and the grain tank was capable of holding 12,000 liters of fully threshed grain. A 10.50 meter header in front of the machine could cut swaths in the field as wide as a highway.

Combine harvester performance benchmarks inspired English farmers to organize competitions. As part of the Combine Leagues, they would directly transmit the performance data from their harvesters to each other for comparison. Their objective was to determine who had the highest yield in a given day, how long a LEXION would take to harvest a certain number of acres, and how much diesel was consumed for a specific output.

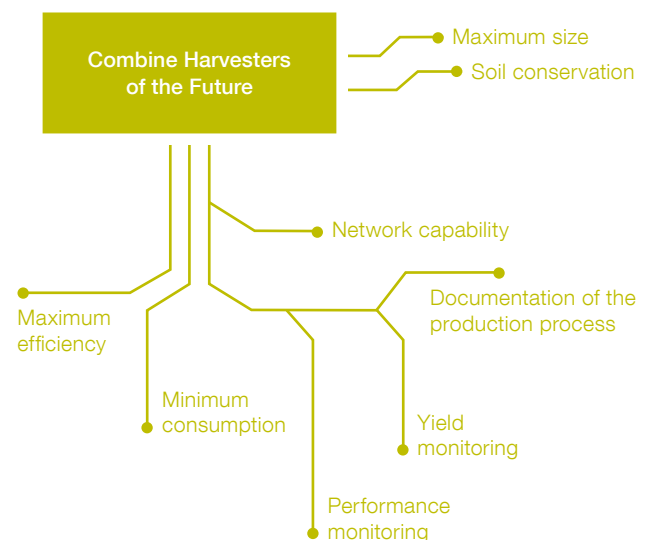
The new LEXION class also featured a number of intelligent support systems. For instance, its rotor-based grain separation system was even more effective at separating the wheat from the chaff. The AUTO CONTOUR system was as precise as an electric shaver, always cutting the grain according to the contour of the field. Guidance systems like the LASER PILOT helped operators stay on track even at end of long days on the field. And automatic pilot systems like the CRUISE PILOT and the GPS PILOT adjusted speeds and ensured accurate tracking even under the most difficult harvesting conditions.

### The Intelligent Performance Generation

“Better looking, faster, and even more clever” said the trade magazine Profi after the unveiling of the latest LEXION >

#### What Will Combine Harvesters Look Like in the Future?

High-tech, environmentally sensitive agriculture is the only way to supply humanity with sufficient agricultural commodities in the future. Because arable land is limited, machine output cannot be increased arbitrarily. Modern combine harvesters equipped with communication technology will ensure precise, sustainable cultivation with intelligent information systems that make it possible to monitor yield and performance and document every stage of the agricultural production process while conserving the soil to the greatest extent possible.



“We have conducted field tests under extreme conditions in places like Kazakhstan, Canada, and Australia.”

Dr. Joachim Stiegemann, CLAAS Product Manager



Thomas Gerling,  
Product Management,  
CLAAS Selbstfahrende  
Erntemaschinen GmbH

#### LEXION: Prepared for Global Change

The LEXION is a machine that represents modern global agricultural engineering like no other. Our combine harvesters are designed as multi-crop machines for all types of crops and all harvesting conditions around the world. Thanks to new electronic systems and resources, CLAAS is already prepared for the changing vegetation conditions and rising food demand on our planet Earth.

generation in August 2010. The characteristics that fascinated the audience at Loermann's farm include its stylish design, its super comfortable cab, its 40 kilometer an hour speed, and an electronic super-brain.

The CLAAS developers have made the LEXION harvester increasingly intelligent over the years. After all, power alone, without sensible applications, is a waste of precious resources. CLAAS developed two models of new machines for international agriculture: the LEXION 700 and LEXION 600, one with rotor-driven grain separation and one with conventional straw walkers.

The completely updated CEBIS board information system for information processing, registration, management, and monitoring offers the driver additional comfort and support with CEMOS, an electronic program that greatly facilitates the process of harvesting. It is a machine optimization system that assists the driver like a good advisor.

The CEMOS assistant continuously monitors all fifty of the harvester's setting parameters, from the winch in the front to the straw spreader in the back. At the push of a button the assistant always ensures that the machine is optimally adjusted, and this saves time and costs. By the way, the German Agriculture Society awarded CEMOS with a gold medal at the 2009 Agritechnica.

Some new tools for working directly with the crops have been introduced as well. The LEXION masters the multitude of harvesting conditions with a wide variety of modern attachments like the VARIO header generation, measuring up to 12 meters in width, and the MAXFLO dual-belt draper head.

Working on slopes also calls for intelligence in threshing technology. Newly developed driving axles and a lot of hydraulic power keep the MONTANA machine in balance at all times. They give the driver and machine the assurance that they will get just as much grain in the tank on slopes as on flat terrain.

The development of combine harvester construction is far from complete. Seventy-five years after CLAAS launched the first machines in Europe, the process of continuous improvement is ongoing. The current focus of research and development at CLAAS is not yet public knowledge. But a fourth LEXION generation is more than likely.

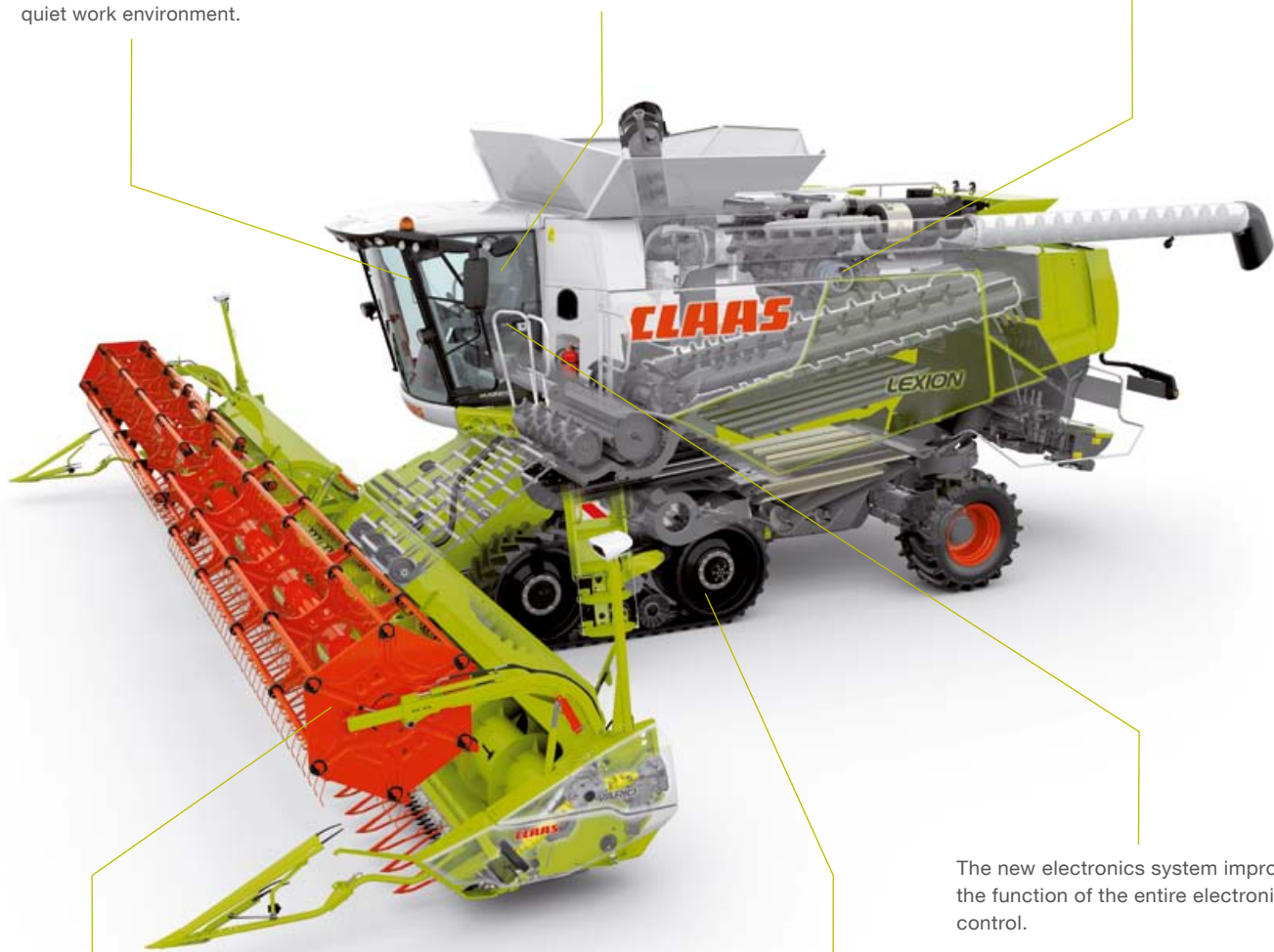
# The New LEXION 700

## The Most Important New Features at a Glance

The new soundproofed deluxe cab provides an exceptionally quiet work environment.

New CEBIS, CEMOS, CRUISE PILOT, automatic steering and CLAAS TELEMATICS ensure unique comfort in steering and control.

The new constant pressure hydraulics do what customers want with fast, precise control.



VARIO header measuring up to 12 meters wide provides up to 10% higher performance due to optimized crop feed.

TERRA TRAC track system conserves the soil, features comfortable suspension, and increases road speed.

The new electronics system improves the function of the entire electronic control.

# Always Optimum

CLAAS EASY makes land and agriculture as transparent as an X-ray. Just as Conrad Röntgen's invention revolutionized human medicine, electronic systems like CLAAS EASY shed light on plants, machines, and processes. CLAAS EASY promotes the conservation of nature and resources and makes work more effective.

The Magdeburg Börde region has a long history in farming. Thanks to good soil and agricultural know-how, this area in central Germany has become a thriving grain belt over the centuries. Soil, sowing, growth, and cultivation have always been high priorities here. And electronic systems make it even easier today.

There are three large-scale farms in the area around Derenburg, a community on the northeastern edge of the Harz mountains that has been chartered for a thousand years. The Münchhoff family in Derenburg, the Rimpaus in Langenstein, and the Klamaroths in Börnecke have long been pioneers in the use of electronic tools to support their agricultural operations. The families not only use electronic technology to manage their own farms, but also make mechanical and electronic services available to other operations. They founded two separate service organizations for this purpose.

#### **Dark Red: High Yield/Blue: Low Yield**

Precision farming is part of everyday life here. Since 2004, the farmers have been working with electronic yield maps that precisely record fertility and yield for all of their land. The data can be used to calculate the specific application of organic and mineral fertilizers.

On the monitors, the giant fields look a patchwork carpet: dark red areas represent high yield, blue for low yield. Rather than just pouring on nutrients and pesticides indiscriminately, it is now possible to calculate the required quantities in advance. As a consequence, machinery can be used more sensibly from an operational perspective while reducing fuel consumption and avoiding unnecessary man/machine hours.

All of the operational documentation and billing is also handled with the CLAAS EASY system. As an added bonus, the central database supplies valuable information that can be incorporated in planning for the next season. For example, it helps the farmers decide on the basis of market prices whether it makes more sense to plant rye or wheat and rape in a given season.

#### **Thinking Outside of the Box**

The latest technological advancement in the Magdeburg Börde demonstrates that the farmers there are capable of thinking even farther outside of the box. They recently started to use CLAAS TELEMATICS, another building block in the EASY system.

The farm operations manager can now track the current data from the machines in real time on the screen in the office. He can see where the combine harvester is working at a specific point in time, verify that the threshing system is properly adjusted, ensure that engine performance and hence diesel consumption are optimal, and ascertain where the loading vehicle needs to go to load grain. These are important decisions that sometimes need to be made on the spot to prevent inefficiency from the outset.

For the drivers of the machines, another motivating factor has become apparent: "A pie chart with data on process, driving, and standstill times from the previous day is one of the most important sources of information for the drivers and for us here in the office," says operations manager Klaus Münchhoff. "We all want to know about performance." >

on  
board

on  
field

on  
track

on  
farm





On field: Correction signals emitted by the transmitter enhance the accuracy of the GPS satellite signal and keep the tractor perfectly on track.

#### **Getting More Out of a Farm**

Simply put, it's about getting more out of a farm. This is the very pragmatic principle behind the EASY system. Efficient agriculture systems are just as effective for agriculture in Saxony-Anhalt as in Kazakhstan or Argentina. They can be classified into four different areas of application.

In running machines and optimizing performance, monitoring, controlling, and automating are key. All of the monitors and terminals that give the driver an immediate and graphic overview of the respective working situations and processes are part of the "on board" system.

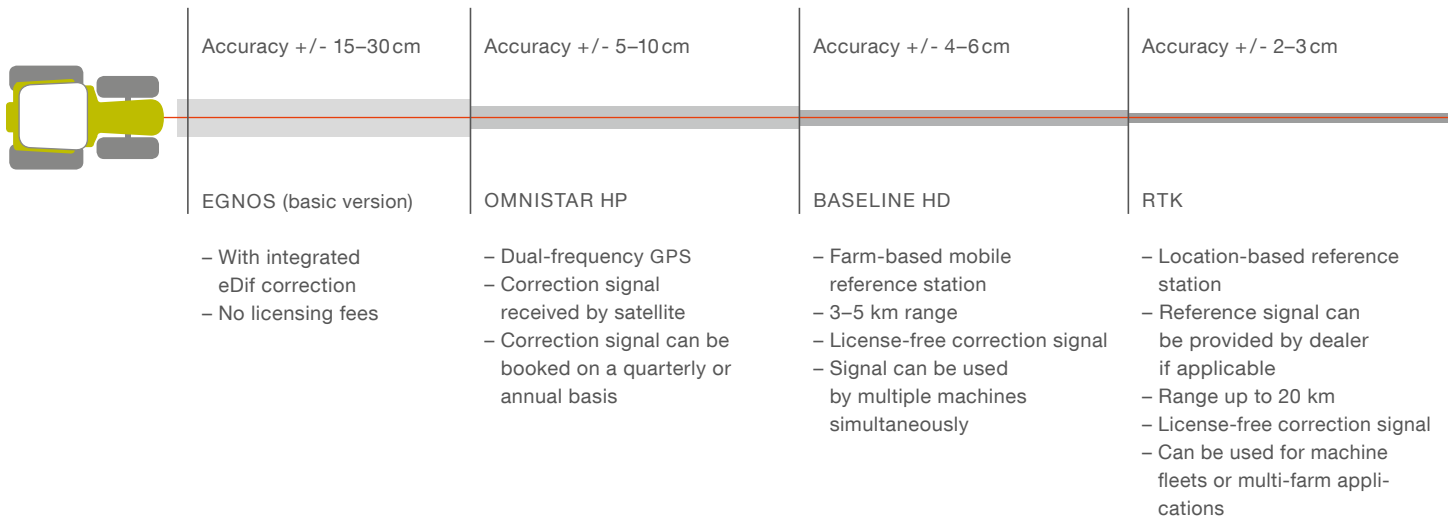
The "on field" component refers to all of the factors designed to boost productivity in the field. It includes the guidance systems of the combine harvesters, tractors, and forage harvesters, such as LASER PILOT, Camera Pilot, or GPS. The electronic support of filling systems, the control of cultivation equipment, and the management of the fleet are also part of the on field functionalities.

Machine monitoring and remote diagnosis, or in other words all telematic systems, are subsumed under the term "on track" at



**CLAAS GPS PILOT – A Fully Automated Guidance System**

Supported by a GPS satellite signal, the GPS PILOT securely guides machines across the field, whether they are following parallel tracks or curving contours. CLAAS makes various correction signals available to its customers. These signals are broadcast from earth and significantly enhance the accuracy of the GPS. As a consequence, the entire width of a header can be used and overlap is kept to a minimum.



CLAAS. In the case of malfunctions, it is sometimes possible to save a lot of valuable time with remote diagnosis. The “on track” features also help manage workshop utilization.

“On farm” comprises all of the software solutions for an agricultural operation, ranging from accounting systems to field management, digital farm maps, and biogas plant management.

**New Potentials for the Economy and the Environment**

Electronics are a boon for agriculture. After motor power, perhaps no other technical process has had such a major impact on farming and plant cultivation as the highly sophisticated technologies behind monitors, computers, and microchips.

In the past, major agricultural developments such as the tractor or artificial fertilizers made work easier and increased yields. Today, electronic systems make it easy to identify untapped economic and environmental potential.

Transparency is the basis for correct diagnosis, just as it was in the days of Conrad Röntgen. It puts treatment and cultivation in nature into the hands of agricultural experts like the producer group in Derenburg, Saxony-Anhalt.

**EASY – Efficient Agriculture Systems by CLAAS**

CLAAS bundles its electronic competence under the name EASY. EASY includes all of the systems that support the use of agricultural machinery, ranging from machine calibration to guidance systems and software solutions for various applications. It helps farmers to get the most out of their machinery and operations.

<p><b>ON BOARD</b></p> <p>Machine control and performance optimization from the driver's cab</p>	<p><b>ON FIELD</b></p> <p>Productivity enhancement directly on the field</p>
<p><b>ON TRACK</b></p> <p>Machine monitoring and remote diagnosis</p>	<p><b>ON FARM</b></p> <p>Software solutions for farm businesses</p>



# The Test Pilots

The CLAAS test pilots are the last hurdle for new machines. The engineers on the test team take the heavy harvesting machines to their limits in the heat and dust of fields all over the world. Maybe they don't look as cool as test pilots on the runway, but they get at least as much satisfaction from their job. But isn't flying more fun? No way.

## “CLAAS is committed to being a first mover.”

Frank-Ulrich Friedlein, CLAAS Test Team

The preproduction models of a new harvesting machine don't go to the first customers until the test team is satisfied. A technician or engineer is always on hand in case these prototypes need any kind of fine-tuning. Any knowledge gained in the refinement process is immediately applied to mass production. But the road to series production is long.

The job calls for passion and perseverance in equal measure. Long days of testing, extreme temperatures, dust, deadlines, and interruptions due to rain in exotic countries: in addition to the necessary expertise and experience, testers have to be physically fit and mentally resilient. By now, you should understand why the CLAAS test teams can be compared with test pilots.

### Harvesting Around the World

In the case of harvesting machines, testing means harvesting. The measuring devices, most of them developed in-house, continuously deliver data while the machines do what they were made to do. They thresh grain and spread the threshed straw on the field, pick corn cobs, harvest sunflowers, rice, mustard, or rape. Only a small proportion of test pilots' work consists of operating the machines from the air conditioned, dust-protected cabs. Much of the time, they have to work behind or next to the machines out on the field.

When it comes to threshing quality, the main thing is what comes out the back and how much grain is lost. Even a few percent lost will soon add up if 70, 80, or even 90 tons of grain flow through the machine in an hour. The quality of the harvested grain is another important factor. Grain used to make flour is subject to especially strict quality criteria concerning protein content, moisture, etc.

Of course the same also applies to rice harvesters. Indian contractors have respect for anyone able to harvest their basmati rice mechanically without damaging the grains. And those are the machines they will buy. CLAAS fits the bill in every respect.

Innovation is hard work. And field tests always involve the whole machine. All of the parts have to work perfectly with each other before prototypes can be delivered to selected customers to be tested in real-life situations.

### Year-Round Tractor Tests

Tractors are subject to the same stringent requirements as combine or forage harvesters. The CLAAS tractor range now spans from under 100 to over 500 hp. The biggest advantage for the test teams from France and Germany is that tractors are not tied to harvest times, so tests can take place year-round. Tractors are universal tools that can be employed for applications beyond agriculture. Snow blowers attached to CLAAS tractors keep >



Udo Kneitz,  
Executive Vice President, CLAAS  
Tractor, Product Development

Tractors have been part of the CLAAS Group since 2003. We completely revamped the product range and raised it to the high standards of harvest technology. The necessary know-how transfer was facilitated by linking the individual development facilities in the Group into a lead engineer network. The knowledge developed in that process now forms an important basis for our current and future development activities. Together with our motivated employees, this expertise will help us keep developing the tractor segment into a mainstay of the CLAAS Group in the coming years.

The 2010 financial year played an important exciting role in this process. The ARION 400 was off to a highly successful production launch. We were able to learn a lot of positive things from this project that will serve us well also in the future.

In the coming years, the emissions directive will lead to a number of changes in production. Our development department is well prepared to counter the related challenges and ensure that the integration process within the Group keeps moving forward.

“If you keep raising the bar for yourself and hence for the competition, you have to keep developing your products to maintain the competitive edge.”

Michael Kohlem, Executive Director R&D at CLAAS Selbstfahrende Erntemaschinen GmbH

mountain roads free of snow. In the Rhine region, the machines are used as reliable all-terrain transport vehicles in strip mining, and an increasing number of XERION tractors are used in forestry as well.

#### Development Takes Time

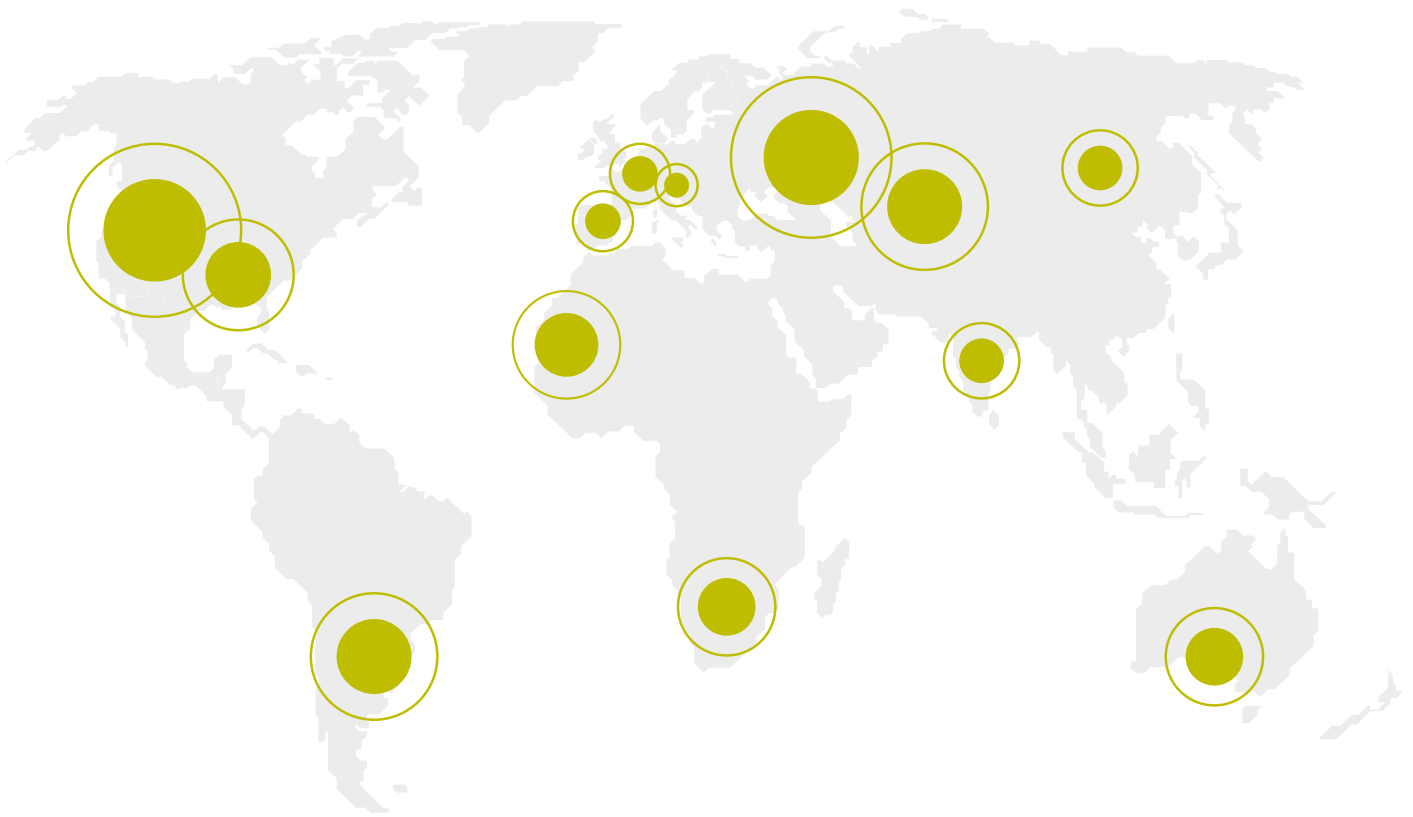
Development starts long before a new machine shows what it can really do. A new combine harvester takes several years from the sketch to a finished machine. It always starts with an idea that first has to make it through tough discussions among experts. University researchers are also involved in the process. The next step does not start until customer benefit and feasibility have been confirmed from a technical and financial perspective. It takes a lot of calculations, and computers can handle this aspect faster and more accurately than any human being. But they cannot think, and most of all they cannot be creative. At least not yet.

Individual parts of a new machine are first designed on the screen. Computer aided design, or CAD, has been an indispensable tool in mechanical engineering for many years. A special software program simulates potential impacts over the typical life cycle of a machine, first analyzing the components individually and then how they work together as a whole.

Once everything works on the simulated level, a prototype is produced and tested in the lab. A separate section of the plant at CLAAS' headquarters in Harsewinkel is reserved for this purpose. It is a world unto itself, with test stands, labs, and offices. Access is restricted to the people who work there. Anyone wanting to visit, even CLAAS employees, has to provide very good reasons. Otherwise they are politely but firmly refused.



The CLAAS tractor range now spans from under 100 to over 500 hp.



Somewhere in the world it's always harvest season. For the CLAAS test teams, long journeys are part of everyday life. Of course many people are interested in looking over our shoulders when we do this work. This is why exact locations are not disclosed. When we are testing, we prefer to keep to ourselves.

#### CLAAS has a Lot of Secrets

"We have a lot to hide, it's true," says Frank-Ulrich Friedlein, one of many engineers on the CLAAS test team. First he laughs, then he explains why the remark was not made entirely in jest. "CLAAS is committed to being a first mover." His boss Michael Kohlem adds, "If you keep raising the bar for yourself and hence for the competition, you have to keep developing your products to maintain the competitive edge."

The CLAAS test team plays a decisive role in this competition. Mechanical, electronic, mechatronic, and instrument engineers work with assistants in the CLAAS Technology Center (CTC) and travel around the world with prototype machines, always following the harvest. The maxim is that field tests are closest to the truth.

The logistics alone are a challenge. Bringing a 19-ton combine harvester prototype to the other side of the world without attracting attention is just one aspect. Then you have to find acceptable accommodations out in the farmland. Then the weather has to cooperate. Finally, you have to avoid savvy amateurs armed with handycams. Luckily, they are far less common in remote regions than in Europe. We'd rather people don't take photos of our prototypes.

Concurrent to the development phase, sales and service specialists familiarize dealers and customers with the new machines. Once the new LEXION, TUCANO, AVERO, CROP TIGER, JAGUAR, ARION, AXION, XERION, and other CLAAS machines are working for customers, the next generation is already being put to the test somewhere in the world.

# Energy Fields

Biogas is an important pillar for renewable energies. Made with organic substrates like corn or liquid manure and bacteria, the product has transformed manure brokers like Gebrüder Groß into energy farmers.

The CLAAS XERION is the ideal machine for compacting the harvested biomass.

The Gebrüder Groß' recipe for generating power: Fill a fermentation tank with 50 tons of corn silage, a couple of heaped tractor shovels full of ground rye, and corn crop mix (CCM). Then mix it all with several tons of liquid manure and let it ferment for several days. Send the biogas produced in the process to the engines of a cogeneration plant. The result: 1.5 megawatts of regenerative power with a near-neutral CO<sub>2</sub> balance. Plus you get enough heat in the form of hot water to supply the indoor pool, school, and recreation center in the town of Lönigen in Germany's Münster region.

Hermann Groß is visibly proud as he explains this recipe for power. He has worked on perfecting it for years with Wilfried Förster, the managing director of the biogas plant. "The main thing is to keep the bacteria happy," says Groß with a knowing grin. "It's a science unto itself." The two men are standing outside the headquarters of Gebrüder Groß in an industrial park on the outskirts of Lönigen. You can feel the summer heat rising from the asphalt in undulating waves. The men are wearing short-sleeved shirts, one checked, the other striped. They exude the subdued restlessness of people who are being kept from their work. Their workload is unusually complex; they run a manure brokerage along with the related logistics, work as contractors, cultivate farmland, and operate cogeneration plants. One thing that their activities have in common is that they either start or end in their own biogas plant, and that nearly all of the work involves the LEXION combine harvester, JAGUAR forage harvester, XERION tractor, and the SCORPION telehandler.

#### From Manure to Energy

The Gebrüder Groß plant first connected to the grid in 2001. It was the third of its kind in Lower Saxony. Back then, Hermann and his brother Reinhard Groß still called themselves manure brokers. They collected solid and liquid manure from pig and chicken farms in the area and distributed it as fertilizer to farmers in a 100-kilometer radius who would then apply it to their fields. But they soon accumulated more manure than the farmers needed. So the brothers leased some land of their own, used the manure themselves, and cultivated grain and corn. Then they got the idea to start a biogas plant. The manure ended up



there together with the crops harvested from their fields. The brothers now call themselves manure brokers, farmers, and energy farmers. They were even invited to the Bundestag in Berlin for a Question Time session in which they were asked to report about their experiences.

The feeding starts in the warehouse in Lönigen. Groß uses the word "feeding" as if he were talking about livestock. "It's basically the same process," he says. In a cow's stomach, bacteria digest the feed. At the Gebrüder Groß' plant the same microscopic creatures work in five dark green fermentation tanks next to the green warehouse. Each tank is as big as a single-family home. The heavy, sour smell of silage hangs in the air. Groß grabs a handful of corn silage and pensively rubs the substrate in his hand. "The mix is important," he says. "Bacteria are demanding creatures. If we don't feed them what they want, the mixture overfoams – or doesn't foam at all." Neither will do in Lönigen.

The biomass that Gebrüder Groß the energy farmers are using as fodder here was cultivated and harvested by Gebrüder Groß in their role as farmers. The machinery was supplied by Gebrüder Groß as contractors. "It's all interrelated here," says Groß. Nearly all of the vehicles in the fleet are now CLAAS machines. They are used to sow and harvest the energy crops, transport them to the silo, put them into the silo, and deliver them to the warehouse. In fact the machines are used right up until the moment when the substrates (as the ingredients are technically called) are put into the feed tanks at the biogas plant adding to the recipe for biopower. >

**Quality and Service**

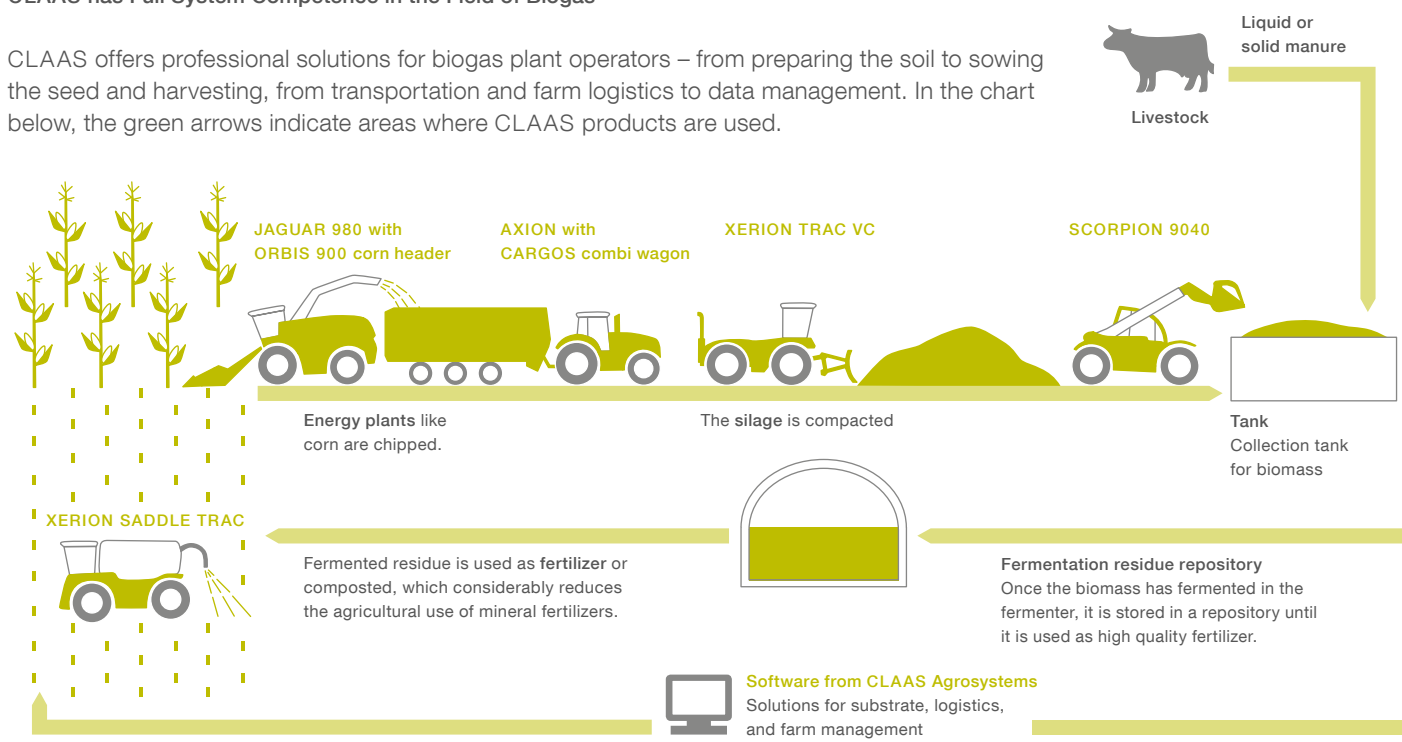
“We drive the XERION, for example,” says Groß. The high hp tractor effortlessly pulls 7.5-meter-wide soil tilling equipment across the fields. Using its on-board GPS, the work is accurate to the centimeter and hence efficient. Later, in the silo, the ballasted vehicle is used to spread and compact the harvested biomass. Crab steering and four equal sized tires make the XERION ideal for this process. The rotating cab and electronic on-board information system make the work even easier.

“We need quality,” says Groß, citing one of the main reasons for choosing CLAAS. “The guy in sales is another reason,” he says with a smile. Groß knows he can rely on him no matter what happens and no matter what the energy farmers need.

Groß cites the JAGUAR forage harvester as an example. “We only have one of those. If it should malfunction for more than a day during the harvest season, I’d lose the whole silage.” If it should not be possible to repair a problem with the forage har-

**CLAAS has Full System Competence in the Field of Biogas**

CLAAS offers professional solutions for biogas plant operators – from preparing the soil to sowing the seed and harvesting, from transportation and farm logistics to data management. In the chart below, the green arrows indicate areas where CLAAS products are used.





vester, his dealer makes sure to get a replacement machine to the farm as quickly as possible. The “sales guy” ensures that a workable solution is available at all times, especially in an emergency.

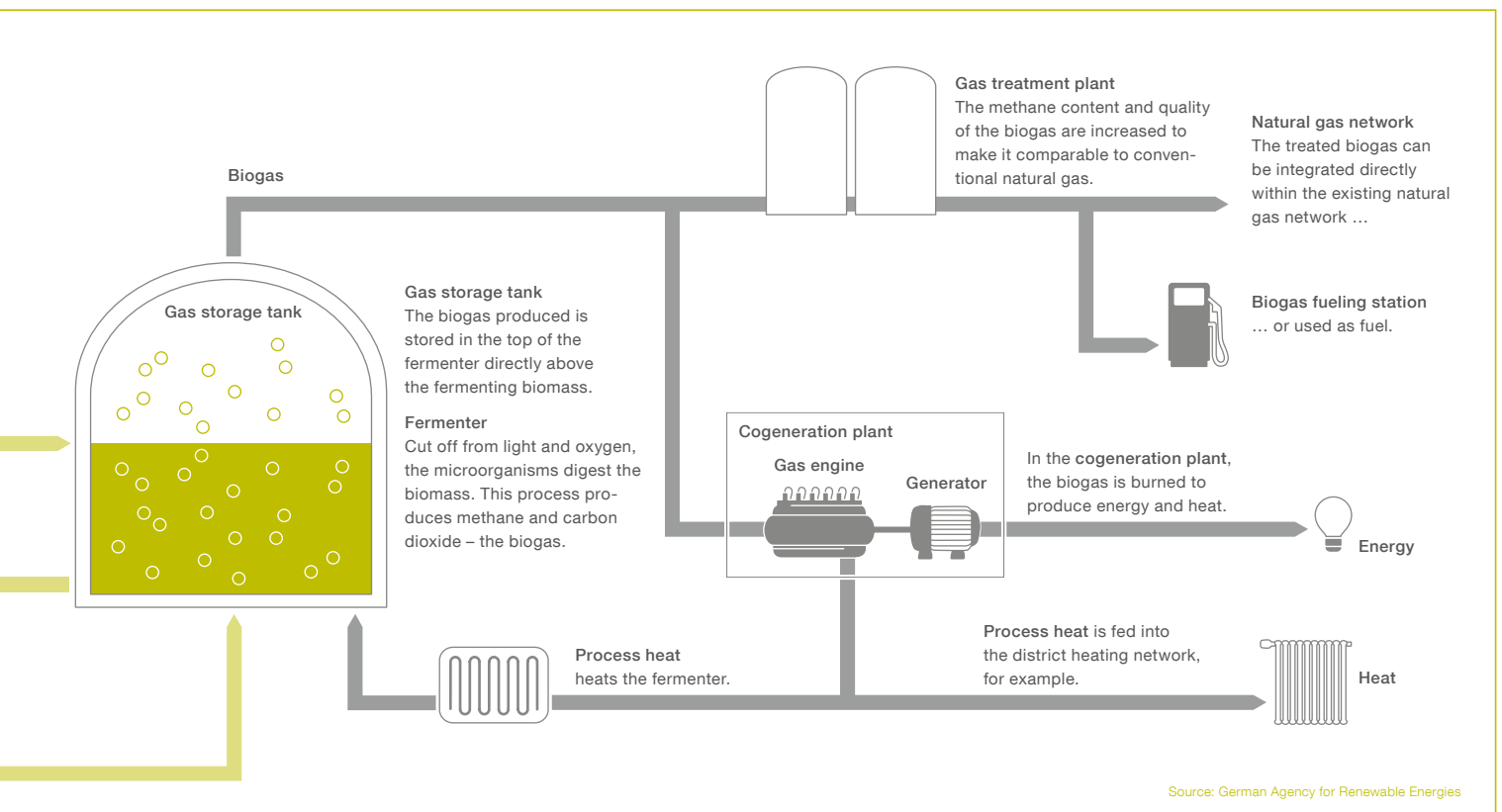
But the CLAAS forage harvester has another advantage, too. Because it can chop crops into very small pieces, it reduces volume. The biomass can be packed into the silo effectively and without air pockets, offering the bacteria a large contact surface in the fermentation tank.

Groß wouldn't be Groß if he did not have yet another business idea. “We can improve a lot when it comes to output,” he says. The nearly odorless digestate remaining in the fermenters could be used as fertilizer for fields near residential homes. “If we could extract the liquid from this product, it would make a fantastic dry fertilizer that we could transport just about anywhere. We have a rail connection practically on our doorstep,” he says, pointing to some tracks in front of the plant. It sounds like a per-

fect match: Manure for the tank, power for the grid, warmth for heating systems, and fertilizer for Russia. “Why not?” Groß asks, almost sounding defiant. That would make him a fertilizer supplier to boot.

### The Biogas Growth Market

There are more than 5,000 biogas facilities in Germany. In a potential atlas published in January 2010, Germany's Renewable Energy Agency estimated that by the year 2020 bioenergy could supply 15 percent of the nation's total power, heat, and fuel. The authors estimated that it would take a total of around 3.7 million hectares to grow that much biomass – more than double the amount of land currently used for energy crops (1.6 million hectares). The number of biogas facilities would then rise to about 10,000.





# Networked Development

The image of a lone inventor who hits the jackpot after months of work has long been a thing of the past. CLAAS develops and builds high-tech machines which are so complex that only a large team of specialists can handle the related tasks. CLAAS developers work at Company locations all over the world. They are tightly networked, communicate with each other regularly, and work hand in hand despite distances. This is the only way to turn a wealth of good ideas into next-generation technologies. Six of these specialists talk about what motivates them.



**Michael Stelzle, 45 years old, Engineering Manager, Omaha, USA**

The biggest challenge last year was to make the 40-foot MAXFLO header ready for market here in the USA within a short time. We managed to do it, not least because of CLAAS's special ability to tackle challenges with pragmatism. I'm repeatedly impressed by the positive attitude of my colleagues here in Omaha and everywhere else in the CLAAS world. In my opinion, the global R&D network of the Grain business unit is incredibly efficient and successful. You can exchange opinions with colleagues at other CLAAS facilities and learn a lot about their triumphs and failures. Mutual exchange is the best way to develop solutions that bring all of us forward. The R&D meetings that I participate in regularly give me insights into the R&D activities going on at CLAAS throughout the Group. The close cooperation of all CLAAS facilities has nothing but advantages. It reduces development costs, increases the efficiency of everyone involved, and minimizes the problems of every member of the big development team. This means we can bring new products to market easier and faster. Because we also match our technical systems Group-wide and increasingly speak the same language when discussing technology, our international collaborative efforts are even more effective.



**Dr. Stefan Forkert, 43 years old, head of the product area for the small and medium-sized harvester models CROP TIGER, DOMINATOR, AVERO, and TUCANO in Harsewinkel, Germany, and Chandigarh, India**

Cooperation between the various R&D facilities in the CLAAS Group is continuously increasing. More and more experts move around from location to location. For efficient collaboration, we have to continuously expand joint project management in addition to establishing rapid access to data and uniform standards. Regular personal exchange is key. I take advantage of the R&D meetings and the R&D network for the Grain business unit as an opportunity to communicate with colleagues from CLAAS facilities around the world. Successful product development calls for a well-functioning network between production, customer service, and sales. I am grateful to my many colleagues in India, Russia, Italy, France, Argentina, and Germany who have engaged in constructive discussions to support us in the development of our machines. It's truly rewarding to see the fruits of our efforts. The TUCANO Hybrid and the AVERO have been very well received by the market since they went into series production. The first TUCANO Hybrids have been assembled at CLAAS in Krasnodar, and the first machines have already proven themselves in the Russian harvest. As far as CLAAS India is concerned,

I am pleased to report that our technological development activities have now completed the move from Faridabad to Chandigarh. The CROP TIGER 60 is continuously being improved. CLAAS India Engineering Services keeps developing as well. It recently started offering design services for other CLAAS companies.



**Carine Perrin, 35 years old, head of product management for balers and green harvest machinery in Bad Saulgau, Germany, and Metz, France**

I would say the cooperation between product management and R&D in Bad Saulgau and Metz worked really well last year. Ultimately, the success of a project depends on good communication and coordination among the project teams. Teamwork is important to me, and it makes sense to meet in person on a regular basis. I have a lot of contact with other CLAAS facilities and with partners outside of the Group. This is something I truly appreciate. But we also take advantage of modern communication tools like web conferences because they save time and travel costs. Consistent project management was instrumental in the successful launch of our new green harvest machines, despite extreme weather conditions that included drought, heat, and floods. The fluctuating milk, hay, and straw prices were another big challenge for us. Plus, we had to reduce high inventories of machines from the previous year, but we managed quite well.



**Tamas Csanadi, 33 years old, head of R&D at CLAAS Hungaria Kft. in Törökszentmiklós, Hungary**

CLAAS Hungaria is taking on more and more responsibility, including in the series introduction of the products we make here in Törökszentmiklós. Headers are our specialty. Our tasks include bringing products from the development phase to pre-production and making pre-production machines available to sales on time. Last year we also developed new solutions for the overseas shipping of our especially wide headers. My staff and I regularly participate in product meetings for attachments. But we also interface a great deal with other R&D areas since headers and harvest machines have to be precisely calibrated to each other. Personally, I get a lot of useful information at the R&D meetings, and I consider it the best means for exchanging experiences with colleagues from around the world. Everyone in my team participates in various transnational project meetings. Since CLAAS is a global company, we have become more uniform and standardized in our methodologies. We will continue to >

promote this process. In my opinion it is important to enable all R&D employees in the Group to visit the CLAAS facilities at least once a year. Despite modern communication tools, personal contact is simply irreplaceable.



**Gerd Dietmar Pokraka, 57 years old, head of Corporate Research & Development in Harsewinkel, Germany**

In my opinion, standardizing and harmonizing all R&D processes Group-wide is one of the most important tasks we are currently dealing with at CLAAS. Standardization helps us reduce the complexity of our products. The more standard

parts we integrate in our machines, the more efficient we become, and the more flexible and leaner is our production. I think we are on the right track. For example, we recently decided to implement the new ENOVIA V6/CATIA V6 PDM system Group-wide. ENOVIA V6 will help us work even more efficiently with our facilities and suppliers. All this is accomplished online, which makes many business trips unnecessary in the future. We also save time and travel with Sametime conferences that bring all participants to the same virtual table. I consider close contact with R&D colleagues very important. Modern communication systems like the Virtual CAD team meetings can accomplish a lot, but it is also good to meet in person from time to time. These kind of meetings should be well prepared in advance, with clear agendas and clearly formulated objectives. The Lead Engineer Network Meeting at CLAAS Agrosystems in Gütersloh, Germany, was an exceptionally positive experience. The lead engineer forums are also extremely valuable for in-depth discussions of specialized topics like hydraulics, hardware, and ISOBUS.



**Ulrich Hesselmann, 32 years old, director of square baler development in Metz, France**

There's no such thing as winter anymore for our square baler development department in Metz. Now we have two summers: one in Europe and one in New Zealand. This represents a special challenge for us because until the end of March we are still getting the results from our test

machines in use in New Zealand and at the same time we are already preparing for harvest in Europe, which starts in May. This year, we had a lot of new developments and improvements relating to products that had to be tested throughout Europe. With such an extensive test program, planning and carrying out function tests is a tremendous challenge and demands utmost flexibility on the part of everyone in the development team. In addition, the short harvest window means that

changes have to be implemented and tested right out in the field. We often get outstanding support from our customers, dealers, and the CLAAS service staff, which makes it possible to incorporate their good ideas directly into new developments. Our people in New Zealand and our employees in Metz are currently preparing long-term tests in New Zealand. Our machines will be validated there for the second summer starting in November.

#### Where the Spirit of Research is at Home

When the new CLAAS Technology Center was being planned at headquarters in Harsewinkel, the emphasis was on team spirit. The architecture creates transparency. Big panes of glass create an atmosphere of openness. For several months now, product areas, process technology, product calculation, prototyping, and certain aspects of system technology have been working together under a single roof. The proximity to other areas makes it easy to have discussions in person. This kind of collaboration has always proven highly effective at CLAAS, and it is being continued at the CLAAS Technology Center.



# CLAAS Facts & Figures

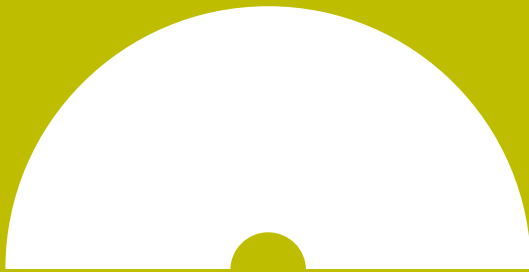
## 15 m

Working width of a CLAAS high-performance swather made in Bad Saulgau. The tine arms of the LINER 4000 gather mowed grass from such a wide track into a narrow swath. On the road, a folding mechanism makes the LINER 4000 extremely compact for ease of transportation.

15 m

## 3.00 m

Compact folded width for road transportation.



## 3 cm

Maximum degree of accuracy when guiding CLAAS machinery across fields using a GPS signal. Such precision is achieved with the aid of an RTK correction signal. The uncorrected GPS signal is only accurate within a few meters.



## 40 %

Reduction in solvent required at the new high-tech paint shop at the CLAAS tractor plant in Le Mans. CLAAS Tractor is setting standards in terms of capacity, quality, and environmental friendliness at the new plant.

20 km/h

40 km/h

## 40 km/h

Maximum road speed of the LEXION 750 with TERRA TRAC track system. This makes it the fastest combine harvester of all times. Harvesters usually drive from field to field at a speed of about 20 kilometers an hour.

In 2010, we once again made substantial investments in the future growth of CLAAS.



# Group Management Report

## Industry Trends

During the past fiscal year, the economy continued to feel the effects of the economic and financial crisis across all sectors. Although agricultural incomes have slowly returned to stability in some regions, in most of the markets relevant for CLAAS capital expenditure was scaled back significantly in 2010.



please refer  
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In Western Europe, agricultural equipment markets continued to decline. Low prices for agricultural commodities and relatively young machine inventories put the brakes on demand for new machinery. Germany and France registered the biggest drops in demand in both tractors and harvesting equipment. The market for forage harvesting machinery was also weak. A rise in investments in renewable energy technologies led to changes in the crop mix, which was reflected in the types of products demanded. While crop prices were below average at the start of the reporting period, by the end of the fiscal year price levels had risen, positively impacting incomes in the agricultural industry.

In Central Europe, the agricultural equipment market declined sharply in the past year as a result of the economic and financial crisis. In the past, the subsidies received upon entering the EU had led to an increase in capital expenditure. Following the sharp decrease in these subsidies in 2009, the overall figures for the Central European market also declined during the past fiscal year to settle at 2006/2007 levels at best.

The Eastern European markets stabilized at the low level of the previous year and were thus well below the figures for 2006 to 2008. Recovery of the Eastern European markets was hindered on the whole by reduced incomes of agricultural operations and bank lending policies that were partly restrictive in certain regions. In Russia, this negative effect was reinforced by the heat wave and fires, some of which were of devastating proportions.

In the North American market, the trend was positive on the whole due to good harvests. Capital expenditure for high-performance harvesting machinery remained at a high level, while the lower-end segments declined. Falling incomes for cattle operations had a negative impact on sales of forage harvesting machinery, however.



**Industry Trends**  
**Financial Performance**

## Sales per Year

in € million

2006	76.3	23.7	2,350.9
2007	76.3	23.7	2,658.9
2008	77.6	22.4	3,236.2
2009	75.2	24.8	2,900.8
2010	73.1	26.9	2,475.5

Foreign sales in %
  German sales in %

The South American markets performed particularly well in the past year. Sustained high demand for soy combined with good crop prices and a record harvest at the start of 2010 led to an exceptionally large increase in the agricultural equipment markets. Attractive state subsidy programs, for instance in Brazil, gave the upturn an additional boost.

In the Indian market, harvests increased significantly in 2010 thanks to the good monsoon season in certain regions, which raised agricultural incomes. This in combination with state financing programs resulted in a continuation of the growth trend in India.

## Financial Performance

### Sales

#### Note on reporting methods

At the start of the reporting year, CLAAS adjusted its segment reporting to conform with internal reporting structures in accordance with the specifications of IFRS 8. As the CLAAS Group is managed by the Group Executive Board as a single business unit in the field of agricultural equipment, CLAAS only has one reportable segment – the Agricultural Equipment segment. Other divisions, such as Industrial Engineering and Production Technology, do not exceed the quantitative threshold of IFRS 8, either individually or in aggregate.

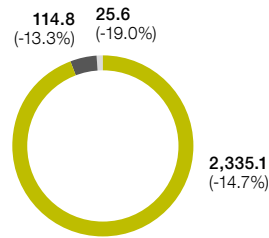
The illustration presented below of the CLAAS Group's key financial indicators is therefore based on internal reporting structures. It also shows the sales trend in the relevant markets and regions.

#### CLAAS Group sales down by 14.7%

Sales of the CLAAS Group dropped 14.7% year-on-year to €2,475.5 million in fiscal 2010 in a difficult market environment. Of the total sales revenues for the reporting year, €2,335.1 million was attributable to Agricultural Equipment (previous year: €2,736.8 million), €114.8 million to Production Technology (previous year: €132.4 million), and €25.6 million to Industrial Engineering (previous year: €31.6 million). The decrease in Group sales was due in particular to declines in harvester and tractor sales.

## Sales by Division

in € million



■ Agricultural Equipment  
■ Production Technology  
■ Industrial Engineering

Despite the decrease in demand, Western European countries again made up CLAAS' strongest sales markets. CLAAS generated 48.5% of total Group sales in Germany and France (previous year: 50.0%). A total of 22.4% of Group sales was attributable to customers in the Rest of Western Europe (previous year: 21.4%).

### Market position maintained or even improved

During the year under review, the harvest machinery business did not reach the previous year's level in total. CLAAS nonetheless succeeded in maintaining its market position in most product groups and in some cases even slightly improving its standing. Thus, sales of combine harvesters – still CLAAS' strongest product group – decreased, particularly in Western Europe. However, CLAAS was able to improve its market position in Western Europe, as in other key regions.

After combine harvesters, tractors were the product group with the second-highest new equipment sales in the CLAAS Group, in line with the previous year. In an overall weak market, CLAAS succeeded in solidifying its market share in tractors in Western Europe and significantly increasing its share in Eastern Europe and Russia.

Sales of forage harvesters also remained stable in the year under review. As opposed to the overall agricultural equipment market, demand for forage harvesters was good, benefiting in particular from developments in the field of renewable energies. CLAAS therefore succeeded in further solidifying its position as global market leader and, in some regions, making significant gains.

Sales of forage harvesting machinery and balers dropped. However, CLAAS maintained its market position in these product groups.

Unit sales of spare parts and accessory components were slightly above the previous year's level, as were sales in used machinery and in the service business.

In the Production Technology division, CLAAS registered a sales decline of €17.6 million, or 13.3%, to €114.8 million. The situation in the European aviation and automotive industries is still plagued by uncertainty, with both industries currently in a transitional phase. Declining new orders in the automotive industry and project postponements in the aviation industry were among the main factors in the sales declines.



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## Sales by Region

in € million



The Industrial Engineering division was not able to avoid the impact of tough economic conditions, registering a decrease in sales of €6.0 million to €25.6 million. The principal buyers of Industrial Engineering products are customers in the agricultural equipment, construction machinery, and municipal technology sectors. As a system supplier for drive technology, hydraulics, and electronics, the Industrial Engineering division also plays an important role in the areas of technology and innovation within the CLAAS Group.



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### Regional differences in sales trends

In Western Europe, the most important agricultural equipment market for CLAAS, sales fell to a total of €1,638.4 million (previous year: €1,974.4 million).

Germany and France, the two largest regions in Western Europe, registered a total sales decline of approximately 19.0%, mainly due to the sales trend for combine harvesters and tractors. In most other Western European regions, sales decreased in line with the market as a whole. The United Kingdom made additional earnings contributions, however.

Sales in Central Europe were well under the previous year's level on the whole, with some regions evidencing notable decreases. Others, however, went against the trend to report significant sales growth, among them Poland. The phase-out of state subsidies was one of the causes of the sales declines in Central Europe's agricultural equipment markets.

The recovery of Eastern European markets is being hampered by the worsening income situation of agricultural operations and restrictive lending policies on the part of banks. As a result, the sales generated during the reporting year by CLAAS in this region were in some cases substantially below those of the previous year. Particularly affected were Belarus and the Russian Federation.

Sales in non-European countries were positive on the whole with some regional variation. North America and Australia registered sales declines, while substantial gains were made in some South American, African, and Central Asian countries.

## Income Structure



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	2010		2009	
	in € million	in %	in € million	in %
Net sales	2,475.5	100.0	2,900.8	100.0
Gross profit on sales	580.3	23.4	651.8	22.5
Operating income	91.8	3.7	138.4	4.8
Financial result	-14.6	-0.6	-26.1	-0.9
Income before taxes	77.2	3.1	112.3	3.9
<b>Net income</b>	<b>51.5</b>	<b>2.1</b>	<b>73.4</b>	<b>2.5</b>

## Earnings

### Earnings power substantiated in difficult climate

In a persistently difficult market environment, the CLAAS Group generated gross profit on sales of €580.3 million in fiscal 2010, down from €651.8 million in the previous year. The reduction in earnings resulted primarily from the decrease in sales as described above in the amount of €425.3 million, or 14.7%. The gross profit margin amounted to 23.4%, up nearly one percentage point on the previous year (22.5%). The Group's operating earnings decreased from €138.4 million in fiscal 2009 to €91.8 million in the year under review. Income before taxes fell by €35.1 million to €77.2 million, a drop of 31.3%. The CLAAS Group therefore generated a return on sales before taxes of 3.1% (previous year: 3.9%). The Group's net income declined by 29.8% compared with the previous year, decreasing by €21.9 million to €51.5 million. The effective tax rate decreased slightly from 34.6% in the previous year to 33.3% in the reporting year.

### Analysis of earnings performance

With overall sales down, CLAAS nonetheless succeeded in increasing its earnings quality. Even though in absolute terms, gross profit declined by €71.5 million on the prior year to €580.3 million (-11.0%), CLAAS improved the gross profit margin by 0.9 percentage points year-on-year to 23.4%. Significant earnings improvements resulted from the structural adjustment and cost reduction measures introduced in fiscal 2009 as part of the "Fitness 2010" program. Improvements in the purchasing department and the positive impact of the changed product mix were able to more than compensate for the negative effects of the decline in sales and inventory reductions on the production overhead in the production department. The necessary personnel capacity adjustments were made through a combination of measures such as reduced working hours, an elimination of temporary jobs, and flextime. The related extraordinary expenses are recognized in the annual financial statements.

In spite of the non-recurring extraordinary expenses incurred due to "Fitness 2010" and a continued expansion of the distribution setup, for example in Poland, selling expenses and general and administrative expenses decreased compared with the previous year by €23.1 million, or 6.0%, on a combined basis. The reduction was primarily due to measures aimed at improving the cost structure. The overall ratio of selling expenses and general and administrative expenses to total sales rose from 13.4% to 14.7%. Due to the fact that general and administrative expenses declined by 11.6%, the ratio of general and administrative expenses to total sales remained stable at 3.2% despite the decline in sales.

## Expense Structure by Functional Cost

	2010		2009	
	in € million	in %	in € million	in %
Net sales	2,475.5	100.0	2,900.8	100.0
Cost of sales	1,895.2	76.6	2,249.0	77.5
Selling expenses	285.9	11.5	298.7	10.3
General and administrative expenses	78.5	3.2	88.8	3.1
Research and development expenses	125.2	5.1	128.7	4.4



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Research and development expenses after adjustment for capitalized development costs and amortization decreased by €3.5 million to €125.2 million. However, the ratio of research and development expenses to sales was again very high at 5.1% (previous year: 4.4%). This is an indication of the high level of significance we place on the implementation of our demanding development program. The capitalization ratio was 20.9%, nearly unchanged from the previous year's level of 20.7%.

Functional costs including amortization of intangible assets and depreciation of property, plant and equipment totaled €76.5 million (previous year: €72.6 million).

Other operating earnings, which is the balance of other operating income and other operating expenses, decreased by €1.7 million on the prior year to €1.1 million.

Due to the factors described, operating earnings of the CLAAS Group fell by €46.6 million year-on-year to €91.8 million.

The financial result, which is made up of "income from investments," "interest expense and income from securities, net," and "other financial result" improved by €11.5 million compared to the prior year to reach a loss of €14.6 million (previous year: loss of €26.1 million). Performance of the individual items making up the financial result varied. The sum of net interest expense and net income from securities dropped by €6.0 million due to lower investment returns resulting from lower interest rate levels, and financing costs increased. However, we nevertheless succeeded in improving the other financial result by €17.0 million. The main reason for this was the year-on-year improvement in the net foreign exchange result, which was positively impacted by currency translation gains based on the decrease in the ruble during the year under review. Income from investments rose by €0.5 million to €6.4 million.

Against the backdrop of the developments described, income before taxes declined from €112.3 million in fiscal 2009 to €77.2 million in the reporting year.

The Group's net income at €51.5 million, was €21.9 million below the previous year's level. The effective Group tax rate improved from 34.6% in the prior year to 33.3%.

### Income before Taxes

in € million

2006		130.7
2007		175.8
2008		248.1
2009		112.3
2010		77.2

In the Production Technology division, CLAAS was able to partially offset the sales decline with improved margins in the past fiscal year and, as a result, increase income before taxes. Declining unit sales in the agricultural equipment markets also strongly affected the business trend in the Industrial Engineering division. However, thanks to a timely and thorough implementation of restructuring measures, income before taxes was largely maintained.

### Cash Position

#### Cash Flows

##### Significantly improved cash flows

Cash earnings amounted to €117.2 million as of the reporting date (previous year: €156.9 million). The decline of €39.7 million was primarily due to the deterioration of the earnings situation.

Net cash provided by operating activities amounted to €300.5 million in 2010 after net cash used for operating activities of €140.6 million in the previous year. The improvement was attributable in particular to a massive reduction in working capital of €180.2 million.

Net cash used for investing activities amounted to €143.2 million (previous year: €218.8 million). The decrease in capital expenditure for intangible assets (excluding capitalized development costs) and property, plant and equipment compared to the previous year led to a decline of €37.5 million in this figure. The drop in net payments for securities to €58.5 million (previous year: €94.6 million) also had a major impact on net cash used for investing activities.

Free cash flow amounted to €215.8 million, a significant improvement on the prior-year figure of €-264.8 million. This figure was impacted by the reduction in working capital as well as capital expenditure for intangible assets and property, plant and equipment that reflected the economic climate.



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Financial Performance  
Cash Position

## Consolidated Statement of Cash Flows

in € million	2010		2009	
	Free cash flow	Consolidated statement of cash flows	Free cash flow	Consolidated statement of cash flows
<b>Cash earnings</b>		<b>117.2</b>		<b>156.9</b>
<b>Cash flows from operating activities (I)</b>	<b>300.5</b>	<b>300.5</b>	<b>-140.6</b>	<b>-140.6</b>
Additions to (-) and disposals of (+) intangible assets and property, plant and equipment (incl. capitalized development costs)	-79.6	-79.6	-120.1	-120.1
Additions to (-) and disposals/repayments of (+) investments and borrowings	-5.1	-5.1	-4.1	-4.1
<b>Free cash flow</b>	<b>215.8</b>		<b>-264.8</b>	
Net payments (-) for the purchase of securities		-58.5		-94.6
<b>(=) Cash flows from investing activities (II)</b>		<b>-143.2</b>		<b>-218.8</b>
<b>Cash flows from financing activities (III)</b>		<b>-29.4</b>		<b>234.6</b>
<b>Net change in cash and cash equivalents (I+II+III)</b>		<b>127.9</b>		<b>-124.8</b>
Effect of foreign exchange rate changes on cash and cash equivalents		2.4		-7.5
Cash and cash equivalents at beginning of year		449.3		581.6
<b>Cash and cash equivalents at end of year</b>		<b>579.6</b>		<b>449.3</b>

Net cash used for financing activities amounted to €29.4 million in the 2010 reporting year after net cash provided by financing activities of €234.6 million in the previous year. The high level of net cash provided by financing activities in 2009 was primarily due to proceeds from the German Private Placement (Schuldscheindarlehen). The proceeds from the increase in loans and the issuance of bonds resulted in an addition of €13.6 million to net cash provided by financing activities, while repayments and dividend payments to shareholders of CLAAS KGaA mbH increased net cash used for financing activities.



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The cash flow-to-sales ratio was 4.7% in the past fiscal year, down slightly from last year's level of 5.4%.

### Liquidity and Financing

#### Outstanding liquidity position and good finance structure

CLAAS succeeded in increasing liquid assets, which are composed of cash and cash equivalents plus current securities, by €230.5 million, or 34.0%, to a total of €907.7 million in the year under review. The improvement over the prior year was mainly due to the lower level of funds tied up in working capital. Liquid assets were therefore at a historical high at the end of fiscal year 2010.

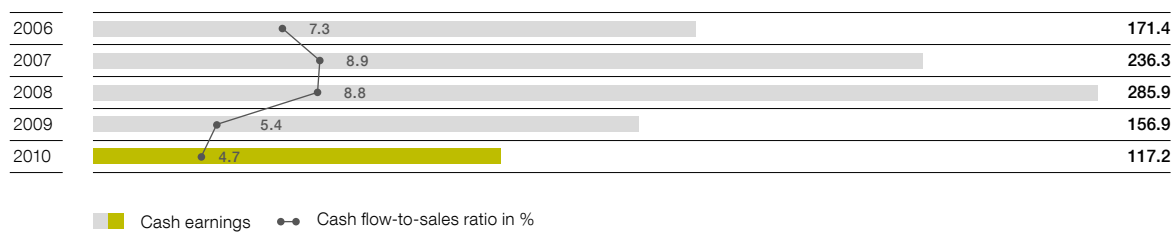
Due to the seasonal nature of sales in the agricultural equipment industry, substantial financing is needed to fund working capital during the course of the year. By contrast, at the end of the fiscal year the normally lower level of capital commitments from working capital generally leads to high liquidity levels. In order to reduce seasonal liquidity fluctuations, CLAAS uses asset-backed securities (ABS) programs to transfer trade receivables to special purpose entities on a revolving basis. The maximum possible transfer volume amounted to €132.2 million in the year under review (previous year: €250.1 million). Due to seasonal fluctuations, the volume of receivables transferred varies during the course of the year. At the end of the fiscal year, the volume of the receivables transferred amounted to €119.4 million (previous year: €128.2 million).



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## Cash Earnings

in € million



The very strong liquidity position of CLAAS at the end of the fiscal year is indicated by the cash ratio and the quick ratio: The cash ratio increased to a new historical high of 122.1% as of the reporting date, up from the previous year's already good level of 101.8%. The quick ratio also reached a high level of 173.8% to surpass the good prior-year level of 166.4%. The primary reason for the increase in these two ratios was the significant rise in liquid assets, which more than compensated for the change in current liabilities.



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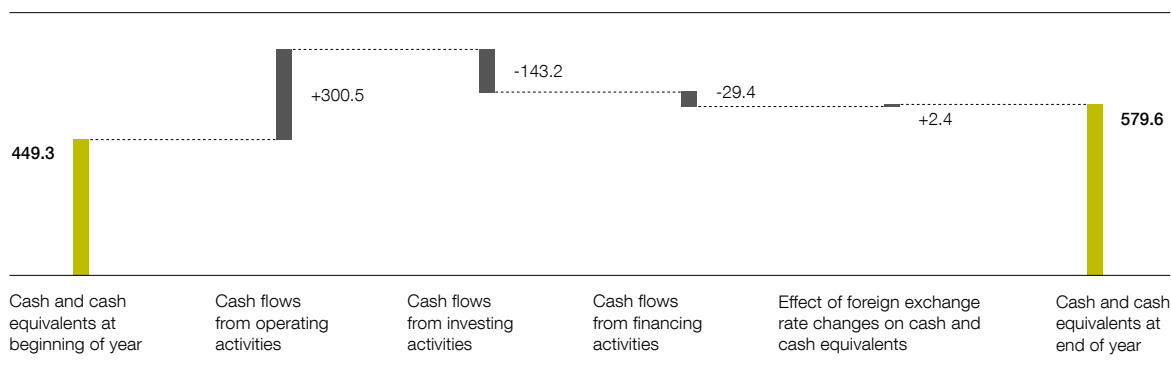
As of the 2010 reporting date, financing commitments received by the CLAAS Group totaled €961.0 million (previous year: €922.2 million). The change over the prior year is attributable to another rise in commitments as well as valuation effects and, to a lesser extent, scheduled loan repayments. As can be seen in the breakdown in the notes to the financial statements, financing commitments also include a US Private Placement in the amount of 200.0 million US dollars in December 2002. This instrument has a coupon of 5.76% p. a. and a term of up to twelve years. CLAAS also has a multi-currency credit facility (syndicated loan) in the amount of €250.0 million with a term extending until 2014 which represents a flexible source of financing that has only been used to a limited extent to date. In June 2009, a Schuldscheindarlehen was issued in the amount of €250.0 million. The Schuldscheindarlehen comprises four tranches with maturity dates on June 8, 2012 and June 8, 2015. Two of the tranches bear fixed annual interest coupons of 4.34% and 6.04%. The other tranches bear variable interest rates based on the 6-month EURIBOR, with margins of 2.10% and 2.90% p. a. The instrument is intended to maintain a targeted passive duration of three years and to replace certain existing bilateral lines. On the whole, we are prepared for the loan capital market to gain considerably in significance in the coming years, even for mid-sized enterprises.

Along with these financing commitments, we reinforced our capital base by issuing subordinated perpetual securities in the amount of €80.0 million in October 2004. This equity instrument has a coupon of 7.62% p. a.



**Cash Position**  
**Financial Position****Consolidated Statement of Cash Flows**

in € million



## Financial Position

**Solid balance sheet structure**

Total Group assets increased marginally by €71.7 million to €2,278.4 million compared to September 30, 2009.

Non-current assets decreased by a total of €17.5 million to €561.6 million, which slightly decreased their share in total assets from 26.2% to 24.6% in the reporting period.

Intangible assets decreased by €8.0 million year-on-year to €112.2 million. Additions of €29.0 million (previous year: €30.1 million) were contrasted by amortization and impairment of €36.4 million (previous year: €36.4 million). The focus of capital expenditure for intangible assets was on development costs recognized as an asset.

Property, plant and equipment increased by €8.1 million, or 2.5%, to €330.5 million. The rise was the result of additions in the amount of €58.3 million (previous year: €95.1 million), which related primarily to payments on account and assets under construction as well as to technical equipment and machinery. Depreciation and impairment of €47.8 million (previous year: €46.7 million) was recorded on property, plant and equipment. Disposals at the residual carrying amount increased from €1.9 million in fiscal 2009 to €3.9 million in fiscal 2010.

Equity-accounted investments and other investments rose by a total of €11.4 million to €54.3 million. The increase was primarily due to an increase of our stake in CLAAS Financial Services LLC. to 34%, a capital increase at CLAAS Financial Services S.A.S., and earnings contributions less the dividends received.

Other non-current receivables and financial assets decreased by €32.0 million to €6.3 million (previous year: €38.3 million), mainly due to a regrouping of securities.

Current assets rose by a total of €89.2 million to €1,716.8 million, with their share in total assets rising slightly from 73.8% to 75.4%.



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## Balance Sheet Structure

	Sept. 30, 2010		Sept. 30, 2009	
	in € million	in %	in € million	in %
Non-current assets	561.6	24.6	579.1	26.2
thereof: intangible assets	(112.2)	(4.9)	(120.2)	(5.4)
thereof: property, plant and equipment	(330.5)	(14.5)	(322.4)	(14.6)
Current assets	1,716.8	75.4	1,627.6	73.8
thereof: inventories	(418.1)	(18.4)	(519.3)	(23.5)
thereof: trade receivables	(244.0)	(10.7)	(246.3)	(11.2)
thereof: liquid assets	(907.7)	(39.8)	(677.2)	(30.7)
<b>Total assets</b>	<b>2,278.4</b>	<b>100.0</b>	<b>2,206.7</b>	<b>100.0</b>
Equity	814.2	35.7	775.5	35.1
Non-current liabilities	720.6	31.6	766.2	34.7
thereof: financial liabilities	(413.8)	(18.2)	(440.8)	(20.0)
thereof: provisions	(225.5)	(9.9)	(225.9)	(10.2)
Current liabilities	743.6	32.7	665.0	30.2
thereof: trade payables	(131.8)	(5.8)	(91.4)	(4.1)
thereof: provisions	(373.6)	(16.4)	(402.9)	(18.3)
<b>Total equity and liabilities</b>	<b>2,278.4</b>	<b>100.0</b>	<b>2,206.7</b>	<b>100.0</b>

Inventories declined by €101.2 million, or 19.5%, to €418.1 million. The decrease resulted primarily from reductions of finished goods inventories. By contrast, average inventory turnover increased from 15.8% to 18.9%. The reduction in inventories had a positive impact on working capital, which decreased by €180.2 million, or 26.0%, from the prior year to €512.6 million as of the reporting date. The reduction in working capital was a key factor contributing to the rise in liquid assets.



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Trade receivables declined by €2.3 million to €244.0 million. Average receivables turnover increased from 8.3% to 9.9% as a result of the excess of the decline in sales revenues over the decline in trade receivables. The average Days Sales Outstanding (DSO) increased to 53 days after adjustment for securitized receivables (previous year: 44 days).

Liquid assets, which are composed of cash and cash equivalents plus current securities, rose by €230.5 million to €907.7 million (previous year: €677.2 million). This positive development led to a rise in the share of liquid assets in total assets from 30.7% to 39.8%.

### Improved equity-to-assets ratio – good asset and capital structures

The improvement in the equity-to-assets ratio from 35.1% in the previous year to 35.7% is an indication of the Group's strong internal financing power.

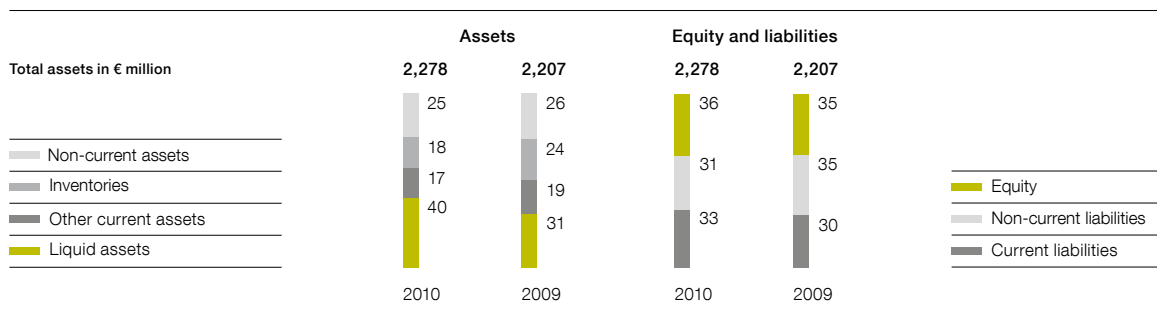
Non-current liabilities decreased by a total of €45.6 million, or 6.0%, to €720.6 million, mainly due to a reclassification of non-current financial liabilities to current financial liabilities based on maturity date.

By contrast, current liabilities increased by a total of €78.6 million to €743.6 million. The primary cause of the increase was the rise in current financial liabilities due to the reclassification based on maturity date and the increase in operating liabilities, which was only partially offset by the decline in current provisions. The reduction in current provisions by €29.3 million to €373.6 million resulted mainly from a decrease in obligations in the areas of sales and personnel.

**Financial Position**  
**Capital Expenditure**

## Balance Sheet Structure

in %



Non-current assets were covered by equity and non-current liabilities at a ratio of 273.3% (previous year: 266.2%). Non-current assets plus 50% of inventories were financed by equity and non-current liabilities at a ratio of 199.2% (previous year: 183.8%). These figures show that the CLAAS Group continues to have a sound asset and capital base, even in the challenging times of the economic and financial crisis.

## Capital Expenditure

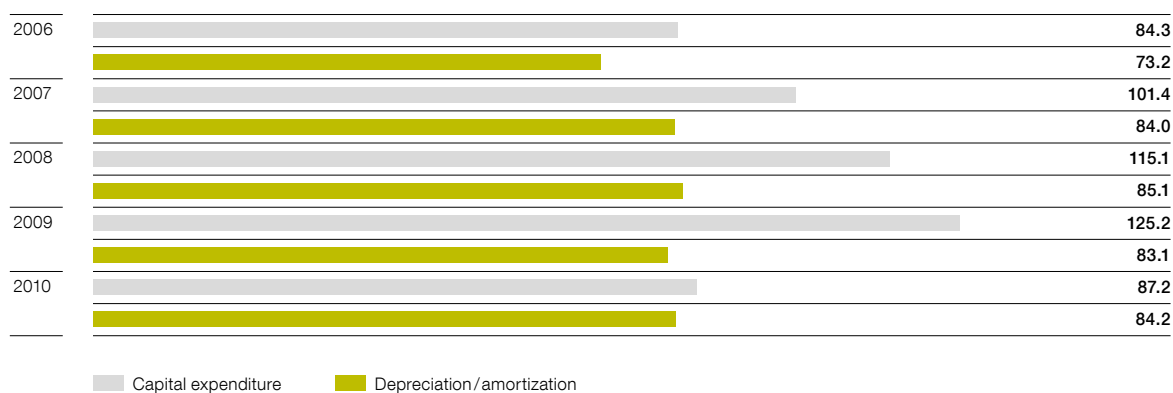
Total capital expenditure amounted to €102.7 million in the year under review (previous year: €137.4 million). Most of the capital expenditure (€87.2 million) was again attributable to property, plant and equipment (previous year: €125.2 million), which was thus approximately equal to the depreciation and impairment for the previous year. Taking into account capitalized development costs, the ratio of capital expenditure to sales decreased from 4.3% to 3.5% in the reporting year.

Capital expenditure for intangible assets amounted to €29.0 million (previous year: €30.1 million) and was primarily attributable to capitalized development costs and investments in the IT infrastructure. Development activities focused on combine harvesters.

With respect to property, plant and equipment, the CLAAS Group invested above all in expanding and modernizing its production and distribution locations in France, Poland, Spain, and India. One example of this is our ultramodern, environmentally friendly paintwork installation at CLAAS Tractor S.A.S. in France. Having purchased the necessary land, a new testing center for tractors will be constructed in the vicinity of Le Mans. CLAAS Polska sp. z o.o., a distribution company, commenced operations in Poland at the start of the fiscal year. Our distribution company in Spain, CLAAS Ibérica S.A., has moved into a new building at a new location near Madrid. In India, current investments involve expanding our production site in Chandigarh and a service location in Bangalore.

## Capital Expenditure and Depreciation/Amortization

in € million



## Research and Development

### Product portfolio expanded

Even in these economically challenging times, CLAAS made a significant contribution to research and development with an investment of €122.6 million (previous year: €124.8 million), underlining the high priority given to research and development at CLAAS. This commitment is also evidenced by the new technology center at our Harsewinkel location, which was completed during the year under review and which will promote interdisciplinary cooperation between the individual research and development departments thanks to its special design, among other things. In fiscal 2010, 66 patent applications were filed (previous year: 67).

The following are examples of the forward-looking research and development work at CLAAS:

- **Combine harvesters** – CLAAS revamped one of its most significant product segments with the introduction of the new LEXION 600 series (straw walkers) and the LEXION 700 series (APS hybrids). A particular highlight is the newly developed TERRA TRAC track system, which in addition to faster road speeds enables greater soil protection and low consumption. An improved drive shaft is the key component of the new MONTANA. Hydraulic swing cylinders turn the portals to adjust the wheels to the ground. The MONTANA chassis compensates cross tilt up to 17% and longitudinal tilt up to 6%.
- **Cutterbars** – The new MAXFLO cutterbar conveys plants to the feeder housing via transport feeder belts to reliably transport even small quantities of crop, particularly on fields with only average yields. The MAXFLEX cutterbar is equipped with a flexible finger bar that automatically adjusts to the smallest of differences on uneven ground to enable optimum crop intake.
- **Tractors** – Two of the main focuses of our current development activities have been equipping our tractors to satisfy Tier 3b and Tier 4 emissions standards and rounding out our range of high-horsepower tractors.



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Select country site >  
Products

Research and Development  
Purchasing

## Research and Development Costs\*

in € million

2006		100.3
2007		109.6
2008		113.8
2009		124.8
2010		122.6

\* before capitalized and amortized development costs

- Efficient Agriculture Systems (EASY)** – EASY harnesses CLAAS' full spectrum of electronics expertise – from machine settings and steering systems to software solutions for a wide range of applications and working processes. CLAAS EASY offers “on board” machine control and performance optimization directly from the cab, “on field” features for increased productivity directly in the field, “on track” machine monitoring and remote diagnostics, and “on farm” software solutions for agricultural operations.
- Forage harvesting machinery** – The LINER 3500 is a rotary swather with improved technical features that will supersede the LINER 3000. The LINER 3500 has four 12-tine rotary units of identical size and a maximum working width of 12.50 meters. CLAAS has enlarged its range of mowers for leafy forage such as alfalfa to include the DISCO 2700 RC CONTOUR with a working range of 2.60 meters. In addition, a new corn header – the ORBIS 450 – will start series production in 2011.
- Balers** – Development in the area of balers is presently focusing on the four new VARIANT models and introduction of the new QUADRANT 2200 RC ADVANTAGE baler in fiscal year 2011.

## Purchasing

Despite the difficult market climate, we have consistently pursued our motto of “growing together – creating value – FITNESS FIRST.” In the year under review, we held joint workshops to strengthen partnerships with suppliers, optimize cost structures, and make sustainable improvements to our joint competitive position.

Preventive risk management allows countermeasures to be initiated in due time to counteract any liquidity shortfalls on the part of individual suppliers.

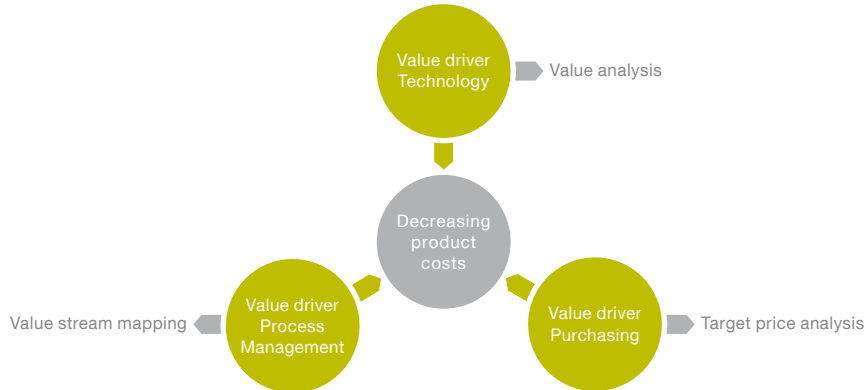
Active use of suitable financial instruments enables us to secure the relatively low price levels of raw materials at the start of the fiscal year over the long term.

We continued to gear our supplier integration initiative toward including active value contribution management in order to support our Group-wide cost reduction program. Value management methods and processes such as value analysis, target price analysis, and value stream mapping represent the core methods and processes used to integrate our development and supply partners into the value-engineering and value-added chains of CLAAS. We also continued the targeted development of our methods portfolio, which now



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Homepage Group >  
Purchasing >  
CLAAS Supplier.Net

### CLAAS Value Management in Purchasing



includes systematic product benchmarking in addition to supplier performance analysis. Moreover, we intensified development of strategically important suppliers. These achievements have made an active contribution to reinforcing the innovative power of CLAAS and its suppliers.

We expanded our CLAAS supplier evaluation to cover 80% of our purchasing volume. This enables more efficient cooperation and optimized supplier performance.

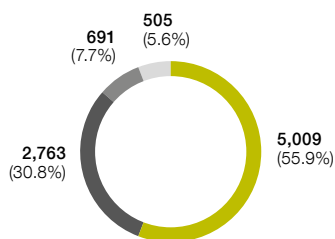
Purchasing performance was also improved through the use of new instruments. For instance, new processes were installed for supplier application and approval.

The trend toward globalizing sourcing activities based on analyses of target price and total cost of ownership remains intact. Best cost country sourcing is becoming increasingly important in ensuring our ability to compete. An example of this is our stepped-up focus on key, high-performance best cost country suppliers, which we tie into our development and production process at an early stage.

In the area of non-production materials purchasing, CLAAS achieved significant efficiency increases and cost reductions by concentrating purchasing volumes on a small number of system partners. For example, we selected a cross-location facility management service provider.

In the area of distribution logistics, introduction of an electronic contract award process has enabled improved resource planning with regard to transport providers. We significantly increased delivery performance and customer satisfaction while making lasting cost reductions.

To do justice to increased market demand for better reliability, quality, and process flexibility, the CLAAS purchasing system will be consistently developed to incorporate coordinated purchasing activities and initiatives aimed at improving the entire supply chain. Global value-added chains will be made future-ready by coordinating and harmonizing the purchasing, production, and service networks and thus further expanding on competitive advantages.

**Employees by Region**

## Human Resources

**Commitment and company loyalty**

Personnel policy at CLAAS is characterized by continuity and identification with the Company. This promotes employee loyalty and forms the basis for stable jobs and professional development opportunities.

Commitment and company loyalty are what characterize CLAAS as a family-owned company. Our corporate structure is shaped by our company spirit and a high level of motivation combined with long-term thinking and action. This positive outlook has a very substantial impact on our relations with one another, both on the job and outside of work.

**Personnel structure**

As of September 30, 2010, the CLAAS Group employed a total of 8,968 individuals worldwide (previous year: 9,467), of which approximately 44.1% were located outside of Germany (previous year: 43.9%). At CLAAS, internationality is a way of life thanks to an ongoing exchange of employees via open corporate structures.



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A balanced age structure and low employee turnover based on a high degree of company loyalty are special features of the CLAAS corporate group.

Due to changed economic conditions, the year under review focused in particular on ensuring flexible employee levels and adjusting personnel capacities. In addition to the personnel adjustment measures implemented early on, such as making use of flexible working hours arrangements, eliminating temporary positions, offering early retirement, and initiating reduced working hours, starting in the middle of the reporting year some companies were adjusting staff levels to the changed circumstances by means of agreements between management and the works council. As part of this process, CLAAS deliberately aims for transparency and openness and places value on implementation in a socially responsible manner. The measures described contributed to personnel expense decreasing by €33.8 million compared to the prior year.



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### **Personnel marketing and development**

Finding qualified young talent is especially important for CLAAS. For this reason, we place great value on vocational training, even in times of economic difficulty. This is evidenced by the ratio of trainees to full-time equivalents at CLAAS in Germany, for example, which at 8.5% is significantly above the industry average.

For decades, CLAAS has been training young people in Germany at a high level in various technical and business professions and as part of the German “dual study” system. The same applies to the other countries in which CLAAS has manufacturing operations such as France, Russia, the US, and India.

Thanks to the intensive contact maintained by CLAAS with colleges and universities in various countries, we are able to gain qualified graduates and systematically support them. In addition, international collaboration ensures that we have access to current developments in agricultural technology abroad.

This is one reason why CLAAS is becoming more and more popular as an employer among students majoring in technology. According to a study by manager magazin in June 2010, CLAAS is one of Germany’s 50 most attractive employers. In the field of agricultural equipment, CLAAS is ranked No. 1.

Moreover, CLAAS’ “Zukunft ernten” personnel marketing campaign was honored as one of Germany’s best campaigns. The Jahrbuch der Werbung 2010 wrote the following about our personnel ads: “At CLAAS, high-tech machines, team spirit, and passion provide an ideal breeding ground for the future of young people.”

As an essential part of CLAAS’ junior staff advancement and succession planning programs, our long-established, successful international trainee program is aimed at developing potential management executives and creating long-term ties between them and the Company. The program is offered at our production locations all over the world and promotes an exchange of knowledge and international understanding. It is an excellent example of CLAAS’ commitment to fostering global business relations and makes an important contribution to furthering international ties and a global approach on the part of CLAAS employees.

We fill approximately 80% of all management positions – both nationally and internationally – from within our own ranks, taking advantage of systematic personnel development and succession planning along with the accompanying supportive measures to ensure this.



CLAAS will continue to succeed as a company because staff and management alike view the process of permanent change as an opportunity to be taken advantage of. Ongoing process improvements and reviews of structures are an integral part of our professional organizational development.

We at CLAAS believe that an indispensable part of being a global technology leader is to constantly work to improve the expertise of our staff. We achieve this through customized advanced training options that are tailored to each target group and that are very popular among our employees.

These programs focus on developing methods along with specialist knowledge and social competence and working to promote intercultural cooperation. In an increasingly globalized world, cooperation between different cultures is steadily gaining in importance. The CLAAS Group's recognition of this fact acts to ensure constructive cross-border working relationships. CLAAS also offers special development programs for project managers and for both young and experienced management executives.

#### **Remuneration and fringe benefits**

CLAAS promotes company loyalty not only by offering interesting and challenging jobs but also by providing a balanced remuneration structure. In addition, all employees have the option of investing a portion of their salary in retirement programs. All employees in Germany can take advantage of the CLAAS-sponsored wealth creation program by becoming a silent partner in the Company via CMG Claas-Mitarbeiterbeteiligungs-Gesellschaft mbH.

Creating a work-family balance is an integral aspect of the worldwide personnel policy at CLAAS. Part-time and flextime models enable large portions of our workforce to arrange their work hours to conform with their individual life situations.

Activities to promote or maintain our employees' health are also part of the overall concept of our forward-looking human resources policies. We are planning a targeted expansion of activities beyond the programs and measures already in existence, for example health fairs with specific topics of focus.

## Risk Management

### **Internal control and risk management system**

As a globally active corporate group, CLAAS is subject to various types of risk. In order to systematically identify, measure, and adequately respond to these risks at an early stage, CLAAS has implemented a three-pillar concept of risk management. At CLAAS, one of our goals when taking entrepreneurial action is to deliberately enter into calculable risk to allow us to take advantage of the related opportunities.

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

The Group's reporting system represents an essential element in our continuous monitoring of economic risks. In addition to the external data supplied, detailed internal reports and evaluations are provided to decision makers on a monthly basis. Budgets are monitored for deviations, earnings projections for feasibility, and any new monetary or non-monetary risks are identified and documented on an ongoing basis. Within existing organizational structures, the risk management system is accounted for and supported by the operating and administrative areas of responsibility. In addition to the regular information provided, an obligation to prepare ad hoc risk reports ensures prompt management action at all times. The internal auditing department is responsible for monitoring the adequacy of the risk management system and conformity with regulations.

The goal of the internal control and risk management system for the financial reporting process and the Group financial reporting process is to ensure the effectiveness of the accounting system and its adherence to generally accepted accounting principles. This system guarantees compliance with statutory norms, financial reporting standards, and intragroup accounting policies, which are binding for all companies included in the consolidated financial statements. The key information on this is available to the entire Group via the CLAAS intranet. We ensure that all information is up to date by conducting continuous analyses of any changes to determine their relevance and their impact on the financial statements. The Group accounting department is

primarily responsible for this task. CLAAS prepares its financial statements using a Group-wide reporting system that is also used for preparation of the budget, medium-term planning, and estimates during the fiscal year. The reporting system incorporates principles, processes, and controls to ensure that the financial statements comply with all requirements. The extensive scope of our control processes is exemplified by the following:

- Intragroup specifications for accounting, measurement, and account coding of key items that are updated and communicated to the responsible departments on an ongoing basis;
- Organizational measures in combination with controlled access to accounting systems, separation of tasks, and rights to dispose;
- Dual control of financial reporting processes and in connection with preparation of the financial statements;
- Internal audit procedures;
- External service providers (tax consultants, auditors, etc.).

Internal audit conducts regular reviews as well as reviews on a case-by-case basis of whether legal requirements and internal instructions are being adhered to by all companies, both in and outside of Germany, and of whether the internal control system is effective and functional. If necessary, internal audit develops suitable measures to be implemented by management of the relevant company.

More detail is provided on the main risks in the following. In addition, the risk related to financial instruments is described in Notes 34 and 35 of the consolidated financial statements.

#### **Industry and company-specific risk**

The risk landscape of CLAAS as a globally positioned enterprise is affected by extreme variations in harvest yields due to climate conditions and by decisions on agricultural policies in addition to intense competitive pressure in the industry. Risks and opportunities are managed centrally by monitoring and evaluating market-related indicators in conjunction with the risks of specific countries.



please refer  
to page 97 seq.

Along with controlled risk taking, acting entrepreneurially also involves dealing in depth with all risks along the value-added chain. Due to faster innovation cycles, research and development activities are critical in ensuring that innovative and technically mature products are developed and brought to market for the benefit of customers.

Risk on the procurement side is taken into account by constantly observing the relevant markets and entering into the according hedging transactions.

In the production area, all equipment is serviced regularly and any sources of risk are eliminated by modifying the equipment in order to reduce the risk of production downtime. Flexible working time models ensure that the required human resources can be adjusted to meet the degree of capacity utilization. To reduce quality risk, a central quality management department guarantees adherence to and fulfillment of pre-defined standards of quality.

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

#### **Financial risk**

In recent months, focus has centered on the viability of risk management principles and companies' finance policies. Like other companies, CLAAS has had to ask itself whether its available liquidity commitments would suffice on a sustained basis and whether its refinancing risk was covered. Another question involved whether the Company's financing policy has been sensibly planned and will take account of expected changes at banks and on the capital markets. We can respond in the affirmative to these questions based on our liquidity exposure and financing exposure as described above.

The following remains a key factor in this regard: CLAAS cooperates – just as before the start of the crisis – in a broad range of transactions with a virtually unchanged group of proven financial partners having high ratings stability. Our decisions on which partners we intended to work together with had to be adjusted to a very minor extent only. Our financial partners appreciate our policy of including them in our information cycle on a continuous basis even in difficult times, as this provides them with a solid foundation for cooperation.

CLAAS was prepared for a typical risk pattern to ensue from the economic and financial crisis: counterparty and refinancing risk. The CLAAS Group has been managing its investment and derivative positions based on counterparty limits for years. Our system of managing credit risk in Purchasing and Sales has also proven effective. Credit risks that could result from payment default or delayed payments are minimized through effective receivables management, close cooperation with banks, and credit insurance. In addition, our Group treasury department began using PMS performance management software in its full range of functions in 2009 to enable independent evaluations, performance measurement, and forward-looking scenario simulations of our finance instruments. This software is used at CLAAS to rate financial assets and to hedge interest rate and exchange rate risk.

Financial risk and currency risk are countered by employing hedging instruments and by regular, intense monitoring of a set of early warning indicators. Financial liabilities have specified minimum durations, which ensures that refinancing measures can always be prepared on a long-term basis in return for accepting short-term interest rate disadvantages. Moreover, great progress was made in the year under review in linking the process of liquidity planning and forecasting with existing planning systems even better throughout the Group. In combination with the internal incentive and sanction mechanisms introduced in earlier years, the CLAAS Group has considerably improved forecasting quality and the speed at which items are recorded in the liquidity planning system.

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

#### **IT risk**

Our uniform global IT strategy allows our systems as well as our security strategies and concepts to be effectively and continuously adapted to reflect current requirements and developments.

#### **Legal risk**

Decisions in the CLAAS Group are based on intense legal consultation in order to avoid any risk related to the various provisions and statutes regarding taxes, competition laws, patents, and tort law. When we deem it prudent to enter into risk, the risks are transferred to insurance companies by means of global master policies and national framework agreements on a uniform basis across the Group.

**Assessment of the overall risk position of the CLAAS Group**

An analysis of the individual risks currently discernible has not identified any risks that – singly or in combination with other risks – could jeopardize the continued existence of the CLAAS Group as a going concern during or beyond the period under review, even in light of the current economic climate.

**Events After the Balance Sheet Date**

There were no events or developments after the end of the fiscal year that could have led to material changes in the presentation or the measurement of individual assets or liabilities as of September 30, 2010 or that are subject to disclosure requirements.

**Outlook****Significant growth anticipated for CLAAS**

The agricultural equipment markets continue to be supported by several fundamentally positive trends: a growing world population with higher demands placed on nutrition, increasing scarcity of arable land and rising use of farmland for the cultivation of crops used in the generation of sustainable energy. All of these factors will contribute to rising demand for state-of-the-art agricultural equipment. Following the declines of the past fiscal year as described above, the initial weeks of the new fiscal year have brought the expected positive developments on the agricultural equipment markets. Input costs remain moderate and crop prices have risen, which will positively impact agricultural incomes.

The markets in Western Europe are expected to develop at a low level. Due to unexpected weather conditions, the 2010 harvests are not likely to exceed average levels. The slow rise in the price of milk is an indication of a sustained positive trend, thus stabilization in the medium term appears possible.

In Central Europe, the market trend is expected to remain challenging based on the persistently difficult economic climate. However, the basic need for modern agricultural equipment has not abated in this region, and state subsidy programs will support this trend.

**Risk Management**  
**Events After the Balance Sheet Date**  
**Outlook**

In Eastern Europe, those regions not affected by the drought are likely to see average to good harvests. The difficult economic climate and finance situation are expected to slowly improve, for which reason the trend is assessed as positive on the whole.

Expectations for the North American markets are currently positive. Sustained good harvests and stable commodity prices will in all likelihood lead to a rise in agricultural incomes. Based on these factors in combination with continued low interest rates, it can be assumed that investor activity will pick up and markets will see slight to medium growth.

The market situation in the key South American markets of Brazil and Argentina is expected to improve, which will probably result in a positive growth trend despite increasing input costs, especially for fertilizer. A stable trend in commodity prices along with the good weather conditions experienced thus far could positively impact harvests.

In India, the weather situation has been normal by comparison, which should result in good harvests and a further stabilization of agricultural incomes. It can also be assumed that government subsidy programs in certain regions will benefit the markets for harvest machines and tractors.

All in all, we assess the market trend as positive for CLAAS. Risk exists due to the volatility of procurement prices, such as those for energy, steel, and other commodities, and based on the performance of currencies of significance to CLAAS such as the US dollar and the Russian ruble. We keep a close eye on these risks and take appropriate countermeasures where necessary. We also plan to make further advances in our ambitious development program.

Assuming the forecast market trend occurs, we will be in a position to increase sales over the next two years. For fiscal 2011, we anticipate double-digit sales growth. During the past two years, we have successfully implemented measures to increase efficiency and lower costs. We will continue to place high priority on pursuing these activities in the future. Therefore our earnings will improve accordingly.

We demonstrated our  
earning power despite  
a difficult environment.



# Consolidated Financial Statements

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## Consolidated Income Statement

for the fiscal year ended September 30, 2010

in € '000	Note	2010	2009
Net sales	(8)	2,475,463	2,900,815
Cost of sales	(9)	-1,895,174	-2,249,021
<b>Gross profit on sales</b>		<b>580,289</b>	<b>651,794</b>
Selling expenses	(10)	-285,936	-298,706
General and administrative expenses	(11)	-78,472	-88,768
Research and development expenses	(17)	-125,192	-128,668
Other operating income	(12)	55,215	41,791
Other operating expenses	(13)	-54,151	-39,029
<b>Operating income</b>		<b>91,753</b>	<b>138,414</b>
Income from investments accounted for using the equity method, net		5,646	5,233
Income from other investments, net		721	624
Interest expense and income from securities, net		-23,561	-17,547
thereof: interest and similar expenses		(-38,872)	(-34,631)
Other financial result		2,623	-14,429
<b>Financial result</b>	(14)	<b>-14,571</b>	<b>-26,119</b>
<b>Income before taxes</b>		<b>77,182</b>	<b>112,295</b>
Income taxes	(15)	-25,678	-38,863
<b>Net income</b>		<b>51,504</b>	<b>73,432</b>
thereof: attributable to shareholders of CLAAS KGaA mbH		50,723	72,402
thereof: attributable to minority interests		781	1,030

in €	Note	2010	2009
Earnings per share	(16)	16.91	24.13

## Consolidated Statement of Comprehensive Income

for the fiscal year ended September 30, 2010

in € '000	2010	2009
<b>Net income</b>	<b>51,504</b>	<b>73,432</b>
Net unrealized gains/losses from currency translation	8,963	-20,508
thereof: attributable to investments accounted for using the equity method	(402)	(-834)
thereof: attributable to minority interests	(86)	(-234)
Net unrealized gains/losses from securities	-94	5,023
Net unrealized gains/losses from derivative financial instruments	264	1,248
<b>Other comprehensive income</b>	<b>9,133</b>	<b>-14,237</b>
<b>Comprehensive income</b>	<b>60,637</b>	<b>59,195</b>
thereof: attributable to shareholders of CLAAS KGaA mbH	59,770	58,399
thereof: attributable to minority interests	867	796

## Consolidated Balance Sheet

as of September 30, 2010

in € '000	Note	Sept. 30, 2010	Sept. 30, 2009
<b>Assets</b>			
Intangible assets	(17)	112,198	120,160
Property, plant and equipment	(18)	330,496	322,444
Investments accounted for using the equity method	(19)	52,118	41,043
Other investments	(19)	2,168	1,867
Deferred tax assets	(15)	44,830	41,044
Non-current tax assets		13,405	14,175
Other non-current receivables and assets	(20)	6,345	38,325
<b>Non-current assets</b>		<b>561,560</b>	<b>579,058</b>
Inventories	(21)	418,121	519,337
Trade receivables	(20)	244,009	246,292
Current tax assets		5,647	5,976
Other current receivables and assets	(20)	141,384	178,857
Securities	(22)	328,032	227,836
Cash and cash equivalents	(23)	579,622	449,343
<b>Current assets</b>		<b>1,716,815</b>	<b>1,627,641</b>
<b>Total assets</b>		<b>2,278,375</b>	<b>2,206,699</b>
<b>Equity and liabilities</b>			
Subscribed capital		78,000	78,000
Capital reserves		38,347	38,347
Other reserves		614,672	576,492
Subordinated perpetual securities		78,616	78,616
<b>Equity before minority interests</b>		<b>809,635</b>	<b>771,455</b>
Minority interests		4,558	4,077
<b>Equity</b>	(24)	<b>814,193</b>	<b>775,532</b>
Non-current financial liabilities	(25)	413,773	440,768
Silent partnership	(25)	27,060	25,334
Deferred tax liabilities	(15)	2,019	764
Other non-current liabilities	(26)	52,280	73,444
Pension provisions	(27)	175,843	172,295
Other non-current provisions	(28)	49,628	53,579
<b>Non-current liabilities</b>		<b>720,603</b>	<b>766,184</b>
Current financial liabilities	(25)	98,648	70,239
Trade payables	(26)	131,752	91,352
Current tax liabilities		266	178
Other current liabilities	(26)	139,288	100,275
Income tax provisions	(28)	14,690	20,315
Other current provisions	(28)	358,935	382,624
<b>Current liabilities</b>		<b>743,579</b>	<b>664,983</b>
<b>Total equity and liabilities</b>		<b>2,278,375</b>	<b>2,206,699</b>

## Consolidated Statement of Cash Flows

for the fiscal year ended September 30, 2010

in € *000	2010	2009
<b>Net income</b>	<b>51,504</b>	<b>73,432</b>
Amortization/impairment of intangible assets and depreciation/impairment of property, plant and equipment	83,903	83,115
Impairment of investments	80	-
Change in pension provisions	3,543	5,712
Change in other non-current provisions	-3,714	3,385
Deferred tax income	-4,198	-13,685
Other non-cash expenses (+)/income (-)	-13,959	4,985
<b>Cash earnings</b>	<b>117,159</b>	<b>156,944</b>
Change in current provisions	-31,312	-27,165
Losses (+)/gains (-) from the disposal of intangible assets and property, plant and equipment	-2,770	-2,403
Change in inventories, receivables and other assets	152,758	-180,070
Change in trade payables and other liabilities	64,701	-87,940
<b>Cash flows from operating activities (I)</b>	<b>300,536</b>	<b>-140,634</b>
Payments for additions to intangible assets and property, plant and equipment (net of development costs recognized as an asset)	-60,946	-98,462
Additions to development costs recognized as an asset	-25,656	-25,779
Proceeds from the disposal of intangible assets and property, plant and equipment	7,033	4,120
Payments for additions to investments	-6,168	-5,713
Proceeds from the disposal of investments	1,294	1,863
Payments for additions to borrowings	-238	-223
Proceeds from repayment of borrowings	37	33
Payments for the purchase of securities	-233,786	-172,173
Proceeds from the sale of securities	175,317	77,515
Divestments	-40	-
<b>Cash flows from investing activities (II)</b>	<b>-143,153</b>	<b>-218,819</b>
Proceeds from the increase in loans and the issuance of bonds	13,562	255,502
Repayment of bonds and loans	-31,464	-10,386
Repayment of lease liabilities	-580	-113
Proceeds from silent partnership (CMG)	1,726	1,572
Change in liabilities to shareholders	9,301	3,210
Payments to minority shareholders	-300	-764
Subordinated perpetual securities payout	-6,096	-6,096
Dividends paid out	-15,600	-8,310
<b>Cash flows from financing activities (III)</b>	<b>-29,451</b>	<b>234,615</b>
<b>Net change in cash and cash equivalents (I+II+III)</b>	<b>127,932</b>	<b>-124,838</b>
Effect of foreign exchange rate changes on cash and cash equivalents	2,347	-7,459
Cash and cash equivalents at beginning of year	449,343	581,640
<b>Cash and cash equivalents at end of year</b>	<b>579,622</b>	<b>449,343</b>

## Consolidated Statement of Changes in Equity

as of September 30, 2010

in € '000	Other reserves						Sub-ordinated perpetual securities	Equity before minority interests	Minority interests	Equity
	Subscribed capital	Capital reserves	Accumulated profit	Foreign currency translation	Securities	Derivative financial instruments				
<b>Balance as of Oct. 1, 2008</b>	<b>78,000</b>	<b>38,347</b>	<b>560,414</b>	<b>-20,007</b>	<b>-4,959</b>	<b>-3,227</b>	<b>78,616</b>	<b>727,184</b>	<b>3,810</b>	<b>730,994</b>
Net income	-	-	72,402	-	-	-	-	72,402	1,030	73,432
Other comprehensive income	-	-	-	-20,274	5,023	1,248	-	-14,003	-234	-14,237
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>72,402</b>	<b>-20,274</b>	<b>5,023</b>	<b>1,248</b>	<b>-</b>	<b>58,399</b>	<b>796</b>	<b>59,195</b>
Dividend payments	-	-	-8,310	-	-	-	-	-8,310	-683	-8,993
Subordinated perpetual securities payout	-	-	-6,096	-	-	-	-	-6,096	-	-6,096
Consolidation adjustments/ other changes	-	-	46	-	-	232	-	278	154	432
<b>Balance as of Sept. 30, 2009</b>	<b>78,000</b>	<b>38,347</b>	<b>618,456</b>	<b>-40,281</b>	<b>64</b>	<b>-1,747</b>	<b>78,616</b>	<b>771,455</b>	<b>4,077</b>	<b>775,532</b>
Net income	-	-	50,723	-	-	-	-	50,723	781	51,504
Other comprehensive income	-	-	-	8,877	-94	264	-	9,047	86	9,133
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>50,723</b>	<b>8,877</b>	<b>-94</b>	<b>264</b>	<b>-</b>	<b>59,770</b>	<b>867</b>	<b>60,637</b>
Dividend payments	-	-	-15,600	-	-	-	-	-15,600	-534	-16,134
Subordinated perpetual securities payout	-	-	-6,096	-	-	-	-	-6,096	-	-6,096
Consolidation adjustments/ other changes	-	-	106	-	-	-	-	106	148	254
<b>Balance as of Sept. 30, 2010</b>	<b>78,000</b>	<b>38,347</b>	<b>647,589</b>	<b>-31,404</b>	<b>-30</b>	<b>-1,483</b>	<b>78,616</b>	<b>809,635</b>	<b>4,558</b>	<b>814,193</b>

# Notes to the Consolidated Financial Statements

## Notes to Consolidation and Accounting

### 1. Basis of Presentation

CLAAS KGaA mbH, with registered office in Harsewinkel, Germany, is the parent company of the CLAAS Group (in the following, "CLAAS," or the "Group").

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as adopted by the EU. The consolidated financial statements are supplemented by the Group management report and additional disclosures in accordance with Section 315a of the German Commercial Code (HGB). Prior-year figures were determined in accordance with the same principles.

The consolidated financial statements relate to fiscal year 2010 (October 1, 2009 to September 30, 2010). 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 the income statement have been combined insofar as possible and meaningful. These items are analyzed and explained in the notes. The consolidated financial statements have been presented in euros (€). Amounts are stated in thousands of euros (€ '000) or in millions of euros (€million).

These consolidated financial statements were prepared on November 24, 2010 by the Executive Board of CLAAS KGaA mbH. Approval of the consolidated financial statements by the Supervisory Board is planned for December 9, 2010 at the scheduled Supervisory Board meeting.

### 2. Scope of Consolidation

The companies included in the consolidated financial statements are CLAAS KGaA mbH and all significant companies that are indirectly or directly controlled by CLAAS KGaA mbH. CLAAS KGaA mbH is said to exercise control when it holds more than half of a company's voting rights, either directly or indirectly, or otherwise has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Significant associates and joint ventures are accounted for using the equity method.

Investments in subsidiaries, joint ventures, and associates whose influence on the financial position or financial performance of CLAAS KGaA mbH is immaterial are not consolidated. These investments are accounted for in accordance with IAS 39.

The consolidated financial statements include 19 (previous year: 19) German and 30 (previous year: 31) foreign companies over which CLAAS KGaA mbH exercises direct or indirect control. In the year under review, 2 (previous year: 0) companies were consolidated for the first time. In fiscal 2010, 12 (previous year: 10) companies were accounted for using the equity method. First-time consolidation and deconsolidation are undertaken on the date of transfer of control.

Please see Note 44 for a complete list of the Group's shareholdings.

In fiscal year 2010, the following investments in companies were made, and the following new companies established:

- SAMA S.A.S., Bauge, France, purchase of 20.0% stake
- CLAAS Financial Services LLC., San Francisco, California, USA, increase of investment to a 34.0% stake
- Uz CLAAS Agro LLC., Tashkent, Uzbekistan, purchase of 49.0% stake
- CLAAS Central Asia Investment GmbH, Harsewinkel, Germany, 100.0% stake, newly founded
- CLAAS Polska sp. z o.o., Poznań, Poland, 100.0% stake, newly founded

In addition, disposals of investments in the following companies were undertaken in the reporting year. The disposal losses of €2.5 million were primarily due to reclassification of foreign currency effects from equity to other operating expenses.

- CLAAS Automation GmbH, Nördlingen, Germany, 100.0% stake
- S.I.S. Ltd., Coventry, United Kingdom, 100.0% stake
- CLAAS North America Finance LLC., Omaha, Nebraska, USA, 100.0% stake
- Harvest Machinery Ireland Ltd., Drogheda, Ireland, 36.2% stake

### 3. Consolidation Principles

The separate financial statements of the consolidated entities have been prepared using the uniform accounting policies relevant for the CLAAS Group. As a rule, the financial statements are prepared for the fiscal year ending September 30. If the reporting date of a subsidiary is different, interim separate financial statements are prepared as of September 30 and included in the consolidated financial statements.

When consolidating the equity of Group companies, the carrying amounts of the subsidiaries are offset 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.

Investments in associated companies are accounted for using the equity method. With respect to the elimination of intercompany relationships, the same principles are applied to investments in associated companies as are applied to full consolidation.

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

Tax deferrals are recognized for temporary differences arising from the elimination of profits and losses resulting from intragroup transactions, provided the temporary differences are likely to be reversed in future fiscal years. Deferred tax assets and liabilities are offset where applicable.

#### 4. Foreign Currency Translation

Currency translation is based on the functional currency concept in accordance with IAS 21. 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 expended.

In the consolidated financial statements, with the exception of equity all balance sheet items of economically independent foreign entities are translated at the closing rate. Equity is translated at historic rates, and expenses and income are translated at the average exchange rate for 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 the currencies significant to the CLAAS Group:

		Average rate / €		Closing rate / €	
		2010	2009	Sept. 30, 2010	Sept. 30, 2009
British pound	GBP	0.8687	0.8804	0.8666	0.9140
Hungarian forint	HUF	275.3448	278.5583	276.5448	270.1718
Indian rupee	INR	62.4614	66.6270	61.4043	70.2694
Polish zloty	PLN	4.0403	4.2708	3.9755	4.2372
Russian ruble	RUB	40.6876	42.7780	41.7449	43.9342
Ukrainian hryvnia	UAH	10.7704	10.5092	10.8280	12.0456
US dollar	USD	1.3536	1.3573	1.3655	1.4619

#### 5. Accounting Policies

##### Intangible Assets

Intangible assets acquired for a consideration are recognized at cost and, if a useful life can be determined, amortized over the useful life of the asset on a straight-line basis. Since the beginning of fiscal 2010, any borrowing costs directly allocable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of that asset, provided the activities necessary to prepare the asset for its intended use or sale take a substantial period of time.

The useful life of intangible assets ranges from three to ten years. 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. When the useful life of an asset cannot be determined, the asset is not amortized, but is 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 either, but is subjected to an annual impairment test.



Development costs for internally generated future serial products are recognized as an asset, provided manufacture of the products will generate probable future economic benefits for CLAAS and the other requirements of IAS 38 are fulfilled. The cost comprises all costs directly attributable to the development process plus the relevant development-related overheads. Amortization is undertaken on a straight-line basis as of the start of production over the expected useful life of the product.

Once they have been fully amortized, intangible assets – with the exception of goodwill – are derecognized.

### **Property, Plant and Equipment**

Property, plant and equipment is measured at cost and, where subject to wear and tear, depreciated in accordance with a depreciation schedule. Since the beginning of fiscal 2010, any borrowing costs directly allocable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of that asset, provided the activities necessary to prepare the asset for its intended use or sale take a substantial period of time. 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 three and 20 years.

### **Impairment**

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 in income. 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 adjusted to reflect current circumstances, taking into account reasonable expectations based on macroeconomic trends and historical developments. Cash flow projections are estimated by extrapolation based on the growth rate of the relevant market segment. The growth rate is currently 1.0% p. a. (previous year: 1.0% p. a.). The value in use is determined on the basis of discount rates ranging between 7.1% and 8.0% p. a. (previous year: 7.2% and 10.9% p. a.) and corresponding to the risk-adjusted minimum yield on the capital market.

### **Investments Accounted for Using the Equity Method and Other Investments**

Pursuant to IAS 28/IAS 31, investments in associated companies and joint ventures are recognized in the amount of the prorated share in equity, provided the Group has the possibility of exercising significant influence on these companies. The carrying amounts of the investments are increased or reduced each year to reflect the share of earnings, dividends distributed, and other changes in equity. Other investments that are neither measured at fair value through profit or loss nor held to maturity are classified as available-for-sale financial instruments within the meaning of IAS 39. They are stated at their fair values, provided that the shares held by CLAAS are listed on a stock exchange or quoted market prices are available. Other investments are carried at amortized cost (less any impairment loss) if no quoted market price exists.

## 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 equity instruments as well as other equity investments and securities, receivables and other financial assets, cash and cash equivalents, a silent partnership, a bond, a Schuldscheindarlehen, and payables) and derivative financial instruments (such as swaps and options).

IAS 39 classifies financial instruments into the following categories: financial assets and financial liabilities at fair value through profit or loss, including the sub-category of financial assets and financial liabilities held for trading; held-to-maturity investments; loans and receivables; available-for-sale financial assets; and financial liabilities measured at amortized cost. The categories pursuant to IAS 39 do not include derivative financial instruments designated as hedging instruments. Derivatives that are not designated as hedging instruments or do not qualify for hedge accounting fall into the category of financial assets and financial liabilities held for trading.

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

The fair value option provided for in IAS 39 permits an entity to designate financial assets not held for trading on initial recognition as financial assets measured at fair value, with changes in fair value recognized in profit or loss. This does not include equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. This voluntary designation may only be used in order to eliminate or significantly reduce a measurement or recognition inconsistency ("accounting mismatch"), if the financial instrument contains one or more embedded derivatives, or if a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis.

At CLAAS, the fair value option is applied provided a financial instrument contains one or more embedded derivatives. Financial instruments (particularly securities) may also be classified into this category if the internal management of the instrument in question is undertaken on a fair value basis. Financial instruments for which the fair value option is exercised are shown by product under the respective balance sheet item. Changes in the value of such items are included in the financial result shown on the income statement.

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

## Primary Financial Instruments

### Securities

The securities held by CLAAS are securities designated as at fair value through profit or loss as well as available-for-sale securities that are neither measured at fair value through profit or loss nor held to maturity. 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 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 principal amount. Adequate allowances are made for anticipated default risks. Reductions of trade receivables for impairment or uncollectibility are made directly or through the use of an allowance account. Impairment losses are recognized for trade receivables any time there is objective evidence of impairment as a result of financial difficulty on the part of the obligor, impending losses, or delinquency in payments or payment concessions granted by CLAAS. The decision as to whether the carrying amount of a receivable at risk of default should be reduced directly or through the use of an allowance account depends on the degree of reliability of the risk assessment. Such assessment is made by the individual portfolio managers. Non-interest-bearing receivables that are not expected to be collected within the normal payment cycle (usually one year) are discounted at the market interest rate in accordance with the maturity of the receivables. CLAAS sells a portion of its trade receivables to third parties, mostly via asset-backed securitization programs. These receivables are carried as assets on the balance sheet provided that the risks and rewards associated with the receivables – particularly credit risks and default risks – are not transferred.

Long-term construction contracts are reported in accordance with the percentage of completion method (POC method). The amount required to be capitalized is reported under receivables and also under net sales. 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 contract costs. Existing contracts are reviewed as of each reporting date to assess potential risks. In the case of anticipated losses, corresponding allowances or provisions are recognized.

**Cash and cash equivalents**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash to fulfill financial obligations and which are subject to an insignificant risk of changes in value. Since by definition cash equivalents may be sold at any time as part of liquidity management, CLAAS allocates cash equivalents to the “held-for-trading” category. Changes in fair value are recognized in net income from securities. Cash and cash equivalents as reported in the cash flow statement correspond to the same item in the balance sheet.

**Liabilities**

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

**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 under 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 is not recognized in income until the hedged item 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 value of a derivative and its underlying transaction 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 cases, 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 transaction is no longer expected to occur, the associated cumulative gains or losses that were recognized directly in equity are reclassified to the income statement.

**Inventories**

Inventories are measured at the lower of cost or net realizable value. Raw materials and consumables 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. Inventory risks that result from reduced marketability, as well as risks arising from an assessment of realizable sale prices, are taken into account by write-downs.

## Leases

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

## Pension Provisions

Pension 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 as of the balance sheet date, but also anticipated future salary and pension increases. The net cumulative unrecognized actuarial gains or losses as of the end of the previous reporting period that exceed the greater of 10% of the present value of the defined benefit obligation (before deducting plan assets) or 10% of the fair value of any plan assets are distributed over the expected average remaining working lives of the employees participating in the plan (the "corridor approach").

## Current and Deferred Income Taxes

Income tax provisions include current tax commitments. However, deferred taxes calculated in accordance with IAS 12 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 – depending on 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 will be able to be utilized against future tax gains or if their realization is limited in time.

## Other Provisions

Other provisions are recognized as of the balance sheet date for the Group's present obligations that have arisen as a result of a past event and are expected to result in an out-flow of future economic benefits and whose amount can be measured reliably. The provision amount corresponds to the best estimate of the probable settlement amount required to fulfill the obligation on the balance sheet date. Significant, non-current other provisions are discounted.

Other provisions relate in particular to warranty obligations of the CLAAS Group, with a differentiation being made between obligations based on planned service inspections and general warranties. Service inspections entail particular risk due to the fact that specific series defects are eliminated in the subsequent year through planned service packages. The provision requirement for service inspections is calculated centrally in accordance with uniform principles. The computation takes into account parameters such as assembly programs, unit numbers, as well as costs of materials and assembly per machine. Provisions for warranties are calculated based on average historical cost per machine type.

### Revenue Recognition

Revenue, interest income, and other operating income are recognized upon completion of delivery or service and transfer of risk to the customer. Only revenue from product sales occurring in the ordinary course of business is recognized as revenue.

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.

### Government Grants

Pursuant to IAS 20, a government grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attached to it, and that the grant will be received. Government grants not related to assets are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate. Grants related to assets are deducted in arriving at the carrying amount of the asset, and the grant is recognized as income over the life of a depreciable asset by way of a reduced depreciation charge.

## 6. Estimates and Management Judgments

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

At the time the consolidated financial statements were prepared, the assumptions and estimates were not subject to significant risks. Thus 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.

## 7. New Financial Reporting Standards

The following revised and supplemented or newly issued IFRSs and interpretations were required to be applied for the first time in the past fiscal year:

Standard/interpretation		Effective date	Adopted by the EU as of Sept. 30, 2010	Impact on CLAAS
IAS 23	Borrowing Costs	Jan. 1, 2009	Yes	Immaterial
IAS 27	Consolidated and Separate Financial Statements	July 1, 2009	Yes	None
IAS 32	Financial Instruments: Presentation (puttable instruments)	Jan. 1, 2009	Yes	None
IAS 39	Financial Instruments: Recognition and Measurement (eligible hedged items)	July 1, 2009	Yes	None
IFRS 1	First-time Adoption of IFRS	July 1, 2009	Yes	None
IFRS 1 / IAS 27	Cost of Investments in Subsidiaries, Jointly Controlled Entities, and Associates	Jan. 1, 2009	Yes	None
IFRS 2	Share-based Payment	Jan. 1, 2009	Yes	None
IFRS 3	Business Combinations	July 1, 2009	Yes	None
IFRS 7	Financial Instruments: Disclosures	Jan. 1, 2009	Yes	Expanded disclosures on fair value measurement of financial instruments
IFRS 8	Operating Segments	Jan. 1, 2009	Yes	Changed presentation of segment report
IFRIC 15	Agreements for the Construction of Real Estate	Jan. 1, 2009	Yes	None
IFRIC 17	Distributions of Non-cash Assets to Owner	July 1, 2009	Yes	None
IFRIC 18	Transfers of Assets from Customers	July 1, 2009	Yes	None
Improvements to IFRSs	Annual Improvement Project 2007–2009	Jan. 1 2010/ July 1, 2009*	Yes	None

\*Applies to changes to IFRS 2 and IAS 38

In addition, the IASB has published the following standards and interpretations that CLAAS has not applied early:

Standard/interpretation		Effective date	Adopted by the EU as of Sept. 30, 2010	Expected impact on CLAAS
IAS 24	Related Parties	Jan. 1, 2011	Yes	Immaterial
IAS 32	Financial Instruments: Presentation (Classification of Rights Issues)	Feb. 1, 2010	Yes	None
IFRS 1	Additional Exceptions for First-time Adopters of IFRS	Jan. 1, 2010	Yes	None
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010	Yes	None
IFRS 2	Share-based Payment	Jan. 1, 2010	Yes	None
IFRS 9	Financial Instruments: Revision and replacement of all existing standards (classification and measurement)	Jan. 1, 2013	No	May change classification and measurement of financial instruments
IFRIC 14 / IAS 19	Prepayments of a Minimum Funding Requirement	Jan. 1, 2011	Yes	None
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	Yes	None
Improvements to IFRSs	Annual Improvement Project 2008–2010	Jan. 1, 2011	No	None

## Notes to the Consolidated Income Statement

### 8. Net Sales

Net sales also include sales from long-term construction contracts that have been accounted for in accordance with the POC method. The amount to be capitalized from long-term construction contracts that cannot yet be billed is reported under receivables and recognized as sales. Sales accounted for using the POC method amounted to €58.5 million (previous year: €131.4 million) in the reporting period.

### 9. Cost of Sales

The cost of sales includes outgoing freight in the amount of €48.8 million (previous year: €56.2 million). This figure also includes materials costs of €1,561.5 million (previous year: €1,798.9 million).

### 10. Selling Expenses

Selling expenses comprise expenses for advertising and marketing activities, agent commissions, as well as personnel expenses and administrative materials costs of the sales division.

### 11. General and Administrative Expenses

General and administrative expenses include personnel expenses and materials costs of administration including depreciation. For the purpose of the consolidated financial statements, CLAAS regards the administrative expenses of its sales companies as selling expenses. These costs are not included in general and administrative expenses but are allocated to selling expenses.

### 12. Other Operating Income

in € '000	2010	2009
Income from the release of provisions	24,220	11,931
Income from pass-through costs	5,911	7,429
Gains on disposal of intangible assets and property, plant and equipment	4,019	3,305
Income from grants and subsidies	2,703	4,180
Income from the release of discounts and allowances for bad debts	1,598	1,936
Rental and lease income	384	254
Miscellaneous income	16,380	12,756
<b>Other operating income</b>	<b>55,215</b>	<b>41,791</b>

Other operating income includes a number of items from consolidated companies that are small in amount.



### 13. Other Operating Expenses

in € '000	2010	2009
Impairment losses on receivables and other assets	-5,703	-4,998
Part-time retirement costs	-3,038	-4,732
Other personnel expenses	-2,106	-2,664
Expenses for fees, charges, and insurance premiums	-1,344	-2,342
Losses on disposal of intangible assets and property, plant and equipment	-897	-902
Miscellaneous expenses	-41,063	-23,391
<b>Other operating expenses</b>	<b>-54,151</b>	<b>-39,029</b>

Miscellaneous expenses include restructuring expenses of €14.2 million (previous year: €4.5 million).

### 14. Financial Result

The financial result is made up of “income from investments,” “interest expense and income from securities, net,” and “other financial result.” At the balance sheet date, the financial result amounted to €-14.6 million (previous year: €-26.1 million).

#### Income from Investments

Income from investments amounts to €6.4 million (previous year: €5.9 million) and comprises income from both investments accounted for using the equity method and other investments. These two items are reported separately under the financial result.

#### Income from investments accounted for using the equity method, net

Income from investments accounted for using the equity method, net relates to earnings contributions from investments in associated companies and joint ventures.

in € '000	2010	2009
Income from investments accounted for using the equity method	8,211	6,952
Expenses for investments accounted for using the equity method	-2,565	-1,719
<b>Income from investments accounted for using the equity method, net</b>	<b>5,646</b>	<b>5,233</b>

#### Income from other investments, net

Income from other investments, net generally includes all income and expenses resulting from holding or selling investments that are neither fully consolidated nor accounted for using the equity method.

in € '000	2010	2009
Income from other investments	801	624
Impairment of other investments	-80	-
<b>Income from other investments, net</b>	<b>721</b>	<b>624</b>

## Interest Expense and Income from Securities, Net

in € '000	2010	2009
Interest expense	-36,920	-32,218
thereof: interest expense on non-current provisions	(-244)	(-224)
thereof: interest on finance lease payments	(-89)	(-86)
Profits transferred under a partial profit transfer agreement (CMG)	-1,952	-2,413
<b>Interest and similar expenses</b>	<b>-38,872</b>	<b>-34,631</b>
Interest income	15,664	15,887
Income from other securities and loans, net	-353	1,197
<b>Interest expense and income from securities, net</b>	<b>-23,561</b>	<b>-17,547</b>

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

Of the interest income, €14.6 million was attributable to financial instruments not measured at fair value (previous year: €12.8 million). Of the interest expenses, €36.9 million refer to financial instruments not measured at fair value (previous year: €31.3 million). Profits transferred under a partial profit transfer agreement (CMG) reflect payments based on Group net income with respect to the silent partnership held by CMG Claas-Mitarbeiterbeteiligungs-Gesellschaft mbH.

## Other Financial Result

in € '000	2010	2009
Miscellaneous financial expense	-4,055	-6,053
Miscellaneous financial income	294	40
Foreign exchange gains and losses, net	6,384	-8,416
<b>Other financial result</b>	<b>2,623</b>	<b>-14,429</b>

In fiscal year 2010, miscellaneous financial expense included €0.5 million (previous year: €1.4 million) in fees relating to financial instruments. In fiscal 2010, no impairment was recognized for financial assets (previous year: €2.9 million). The net foreign exchange gains in fiscal 2010 reflect, among other items, positive non-cash valuation effects arising from hedges entered into for the following year. The net foreign exchange gains also contain positive non-cash valuation effects from intragroup euro liabilities incurred by the Russian subsidiaries.

## 15. Income Taxes

in € '000	2010	2009
Domestic companies	-18,087	-42,455
Foreign companies	-11,878	-9,967
<b>Current income taxes</b>	<b>-29,965</b>	<b>-52,422</b>
Domestic companies	-2,238	-2,310
Foreign companies	6,525	15,869
<b>Deferred income taxes</b>	<b>4,287</b>	<b>13,559</b>
<b>Income taxes</b>	<b>-25,678</b>	<b>-38,863</b>

A tax rate of 29.0% (previous year: 29.0%) was assumed for temporary differences in the calculation of deferred taxes for domestic companies. The gross amounts of the deferred taxes result from temporary differences in various balance sheet items. In accordance with IAS 12, deferred tax assets and liabilities are offset provided they are from the same tax authority and refer to the same period. Therefore, the carrying amount of deferred taxes recognized on the balance sheet is the result of netting out the deferred taxes.

in € '000	Sept. 30, 2010		Sept. 30, 2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	1,271	27,911	2,032	29,029
Property, plant and equipment	4,846	11,049	5,440	11,041
Financial assets	498	77	302	4,221
Inventories	54,315	1,165	56,043	866
POC receivables	-	8,466	-	10,730
Other receivables and assets	4,887	4,571	5,787	4,523
Provisions	63,863	2,310	62,388	972
Liabilities	3,391	29,047	4,528	25,846
Loss carryforwards	7,734	-	4,386	-
Valuation allowance	-13,398	-	-13,398	-
<b>Gross amount</b>	<b>127,407</b>	<b>84,596</b>	<b>127,508</b>	<b>87,228</b>
Netting out	-82,577	-82,577	-86,464	-86,464
<b>Carrying amount</b>	<b>44,830</b>	<b>2,019</b>	<b>41,044</b>	<b>764</b>

Deferred net tax assets recognized directly in equity amounted to €0.2 million as of the reporting date (previous year: €2.8 million). Of this amount, €-0.4 million was attributable to unrealized gains and losses from securities (previous year: €2.1 million) and €0.6 million to derivative financial instruments (previous year: €0.7 million). No deferred tax liabilities were recognized for temporary differences related to investments in subsidiaries.

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 2010, the applicable tax rate was 29.0% (previous year: 29.0%) and consisted of the German domestic corporate income tax, the solidarity surcharge, and the municipal tax rate.

in € '000	2010	2009
Income before taxes	77,182	112,295
<b>Theoretical tax expense at 29.0% (previous year: 29.0%)</b>	<b>-22,383</b>	<b>-32,566</b>
Difference in foreign tax rates	2,820	596
Tax effects on		
aperiodic tax payments (-)/ credits (+)	439	-885
non tax-deductible expenses (-) and non-taxable income (+) and impact of unrealized offsetting/lack of offset possibilities	1,025	-6,757
associated companies accounted for using the equity method	1,637	1,506
revaluation of deferred taxes based on future tax rates	935	-369
other consolidation effects	686	-22
miscellaneous items	-10,837	-366
<b>Effective tax expense</b>	<b>-25,678</b>	<b>-38,863</b>
Effective tax rate in %	33.3	34.6

The tax loss carryforwards at Group level in the amount of €55.1 million (previous year: €14.1 million) may be carried forward until fiscal 2013 or later. Of this amount, €42.4 million (previous year: €11.2 million) was assessed as non-realizable. Due to lack of recoverability, a valuation allowance has been recognized for €14.1 million (previous year: €3.7 million) of deferred tax assets on loss carryforwards and €9.7 million (previous year: €9.7 million) of other deferred tax assets. The valuation allowance for deferred tax assets on loss carryforwards is included in miscellaneous items shown in the above table.

## 16. Earnings and Dividends per Share

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

	2010	2009
Net income attributable to the shareholders of CLAAS KGaA mbH (in € '000)	50,723	72,402
Number of shares as of Sept. 30 (in thousands)	3,000	3,000
Earnings per share (in €)	16.91	24.13

The proposed dividend for fiscal year 2010 is €6.50 per share. €5.20 per share was paid out from earnings for fiscal year 2009.

## Notes to the Consolidated Balance Sheet

### 17. Intangible Assets

in € '000	Concessions, industrial and similar rights and assets, and licen- ses in such rights	Goodwill	Payments made on account	Development costs recognized as an asset	Total
<b>Cost</b>					
<b>Balance as of Oct. 1, 2008</b>	<b>50,179</b>	<b>71,171</b>	<b>1,390</b>	<b>229,687</b>	<b>352,427</b>
Currency translation	-51	-	-	-	-51
Additions	3,896	50	385	25,779	30,110
Disposals	-925	-	-	-114,698	-115,623
Government grants	-	-	-	-428	-428
Reclassifications	1,779	-	-1,390	-	389
<b>Balance as of Sept. 30, 2009</b>	<b>54,878</b>	<b>71,221</b>	<b>385</b>	<b>140,340</b>	<b>266,824</b>
Currency translation	39	-	-	-	39
Changes in scope of consolidation	-452	-431	-	-	-883
Additions	3,171	119	44	25,656	28,990
Disposals	-6,577	-	-	-13,538	-20,115
Government grants	-	-	-	-576	-576
Reclassifications	449	-	-385	-	64
<b>Balance as of Sept. 30, 2010</b>	<b>51,508</b>	<b>70,909</b>	<b>44</b>	<b>151,882</b>	<b>274,343</b>
<b>Amortization/impairment</b>					
<b>Balance as of Oct. 1, 2008</b>	<b>35,956</b>	<b>59,945</b>	<b>-</b>	<b>129,910</b>	<b>225,811</b>
Currency translation	-46	-	-	-	-46
Additions (amortization)	5,548	-	-	20,371	25,919
Additions (impairment)	1,164	-	-	9,280	10,444
Disposals	-747	-	-	-114,698	-115,445
Government grants	-	-	-	-19	-19
<b>Balance as of Sept. 30, 2009</b>	<b>41,875</b>	<b>59,945</b>	<b>-</b>	<b>44,844</b>	<b>146,664</b>
Currency translation	30	-	-	-15	15
Changes in scope of consolidation	-365	-431	-	-	-796
Additions (amortization)	5,838	-	-	22,873	28,711
Additions (impairment)	2,294	-	-	5,397	7,691
Disposals	-6,577	-	-	-13,538	-20,115
Government grants	-	-	-	-25	-25
<b>Balance as of Sept. 30, 2010</b>	<b>43,095</b>	<b>59,514</b>	<b>-</b>	<b>59,536</b>	<b>162,145</b>
<b>Net carrying amount</b>					
<b>Balance as of Sept. 30, 2009</b>	<b>13,003</b>	<b>11,276</b>	<b>385</b>	<b>95,496</b>	<b>120,160</b>
<b>Balance as of Sept. 30, 2010</b>	<b>8,413</b>	<b>11,395</b>	<b>44</b>	<b>92,346</b>	<b>112,198</b>

The additions to intangible assets in the amount of €29.0 million primarily resulted from development costs recognized as an asset on the balance sheet. The ratio of development costs recognized as internally generated assets to total research and development costs (before recognition on the balance sheet) increased from 20.7% to 20.9%. By contrast, the amount of development costs recognized on the balance sheet decreased to €92.3 million (previous year: €95.5 million). 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 €125.2 million (previous year: €128.7 million).

in € '000	2010	2009	Change in %
Research and development costs (total)	-122,578	-124,796	-1.8
Development costs recognized as an asset	25,656	25,779	-0.5
Amortization/impairment of development costs recognized as an asset	-28,270	-29,651	-4.7
<b>Research and development expenses recognized in the income statement</b>	<b>-125,192</b>	<b>-128,668</b>	<b>-2.7</b>
R&D capitalization ratio (in %)*	20.9	20.7	

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

Derecognition of the cost of intangible assets amounted to €20.1 million (previous year: €115.6 million) and resulted above all from the derecognition of capitalized development costs.

Impairments of concessions, industrial and similar rights and assets, and licenses in such rights were recognized in the amount of €2.3 million (previous year: €1.2 million) and related to software. These impairment losses are reported under cost of sales.

The existing goodwill was attributable to the Agricultural Equipment division. The goodwill was tested for impairment in the fiscal year as part of the annual impairment test. As in the previous year, this did not lead to any impairment losses on the goodwill of individual cash-generating units.

For development costs recognized as an asset, 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 recognition of an impairment loss; total impairment losses amounted to €5.4 million (previous year: €9.3 million). The corresponding impairment losses were recognized as research and development expenses.

The impairment losses resulted from reduced cash flow forecasts and market-related changes in the cost of capital. The forecast assumptions were adjusted to reflect current circumstances and future market expectations, which led to correspondingly lower values in use.

## 18. Property, Plant and Equipment

Total depreciation/impairment of €47.8 million (previous year: €46.7 million) was recorded on property, plant and equipment in fiscal year 2010. This figure includes impairment losses of €0.1 million (previous year: €0.0 million).

For property, plant and equipment, impairment tests are performed on a case-by-case basis, i. e. whenever an indication of impairment exists. The impairment loss on technical equipment and machinery amounted to €0.1 million (previous year: €0.0 million). This impairment loss on property, plant and equipment is reported under cost of sales.

The net carrying amounts attributable to finance leases relate primarily to other equipment as well as to operating and office equipment.

The Group has secured a portion of its liabilities to insurance companies and banks by mortgages. The carrying amount of property, plant and equipment attributable thereto equaled €115.9 million (previous year: €116.6 million) as of the reporting date.

As of September 30, 2010, contractual obligations to purchase items of property, plant and equipment amounted to €1.6 million (previous year: €8.0 million).

Property, plant and equipment changed as follows in the year under review:

in € '000	Land, land rights and buildings including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Finance leases	Total
<b>Cost</b>						
<b>Balance as of Oct. 1, 2008</b>	<b>231,616</b>	<b>322,499</b>	<b>168,085</b>	<b>28,422</b>	<b>2,413</b>	<b>753,035</b>
Currency translation	-2,958	-1,774	-2,249	-234	-	-7,215
Additions	19,903	25,196	17,740	32,003	257	95,099
Disposals	-3,678	-9,565	-4,643	-	-1,097	-18,983
Reclassifications	11,093	9,896	4,283	-25,931	270	-389
<b>Balance as of Sept. 30, 2009</b>	<b>255,976</b>	<b>346,252</b>	<b>183,216</b>	<b>34,260</b>	<b>1,843</b>	<b>821,547</b>
Currency translation	2,203	1,617	801	51	-7	4,665
Changes in scope of consolidation	-2,338	-128	-753	-	-	-3,219
Additions	8,456	17,340	9,992	22,374	167	58,329
Disposals	-3,089	-15,826	-11,894	-939	-16	-31,764
Reclassifications	10,650	14,341	4,423	-29,605	127	-64
<b>Balance as of Sept. 30, 2010</b>	<b>271,858</b>	<b>363,596</b>	<b>185,785</b>	<b>26,141</b>	<b>2,114</b>	<b>849,494</b>
<b>Depreciation/impairment</b>						
<b>Balance as of Oct. 1, 2008</b>	<b>99,930</b>	<b>246,136</b>	<b>124,252</b>	<b>-</b>	<b>1,736</b>	<b>472,054</b>
Currency translation	-653	-903	-1,044	-	-	-2,600
Additions (depreciation)	6,489	27,244	12,784	-	175	46,692
Disposals	-2,894	-9,106	-4,347	-	-696	-17,043
Reclassifications	-49	49	-156	-	156	-
<b>Balance as of Sept. 30, 2009</b>	<b>102,823</b>	<b>263,420</b>	<b>131,489</b>	<b>-</b>	<b>1,371</b>	<b>499,103</b>
Currency translation	797	653	451	-	-304	1,597
Changes in scope of consolidation	-918	-107	-644	-	-	-1,669
Additions (depreciation)	7,155	27,396	13,046	-	147	47,744
Additions (impairment)	-	75	-	-	-	75
Disposals	-970	-15,341	-11,525	-	-16	-27,852
Reclassifications	15	-	-15	-	-	-
<b>Balance as of Sept. 30, 2010</b>	<b>108,902</b>	<b>276,096</b>	<b>132,802</b>	<b>-</b>	<b>1,198</b>	<b>518,998</b>
<b>Net carrying amount</b>						
<b>Balance as of Sept. 30, 2009</b>	<b>153,153</b>	<b>82,832</b>	<b>51,727</b>	<b>34,260</b>	<b>472</b>	<b>322,444</b>
<b>Balance as of Sept. 30, 2010</b>	<b>162,956</b>	<b>87,500</b>	<b>52,983</b>	<b>26,141</b>	<b>916</b>	<b>330,496</b>

## 19. Investments Accounted for Using the Equity Method and Other Investments

in € '000	Investments accounted for using the equity method	Other investments	Total
<b>Cost</b>			
<b>Balance as of Oct. 1, 2008</b>	<b>35,088</b>	<b>1,397</b>	<b>36,485</b>
Currency translation	-834	-30	-864
Additions	10,739	654	11,393
Disposals	-3,292	-149	-3,441
<b>Balance as of Sept. 30, 2009</b>	<b>41,701</b>	<b>1,872</b>	<b>43,573</b>
Currency translation	403	28	431
Additions	14,787	353	15,140
Disposals	-4,115	-	-4,115
<b>Balance as of Sept. 30, 2010</b>	<b>52,776</b>	<b>2,253</b>	<b>55,029</b>
<b>Impairment</b>			
<b>Balance as of Oct. 1, 2008</b>	<b>658</b>	<b>5</b>	<b>663</b>
<b>Balance as of Sept. 30, 2009</b>	<b>658</b>	<b>5</b>	<b>663</b>
Additions	-	80	80
<b>Balance as of Sept. 30, 2010</b>	<b>658</b>	<b>85</b>	<b>743</b>
<b>Net carrying amount</b>			
<b>Balance as of Sept. 30, 2009</b>	<b>41,043</b>	<b>1,867</b>	<b>42,910</b>
<b>Balance as of Sept. 30, 2010</b>	<b>52,118</b>	<b>2,168</b>	<b>54,286</b>

Additions to investments accounted for using the equity method relate to associated companies and joint ventures and also include their proportionate net income. Disposals relate primarily to derecognition of the investment in Harvest Machinery Ireland Ltd. and profit distributions from associates.

The following table summarizes the financial data on equity-accounted investments, whereby the figures are based on the entire investment and not the Group's share.

in € '000	2010	2009
<b>Revenues*</b>	<b>380,817</b>	<b>316,836</b>
<b>Income before taxes</b>	<b>17,272</b>	<b>9,185</b>
Non-current assets	41,590	42,621
Current assets	1,277,434	987,620
<b>Total assets</b>	<b>1,319,024</b>	<b>1,030,241</b>
Equity	136,244	108,570
Liabilities	1,182,780	921,671
<b>Total equity and liabilities</b>	<b>1,319,024</b>	<b>1,030,241</b>

\* Revenues include income and expenses, net, provided by financing activities of €30.3 million (previous year: €20.5 million).



## 20. Trade Receivables and Other Receivables and Assets

### Trade Receivables

The fair value of trade receivables is in principle identical to their carrying amount. In the year under review, this was €244.0 million (previous year: €246.3 million). There is no substantial risk of default. The average Days Sales Outstanding (DSO) is 53 days after adjustment for securitized receivables (previous year: 44 days).

### Other Current and Non-current Receivables and Assets

in € '000	Due			Due		
	within 1 year	after 1 year	Sept. 30, 2010	within 1 year	after 1 year	Sept. 30, 2009
Securities designated as at fair value through profit or loss	-	-	-	-	34,650	34,650
Other borrowings	-	1,273	1,273	-	1,072	1,072
Receivables from investments	9,366	-	9,366	11,536	-	11,536
POC receivables	29,193	-	29,193	37,932	-	37,932
Derivatives with a hedging relationship	6,471	1,080	7,551	7,834	205	8,039
Derivatives without hedging relationship	9,972	252	10,224	4,764	437	5,201
Prepaid expenses	7,307	-	7,307	5,615	-	5,615
Miscellaneous financial assets	52,365	1,396	53,761	69,754	501	70,255
Miscellaneous non-financial assets	26,710	2,344	29,054	41,422	1,460	42,882
<b>Other receivables and assets</b>	<b>141,384</b>	<b>6,345</b>	<b>147,729</b>	<b>178,857</b>	<b>38,325</b>	<b>217,182</b>

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

in € '000	Sept. 30, 2010	Sept. 30, 2009
Contract costs incurred	108,012	117,810
Recognized profits less recognized losses	19,350	5,784
<b>Gross amount due from customers for contract work</b>	<b>127,362</b>	<b>123,594</b>
Payments received on account	-98,169	-85,662
<b>POC receivables</b>	<b>29,193</b>	<b>37,932</b>

## 21. Inventories

in € '000	Sept. 30, 2010	Sept. 30, 2009
Raw materials and consumables	99,681	71,550
Work in progress	36,904	42,903
Finished goods and merchandise	349,261	461,433
Payments made on account	6,413	3,915
Payments received on account	-74,138	-60,464
<b>Inventories</b>	<b>418,121</b>	<b>519,337</b>

Impairment losses on inventories in the amount of €2.0 million (previous year: €5.9 million) were recognized in income.

## 22. Securities

The current securities amounting to €328.0 million (previous year: €227.8 million) are securities classified as available for sale as they are neither part of the trading portfolio nor held to maturity.

Unrealized losses in the amount of €0.1 million (previous year: gains of €0.1 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. In fiscal 2010, available-for-sale securities with a nominal value of €127.0 million (previous year: €47.1 million) were sold. This led to a transfer of changes in market value equaling €0.9 million (previous year: €-0.8 million) from equity to the income statement. Available-for-sale securities with a total value of €14.9 million (previous year: €12.6 million) are pledged as collateral in order to meet the legal requirements of Section 8a of the German Partial Retirement Act (AltTZG).

## 23. Cash and Cash Equivalents

Cash and cash equivalents are composed of checks, cash on hand, and bank balances as well as money market funds that fulfill the strict criteria for classification as cash equivalents. As of the balance sheet date, cash and cash equivalents amounted to €579.6 million (previous year: €449.3 million).

Cash and cash equivalents include proceeds from trade receivables transferred under the ABS programs in the amount of €13.1 million (previous year: €23.0 million) that are not freely disposable and are to be transferred to other contracting parties (cash held in trust).

## 24. Additional Disclosures on Equity

Amounts reported as subscribed capital and capital reserves in the consolidated financial statements correspond to the amounts in the separate financial statements of CLAAS KGaA mbH. The subscribed capital of CLAAS KGaA mbH is composed of 3 million no-par-value registered shares with voting rights. The 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.

Equity includes subordinated perpetual securities in the nominal amount of €80.0 million. CLAAS reported an equity value of €78.6 million for this equity instrument, net of issuance costs.

The consolidated statement of changes in equity is presented on page 65 of this report as a separate component of the financial statements.

## 25. Financial Liabilities

in € '000	Due			Due		
	within 1 year	after 1 year	Sept. 30, 2010	within 1 year	after 1 year	Sept. 30, 2009
Bond	29,293	117,173	146,466	-	136,808	136,808
Liabilities to insurance companies	-	-	-	1,500	-	1,500
Liabilities to banks	30,770	8,588	39,358	37,582	18,820	56,402
Schuldscheindarlehen	-	250,778	250,778	-	250,191	250,191
Shareholder loans	38,273	36,673	74,946	30,883	34,763	65,646
Lease payables	312	561	873	274	186	460
<b>Financial liabilities</b>	<b>98,648</b>	<b>413,773</b>	<b>512,421</b>	<b>70,239</b>	<b>440,768</b>	<b>511,007</b>

"Bond" refers to a US Private Placement in December 2002 in the amount of 200.0 million US dollars. The bond, which matures between 2010 and 2014, carries a coupon of 5.76% p. a.

Interest on liabilities to banks (maturing between 2011 and 2015) is charged at rates of between 2.29% and 5.90% p. a. Of the liabilities to banks, €0.1 million are secured by real estate liens (previous year: €3.5 million). In addition, the CLAAS Group has other collateral assignments for liabilities to banks in the amount of €26.1 million (previous year: €29.8 million).

The Schuldscheindarlehen comprises four tranches falling due in 2012 and 2015. Two of the tranches have fixed interest rates and two have variable interest rates. As of the reporting date, the interest rates ranged between 3.10% and 6.04% p. a.

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

## Silent Partnership

The silent partnership of the employee participation company, CMG Claas-Mitarbeiterbeteiligungs-Gesellschaft mbH, is compensated on the basis of performance and is considered subordinated in the event of liability. Pursuant to IFRS, any repayable capital transferred is classified as a financial liability.

In return for its subordinated capital contribution, CMG receives compensation that is based on the performance of the CLAAS Group. CMG also shares in any Group losses. A total of €2.5 million of the silent partnership can be terminated as of September 30, 2011; additional termination rights for €14.1 million apply between 2012 and 2015.

## 26. Trade Payables and Other Liabilities

### Trade Payables

The fair value of trade payables is in principle identical to their carrying amounts. In the year under review, this was €131.8 million (previous year: €91.4 million).

### Other Current and Non-current Liabilities

in € '000	Due		Sept.30, 2010	Due		Sept.30, 2009
	within 1 year	after 1 year		within 1 year	after 1 year	
Liabilities from bills of exchange accepted and drawn	3,724	-	3,724	5,059	-	5,059
Payments received on account	37,817	-	37,817	9,031	-	9,031
Liabilities to investments	11,168	-	11,168	6,737	-	6,737
Derivatives with a hedging relationship	12,146	48,270	60,416	122	71,396	71,518
Derivatives without hedging relationship	845	887	1,732	1,151	730	1,881
Miscellaneous financial liabilities	31,461	895	32,356	29,083	1,032	30,115
Miscellaneous non-financial liabilities	42,127	2,228	44,355	49,092	286	49,378
<b>Other liabilities</b>	<b>139,288</b>	<b>52,280</b>	<b>191,568</b>	<b>100,275</b>	<b>73,444</b>	<b>173,719</b>

Payments received on account refer to construction contracts, which are accounted for using the POC method.

## 27. Pension Provisions

CLAAS maintains several defined benefit pension plans for the purpose of providing retirement benefits. These consist primarily of direct commitments to employees in Germany and, to a lesser extent, to employees in France, Italy, and India. There are also three funded plans in Germany, two funded plans in France, and one funded plan in the United Kingdom.

Retirement benefits for persons employed in Germany include both defined benefit pension plans and defined contribution pension plans. Expenses for these plans amounted to €0.3 million in fiscal 2010 (previous year: €0.3 million). In addition, contributions in the amount of €22.0 million (previous year: €23.4 million) were made to national pension insurance institutions in Germany.

For employees in the US, retirement benefits are provided on the basis of contributions to pension funds. After paying these contributions, CLAAS has no further benefit obligations. The sum of the defined contribution pension expenses amounted to €0.4 million in fiscal 2010 (previous year: €0.4 million).

Under the defined benefit pension plans implemented at CLAAS, the Company undertakes to comply with its pension obligations toward active and former employees. The pension provision that covers benefit obligations under defined benefit plans 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 retirement pensions, which are paid in part as basic and in part as supplementary benefits. Pension obligations are normally based on the employees' length of service and remuneration levels.

Pension 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 as of the balance sheet date, but also anticipated future salary and pension increases. The plan assets are measured as of September 30. The cut-off date for the other plans is also September 30. The obligations are calculated using the "corridor approach": the cumulative unrecognized actuarial gains or losses as of the end of the previous reporting period that exceed the greater of 10% of the present value of the defined benefit obligation (before deducting plan assets) or 10% of the fair value of any plan assets are distributed over the expected average remaining working lives of the employees participating in the plan.

In the year under review, calculations were based on the iBoxx index for industrial corporate bonds, using a discount rate of 3.6% p. a. (previous year: 5.0% p. a.), future salary increases of 3.0% p. a. (previous year: 3.0% p. a.), and pension increases of 2.0% p. a. (previous year: 2.0% p. a.). These assumptions relate to employees working in Germany, for whom the predominant part of the pension obligations exists. Different country-specific assumptions must be used for employees engaged in other countries.

With regard to the fund-financed obligations of the British subsidiary CLAAS Holdings Ltd., the company's investment guidelines are adhered to when investing plan assets. Accordingly, an excess of fund assets over defined benefit obligations should be permanently maintained, and unnecessary fluctuations in contributions to plan assets are to be avoided. With respect to investment strategy, the focus is on sufficient diversification in order to distribute investment risk over a variety of markets and asset classes. 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 allocation 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 United Kingdom securities.

Pension obligations recognized in the balance sheet changed as follows:

in € '000	Sept. 30, 2010	Sept. 30, 2009
Present value of funded benefit obligations	43,084	35,685
Fair value of plan assets	-45,775	-38,268
<b>Funded status of funded benefit obligations</b>	<b>-2,691</b>	<b>-2,583</b>
Present value of unfunded benefit obligations	224,045	179,316
Unrecognized past service cost (-)/return (+)	-237	-337
Unrecognized actuarial losses (-)/gains (+)	-47,246	-5,312
Unrecognized amount due to asset ceiling as defined in IAS 19	3	6
<b>Net pension liability recognized in the balance sheet</b>	<b>173,874</b>	<b>171,090</b>
thereof: pension provisions	175,843	172,295
thereof: miscellaneous non-financial assets	-1,969	-1,205

The present value of funded and unfunded benefit obligations changed as follows:

in € '000/fiscal year	2010	2009
<b>Benefit obligations at beginning of year</b>	<b>215,001</b>	<b>190,374</b>
Current service cost	6,050	4,869
Interest cost	10,844	10,964
Past service cost (+)/return (-)	-	-1,473
Actuarial losses (+)/gains (-)	45,106	22,451
Losses (+)/gains (-) from plan curtailments	-2,534	-
Actual pension payments	-9,790	-8,687
Currency translation	1,780	-4,198
Other	672	701
<b>Benefit obligations at end of year</b>	<b>267,129</b>	<b>215,001</b>

In fiscal 2011, pension payments of €8.5 million are anticipated.

The following table shows the change in fair value of plan assets:

in € '000/fiscal year	2010	2009
<b>Fair value of plan assets at beginning of year</b>	<b>38,268</b>	<b>37,335</b>
Expected return (+)/loss (-) on plan assets	2,556	2,385
Actuarial losses (-)/gains (+)	2,826	3,005
Employer contributions	681	752
Employee contributions	678	701
Actual pension payments	-1,279	-1,036
Currency translation	2,045	-4,874
<b>Fair value of plan assets at end of year</b>	<b>45,775</b>	<b>38,268</b>

In fiscal 2011, the employer contribution to plan assets is expected to amount to €0.6 million.

Plan assets are composed of the following:

in %	Sept. 30, 2010	Sept. 30, 2009
Equities	60.4	64.0
Bonds	31.9	32.2
Cash and cash equivalents	0.5	0.9
Other	7.2	2.9

The weighted long-term return on investment of the funds is expected to amount to 6.0% p. a. (previous year: 6.4% p. a.) and is primarily attributable to the funded plan in the United Kingdom. The return on plan assets is calculated separately depending on investment category. For the equity portfolio, the current dividend yield of the FTSE All-Share Index plus the inflation rate and the long-term real dividend growth rate is used (6.8% p. a.). For the bond portfolio, return targets are based on a discount rate of 3.5% p. a. This factor is established by using an index of corporate bonds quoted in British pounds with AA ratings and terms of at least 15 years. For cash and cash equivalents, a short-term money market interest rate is used (0.5% p. a.).

Pension expenses for funded and unfunded plans are analyzed as follows:

in € '000	2010	2009
Current service cost	6,050	4,869
Interest cost	10,844	10,964
Recognized past service cost (+)/return (-)	101	-65
Recognized actuarial losses (+)/gains (-)	134	-87
Losses (+)/gains (-) from plan curtailments	-2,534	-
Expected return on plan assets	-2,556	-2,385
Other pension expenses	1	1
<b>Pension expenses</b>	<b>12,040</b>	<b>13,297</b>

Pension provisions are derived from unfunded pension obligations and the deficit in funded pension obligations:

in € '000	Sept. 30, 2010	Sept. 30, 2009
Provisions for unfunded benefit obligations	173,150	169,832
Deficit related to funded benefit obligations	2,693	2,463
Miscellaneous non-financial assets	-1,969	-1,205
<b>Net pension liability recognized in the balance sheet</b>	<b>173,874</b>	<b>171,090</b>

The following table depicts adjustments made from experience, i. e. the effects of differences between the expected pension obligations and plan assets based on previous actuarial assumptions and those actually incurred.

in € '000	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2006
Present value of benefit obligations	267,129	215,001	190,374	205,210	210,602
thereof: experience adjustments	(3,632)	(1,164)	(11,603)	(-1,636)	(-618)
Fair value of plan assets	45,775	38,268	37,335	48,976	43,962
thereof: experience adjustments	(2,833)	(2,892)	(-8,091)	(3,466)	(932)
Funded status	221,354	176,733	153,039	156,234	166,640

## 28. Income Tax Provisions and Other Provisions

in € '000	Income tax provisions	Other provisions			Total other provisions	Total
		Personnel commitments	Sales obligations	Miscellaneous obligations		
<b>Balance as of Oct. 1, 2009</b>	<b>20,315</b>	<b>127,891</b>	<b>279,323</b>	<b>28,989</b>	<b>436,203</b>	<b>456,518</b>
Changes in scope of consolidation	-18	-1,126	-1,321	-48	-2,495	-2,513
Utilization	-8,204	-96,141	-146,804	-10,037	-252,982	-261,186
Reversals	-2,344	-1,717	-37,825	-4,228	-43,770	-46,114
Additions	4,547	86,605	171,227	9,826	267,658	272,205
Interest/change in interest rate	-	-	137	107	244	244
Currency translation	394	367	3,181	157	3,705	4,099
<b>Balance as of Sept. 30, 2010</b>	<b>14,690</b>	<b>115,879</b>	<b>267,918</b>	<b>24,766</b>	<b>408,563</b>	<b>423,253</b>
thereof: non-current	-	30,825	14,942	3,861	49,628	49,628
thereof: current	14,690	85,054	252,976	20,905	358,935	373,625

A total of €19.6 million (previous year: €24.3 million) of the reversals is reported as functional costs.

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, and other sales-generating measures.



## Other Disclosures

### 29. Contingent Liabilities and Other Financial Obligations

Minimum lease payments become due as follows:

in € '000	Finance leases		Operating leases	
	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2010	Sept. 30, 2009
Due within 1 year	365	324	26,528	29,938
Due within 1 to 5 years	544	361	28,627	29,374
Due after 5 years	-	-	4,112	4,711
<b>Principal amount of minimum lease payments</b>	<b>909</b>	<b>685</b>	<b>59,267</b>	<b>64,023</b>
Interest	-36	-225		
<b>Present value of minimum lease payments</b>	<b>873</b>	<b>460</b>		

Rental and lease expenses amounted to €34.7 million in fiscal year 2010 (previous year: €32.0 million). Lease payments received under non-cancelable sublease agreements amounted to €18.1 million as of the reporting date, and proceeds from future minimum lease payments amount to €14.6 million.

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

No provisions were recognized for the contingent liabilities from bills of exchange and guarantees, which are stated at their nominal amount of €18.3 million (previous year: €29.5 million) since the likelihood of risk is considered low.

As of September 30, 2010, other financial commitments amounted to €83.5 million (previous year: €2.0 million) and mainly consisted of purchase obligations for raw materials and consumables.

### 30. Litigation and Damage Claims

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

## 31. Financing Commitments

in € million	Term			Sept. 30, 2010	Term			Sept. 30, 2009
	less than 1 year	1 to 5 years	more than 5 years		less than 1 year	1 to 5 years	more than 5 years	
Bond	29.3	117.2	-	146.5	-	109.4	27.4	136.8
Syndicated loans	-	250.0	-	250.0	-	250.0	-	250.0
Credit facilities from banks and insurance companies	301.5	13.0	-	314.5	193.9	91.5	-	285.4
Schuldscheindarlehen	-	250.0	-	250.0	-	153.5	96.5	250.0
<b>Financing commitments</b>	<b>330.8</b>	<b>630.2</b>	<b>-</b>	<b>961.0</b>	<b>193.9</b>	<b>604.4</b>	<b>123.9</b>	<b>922.2</b>

## 32. Asset-Backed Securities

During fiscal 2010, CLAAS transferred trade receivables on a revolving basis in connection with ABS programs. The maximum possible transfer volume amounted to €132.2 million in the year under review (previous year: €250.1 million). Due to seasonal fluctuations, the volume of receivables transferred varies during the course of the year. At the end of the fiscal year, the volume of the receivables transferred amounted to €119.4 million (previous year: €128.2 million). The receivables transferred under the ABS programs in the US and Europe are derecognized in accordance with IAS 39.18b, since CLAAS assumes a contractual obligation to pay the cash flows received ("pass-through arrangement").

The partially retained risk of default leads 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 amounted to €12.0 million as of September 30, 2010 (previous year: €11.1 million). The liabilities to banks related to the ABS programs amounted to €13.1 million (previous year: €23.0 million).

### 33. Additional Disclosures on Financial Instruments

#### Carrying Amounts and Fair Values

in € '000	Note	Sept. 30, 2010		Sept. 30, 2009	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss					
Non-current securities designated as at fair value through profit or loss	(20)	-	-	34,650	34,650
Cash equivalents held for trading	(23)	110,675	110,675	159,054	159,054
Derivatives without hedging relationship	(20)	10,224	10,224	5,201	5,201
Loans and receivables					
Trade receivables	(20)	244,009	244,009	246,292	246,292
Other borrowings	(20)	1,273	1,273	1,072	1,072
Receivables from investments	(20)	9,366	9,366	11,536	11,536
Miscellaneous financial assets	(20)	53,761	53,761	70,255	70,255
Cash	(23)	468,947	468,947	290,289	290,289
Available-for-sale financial assets					
Available-for-sale securities	(22)	328,032	328,032	227,836	227,836
Other investments	(19)	2,168	2,168	1,867	1,867
Derivatives with a hedging relationship	(20)	7,551	7,551	8,039	8,039
<b>Financial assets</b>		<b>1,236,006</b>	<b>1,236,006</b>	<b>1,056,091</b>	<b>1,056,091</b>
Financial liabilities at fair value through profit or loss					
Derivatives without hedging relationship	(26)	1,732	1,732	1,881	1,881
Financial liabilities measured at amortized cost					
Financial liabilities (excluding lease payables)	(25)	511,548	536,073	510,547	533,661
Silent partnership	(25)	27,060	27,060	25,334	25,334
Trade payables	(26)	131,752	131,752	91,352	91,352
Liabilities from bills of exchange accepted and drawn	(26)	3,724	3,724	5,059	5,059
Liabilities to investments	(26)	11,168	11,168	6,737	6,737
Miscellaneous financial liabilities	(26)	32,356	32,356	30,115	30,115
Lease payables	(25)	873	873	460	460
Derivatives with a hedging relationship	(26)	60,416	60,416	71,518	71,518
<b>Financial liabilities</b>		<b>780,629</b>	<b>805,154</b>	<b>743,003</b>	<b>766,117</b>

The fair values of trade receivables, other borrowings, receivables from investments, miscellaneous financial assets, cash, trade payables, liabilities from bills of exchange accepted and drawn, liabilities to investments, and miscellaneous financial liabilities correspond more or less to their carrying amounts. The main reason for this is the short time to maturity of these instruments.

The financial instruments designated as financial assets or financial liabilities at fair value through profit or loss, and available-for-sale financial assets are measured and recognized at fair value. Other investments designated as available-for-sale financial assets are not measured at fair value as their cash flows cannot be reliably determined, and the fair value cannot be derived on the basis of comparable transactions. These investments are not material in view of the Group's overall holdings. Other investments comprise shares in corporations not listed on a stock exchange and upon which CLAAS KGaA mbH does not have significant influence. It is not planned to sell these investments in the near future. With regard to the silent partnership, the fair value cannot be reliably determined, for which reason the carrying amount is reported in this case.

### Fair Value Hierarchy

The fair values of financial assets and financial liabilities measured at fair value may be determined based on the following basic data in accordance with the fair value hierarchy, with the individual measurement levels defined as follows in IFRS 7:

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

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

in € '000	Sept. 30, 2010			Sept. 30, 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current securities designated as at fair value through profit or loss	-	-	-	34,650	-	-
Cash equivalents held for trading	110,675	-	-	159,054	-	-
Derivatives without hedging relationship	-	10,224	-	-	5,201	-
Available-for-sale securities	328,031	-	-	227,836	-	-
Derivatives with a hedging relationship	-	7,551	-	-	8,039	-
<b>Financial assets at fair value through profit or loss</b>	<b>438,706</b>	<b>17,775</b>	<b>-</b>	<b>421,540</b>	<b>13,240</b>	<b>-</b>
Derivatives without hedging relationship	-	1,732	-	-	1,881	-
Derivatives with a hedging relationship	-	60,416	-	-	71,518	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>62,148</b>	<b>-</b>	<b>-</b>	<b>73,399</b>	<b>-</b>

## Net Gains and Losses

The net gains and losses of the financial instruments recognized in the income statement are shown in the following table, broken down into the IAS 39 categories:

in € '000	2010	2009
Financial assets or financial liabilities at fair value through profit or loss		
Securities designated as at fair value through profit or loss	-	1,062
Derivatives without hedging relationship	2,937	4,288
Loans and receivables	-7,248	-482
Available-for-sale financial assets	-352	-2,745
Financial liabilities measured at amortized cost	6,298	-14,341
<b>Net gains and losses on financial instruments</b>	<b>1,635</b>	<b>-12,218</b>

The net gains and losses on financial assets or financial liabilities at fair value through profit or loss include foreign exchange gains and losses, gains or losses arising from a change in fair value, and gains or losses from the disposal of the asset.

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

The net gains and losses of available-for-sale financial assets contain foreign exchange gains and losses, gains or losses from the disposal of the asset, impairment recognized in profit or loss, and any write-ups. The net gains and losses from available-for-sale financial assets recognized directly in equity are reported in Note 22.

The net gains and losses of financial liabilities measured at amortized cost arise from foreign exchange gains and losses or from derecognition of the liability.

## 34. Financial Risk Management

### Principles of Risk Management

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

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

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

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

CLAAS pursues strict risk management. Derivative financial instruments are used exclusively for risk management purposes, i. e. to limit and govern risk related to business operations. The execution, control, and recording of transactions are strictly segregated in terms of physical 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 and analyzed by means of suitable systems. The analysis includes simulations and scenario calculations. The competent executive bodies are informed regularly of risk exposure. Certain finance management transactions must be approved by the Group Executive Board and/or the Shareholders' Committee.

### **Credit Risk**

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

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

with the customer. CLAAS uses internal guidelines to manage credit risk arising from trade receivables. The risk of default is taken account of through allowance accounts used to record individual or portfolio-based impairments. The portfolio is analyzed on an ongoing basis in order to ensure that any concentration of risk is identified and assessed promptly. No single client exceeded the level of 2.5% (previous year: 4.5%) of the Group's total trade receivables.

There were no indications either during the course of the fiscal year or as of the balance sheet date that the obligors of trade receivables that are neither impaired nor past due would not meet their payment obligations. According to an internal review of credit quality, 89.1% (previous year: 97.1%) of trade receivables are classified as low risk.

The following table contains information on credit risk arising on trade receivables:

in € '000	Sept. 30, 2010	Sept. 30, 2009
Neither past due nor impaired	184,723	199,647
Not impaired but past due as per the following time frames		
up to 30 days	23,809	13,880
31 to 60 days	7,820	6,515
61 to 90 days	5,092	3,751
more than 90 days	17,703	17,028
Trade receivables adjusted individually for impairment	4,862	5,471
<b>Trade receivables</b>	<b>244,009</b>	<b>246,292</b>

The collateral held for the purpose of minimizing potential credit risk consists primarily of credit insurance, guarantees from customers or banks, and, in some cases, retentions of title. For the most part, CLAAS has set aside collateral for trade receivables past due or impaired. This consists mainly of credit insurance, guarantees, and renewed retentions of title. In fiscal 2010, credit insurance was called on in one particular case.

The carrying amount of renegotiated receivables amounted to €0.8 million (previous year: €9.4 million) as of the balance sheet date. The amount of interest income received on impaired financial assets was insignificant.

The following table shows the change in impairment of trade receivables:

in € '000	2010	2009
<b>Impairment at beginning of year</b>	<b>12,053</b>	<b>9,856</b>
Changes in scope of consolidation	-478	-
Utilization	-1,874	-863
Reversal of /addition to impairment loss, net	4,360	3,116
Currency translation	147	-56
<b>Impairment at end of year</b>	<b>14,208</b>	<b>12,053</b>

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

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

### Liquidity Risk

The CLAAS Group employs a number of measures to effectively meet liquidity risk. In so doing, liquidity management places top priority on the absolute necessity of ensuring solvency at all times. Liquidity management also aims for a comfortable and cost-efficient liquidity position that will allow the Group to react adequately to opportunities in a dynamic market environment. To meet these goals, value is placed on maintaining sufficient financing commitments (see Note 31) and cash and cash equivalents (see Note 23) as well as on the ABS programs (see Note 32) and international cash management. Future liquidity requirements are projected on a regular basis as part of the financial planning process. This process consists of a rolling three-month forecast, an annual forecast, and a five-year forecast. In addition, the situation with regard to financing conditions for CLAAS on the financial markets is monitored on an ongoing basis to enable any refinancing risk to be countered promptly and proactively.

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

in € '000/Sept.30, 2010	2011	2012	2013	2014	2015	from 2016	Total
Financial liabilities	120,955	204,734	42,944	37,573	132,370	52,021	590,597
Silent partnership	2,526	1,405	2,274	2,638	7,794	10,423	27,060
Trade payables	131,752	-	-	-	-	-	131,752
Liabilities from bills of exchange accepted and drawn	3,724	-	-	-	-	-	3,724
Liabilities to investments	11,168	-	-	-	-	-	11,168
Derivatives without hedging relationship	845	-	-	-	887	-	1,732
Derivatives with a hedging relationship	16,584	15,382	13,650	13,021	12,404	-	71,041
Miscellaneous financial liabilities	31,461	895	-	-	-	-	32,356
<b>Payments due</b>	<b>319,015</b>	<b>222,416</b>	<b>58,868</b>	<b>53,232</b>	<b>153,455</b>	<b>62,444</b>	<b>869,430</b>



in € '000/Sept. 30, 2009	2010	2011	2012	2013	2014	from 2015	Total
Financial liabilities	92,193	57,305	204,241	41,321	35,886	180,143	611,089
Silent partnership	2,377	1,352	1,429	2,320	2,687	15,169	25,334
Trade payables	91,352	-	-	-	-	-	91,352
Liabilities from bills of exchange accepted and drawn	5,059	-	-	-	-	-	5,059
Liabilities to investments	6,737	-	-	-	-	-	6,737
Derivatives without hedging relationship	1,637	812	1,188	-	-	707	4,344
Derivatives with a hedging relationship	5,476	17,906	17,413	15,860	15,119	14,379	86,153
Miscellaneous financial liabilities	29,082	67	-	-	-	966	30,115
<b>Payments due</b>	<b>233,913</b>	<b>77,442</b>	<b>224,271</b>	<b>59,501</b>	<b>53,692</b>	<b>211,364</b>	<b>860,183</b>

Liabilities from financial guarantees were recognized in the amount of €0.2 million as of September 30, 2010 (previous year: €0.3 million). With respect to their maturity dates, each of the respective aggregate amounts was allocated to the first subsequent year. The maximum risk in the event of utilization amounts to €5.8 million (previous year: €9.1 million). The fair value was calculated as of the date of addition using the "expected value" method, taking into account credit risk reductions (liquidation proceeds) and risks that could arise on the basis of default probabilities ranging from 3% to 15% (previous year: 3% to 15%).

## Market Risk

### Currency risk

Due to the international scope of its business activities, the CLAAS Group is subject to currency risk. Currency risk is incurred primarily in the course of carrying out operating business activities as well as in connection with finance transactions and capital expenditure. Exchange rate fluctuations may therefore lead to undesired and unforeseeable volatility in earnings or cash flows. To effectively counter the effect of exchange rate fluctuations, CLAAS pursues central currency management under the purview of the Group treasury department. Operational transaction risk traditionally arises when the currency in which sales are realized differs from the currency in which the costs are incurred. At CLAAS, currency risk arises mainly with respect to US dollars, Hungarian forints, British pounds, and Polish zlotys against the euro as the Group's presentation currency.

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

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

The following scenario analysis indicates the value of the derivative portfolio used to hedge currency risk in the event of a 10% increase or 10% decrease in the value of the hedging portfolio in comparison with the actual exchange rates on the balance sheet date. The figures are presented separately depending on whether the items are recognized in equity (via hedge accounting) or at fair value through profit or loss. The (future) underlying items that the derivative portfolio is intended to hedge are not included in the presentation pursuant to IFRS 7. Any conclusions made on the basis of the information presented here relate exclusively to derivative financial instruments. The values stated are not meaningful for determining the overall future effect of exchange rate fluctuations on the cash flows or earnings of the CLAAS Group. In addition to the analysis made here of the fair value risk inherent in currency derivatives, internal risk management and the information provided regularly to the competent executive bodies are based above all on meaningful scenario analyses of the total risk position, which take account of both the underlying items and the hedge portfolio.

in € '000	Sept. 30, 2010		Sept. 30, 2009	
	Equity	Profit or loss	Equity	Profit or loss
<b>Actual fair value</b>	<b>-51,154</b>	<b>9,047</b>	<b>-62,706</b>	<b>3,687</b>
<b>Fair value in the event of an exchange rate increase of 10%</b>	<b>-54,292</b>	<b>26,173</b>	<b>-66,937</b>	<b>21,122</b>
US dollar	-63,394	17,927	-76,425	15,761
British pound	8,347	7,865	10,627	5,983
Polish zloty	1,530	1,012	-	-
Hungarian forint	-775	-731	-1,139	-1,070
Other	-	100	-	448
<b>Fair value in the event of an exchange rate decrease of 10%</b>	<b>-45,650</b>	<b>-11,282</b>	<b>-55,295</b>	<b>-15,890</b>
US dollar	-43,342	-5,815	-56,533	-14,619
British pound	-2,332	-4,328	-1,179	-3,125
Polish zloty	-2,096	-2,257	-	-
Hungarian forint	2,120	1,082	2,417	1,311
Other	-	36	-	543

In addition to transaction-based currency risk, currency translation risk arises from assets and liabilities of subsidiaries outside of the euro region. Balance sheet items are translated from the local currency of the subsidiary into euros, the Group's functional currency, as part of the consolidation process. Exchange rate fluctuations may lead to changes in value that are recognized in Group equity. Although these long-lasting effects are calculated and analyzed on an ongoing basis, they are generally not hedged as the underlying items are of a permanent nature.

#### Interest rate risk

CLAAS is generally exposed to interest rate risk on assets and liabilities. Such risk may arise on financial instruments such as bonds or liabilities to banks or due to the effects of interest rate changes on operating and strategic liquidity. Transactions relating to initial capital procurement and capital investment as well as the subsequent management of the positions in line with targets such as maturity date and the length of time for

which interest rates are fixed are undertaken centrally for the entire Group by the treasury department, in coordination with the competent executive bodies. Interest rate derivatives are also used to manage risk. These positions are recognized at their fair values and continuously monitored on a fair value basis. The resulting risk is measured by means of value-at-risk analyses, among other things.

Value at risk is measured using Monte Carlo simulation, assuming a confidence level of 99% and a holding period of 10 days. The resulting figure represents the loss in market value of the portfolio of all interest-sensitive instruments, with a probability of only 1% that the figure obtained will be exceeded after 10 days. Currency derivatives are not included, as any interest-related changes they may be exposed to are insignificant. As of the balance sheet date, the value at risk of all interest-sensitive financial instruments amounted to €1.1 million (previous year: €1.3 million).

#### **Commodity price risk**

CLAAS is subject to the risk of changes in commodity prices arising from the procurement of input materials. To a minor extent, derivative financial instruments are used to hedge the risk of changes in the price of industrial metals. The net fair value of commodity derivatives amounted to €0.1 million at the balance sheet date (previous year: €0.2 million). The resulting risk is thus insignificant, for which reason the risk ratios have not been presented here.

### 35. Derivative Financial Instruments and Hedge Accounting

CLAAS uses financial derivatives for risk management purposes (see Note 34). Currency hedging transactions serve to hedge receivables and payables denominated in foreign currencies and planned future transactions. Where possible, items are netted out. Interest rate derivatives serve to hedge the interest rate risk inherent in asset and liability positions. In addition, derivatives are also used to a limited extent to hedge the risk of increasing commodity prices. The commodity derivatives used serve primarily to hedge against price fluctuations in industrial metals.

For the purposes of hedge accounting, some of the forward exchange contracts, foreign currency options, and other currency hedging instruments are classified as cash flow hedges. These are used to hedge against variable future cash flows from long-term liabilities with terms extending until 2015 as well as future operating cash flows denominated in foreign currency with terms of generally 12 months, and in no case more than 18 months. The hedges of future operating cash flows denominated in foreign currency mainly impact profit or loss in the following fiscal year. Changes in the fair value of the derivatives are recorded in equity. In fiscal 2010, €-1.5 million was recorded in equity (previous year: €-1.7 million). Reclassification to the income statement was undertaken in the amount in which the underlying transaction was realized in the period under review. The reclassification was made to foreign exchange gains and losses. In fiscal 2010, €3.8 million (previous year: €3.2 million) was transferred to "other financial result" based on currency hedging transactions. In the year under review, hedge ineffectiveness of €0.2 million on cash flow hedges with options (time value portion) was recognized in profit or loss (previous year: €0.2 million).

CLAAS has taken out interest rate swaps that are designated as fair value hedges. The hedges qualify for hedge accounting, in which the offsetting effects on profit or loss of changes in the fair values of the interest rate derivatives and the hedged item are recognized. In the fiscal year under review, the net interest expense included €0.8 million in gains or losses arising from changes in the fair value of the hedging instrument (previous year: €0.1 million) and €-0.8 million in gains or losses arising from remeasurement of the hedged items (previous year: €-0.2 million).

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

in € '000	Sept. 30, 2010		Sept. 30, 2009	
	Fair value of assets	Fair value of liabilities	Fair value of assets	Fair value of liabilities
Forward exchange transactions	3,468	814	5,247	121
Foreign currency options	3,066	-	2,587	-
Other currency hedging instruments	-	56,879	-	70,418
Interest rate swaps	1,017	2,723	205	979
<b>Derivatives with a hedging relationship</b>	<b>7,551</b>	<b>60,416</b>	<b>8,039</b>	<b>71,518</b>
<b>Derivatives without hedging relationship</b>	<b>10,224</b>	<b>1,732</b>	<b>5,201</b>	<b>1,881</b>
<b>Total</b>	<b>17,775</b>	<b>62,148</b>	<b>13,240</b>	<b>73,399</b>

### 36. Management of Capital

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

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

### 37. Additional Disclosures on the 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 €0.9 million (previous year: €1.6 million); non-cash profit contributions from the application of the equity method were eliminated. Non-cash additions to non-current assets were made in the amount of €0.2 million (previous year: €0.3 million). Interest paid was €36.3 million (previous year: €34.1 million), and interest received amounted to €8.4 million (previous year: €8.6 million). Income tax payments amounted to €32.4 million (previous year: €92.0 million). These transactions are reported under cash flow from operating activities.

## 38. Employees

	2010	2009
Wage earners	4,278	4,657
Salary earners	4,294	4,290
Trainees	557	594
<b>Average number of employees</b>	<b>9,129</b>	<b>9,541</b>

The personnel expenses reported in the income statement under functional costs amounted to €489.0 million (previous year: €522.8 million).

## 39. Entity-wide Disclosures

At the start of the fiscal year, CLAAS adjusted its reporting to conform with internal reporting structures in accordance with the specifications of IFRS 8. Accordingly, the CLAAS Group is managed as a single business unit operating in the agricultural equipment sector. Representatives of individual business divisions may not act independently, i.e. resources are allocated by the Group Executive Board primarily in view of the Company as an agricultural equipment company. The Group Executive Board has overall responsibility for the Group with regard to its decisions and actions. The primary management parameters provided for this purpose by the internal reporting system are net sales, income before taxes, and human resources capacity. Other divisions, such as Industrial Engineering and Production Technology, do not exceed the quantitative thresholds of IFRS 8, either individually or in aggregate. In essence, the CLAAS Group is a company with only one reportable segment.

The allocation of sales revenues to geographical regions is made on the basis of the country of destination of the product sold or the service provided. Non-current assets were allocated to the regions corresponding to the country of domicile of the relevant company. At present, no individual customers account for a significant portion of sales revenues.

The following table shows sales by division:

in € '000	2010	2009
Agricultural Equipment	2,335,127	2,736,809
Production Technology	114,753	132,424
Industrial Engineering	25,583	31,582
<b>CLAAS Group</b>	<b>2,475,463</b>	<b>2,900,815</b>

Sales and non-current assets by region can be broken down as follows:

in € '000	External sales		Non-current assets*	
	2010	2009	Sept. 30, 2010	Sept. 30, 2009
Germany	665,999	719,566	688,195	704,192
France	534,480	729,608	340,001	315,044
Rest of Western Europe	553,943	620,725	49,620	16,685
Central and Eastern Europe	328,775	424,758	26,423	23,564
Other countries	392,266	406,158	77,603	102,696
Eliminations	-	-	-668,412	-626,015
<b>CLAAS Group</b>	<b>2,475,463</b>	<b>2,900,815</b>	<b>513,430</b>	<b>536,166</b>

\* in accordance with the definition set out in IFRS 8

#### 40. Related Party Disclosures

Related parties within the meaning of IAS 24 generally are: the members of the Supervisory Board and the Shareholders' Committee, the members of the Claas families, the members of the Group Executive Board and the associated companies of 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:

in € '000	Members of the Supervisory Board/ Shareholders' Committee		Members of the Claas families – if not members of the Supervisory Board/ Shareholders' Committee	
	2010	2009	2010	2009
Supervisory Board and Shareholders' Committee remuneration	416	409	-	-
Services	272	337	-	-
Credits granted to CLAAS	51,414	40,987	23,532	24,659

Deliveries to related parties amounted to €161.0 million (previous year: €159.5 million). Deliveries received from related parties amounted to €161.7 million (previous year: €232.2 million). In addition, the CLAAS Group received services from related companies in the amount of €20.3 million (previous year: €21.2 million) and rendered services in the amount of €4.1 million (previous year: €3.3 million). All transactions with related parties were conducted on an arm's length basis.

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

in € '000	2010	2009
Current remuneration	3,271	4,093
Provisions for retirement benefits	213	180

Retirement benefits were paid to former members of the Executive Board of CLAAS KGaA mbH/the Group Executive Board in the amount of €0.5 million (previous year: €0.4 million). Obligations for current pensions and vested rights of former members of the Executive Board of the CLAAS KGaA mbH/the Group Executive Board amounted to €6.5 million (previous year: €6.4 million).

#### 41. Auditor's Fees

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

in € '000	2010	2009
Audit fees	600	625
Fees for other audit services	65	76
Tax consulting fees	162	157
Other fees	-	12
<b>Auditor's fees</b>	<b>827</b>	<b>870</b>

Audit fees include all fees for auditing the financial statements of CLAAS KGaA mbH and the consolidated financial statements as well as the financial statements of the domestic subsidiaries. The fees for other services mainly relate to project-based consulting services.

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

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

- BA Jaderberg GmbH, Jaderberg
- CLAAS Agrosystems GmbH & Co KG, Gütersloh
- CLAAS Fertigungstechnik GmbH, Beelen
- CLAAS Global Sales GmbH, Harsewinkel
- CLAAS Industrietechnik GmbH, Paderborn
- CLAAS Saulgau GmbH, Bad Saulgau
- CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel
- CLAAS Service and Parts GmbH, Harsewinkel
- CLAAS Vertriebsgesellschaft mbH, Harsewinkel

#### 43. Events After the Balance Sheet Date

There were no events or developments after the end of the fiscal year that could have led to material changes in the presentation or the measurement of individual assets or liabilities as of September 30, 2010 or that are subject to disclosure requirements.

## 44. List of Shareholdings

as of September 30, 2010

No.	Company	Subscribed capital	Shareholding		
			in %	owned by company no.	
<b>I. Affiliated companies included in the scope of consolidation</b>					
<b>Domestic companies</b>					
1	CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel	EUR	78,000,000		
2	CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel	EUR	25,600,000	100.0	1
3	CLAAS Beteiligungsgesellschaft mbH i.L., Harsewinkel	EUR	52,000	100.0	40
4	CLAAS Saulgau GmbH, Bad Saulgau	EUR	7,700,000	100.0	1
5	CLAAS Fertigungstechnik GmbH, Beelen	EUR	5,300,000	100.0	1
6	BRÖTJE-Automation GmbH, Wiefelstede	EUR	1,031,000	100.0	5
7	BA Jaderberg GmbH, Jaderberg	EUR	25,000	100.0	6
8	CLAAS Industrietechnik GmbH, Paderborn	EUR	7,700,000	100.0	1
9	CLAAS Vertriebsgesellschaft mbH, Harsewinkel	EUR	3,100,000	100.0	1
10	Brandenburger Landtechnik GmbH, Liebenthal	EUR	1,000,000	50.6	9
11	Mecklenburger Landtechnik GmbH, Mühlengeez	EUR	1,000,000	100.0	9
12	CLAAS Württemberg GmbH, Langenau	EUR	800,000	90.0	9
13	CLAAS Bordesholm GmbH, Bordesholm	EUR	1,000,000	59.0	9
14	CLAAS Agrosystems GmbH & Co KG, Gütersloh	EUR	117,600	100.0	1
15	CLAAS Agrosystems Verwaltungs GmbH, Gütersloh	EUR	32,150	100.0	1
16	CLAAS Osteuropa Investitions GmbH, Harsewinkel	EUR	100,000	100.0	1
17	CLAAS Central Asia Investment GmbH, Harsewinkel	EUR	25,000	100.0	1
18	CLAAS Global Sales GmbH, Harsewinkel	EUR	2,000,000	100.0	1
19	CLAAS Service and Parts GmbH, Harsewinkel	EUR	2,000,000	100.0	1
<b>Foreign companies</b>					
20	CLAAS France Holding S.A.S., Paris/France	EUR	46,009,001	100.0	1
21	Usines CLAAS France S.A.S., Metz-Woippy/France	EUR	31,500,000	100.0	20
22	CLAAS France S.A.S., Paris/France	EUR	8,842,043	100.0	20
23	CLAAS Tractor S.A.S., Vélizy/France	EUR	70,773,481	100.0	20
24	CLAAS Réseau Agricole S.A.S., Vélizy/France	EUR	27,400,000	100.0	23
25	CLAAS Retail Properties Ltd., Shipston on Stour/United Kingdom	GBP	3,812,030	100.0	28
26	RENAULT Agriculture & Sonalika International Plc., Port Louis/Mauritius	USD	900,000	60.0	23
27	CLAAS Holdings Ltd., Saxham/United Kingdom	GBP	10,800,000	100.0	1
28	CLAAS U.K. Ltd., Saxham/United Kingdom	GBP	101,100	100.0	27
29	Southern Harvesters Ltd., Saxham/United Kingdom	GBP	150,000	100.0	28
30	Anglia Harvesters Ltd., Saxham/United Kingdom	GBP	400,000	100.0	28
31	Western Harvesters Ltd., Saxham/United Kingdom	GBP	16,000	75.0	28
32	Eastern Harvesters Ltd., Saxham/United Kingdom	GBP	440,000	75.0	28
33	Scottish Harvesters Ltd., Saxham/United Kingdom	GBP	400,000	100.0	28
34	CLAAS Italia S.p.A., Vercelli/Italy	EUR	2,600,000	100.0	1



No.	Company	Subscribed capital	Shareholding		
			in %	owned by company no.	
35	CLAAS Ibérica S.A., Madrid/Spain	EUR	3,307,500	100.0	1
36	CLAAS Hungaria Kft., Törökszentmiklos/Hungary	HUF	552,740,000	100.0	1
37	OOO CLAAS Vostok, Moscow/Russia	RUB	170,000	100.0	1
38	CLAAS Ukraina DP, Kiev/Ukraine	UAH	30,000	100.0	19
39	CLAAS Argentina S.A., Sunchales/Argentina	ARS	35,310,909	100.0	1
40	CLAAS North America Holdings Inc., Omaha/Nebraska/USA	USD	700	100.0	1
41	CLAAS of America Inc., Omaha/Nebraska/USA	USD	100	100.0	40
42	CLAAS Omaha Inc., Omaha/Nebraska/USA	USD	100	100.0	40/3
43	Platte River Receivables Inc., Columbus/Indiana/USA	USD	1	100.0	40
44	CLAAS India Private Ltd., Faridabad/India	INR	391,460,000	100.0	1
45	OOO CLAAS, Krasnodar/Russia	RUB	93,368,880	99.0	16
46	BRÖTJE-Automation-USA Inc., Omaha/Nebraska/USA	USD	1,000	100.0	6
47	CLAAS Polska sp. z o.o., Poznań/Poland	PLN	5,000,000	100.0	1

**Other companies consolidated pursuant to SIC-12**

48	CHW Fonds, Luxembourg/Luxembourg
49	Mercator Funding Ltd., Saint Helier/Jersey

**II. Investments accounted for using the equity method and other significant shareholdings**

50	CLAAS GUSS GmbH, Bielefeld/Germany	EUR	4,680,000	44.5	1/4
51	CS Parts Logistics GmbH, Bremen/Germany	EUR	1,550,000	50.0	19
52	Landtechnik-Zentrum Chemnitz GmbH, Hartmannsdorf/Germany	EUR	750,000	90.0	9
53	Worch Landtechnik GmbH, Schora/Germany	EUR	55,000	39.0	9
54	Landtechnik Steigra GmbH, Steigra/Germany	EUR	615,000	15.1	9
55	CLAAS Südostbayern GmbH, Mühldorf/Germany	EUR	700,000	30.0	9
56	Technik Center Grimma GmbH, Mutzschen/Germany	EUR	350,000	30.0	9
57	CLAAS Grasdorf GmbH, Grasdorf/Germany	EUR	500,000	25.1	9
58	James Gordons Ltd., Castle Douglas/United Kingdom	GBP	400,000	17.5	28
59	Sellars Agricultural Ltd., Old Meldrum/United Kingdom	GBP	237,500	20.0	28
60	CLAAS Finance Ltd., Basingstoke/United Kingdom	GBP	3,000,000	49.0	27
61	CLAAS Financial Services Ltd., Basingstoke/United Kingdom	GBP	8,600,000	49.0	28
62	CLAAS Financial Services S.A.S., Paris/France	EUR	38,094,772	39.9	1
63	CLAAS Financial Services LLC., San Francisco/California/USA	USD	0	34.0	41/62
64	G.I.M.A. S.A., Beauvais/France	EUR	8,448,500	50.0	23
65	Uz CLAAS Agro LLC., Tashkent/Uzbekistan	UZS	2,125,410,000	49.0	17
66	S@T-INFO S.A.S., Chalon-sur-Saône/France	EUR	77,260	34.0	20
67	SAMA S.A.S., Bauge/France	EUR	934,992	20.0	24

## Management Statement on the Preparation of the Consolidated Financial Statements

These consolidated financial statements for the fiscal year ended September 30, 2010 and the Group management report were prepared by the Executive Board of CLAAS KGaA mbH on November 24, 2010. The accuracy and completeness of the information contained in the financial statements and the Group management report are the responsibility of the Company's management. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Directive 83/349/EEC. Previous year figures were determined in accordance with the same principles. The consolidated financial statements are supplemented by the Group management report and additional disclosures in accordance with Section 315a of the German Commercial Code (HGB).

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

Harsewinkel, November 24, 2010

Dr. Theo Freye

Dr. Hermann Garbers

Hans Lampert

## Independent Auditor's Report

We have audited the consolidated financial statements of CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel, consisting of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes to the consolidated financial statements, as well as the Group management report for the fiscal year from October 1, 2009 to September 30, 2010. The preparation of the consolidated financial statements and the Group management report in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and the Group management report.

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

Our audit has not led to any reservations.

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

Düsseldorf, November 24, 2010

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft

(Harnacke)  
Wirtschaftsprüfer  
(German Public Auditor)

(Bedenbecker)  
Wirtschaftsprüfer  
(German Public Auditor)

## Structure of CLAAS KGaA mbH

### Personally Liable Partner

Helmut Claas GmbH

### Shareholders

Helmut Claas  
Günther Claas (community of heirs)  
Reinhold Claas

### KGaA Shareholders

Family Helmut Claas  
Family Günther Claas  
Family Reinhold Claas

### Shareholders' Committee

Helmut Claas, Harsewinkel  
Chairman  
Cathrina Claas-Mühlhäuser, Frankfurt am Main  
Deputy Chairwoman

### Supervisory Board

Cathrina Claas-Mühlhäuser, Frankfurt am Main  
Chairwoman  
Guntram Schneider, Münster\* (until 01 / 2010)  
Deputy Chairman  
Jürgen Schmidt, Coesfeld\* (since 01 / 2010)  
Deputy Chairman  
Christian Ernst Boehringer, Wiesbaden (since 01 / 2010)  
Helmut Claas, Harsewinkel  
Oliver Claas, Bohmte (until 12 / 2009)  
Patrick Claas, Gütersloh (since 01 / 2010)  
Reinhold Claas, Harsewinkel  
Michael Köhler, Paderborn\*  
Nicola Leibinger-Kammüller, Ditzingen (until 01 / 2010)  
Günter Linke, Harsewinkel\*  
Ulrich Nickol, Bad Saulgau-Sießen\* (since 01 / 2010)  
Gerd Peskes, Düsseldorf  
Heinrich Strotjohann, Harsewinkel\*  
Carmelo Zanghi, Paderborn\*

\* Employee representatives

### Group Executive Board

Theo Freye\*\*  
Hermann Garbers\*\*  
Ulrich Jochem  
Lothar Kriszun  
Hans Lampert\*\*  
Rolf Meuther  
Jan-Hendrik Mohr

\*\* Executive Board of Helmut Claas GmbH

### Authorized Company Representatives

Gerd Hartwig  
Stefan Belda

## Ten-Year Overview

in € million	2010	2009	2008	2007	2006	2005	2004	2003*	2002*	2001*
<b>Financial Performance</b>										
Net sales	2,475.5	2,900.8	3,236.2	2,658.9	2,350.9	2,175.3	1,928.4	1,496.3	1,265.5	1,147.9
Foreign sales (in %)	73.1	75.2	77.6	76.3	76.3	75.1	76.8	69.2	64.9	68.9
Income before taxes	77.2	112.3	248.1	175.8	130.7	86.4	36.1	22.6	55.8	36.1
<b>Net income</b>	<b>51.5</b>	<b>73.4</b>	<b>169.3</b>	<b>114.8</b>	<b>80.9</b>	<b>54.7</b>	<b>21.9</b>	<b>17.9</b>	<b>32.5</b>	<b>14.3</b>
<b>Financial Position</b>										
<b>Non-current assets</b>	<b>561.6</b>	<b>579.1</b>	<b>522.8</b>	<b>493.3</b>	<b>501.9</b>	<b>473.9</b>	<b>472.2</b>	<b>438.1</b>	<b>306.8</b>	<b>247.5</b>
Intangible assets	112.2	120.2	126.6	141.3	145.6	123.1	119.8	55.8	20.0	6.8
Property, plant, and equipment	330.5	322.4	281.0	257.6	260.8	243.9	249.1	252.3	192.8	155.5
Other non-current assets	118.9	136.5	115.2	94.4	95.5	106.9	103.3	130.0	94.0	85.2
<b>Current assets</b>	<b>1,716.8</b>	<b>1,627.6</b>	<b>1,501.1</b>	<b>1,282.7</b>	<b>1,109.5</b>	<b>1,137.8</b>	<b>973.7</b>	<b>974.7</b>	<b>712.8</b>	<b>683.9</b>
Inventories	418.1	519.3	394.6	343.0	339.9	295.0	280.6	337.6	207.1	168.5
Other current assets	391.0	431.1	390.3	341.8	333.6	342.1	312.5	292.3	205.0	181.3
Liquid assets	907.7	677.2	716.2	597.9	436.0	500.7	380.6	344.8	300.7	334.1
<b>Equity</b>	<b>814.2</b>	<b>775.5</b>	<b>731.0</b>	<b>604.4</b>	<b>502.5</b>	<b>484.9</b>	<b>374.4</b>	<b>292.5</b>	<b>292.2</b>	<b>268.8</b>
<b>Funds similar to equity**</b>								<b>106.3</b>	<b>58.3</b>	<b>56.3</b>
<b>Liabilities</b>	<b>1,464.2</b>	<b>1,431.2</b>	<b>1,292.9</b>	<b>1,171.6</b>	<b>1,108.9</b>	<b>1,126.8</b>	<b>1,071.5</b>	<b>1,014.0</b>	<b>669.1</b>	<b>606.3</b>
Non-current liabilities	720.6	766.2	503.8	541.4	545.4	499.2	569.6	502.5	309.7	301.9
Current liabilities	743.6	665.0	789.1	630.2	563.5	627.6	501.9	511.5	359.4	304.4
<b>Total assets</b>	<b>2,278.4</b>	<b>2,206.7</b>	<b>2,023.9</b>	<b>1,776.0</b>	<b>1,611.4</b>	<b>1,611.7</b>	<b>1,445.9</b>	<b>1,412.8</b>	<b>1,019.6</b>	<b>931.4</b>
<b>Key Performance Indicators</b>										
Return on sales (in %)	3.1	3.9	7.7	6.6	5.6	4.0	1.9	1.5	4.4	3.2
EBIT	116.1	146.9	282.5	209.9	162.8	118.0	70.4	53.2	84.0	66.7
EBITDA	200.3	230.0	385.6	312.0	246.4	186.7	142.4	90.9	111.9	111.5
Return on equity (in %)	6.3	9.5	23.2	19.0	16.1	11.3	5.8	6.1	11.1	5.3
Return on assets (in %)	5.1	6.7	14.0	11.8	10.1	7.3	4.9	3.8	8.2	7.2
Cash earnings	117.2	156.9	285.9	236.3	171.4	130.7	94.2	51.2	67.4	67.7
Equity-to-assets ratio (in %)	35.7	35.1	36.1	34.0	31.2	30.1	25.9	20.7	28.7	28.9
Cash ratio (in %)	122.1	101.8	90.8	94.9	77.4	79.8	75.8	67.4	83.7	109.7
Equity and non-current liabilities to non-current assets (in %)	273.3	266.2	236.2	232.3	208.8	207.7	199.9	205.7	215.2	253.3
Working capital	512.6	692.8	474.8	420.2	413.7	443.9	368.1	415.9	303.5	251.8
<b>Employees</b>										
Employees as of the reporting date (including trainees)	8,968	9,467	9,100	8,425	8,191	8,134	8,127	8,391	6,114	5,488
Personnel expenses	489.0	522.8	514.9	472.8	455.7	433.1	416.8	352.3	291.7	277.3

\* Figures for 2001 through 2003 in accordance with U.S. GAAP.

\*\* Under U.S. GAAP participation certificates, the silent partnership and minority interest are funds similar to equity.

## Definitions

Return on sales (in %) =  $\frac{\text{Income before taxes}}{\text{Net sales}} \times 100$

EBIT = Net income + income taxes + interest and similar expenses

EBITDA = EBIT +/- depreciation/write-ups of intangible and tangible assets

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

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

Cash earnings = Net income + depreciation/amortization of non-current assets +/- change in pension provisions and other non-current provisions +/- deferred tax expenses/income +/- other non-cash expenses/income

Cash flow-to-sales ratio (in %) =  $\frac{\text{Cash earnings}}{\text{Net sales}} \times 100$

Free cash flow = Cash flows from operating activities - payments for additions to/+ proceeds from the disposal of intangible assets and property, plant and equipment - payments for additions to/+ proceeds from the disposal of investments - payments for investments in/+ proceeds from the repayment of borrowings

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

Liquid assets = Cash and cash equivalents + current securities

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

$$\text{Quick ratio (in \%)} = \frac{\begin{aligned} &\text{Liquid assets + trade receivables + income tax assets} \\ &+ \text{other receivables and current assets - current derivative assets - prepaid expenses} \\ &+ \text{non-current receivables from investments + other non-current assets} \end{aligned}}{\text{Current liabilities}} \times 100$$

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

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

$$\text{Capital expenditure} = \text{Capital expenditure for intangible assets (excluding goodwill) + capital expenditure for property, plant and equipment}$$

$$\text{Working capital} = \begin{aligned} &\text{Inventories - advance payments received +/- trade accounts receivable/payable} \\ &+/- \text{accounts receivable/payable to investments + POC receivables +/- notes receivable/payable} \end{aligned}$$

$$\text{Inventory turnover (in \%)} = \frac{\text{Average inventory}}{\text{Net sales}} \times 100$$

$$\text{Receivables turnover (in \%)} = \frac{\text{Average trade receivables}}{\text{Net sales}} \times 100$$

$$\text{Days sales outstanding} = \text{Receivables turnover} \times 365$$

# Locations

## USA

Columbus/Indiana

- CLAAS of America Inc.

Omaha/Nebraska

- ▲ BRÖTJE-Automation-USA Inc.
- CLAAS of America Inc.
- CLAAS Omaha Inc.

San Francisco/California

- CLAAS Financial Services LLC.

## Argentina

Sunchales

- CLAAS Argentina S.A.

- Industrial Engineering
  - ▲ Production Technology
- Agricultural Equipment
- Product Company
  - Sales Company
  - Financing Company

## United Kingdom

Basingstoke

- CLAAS Financial Services Ltd.

Saxham

- CLAAS U.K. Ltd.

## France

Le Mans

- CLAAS Tractor S.A.S.

Metz-Woippy

- Usines CLAAS France S.A.S.

Paris

- CLAAS Financial Services S.A.S.
- CLAAS France S.A.S.

Vélizy

- CLAAS Réseau Agricole S.A.S.
- CLAAS Tractor S.A.S.

## Spain

Madrid

- CLAAS Ibérica S.A.

## Italy

Vercelli

- CLAAS Italia S.p.A.





# Products and Services

## Combine Harvesters

- LEXION 770-740
- LEXION 670-620
- TUCANO 480/470
- TUCANO 450-320
- AVERO 240
- DOMINATOR 150-130
- CROP TIGER 60-30

## Foragers

- JAGUAR 980-930
- JAGUAR 900-830
- JAGUAR 810

## Tractors

- XERION 5000/4500
- XERION 3800/3300
- XERION SADDLE TRAC
- AXION 850-810
- ARION 640-610
- ARION 540-510
- ARION 430-410
- AXOS 340-310
- NEXOS 240-210
- ELIOS 230-210

AXION with DISCO



SCORPION



JAGUAR, CARGOS



EASY

## Balers

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QUADRANT 3400

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QUADRANT 3200

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QUADRANT 2200

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QUADRANT 2100

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QUADRANT 1150

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ROLLANT 455/454 UNIWRAP

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ROLLANT 355/354 UNIWRAP

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ROLLANT 455-260

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VARIANT 385-350

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## Forage Harvesting Machinery

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COUGAR 1400

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CORTO 3150-185

---

DISCO 9300-210

---

VOLTO 1320-45

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LINER 4000-350

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CARGOS 9600-9400

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QUANTUM 6800-3800

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## EASY – Efficient Agriculture Systems by CLAAS

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on board

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on field

---

on track

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on farm

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## CLAAS SELECT

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Products for CLAAS Machines:

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Bale packaging materials

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Lubricants

---

Batteries

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Camera systems

---

Measuring instruments

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Workshop equipment

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Tires

---

## Telehandlers

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SCORPION 9040-7030

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SCORPION 6030

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LEXION



QUADRANT



ARION

## Calendar 2011 – Important Trade Fairs

### **January**

AG Connect Expo, Atlanta, Georgia/USA  
International Green Week, Berlin/Germany

### **February**

SIMA – international agricultural show,  
Paris/France  
InterAGRO – international agricultural show,  
Kiev/Ukraine

### **March**

EXPOAGRO – international agricultural show,  
Baradero, Buenos Aires province/Argentina

### **May**

Grassland & Muck, Stoneleigh, Warwickshire/UK

### **June**

Cereals, Leadenham/UK  
Royal Highland Show, Edinburgh/UK

### **August**

Farm Progress Show, Decatur, Illinois/USA

### **September**

Agro Show, Poznań/Poland

### **October**

Agrosalon, Moscow/Russia

### **November**

AGRITECHNICA, Hannover/Germany  
SITEVI – international expo for wine and fruit  
growing technology, Montpellier/France



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